

Russia Wants Belarusian Enterprises Instead of Promises

On 13 December, Russian Prime Minister Dmitry Medvedev proclaimed that Russia and Belarus may introduce a single currency. Various officials from both countries have regularly proclaimed such intentions since 1993.

There has been no result to these back and forth in the past two decades, yet officials apparently have more interest in the process than in outcomes. Integration talk hides the reality of the [diverging developmental](#) paths of two nations.

The results of bilateral relations are far from ideal as the decline by eleven percent in volume of Belarus-Russian trade illustrates. According to Medvedev, trade diminished due to negative processes in global markets. Indeed, declines might be a result of Russian policy. This is especially true after Russia's one-sided accession to the WTO took goods from cheap-labour countries squeezed out Belarusian goods from Russian markets.

Russia does not want to consider Belarus a partner. It strangles Belarusian enterprises economically to force Minsk into selling them to Russia. The most publicised cases concern Belarusian oil refineries and its defence industries.

Earlier, Lukashenka speculated on his being Russia's best ally. Now he has a harder time to gain favours from Moscow as Ukraine just became a lot closer to the Kremlin by rejecting the EU association agreement. It is no wonder then that the day after President Yanukovich of Ukraine got his deal with Putin Lukashenka rushed off to Russia.

Ukrainian Nuisance

As Ukraine seemed to tilt towards the EU and Russia was on retreat in the region, Lukashenka believed that his positions as Moscow's only friend in relations with Kremlin were quite promising. On 6 December, he unexpectedly said that there was no obvious need to sell the Minsk Wheel Tractor Plant (MZKT).

Despite the fact that the plant has been on a Russian priority buying list as an established producer of world-quality civilian and military special transport vehicles. "I always wondered about this eagerness to sell the plant [...] sure, I am absolutely against it," he said. Such statement contradicts promises which Minsk had given Moscow for financial aid after 2011 financial crisis in Belarus.

After this latest Ukrainian rapprochement with Russia, Minsk had to adopt to a new view of reality. On 20 December Vice Prime Minister [Uladzimir Siamashka](#) said that next year a share in MZKT would be sold to a Russian investor. MZKT is a valuable asset yet it will lose in its value if Russia would implement its plan to [exclude non-Russian](#) enterprises from Russian arms production technological chains. Moscow already started to replace its foreign suppliers with Russian companies and emphasised that it would provide no special exemption for Belarus despite its being the most loyal Russian ally.

Tactical Oil Weapons

Moscow resorts to similar unfriendly means to get their hands on Belarus' oil refineries. Russia declined to agree with the Belarusian government on a yearly balance sheet of oil shipments to Belarus. Moscow agreed with Minsk on Saturday only on their oil export plans for January-June. In this way Putin can keep Lukashenka on a short leash. The Russians did as much in 2013 and are apparently going to do it again next year.

As a result, while in 2013 Belarus was planning to import from Russia 23m tonnes of oil, it actually managed to get no more than 20.7m tonnes. Under these circumstances, Belarusian refineries face unpredictable workload schedules and can work only at 80-85 per cent of their full capacities which adversely affects their profitability.

Belarusian Vice Prime Minister [Pyotr Prakapovich](#) openly lamented on Friday that Moscow was not willing to refine more oil in Belarusian refineries and sent its own crude abroad of Customs Union leaving its allies without work and revenues. Indeed, the Belarusian government cannot provide refineries with sufficient volumes of oil and has to sell its shares in them to somebody who can bring the necessary oil in. Prakapovich announced that Minsk had already sent to Russian Rosneft' its offer to sell its state-owned majority share in Mazyr refinery next year.

Strategic Oil Weapons

The Russian Prime news agency reported recently that Russia was preparing to sign with Belarus a protocol on prolongation of December 2010 agreement. That agreement destroyed political economic basis of Belarusian regime as it made Minsk pay [export duties](#) on Russian-origin oil and products extracted from it.

Before that, Belarusians get Russian oil on duty-free conditions, refined it and exported oil products, mostly to Europe, without paying any duties to Russia. The December 2010 agreement made Belarusian oil products' exports shrink and stripped the government of revenues estimated to be up to \$4bn annually.

Lukashenka repeatedly spoke of his hope that Putin will deliver on his promises and since 1 January Minsk will be relieved of its obligation to pay these duties. Moscow seemingly has better idea – Russian Deputy Prime Minister Igor

Shuvalov in October said that Russia would begin duty-free oil trade with Belarus only in January 2015 and only if Minsk removed all its trade exemptions with Russia inside the Customs Union.

No Overtake of Belarusian Industry

The State Secretary of the Union State of Belarus and Russia Grigori Rapota on 4 December complained that only integration between several electronics firms (Belarusian Integral and Russian "Roselektronika; Belarusian Peleng and Russian "Roskosmos") has gone well. However, other planned projects in chemical and machinery branches faced their own difficulties – integration between "Hrodna Azot" and "Gazprom" and "Evrokhim"; MAZ and Russian KAMAZ.

As economic analyst Tatyana Manyonak told the Belapan news agency last week, it was Lukashenka who makes the final decision on the sale of Belarusian enterprises. And he is seemingly not in the mood to sell now. In addition to his ambiguous statements on MZKT, earlier in October, he publicly criticised the Russian proposals of the MAZ and KAMAZ merger, because the Russians failed to guarantee MAZ new investments, production increases, technological renewal and market expansion.

The Belarusian government has for a long time been demonstrating increasing economic and political nationalism. So far it managed to neutralise Russian pressure on many points while [getting from Moscow](#) substantial preferential economic treatment and assistance.

Even in the unfavourable conditions of 2011, as Minsk lost the option of "going West" after brutal crack down on post-election protests, the Belarusian government still managed to [get billions](#) of dollars of Russian help to overcome its financial crisis. For that, Lukashenka gave the Kremlin little more than a few promises most of which he does not seem to

plan to deliver on. These tactics have paid off – Russia scaled down its demands and now Lukashenka can sell the same things once again.

But this tug-of-war cannot last much longer. Beginning in 2010 Russian aid and subsidies have not been sufficient to bolster Belarus' ailing economy and the deficit of its current accounts regularly requires additional injections of funds. To get the money, the Belarusian government will both reform the economy and sell some assets. These economic changes will result in political shifts – however, this does [not necessarily](#) mean that they will lead to the establishment of a liberal democracy.

Belarus Leads the CIS in 2013

Belarus assumed the presidency in the Commonwealth of the Independent States (CIS) on 1 January 2013. This is the international organisation which was intended to replace the Soviet Union in 1991.

For politicians who formed their vision in the Soviet Union, the CIS remains a substitute of the former empire, although the organisation's existence serves little practical sense. Minsk is now officially the capital of the CIS.

Despite the marginal importance of the organisation, the presidency of Belarus will be a serious challenge for the Belarusian diplomacy.

For the twenty years of its existence, the CIS has achieved only the creation of a free trade zone and the impression of the integration in the post-Soviet space. Citizens of the

Commonwealth member states move within its territory with no visas. The states also signed a series of documents which provides some useful opportunities for ordinary people, such as recognition of higher education certificates.

The Kremlin, as the integration initiator, has turned away from the CIS and has embarked on its own projects, such as the Customs Union or the Eurasian Union.

The history of the Soviet Union's substitute

The leaders of the Belarusian Soviet Socialist Republic, Russian Soviet Federative Socialist Republic and Ukraine signed an agreement on 8 December 1991 in Belavezha Forest, in Western Belarus. According to the agreement, the Soviet Union had ceased to exist and the CIS was to take its place. Post-Soviet politicians created the Commonwealth of Independent States in order to prevent the Soviet Union from further downfall.

In the opinion of former president of Azerbaijan, Abulfaz Elchibey, today "Russia uses the CIS as a means of trying to preserve the old empire in a new form, inventing various mechanisms for that." The Kremlin retains the organisation. However, according to Elchibey, the CIS does not exist *de facto* anymore, as "a collective farm with no rights cannot possibly exist".

Officially, nine countries are CIS member states: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Uzbekistan. Two more countries – Ukraine and Turkmenistan – participate in the organisation in fact, but they have not ratified the CIS Charter – the necessary document for participating countries.

Georgia was a CIS member until 2009. However, on 12 August 2008, four days after the Russian-Georgian war started, President Saakashvili announced that Georgia was leaving the CIS. The Georgian Parliament supported this decision

unanimously on 14 August.

The Baltic States never joined the organisation as they did not want to have much interaction with the former Soviet Union.

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Belarus has promoted the re-integration of the broken Soviet Union since the very beginning. In the early 90s, the idea of re-integration was popular among Belarusians. Belarus used to be one of the most developed Soviet republics. Therefore, Belarusians wanted to get back to the "Soviet family" in order to improve their material situation. In 1991, 82.7 per cent of Belarusians supported the preservation of the Soviet Union at a referendum.

Belarusian plans for the presidency

On 5 December 2012, at the CIS summit in Ashkhabad, the Council of CIS State Leaders officially announced that Belarus would take the presidency of the organisation in 2013. The presidency rotates according to alphabetic order.

Belarusian officials will lead the sessions of the organisation's common bodies for the next twelve months. Official Minsk will organise the work of the most important CIS institutions: the Council of State Leaders, the Council of Governments' Heads, the Council of Foreign Ministers and the Economic Council.

Belarus has not presented the concept of its presidency or an events plan. According to Lukashenka, "The Belarusian presidency will work under the motto 'Integration for the benefit of the people: strengthening of good neighbourhood relations, development of ecological cooperation, expansion of cultural dialogue". The CIS member states will pay special attention to ecology and protection of the environment.

The participating countries of the union pay fees in accordance with the indices of their participation in the CIS GDP. The CIS budget remains tiny for an integration union. The member states will spend only \$22m for the functioning of the organisation in 2013.

According to BELTA news agency, in 2013 the Belarusian authorities plan to facilitate the development of a common informational field as a means of increasing inter-cultural and inter-ethnic cooperation, in the framework of the CIS. The MFA Spokesman Andrei Savinykh says that the Belarusian presidency will be concentrated on humanitarian issues: "The issues that are close to the people and influence their lives the most".

During the year of the presidency, the Belarusian authorities will promote the development of common radio and television for all CIS countries, such as Radio Mir. Although the Belarusian MFA promises to promote the CIS work to the new qualitative level, we should not overestimate the importance of the Belarusian presidency. In 2013, the CIS member states are not going to sign any significant economic or political documents.

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Today, the most important feature of the CIS for Belarus lies in its international observation of elections. The CIS election missions pay no attention to the numerous violations and falsifications at Belarusian elections and always recognise them as democratic.

Senseless organisation

The CIS has no supra-national competencies. The structure mostly performs the function of a discussion forum for sharing opinions, not for taking decisions. Even the summits held in

the framework of the CIS are considered simply opportunities to organise more important bilateral meetings simultaneously.

Back in 1994, the states signed an agreement for the creation of a free trade zone within the CIS. The agreement never came to life. There appeared a new agreement instead, which came into force this year. The former Soviet republics walked the path to the creation of a free trade zone for more than 20 years. Today, more and more politicians have realised that the CIS will not become a great integration project.

The Kremlin understands this. This is why Putin created the [Customs Union](#) and is on the way to creating the [Eurasian Union](#). The CIS became the reason for solving many integration processes in the post-Soviet space.

The main difference between the old integration structures like the CIS or the Union State and the new integration projects lies in the economic domain. According to Putin's plan, the integration of economies is the key to Russian prevalence at the post-Soviet space. If the Belarusian regime does not change its policy, Belarus will inevitably become a part of this new empire.

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