Analyses OSW

CENTRE FOR EASTERN STUDIES 27.12.2018 www.osw.waw.pl

Difficult talks between Russia and Belarus

Wojciech Konończuk

On 25 December the presidents of Russia and Belarus met at the Kremlin to resolve some areas of dispute, in particular the further integration of the two countries and the terms for supply of oil. The talks between Vladimir Putin and Alyaksandr Lukashenka, which lasted for four hours, did not produce any results, but it was agreed that another meeting would be held before the year's end. The leaders made little comment prior to the talks, but it was confirmed by both that there are major problems concerning their bilateral relations, with Lukashenka even saying that "there are a huge number of issues".

Following the meeting, a spokesman for the Kremlin announced that the parties had not been able to reach a consensus on questions regarding oil, while the Russian Deputy Prime Minister and Finance Minister, Anton Siluanov, said that a working group would be set up for further integration of the two countries. A few hours before the meeting, Siluanov had stated that Russia had lost trust in Belarus due to it not fully meeting the terms of the bilateral integration treaty of 1999. He also stated that Moscow was willing to compensate Belarus for the so-called oil industry tax manoeuvre, but that he expected integration to move forward, including formulation of a single customs and tax policy.

Commentary

- In recent weeks, more intensive consultations have been seen between Russia and Belarus. In December alone, there were two meetings at presidential and one at prime ministerial levels. Russia is determined to revise the model for relations that has existed for more than two decades. Under this model, Belarus and Russia would integrate on a larger scale within the Union State created in 2000. The Kremlin wishes to subjugate Minsk further, and the moderate scenario for this is taking control over Belarus' customs, visa, monetary and tax policies.
- Russia may also be intent on increasing its military presence in Belarus, but this would be a move for publicity purposes rather than military ones. In an interview for RIA Nowosti on 25 December, the Belarusian Defence Minister, Andrey Ravkov, said that if a US base was opened in Poland, this would be a "military threat" to Belarus, which is a new development in Minsk's rhetoric. This demonstrates a readiness to fulfil obligations as an ally of Moscow and is an element of the Kremlin's propaganda campaign to present Poland's attempts for the establishment of a US base as having a destabilising effect on the region.

- Moscow is exploiting the huge reliance of the Belarusian economy on Russia's energy subsidies as a means of applying pressure. The so-called tax manoeuvre, introduced in the Russian oil sector, will mean a significant hike in oil prices for Belarusian oil refineries. This would cost Belarus an estimated USD 383 million (0.7% of GDP) in 2019 and approximately USD 10.5 billion (4% of GDP per year) over a five-year period. For the dysfunctional Belarusian economic model, this poses the danger of collapse, which in turn would undermine the economic and social stability on which Lukashenka's rule is based. The condition for Russia compensating for these losses is Minsk's willingness to integrate further with Russia.
- The talks held to date have not provided a systemic solution to the problems between the two countries. Lukashenka has repeatedly accused Russia in public of practically using blackmail to coerce Minsk into further integration on Russia's terms. From the Kremlin's point of view, firmer subjugation of Belarus would improve its image domestically, which is desirable in light of Putin's declining popularity ratings. Even if the parties reach an understanding at the next meeting, to be held this year, this will likely be an interim solution but not the final answer to the severe conflict in their interests. Thus, by the same token, the serious tensions between Russia and Belarus will continue in the coming months.