

## EU report warns of Belarus hyperinflation risk

Reuters World Report Tuesday, April 14, 1998 7:19:00 PM

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MINSK, April 14 (Reuters) - Belarus could be set to spiral into hyperinflation if it continues with current economic policies, the head of an economic analysis programme sponsored by the European Union said on Tuesday.

"The policy of unpredictability is increasing and could result in a scenario of hyperinflation," Jorge de Macedo told a news briefing held to present a report, funded by the EU's TACIS programme, on the Belarus economy in the first quarter of 1998.

The quarterly report on Belarus Economic Trends, produced by the TACIS-supported European Expertise Service, predicted the former Soviet republic's policies could push annual inflation in 1998 to 144 percent.

Belarus' authoritarian president Alexander Lukashenko has resisted market reforms and prefers a planned economy in the Soviet style, regularly ordering the printing of money to cover budget deficits.

Lukashenko last month blamed a currency crisis on a Western conspiracy to discredit Belarus's economic policies and force early elections.

The government is targeting 27 percent inflation for the year, while the European Expertise Service had previously forecast that inflation would be 65 percent to 85 percent.

But the Belarussian rouble fell heavily in March, plummeting most recently to around 65,000 roubles to the dollar from 45,000 roubles at the start of this year.

Currency traders expect it to slip to 70,000 roubles by the end of the month, while the EU-funded economists saw it falling below 86,000 roubles to the dollar in the course of the year.

The authors of the report urged the government and National Bank to follow clear and transparent policies to win back market confidence, criticising in particular the continued co-existence of an official and a market exchange rate.

One of the authors, Miguel de Freitas, told the briefing the growing difference between the official and free market exchange rates was provoking a lack of faith in the national currency.

The official exchange rate on Tuesday was 34,160 roubles to the dollar, while on the foreign interbank market, dominated by Russian banks, the rate was 67,000 to 69,000 roubles to the dollar.

Lukashenko's measures to contain the crisis, which included slapping trading restrictions on non-residents and ordering prices be slashed to pre-crisis levels, had a minimal effect. Panic buying in the capital stripped shops bare in March.

Trading restrictions have since been lifted, while inflation in March was 3.3 percent compared to the government's order for it not to exceed two percent.

Lukashenko's Soviet-style rule has alienated many foreign investors and support agencies discouraged by lack of reform. The International Monetary Fund and the World Bank have both frozen their lending programmes.

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