

# Putin expects Belarus to boycott ports of Baltic States

On 16 August, at a conference on transportation in Northwest Russia, Russian president Vladimir Putin demanded that Belarus stop exporting its oil products through Latvian and Lithuanian ports. Instead, Moscow wants Belarus to reroute through Russia's Baltic ports. This way, Putin intends to put even more pressure on the Baltic states.

The next day, the Belarusian state-affiliated news agency BelTA published an interview with the acting director general of Belarusian Oil Company, Siarhei Hryb. The article made clear that Minsk wishes to continue its cooperation with the Baltic states.

It seems that Russia and Belarus are heading towards another oil dispute just months after ending the [previous one](#). Minsk refuses to blindly follow the Kremlin's policy of strangling the Baltic states, if only for pragmatic reasons. To survive as a sovereign state, Belarus needs good relations with [all its neighbours](#), not just Russia.

## Moscow wants Belarusians to join in a boycott of the Baltic states

Last year, Belarus exported 13m tons of oil products – a significant number for such a small country. In comparison, Russia exported 156m tons in 2016. Traditionally, Minsk has exported its oil products through Lithuanian and Latvian ports

due to their geographic proximity. Notably, Belarusian cargo, mostly oil and potash products, made up 36 percent of the total volume of shipments of Lithuanian railways last year.



The Russian Kaliningrad Province. Image: Encyclopædia Britannica

In contrast, Russia has decided to put a complete halt to export of its oil products through the Baltic states by 2018, opting to use its own ports on the Black and Baltic seas instead. The director of Russian Railways, Oleg Belozarov, told Putin at a conference on 16 August that Belarusian firms are refusing to use Russian railways and ports to export goods. Belarus has made this decision despite Russian Railway's offer [to double](#) the standing discount for transporting Belarusian oil products to Russian Baltic Sea ports to 50 percent. According to Belozarov, Belarusians cite their long term contracts with Baltic state ports.

Putin supported the complaints of Russian Railways: 'Belarusian oil refineries reprocess only our oil, they have

no oil from other suppliers... hence we shall offer it [to Belarus] as a package: if they get our oil they use our infrastructure.'

The conference also dealt with a related issue which demonstrates that Moscow is making no distinction between friend and foe in its renewed effort to strangle the region. Russian officials discussed establishing transport routes between Russia's Kaliningrad Province and the rest of Russia and circumvent foreign states. Moscow aims to develop a direct communication line which would link its exclave to Russia proper and stop transiting through both Lithuania and Belarus.

Two months ago, acting Governor of Kaliningrad Anton Alikhanov announced plans to triple the capacities of ferry lines between Kaliningrad province and the Ust-Luga port near Saint Petersburg by 2020. In his own words: 'This is an important step because our dear neighbours – Lithuania, Latvia, Poland, and Belarus – love to exploit the transportation factor, the isolation of Kaliningrad from the rest of Russia.'

## **Belarus unlikely to join Putin's continental blockade**

Moscow has so far failed to pressure Belarus into [using Russian ports](#) instead of Lithuanian or Latvian ones. Now, both the Belarusian government and the business sector intend to resist Putin's demands, even at the risk of a new oil dispute.

Even in March, when Russian Railways offered Minsk a 50 percent discount on oil products shipments, Belarusian Transport minister [Anatol Sivak](#) outrightly dismissed the offer. Commenting on Putin's recent initiative, Hryb told BelTA on 17 August that even the high discount offered by Russia would not make much difference. It is still cheaper to send Belarusian oil products through the Baltic states. In

addition, the Russian Baltic sea ports have had problems processing oil products and ensuring they remain undamaged by the elements in winter. Hryb maintains that his company offers customers the option of transporting oil products through Russian ports. However, the customers choose ports in the Baltic states.

TUT.by, the largest Belarusian news portal, quoted an anonymous oil trader who brought up the fact that it is not only the transportation tariff that matters, other factors are important too: how much time it takes to transport cargo, which port infrastructure is available, which services are offered, and so forth. The Baltic state ports win out over their Russian competitors in all these regards.

## A strategic sector

Purchase and refining of predominantly Russian oil, along with the subsequent export of its products, are a key sector of the Belarusian economy. Talking in June at a government conference, Lukashenka called the oil refining industry 'strategic.'



Belarusian government holds a conference on oil refining industry. Image: CTV.by

According to calculations by the IPM Research Centre, if in 2018 Russia supplies 23m tons of oil (the standard volume in earlier years when bilateral relations were good), then the Belarusian GDP would grow by 2.7 percent. If the strained situation of 2016 or 2017 is repeated and Moscow cuts supplies (which would then make up just 18m tons) the Belarusian GDP would increase by just 0.5 percent.

TASS news agency quoted several experts as saying that for Belarus, switching to Russian ports would cost up to \$150m in financial terms. However, this sum is insignificant in perspective: after all, Minsk currently earns about \$1.4bn on cheap oil it gets from Moscow.

## **Minsk looks for solutions abroad and inside the country**

To counter the Kremlin's repeated oil threats, Minsk is looking for [alternative sources](#) of oil by making new attempts to import Azerbaijani and Iranian oil. Out of the 18.6m tons of oil imported by Belarus in 2016, 0.5m tons were imported not from Russia, but most probably [from Azerbaijan](#).

On the other hand, Minsk is working on a strategic long-term modernisation of the Belarusian petrochemical industry. In March, Alyaksandr Dzyamidau, the newly appointed director of Naftan, a Navapolatsk-based refinery, explained to the media that Lukashenka had asked him to accelerate the modernisation of Naftan. The aim, according to Dzyamidau, is to make Belarusian refineries capable of processing oil of any brand and from various countries.





Mozyr oil refinery. Image: BelTA

The government is investing huge amounts of money to modernise the two oil refineries, and the process should be complete by 2019. However, in 2011-2015 alone, investments in Naftan development exceeded \$1.2bn, and the refinery continues to receive millions to the present day. Another refinery in Mazyr has received \$1.47bn for ongoing modernisation.

The Kremlin's impossible political demands of Belarus threaten to drive it into a corner. Moscow could even endanger the alliance between Minsk and Moscow. However important Russia is for Belarus, Minsk cannot radically reduce its relations with [its other neighbours](#), even if the Kremlin insists.

For Belarus, cutting [links to the Baltics](#) would mean significant financial losses and deterioration of political [relations with the EU](#), as well as a return to political isolation. This would also lead to a fatal dependence on Russia and its oligarchic capital, reducing Belarusian statehood to a [nominal status](#) like that of Abkhazia or South Ossetia. There is no reasons to believe such a situation would be acceptable for the current Belarusian leadership.