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Belarus versus Russia

A political adviser to Putin revealed that there are two CIS leaders that Putin detests

Russia obtained what it wanted from Belarus in the form of 50 percent control of pipelines and higher gas prices following a rancorous dispute in December 2006-January 2007. This is not the first time that Russia has raised prices of its pro-Russian allies in the CIS; last year gas prices were also doubled for Armenia. Ukraine is still holding out from transferring control over its pipelines to Russia. Russian President Vladimir Putin's proposal for a Belarusian-style consortium was snubbed by an overwhelming parliamentary vote initiated by the Yulia Tymoshenko bloc rejecting any such deal.

Russia and Belarus had signed a deal in 2002 that included Russian co-ownership of the pipelines but it was never implemented. The pipelines, valued at \$5 billion by Dutch experts, would be included in the gas deal that would extend to 2011. During the five-year contract, the gas price would gradually increase to Western European levels of \$250 per 1,000 cubic meters of gas.

The price charged to Belarus doubled from \$46.68, the lowest in the CIS, to \$105 per 1,000 cubic meters of gas. Russia's \$2.5 billion purchase of 50 percent of Beltransgaz would be offset by Belarus only paying \$75. The transit price was also raised to 75 cents per 1,000 cubic metres of gas, a figure that will also increase during the five-year contract to \$1.45.

Slavic Disunion

President Putin has never enjoyed good relations with Belarus President Alexander Lukashenko. This boils down to a personality clash between a former member of the Soviet elite KGB and the arrogance and Russian chauvinism of a leader of a great power with that of a former collective farm chairman and leader of 'White Russia.' A political adviser to Putin revealed that there are two CIS leaders that Putin detests: Georgian President Mikhail Saakashvili and Lukashenko.

In 2002, Russia had proposed to Belarus to jointly hold a referendum on unification which Belarus turned down. Lukashenko refused to countenance a union whereby Belarus would become an autonomous province of Russia and himself downgraded

from president to governor. This in and of itself showed the incompatibility of the Slavic union.

During the following five years, Belarus continued to use pan-Slavic rhetoric of union of both countries that was useful in continuing to ensure the flow of subsidized Russian energy into the Belarusian economy. Meanwhile, Lukashenko increasingly adopted a nationalistic position in defense of his republic's sovereignty. The West has failed to recognize that Lukashenko is a quintessential Soviet Belarusian nationalist.

In his New Year's address, Lukashenko complained about Russia punishing his country because of its 'desire to be independent.' Russia's actions were tantamount to 'anti-Belarusian sentiments' that were 'dealing a blow to our century-old friendship.' Lukashenko's inconsistency between supporting a union and defending Belarusian sovereignty was brought home by Russia's demands for higher energy prices.

Lukashenko has always ruled out transferring ownership of Beltranshaz pipelines to Russia. Unlike Ukraine, which still controls 100 percent of its pipelines, the Soviet-style, unreformed Belarusian economy is in a weaker position to absorb higher gas prices. Ukraine's economic growth has continued to remain high despite an increase of Russian gas prices from \$50 per 1,000 cubic metres of gas in 2005 to \$95 in 2006 and \$130 in 2007.

Russia's negotiating position claimed that it was not seeking control over Belarusian pipelines, but only joint ownership. A Gazprom spokesman demanded only a percent share and claimed that Russia had agreed to pay half of the \$5 billion value even though it believed that this was an overvalued figure. This is obviously a charade to camouflage a long-standing Russian strategic objective of seeking control of former Soviet pipelines transporting gas into central and Western Europe.

Impact on Belarus

Belarus has no oil, gas or coal deposits, making it highly dependent on energy imports. The Belarusian economy, or as it was termed, 'Lukashenko's economic miracle,' was highly reliant on imported subsidized Russian energy. Belarusian government ministers warned of dire consequences for the economy if the gas price rose above \$75 per 1,000 cubic meters of gas. The Belarusian economy is also set to lose \$200 million per month in revenues from the heavily subsidized crude Russian oil that was refined and re-exported by Belarus.

Russian Arrogance

and Belarusian Naivety

The Russian-Belarus energy conflict spells the end of the project to build a union between both states. The project was first elaborated by former Russian President Boris Yeltsin and Lukashenko in 1995 at a time when Russia was weak and its president threatened with defeat at the hands of Communist Party leader Gennadiy Zyuganov in the 1996 elections.

Yeltsin won the 1996 elections with the assistance of Russian oligarchs but his health continued to deteriorate throughout the 1990s, culminating in his stepping down early in 1999 during his second term in office. Lukashenko had high hopes that he would become President of the Russian-Belarusian union by taking over from a frail Yeltsin. His hopes were thwarted by the rise of Putin to power in 1999-2000 as Yeltsin's chosen successor.

Russia's aim is not regime change in Belarus, as the gas price increase was not foisted on Belarus until after Lukashenko was re-elected in March 2006 for a third term. Western denunciations of the flawed elections and post-election beatings and arrest of protestors was counter-challenged by Russia's defense of the Lukashenko regime.

Russia is interested in the replacement of Lukashenko by a more pliant authoritarian leader who is an ally but does not seek to exchange Russian largess for empty rhetoric of Slavic union. Russia is seeking to maintain Belarus as a dependable and close ally while moving away from the union project elaborated a decade ago when there was still the threat from the Communist Party. The Communist threat is long gone in Russia and Ukraine. Putin seeks to rebuild Russia as a great power at a time when the country is self-confident and wealthy from high oil and gas earnings. The Economist recently wrote that Russia's oil-fueled economic revival has engendered a self confidence unprecedented since Soviet times.

The gas dispute signals that Lukashenko will not follow Central Asian leaders in becoming a president for life. With no allies in the West, Lukashenko is in a far more difficult position than Ukraine's leaders who played off the West against the East. The EU and USA decided to isolate the Lukashenko regime following Lukashenko's re-election.

Lukashenko's removal is more likely to come from external than internal pressure as the democratic opposition is weak and disunited. Lukashenko is cautiously opening up to the EU in the aftermath of the January gas crisis with Russia. The EU is likely to offer carrots, such as an energy dialogue, only in return for Lukashenko liberalizing his regime and making overtures to the opposition; steps he may be unwilling to take even though he is now cautiously and confusingly discussing the need for a former Ukrainian President Leonid Kuchma-style multi-vector Belarusian foreign policy.

Russia will be the most important external influence on Lukashenko's future. The poor personal relations between Putin and Lukashenko always lay at the bottom of the gas crisis. In Putin's eyes, Lukashenko is now expendable but this will not mean Russian support for the opposition which is still seen as too pro-Western in Moscow. Russia is already cultivating other pro-Russian candidates, business leaders within the Belarusian elites and others from within the Belarusian KGB, with whom Putin and his former KGB allies in the FSB and SVR have always maintained old-boy network links. Lukashenko has always been paranoid about defectors from his own elites as it is within these ranks that Russia is now seeking to replace the Sovietophile Lukashenko with a pro-Russian who would support economic reforms and privatization in Belarus as the means by which Russian oligarchs and investors can take over large parts of its economy.

Ukraine's Opportunity

The Slavic disunion is good news for Ukraine. The myth of a Slavic union is now dead and buried. Russia's image is tarnished as a bully, arrogant and chauvinistic even with those with a naive pro-Russian orientation. This is not the first occasion and energy is not the only issue that has shown Putin's true colors; Russia and Putin's image was first tarnished during its unprecedented intervention in the Ukrainian 2004 elections that backfired. Alexander Litvinenko's assassination was described as undertaken by the same Russian autocratic regime as that which attempted to poison Viktor Yushchenko two years earlier. The Tymoshenko bloc strategically used Putin's arrogance to rally the entire Ukrainian parliament against Russian proposals to create a pipeline consortium.

Russia's growing arrogance, as seen in Putin's Munich speech earlier this month, gives Ukraine a second opportunity to integrate into the Euro-Atlantic community of nations where the rules of the game are very different to those proposed by Putin.