Policy Paper No. 11
November 22, 2021

Belarus–Russia Relations in 2021

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Summary

The Ryanair aircraft incident in May 2021 marked a game-changing moment for Belarus's international relations. The rapid escalation of tensions between Minsk and Western capitals and especially the unprecedented sanctions imposed by the latter began to modify the structural grounds of Belarus's foreign policy and security in Eastern Europe. In a special series of policy papers, Minsk Dialogue experts analyze the impact of these processes on Belarus's relationships with its key partners.

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Main trends in the bilateral relations after May 2021

- Following the deterioration of its relations with the West and in the wake of newly imposed restrictions, Minsk sought closer relations with Moscow while the Kremlin offered only minimal concessions.
- The Belarusian government kept on trying to assert its autonomy, including through the diversification of communication and cooperation within Russia.
- Two processes that have fundamental geopolitical implications accelerated: a) Belarusian export and import commodity flows have been redirected, and b) military engagement with Russia stepped up.

Principal developments and processes of the post-May 2021 relations

- ***Political relations and confrontation with the West***

Once restrictions were slapped on Belarus in May, Moscow made numerous statements vowing support for Minsk amid the EU/NATO pressure, while actual backing was limited, as Russia benefitted from the situation to increase its influence — by having transport flows redirected towards its territory, signing union programmes and ensuring closer ties in the military sector. After the start of what turned out to be de facto air blockade of Belarus by the EU and Ukraine, Prime Minister Raman Halouchanka met with his Russian counterpart and said Minsk hoped Russia would lend its support with a view to restoring full air service between the two countries, as well as protecting Belarusian fertilizer exports and transit of Russian natural gas through Belarus from the Western restrictive measures. However, air travel between Belarus and Russia remained limited due to policies to curb COVID-19 up until the approval of the union programmes on 9 September. In September, there were only 36 flights per week between the two countries (as against more than 200 before the pandemic).The land border remained closed on the Russian side, and Minsk's attempts to resolve the issue proved to be fruitless.

Immediately after the incident with the Ryanair aircraft, on 28–29 May, President Lukashenka went on a working visit to Russia. It was eventually referred to as an "informal meeting" and it was reported that its main results were the transfer of the second instalment of Russia's USD 500 million loan (the original agreement for Belarus to take a USD 1 billion loan was signed on December 21) and the agreement to open new *Belavia* flights to Russia.

Cooperation between the law enforcement agencies became markedly more active. On 3 June, Vitebsk hosted the 20th joint session of the board of the Belarusian KGB and the Russian Foreign Intelligence Service (SVR). According to the official statement, "in the spirit of traditional brotherly relations the SVR of Russia and KGB of Belarus agreed to collaborate to counteract the destructive initiatives of the West aimed to destabilize the political and socioeconomic situation in the Union State."

This enhanced engagement between the security agencies contrasted with the developments in the oil and gas sector. On 15 June, *Gazprom* published a contract with OJSC *Gazprom Transgaz Belarus* based on the assumption that natural gas transit to the EU through Belarus would be slashed by nearly 80% in the fourth quarter of 2021. The anticipated reduction was attributed to the commissioning of Nord Stream-2 export gas pipeline. *Gazprom* made up its mind to cut transit through Belarus, rather than Ukraine, and the Yamal-Europe pipeline, which runs through Belarus, became a backup system in the scheme of Russia's westward natural gas supplies. At the end of the year, the withdrawal of Russian gas transit became a reality.

The Kremlin's verbal support was quite emphatic. On 1 July, Vladimir Putin called Belarus "the closest ally" at a meeting of the Forum of the Regions and pledged to continue supporting Belarus in its "resistance to the EU-imposed restrictions." On 13 July, the presidents of Belarus and Russia met in St. Petersburg. The agenda and outcomes were similar to those of Lukashenka's visit to Russia on 28–29 May. The talks focused on security issues, "a joint plan to counter sanctions and remove the remaining barriers to deliveries of Belarusian-made products, including as part of state procurement efforts", and uninterrupted supplies of hydrocarbons. Although it had been agreed that in 2022, the price of natural gas should not be higher than in 2021, "it will be conclusively determined by the end of this year." That was already some sort of retreat for Minsk, because when the current price was set for Belarus, Lukashenka commented that given the status of the relationship between the two countries, it "could have been fairer."

Minsk was able to lean on Moscow at least to some extent to overcome the consequences of the restrictions. However, this brought about an increase in one-sided dependence on Russia. A meeting between the prime ministers of Belarus and Russia on 10 September was followed by the announcement that "activities in the context of the illegitimate economic sanctions against the two countries" were harmonized. During a meeting on 7 October that addressed options to counter the sanctions, Lukashenka said that the pressure of the restrictions made it possible to convince the Kremlin of the need to offer Belarus additional opportunities and support, thereby enabling the countries to make "a giant leap forward."

- ***Integration***

Minsk and Moscow emphasized the prevalence of economic integration over political approximation. In his address to the parliament on 26 May, Lukashenka formulated the goal of integration: "while existing as two independent, sovereign states, to build such a powerful system of relationships and unity that it will be more powerful than the system of unity in Russia itself." President Putin also said that the Union State of Belarus and Russia is not a state per se, but "a certain level of integration." Moreover, in his words, integration within the EU is much deeper — a single currency, customs union, and free travel, etc. — "while their sovereignty is fully preserved."

In his "Big Talk" speech on 9 August, Lukashenka emphasized that "there is no need to join another country to foster economic integration." He went on to say that Belarus and Russia gave up on the roadmap for political integration at Putin's initiative. However, on 9 September, Putin admitted that after the economic foundation was established, the two countries could embark on political integration.

The relationship was largely defined by the progress of the union programmes, which started to be developed back in 2019. In early May, Prime Minister Halouchanka maintained that the Belarusian side had agreed to 26 out of the 28 integration programmes, and nothing suggested that "urgent actions should be taken with respect to the remaining two". Minsk was clearly in no hurry, as it kept emphasizing the magnitude of the task. However, it was after the crisis in Belarus's relations with the West aggravated that Minsk agreed to harmonize the tax legislation as well, although previously it had turned down any proposals of this kind. Similarly, following the deterioration of the diplomatic crisis, Minsk also agreed to the most painful "union programme" on tax policy without making it public.

On 9 September, the presidents of Belarus and Russia had a meeting in Moscow to approve 28 union integration programmes. Lukashenka dubbed the move a "breakthrough", summarizing their essence as "equal rights for economic entities of our countries." On 10 September, this time in Minsk, the two premiers signed the 28 union programmes and the "Guidelines for the Implementation of the Provisions of the Treaty on the Establishment of the Union State for 2021–2023" at a session of the Council of Ministers of the Union State.

First Deputy Prime Minister of Belarus Mikalai Snapkou emphasized that the implementation of the union programmes implied "the unification of the legislation of the two countries [...] on the basis of the best practices, including those that are not yet applied in Russia or Belarus, rather than exclusively on Russian laws." However, in practice the Belarusian government had to agree to Russian standards in increasing numbers of new areas, which often means a reduced role of the state and alters the foundations of the Belarusian state model. For example, at the 20 May meeting of Deputy Prime Minister of Belarus Anatol Sivak with Deputy Prime Minister of Russia Marat Khusnullin in Moscow, which focused on the engagement of Belarusian builders in the construction of facilities in Russia, Moscow suggested that Belarus follow the Russian example by reducing the number of "mandatory standards in construction." Also, the sector ministries of both countries had been instructed to restructure the Belarusian housing and utilities sector, "using as an example the system of management of the housing and utilities sector that currently operates in Russia."

- ***Finance and industrial cooperation***

On 2 June, Belarus received the second USD 500 million instalment of the Russian state loan. However, even after the union programmes were approved on 9 September, it was announced that credit support for Belarus from Russia would exceed USD 600 million in the period from September 2021 to the end of 2022, including previously disbursed

instalments. What is meant here is that the Kremlin promised no new money, and Lukashenka had to add: “Again, Vladimir Vladimirovich did not say, but I have to confess that I did not ask him for any new loans, provided that we save something from the nuclear power plant, for which we had been given a certain loan (this is Russia’s standard practice worldwide), so I asked him: you give me what we manage to save as a loan. The answer was: we’ll think about it, we’re fine with it as long as there are good, beneficial projects.”

On 2 May, Prime Minister Halouchanka said that the pressure of the restrictions on Belarus and Russia prompted the two countries to pursue further cooperation in “microelectronics and electronic component base”. According to him, the sector lags behind mechanical engineering, chemistry and petroleum chemistry, where the level of cooperation is “very high.” The challenge is to include Belarusian microelectronics companies in the Russian programmes for the development of the microelectronic industry.

According to Deputy Minister of Industry Dzmitry Kharytonchyk, the threat of Western sanctions is pushing the Belarusian industry towards closer collaboration with Russian makers. He spoke about the construction of an *Amkodor* facility in Petrozavodsk, MTZ assembly facilities in Tatarstan, and cooperation with *Bryanskselmash*. Moreover, “other enterprises are also looking to increase the degree of localization at their operating assembly facilities and partner with more suppliers of components from Russia.” This is increasingly more about not only expanding supplies of Belarusian equipment to Russia, but also organizing assembly and full-cycle production there. One example is the agreement, signed on 6 June, between the Russian Industrial Development Fund and *AMKODOR-Onego* on a soft loan for a project to establish a full-cycle manufacturer of forestry machines, with full localization of harvester production in Russia by 2028. On 2 August, *Amkodor* announced its intention to manufacture agricultural machinery in the Leningrad Region of Russia. This plant will become the holding’s third enterprise in the Russian Federation. *Gomselmash* operates in a similar way. It is currently developing not only its own production site in Homel, but also a plant in Bryansk. Last year, a quarter of *Gomselmash* machines sold in the Russian market were manufactured in Bryansk.

On 10 September, Minister of Economy of Belarus Aliaksandr Charviakou met with Minister of Economic Development of Russia Maksim Reshetnikov. They explored opportunities for import substitution, cooperation in agribusiness, and the space industry. They agreed “to identify 5-7 major projects to be implemented under the

union programmes [...] with the primary focus on cooperative ties and export to third countries." The latter will help to deal with the Western restrictive measures imposed on Minsk, which already prevent Belarus from delivering to third countries.

The Western sanctions brought about a rapid increase in the dependence of the Belarusian industry on Russian suppliers even when it comes to individual products and affected its competitive capacity. In late September, Minister of Industry Piotr Parkhomchyk admitted that the sanctions caused BelAZ to switch from U.S. to Russian gas motors, whereas other Western-made components were also replaced with non-Western parts, although the minister made no secret that in terms of quality the replacement was unwelcome. There is no way to say how much exactly Russia's share has expanded, because since the start of the year the *Belstat* statistics committee has not published corresponding official figures.

- ***Trade***

Two-way trade between Belarus and Russia expanded by 37% year-on-year in the first half of 2021 to USD 17.5 billion (a 17% decrease was reported in 2020). Import supplies from Russia totalled USD 10.3 billion (up by 48%), and Belarusian exports amounted to USD 7.2 billion. (up by 24%).

Non-tariff restrictions remained a serious issue in economic engagement. Not only Belarusian manufacturers of food and agricultural products, but also other industries suffered. In June, chief of the State Military Industrial Committee Dzmitry Pantus said that Belarus annually supplies USD 250-300 million worth of military products to Russia but "our enterprises are involved in the Russian state defence order on unequal terms." Anyway, Belarusian manufacturers see their room for manoeuvre narrow. It has also been reported that work in third countries is harmonized with Russia as well.

There are good reasons to assume that there are political motives behind such restrictions, although they were originally imposed on account of violations. Restrictions were lifted following negotiations for each specific case, as good as manually. For example, Mahilyou Region Governor Leanid Zayats made use of the visit of Russian Ambassador Evgeny Lukyanov to ask him to help lift the restrictions on the deliveries of *Mogilevliftmash* (elevators) and *Babushkina Krynka* (dairy) products to Russia, which had caused a drop in sales. Lukyanov admitted that there were certain "rough edges" in elevator supplies, "caused by legislative procedures". On 9 August, a high-level group of the Council of Ministers of the Union State addressed the terms of

Belarusian elevator deliveries, access of Belarusian-made radio electronic products to Russian state (municipal) procurement schemes and ways to remove restrictions on the supply of Belarusian crushed stone, but the problem was not resolved completely.

- ***Transit***

Redirected export and import flows of Belarusian-made commodities are obviously among the processes that could have the most far-reaching repercussions for the Belarusian statehood and relations in the region. On 2 May, Raman Halouchanka said that Belarus was discussing with Russia routes to export timber and engineering goods via Russian seaports "by analogy with oil products." Experts specifically explore possibilities for building a Belarusian terminal in Russian ports, which, according to him, is not something that Moscow would be opposed to. Halouchanka also said that Minsk was looking into the capacities of the Northern Sea Route that is being developed now in order to promote ties with the Asia-Pacific Region.

On 13 August 13, Halouchanka said that Minsk was exploring alternative export options via the seaports of Murmansk and the Leningrad Region, and that by December, all of the country's fertilizer exports might be transhipped via Russian seaports. On 8 September, the premier had a meeting with Russian Railways Chief Roman Belozerov and spoke about the need to increase the road capacity in the direction of the Russian seaports of Ust-Luga, St. Petersburg, and Vyborg. The head of the Belarusian government admitted that most of the Belarusian Railway's freight traffic was associated with the Russian territory. In his interview on 10 September, Halouchanka acknowledged that although work was underway to ensure the transportation of Belarusian exports via Russian seaports, the challenge was harder to deal with — especially when it comes to potash fertilizers — than the redirection of oil product supplies because of the sheer volume of deliveries. Perhaps that was a way for Minsk to delay further withdrawal from the Baltic and Ukrainian seaports hoping that the situation in those countries would change. Furthermore, Lukashenka emphatically demanded at a meeting in October focusing on efforts to counter the sanctions, that "new routes should be opened, without abandoning the old ones, though."

Framework positions of the two parties in bilateral negotiations

In order to justify Moscow's support for Belarus, the Belarusian leadership diligently emphasized the link between the pressure put on Belarus and on Russia. For example, as he commented on the political crisis around Belarus, Foreign Minister Vladimir Makei noted that the main target of the confrontation was Russia. The Belarusian administration focused on the urgency of the situation by drawing parallels with the

historical disasters that both nations have encountered. According to Lukashenka, "both we and the Russian Federation take this western direction very seriously, where we are in direct contact with NATO troops[...] we cannot relax, given the experience of 1941, when we pacified everything, calmed everyone down [...] and then received a deafening blow and almost lost Belarus over a period of two or three months. History is a great teacher."

Further building on this logic, the Belarusian leadership highlighted the special position of Belarus as a sort of a *frontline state* (mirroring the traditional policy of Poland and Lithuania in the EU/NATO). For example, when clarifying the reasons behind the crisis on the border to Prosecutor General of the Russian Federation Igor Krasnov on 28 October, Lukashenka said that the Polish authorities were using the inflow of refugees as a pretext and were "looking for any excuse to move their troops closer to our borders. In other words, the borders of the Union State [...] We'll take some time, warn them. And then we have something to move closer to the borders as well. We have, and even more so the Russian Federation." This logic appears to be working at least among part of the Russian establishment.

Belarus, under sanctions and blockade, has lost most of the tools to assert its economic interests and is trying to counter the appetites of a part of the Russian establishment (such as the fuel and energy complex) by deepening its contacts with another segment of this establishment (such as the security services and the military-industrial complex). As Lukashenka said in May, "we agreed on military-political and other issues a long time ago [...] and it is now mostly about economic matters." This prompts certain emphasis on military-political cooperation, elaboration of rhetoric of confrontation with NATO, etc. Another example is the balancing of the interests of oil and natural gas companies on the one part and the nuclear industry on the other.

The crisis in Belarus's relations with the West, imposition of restrictions, and the air blockade of Belarus by a number of countries objectively contributed to Moscow's achieving its goals of pushing Minsk towards fundamental concessions: in terms of military issues, including the enormous *Zapad* (West) exercise, union programmes, and transit. The Kremlin began providing increasingly sustainable support to Minsk in its confrontation with the West as Russia's influence and presence kept growing. However, even amid the air blockade and refugee crisis, the Kremlin is willing to redouble its support mainly in those areas where it leads to an increase in Belarus's unilateral dependence on Russia and/or to benefits for specific business communities or sectors of

the Russian economy. A striking example is the access to Russian seaports. In other areas, where helping Belarus does not really pay off, no increase in support has been reported (for example, lending issues, gas transit, and access to Russian markets).

Forecast for the development of relations until the end of 2021

- Unless Belarus's relations with the neighbouring countries and the West as a whole improve, Minsk will continue seeking closer ties with Moscow. For many areas the growth of Russian presence will become irreversible as early as in the coming months — the army is one of them, following further purchases of Russian weapons and possible evolution of the established Russian air force and air defence facilities.
- Minsk is unable to halt Moscow's growing influence under the circumstances, but it can slow down the process. Therefore, one may expect delays in the ultimate design and launch of some of the union programmes, but their implementation is virtually inevitable.
- The Belarusian government will probably place its best bet on the diversification of its ties inside Russia, which means working with various political forces (especially emphasizing its role as Russia's "protector"), various potentially competing economic entities, industries and regions of Russia.

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