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Why the Kremlin Is Furious With Lukashenko

By Vladimir Ryzhkov

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In recent years, the "brotherly relations" between Russia and Belarus have shifted from lofty proclamations about forming a union state and fancy banquets celebrating the signing of the latest integration agreement to a Cold War involving disputes over gas, oil, transportation, candy, cement, tractors, credit, information and more.

Those relations hit an all-time low recently when NTV aired "Krestny Batka" — a word play on "The Godfather" — that was highly critical of Belarussian President Alexander Lukashenko. Minsk responded by airing an interview on prime time television with the Kremlin's archenemy Georgian President Mikheil Saakashvili. Because television is controlled by the state in both Russia and Belarus, the unleashing of a televised war of words is a direct reflection of the leadership's policies in both countries.

With the 2011 presidential election in Belarus not far away, Moscow is attempting to undermine Lukashenko's political position, even hinting that it might support his opponents

in the election. Lukashenko must finally accept the Kremlin's basic terms or the confrontation between the two regimes will soon become even nastier. Further confrontation is clearly the more likely scenario.

There are a number of reasons behind the growing hostility between the two countries. The main one is Minsk's failure to join on Russia's terms the Russia-Belarus Union — an idea dating to the late 1990s to combine the two countries into a single supranational entity. This failure has antagonized the Kremlin, which had hoped the union state would boost Russia's power in the Commonwealth of Independent States and on the global stage. The Kremlin was also hoping to exploit the union state to show Russians who are still psychologically wounded from the collapse of the Soviet Union that Russia is trying to put the Soviet Union back together again — at least the Belarussian part of it.

For many years, Russia subsidized the Belarussian economy and budget with cheap credit and energy, some of which Minsk re-exported to European countries at higher prices. Prime Minister Vladimir Putin calculated that Russia has subsidized Belarus to the tune of $50 billion to $52 billion —the equivalent of Belarus' entire gross domestic product in its peak year of 2008.

For many years, Russian subsidies allowed Lukashenko to provide regular subsidies to Belarus' industrial and agricultural sectors. The subsidies also helped fund social services in Belarus, which ensured that most people remained supportive of Lukashenko. Belarussian products subsidized by the government had a clear competitive advantage over similar Russian-made goods. Although Russian manufacturers repeatedly raised the issue of having to compete on unequal terms with Belarussian manufacturers, these cries of unfair trade practices were ignored by the Kremlin.

As a result, 99.7 percent of all of Belarus' meat exports were exported to Russia in 2008, as well as 91.6 percent of its footwear exports, 80.2 percent of its refrigerators, 92.3 percent of its milk, 77.7 percent of its furniture and 69.8 percent of its trucks. At the same time, Belarus has a strict requirement that no less than 90 percent of food and 80 percent of manufactured goods in local stores must be Belarussian-made. This means that Russia is subsidizing Belarussian products while being denied free access to the Belarussian market.

Lukashenko wants to play by his own rules and will never be willing to become the "smaller brother" to Russia. He wants to continue his strict protectionist policies and manipulate the exchange rate of the national currency while rejecting an offer to share a common currency with Russia. He also wants to continue the heavy state control of the economy and earn huge transit fees when European-bound Russian gas and oil exports pass through Belarus.

Nonetheless, Moscow has dreamed for many years of introducing the Russian ruble in Belarus, controlling Belarus' military infrastructure and taking control of Belarus' largest businesses.

In addition to the failed union state, a second reason for the hostility is Lukashenko's foreign policy and his underhanded maneuvering to exploit disagreements between world leaders. Taking into account the positions of the United States, the European Union and China, Lukashenko has refused to support the Kremlin's showcase project and symbol of what it sees as its revival in the former Soviet space: the independence of Georgia's breakaway regions of

South Ossetia and Abkhazia.

To add insult to injury, Lukashenko has received significant financial assistance from other countries and institutions. Belarus' external debt has reached an incredible 45 percent of GDP and continues to increase rapidly, thereby threatening the stability of the regime prior to the presidential election. In 2009, Belarus received $1 billion in credit from China, $3 billion from the International Monetary Fund, $200 million from the World Bank, and it is now holding talks on receiving $200 million from the European Union. What's more, Belarus has joined the EU's Eastern Partnership program and is improving relations with Georgia and Ukraine.

Finally, Gazprom and other Russian natural resources champions have suffered heavy losses in European markets. Lukashenko's insolence and the games he has been playing with Russian subsidies have only fueled the appetite of Russian oligarchs and their friends in the Kremlin to pick new fights with Lukashenko.

It is highly unlikely that Lukashenko will ever reject his authoritarian model of leadership, nor is there any likelihood that he will become more compliant with the Kremlin. For these reasons, we can expect an escalation in tension between Russia and Belarus as long as Lukashenko remains in power.

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