

Belarus Brief

State of the Union and the Union State

May 25, 2006

Introduction

The EU-Russia summit has begun today in the Russian Black Sea resort of Sochi. The summit is expected to bring an agreement on the new framework for EU-Russia relations replacing the existing Partnership and Co-operation Agreement. However, it could be influenced by more principal (democracy vs. managed democracy) disagreements between the parties, since beside energy security the most important issues are Iran, the Middle East and - Belarus. The EU may face with a new approach of Moscow toward Minsk, e.g. Belarus will be moved from the "any other business" category in "our (Russian) business". In the light of the summit, the new brief of the Pontis Foundation offers a new look to the most important post-election development of Belarus.

Russia and Belarus: Looks like Dispute, not Development

1) After Russian President Vladimir Putin halted all subsidies to the Belarusian economy on May 9, 2006¹ the relationship between Belarus and Russia seems more a dispute than a step forward. According to Russian daily Kommersant, the stake for the Kremlin is pressuring Minsk on the issue of the Union State – already a ten-year-old project - on Moscow's terms, a step Russian analysts have been awaiting since before the Belarusian presidential election (held March 19, 2006).

2) At one time initiated by the Belarusian President Lukashenka, the Union State between Russia and Belarus has been stopped when it faced the issue of economic integration, especially with regard to handling control of the energy transport system from Minsk to Moscow and on incorporating the Russian ruble as the common currency in Belarus. Although most of the analysts consider current Russian pressure over Belarus a new tactic aiming to gain control over Beltransgaz, for Lukashenka Beltransgaz might be equal with Belarus, e.g. his strongman position in Belarus comes from the overall control of the independent, state-run economy of Belarus.

3) Such steps indicate that Russia might be moving seriously towards development of the Union State. The main reason for such policy change by Moscow is a fear of "losing" Belarus, which would be a serious blow for Russia's integration plans in the CIS (Single Economic Space and/or Eurasian Economic Community/EurAsAC) after Ukraine declared it agreed with the Europeans on the Russia-projected "Union". After 2004, Russia has been unable to identify and support an alternative candidate to Lukashenka. Alexander

¹ According to Kommersant, Putin's instruction to stop re-export largely concerns oil and petroleum products. Russian oil companies are to supply Belarusian refineries with 19.5 million metric tons of oil this year under an interstate agreement. Although experts say that there is no re-export of Russian oil from Belarus, a hidden form of re-export takes place as refined petroleum products are exported from Belarus, exporting a total of about 13 million tons of petroleum products. Between January and October 2005, the price of Russian oil supplied beyond the CIS was \$6 per barrel; in Belarus it was \$29 and within Russia it was \$22. Thus, the Belarusian budget would suffer a significant loss, since petroleum product exports make up a substantial part of it. Higher gas prices will decrease the investment attractiveness of Belarusian food-processing enterprises, production costs at which are considerably lower than in Russia thanks to the low cost of agricultural products (Belarus subsidizes its agriculture) and energy there.

Kazulin, the leader of Belarus' social democratic movement, is widely believed to receive support from Russia; this belief – shared by Lukashenka's inner circle – will probably earn Kazulin a few years in prison.

4) To achieve the Union State by the 2008 presidential election, Russia needs to break first and foremost the resistance of Lukashenka, as well as the Belarusian elite, and keep the international community believe it can do little to stop this. The latter seems easier: the Kremlin could simply wait until the fraudulent election enables the regime to turn into the West after the election. The EU lacks any direct communication with the regime and has little leverage over Belarus. Communication through Ukraine would help, but an EU Special Representative would be a reasonable step, given the geopolitical seriousness of the independence of Belarus.

5) Nevertheless, surveys show declining public support in Belarus for merging with Russia, from 50% a few years ago to 7% as of today. Given the growing preference of Belarusians for independence versus a Union State with Russia, winning over the Belarusian elite seems the hardest task. Russia will have to find at least some allies in the ruling elite, which is under pressure and is undergoing a "cleaning" by Lukashenka of those believed to have close ties with Moscow. One of their possible "targets" could be Belarusian Prime Minister Sidorski, who gave supporting statements toward the EurAsAC meeting held in Minsk few days ago. However, since Sidorski is not on the visa ban list of the European Union, he might play an important communication role with Europe as well.

6) The fight for Beltransgaz might be the precedent to break the resistance of Lukashenka, which Russia might achieve with some other tricks, especially given rumors in Europe about Lukashenka's serious illness, indicating the sources are from Russia's diplomatic corps. Nevertheless, the Kremlin might be counting on the previous experience of "free and fair elections" of Belarus, as well as the – still - rather small protest tendency of society, at its efforts to winning the heart of the "brotherly Belarusian nation".

7) Nevertheless, the economic "tit-for-tat" between Gazprom and Beltransgaz shows that the Belarusian regime is actually well-prepared to resist Moscow's new policy. Despite Gazprom's rejection yesterday, continuing its rejection of all Belarusian proposals to maintain its low natural gas prices, it insists on introducing a market price for gas in Belarus in 2007 – unless Minsk does not agree to give up control of its gas transport systems. Belarus claims to compensate its budget losses for joining the Union State, demanding \$5 billion. In addition, Minsk refuses to discuss export taxes on light oils, the transition to the ruble as the common currency both for Russia and Belarus, and does not want to lower customs taxes. Moreover, as the Jamestown Foundation reported on May 17, 2006, the Belarus delegation called for replicating the German model in the Belarus-Russia gas relations, e.g. handing over 50% ownership in Beltransgas to Gazprom in return for a 25% stake in an unspecified Siberian gas field yielding 12 billion cubic meters of gas annually to Belarus.

8) Part of the Belarusian resistance is showing its different position on other – political issues important for Russia. On May 19, 2006, Belarusian hygienic authorities announced the green light for Georgian and Moldovan wine blocked in Russia after examination. Similar results are expected toward the most famous Georgian export article, the "Borjomi" mineral water.

Belarus Politics: Ahead of Local Government Election

9) According to Belarusian media, the authorities have started preparations for the local government election, due to be organized on March 19, 2007. The pre-election

preparation phase usually takes around three months in Belarus, thus local government election might be scheduled as early as autumn this year.

10) One of the reasons for a possible early local government election is certainly a curtailment of the time needed by democratic forces, which gained some momentum throughout the protest spurred after the controversial presidential election. However, this will create a legislative framework for Lukashenka to add a referendum regarding the union state.² Thus, this enables Lukashenka to play with the current pro-independent attitude of the Belarusian elite and electorate and possibly even increase anti-Russian sentiment in Belarus, the most important card in Lukashenka's hand and Russia's biggest concern in its current pressure toward the Union State.

Democratic Forces: Movement or not Movement?

11) The post-election development of united democratic forces has stagnated due to the repression by the regime, but also due to the current focus of political leaders on finding and defining their role in the post-election situation. This concentration, combined with formulating a new strategy, is a natural development; however, it diverts attention from the more immediate and crucial task of building on the momentum gained and consolidation of an opposition base of 25-30% of the electorate, and increasing pressure on the regime by reaching out to new people in the regions. It is worth mentioning the "assistance" of law enforcement agencies of Belarus in exacerbating the existing line of division, e.g. arresting Lebedko, but later letting him go on the Chernobyl March (April 26, 2006), while arresting Alexander Milinkevich and his closest allies, Vincuk Viacorka and Viktor Ivashkevich for 15 days.

12) It is indeed Anatolij Lebedko, the chairman of the United Civic Party (UCP) who is talking about holding a new congress to address the post-election situation by the opposition. Compare to Milinkevich that radical Lebedko is arguing that the single candidate was a project for the presidential elections and it is necessary to negotiate with the Kazulin-led social democrats and re-integrate them into the democratic forces – although they have rejected such moves so far. Integration of the social-democratic movement is certainly necessary, but Lebedko would not necessarily feel the need to open this question, if as the head of the National Committee (NC), would have developed a shadow government out of the NC.

The Regime: Dialogue with its own Opposition?

13) The interference of the security agencies in the post-election development of democratic forces might go as far as imprisoning the most well-known leader, Alexander Milinkevich. As the Minsk City Prosecutor's Office warned him on May 22, 2006 he may face up to two years in prison if he continues to disseminate "false information discrediting Belarus." The prosecutor's office reportedly used several interviews with Milinkevich at international press (such as the Polish daily Rzeczpospolita and Britain's BBC) to beef up his warning, which is in line with the so-called anti-revolution legislation adopted by the Belarusian Parliament months before the presidential election held on March 19, 2006. Such a move would certainly help to reinforce the opposition leaders to focus on the leadership fight instead of continuing to build up a genuine democratic movement.

14) Moreover, in his annual address to the Belarusian Parliament on May 23, 2006, Lukashenka outlined a new plan to develop its own civil society and opposition, saying that he would welcome the appearance of a pro-government political party.

² In 2004 the parliamentary election scheduled for October 17 served as legislative and logistic framework to announce the referendum allowing Lukashenka to run for office for a third time, announced on September 7, 2004.

15) Nevertheless, Milinkevich must reach an agreement with other political forces to achieve a new national movement for freedom. The United Civic Party could be an important asset (or liability) to draw part of the intellectual community closer to the opposition to increase the quality of planning, but also to increase reform messages for the democratic opposition in the period when economics will be an important topic for ordinary Belarusians due to economic pressure by Russia. However, as a Belarusian blogger stated, Belarusian intellectuals should learn to “work with the opposition they have, not with the opposition they want”.

16) Additionally Milinkevich should make more inclusive gestures towards the social democrats, even though there is currently a high level of distrust within these circles towards him – and vice versa. Otherwise the social-democratic structures could return to the “People’s Will” movement format of politics, which marked the beginning of Alexander Kazulin as opposition leader last year.

International Community: Support the Alternative

17) The overall goal of international assistance should be supporting the snowball and expose the differences between the alternatives (state and non-state; democratic vs. authoritarian), and empower those who want change. The strategy should be cornered around various social groups and focus on what each individual could do to change the current situation. A discussion including general society is needed to let the current alternative in the country - Belarus without Lukashenka - grow. To increase the potential of this – so far minority - alternative more direct information sources (besides the internet) and de-legitimization campaign of the regime (continually discussed) is needed.

18) Most importantly, the upcoming local government election provides a good opportunity for the opposition to connect to freedom with more concrete (economic and social) issues to shake up the status quo, especially since – for the first time – the Russian efforts are heading into the same direction. However, democratic forces have no time to waste on internal disputes. The international community, especially the European Union must do its utmost to support the alternative campaigning that a better life is possible in Belarus if freedom is allowed to play its part.

The EU and Belarus: The Pressure Must Go On

19) As Pontis advocated for in its previous Belarus Brief on March 30, 2006, the EU must focus on steps which would shake up the current status quo, since only new initiatives and pressure can lead to democratization of Belarus. This includes tougher language and position, policy of conditionality after the seizure of assets an impact analysis regarding economic sanctions should be prepared.

20) On the other hand, the EU must establish a new communication channel to maintain a much higher level of contact with both the Belarusian democratic forces and the regime. For this purpose, a position of Special Representative of the EU in Belarus could be created.

21) The EU must continue to raise the issue of Belarus with Russia, but must be prepared for the new approach of Moscow toward Minsk, e.g. Belarus from the “any other business” category has been moved to “our (Russian) business”. Belarus though remains the only issue where Russia, the United States and the EU agree – on removal of Lukashenka. However, solutions differ due to growing division between democracies and “managed” democracies.