

# Russia's Belarus Dilemma

Arkady Moshes

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Russia's Belarus dilemma can be formulated as two questions. Should Moscow continue the process of political integration with Belarus--which necessarily entails interaction with and support of the regime of President Aleksandr Lukashenko--in order to enjoy certain geopolitical, security and economic dividends? Or, should Moscow gradually give up the current bilateral "special relationship," which depletes Russia's financial resources, implicitly complicates the Russian-Western agenda, and threatens to bring negative effects for future relations between the two countries should the opposition one day come to power in Belarus?

## Why Belarus Matters

The geopolitical advantages for Moscow of general political integration with Belarus, and of a Russian-Belorussian single state (or union) specifically, are well known. Close ties with Belarus remove the potential risk of Russia's isolation from Central East Europe: they provide Moscow with additional instruments to pursue policy towards Poland, Ukraine, and the Baltic states as well. If Moscow had problematic relations with Minsk, Russia's Baltic exclave Kaliningrad would find itself "two states away" from the mainland, and this would not only constitute a psychological problem but raise numerous practical issues regarding communications with the area.

Equal attention has been paid to the military-strategic aspect of Russian-Belorussian cooperation. Russia uses Belorussian territory to deploy an anti-missile early-warning station that replaces one built during the Soviet period in Latvia and destroyed in the late 1990s. It is noteworthy that Russia received the right to have a base in Belarus for free, even though the rent (as precedents in the post-Soviet space indicate) could have amounted to several hundred million dollars a year. Also, the two countries run the joint Air Defense system, which undoubtedly strengthens Russian defense potential in the Western direction. The geostrategic importance of Belarus for Russia has grown in the context of NATO eastern enlargement, which is still seen as directly opposing Russia's security interests. Defense integration with Belarus is one way to neutralize this challenge.

The role of Belarus as an economic partner for Russia, on the other hand, has been largely overlooked, or erroneously seen as a function of policy. In the first half of 2000, Belarus was Russia's second largest trade partner (6.8%), inferior only to Germany and approximately equal to Ukraine (whose population is five times larger). Although in absolute figures the bilateral trade is only approaching the volume it had reached before the Russian economic crisis of 1998, the trend is favorable for Russia concerning the trade balance. From a trade deficit of about 100 million (US) dollars in 1997, Russia arrived at a noticeable surplus of over a half billion dollars in 1999, and 450 million in the first quarter of 2000. While non-money forms of payment are still very much present, they do not prevail. In 1999 the share of barter operations was 36.3% of Russian exports to Belarus and 42.1% of imports.

Economic links between Russia and Belarus are rather diversified. Seventy-nine out of 89 Russian regions had direct trade relations with Belarus as of 1999, compared to 37 in 1996. Seventy regions signed economic cooperation agreements with Belarus. (Moscow's share of bilateral trade in 1999 was 33%; Tyumen's, 18.6%.) On the Belorussian side Minsk was the leader, with 38.6%.

The already significant role of Belarus in servicing Russian energy export to Western Europe is bound to grow further. The "preferential treatment" that Russian transit receives (transit fees for gas are two times lower than in Ukraine) is an element of a larger equation that includes low energy prices for Belarus. Most compelling, however, is that unlike Ukraine, Belarus has positioned itself as a disciplined and reliable agent--no cases of gas theft have been reported--which made it attractive for new transit infrastructure investments. One pipeline has been operational since September 1999; an international consortium to build another one was set up in October 2000. Also, there are projects aimed at increasing the participation of Belarus--its oil refineries in particular--in Russia's oil exports via ports in Latvia and Lithuania (here much will depend on whether Russia will still need this after it has created its own port infrastructure in the Finnish Gulf).

### **What Went Wrong with Russian-Belorussian Integration**

The crucial weakness of the Russian-Belorussian political integration process now seems to be the fact that the question has been on the agenda for too long with few tangible results. Too often, especially in the Yeltsin era, the issue was exploited by political leaders on both sides to boost their own domestic popularity, engendering false expectations among the public that never materialized. This is not to say that support for the cause has disappeared. Reunification in one form or another remains popular among the Russian public, but it is a passive sort of popularity that, even hypothetically, would be very difficult to channel into any meaningful act of state-building, since the Russian constitution cannot be amended by referendum (it requires a complicated and lengthy legal procedure). In the meantime, an *ad hoc* coalition of opponents of a single state has been formed that ranges from liberals, afraid of the need to increase subsidies to the Belorussian economy; to the Communists, who despite their pro-integration rhetoric did not want Lukashenko to get a chance to participate in Russian politics and take away a large part of their own traditional electorate; to a number of Russian governors that were against Belarus's more privileged status in comparison to their regions within the new state.

Furthermore, a limit for political integration "on paper" has been reached. In order to move forward, the two states have to unambiguously concede certain clearly defined powers to supranational legislative and executive bodies. However, this would contradict both the views of Lukashenko, who always insisted that Belarus should retain "full sovereignty," and Putin's current policy of recentralizing Russia.

In the economic sphere, Russia has grounds to feel increasingly dissatisfied with the mechanism of indirect subsidies, which was created in the mid-1990s and has largely survived until the present. The subsidies are based primarily on two elements. The first one is special energy prices (e.g., \$30 for one thousand cubic meters of gas in 1999 and \$27.9 as of February 2000), which are 2-2.5 times lower than those Ukraine is charged. There is an economic logic behind this as well--Belorussian industries are suppliers to the proper Russian production process that prioritizes minimization of Belorussian costs. Nevertheless, whatever the rationale is, preferential energy prices *de facto* make Russia bear part of Belorussia's economic expenses. In addition, although no clear evidence was found, Minsk is suspected of re-exporting Russian energy sources at world prices. The second element, the Customs Union, due to discrepancies in tariffs in Russia and Belarus on different goods and lack of proper border control, until recently

provided a “hole” for smuggling into Russia goods (alcohol in particular) estimated to be worth billions of dollars.

Finally, Russia failed to ensure that bilateral rapprochement means real integration of the two nations (though it should be remembered that the Belorussian presidential elections of 1994 were a contest of promises to bring the country closer to Russia, and the popularity of the idea was later confirmed by a 1995 referendum). To some extent, the whole process now appears to occur within the current Belorussian leadership, which needs Moscow’s support. This was evident with respect to Belorussian parliamentary elections: while US and European organizations dismissed the elections, Russian observers and the Foreign Ministry found them fair, criticizing Western reaction as “highly biased.”

In analytical terms, the lack of dialogue between official Moscow and the Belorussian opposition is not a matter of immediate concern for Russia. As long as the opposition remains internally split and uncoordinated, and does not have a convincing positive electoral message, its chances of coming to power are very small. This lack of contacts is not solely Moscow’s fault. Rejecting the very idea of political integration and obviously misjudging Lukashenko’s ability to withstand pressure, the opposition chose the West as its only political ally and missed the chance to influence Minsk via Moscow, whose regime at that time was far more democratic. It should be added that the opposition (not entirely fairly) blamed Russia for endorsing Lukashenko’s dissolution of the parliament in 1996, which offended those Russian politicians personally involved. All this helped strengthen the perception that the Belorussian president was Moscow’s only partner.

### **Looking for a Third Option: Moscow’s Pragmatic Response**

After Vladimir Putin was elected Russia’s president in March 2000, or likely even after his appointment as prime minister eight months earlier, Russia accelerated the search for a solution to its Belarus dilemma. As is often the case, Moscow is looking for a way out, a suitable compromise for this highly contradictory issue.

On the one hand, at the symbolic and rhetorical level, Moscow keeps emphasizing the strategic priority of relations with Belarus. In that vein, in April 2000 the newly-elected Putin paid his very first foreign visit to Minsk. Belarus is the only CIS country that received specific mention in the Russian foreign policy concept (in the context of union with Russia) that was adopted in July 2000.

On the other hand, however, Russia is de-politicizing the issue in its practical policy. The December 1999 Treaty on Creating the Union was accompanied by the Implementation Program, which set clear deadlines for fulfilling certain legal and economic procedures and tasks that are prerequisite for reunification. As of fall 2000, implementation was behind schedule. It is also noteworthy that several deadlines in the program are for 2005 (after the next presidential elections): in other words, beyond the current Russian political horizon. It is not clear when the union’s parliament will be elected. Except for creating a new bureaucracy in the executive branch, Moscow will most likely slow measures in the political sphere. This was realized by Alexander Lukashenko, who during his August 2000 meeting with Russian Communist leader Gennady Zyuganov lamented the “slackening” of the union and complained that “those who once fiercely obstructed the signing of [the Union Treaty] are now running what has been created.”

Russian policy towards Belarus is becoming more pragmatic, concentrating on those aspects where goals can be achieved outside of the overarching political context. It is naturally the economic sphere where Russia has to minimize its losses to the greatest extent possible. In

spring 2000, to the strong disappointment of Minsk, Russia reintroduced selective control over goods imported from Belorussian territory to check their origin--those not originating from Belarus will be charged with Russian duties. In the negotiation process the Russian government firmly insisted on having only one money emission center in Moscow after the single currency will be introduced in 2005. Even the agreed contribution of Belarus to the union budget of 2000--one third, or 780 million rubles out of 2.2 billion--is disproportionately large, if one assumes that Russia is ready to pay an economic price for the very creation of the political union.

Another area of activism is defense integration. Neither military buildup nor deployment of Russian troops in Belarus should be expected. According to Russian observers, Lukashenko's alarming statement about creating a joint group of forces numbering 300,000 men should be interpreted only as the sum of Belarus's army (80,000), internal and border troops (60,000), troops of the Moscow military district together with internal and border units (150,000-170,000). The cooperation would aim at growing interoperability and efficiency. In this regard two exercises were particularly important. In August 2000, for the first time, air defense troops of both countries--in contact with ships and units of the Baltic Sea Fleet--were trained in Kaliningrad; similar exercises took place previously at a Russian test site in Astrakhan. In September 2000 Russian aircraft used airfields in Belarus. Bilateral military-industrial cooperation fits the idea of making the military-industrial complex an "engine" of economic growth. Documents for a joint defense procurement order and for establishing a joint interstate financial-industrial group ("Defense Systems") were signed in early 2000.

Whether this new pragmatic strategy towards Belarus will be effective in the medium and long term remains to be seen. It does not address several key weaknesses of the integration process, however, and therefore may well prove insufficient. However, it demonstrates that (unlike in the late Yeltsin period) Moscow wishes to be the decisive, initiative-taking player in the integration game.