

Belarus-Russia Oil Dispute: Nothing Personal, Just Business



A commentary by one of this website's authors on the Russian-Belarusian oil duties dispute, for [Novaja Eŭropa](#) on-line magazine

Let's admit, Belarusian authorities have no effective arguments in the current oil dispute with Russia. Therefore we must accept the fact that they will lose this fight sooner or later. In close future oil will become expensive, the Belarusian economy will face increasing difficulties, and a whole new stage of relations with Russia will come. Nothing surprising – we were going towards this all the past fifteen years.

Nothing to answer with

Note, Russia proposes to continue to charge no export duties for oil supplied for internal Belarusian needs. The new duties will only affect the (bigger) portion of the oil supply which enables the Belarusian state oil refineries to gain excess profits. Thus, it will first strike the rent part of the Belarusian economy which rather benefits from artificial privileges granted by Russia instead of creating a product competitive on the market.

Some Belarusian journalists support the official Belarus' position on the reasonable ground that a customs union, which our countries seem to be building together with Kazakhstan, by definition means removal of customs barriers and not their introduction. Nevertheless, the full terms of the customs

union treaty have not yet been published.

In any case, it would be strange to see Belarusian authorities talking of the implementation of signed agreements as long as they themselves are responsible for actual sabotage of so many previously signed agreements – of all those treaties on a common currency with Russia and on integration with it in “unions” and a “union state”.

Fundamentally, Moscow has the stronger arguments in the dispute. Belarus, unfortunately, has nothing to oppose Russia's pressure with. In late 2009 Russia launched the first string of the Eastern Oil Pipeline (ESPO), which runs from Russia to China. The construction of the pipeline will be completed in 2014. Russians have diversified markets for their oil, so its price for Belarus and Western Europe will now only grow. Why didn't Belarus, in turn, diversify its sources of energy?

The cursing miracle

Whatever the result of the Russian-Belarusian oil war, lessons for both sides were evident before and will be stressed again.

In a comment to the New Year's greetings by opposition leader Aliaksandr Milinkievič on the website of the newspaper Naša Niva, one reader wrote that he could not imagine this politician holding tough negotiations with the Russians on gas prices.

But as a matter of fact, tough negotiations with Russian monopolists shouldn't have become a New Year tradition for Belarus at all. Latvia, Poland or the Republic of Lithuania do not conduct annual dramatic negotiations with Russia on oil and gas, as they have no preferences and pay the market price. The Czech Republic has even built a gas pipeline from Germany to provide access to Norwegian gas.

To the contrary, the strategy of the Belarusian regime in the last decade has been the exploitation of Russian post-imperial phobias and the struggle for the preservation of politically motivated preferences in regards of oil and gas supplies. Sooner or later it had to end. Playing manipulatory games with the Kremlin is neither perspective nor moral, even though the game has so far been successful for Belarus. Relations between our two countries should be market-based: Nothing personal, just business.

Politicians make reforms only when the absence of reforms threatens the stability in the country more than the changes. Another new year's oil crisis has once again shown that the reforms had to begin a long time ago and that the so-called *Belarusian economic miracle* of the recent years was in fact a curse for the country. Belarusian authorities have had a major source of cash but the economy could remain unreformed and non-upgraded. Now the cash source disappears but market reforms in Belarus, according to Belarusian businesspeople, still haven't got the proper quality.

Finally, the independence of Belarus means market-based relations with Russia, plus the diversification of energy sources, plus market reforms in the country.

Rebooting relations

The news about Belarus' intention to cut Russian electricity transit to the Kaliningrad region could only have brought you a sad sarcastic smile: the verbal "everlasting brotherhood" of Russia and Belarus has actually turned into open hostility. It is noteworthy that Belarusian authorities have begun to threaten Russia with leaving the just created customs union almost since the very beginning of this conflict.

For Russia the dispute must therefore be another demonstration that any integration initiative can become an arms against Russia in the hands of official Minsk. The Belarusian regime

can use every opportunity to accuse the Kremlin of sabotage of the “brotherly integration”.

Therefore, both Belarus and Russia need a rigorous audit (and possibly termination) of the empty “unions”. Not only is the pathos of the Belarusian-Russian integration untrue, it also discredits the very idea of any constructive relations between our countries for decades ahead.

The hangover from the long-standing pseudo-integration extravaganza will for a long time spoil the atmosphere of Belarusian-Russian contacts. Constructive relations with the largest neighbor are absolutely necessary to Belarus, but they apparently will have to start from scratch. The time for it is coming.

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