

Customs Union of Former Soviet Nations Fails Due to Total Absence of Mutual Trust

The post-Soviet integration and cooperation initiatives have an extremely unsuccessful track record. It seems that the problems persist. Recently, the very idea of Customs Union between Belarus, Russian Federation and Kazakhstan had been questioned, after the government of Belarus made clear its intent to insist on more tariffs exemptions, especially concerning Russian raw oil exported to Belarus.

These exemptions are vital for the Belarusian economy which in 1990s and 2000s immensely profited on refining imported oil selling the end products to Western Europe. By importing cheap Russian oil Belarus kept its refineries in Navapolack and Mazyr busy and very profitable. It also worked well for Russia which lacks refineries and other processing facilities.

But recently Moscow decided to stop this enrichment of Belarus and while insisting on 'customs union', excluded oil and oil products from its coverage. Belarus is expected to pay full tariffs. Yet cheap oil was that only benefit which made the idea of customs union with Russia and Kazakhstan, known as the world's major oil- and gas exporters, interesting for industrially developed Belarus.

As Minsk-based economist Siarhiej Chaly put it,

'Customs Union' in its present shape, including two identically raw materials-based economies oriented at selling energy resources and buying consumer goods, does make sense. But only for these two economies, however. In essence it is merely a protectionist agreement.

Siarhiej Chaly is sure, Belarus has no interest in entering such association. The Belarusian officials, including deputy prime minister Siamashka now express the same opinion ever more explicitly.

Is Moscow facing one more failure in its attempts to collect its 'lost lands'? If Minsk will not comply with Russian wishes on the Customs Union it means a setback for ambitions harbored by a significant part of Russian elites, including Russian prime-minister Putin. Of course, the Kremlin can continue the whole enterprise with sole Kazakhstan. Yet, in this case Moscow shall wait until 2012 as agreed with Kazakhstan president Nazarbayev. More cooperative Lukashenka could be a symbolic geopolitical victory for the Russian leadership which is important to Russian public opinion eager to see restoration of 'national greatness'. Some observers speculate that such integration project could quite intentionally serve to show the wider audience in Russia an illusion of Soviet Union revival for the next presidential campaign of Vladimir Putin.

Meanwhile, there are two other conclusions to be drawn from the Customs Union. First, the integration of Belarus and Russia and their so-called 'Union State' has been endlessly discussed and propagated in public and media, but it remains only a spin matter, since the countries did not even reach the level of customs union. Moreover, conditions of oil shipments to Belarus proposed by Russia this time are worse than those for China.

Second, the whole set of post-Soviet integration initiatives so far have pitifully failed, and it is true both for projects with Russian involvement and without it. The reason seems to be common and basic lack of trust in relations between post-Soviet nations. Without confidence in their partners, former Soviet republics see all integration enterprises as either formalist nonsense or a way to promote other ends which run contrary to integration.

The only examples of successful integration embracing post-Soviet countries are the EU and NATO. Even Baltic countries did not manage to get along well enough to abolish borders or create common currency between themselves until they joined European Union.

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Will the Kremlin Foment Trouble For Belarus' Presidential Elections?

The most important issue in Belarusian politics today is the next presidential election. However, the candidates that have been proposed by the parties so far are no major politicians as the opposition has been kept out of the parliament since 1996. As a result, they see the election as little more than an opportunity to announce their existence to the broader public. Having selected relatively unknown candidates to represent them (such as Romanchuk, Kastusiou, Hlushakou), the opposition parties seem to already consider the election a lost cause. They as if avoid risking the reputation of their better known party members.

The issue of most interest in the next election is the extent and the nature of the Russian involvement. For the first time, Moscow is thought to have abandoned the side of the incumbent president Alyaksandr Lukashenka. Looking back at the demise of the Kyrgyz government with Russia's blessing in April, one wonders how the Kremlin's disfavor could affect the current Belarusian regime.

As a colleague versed in the Kyrgyz politics has recently explained to me, the Russians did not initially plan to get rid of president Kurmanbek Bakiyev for good. Instead, they hoped to merely to rein him in once Bakiyev stopped supporting the Russian interests in his country. The US influence was also critical for this self-serving Central Asian kleptocracy. Because of the increasing problems with the US military base in Kyrgyzstan, Washington was encouraging Bakiyev's opponents hoping to tilt the scales in favor of a more reasonable regime in the country.

Of course, neither of the world powers had wanted a revolution. But the Kyrgyz opposition understood their message in its own way. Seeing Moscow as ready to help out with ousting the Bakiyev's regime and Washington as not opposed to the idea enough to stall it, the opposition rushed to attack the governmental institutions.

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Having inadvertently created so much havoc, Moscow may have decided to not challenge a post-Soviet regime to such an extent again. In this case, the Kremlin's meddling would hardly be disastrous for Lukashenka. The leader has a lot to worry about if Moscow has instead adopted a strategy that includes the option of ousting 'unwanted' leaders in the post-Soviet countries, however. This would mean that after expelling Bakiyev, Moscow could go after the Georgian and the Belarusian leaders. This is why the Belarusian political scene has been seething with rumors about the money and support that the Kremlin is supposedly channelling to one or the other public initiative or politician. The most probable actors to be receiving such support are the public initiative "For the Truth" ("Za Pravdu") and the United Civic Party (AHP).

In reality, the question of whose bid for presidency Moscow is going to support is far from clear. Newsweek

wrote about former Deputy Foreign Minister Andrej Sannikau as the Kremlin's stooge; however, some political analysts close

to the right-wing Belarusian People's Front Party (BFPF) believe Russia does not support a single candidate. They write that "Russia is preparing its scenario of regime changing in Belarus through controlled chaos" and destabilizing Belarus by all possible means. Last week, BFPF declared its intent to contend the next elections 'on two fronts', i.e. both against Lukashenka and the pro-Russian forces.

Excluded from any involvement in Belarus' political decision-making since 2000, the Belarusian opposition is getting increasingly marginalized. As a result, many political analysts have stopped studying the internal affairs of the Belarusian opposition. The fact that the country's political forces are too disorganized and weak to participate in the political struggle proves the gravity of Belarus' political problems. This holds even for the loyalists of the current Belarusian regime: as typical for the populist regimes, Lukashenka does not have an organized political basis to support him. Because Lukashenka's attempts to create mass organizations have failed, the President will hardly be able to defend his regime were a large-scale public confrontation to happen in the streets during the next presidential election.

In these circumstances, the threat of the Russian intrusion seems even greater. Having crushed the pro-independence forces, the Belarusian regime stands alone against the most serious foreign threat in its history. This threat is not the US or the EU support for the Belarusian Nationalists vilified by the state propaganda machine for all these years. This threat is Moscow, which has been repeatedly declared by Lukashenka to be his closest ally.

The good news for Lukashenka is the West's benign neglect to his regime that has developed since 2008. The EU was the first to apply the principle that "everything that exists has an explanation for its existence" to the Belarusian regime, changing its policies to accommodate and engage Lukashenka.

Washington has recently followed, reluctant to get involved with Belarus' democratization efforts again, just as was expected to happen after Barack Obama's presidential victory in 2008.

Historically, the West was far less interested in the Belarusian politics than Russia, and even the EU bids to support changes in Belarus have been always far less impressive than the Kremlin's meddling. Thus, while he may face an energetic Russian support for the Belarusian opposition, Lukashenka will probably bask in the West's friendly neutrality.

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Scandal in Vienna: Belarusian Regime Funded by Austrian Business?

Is Belarus sliding into the realm of notoriously corrupt Third World states? New scandal in Vienna involved Belarusian leader and resembled exploits of corrupt politicians from some African and Asian states.

Recently, the Austrian newspaper Die Presse has published an investigative article on doubtful relations between some Austrian businesspeople and Belarusian president. Prior to this scam, people always wondered [how many resorts are in Nevada](#) and other famous casino cities and towns. Sports journalist Erwin Roth found out that luxurious holidays for Lukashenka and his family in Tirol have been paid by Leo Walner, the former chairman of Austrian National Olympic Committee (NOC)

and owner of Casinos Austria network. The affair presumably happened in 2002, yet it is casting unfavorable shadow on rather lively activities of Austrian business in Belarus under Lukashenka.

The Austrian Olympic Committee itself did not benefit from the affair, says Erwin Roth. Actually, it was not involved in it, because the whole trip was organized by Austrian Casinos, official sponsor of Austrian NOC and “informal fund of Belarusian dictator”. Leo Walner then was both NOC Chairman and casinos owner and it helped to solve a problem of the EU prohibition for official contacts with Lukashenka. Mr. Walner organized invitation of the Belarusian leader as the Belarusian NOC Chairman.

Leo Walner explained in an interview that they worked in the best interests of Austrian economy. His subordinate, Gerhard Skof added that not only casinos but also other Austrian firms have had the plans to expand their business in 10-million Eastern European nation, so the trip was both useful and necessary for them. Austrian businessmen interested in business opportunities in Belarus have paid for Lukashenka. Walner declined to discuss the concrete names of these people. Yet Austrian casinos did not so far open any subsidiaries in Belarus, so Erwin Roth supposes that the whole affair could be just about money laundering and is going to submit the documents on it to state prosecutor office in Austria.

One cannot say, however, that Austrians did not get anything in 2000s in Belarus known for its reluctant attitude to foreign investors. Finally, it was the Austrian Raiffeisenbank which could buy a comfortable share of the major Belarusian Priorbank and only Austrian business could acquire the big bicycle fabric in Minsk and one of three cell phone providers, Velcom. Without noise, just effectively take control – so it went, just some miracles of Austrian entrepreneurship with its secrets securely hidden by both sides.

Quite predictably, the last scandal caused much bigger uproar in Austria than in Belarus and has been followed by other Austrian newspaper, Kurier. According to its investigation there were millions of euros sent to a secret account of the NOC established by Leo Walner in 2001.

There is no need to discuss here fatal implications of financing the holidays of one country's leader by foreign businessmen. They are obvious. The scandal is more interesting in another respect, for it demonstrated nature of Belarusian regime, rather unclear and non-transparent otherwise. And it is opportunism without high dreams or idealistic ideologies. This face have and had numerous regimes in developing countries continuously sinking in poverty and degradation.

And it shows corporate practice which does not distinct between responsible business and befriending some stealing dictators. The place for such doing was perfect – neutral Austria was known in the Cold War time as a place with extremely high concentration of Soviet spies. The Belarusian regime with its Soviet-time cadres and methods could really feel itself comfortably in Austria they know from that time, as well as they could use its old networks of “comrades”.

Interestingly enough, the current head of Presidential Administration of Belarus, Mr. Uladzimir Makey is known by his special services carrier and work in Vienna. Does Austrian government tolerate the foreign special services dealings on its soil in order to preserve the image of the Alpine Republic as convenient place for murky affairs and even settling scores (sometimes with blood shedding)? So, last year, Western media have frequently written on very high level of activity by Russian special services in this Central European country, presumably eliminating some emigrees, opponents of Russian government.

In this context, Lukashenka's mountain trip seems not so outrageous. He does not harm anyone physically (as far as we

know) there and just used some rich Austrians to enjoy himself. Of course, probably it was not only Leo Walner and not only Austrian business to make some deals with the Belarusian strongman. Just Austrian had enough mechanisms to uncover it, although after eight years.

There is another strategic point here. This way could be seen by Belarusian regime as a silent yet effective way out of international isolation. The recipe is simple – if you oppress your people, you just need to be necessary for mighty and influential, make deals with them, and you do not need to change anything in the country you consider your ownership. It is working on business level, as a new Vienna scandal proved and it is working on geopolitical level. Since Russian aggression in Caucasus completed Lukashenka's transformation from a Europe's "last dictator" into quite acceptable leader of the country between the EU and Russia.

He is feeding all interested sides with lavish but empty talk on "liberalization" while holding phony local councils elections (last Sunday) and doing almost nothing real to undo restrictions on rights and freedoms. Really, for what reason should he? The geopolitical interests are guaranteed by the EU and more trivial needs such as ski in the Alps can be provided for by some eager Western businessman.

Read *Olympisches Komitee: Ein Konto für den Diktator* in [Die Presse](#).

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Common Currency for Belarus, Kazakhstan and Russia: as Far as It Has Always Been

Several observers say that the introduction of a common currency should be the next step of the integration of Belarus, Kazakhstan and Russia. The three countries have recently created a customs union and it is logical to assume that the integration will continue. However, there are reasons for being sceptical about it. Russian officials have been feeding the world – and in first place the Russian public opinion – with promises of a soon restoration of the USSR since the very moment of the USSR's collapse. Exploitation of post-Soviet stigmas for PR purposes has been actively used already under president Yeltsin, who initiated the creation of the so-called Union of Russia and Belarus (later renamed to the Union State of Russia and Belarus).

Aliaksandr Lukashenka, the president of Belarus, has also based his state ideology on the population's Soviet nostalgia and on exploitation of key Soviet ideological symbols like the Great Patriotic War of 1941-1945. The customs union of Russia, Kazakhstan and Belarus has already a concrete effect as the three countries have switched to a common tax code. As a result of newly introduced import duties, automobile prices in Belarus have risen by 20% and [Russian telecom operators have had trouble importing equipment](#). President Lukashenka has several times stressed that the union will only make sense if Russia cancels duties on oil exports to Belarus.

Belarus would economically benefit from a common currency more than Russia or Kazakhstan, because Belarus' exports are largely oriented on Russia. However, it seems highly unlikely that the president of Belarus would give away some of his economic decision making power to a foreign centre. Belarusian

officials have always demanded an equal representation of Belarus and Russia in the management of the eventual common central bank of the Union State. For obvious reasons, this is a condition Russia could never have accepted. Besides that, introduction of a common currency requires synchronization of economic systems of Russia, Belarus and Kazakhstan. At present they are very different and hardly compatible.

Resource-based economies of Russia and Kazakhstan react against global macroeconomic shocks in a way very different than the economy of Belarus. Therefore there are no indications that the talks of a new Eurasian empire will this time result in anything different from previous times. Ukraine's president Yanukovich has already de facto rejected Putin's proposal to join the Russian-Kazakh-Belarusian customs union. Ukraine would only cooperate with the Union as long as it doesn't contradict with the country's WTO membership. Kazakhstan won't give up its independence despite Nazarbayev not having appointed a heir yet. It's hard to imagine that the local elites won't be able to find a new leader. Different officials including Pavel Borodin, the Secretary of the Union State, have been predicting a soon introduction of a common currency since early 2000s. To be exact, Russia's deputy prime minister Igor Shuvalov only said he "would not rule out the possibility in the long-run of a switch to a unified monetary space". I.e., introduction of a common currency is a thing as far as it has been all these years.

The Soviet Union is gradually being rebuilt as Vladimir Putin eyes a return to the Kremlin. The man who declared the collapse of the Communist state to be the "greatest geopolitical catastrophe of the century" appears determined to forge a new empire. The latest evidence emerged in a suggestion by Igor Shuvalov, First Deputy Prime Minister in Mr Putin's Government, that Russia may abolish the rouble and create a common currency with Kazakhstan and Belarus. [Read the Full story](#)

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