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The Belarus–Russia Integration Deal as the Kremlin's Strategic Tool

A belorusz–orosz integrációs megállapodás mint a Kreml stratégiai eszköze

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Abstract: The Belarus–Russia talks on "deepening the integration" have been controversial and have resonated both internationally and domestically. As the negotiated documents are classified, the information on the scope, content, and details of the deal remained undisclosed. Bringing together an analysis of the context, rationale, decision-making, and activities of the parties, this paper outlines the role of the integration deal in the context of Russia's regional strategy and intentions vis-à-vis Belarus. It finds that the integration deal is a multi-purpose tool serving to cut the costs of the integration, impose integration initiatives that are beneficial to Moscow, destabilise Belarus, and finally, guide the inclusion of Belarus into Russia's legal framework.

Összefoglalás: *Az integráció mélyítéséről folyó belorusz–orosz tárgyalások ellentmondásosak, és mind a belpolitikában, mind a nemzetközi színtéren nagy visszhangot keltettek. Mivel a tárgyalási dokumentumok titkosítottak, a megállapodások terjedelme, tartalma és részletei nem ismertek. A körülmények, az érvek és a felek döntéshozatalának, illetve tevékenységének összegzése után az elemzés az integrációs megállapodás szerepét vázolja fel, Oroszországnak a Belaruszt érintő regionális stratégiája és szándékai fényében. Megítélésem szerint a megállapodás egy többfunkciós eszköz az integráció költségeinek lefaragására, a Moszkva számára előnyös integrációs kezdeményezéseket segíti elő, továbbá destabilizálja Belaruszt, és az utóbbinak az Oroszország jogi keretei közé való beillesztését irányozza elő.*

Introduction

The Belarus–Russia talks on "deepening the integration" have been controversial and have resonated both internationally and domestically. As the relevant documents are classified, the public lacks reliable information about this important deal. The Russian media is leaking information that emphasises the political aspects of the integration, while Belarusian officials underline the economic nature of the deal.

This paper seeks to understand the nature of the integration deal and its role in Russia's foreign policy and regional strategy. It aims specifically to establish whether the deal and respective negotiations are an instrument for Russia's unilateral actions rather than a tool for harmonising the positions of equal negotiating parties within the process of their consensus-based integration. To that end, the paper focuses on the priorities and limitations underlying Russia's strategic decision-making in the region and analyses how the integration deal interacts with those considerations.

The first section describes how the integration deal appeared on the agenda of the Belarus–Russia relations and explains the official reasoning pertinent to it. The second section deals with the economic rationale of the deal for the Russian party and reveals its inconsistencies. The third section focuses on Russia's strategic and security priorities in the region and in Belarus specifically as the driving force of its foreign policy decision-making. The fourth section analyses the integration deal as Russia's foreign policy tool designed to weaken the resistance of Belarus to Moscow's pressure. The fifth section explores the way this tool is utilised by the Russian leadership and the effects it has on Belarus' strategic options.

The Context of the Integration Deal

The Belarus–Russia relations have been gradually deteriorating at least since the first "gas wars" in the mid-2000s. This process caught the eye of the international community after it accelerated in 2014. Belarus refused to support Russia's assertive foreign policy following the onset of the Ukraine crisis. Instead, it provided security guarantees to all involved stakeholders, pledging to abstain from actions that could undermine the security and stability of the neighbouring nations and the region, and to prevent the use of its territory and capabilities by other nations (first of all, Russia) to that end.

Russia has made steps to coerce Belarus into aligning with Moscow's regional strategy, supporting its trade restrictions against Ukraine, "countersanctions" against the EU nations, and deploying a Russian military base on its territory. Minsk has resisted that pressure and tried to rebalance its foreign policy by normalising its relations with the European Union and the United States of America while maintaining its special relationship with Moscow. The Kremlin countered that strategy of the Belarusian leadership with a new approach based on unilateral steps. These aimed primarily to undermine the resource base of the Lukashenko regime and impose new integration initiatives giving Moscow leverage over Minsk.

As Russia's post-2015 strategy towards Belarus unfolded, Minsk started to lose substantial funds due to Russia's rent-cutting activities. The most significant of these was the implementation of the tax manoeuvre in the oil-producing sector that would cost Belarus 8 billion dollars in 2019–2024. This manoeuvre includes the gradual elimination of export duties on oil and oil products, and taxing the production of oil instead. Both these processes cause losses to the Belarusian economy. They include lost revenue from diminishing export duties, more expensive oil, and unfair competition in the oil refining sector. As Russia's Government is introducing negative excise taxes for the products of its refineries destined for the domestic market, to make up for the growing price of crude oil, Belarus cannot afford such a measure.

Facing those challenges, the Belarusian leadership tried to turn the tide by initiating public rows with the Russian leadership in 2017 and 2018. In December 2018 one such row resulted in a proposal for "deepening the integration", put forward by Prime Minister of Russia Dmitry Medvedev. According to Medvedev, Belarus and Russia could leave their bilateral integration in the Union State framework as it was, or they could pursue advanced integration. The latter meant further implementation of the Agreement on Establishing the Union State, including the establishment of a common customs service, court, accounts chamber, and other bodies, the introduction of a common currency, etc. The advanced integration scenario, according to Medvedev, implies the growing interdependence of the economies and opens the way for granting aid and support to the Belarusian economy and resolving the other issues that Minsk is raising.

For a year after that, the parties held negotiations to come up with an Action Plan for Implementing the Agreement on Establishing the Union State, which included sectoral integration and cooperation roadmaps (their number rose from an initial 10 to the current 31). On 20 November, the Prime Ministers of the two countries agreed on over 21 roadmaps, but they had to admit that the most complicated issues could only be resolved by the Presidents. The latter's meeting on 8 and 20 December 2019 brought some progress, but did not end with a deal.

The Belarusian leadership is clearly reluctant to give up the country's sovereignty but seeks to avoid the responsibility for disrupting the negotiations. Alexander Lukashenko and MFA Chief Vladimir Makei also publicly stated that Belarus could sign the Action Plan only if the issues that worry Minsk most (compensation for the tax manoeuvre) are resolved. This is exactly the opposite of Moscow's position on the matter.

The (Poor) Economic Rationale of the Deal

From the very first mentioning of the "deepening the integration" agenda by Dmitry Medvedev on 13 December 2018, it has been about economic cooperation and integration. The discussion initially involved some speculation about institution-building within the Belarus–Russia "Union State". But the more the parties interacted, the less place there remained to discuss politically sensitive issues, at least at the official level. The only political aspect left is creating the common Tax Code by April 2021, a roadmap that the parties cannot agree on. But the flexibility of Moscow's stance on the integration deal raises doubts about its actual goals.

Russia's official rationale for promoting the integration deal agenda is simple. Since Belarus demands equal economic conditions (including the price of oil and gas) for the Belarusian and Russian enterprises, as stipulated in the Agreement on Establishing the Union State, it should also fulfil the other provisions of the Agreement that prescribe deeper integration, common economic policies, a common audit chamber, parliament, etc. However, this desire to bring the Agreement to life seems paradoxical against the backdrop of Russia's other strategic priorities.

The first paradox stems from the fact that the Agreement is based on the sovereign equality principle. This means that however closely Belarus and Russia integrate, all key decisions in the "Union State" will be made by consensus. All key positions in the supranational bureaucracy (once it is created) will be filled by both parties on equal footing and/or on a rotating basis. This would substantially limit

Russia's own sovereignty and force Moscow to treat Minsk as an equal partner – something that is at odds with Russia's unilateralism. Therefore, either the Russian officials' stance on the deal is different from what they claim and does not come down to implementing the treaty as it is, or they do not intend to sign this deal altogether.

The second paradox is that the integration deal as it is discussed between Minsk and Moscow would not bring any benefit to the Kremlin. Due to the principle of sovereign equality, the Russian party would be unable to use the "Union State" machinery unilaterally and would continue to depend on the consent of Minsk. In return, it would have to bear the full cost of "subsidising" the Belarusian economy, at least in terms of the access of the Belarusian party to oil and gas, Russia's market, and its state procurement system. Such an outcome would be contrary to what Russia has been doing for at least five years – cutting integration-related costs and reducing its dependence on imports, even from its economic allies.

Next, while Belarus possesses several attractive assets that the Russian elites would be happy to obtain, overall the country's economy is not a donor but a recipient that needs 2–4 billion dollars of annual financial support and/or low-rate loans. Given Russia's own economic vulnerabilities, taking the burden of supporting another subsidised region is unlikely to be the Kremlin's next move. The Russian authorities could push their Belarusian counterpart for reform in a tighter union and cut the relevant costs. But that would impose the political cost of the painful economic reforms on Russia and the "Union State". That makes the option of annexation or deeper economic integration on equal footing highly unlikely.

Thus, the economic rationale of the integration deal looks weak. The integration deal signed and implemented under the current conditions and in the framework of equal integration would not give the Kremlin substantial leverage. Being aware of this, the Russian leadership must have other considerations for promoting the deal.

Russia's Strategic Priorities in Belarus

While Russia's actual stance towards Belarus remains ambiguous in economic terms, its strategic and security priorities – the main drivers of its domestic and foreign policies – seem to be quite well-defined and static.

Russia's strategy in Eastern Europe stems from its overall strategic goals aimed at maintaining Russia's status as a global power. Those strategic goals in Eastern and wider Europe include capitalising on the interim positive outcomes of the 2014 Ukraine gambit and establishing Russia as the main security donor at least in Central and Eastern Europe. Both to achieve those goals and also irrespective of them, Russia's core strategic and national security priority in Eastern Europe is consolidating its sphere of influence. This includes acquiring control of the territory of Belarus and improving its standing in Ukraine. Due to its own economic vulnerability and the economic gravity of the European Union, Russia is unable to accomplish this priority without resorting to military-political instruments and measures.

Russia's attempts to acquire control of the Belarusian territory have focused on negotiating the deployment of its exterritorial military base on the territory of Belarus. The start of those negotiations dates back to at least 2012. In 2015 the Russian leadership tried to push for an agreement establishing the exterritorial status of the base, but the Belarusian party rejected the idea. According to Minister of Foreign Affairs of Russia Sergei Lavrov, that decision by Lukashenko was an "unpleasant" episode.

After 2015, the Russian leadership adopted a new, unilateral strategy towards Belarus (see above). While Russia was successfully implementing its new strategy in the economic domain, it also persisted on a more decisive military response to NATO's build-up in the region, but it did not raise the issue of deploying the base on Belarusian territory publicly. Russia's Ambassador to Belarus Mikhail Babich stated in 2018 that the issue was off the table. But in late 2019, State Secretary of the Security Council of Belarus Stanislav Zas mentioned that Russia conditioned the financial aid to Belarus to assist its purchase of Russian Su–30SM fighter jets on the deployment of a Russian military base on the territory of Belarus. Zas did not specify when this took place, but his statement clearly indicated Russia's persistent pressure on the issue.

Russia's aspiration to control the territory of Belarus is justified with what the Russian intelligence services call the attempts of "the West" to lead Belarus away from Russia. For instance, Lieutenant General Sergei Afanasiev, the deputy chief of Russian military intelligence (Main Directorate of the General Staff of the Russian Armed Forces, commonly known as the GRU), firmly takes this apprehensive view in the 2019 annual forecast "Military-Strategic Realities of the International Situation: Challenges and Threats to Russia's Security". According to Afanasiev, the European Union's and the United States' informational, political, financial, and economic pressure has been mounting against Belarus in order to reorient it towards the West and reduce its level of military and military-technical cooperation with the Russian Federation.

The assessments of the "aggressive" aspirations of the West in Belarus and other Post-Soviet states were later reiterated by State Secretary of the Security Council of Russia Nikolay Patrushev and head of the Foreign Intelligence Services (*Sluzhba Vneshney Razvedki*, SVR) Sergey Naryshkin. For example, the SVR chief alleged Western interference in the domestic affairs of other countries, ascribing to the West efforts to employ a "hybrid war" and spark "colour revolutions" in the Post-Soviet Space.

Integration Deal as Russia's Strategic Tool

As the Belarusian leadership is reluctant to grant Russia unilateral control over the Belarusian territory, Moscow has a limited set of options for reaching its strategic goals in Belarus.

The Kremlin is unable to offer sufficient economic incentives to the Belarusian leadership or increase the level of its control of the Belarusian territory through deeper economic integration. First, because this is too costly, and Russia is facing economic challenges of its own. Second, because the attraction of the European Union as a financial and technological donor is persistently growing in Belarus. Russia's economic might is insufficient for countering this trend. Third, because there is a fundamental lack of mutual trust between Minsk and Moscow. The Belarusian leadership would not give up its sovereign powers, even for substantial financial gains, at least before it has guarantees of respecting its interests in the future. However, Moscow, given the nature of its goals in the region, cannot give and respect those guarantees. Besides, tighter integration on equal footing is impeded by the other considerations outlined above: it does not benefit Moscow and only increases its costs.

The Kremlin is limited in its military options in Belarus. Its unprovoked military incursion in the country would trigger a strong international response, including much wider and stronger economic sanctions than those it has faced up to now. Besides, at least since 2014 Belarus has been developing its military capabilities to ensure its 360-degree defence and ability to counter a possible Russian attack. Therefore, an attack on Belarus without prior disruption of the functionality of the Belarusian state and military capabilities could entail substantial losses for the Russian party and would require a massive mobilisation of its military, which would not go unnoticed at the international level.

Thus, Moscow is left with a hybrid scenario in Belarus. Given the collective defence arrangements in the framework of the CSTO and the "Union State", such a scenario would most likely imply the destabilisation of Belarus and Russia's subsequent military deployment to "restore order"/establish Russia's control of the territory of its ally. Both elements – the destabilisation of Belarus and the use of the CSTO/Union State collective defence machinery – are crucial to this task.

The Belarusian state is Russia's only competitor for the role of security and stability provider in Belarus; therefore, the disruption of its functionality is essential to Moscow's strategy. In order to become the uncontested donor of security and stability in Belarus, Moscow would have to first undermine them, and the Belarusian state's ability to maintain them.

Moscow's post-2015 unilateral strategy has been working to this end, cutting the rents available to Minsk, contributing to Belarus' lower economic and personal income growth, and undermining the state's capacity. As those steps are yielding results, increasing overall protest sentiment, the Kremlin is launching its active measures aimed at destabilisation.

Moscow's destabilisation effort itself has to be properly covered so that it could not be attributed to the Kremlin, at least directly and publicly. The best and most obvious option to deliver that outcome in the current context is to use anti-Russian, nationalist, pro-independent protests, strengthened by the social and economic protest sentiment, something the Kremlin did in Ukraine back in 2013–2014. As Moscow has a long record of using the Belarusian opposition to its benefit (the 2006 Kozulin campaign, the 2010 opposition coalition, etc), doing it again in 2020 or later is also a realistic option, especially as Western funding to all segments of the Belarusian opposition has considerably decreased, leaving it exposed to the recruiting efforts of the Russian special services.

The scenario of installing Russia as the main security donor in the territory of Belarus is beneficial to Moscow in many ways. Apart from providing legitimate ground for military deployment in Belarus, it involves undermining the functionality of the Belarusian state. This would open the way for seizing the most attractive economic assets in Belarus by Russia's elite groups, facilitating unpopular economic reforms aimed at cutting the costs of control of the territory for Russia (the negative effects could be attributed to destabilisation). Finally, it would make the emergence of any effective coalition opposing Russia's authority virtually impossible, as the security agencies in Belarus would be under Moscow's control.

Thus, there are reasons to believe that the integration deal is much more for Moscow than just a deal. It is essentially a multi-purpose strategic tool benefitting the Kremlin in various ways. First, it provides a good hatch to withhold the financial resources previously pledged to Belarus and cut the rents available to Belarus, fuelling the overall protest sentiment in the country. While Minsk has not signed the deal yet, Russia is free to limit its access to its market and to its cheaper oil and gas, hurting the Belarusian economy and the well-being of the population. Second, it allows to undertake a revision of bilateral integration and opens the way for imposing the steps and initiatives that benefit Moscow rather than Minsk. Third, it is a powerful tool for agitating the Belarusian public, undermining the trust between patriotic Belarusians and the authorities of the country, and opening the way for destabilisation, regime change, and the subsequent seizure of control of the Belarusian territory by the Kremlin.

No less an important dimension of the integration deal is that the Action Plan and the respective roadmaps can serve as the roadmap for Russia's subjugation of Belarus. Under the current conditions, with a centralised and functional political regime and state bureaucracy in Belarus, these documents hardly endanger the sovereignty of Belarus (apart from the tax roadmap that envisions the adoption of the common tax code by April 2021). However, under different conditions, if the functionality of the Belarusian state is undermined, these documents might begin to live a life of their own. In that case they would effectively turn into roadmaps for the inclusion of Belarus in the legal order of the Russian Federation, a "legal annexation", with the attributes of independence left intact. (Such "succession" of legal mechanisms did take place in the case of the Ukraine crisis. For example, the December 2013 agreement on the construction of the Crimean bridge allowed Moscow to launch the necessary procedures for starting the project that was later accomplished as Russia's "national", "domestic" endeavour.) This would most probably resemble the relationship that now exists between Russia and South Ossetia – a puppet regime. In this respect, the joint working group that has been elaborating the integration roadmaps is not only a working body to the Kremlin but also a means of establishing personal communication with Belarusian officials and potentially recruiting them.

The Integration Deal as a Lose–Lose Game for Belarus

The above analysis of the integration deal from a security perspective has revealed its possible role as a strategic instrument for destabilising Belarus and facilitating the establishment of Russia's unilateral control over its territory. It is now possible to understand what exactly Moscow is doing while promoting and negotiating the integration deal agenda.

The Russian leadership's activities with respect to the integration deal are streamlined in two somewhat contradictory directions. The first direction is coercing Belarus into signing the deal. Russia withheld its previously pledged loans totalling 800 million dollars after conditioning them on the conclusion of the deal. It refuses to grant any sort of compensation for the losses caused by the tax manoeuvre. It repeatedly limited the access of the Belarusian suppliers to the Russian market and announced measures to do more of that. For example, the Ministry of Industry and Trade of Russia proposed to introduce quotas for state-owned companies in the state procurement system. The idea was supported by Deputy Prime Minister Yuri Borisov, who oversees the military industrial complex. If that measure is adopted, up to half of all public procurement contracts would be given to Russian suppliers by default. All foreign and Russian suppliers then would compete only for the remainder of the state procurement budget. This might significantly limit the opportunities of the Belarusian exporters, especially machine-building enterprises, on the Russian market.

Most importantly, Russia has frozen the talks on gas prices for 2020 and conditioned their resumption on the signing of the integration deal. This move, essentially constituting an act of blackmail, drastically raises the cost of a potential rejection of the deal.

The second direction of the Russian leadership's efforts in promoting the integration deal is, paradoxically, discouraging Minsk from signing it. Moscow deliberately makes leaks that boost speculation of the political rather than economic nature of the deal. This agitates the Belarusian public and pushes the Belarusian officials to publicly commit themselves to defending the sovereignty and sovereign interests of Belarus. The Deputy Minister of Finance of the Russian Federation has publicly communicated that what Moscow sees as the common tax code envisioned by one of the sectoral roadmaps is essentially the adoption of the Russian tax legislation by the Belarusian party. The Minister of Finance and Deputy Minister of Tax of Belarus had to comment on the issue, reiterating Belarus' commitment to preserving its "tax sovereignty". These and other actions of the Russian party push the Belarusian officials to reject the deal and assume responsibility for thwarting the negotiations. But they also agitate the public and contribute to the growth of independence-related protest sentiment and public opposition to the deal.

The conflicting impulses – coercing Minsk into signing the integration deal and discouraging it from signing it – are Moscow's deliberate activities aimed at raising the price of the deal. The coercing actions raise the price of rejecting the deal, while the discouraging actions raise the price of accepting it. It is also obvious that the Kremlin will not comply with Minsk's conditions, which include Moscow's compensation for Belarus' losses from Russia's tax manoeuvre. And since the Belarusian leadership has publicly claimed those as a *conditio sine qua non* for signing the Action Plan (if the Action Plan corresponds to the Belarusian interests), the potential consent to signing the deal without fulfilment of those conditions would look like Minsk's surrender. Such a step would entail serious costs in the international arena and could also boost protest sentiment inside the country.

The integration deal – whether concluded in the coming weeks or not – is likely to be some sort of compromise. Minsk is hardly ready to take the risks of facing Russia's retaliation in case of a complete rejection of the deal. But it also is unlikely to fully agree to a deal that violates the conditions it has publicly set out in the run-up to the summit. Therefore, in the present moment a "half-deal" seems to be the most probable option, including only those sectoral roadmaps that are mutually acceptable, and complemented by a new promise by the Russian party to respect the interests of its ally in the oil and gas spheres after the rest of the roadmaps are signed and start being implemented.

Such a half-deal would essentially be a minor defeat for the Belarusian party. On the one hand, it will spark criticism on behalf of the Belarusian civil society and Belarus' foreign partners. More importantly, some of the foreign partners might conclude that signing the deal is Minsk's deliberate choice in favour of integration with Russia, at the expense of further developing relations with the EU and the USA. Finally, signing the half-deal will also drag Belarus into the process of implementing the signed roadmaps, which might turn out to have legal "traps" in them.

On the other hand, as not all the roadmaps will be signed, Russia will have its hands untied in terms of exerting further pressure on Belarus. The objections of the Belarusian leadership in this regard and the respective rows will play into the hands of the Kremlin, as it wants Minsk to assume the public responsibility for undermining the integration. These objections and rows would finally justify more severe trade and other restrictions, further exacerbating Belarus' uneasy situation.

Despite these obvious costs of the half-deal, it seems a better option than either accepting the deal on Moscow's terms or rejecting the deal outright and facing

Russia's retaliation. It buys Minsk the time that it needs to go through the presidential elections in 2020. But given Moscow's persisting strategic interests in Belarus, the Belarusian leadership would need a longer-term strategy to survive under Russia's ever-growing pressure.

Conclusion

The analysis of the context, contents, and respective activities of the parties shows that the integration deal between Belarus and Russia is a tool for Moscow's strategic unilateral activities rather than a "normal" legal instrument designed to bring together the positions of the parties and stipulate them in a respective document. This tool is designed to deliver several important outcomes in relation with Belarus: to undermine the resource base of the Belarusian leadership; position Moscow as the leader of the integration; and agitate the Belarusian society and promote political destabilisation in Belarus. These outcomes create the preconditions necessary for the establishment of Russia's unilateral control over the territory of Belarus, which is one of Moscow's key strategic priorities.

The integration deal locks Belarus within a negative sum (lose–lose) game and severely limits the scope of the alternatives available to the Belarusian leadership, while simultaneously cutting the Kremlin's integration-related costs. It thus represents an instance of the Russian leadership's creative and often highly effective disruptive strategising, also negatively referred to as brinksmanship. Such strategising gives the Kremlin leverage in its stand-off with an otherwise more powerful EU and NATO on numerous international issues.

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