

# Ukraine and Belarus: Friends Against Russia?

This month the EU External Action faced a stubborn unwillingness by two post-Soviet countries to listen to its advice on political reforms. As the [diplomatic scandal](#) unfolded in Minsk, the Ukrainian Foreign Ministry protested against the behaviour of the EU Ambassador to Ukraine. At the same time, both countries are under increasing pressure from Moscow to participate in its new integration initiatives.

These developments should motivate Belarus and Ukraine to actively cooperate on the basis of common interests. But instead the two countries often clash with each other. For example, in March Ukraine prohibited imports of Belarusian meat and dairy products. It raises the question of whether Victor Yanukovich and Alexander Lukashenka have enough political will to improve their relations and strengthen sovereignty of their countries.

## Belarus-Ukraine Trade War

Earlier this month the Ukrainian sanitary inspection suspected that Belarusian meat products might be infected by the African cattle-plague and that its dairy products might contain other harmful components. The authorities refused to implement a reciprocal ban and entered into a dialogue with Ukraine. Observers think that Ukraine did this in order to compensate losses for its dairy producers estimated at \$270m annually. Earlier Russia banned exports of seven Ukrainian producers because of a high concentration of palm oil in their products.

Nevertheless, Belarusian-Ukrainian goods turnover grew by 40 per cent in 2011, with the Belarusian trade surplus reaching more than \$2.1bn. Thus, Ukraine remains the third most important trade partner of Belarus after Russia and the EU.

## 20 Years of Friendship Despite Difficulties

Since their independence, Belarus and Ukraine have maintained good relations despite difficulties. The lowest point was right after the Ukrainian “orange revolution” in 2004. The Belarusian authorities feared the spread of revolutionary activities to Minsk and broadcasted anti-Ukrainian propaganda on state television. For several years Ukraine became the main base for offices of American and European funds that supported the Belarusian opposition and NGOs. Unlike Lithuania and Poland, Belarusians need no visas to go to Ukraine and Russian is widely spoken there.

Bilateral relations [gained new impetus](#) after the 2008 parliamentary election in Belarus when the EU started an engagement policy with Belarus. Ukraine took the role of [mediator in Belarus-EU relations](#) and became the locomotive of the EU Eastern Partnership (EaP) activities. Kiev supported the Belarusian authorities in a conflict over their representation in the EaP Parliamentary Assembly EuroNest. Then Ukraine-Belarus relations reached their highest point.

However, when Victor Yanukovich, an [ethnic Belarusian](#) himself, assumed power as a new president, several Lukashenka-Yushchenko agreements reached a deadlock. Last year Yanukovich did not invite the Belarusian to an international conference at the [Chernobyl nuclear disaster](#) in Kiev. This provoked a nervous reaction from President Lukashenka, and he even verbally assaulted Yanukovich. That made relations worse and impeded the resolution of the long-lasting border demarcation dispute.

### No Border – No NATO Membership

Belarus has not ratified the State Border Treaty because of a long-standing debt to Belarus owed by the Ukrainian

government. In 1992, several Belarusian enterprises transferred money to Ukrainian enterprises, but did not receive expected goods in exchange. The Belarusian authorities consider it as a part of Ukrainian public debt to Belarus estimated at \$134m. For a long period of time, Ukraine denied such claims, taking the view that this was a debt of private companies that do not exist anymore.

When Ukraine declared its NATO aspirations, Kiev was interested in resolving the dispute with Belarus as soon as possible. All NATO countries should have stable and clearly defined borders and no territorial disputes with their neighbours. At a 2009 meetings in Chernihiv, Yushchenko and Lukashenka finally found a solution. Ukraine agreed to acknowledge its debt and committed to providing Belarus with discounted Ukrainian energy supplies as a way to repay it.

Then Belarus ratified the Border Treaty, but both sides have not yet exchanged the ratification protocols. Yanukovich planned to visit Minsk last year, but [the diplomatic scandal](#) which followed the Chernobyl conference mentioned above spoiled bilateral relations. Foreign ministries had to postpone the visit.

### **Future of Belarus-Ukraine Relations**

Yushchenko's political demise cut short the anti-Russian trend in Belarus-Ukraine relations, but it does not impede Ukrainian and Belarusian authorities from continuing the diversification of oil supplies. The latest Ukrainian plans include supplies of Azerbaijani oil to Poland through Belarusian territory. Previously, Ukraine allowed Belarus to use its Odessa-Brody pipeline in order to pump Venezuelan oil to the Belarusian refinery in Mazyr. However, Belarus became less interested in the transit role of Ukraine after it secured extremely beneficial [oil and gas agreements with Moscow](#).

After Yulia Timoshenko's imprisonment, Ukraine is no longer a

great friend of the European Union; it helps Belarus look less unpleasant to European politicians. Belarus is no longer the only place in Central Europe with clear authoritarian tendencies. Today the whole project of the Eastern Partnership is under threat. Ukraine considers the option of joining the Single Economic Space of Russia, Belarus and Kazakhstan, but Russia does not agree with the "3+1" scheme that Ukraine offers. And Ukraine is not ready to go further than 10-15 agreements within the Single Economic Space because the country is primarily interested in European integration.

The Belarusian authorities now prefer to focus on economic cooperation with prominent Ukrainian businessmen. In November Belarusian Prime Minister Mikhail Miasnikovich promised a Ukrainian tycoon Piotr Poroshenko favourable conditions for Ukrainian investments in food and engineering industries. This fosters the formation of a pro-Belarusian lobby in the Ukrainian business and political elite. But no lobby can be effective without the political will of two presidents to improve relations.

Nobody knows when exactly the long delayed meeting between Yanukovich and Lukashenko will take place. It is high time for Belarusian and Ukrainian decision-makers to realise that the strategic potential of bilateral relations is of much greater importance than temporary disagreements. And if both countries want to stay independent, they should unite their efforts to avoid isolation from the European Union and to balance pressure from Moscow.

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# Belarus Breaks Russia's Energy Monopoly in Eastern Europe



The massive PR campaign against Lukashenka was launched by Moscow for good reasons. Lukashenka not only repeatedly denied Russian businesses access to some Belarusian state-owned enterprises, which Lukashenka treats as his own. More importantly – Lukashenka threatens the fundamentals of the Russian might and power in Europe – its energy supply monopoly.

On November, 18, oil pumping for Belarus began in Ukrainian Odessa. It means that efforts to supply Belarus with oil from new non-Russian sources reached a new and more advanced stage. Though technically this oil has still Russian origin, effectively it is a swap oil which could be bought thanks to a new arrangement with Venezuela.

Shipments of Venezuelan oil started at the beginning of this year. However, Belarus as a landlocked country faced obstacles in getting crude oil from the Baltic and Black seas to its refineries. Rail transportation evidently was not the best option. This month, after negotiations with Ukraine, Belarusian leadership managed to get Ukrainian pipeline Odessa-Brody for oil transit. The transportation costs will be lower and the shipment volumes will rise, which will result in lowering costs due to the economy of scale.

## Is It Serious?

This transit breakthrough means that the Russian monopoly is no longer unshakable. Today the propaganda war waged by Russian oil interest groups depicts the whole Belarus-Venezuelan oil

cooperation as a ridiculous adventure by two buddies – presidents Lukashenka of Belarus and Chavez of Venezuela. Among many contras the lack of real interest on Venezuelan side and lack of economic feasibility for Belarus were most frequently mentioned.

However, there are clear reasons why Caracas sends oil for Belarus. It is interested in diversifying its oil markets and avoid dependency on North American market – rather logical act given volatility and even hostility in relations between US and Venezuela. But diversifying in oil markets is not an easy task at all, if not even dangerous. A good example for that could be pre-revolutionary Iran when such attempts resulted in turmoils both under Mossadegh and Shah.

Secondly, Venezuela needs modernization. Belarus as a model republic for Soviet forced and brutal nonetheless effective modernization serves as a source of specialists and technologies, and is eager to help for some oil in exchange. In addition, Minsk is willing to help Chavez in military modernization as well – after all, Belarusian army is regarded as rather efficient example for modernization of Soviet military.

As for supposed Belarusian losses in deals with Venezuelan oil, it is worth reminding that as so often in quite secretive oil business, not all the data necessary to estimate profits and losses are available. Furthermore, it is merely too early to talk about it, since with shipments rising, the efficiency will increase too. And Belarusian pay for South American oil anyway not only with money but at least partly with services and goods. Venezuela itself is interested first of all not in Belarusian money but in reprocessing its oil on Belarusian refineries – technically the most sophisticated facilities in the region – in order to sell oil products afterwards outside of Belarus and share profits with Minsk.

The new move by the Belarusian government to establish the

transportation system for non-Russian oil can improve the prospects not only of the pipeline Odessa-Brody, but also many other pieces of former Soviet pipelines in Eastern Europe. Over the last years, Russia tried to avoid transit troubles with countries like Belarus and Ukraine by switching off partly or completely many pipelines in the region between Baltic and Black Sea, and is actively working on constructing new pipelines which should deliver oil and gas to Central and Western Europe, as well as Balkans, while bypassing traditional transit countries, like Belarus, Ukraine or Poland.

Nevertheless, what was a problem, can become a new opportunity, since idle pipelines let post-Soviet countries to more easily break Russian monopoly on oil and, possibly, gas in the Eastern Europe. While shipments of Venezuelan oil may be insufficient for the region, projects to bring Iranian oil developed by Minsk under current political conditions will surely be blocked by the United States. However, it will remain as a very attractive opportunity for the future.

### **Iraqi Oil Crushing Russian Influence**

Hardly anyone remembers, but the pipeline Odessa-Brody at the very beginning has been conceived and projected for transporting Iraqi oil in particular from Iraqi Kurdistan. Then, however, sanctions were imposed on Saddam's regime in Baghdad. The pipeline has been saved by newly explored Caspian Sea oil deposits, and pipeline was built to use them. However, Caspian oil deposits had been overestimated and pipeline even did not get further continuation westward from Brody. For a while it was out-of-use, later the Russians used it to pump oil in opposite direction. Now it is finally used for initial aim to break out of energy captivity. For a moment through Venezuelan oil.

Yet it can be complemented with the same Caspian oil, which alone did not suffice but the export volume of which may

perfectly enough to fill the pipeline when combined with shipments from other sources. A propos, on November, 19, Lukashenka [discussed](#) possible buying Azerbaijani oil with the president of the State Oil Company of Azerbaijan Rounagh Abdullayev.

But the most important option is Middle Eastern oil, first of all Iraqi one. Technically, no obstacle stays in the way of getting that oil to Eastern Europe, because there is already rather developed network from Iraqi Kirkuk to Turkish coast. It currently lacks the access to Black Sea coast, yet there are projects to construct such pipeline (e.g. route Ceyhan-Samsun). Such plans were [discussed](#) in Ukraine in 1990s and again in early 2000s after American occupation of Iraq. The last time the issue was publically [raised](#) by the government of Viktor Yanukovych was in summer 2007. Then it caused a wave of concern and criticism in Russian media.

Whoever brings Iraqi oil to the pipeline Odessa-Brody, will ensure easy and rather cheap access to Iraqi and Middle Eastern oil not only for Belarus, but for the Eastern and Central Europe. And it will put an end to Russian energy monopoly in the region, resulting to collapse of its influence in the region, given the tight link between Russian foreign policy and energy exports. Russian Siberian oil has absolutely no chance against Middle Eastern oil in cost and quality terms. Moscow presumably will do anything it can to stop it coming to the Europe.

Therefore, the whole enterprise can be implemented only by joint efforts of some countries. It is highly unlikely that Belarus and Ukraine can do it on their own. But with the engagement of the EU, the Middle Eastern oil can soon become a very feasible option for Eastern Europe energy supply.

And Lukashenka can be at the center of the new consortium. As Dzyanis Melyantsou of the Belarusian Institute for Strategic Studies noted [recently](#):

*Presently, we see the same situation of the year 2008, when under the impact of the international political circumstances the European Union decided to unfreeze its relations with Minsk, despite its failure to comply with the previous EU demands. The EU now essentially got addicted to the engagement policy (not Lukashenka got addicted but the EU) and it is difficult for him to renounce it... it is absolutely probable next year to expect Belarus-EU negotiations on economic integration with the EU. With Lukashenka as the main negotiator.*

These developments and probabilities give political economy and geopolitical calculations of future Belarusian presidential elections new greater dimension. After all, the question is not only who will run the country. The question is, whether the Eastern Europe is possible without the tight grip of Moscow.

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