

Belarus Bailout Hinges On Russia

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April 21, 2011

The  Moscow Times

For the second time in two years, Belarus is facing bankruptcy. And for the first time, it seems that Russia will be mainly alone in picking up the tab.

Belarus' currency reserves are running dangerously low, having slid from \$6 billion to \$3.7 billion over the past six months, according to the [web site](#) of the country's central bank.

The situation is reminiscent of summer 2009, when a \$2 billion loan from Russia and a \$3.5 billion credit from the International Monetary Fund helped Belarus survive the financial crisis.

But this time the political situation is much more volatile.

On Tuesday, the central bank announced that it would allow the Belarussian ruble to float freely, heightening fears of devaluation and public unrest as people line up outside currency exchange booths.

President Alexander Lukashenko, the country's authoritarian leader, has few alternatives to turning eastward for assistance.

A tentative rapprochement with the West was shattered after the presidential election last December, when police brutally cracked down on the opposition, which complained that the vote, re-electing Lukashenko to a fourth term, was rigged.

In response, the European Union has frozen assets and restricted visas for the Belarussian leadership.

"The EU is frustrated with Lukashenko, [though] they held out an olive branch before the election," said Fraser Cameron, director of the EU-Russia Center, a Brussels-based think tank. The poll "turned out to be a complete fraud," he added.

The situation is likely to deteriorate further after Lukashenko implicitly accused the West of being behind a mystery bombing that hit the Minsk metro on April 11, killing 13 and wounding more than 200.

In his state-of-the-nation address to parliament Thursday, Lukashenko suggested that the sanctions and bombing were part of a foreign plot against Belarus. "These are all links of one chain," he said, Interfax reported.

The president added that the blast was possible because the government had allowed too much "unnecessary" democracy. "We had so much democracy that you and I got sick," he was quoted as saying.

And while the 27-member European bloc is currently hit by its own financial worries — having to avert a credit crunch in Greece, Ireland and Portugal — Russia, by contrast, is awash with cash as rising oil prices promise more than \$51 billion in extra budget revenues this year.

Finance Minister Alexei Kudrin said earlier this week that Moscow would finalize talks with Minsk within a month on terms for a \$2.7 billion loan, of which \$1.7 billion would be released from the Russian-led \$10 billion anti-crisis Eurasian Cooperation Fund.

The prospect of the Kremlin bailing out Lukashenko with another billion-dollar loan spurned concerns that Belarus is sliding into even deeper dependence.

"Financially, Belarus is becoming another South Ossetia," said Alexei Malashenko, an analyst with the Carnegie Moscow Center, referring to the breakaway Georgian region that is largely bankrolled from Moscow.

Malashenko said the money was largely wasted on Belarus' Soviet-style economy.

Analysts have said the present financial woes stem in large part from a state spending spree in the run-up to the December presidential election.

But two influential pro-Kremlin State Duma deputies said it was right to support the country's western neighbor.

"After all, we are not helping Lukashenko personally, but the people of Belarus," said

Konstantin Zatulin, a member of United Russia and long-standing expert on policy toward former Soviet states.

He added that Russia was morally and politically obliged to help, just as the EU was bailing out Portugal and Greece. "After all, we have political and economic integration with Minsk," he said.

However, Zatulin admitted that the Belarussian leader had been a difficult partner in the past.

Last year, Lukashenko angered the Kremlin by courting the EU and boycotting institutions like the Russia-led Collective Security Treaty Organization.

In return, he was mocked by state-controlled NTV television and President Dmitry Medvedev, who openly accused him of sowing hostility between Moscow and Minsk.

"I cannot say that I like him very much, but show me one other [Belarussian] politician with whom you can deal responsibly," Zatulin said in a reference to the split Belarussian opposition, which failed to settle on a single candidate to run against Lukashenko in December and put forth a whopping nine nominees.

Sergei Markov, another United Russia lawmaker and political pundit, went one step further by saying Lukashenko's "demonization" in the Western press was unfounded.

"Maybe he is no stable ally, but he is a strong politician who has impressively survived the past 17 years," he told The Moscow Times.

Carnegie Moscow Center's Malashenko was also pessimistic about replacing Lukashenko. "Maybe they do not like him, but they also fear to lose him," he said about the Russian government's support for the incumbent Belarussian leader.

He added that, while the Belarussian opposition was too weak and divided, the economic aid should at least be tied to political conditions to gradually facilitate change. "Sooner or later Lukashenko will fall," he said.

Finance Minister Kudrin said earlier that the Russian loan would be issued on terms similar to those of IMF programs.

Sergei Musiyenko, a Minsk-based analyst who works as an adviser to Lukashenko, said the Belarussian government would meet all requirements for economic reform.

"We have been reforming for three years and we are known to be a sound borrower," he said by telephone, adding that Belarus was a net donor to the budget during the Soviet Union. "There is huge potential in our economy," he said.

Musiyenko pointed out that there were other potential creditors. As an example, he named China, which has promised long-term aid worth some \$16 billion.

Analysts have speculated that China could buy a stake in potash miner Belaruskali. They have said that selling 25 percent of the firm could raise up to \$7 billion.

Duma deputy Markov also said Lukashenko should also hope for help from Iran and Venezuela, which have both established close ties with Belarus in the past years.

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