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Problems and Challenges in Relations between Belarus and Russia

Anna Maria Dyner

Disputes between Russia and Belarus have grown in recent months, caused by the deadlock in agreeing the price of energy sources and the negative consequences this will have for the Belarusian economy. Moreover, Russia will use political and propaganda tools to maintain Belarus' dependence. The Belarusian authorities have limited possibilities to oppose such activities. One option could be to seek support, especially economic, from European Union countries.

Economic and Political Disputes. The price of hydrocarbons is the axis of the present political dispute between Belarus and Russia. This is all the more so as the fuel and energy sectors are the basis of the Belarusian economy (oil processing alone accounts for approximately 16% of GDP). Therefore, referring to the decision to create a common energy market of the Eurasian Economic Union (EEU) in 2024, the Belarusian authorities are seeking the possibility of purchasing gas and crude oil in accordance with the tariff for Russian entities. Belarus postulates the equalisation of the tariff for gas transmission for all EEU countries with the intra-Russian one, and argues for the right to create tariff policy to be transferred from the national level to the EEU Commission.

However, 2018 changes on the Russian market were unfavourable for Belarus. The most important was the “tax manoeuvre,” consisting of the gradual elimination of export duty on both crude oil and petroleum products (which did not apply to Belarus) and replacing it with a minerals tax included in the price of oil and petroleum products. This will cost Belarus up to \$10 billion by 2025, which forced the authorities in Minsk to apply for compensation from Russia. The change will also reduce Russian support to Belarus, assessed by the International Monetary Fund (IMF) at almost \$10 billion per year (one-sixth of Belarus' GDP in 2018).

What is more, in 2018 no agreement was reached on Russia's loan for refinancing Belarusian foreign debts. In mid-2018, Belarus's debt to Russia amounted to \$6.3 billion, with currency reserves amounting to \$6.8 billion. Moreover, the dispute over the common border has also not been solved. In 2016, Russian border services stopped passing third-country citizens through road crossings with Belarus, indicating that none of them had international status. In 2017, in connection with Belarus' implementation of a visa-free regime for citizens of more than 80 countries crossing the border at Minsk-2 airport, Russia introduced border controls for people flying from this country. Russia's actions have reduced the attractiveness of Belarus as a state for the transit of goods and persons. The situation could have been resolved by the agreement on the mutual recognition of visas. But, on 13 December 2018, Belarus refused to sign, possibly because of the failure to reach an agreement on the price of hydrocarbons.

Medvedev's Proposal and Russia's Goals. For Russia, maintaining influence in Belarus is crucial for ideological and military reasons. Russia is afraid of a “colour revolution” in this country, and fears pro-

western change in its foreign policy. At the same time, the Russian authorities use the strengthening of NATO's Eastern Flank to renew demands to deploy military bases on Belarusian territory.

In December 2018, Russian prime minister Dmitry Medvedev announced that maintaining preferential hydrocarbons prices for Belarus would depend on the consent of its authorities to deepen integration. He proposed the adoption of a single currency, the establishment of a single issuing centre and the creation of a joint customs service and a joint Court and Accounting Chamber in accordance with articles 4, 13, 22, 29 and 50–56 of the Treaty on the Creation of the Union State of Russia and Belarus from 1999. The proposal can also be seen as an attempt to avoid the payment of compensation, which, according to Russian finance minister Anton Siluanov, Russia cannot afford.

While in the near future Russia and Belarus may agree on excise or customs policy, the rapid adoption of the single currency or the establishment of the institutions of the Union State are difficult to expect. Moreover, although Medvedev's goal is to increase control over Belarus, deepening integration at this stage cannot be used to introduce the institution of president of the Union State, as the Treaty does not provide for this.

If Belarus is going to torpedo Russian proposals and increase its cooperation with the EU and NATO, Russia will use other tools of pressure, such as blockades on the import of production goods, especially agricultural and machinery, as well as its propaganda machine. However, Russia is unlikely to try a force solution that would be militarily, politically and economically costly. Moreover, such actions would expose the Russian Federation to further international sanctions.

Belarusian Reaction. The Belarusian authorities reacted negatively to the Russian proposal to deepen integration. Although President Alyaksandr Lukashenka initially agreed to introduce the single currency, he stressed that it should not be the Russian ruble, and that both states should have the right to issue currency, which is unacceptable for Russia. Difficulties on the Belarusian side should also be expected in matters related to the construction of the Union State institutions. The Belarusian authorities are counting on Russia maintaining a negative stance on compensation (which was not included in the draft budget for 2019), and excise duty was lowered to maintain fuel prices. At the same time, in exchange for lower oil and gas prices, they may decide to sell majority share packages in defence companies such as the [Minsk Wheel Tractor Plant, producing mobile transporter launchers for S-400 \(NATO: SA-10C\) and Iskander \(SS-26 Stone\) systems](#) or refineries.

It should not be expected that Belarus will agree to the deployment of a Russian military base on its territory. The adoption of such a proposal will mean that the Belarusian authorities lose their internal and international position, and in extreme cases may even lead to loss of sovereignty.

At the same time, Belarus will increasingly emphasise its role as a neutral state and a place for peace talks. It has already expressed the will to conduct a conference in Minsk dedicated to the 10th anniversary of the establishment of the Eastern Partnership. Moreover, a group for structural reforms has been established within the Belarusian government the work of which will be assisted by World Bank experts. Therefore, it can be expected that Belarus will again seek a loan from the IMF. However, the presidential and parliamentary elections scheduled for 2020 will limit the introduction of reforms. Until that time, the Belarusian authorities will avoid major economic changes that could lead to higher unemployment or higher prices, for fear of social dissatisfaction.

Conclusions and Prospects. Considering its degree of dependence on Russia, Belarus has limited ability to shape its foreign policy independently. This is all the more so as Russia has tools of pressure, such as the price of hydrocarbons and the possibility of deferring loan repayments or extending further credit. However, political and economic disputes between these countries will not affect their military cooperation.

Economic reform could be a means of reducing Belarus' dependence on Russia. However, the Belarusian authorities are afraid of such a scenario, which is why they may only implement them ad hoc and on a small scale. As well as taking steps to strengthen the national identity of Belarusians, for example by increasing the role of the Belarusian language in public space, or implementing education reform.

Despite the restrictions on conducting independent foreign policy, Belarus will be interested in obtaining an IMF loan. Success in this field would allow EU macro-financial assistance, customs preferences and possibly greater access to EU markets for Belarusian goods. However, EU assistance should not be unconditional. Changes in respect of human rights by the Belarusian authorities, such as the abolition of the death penalty (or at least a moratorium on its implementation) and increased transparency of electoral procedures are particularly desirable.

At the same time, Poland can benefit from continued support for Belarusian independence, and for the policy of the Belarusian authorities of positioning Belarus as a neutral place for negotiations. Assistance in the implementation of economic programmes (including the development of entrepreneurship) and activities to raise awareness of the cultural and historical identity of Belarus will also be important. From the Polish perspective, signing the Belarus-EU Partnership Priorities agreement and the visa facilitation agreement as soon as possible will be important. This will facilitate bilateral cooperation.