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WHAT CAN RUSSIA DO: DEFINING ITS LEVERAGES ON BELARUS

After a short summer break Belarus Info Letter "The Bell" is back. This issue is dedicated to the analysis of the Russia's influence towards Belarus and how short are the strings that Kremlin has to control Minsk?

Some experts say that we can call Belarus as *de facto* province of the Russian Federation, not a sovereign state. The others, at the same time, would not agree because 20 years of the regime's history has shown that Aliaksandr Lukashenka has enough space to refuse Kremlin's offers that do not suit the dictator's wishes. Even though there is no one truth in this case, several issues can be touched while analyzing Russia's leverages in Belarus. Thus, two Belarusian experts try to solve the puzzle in this issue of "The Bell".

Valeria Kostyugova in the first article "Russian leverage in Belarus and privatization" argues

that even though Russia has much leverage to influence the political and economic situation in Belarus, it is not successful in the case of privatization. She states, that the biggest interest for Russia is to have an efficient use of infrastructure of Belarus and until these needs exist, it will keep the regime alive.

In the second article "Russia's power in Belarus: specific features, nature and efficiency of us", Aliaksandr Shpakouski deeply analyses the spectrum of different Russian soft-power organizations in Belarus. After giving a brief review of the relations between the two countries, he states that the main goal of the different types varies; however, with the Eurasian integration project on track, Russia is working towards creating a better image of it.

Vytautas Keršanskas, Editor

RUSSIAN LEVERAGE IN BELARUS AND PRIVATIZATION

Valeria Kostyugova

Russia has an extensive leverage toolkit in Belarus, but its use is limited, not always consistent with certain goals, and it does not yet put Russia in a position to significantly influence privatization process in Belarus. The leverage is primarily used to support the socio-political and economic stability in Belarus and to assure the efficient use of infrastructure factors (pipe systems, rail and road communications, etc.). Diverse rents, which the Belarusian political leadership collects from cooperation with Russia, help it to avoid systemic privatization, and, in a broader sense, to avoid reform, maintaining the socio-political model that ensures preserving intact the powers of the collective Lukashenka. However, the example of Uralkali shows that there is a likelihood that at some point Russia may lose interest in maintaining political stability in Belarus. This can happen when (and if) Russia can develop large transit infrastructure independent from Belarus and Ukraine.

Belarus is totally dependent on Russia

Apparently, none of the post-Soviet states (with the exception of the self-proclaimed republics of Transnistria, South Ossetia and Adjara) is so heavily dependent on Russia as Belarus.

First, Russia is the main political patron of the Belarusian regime and the key international actor that recognizes: the existing political order in Belarus as "normal"; the elections as in general meeting democratic standards; the president and the parliament as suitable partners for cooperation. Moscow also frequently defends the interests of the Belarusian leadership on the international arena (in particular with regard to sanctions).

Second, Russia is Belarus' main financial lender. One can recall at least a dozen major governmental or anti-crisis loans that were granted to

CONTENTS

1	WHAT CAN RUSSIA DO: DEFINING ITS LEVERAGES ON BELARUS
1	RUSSIAN LEVERAGE IN BELARUS AND PRIVATIZATION
3	RUSSIA'S SOFT POWER IN BELARUS: SPECIFIC FEATURES, NATURE, AND EFFICIENCY OF USE

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the Belarusian government at difficult times. The debts later were often completely restructured.

Third, Russia is the only energy supplier to Belarus, moreover the energy is usually supplied on concessional terms (i.e., at prices lower or significantly lower than for the rest of the region). It allows Russian and Belarusian analysts to speak about “oil and gas rents”, largely assuring socio-economic sustainability of Belarus.

Fourth, Russia is the main and virtually the only market for the final “made in Belarus” products. Any significant economic downturn in Russia immediately affects the figures of the Belarusian foreign trade. Removal of certain restrictive tariffs on imported goods to Russia immediately affects the respective product groups in Belarus.

In addition, Russia provides military and strategic security of Belarus. Here, Russia is as indispensable, as in the case of the energy security of Belarus.

Despite the fundamental dependence of Belarus on Russia (which allows some commentators to claim that Russia upkeeps Belarus), within the country the “Russian factor” is represented in a disproportionately modest way. This factor has almost no influence on domestic policy, on legislation, and economic and social policy. The Russian capital, on the other hand, is significantly present in the economy, especially in the banking sector. However, the success of Russian companies in the acquisition of the Belarusian state-owned assets is not very significant. To be fair, we should note that other countries can neither boast of significant advances in this field.

Privatization is controlled by Belarus, not Russia

Privatization in Belarus was announced many times, but it never became a systemic process. More precisely, the process ended immediately, as soon as there appeared an alternative source of revenue for the treasury. Over the past three years, i.e. from the date of the official announcement of another large-scale privatization process, one can witness 10 significant (at a cost of more than USD 30 million) state share sales transactions in Belarusian companies, 4 of them involved Russian companies. Additionally to this, Russian banks bought government shares of two Belarusian banks. In 2012, as soon as Belarus received a credit of the EurAsEC Anti-Crisis Fund as well as the ability to earn excess profits from the resale of Russian oil, privatization was suspended again.

Similar situations had happened before as well. In fact, the interests of Russian companies wish-

ing to buy property in Belarus were hindered by the Russian government itself, either by granting large governmental loans to Belarus or by oversight and legal uncertainty when exporting some product groups (mostly oil).

As a result, for all 19 years of Russian patronage over Belarus, Russian companies bought: 42.5% of the Mazyr Oil Refinery, 100% of Beltransgaz, and 4 banks: Belpromstroibank, Belvnesheconombank, Mezhtorgbank, Belgazprombank. Omitting the case of Beltransgaz, which was acquired by Gazprom with certain pressure, the presence of Russian capital in Belarus is not at the scale which would allow to speak about the corresponding leverage. The sale of other businesses that could conceivably be interesting for the Russian state or Russian business is being negotiated for 20 years. These negotiations will carry on as long as Russia continues to keep the Belarusian socio-political system afloat.

In addition to the persistent refusal of the Belarusian ruling class to sell state-owned enterprises (as advised by anti-crisis financial structures, in particular the IMF and the EurAsEC Anti-Crisis Fund), there are other reasons that limit Russian privatization in Belarus.

First of all, attention is drawn to the absence of private property rights in Belarus, which means extremely weak protection of investments. Although capital is known to often neglect risks in pursuit of profit, the problem is that the Belarusian enterprises are sold (if sold) at market or above-market prices, but bring revenues at the level of socialist institutions. For example, when buying Beltransgaz, Gazprom with difficulty negotiated the right to increase gas price for domestic consumers. It has the right, but still not in its discretion. Gazprom's revenue in the domestic market is fixed at \$15.95 per thousand cubic meters and can be adjusted only in accordance with the size of inflation.

As for the companies that sell for export, regardless of the form of their ownership, they are forced to sell at least a third of foreign currency earnings at the exchange rate of the National Bank in the domestic market (in “bad” years, this level can increase to 50% or even 70%). In addition, in case such companies have surplus funds, from time to time the state takes these “surpluses” for a variety of budgetary and extra-budgetary funds (again, regardless of the form of ownership).

Naturally, businesses always have opportunities to make money using the difference in Russian and Belarusian legislation or the difference in prices between the Customs Union and the EU, and in many other ways. However, this does not

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necessarily require holding Belarusian assets. During the boom of “solvents-diluents business” (the resale of Russian petroleum products under another customs category in 2011-2012), the excess profit of the owners of 42.5% of the Mazyr refinery shares (Rosneft and Gazprom Neft) and other Russian traders involved did not differ.

Thus, the cost of owning property in Belarus is so high, that for the Russian business it is more profitable to buy assets in Lithuania and Ukraine and to carry out some transactions through Belarus.

Conclusions

But let us go back to Russia. Why does it yearly spend on various estimates from \$4 to \$7 billion to support the Belarusian model, if this does not provide the extension of its influence in Belarus? The answer lies in the fact that the money may be considered as a kind of insurance premiums and / or co-payment for the use of transit infrastructure. Only in East-West direction Russia transports through Belarus goods worth \$120 billion a year. Therefore, perhaps, it is not quite fair to

treat as subsidies the money that goes to the maintenance of stability in Belarus. The scale of trade flow through Belarus also indirectly gives an idea of why the Kremlin considers the “general” interests more important, than those of individual Russian companies. And these interests in certain respect coincide with the interests of Lukashenka: stability above all, any change (reform, privatization, etc.) can cause unforeseen costs. Various pseudo-integration formations replace each other with the purpose of sharing with Belarus the mega-infrastructure (including military, law enforcement, trade, road and other infrastructures). In such a way, the EurAsEC replaced the Union State of Russia and Belarus, like the Common Economic Space will replace the EurAsEC.

However, the scandal surrounding the collapse of the Belarusian Potash Company denotes the limits of ultimate interests of the Russian state. Perhaps one day the Russian Federation, like Uralkali, having its own infrastructure strengthened and equipped, will come out of these formations, leaving Belarus and its president alone with their overvalued assets.

RUSSIA'S SOFT POWER IN BELARUS: SPECIFIC FEATURES, NATURE, AND EFFICIENCY OF USE

Aliaksandr Shpakouski

Introduction

In July 9, 2012 at the meeting of ambassadors and permanent representatives of the Russian Federation, Russian President Vladimir Putin drew attention to the need for using soft power methods in the daily work of the Russian diplomatic corps. According to Vladimir Putin, these methods involve “promotion of our interests and attitudes through persuasion and attraction to the country, based on its achievements not only in material but also in the spiritual culture and intellectual sphere.” The Russian side had been actively trying to use soft power to implement its economic and political interests before this statement of the Russian president was pronounced, but for the first time such practices were mentioned as the main foreign policy tool and approved for use on such a high state level.

It is obvious that the activity of the diplomatic and other related structures of the Russian Federation to create a positive image of the Russian state in the external projection is related, first of all, to Russia's leadership plans of creating the Eurasian Economic Union as an integration project on the post-Soviet space. This assumption makes it clear that the former Soviet states with the priority giv-

en to most problematic for Russia's foreign policy countries (the Caucasus, Central Asia, as well as Ukraine) are destined to become the main objects of the Russian soft power. The Baltic States, Central Europe, the Balkan states will be involved in Russia's soft power project to a lesser extent.

The instruments of this policy will be represented by a variety of educational, cultural, social, information and other projects implemented in the territory of neighboring countries through a network of various public organizations and “associations of compatriots” with the financial support of the institutions affiliated with the Russian government. It is clear that the main purpose of these structures is the development of a positive image of the Russian Federation in public mind, the justification for the choice of the Eurasian integration as the most profitable way of development, as well as information warfare against political opponents of Russia.

Belarus-Russia relations at the present stage

At present, among the post-Soviet countries, Belarus is the closest state to Russia, judging by the degree of political and economic integration. Belarus is involved in all Russia's political, economic

Instead of influence on social processes and the decision-making, the structures of the Russian soft power run the risk to only create another pro-Russian version of the Belarusian opposition

and military integration initiatives, in addition, Belarus is a part to the Union State of Russia and Belarus, an integration formation which does not have analogues in the CIS as for the level of depth of unification processes. Such status and foreign policy orientation of the Belarusian state permanently mislead some of Belarusian and foreign experts who speak about “an external control of Belarus from the Kremlin”, “dependence of Belarus”, and who express doubts that there are “prospects for the Belarusian sovereignty”, etc.

However, despite the seeming boundless proximity of the two countries, these statements seem to be wrong; there are repeated conflicts of political and economic nature between the allies, in which the Belarusian authorities quite successfully manage to defend their own sovereign line. The nature of these conflicts is the difference between the economic and socio-political models of Belarus and Russia: a socially-oriented, centralized and personalized as for the decision-making model of the Belarusian State comes in apparent contradiction with the Russian government that often in practice lobbies short-term commercial interests and expansionist aspirations of conjoined aggressive capital. Obviously, these differences lead to a mutual blocking of integration processes between Russia and Belarus, and in general give rise to doubts as to possibility of these processes. The desire to create a powerful integration formation on an equal footing declared by the Russian authorities, in Belarus is regarded as unlikely to be realized in the conditions of today's oligarchic financial and raw material resources circles dominance on the processes of governance in Russia.

Similar trends are also reflected in public attitudes: if in the early 1990s, Russia was considered by Belarusian citizens as an unconditional and the only possible integration partner, the current mentality of the Belarusian society is not so optimistic for the followers of the unification idea. Thus, in the sociological study of the Independent Institute of Socio-Economic and Political Studies (IISEPS), held in June 2013 it is noted that “there is a certain balance established between the geopolitical choice of “Bela-Russians” and “Euro-Belarusians”. To the question “If you had to choose between integration with Russia and joining the European Union, which would you choose?”, 40.8% of the respondents answered they would choose a union with Russia and 41% membership in the European Union. At the same time, at a corresponding referendum 46.5% against 31.2% would vote negatively on unification with Russia, 36% of the respondents are against placing Russian military facilities on the territory of Belarus. At the same time, this rather negative attitude to the Russian state as a whole is not transferred to the Russians: the results of the same survey show that more than 60% of Belarusians have positive attitude to

Russian tourists, and 31.2% of the respondents believe that “Russians and Belarusians are close peoples”.

It is obvious that a large part of the Russian elite sees the initiative of the Eurasian integration, not only as a single economic space, but, first and foremost, as a political project. At the same time, restructuring of the political and economic foundations in Russia to an acceptable form for the Belarusian statehood seems unlikely in the near future. In this regard, for Russia, the Belarusian vector acquires added value and specific importance, and therefore will be subject to different political and economic methods of influence, including soft power technologies. The purpose of this publication is to analyze the instruments of Russian soft power in Belarus, to examine the specifics of their application and to evaluate their impact on social processes.

Russian soft power organizations in Belarus: their classification, scope, specific character of application

On the territory of Belarus, the Russian soft power can be divided into several structural legal status groups:

1. Representative offices of Russian organizations in the Republic of Belarus (representative office of the Federal Agency for the Commonwealth of Independent States, Compatriots Living Abroad and International Humanitarian Cooperation (Rossotrudnichestvo) in Belarus - Russian Centers of Science and Culture in Minsk and Brest - <http://blr.rs.gov.ru/taxonomy/term/47>, the representative office of the State Organization “Moscow House” in the Republic of Belarus).
2. Belarusian civil society organizations and informational and educational projects of Russophile orientation (Belarusian Public Association “Ruthenia”; Youth NGO “Young Ruthenia” (Rumol) - <http://rumol.org/>, information-analytical portal “Empire” - <http://www.imperiya.by/>, the project “Western Russia” - <http://zapadrus.su/> etc.)
3. Russian institutions that do not have permanent representation on the territory of the Republic of Belarus, but carrying out project, informational, analytical work on the Belarusian issue. (The Russkiy Mir Fundation (<http://russkiymir.ru/russkiymir/ru/fund/>); The Institute of Russian Abroad (<http://russkie.org/?module=pages&action=view&id=1>; The Russian Institute of Strategic Studies (<http://www.riss.ru/>; The Gorchakov Foundation for Public Diplomacy (<http://gorchakovfund.ru/news/cat/112/>; The Institute of CIS countries (The Institute of Diaspora and Integration) - <http://www.materik.ru/institute/about/>).

With the unfolding of the Eurasian integration initiative, the need for more active use of soft power practices by the Russian state in the neighboring countries will only increase and grow.

In the list above mentions only major organization, the overall Russian presence in Belarus is much more extensive, however, other structures are either insignificant or are derived from those already listed. Thus, the specific application of Russian soft power in Belarus involves the use of various types of instruments: educational, cultural and scientific projects, monitoring the situation and preparation of analytical materials, grant programs, work with the youth, information activities, creation and dissemination of Russophile historical concepts, etc.

The characteristic feature of the organization of the Russian soft power in the case of Belarus is the lack of a shared vision of local issues, the heterogeneity regarding the attitude towards the Belarusian authorities and the Belarusian statehood itself. This situation can be explained as a Kremlin's attempt to create a "controlled chaos" in order to disorient the official Minsk, as well as real lack of common principles and guidelines in Russian public diplomacy towards Belarus. The second assumption is more likely to be true, since today's Russian ruling elite is characterized by ideological disunity, clan system, difference in approaches and positions, including on the development of relations with the Republic of Belarus. A typical element of the today's use of Russian soft power is the fact that Russian state officials realize that there exist the new reality of post-Soviet space (the sovereignty of the states, the emergence of a new generation of citizens and elites, partial elimination of cultural, educational, and industrial ties between Russia and republics of the former Soviet Union, etc.). Therefore, these officials tend to operate in a new environment on new principles, but in practice such declarations, for unknown reasons, result in supporting absolutely unpromising Russophile projects in the spirit of "one and indivisible Russia", which does not add to the popularity of the Russian state and the ideas Eurasian integration in the region

For example, in Belarus, these projects do not promote a positive image of Russia but on the contrary, their activities cause irritation both in the state apparatus and expert community and among citizens. This situation «on the ground» is in a clear conflict with the rhetoric of Russian state officials and leads to disavowal of many areas of Russian soft power, as well as creates for the Belarusian authorities objective grounds for administrative ban of certain Russian activities. So, the head of the agency «Rossotrudnichestvo» Konstantin Kosachev stated in his spring 2013 speech in the State Duma of the Russian Federation that «Russian compatriots are an asset of Russia abroad, but not a «fifth column» inside their countries,» the Gorchakov Foundation project manager Natalia Burlinova, during a round table held in Minsk in summer 2013, also noted that «one of the tasks of Russian soft power is de-

bunking of the myth of Russia infringing the independence of the former Soviet republics.»

At the same time, based on the analysis of publications and speeches, almost all the leaders of Russophile community in Belarus (Yurij Baranchik, Igor Zelenkovskij, Sergey Lusch, Alexander Gronskiy) are very ambivalent about sovereign Belarusian project, often take the position of denial of the right of nations to self-determination, are skeptical about the Belarusian language and culture, and the official version of Belarusian history.

Some of the leaders are also critical of the actions of the Belarusian authorities aimed at sovereign nation-building, and a number of them are in direct opposition to the Belarusian government. The desire to show the modern Republic of Belarus as a failed state with inefficient economy and authoritarian government, owing all its achievements to Russian "subsidies", unites the discourse of Russophile initiatives with the discourse of the Belarusian political opposition of pro-Western orientation. The difference between these two streams of political thought lies in relation to the Belarusian language and culture, identity and historical heritage of Belarus: Russophile camp explains the existence of independent Belarusian "language" due to the Polish influence, accordingly, the entire medieval history and culture of Belarus of the period of the Great Duchy of Lithuania and the Polish-Lithuanian Commonwealth is declared to be exclusively Polish or Lithuanian.

Such biased attitudes and the lack of an objective approach turn into another risk for Russia's soft power: instead of influence on social processes and the decision-making, the structures of the Russian soft power run the risk to only create another pro-Russian version of the Belarusian opposition (It has actually happened on the territory of Ukraine). There are all conditions for the development of such a negative scenario: a number of contradictions between the Republic of Belarus and the Russian Federation, the anti-state position of some Russophile organizations in Belarus, the emerging myth of discrimination of the ethnic Russian community and "Litvin conspiracy" in the structures of the Belarusian authorities, internal rivalries between the Russophile structures and activists regarding the allocation of financial support.

In this situation, educational projects of the Federal Agency "Rossotrudnichestvo" for creating Russian Centers of Science and Education and Gorchakov Foundation programs, aimed at cooperation with the specialized Belarusian universities (Faculty of International Relations of the Belarusian State University - FIR BSU) and other projects aimed at strengthening the Belarusian-

Russian cooperation, but not going against the interests of the sovereign Belarus seem much better and more adequate to the spirit of time. In contrast to initiatives from anti-state Russophile sector, these proposals are not opposed, but on the contrary, encouraged and supported by the Belarusian officialdom. This year, with the consent and support of the Belarusian side the Russian Centre of Science and Culture (a representation office of Rossotrudnichestvo) was opened in Brest. In Minsk, the Gorchakov Foundation in cooperation with FIR BSU hosted an international roundtable on the positioning of the Eurasian integration. Program of student and academic exchange and joint research projects are implemented quite intensively. This state of affairs (the presence of "harmful" and "useful" projects) allows to evaluate the impact of the current Russian soft power in Belarus as ambiguous in terms of public benefit purposes and purposes of sovereign development of Belarus, and poorly efficient in terms of objectives of improving the external image of the Russian state.

Conclusions

Obviously, with the unfolding of the Eurasian integration initiative, the need for more active use of soft power practices by the Russian state in the neighboring countries will only increase and grow. This conclusion is confirmed the latest decisions of the Russian authorities to increase funding of relevant organizations. Thus, in accordance

with the Presidential Decree "Issues of the Federal Agency for CIS Affairs, Compatriots Living Abroad and International Humanitarian Cooperation", Rossotrudnichestvo budget increases 4.5 times - up to 9.5 billion rubbles, which turns the Agency into the main conductor of Russian soft power abroad.

There is no doubt that increased Russian influence attempts in a number of other post-Soviet states will also fully concern the Republic of Belarus. The success of the Russian soft power and its relevance to the stated programs of the Belarusian-Russian rapprochement depend on the ability of the Russian leadership to separate "the sheep from the goats" and establish its own foreign policy priorities, approaches and agents.

Such a solution in the short term is unlikely: the Russian state power is fragmented, the interests of different groups are mutually exclusive and often require a broad spectrum of ideological and political meanings. This situation is completely unacceptable for the political culture of Belarus and will directly affect the effectiveness of the Russian soft power and its financial reasonability. Maintaining the current situation, the forecast for the Belarusian-Russian rapprochement in its humanitarian component is rather negative. The quality activities of Russian agencies risk to simply get lost among the various economic and political conflicts and irrelevant information flows, accompanying them.



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