

Russian-Belarusian Relations after Vilnius OLD WINE IN NEW BOTTLES?

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Tension in the relationship between Belarus and Russia has remained in the shadow of the more visible discord between Russia and Ukraine, stemming from the latter's now-spoiled efforts to sign an Association Agreement with the EU at the Eastern Partnership Summit in Vilnius in November. The quarrel between Belarus and Russia arose from a bout of assertive behavior on the part of Belarusian President Alexander Lukashenko. For those who assume Lukashenko long lost his freedom of action vis-à-vis Moscow, this was an unusual turn of events. Yet it is easy to explain. Lukashenko perceived an opportunity to exploit his status as Russia's most valuable ally to increase economic subsidies, a necessity for securing reelection in 2015. Given Russia's strong and publicly declared interest to rapidly proceed toward the creation of the Eurasian Economic Union, Lukashenko's gambit is likely to succeed.

New Controversies

The symbol of the current phase in Russian-Belarusian relations is the so-called "Baumgertner case." Vladislav Baumgertner, a top manager at the Russian potash company Uralkali, was arrested in Minsk in August. Uralkali and the Belarusian company Belaruskali had a cartel agreement, but this year their cooperation unraveled to the severe detriment of Belarus. Minsk interpreted the collapse of the cartel as a plot by Russian economic actors. Baumgertner was invited to Belarus for negotiations with Belarusian Prime Minister Mikhail Miasnikovich. After the meeting yielded no results, Baumgertner was detained and placed in a KGB detention cell and then under house arrest. Embezzlement charges were brought against him. Meanwhile, an international warrant was issued to arrest one of the co-owners of Uralkali, Suleiman Kerimov, one of Russia's richest businessmen and a Federation Council member from Dagestan. Four other citizens of Russia were implicated in the case; reportedly, the Belarusian secret services tried to abduct one of them in Moscow in October. As a precondition of Baumgertner's release and transfer to Russia, Lukashenko publicly demanded full

compensation of the damages Belarus allegedly incurred. Baumgertner was extradited back to Russia at the end of November, but only after a criminal investigation was instigated against him back home (and upon return, Baumgertner found himself again behind bars). Kerimov's assets in Uralkali were sold to new owners evidently more to Lukashenko's liking.

In this memo, I do not intend to explore all possible explanations for Russia's mild reaction and why Russia chose not to apply serious pressure to achieve the release of one of its citizens. There are many versions, linked primarily to the non-transparent interplay of interests within Russia's top echelons of power. It is also not critical for our purposes to determine what Minsk has specifically gained from this action in financial terms.

What matters is that Lukashenko was able to openly challenge Moscow and, indirectly, the Russian business community. In doing so, Lukashenko scored public relations points on the domestic front as an anti-oligarchic campaigner—he took a Russian citizen hostage, demanded ransom, and played a “cat-and-mouse” game that went unpunished. He was also able to paint Moscow's inaction as a sign of Russia's weakness vis-à-vis Belarus rather than a sign of strength.

In the meantime, Lukashenko has stepped up criticism of Russia's most important contemporary foreign policy project, the Eurasian Customs Union (CU). In October, Belarusian Deputy Prime Minister Vladimir Semashko blamed CU regulations for losses to the country's auto and agriculture machine-building industries. In particular, he criticized the introduction of a new recycling fee on all cars (earlier it was levied only on cars imported from outside the CU). This was estimated to cost Belarusian companies \$350 million a year. Lukashenko himself has spoken out against Russian duties on crude oil imports which are refined for export (only crude oil refined for domestic consumption is exported from Russia to Belarus duty-free). For this the price tag is far higher (\$4 billion). Lukashenko's political message is unambiguous: if Russia wants the CU to grow into a full-fledged economic union, money has to stay inside Belarus.

Furthermore, Minsk has not sided with Russia in its conflict with Ukraine. In line with a foreign policy tradition that includes good relations with Mikheil Saakashvili's Georgia and non-recognition of the independence of South Ossetia and Abkhazia, Minsk has demonstrated an understanding of Ukraine's desire to turn toward Europe. Lukashenko paid a productive visit to Kyiv in June and warmly received Ukraine's Prime Minister Mykola Azarov in Minsk in October. Significantly, Belarus did not join the ban that Russian authorities imposed on the import of Ukrainian chocolates in August. In this case, Minsk's motivations are rather Machiavellian – if Ukraine were to join Russia-led reintegration projects, Belarus would have to compete with Ukraine for Russia's benevolence and would lose in importance.

A Gamble or Sober Calculation?

This is not the first time Lukashenko has employed the tactic of creating a problem in relations with Russia that can only be solved by granting Belarus additional economic

benefits. His motivation this year is clear: from January to September, Belarus' GDP grew only 1.1 percent rather than the "planned" 8.5 percent, and its trade deficit increased substantially. The country's economic situation is troubling. Unless massive Russian subsidies arrive, Lukashenko's political support is likely to suffer, complicating prospects for his reelection in 2015.

But the real question is not why Minsk wants more from Russia, but why Lukashenko believes Moscow will be receptive to his wishes at this time. One reason for Minsk's confidence is clear. After it became obvious that Ukraine would not join the CU—regardless of whether it signs an Association Agreement with the EU—Belarus found itself in a key position with respect to the fate of the Eurasian integration project. For Moscow, it has become imperative to make sure Belarus stays on board. Minsk and Astana both have numerous complaints about (and demands on) Moscow's Eurasian project; it may be easier for Moscow to pay off Minsk alone than to face any type of united resistance.

A similar dynamic holds in the matter of CU enlargement. For now, the prospects for enlargement are uncertain. Armenia's accession to the CU is much less important for Moscow than simply securing its rejection of an Association Agreement with the EU. It is also doubtful that Tajikistan and Kyrgyzstan, both CU candidates, would be able to guarantee the implementation of any commitments they might make, but if either of them were to become a serious candidate, Moscow could expect a "bill" from Minsk. This is particularly true in the case of Kyrgyzstan, given the open diplomatic conflict between Minsk and Bishkek that resulted from the former's grant of political asylum and citizenship to overthrown Kyrgyz president Kurmanbek Bakiev. The leaders of the two countries have gone so far as to boycott meetings in their respective capitals: Lukashenko did not attend the CSTO summit in Bishkek in May 2013 and Kyrgyzstan's President Almazbek Atambaev reciprocated by not coming to Minsk for a top CIS gathering in October.

Second, Belarus' role as Russian military ally is increasing in importance. A Russian air base will be established in Belarus in the near future. Three C-300 air defense complexes have already been deployed in the country and four more are on their way. A large-scale joint exercise ("Zapad-2013") was conducted in September and there are plans to hold another ("Union Shield-2015"). Traditionally, the Belarusian leader has been very skillful at playing on Moscow's geopolitical phobias and in appealing to the Russian defense establishment. It is likely that Minsk will again be able to turn Russia's growing military-political dependence on Belarus into benefits for the regime.

Third, Minsk is well aware of infighting among Russia's ruling elites, including on approaches toward Belarus, which makes it impossible for Moscow to have a coherent Belarusian policy. There have always been quarrels between "financial pragmatists" and "geo-politicians," as well as conflicting economic interests. The novelty of the moment is the interest of Rosneft president Igor Sechin, one of Putin's closest collaborators and one of Russia's most influential figures, to concentrate into a single company (Rosneft) all exports of Russian crude oil to Belarus. These flows are currently spread between eight companies. This provides Lukashenko enormous

opportunity for lobbying and making deals (like trading exclusive privatization rights in a Belarusian refinery for increased and guaranteed deliveries) with one Russian actor who would then protect his interests in Moscow, if necessary, against the position of the Russian government as a whole. Revealingly, when the Russian cabinet of ministers indicated that it was going to cut deliveries of oil to Belarus in connection with the Baumgartner affair, Sechin expressed displeasure with this and even paid a visit to Minsk.

Fourth, Moscow's capability to challenge Lukashenko's position within Belarus is very low, as is the credibility of any threat to "find a replacement." A defamation campaign that ran in Russia in 2010 did not affect the Belarusian president's ratings. Moscow's decision not to protest against political repression, which has included as its victims individuals who advocate retaining close ties with Russia, has undermined Moscow's chances to create a powerful pro-Russian opposition grouping.

Fifth, Minsk currently requires less political protection vis-à-vis the West. EU policy toward Belarus has proven to be inefficient and uncoordinated. Targeted sanctions and demands to free political prisoners have gone hand-in-hand with economic cooperation, active diplomatic contacts, and, most importantly, the treating of Minsk as a partner in the context of the Eastern Partnership. This policy culminated in suspending the visa ban against Belarusian Minister of Foreign Affairs Vladimir Makey, formerly the head of Lukashenko's presidential administration who shares political responsibility for repressions, and a search for a formula that would enable Belarus to participate in the Eastern Partnership summit in Vilnius at a high political level. Of course, even if EU economic sanctions were a reality, their impact on Russian-Belarusian relations would be unclear. The need to ask greater support from Russia might make Minsk less self-confident, but the perceived legitimacy of the claim of "a friend in need" might also help raise subsidies even higher. Given the reality, however, Minsk is able to simply ignore any EU rhetoric about sanctions.

The Best Option for Russia? More of the Same

At present, the range of scenarios for the evolution of Russian-Belarusian relations in the short- to mid-term is quite narrow. Generally, Moscow ought to be satisfied with current developments. The possibility for Minsk to conduct a more balanced foreign policy has been eliminated. Even hypothetical pre-conditions for this are emerging very slowly, if at all. Although some actions by Lukashenko may be disturbing for the Kremlin, enthroning a more obedient figure in Minsk is impossible and anyhow would be risky since a substitute would not necessarily be able to run the machinery built by and for the incumbent. If this state of geopolitical affairs, Lukashenko's loyalty, and the promotion of integration projects has a price, it is one that must be paid.

Therefore, a more likely scenario is one of "status quo plus," which involves a bailing out of Lukashenko. In monetary terms, the needs are not exorbitant. Taking into account that in 2012 Russian oil and gas subsidies alone made up almost 16 percent of Belarusian GDP, a modest increase of one or two percentage points would hardly affect the Russian economy, provided oil prices stay high. In addition, some money could

return to Russia if as part of a package deal Russian companies receive assets in Belarus and some non-tariff export barriers are lifted. All in all, it was not surprising that at the October 2013 CIS summit in Minsk Putin confirmed that Russia would be ready to abolish all oil export duties for Belarus beginning January 2015.

A less likely scenario is a “plateau scenario,” which depends less on the Kremlin and more on factors beyond its control, primarily whether the economic slowdown in Russia becomes protracted. If so, the project of creating the Eurasian Economic Union might have to be postponed. This would cancel the urgency of buying Minsk’s consent. However, the level of Russian subsidies would still need to be high, otherwise Minsk could re-activate its search for other external sponsors, in the West or even in China, which could find Belarus attractive as an entry point into CU markets. Popular support for integration with Russia, already gradually in decline, could plunge abruptly.

Overall, however, it seems a revision of the current paradigm is unlikely. This would require a much broader overhaul of Russian foreign policy priorities, something not at all on the horizon. Lukashenko has long positioned Belarus as Russia’s last remaining geopolitical client state on its Western front. Any real intrigue concerns only the amount of Moscow’s generosity.

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