



RUSSIAN RELATIONS WITH BELARUS

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Belarus–Russia Relations in 2017: Behind the Curtain of the Long-lasting Drama

By Alla Leukavets (Research Centre for East European Studies at the University of Bremen)

Abstract

This contribution provides an overview of different episodes of the “Belarusian–Russian drama” in 2017 and argues that, in spite of the current visible improvement, the relations between the two states remain volatile and prone to further conflicts. The paper will start by introducing the cyclical pattern of Belarus–Russia relations, which formed over the last two decades. Russia has been sponsoring the Belarusian regime with cheap energy resources and preferential loans, but since the election of Putin as Russian president, the Kremlin’s policy towards Belarus has become more pragmatic and relations between the two countries have been characterised by regular phases of conflict and engagement. A closer look at several of the conflicts in 2017 shows that in comparison to the previous tensions, the current conflict has acquired a multidimensional character, encompassing, apart from energy policy such areas as border regulations, trade in dairy products, and the mass media. Finally, the contribution will make a short-term and long-term forecast regarding the future development of Belarus–Russia relations and argues that in the short-term it is possible to see the normalisation of relations, but that long-term stability in the bilateral relationship will depend on the nexus of several factors.

Introducing the Cyclical Pattern of Belarus–Russia Relations

Since the break-up of the Soviet Union, Belarus and Russia have had close yet complicated relations. The huge asymmetrical economic dependence of Belarus on Russia has generated a specific “sponsored authoritarianism” economic model, according to which Russia has been consistently providing Belarus with cheap energy resources and preferential loans in exchange for closer political and intergovernmental cooperation. Over the last two decades this generous financial aid from the “Big Brother” has allowed the Belarusian regime to buy popular support and avoid painful economic reforms (Balmaceda, 2014).

Starting from 2000, when Vladimir Putin was elected president, Russia started to pursue a more pragmatic policy towards Belarus, using its energy leverage to demand stronger political loyalty and deeper integration from official Minsk (Kononczuk, 2008). Largely since then, the Belarus–Russia relations have had a cyclical character of tensions and rapprochement. The main areas of contention included disagreements about prices for energy resources (both oil and gas, for example, in 2004, 2007, 2010) which have often been tied through issue linkage to other negotiations, such as privatisation of strategic infrastructure in Belarus (for example, the main gas transportation company Beltransgaz, the sale of which was finalised in 2011, so that it became a fully-owned subsidiary of Gazprom) or participation in Russia-led integration projects (for example, the Customs Union and the Eurasian Economic Union). Each conflict followed a similar pattern of demands, tension and a retreat and in most cases resulted in a successful negotiating outcome for Belarus. In spite of being

a much smaller state, Belarus has several advantages which enhance its bargaining position at the negotiation table with Russia. Belarus is one of the most important Russian allies in the former post-Soviet region, Russia has considerable military cooperation with Belarus, and without Belarus’ membership Russia’s integration projects would be more Asian than Eurasian in nature. These bargaining chips have allowed Belarus to pursue a “sovereignty entrepreneurship” policy vis-à-vis the Kremlin, described as a process of extracting rents in return for loyalty by threatening to turn away from Russia (Nice, 2012: 7).

However, several recent developments suggest that there might be a possibility for a complete reset in Belarus–Russia relations.

First, the crisis in Ukraine has contributed to improving Belarus’ international image and its relations with the West. Minsk was brought into the international spotlight as a mediator of the crisis; the Western leaders saw the opportunity of cooperating with Belarus and highly praised the role of the Belarusian president in settling the conflict. In addition, Lukashenka has taken steps towards strengthening a national identity and reducing the pressure on the political opposition. As a result, the EU lifted sanctions from the Belarusian regime in February 2016 (Leukavets, 2015). In turn, these developments led to heightened tensions between Belarus and Russia. Some Russian officials accused official Minsk of making attempts to leave Russia’s sphere of influence and follow Ukraine’s trajectory of development. The Russian approach to Belarus became much less tolerant in comparison to previous years as evidenced in the media campaign against Belarus, at times suggesting that the

Kremlin might be considering an effort to completely change the Belarusian leadership.

In addition, the current geopolitical environment, when Russia is involved in conflicts in Ukraine and Syria and faces Western sanctions, reinforces the Kremlin's unwillingness to "sponsor" Belarus to the extent it used to. This inevitably creates conditions for a new round of tensions with official Minsk.

Taking a Closer Look at the Catalogue of Conflicts in 2017

The starting point for the 2017 conflicts can be traced back to the beginning of 2016, when the Belarusian leadership unilaterally lowered the price for Russian gas from 132–141 USD/1,000 m³ to 80–107 USD/1,000 m³, arguing that its membership in the EEU provided Belarus the right to buy gas at domestic Russian prices (Kardas and Klynski, 2017). By the end of 2016 unilateral move led to the accumulation of a debt estimated at 726 mln USD. In retaliation, in June 2016 Russia started decreasing the oil supply to Belarus from the originally agreed 24 mln tons to 18 mln tons per year.

Since income from oil re-exports forms a big part of Belarus' budget (around 1/4 of total export income is made up from the sale of Belarusian petroleum products), Russia's move resulted in frustration on the Belarusian side. In December 2016 the president of Belarus was the only Eurasian leader who did not attend the summit of the leaders of the OSCE and the Supreme Council of the Eurasian Economic Union (EEU) in St. Petersburg, where the new EEU Customs Code was introduced.

In addition, in February 2017 Belarus introduced a five-day visa free entrance for the citizens of 79 countries, *inter alia*, from the US and EU member states (for foreigners arriving in Belarus via Minsk Airport, excluding flights from Moscow), which was perceived as an additional irritant by the Kremlin. As a result, Moscow unilaterally restored border checkpoints with Belarus, in particular in Bryansk, Smolensk and Pskov regions. This decision was denounced by the Belarusian president as purely political. In response Lukashenka kept delaying the signature of the new EEU Customs Code.

The political conflict between Belarus and Russia has also spilt into the dairy sector. Traditionally dairy products have always been one of the most important Belarusian goods exported to the Russian market. For example, Belarusian producers of cheese occupy around 36 percent of the Russian market and in 2016 the export of cheese generated income of 616 mln USD. Starting from the beginning of 2017 a range of Belarusian enterprises have been accused by the Russian authorities of not fulfilling the necessary phytosanitary norms and by the end of May 2017 nearly 100 dairy plants in Belarus had been affected.

The restrictions were imposed in different forms, ranging from enlarged monitoring to outright bans and kept being softened and tightened up again. As a result, the Belarusian enterprises were forced to search for new markets, such as China, and, according to the Belarusian chief veterinary inspector A. Subbotin, the dairy exports in the first quarter of 2017 amounted to 1.3 million USD (South China Morning Post, 2017). While Russia claims that the measures are based on the failure to satisfy the hygiene requirements, Belarus, in fact, is being accused of taking advantage of Russia's embargo of European food imports, imposed as a countermeasure against EU sanctions.

In addition, the long-lasting conflict between Belarus and Russia has also affected the media dimension. The Russian press has amplified the conflict by criticising the Belarusian president for his attempts "to flirt" with the West and suggested that his disloyalty might lead to the repetition of the Ukrainian scenario in Belarus.

Hence, the beginning of 2017 was characterised by a set of tit-for-tat reprisals between Russia and Belarus. However, by the beginning of March Lukashenka's bargaining position vis-à-vis Russia had substantially weakened as he found his power constrained by the domestic protests which started in Minsk on 17 February and brought the threat of new Western sanctions. The initial demonstrations called for abolishing the notorious "social parasite tax," which was imposed on the unemployed in Belarus and actually aimed to penalise those working in the grey economy, for foreign companies or in foreign countries (including Russia), without declaring their income. It required individuals who worked less than 183 days per year to pay a fine of around 250 USD, while the average monthly salary in Belarus amounts to 300–400 USD. Quickly the protest movements spread to other cities in Belarus and grew into an anti-government rally, reflecting the overall frustration of the impoverished Belarusian population with its Soviet-style authoritarian leadership. Facing the danger of a domestic backlash, the Belarusian regime reached out for Russian support. Starting in January 2017 Lukashenka tried to meet with Putin to find a solution to the on-going conflict and receive the usual financial aid. However, this time the Russian leader held his ground and initially refused to make any concessions. During January and February 2017 there were numerous reports of planned meetings which, however, were subsequently postponed. The apogee of the protracted conflict came in March 2017 when Lukashenka came to the Russian ski resort in Sochi, but Putin "did not manage to find the time" to meet with the Belarusian leader.

The "retreat" stage of the conflict came only in April 2017 when the two leaders finally met in St. Petersburg and reached a compromise on the gas price as well as

agreed on a 1 billion USD loan. Belarus was promised the renewal of oil supplies of 24 tons per year and discounts on gas supplies in 2018 and 2019. In response to these steps, the Belarusian regime agreed to sign the EEU Customs Code and to pay back the accumulated debt from gas imports a week later in April 2017.

Analysis and Forecast

Although at first glance it might appear that Lukashenka again succeeded in the bargaining game with Russia and received the requested concessions with minimal personal investments, in practice there are several areas of contention which might create a new cycle of conflict. For instance, it still remains unclear when and on which conditions Belarus will receive the promised loan of 1 bln USD or how much of the imported Russian oil Belarus will be able to use for manufacturing petroleum products at its own refineries. Hence, it is certain that at present Russia needed a compromise with Belarus, at least a temporary one. The Kremlin is not interested in having a protracted conflict with Minsk or in the destabilisation and complete change of the Belarusian leadership, primarily because this would incur additional costs which Russia is unwilling to undertake, taking into consideration the upcoming presidential elections in March 2018 as well as the aforementioned strained relations with the West, exacerbated by the crisis in Ukraine and Syria. Instead, the Russian leadership needs working relations with its Belarusian counterpart as well as stability inside Belarus itself. One of the impor-

tant reasons is the Zapad 2017 military exercises, which are scheduled to run in Belarus between September 14 and 20 involving both naval and air units around the Baltic and North Sea. Zapad exercises were previously held in 2009 and 2013 and have featured over 75,000 service members (in comparison the 2016 NATO military exercise "Anakonda" included 31,000 participants).

Hence, the Kremlin seems to have adopted the vision of Belarus as a platform for struggling with the West for geopolitical influence. The 2017 large-scale military exercises will be held against the backdrop of Russia's growing tensions with the West and are expected to put Belarus on the media radar as Russia's ally in the region.

At the same time, it is clear that there is an increasing lack of trust between Belarus and Russia and the two parties have different goals: while Lukashenka and his entourage will insist on more substantial subsidies, the Kremlin will be willing to provide them only on condition of Minsk's greater subordination to Moscow. The comprehensive nature of the most recent conflict, which unlike any of the previous ones, has lasted for over a year suggests that Moscow is changing and hardening its approach towards Minsk.

Hence, although in the short-term it is possible to expect the normalisation of interactions between Belarus and Russia, overall, relations between the two states remain volatile. The long-term development of relations between Minsk and Moscow will depend on the outcome of the Russian presidential elections, energy prices, and domestic developments in Belarus.

About the Author

Alla Leukavets holds a BA degree in law from the Belarusian State Economics University, MA in Human Rights from the University of Manchester and MA in EU international relations and diplomacy studies from the College of Europe (Bruges). Alla did her PhD at the Bremen International Graduate School of Social Sciences and the Research Centre for East European Studies at the University of Bremen within the Marie Curie ITN "Post-Soviet Tensions". She has also done several traineeships, inter alia, at the UK Parliament in London and the European Parliament in Brussels.

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Double Reality. The Russian Information Campaign Towards Belarus

By Kamil Kłysiński (Centre for Eastern Studies, OSW – Warsaw)

Abstract

Within the last three years, the Russian government elite essentially redefined its perception of its Belarusian ally. The change in the Russian perspective was strongly affected by developments in Ukraine, which made Moscow more distrustful of any signs of self-reliance demonstrated by states in the post-Soviet area, especially such allies as Belarus. In this context, many Russian experts accused Belarus of disloyalty to Russia. In 2016—with growing disagreement about the future model of cooperation between Russia and Belarus—the Russian negative narrative shifted from the limited circle of experts into the open media sphere. Moreover, Russia employed instruments of media manipulation and provocation. But, at the same time, the Russian authorities preserved a rhetoric of partnership with its neighboring ally. It is difficult to deny completely the explanation, which is popular among Belarusian experts, that Russia's pressure simply repeats its previous moves and both sides will sooner or later come back to their former cooperation and slow steps toward integration. But, on the other hand, it cannot be excluded that this time the Kremlin is playing a much more ambitious game, which could entirely change the model of relations between these two countries.

Radicalization of Russian Experts' Narrative towards Belarus

Conflict in Ukraine triggered significant changes in the Russian narrative on Belarus. First of all, the Russian government elite essentially redefined its perception of its Belarusian ally, taking into account the Ukrainian context and the growing escalation of tensions between Moscow and the West. Belarus President Alyaksandr Lukashenka, who was distancing himself from Russia's aggressive Ukraine policy, was no longer regarded as the only and sufficient guarantor of Belarus as part of the sphere of Russian influence. Russian elites came to the conclusion that Belarus, despite the still on-going rhetoric describing it as a "brother republic", gradually was changing into a national state with its own foreign policy, which could be contrary to Moscow's interests. Russia's more critical approach to Belarus was based on its evaluation of Lukashenka's policy of manoeuvring between East and West in an attempt to maintain as much autonomy as possible. At the same time, the highly critical, and sometimes even emotional, argumentation of Russian experts demonstrated a tendency to exaggerate and overestimate moves made by Belarus, which were incorrectly interpreted as an attempt to definitively leave the Russian zone of influence. In other words, the Russian perception of Lukashenka's policy became much less tolerant in comparison to previous years, which had also seen many arguments and crises.

An unprecedentedly large number of papers concerning Belarusian issues was published in Russia after 2014, supporting the general suggestion that Belarus, given its nationalism and anti-Russian approach, is gradually embarking on the Ukrainian way, which may lead to confrontation with Russia in the future. This kind of analysis was presented by such influential institutions as

the Russian Institute for Strategic Studies (RISI), a think tank working for the Russian Presidential Administration and the Institute for CIS Countries Studies, led by a Russian politician and a member of the State Duma, Konstantin Zatulin. Also, the same critical view was promoted by many formally non-governmental experts, who still receive or may probably receive support from the state budget for their analytical activity. The most evident example of this is the publication (in autumn of 2015) of a study titled *Belarusian nationalism against the Russian World*, written by two independent experts and publicists: Kirill Averyanov-Minsky and Vladislav Maltsev. This extensive paper was financed with a grant offered by a governmental fund as part of a competition held by a Russian presidential decree. The paper is a comprehensive description of real and imagined nationalism in Belarus in both the country's official policy and the operation of selected social groups and non-governmental organizations. Given the context in which it was published, this book could be viewed as a comprehensive attempt to present the Russian analytical perception of Belarusian independence. The new Russian narrative about Belarus has also been published in numerous shorter articles and analyses within last three years (Kłysiński/Żochowski 2016).

What is crucial for a better understanding of this issue is the fact that the Russian experts' narrative was not identical with the official stance adopted by the Kremlin, which was continuing its rhetoric of co-operation between two allies and the "brotherhood of nations." However, the Russian papers presented in this text are comprehensive enough to become at any moment part of the government's propaganda justifying Russia taking strong measures with regard to Belarus. Moreover, as it seems, those materials were not only a new proposal

of a Russian strategy towards Belarus in the context of the Ukrainian conflict and Western sanctions, but also the first stage of an information campaign against the Belarusian authorities.

The Media Component as the Main Part of the 2016 Campaign

In 2016 Russian–Belarusian relations changed significantly, a development which also influenced the Russian information campaign towards Belarus. That year started with a—quite marginal as it seemed at that time—disagreement about the price of gas supplies from Russia which at the time was known only to a very narrow group of specialists on energy issues. But, during the following months, it turned out that it was a trigger that started a dynamic and dangerous process of escalation. By the end of 2016 so many difficult problems had accumulated between Russia and Belarus that both sides faced a whole range of disparities, which concerned almost all aspects of bilateral cooperation. As a result, there was a fundamental dispute about the future model of further integration or (what cannot be excluded) disintegration of both countries. Among the most discussed disparities were not only the usual suspects like terms of energy supplies or access for Belarusian exports to the Russian domestic market, but also (for the first time at such scale) problems about the status of the common border and Russia's demand for its first real military base on Belarusian territory (an air base in Bobrujsk).

The growing tension between Minsk and Moscow caused the Russians to shift their critical and aggressive narrative about Lukashenka and Belarus from small closed expert circles to the open media sphere. The topic of Belarus appeared in mainstream state TV channels and criticism towards the smaller neighbor was not only expressed via short news pieces but also in prominent political talk shows aired during prime time.

However, the statement published on 21 December 2016 by General Leonid Reshetnikov, the director of the Russian Institute of Strategic Studies and a retired Russian intelligence officer caused the strongest emotions. He unequivocally denied the distinct identity and language of the Belarusian people, and suggested that the Belarusian authorities have been conducting overly independent policies, thus risking the repetition of the so-called Ukrainian scenario. This was the first time such a radical opinion about Belarus has been expressed at such a high level in Russia, and it probably reflects the views of the wider Russian elite. As it seems, this statement was one of the reasons for the Belarusian President to boycott the summit of leaders of countries belonging to the two integration structures organized by Russia, the Eurasian Economic Union (EaEU) and

the Collective Security Treaty Organization (CSTO), which was held in St. Petersburg on 26 December 2016 (Kłysiński 2017).

The beginning of 2017 did not bring a de-escalation in the tension. Moreover, Russia imposed new forms of information strikes and provocations towards Belarus. The Russian media published several pieces of information on decisions of particular Russian concern: Gazprom and Rosneft, which supply Belarus with two strategic energy sources: gas and oil. Based on the brief items that appeared, Belarusian independent media came to the conclusion that Russia had decided to limit supplies at unprecedented low levels. However, after more analysis it turned out that the stories were nothing more than simple manipulation with facts of minor importance. At the same time, the well known Russian Public Opinion Research Center VTsIOM published the results of a public opinion poll devoted to the attitude of the Russian population towards Belarus in the later part of February 2017.¹ According to the survey 78 percent of Russians supported the idea of imposing a visa regime for Belarusians and 60 percent objected to further subsidies for Belarus (such as lower prices for gas and oil as well as preferential treatment of Belarusian exports to the Russian domestic market). Just a cursory analysis of the questions contained in that poll certainly indicates a suggestive bias which likely led respondents to give answers not in favor of Belarus.

Routine Actions or High-Stakes Game? Russian Goals

In analyzing the Russian media strikes from the last several months, it's necessary to choose between two interpretations. On the one hand, it's possible to assume that Russia imposed only routine information pressure, as has happened many times in the bilateral relations of the two countries. In this case, the most probable goal of the Kremlin's policy would be just to force the Belarusian authorities to make several concessions, which are important from Russia's point of view. Supporters of this theory point to the five-part documentary film titled "The Godfather", which was broadcast on Russia's NTV in 2010. The authors of those materials showed all the most controversial issues connected with Lukashenka, including the unexplained cases of the disappearance of prominent opponents of the regime and journalists. The main goal was to intimidate the Belarusian president and to force him to support Russian projects of re-integration in the post-Soviet space. After Alyaksandr Lukashenka had accepted and signed all necessary documents

1 Россия-Белоруссия: Оттепель? Застой? Перезагрузка? (2017), Пресс-выпуск № 3308, available online at: <<https://wciom.ru/index.php?id=236&uid=116074>>

related to the integration projects, the hostile media campaign stopped and relations between Moscow and Minsk returned to the previous pattern of cooperation.

Although it's rather difficult to disagree completely with this kind of argumentation, there are several factors which encourage reflection about more intense, but still relatively hidden, conflict between Russia and Belarus. Firstly, within the last 25 years of bilateral relations, none of the many previous conflicts have lasted so long (more than one year) and was so comprehensive that it could even undermine—as is happening now—the fundamentals of the still-existing model of Russian–Belarusian cooperation and integration. Secondly, the Russian information campaign is unprecedentedly radical. Russian propaganda is questioning not only the loyalty of Alyksandr Lukashka but also the historical roots of Belarusian statehood, language and culture. Thirdly, the developments of the last months show that Russia has quite purposefully prolonged this conflict, delayed negotiations and certainly avoided decisions which could lead to de-escalation.

Based on those three, as it seems new, factors describing the current state of affairs between Minsk and Moscow, it has become clear that Russia can be playing a much more ambitious game towards its Belarusian partner. The scale of pressure on Minsk may mean that this time the Russian side is not going to return to the previous model of cooperation, optionally with some cosmetic changes concerning secondary aspects. As it seems, now Russia aims to have total control over Belarus and most importantly: the Russian authorities are not convinced that their interests in Belarus will be respected only if Lukashenka will stay in power. There is not enough ground for forecasting a Russian military intervention in the context of the common Belarusian–Russian military exercise “Zapad”, which is to take place in September 2017, or an overthrow of the Lukashenka regime inspired by Russia. Nevertheless two things are obvious. Firstly, the Russian information campaign is to some extent oriented towards Russian society. The goal of Russia's spin doctors is a change in the rather positive image of Belarus and Belarusians among the Russian population. The repeatedly promoted theses about a “parasitic” and “disloyal” ally could be used in the future as an explanation for a radical change in the model of “brotherly” cooperation. Secondly, many actions from the Russian side are a kind of provocation, which may encourage Lukashenka to take actions deteriorating or even blocking cooperation with Russia. An example of this kind of (undoubtedly successful) maneuver is the above-mentioned controversial statement by General Reshetnikov about the Belarusian language. It offers Moscow convenient excuses for a further escalation of pressure and actions towards a “defiant” neighbor.

Conclusion

Of course, it is very difficult to predict the end of the Belarusian–Russian conflict and also quite difficult to predict the dynamics of the unprecedentedly sharp Russian information campaign. Much will depend on such key factors as the internal situation in Russia and in Belarus as well as in the broader post-Soviet region and also on relations between Moscow and the West, including the U.S.

Undoubtedly, under the influence of some of those factors, both sides periodically will be forced to reach a compromise as was the case with official talks between the two presidents in Petersburg on 3 April 2017. Both presidents apparently have decided to strike a deal which forced them to make concessions in order to de-escalate the tension. Most likely the public protests in Belarusian cities in February and March 2017 were the main factor which persuaded Lukashenka to strike the deal with Russia. For the first time in many years, protests were seen across Belarus and were to a great extent a result of the dissatisfaction of ordinary citizens with the long-lasting economic recession and the deterioration of the living standards it entailed. Although strong reactions from the government led to a mitigation in the wave of protests towards the end of March, the factors which provoked the protests have not been resolved. Given this situation, a further escalation of the conflict with Russia might lead to a complete economic collapse, and thus to the risk of an outburst of public dissatisfaction on a scale difficult to cope with, even for an authoritarian regime which is rather skilful in the use of repression.

Moscow in turn was interested in resolving the dispute on conditions that would, on the one hand, maintain Belarus's political and economic dependence on Russia, and, on the other, would not require Russia to incur excessive financial costs. Nor should it be ruled out that the Kremlin wanted to avoid Minsk blocking the EAEU Customs Code from entering into force. For Vladimir Putin such a visible failure in the process of reintegration of the post-Soviet area would be a serious reputation problem in the context of the presidential election scheduled for next year in Russia (Kardaś/Kłysiński 2017).

However, these kinds of agreements are rather temporary and could be easily broken. The unprecedentedly high level of tension and deep mistrust between elites (including governments) of the two countries leads to a lack of stability in Russian–Belarusian relations, not to mention prospects for real integration. In this context, it is rather doubtful that both countries will be able to restore the former model of longterm cooperation.

Information about the author and a short bibliography are overleaf.

About the Author

Kamil Kłysiński is senior fellow in the Department for Ukraine, Belarus and Moldova of the Polish governmental analytical Centre for Eastern Studies in Warsaw. He specializes in Belarus's domestic situation and foreign policy.

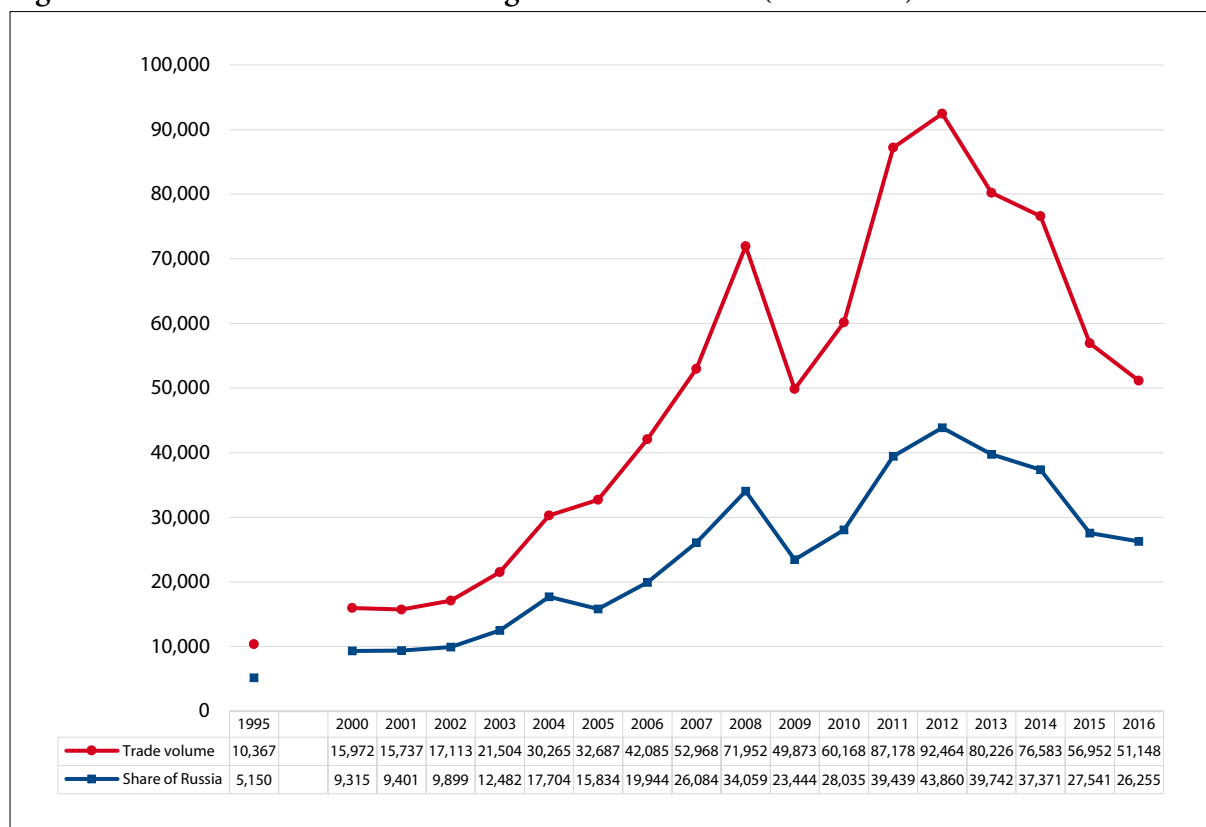
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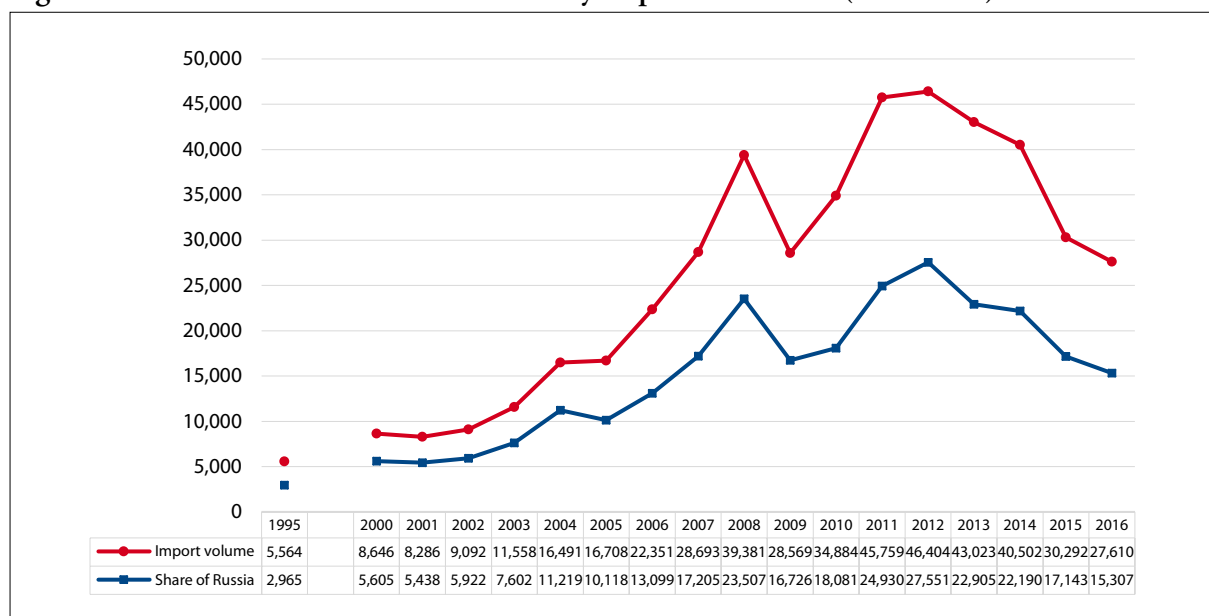
STATISTICS

Economic Links between Belarus and Russia

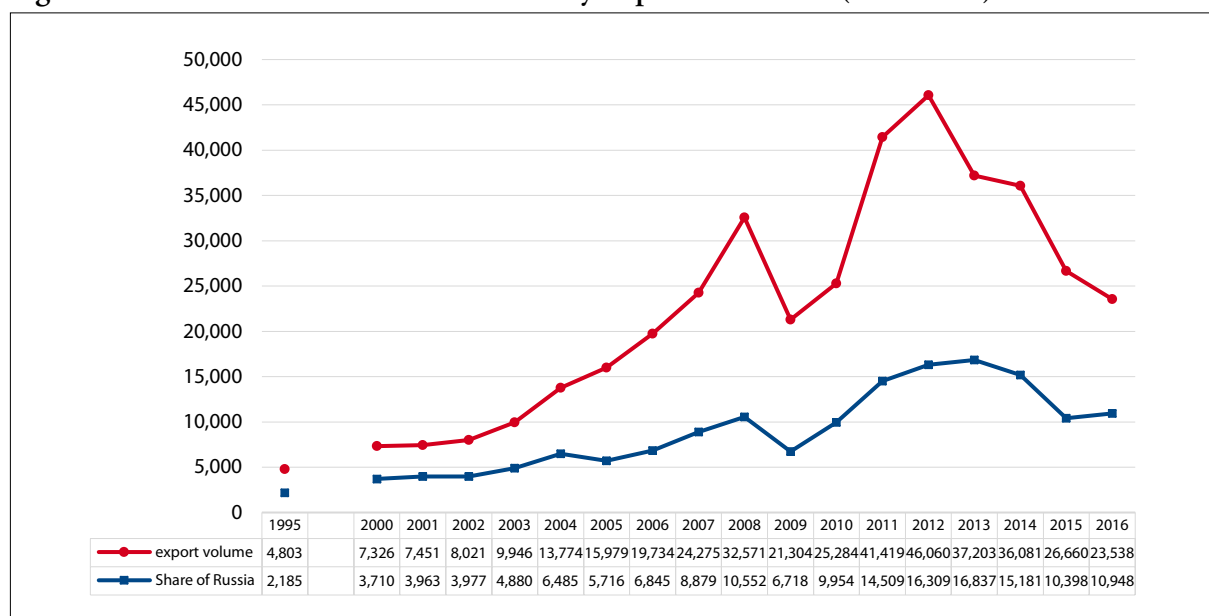
Figure 1: Share of Russia in Total Foreign Trade of Belarus (Mln. USD)



Source: National Statistical Committee of the Republic of Belarus, <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-___-po-___-gody_10/1995-2010/>

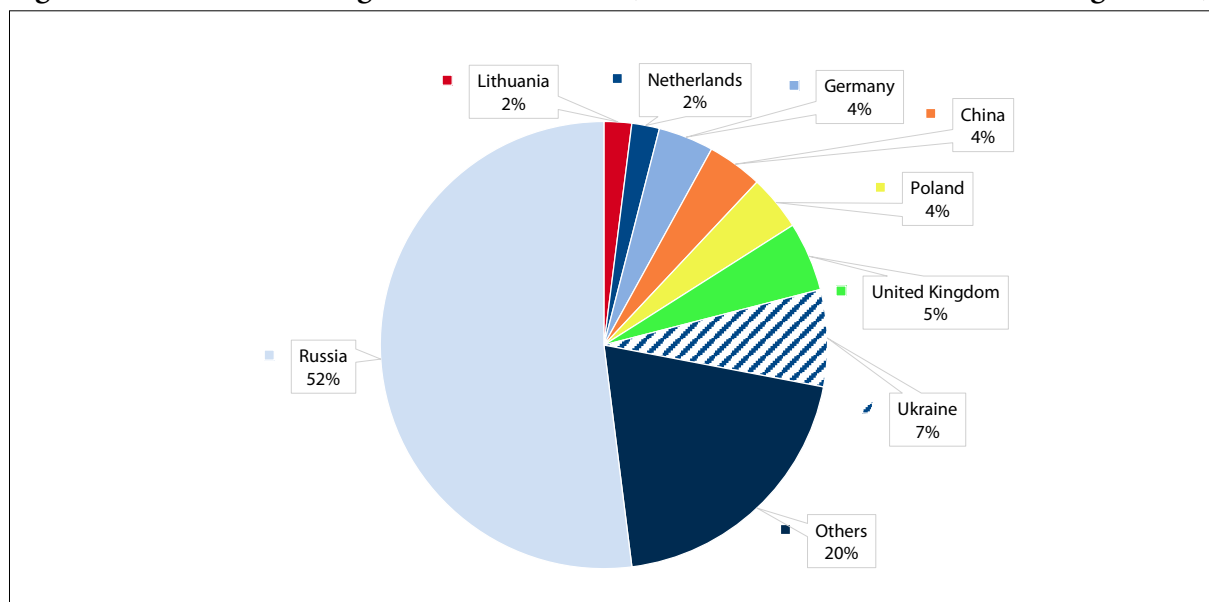
Figure 2: Share of Russia in Total Commodity Imports of Belarus (Mln. USD)


Source: National Statistical Committee of the Republic of Belarus, data from Figure 1 on previous page in combination with http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__po-____gody_10/commodity-imports-to-the-republic-of-belarus-by-cis-countries/

Figure 3: Share of Russia in Total Commodity Exports of Belarus (Mln. USD)


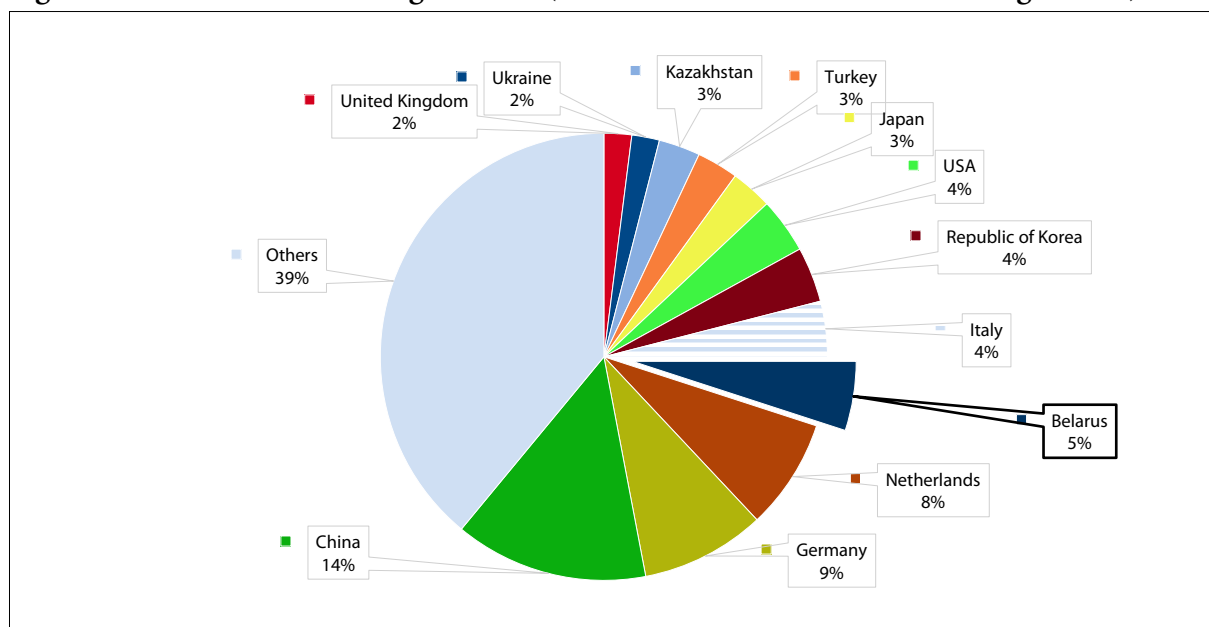
Source: National Statistical Committee of the Republic of Belarus, data from Figure 1 on previous page in combination with http://www.belstat.gov.by/en/ofitsialnaya-statistika/macro-economy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-__po-____gody_10/commodity-imports-to-the-republic-of-belarus-by-cis-countries/

Figure 4: The Main Trading Partners of Belarus (1st Half of 2017, Share in Total Foreign Trade)



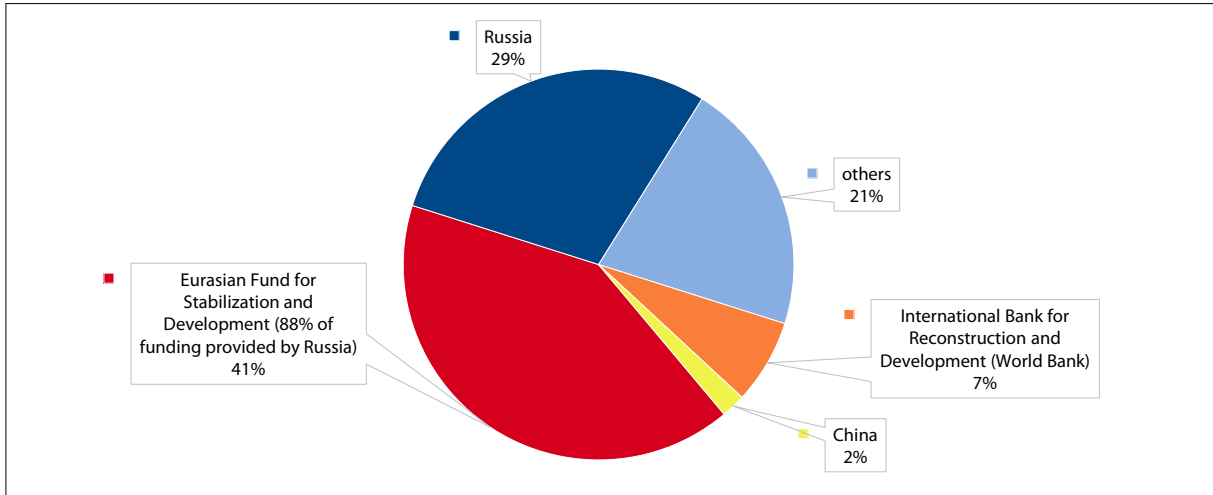
Source: National Statistical Committee of the Republic of Belarus, <http://www.belstat.gov.by/ofitsialnaya-statistika/makroekonomika-i-okruzhayushchaya-sreda/vneshnyaya-torgovlya_2/operativnye-dannye_5/eksport-import-s-otdelnyimi-stranami/>

Figure 5: Russia's Main Trading Partners (1st Half of 2017, Share in Total Foreign Trade)



Source: Federal State Statistics Service of the Russian Federation, <http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d02/168.htm>

Figure 6: The Main Foreign Creditors of Belarus (as of 1 January 2017)



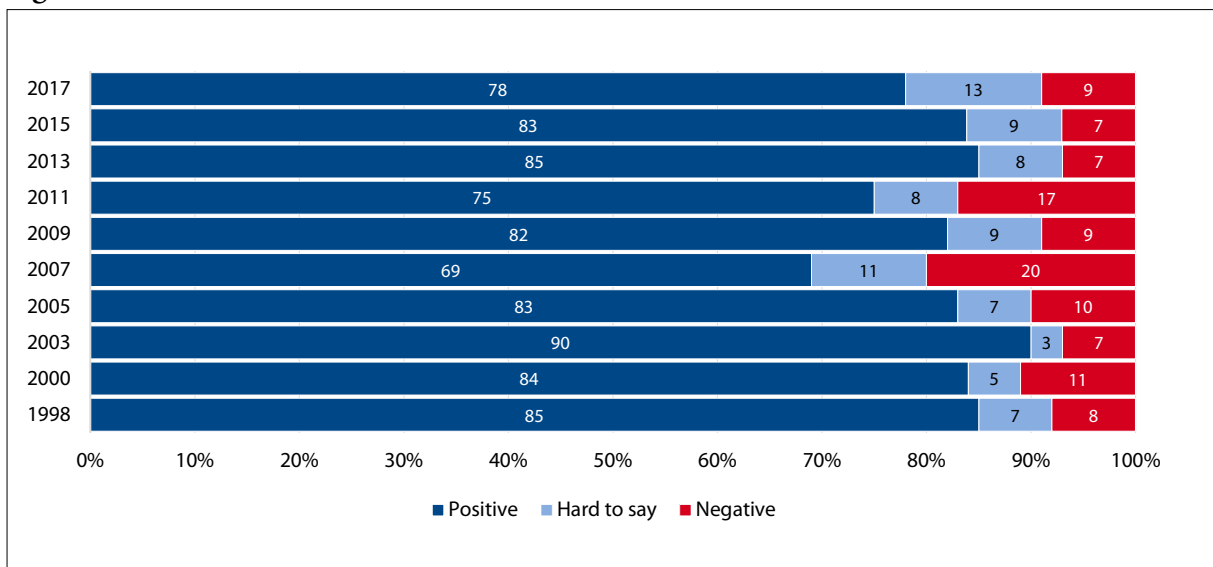
Source: Ministry of Finance of the Republic of Belarus, <http://www.minfin.gov.by/ru/public_debt/pressreleases/3207b5f062234a69.html>

Compiled by Mikita Merzlou

OPINION POLL

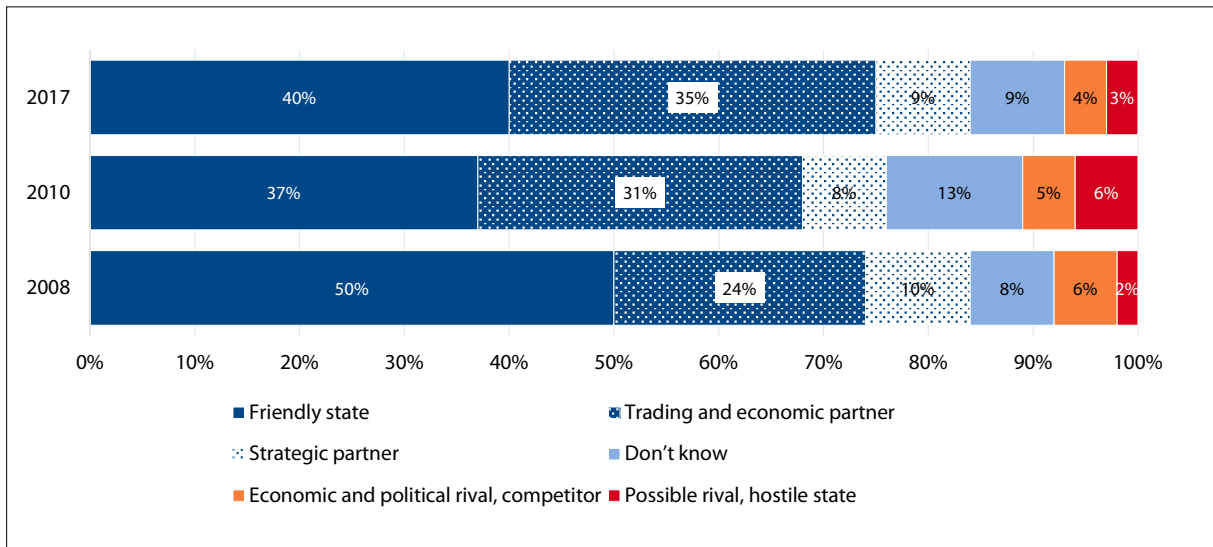
Russian Public Opinion on Belarus

Figure 1: What Is Your Attitude towards Belarus?



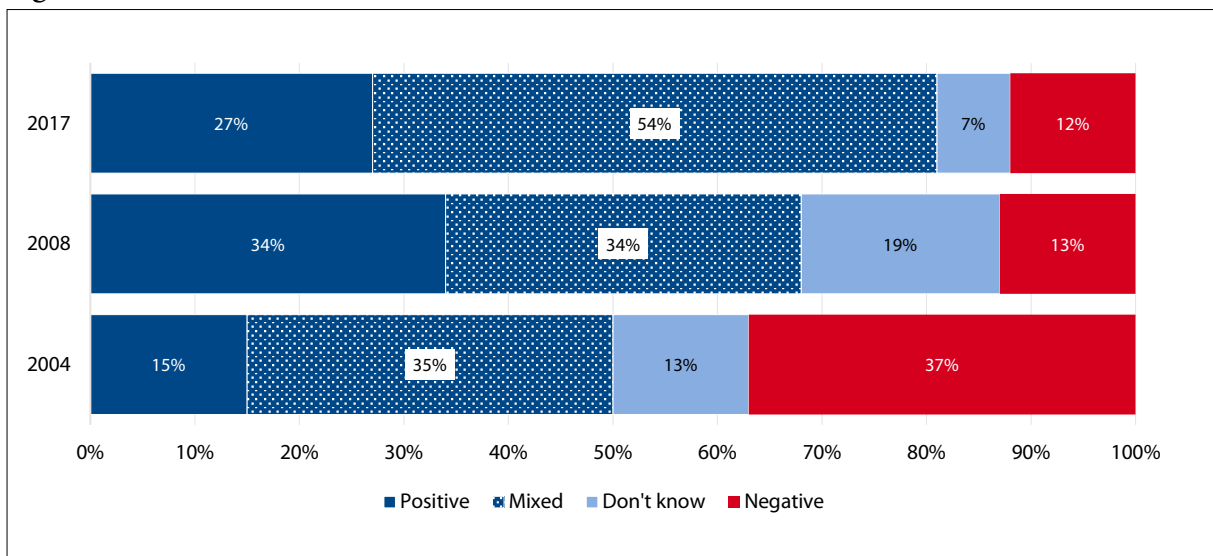
Source: representative opinion polls of the Russian population, Levada-Center, <<https://www.levada.ru/indikatory/otnoshenie-k-stranam/>>

Figure 2: In Your Opinion, How Does Russia View Belarus Today?
(Closed Question, Only One Answer)



Source: representative opinion polls of the Russian population, Russian Public Opinion Research Center (VTsIOM): <<https://wciom.com/index.php?id=61&cuid=1361>>

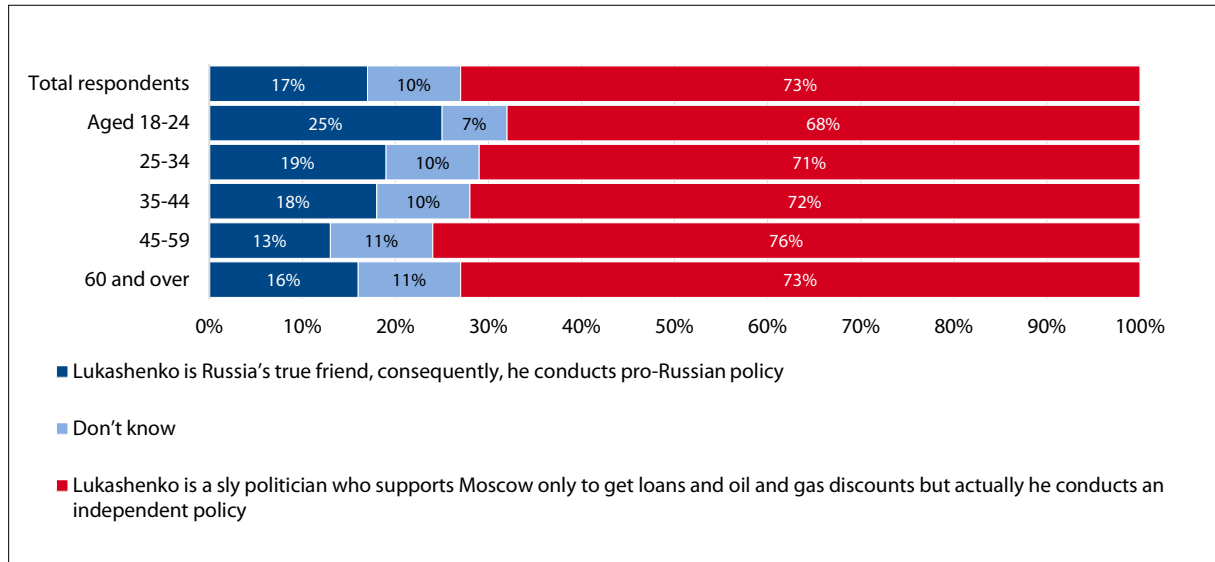
Figure 3: What Are Your Attitudes towards the President of Belarus Alexander Lukashenko?



Note: The exact formulations of the answer options are: “I like and respect him” (positive), “There are things that I don’t like but I respect the choice of the Belarusian people” (mixed), “I think Belarus needs another, more deserving leader” (negative).

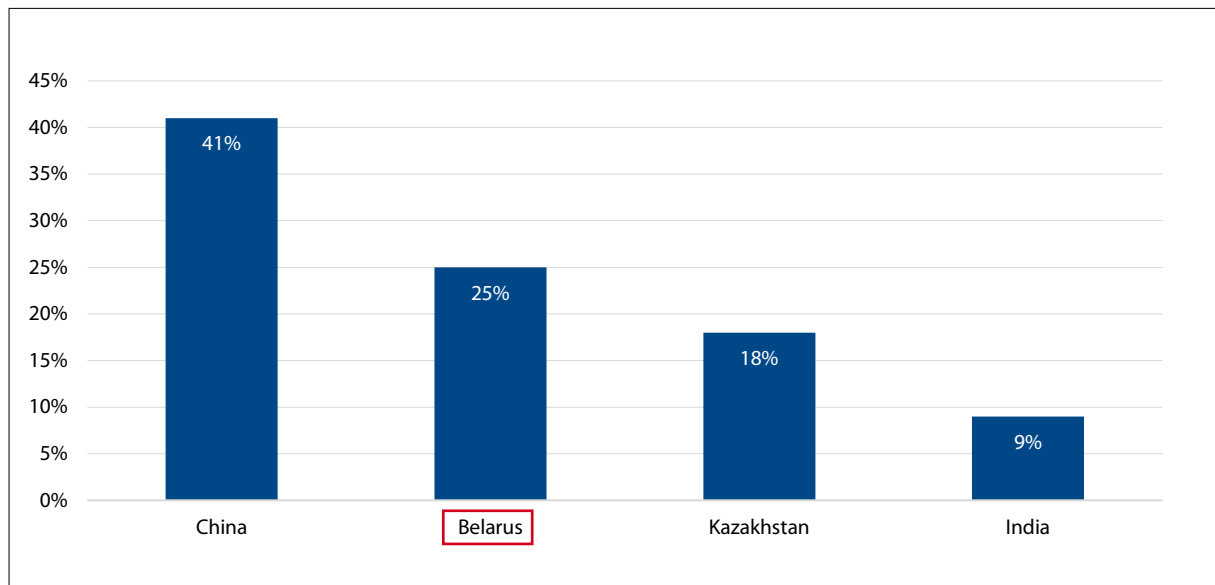
Source: representative opinion polls of the Russian population, Russian Public Opinion Research Center (VTsIOM): <<https://wciom.com/index.php?id=61&cuid=1388>>

Figure 4: Assessment of Lukashenko’s Pro-Russian Stance by Age Groups (2017)



Source: representative opinion polls of the Russian population, Russian Public Opinion Research Center (VTsIOM): <<https://wciom.com/index.php?id=61&cuid=1388>>

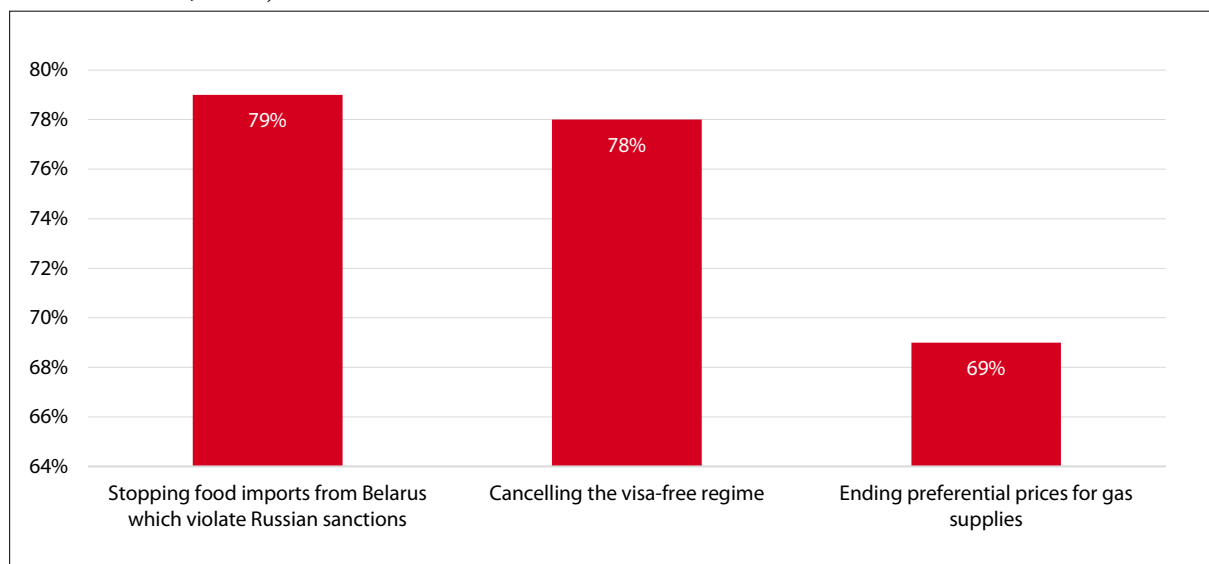
Figure 5: Which Countries Could Be Russia’s Allies, Support Us in the Event of an Attack on Russia? (Max. 3 Answers Possible, June 2017)



Note: All countries mentioned by more than 4% of all respondents.

Source: representative opinion poll of the Russian population, Russian Public Opinion Research Center (VTsIOM): <<https://wciom.com/index.php?id=61&cuid=1422>>

Figure 6: Relations with Belarus (Share of Respondents Favoring Specific “Unfriendly” Measures, 2017)



Source: representative opinion polls of the Russian population, Russian Public Opinion Research Center (VTsIOM): <<https://wciom.com/index.php?id=61&uid=1361>> and <<https://wciom.com/index.php?id=61&uid=1371>>

Compiled by Mikita Merzlou

ANALYSIS

Energy Issues in Russia’s Relations with Belarus

By Andreas Heinrich (Research Centre for East European Studies at the University of Bremen)

Abstract

The energy sector is one of the cornerstones in Russian–Belarusian relations. Belarus is almost totally dependent on Russian oil and gas supplies and preferential energy prices are essential to maintain the country’s economy. Russia, in turn, has used subsidised energy supplies as a means to bolster its political influence in Belarus. As a result, disagreements over the rules of co-operation and energy prices have provoked regular disputes between the two countries. The latest conflict in these politicised energy relations is analysed in this contribution.

Belarus: Energy-poor and Dependent on Imports

Since the break-up of the Soviet Union in the early 1990s, there have been significant changes in the structure of primary energy consumption in Belarus due to the replacement of crude oil and coal with natural gas in the generation of electricity and heat. As a result, the share of natural gas more than doubled between 1990

and 2013. According to the International Energy Agency, Belarus’s primary energy supply in 2014 (the latest available figures) derived around 62 percent from natural gas and around 30 percent from crude oil. Renewables played only a minor role (see Figure 1 on p. 17).

As Belarus itself does not possess any substantial primary energy resources, the country is highly dependent on energy imports. Russia supplies 100 percent of

Belarus's natural gas and over 90 percent of its crude oil imports (see Table 1 on p. 18).

The petrochemical sector is of strategic significance for the Belarusian economy. In 2015, 25 percent of Belarus's total export revenues were generated by the sale of Belarusian petroleum products refined almost exclusively from Russian crude oil. More than 90 percent of Belarus's electricity and heat is produced by gas-fired power plants using Russian gas. Additionally, Belarus imports a small portion of its electricity from Russia and other countries (Astapenia 2014; Heinrich 2011; Bolkunets 2016, p. 514; Pastukhova and Westphal 2016, p. 4; Kardaś and Kłysiński 2017, p. 1).

The severe dependence on energy imports from Russia is unlikely to change. Nevertheless, Belarus adopted a strategy for developing the country's energy potential. This strategy aimed at modernising the antiquated energy sector and diversifying its energy supply away from Russia by—among other means—finding alternative energy suppliers and increasing the share of local and renewable energy resources in the energy balance to 32 percent by 2020.

So far, Belarus has been unable to find a sustainable alternative to Russian oil supplies at an acceptable price. In May 2010, after a conflict over oil prices with Russia, Belarus signed a contract for 4 million tonnes (mt) per year with Venezuela, which should grow to 10mt per year. In 2010, oil deliveries from Venezuela totaled 1.8mt at an average price of US\$647 per tonne. However, the project was cancelled in June 2012 because it was not economically viable. Nevertheless, it resulted in a new agreement with Russia supplying more subsidised oil at an even greater discount.

Belarus has installed several wind turbines and 49 hydropower plants throughout the country, but they do not play a significant role in the country's energy mix.

Since the gas conflict of 2007, Belarus has also developed plans to build a nuclear power plant. In March 2011, an agreement with the Russian company Rosatom over the construction of a 2.4 gigawatt nuclear reactor financed by a US\$9bn loan from Russia was signed. The agreement also gives Russia control over the export of energy created in the power plant. Although the construction looks economically beneficial, Russia's control over the project, combined with Belarus' doubtful ability to repay the accompanying loan, raises many questions (Kardaś and Kłysiński 2017, p. 2; Bolkunets 2016, pp. 514, 516 and 2017; Astapenia 2014).

As a counterweight to its strong import dependency, Belarus has reminded Russia repeatedly that the country plays an important role in the Russian gas transit to its main consumer market in Western Europe; one major oil pipeline (Druzhba) and two main gas export pipe-

lines (Northern Lights and Yamal-Europe) run through Belarus.

The Russian gas company Gazprom has controlled the Yamal-Europe transit pipeline since its inception; after the acquisition of the Belarusian pipeline operator Beltransgaz, which has been finalized in 2011, it owns almost all the gas pipelines in Belarus. The oil infrastructure, however, is still predominantly in Belarusian hands. The part of the Druzhba oil pipeline, which runs through Belarus, remains under the control of the Belarusian authorities. The Belarusian state solely owns the Navapolatsk oil refinery and has a majority stake in the Mazyr refinery, while the Russian oil company Slavneft (which is controlled by GazpromNeft and Rosneft) owns the remaining 42.58 percent. As in the case of gas, Moscow also wants to take control of the entire oil infrastructure of Belarus (Astapenia 2014).

Overall, however, Belarus's role as a transit country has been diminished lately because Russia has built alternative export routes: with the Baltic Pipeline System (BPS) Russia now exports large parts of its crude oil through its Baltic Sea ports and with the Nord Stream gas pipeline beneath the Baltic Sea to Germany transit countries for natural gas have become less important.

Energy Conflicts

Throughout 2016, many problems accumulated in Russian–Belarusian relations, generating growing tension between the two countries. A major issue was the conflict over Russian energy supplies.

Already since 2014, Russia has made its discounts for oil and gas deliveries conditional on Belarus's participation in the integration project of the Eurasian Economic Union (EAEU), the sale of several companies to Russia and its support for Russia's policy in Ukraine.

However, Belarus has expressed dissatisfaction with the results of its membership in the EAEU. It has identified numerous non-tariff barriers and the associated lack of a common energy market. Belarus wants to abolish all quotas and liberalise the oil and gas market, which would allow Belarus to purchase oil from Russia at the lower price reserved for domestic consumers. On the other hand, the importance of cheap access to Russian energy has lessened after the sharp decline in oil prices since late 2014 (which was the key motivator for Belarus to join the EAEU) (Astapenia and Balkunets 2016, pp. 11–12; Kardaś and Kłysiński 2017, p. 2; Astapenia 2014; Kłysiński 2017).

The most recent energy dispute began when Belarus, referring to its EAEU membership, concluded that it had the right to internal Russian gas prices which were much lower than export prices. As a result, since January 2016, Belarus has unilaterally reduced the price for

Russian gas. In the first quarter of 2016, Belarus was paying US\$142 per 1,000 cubic metres (cm) of Russian gas which would—as stipulated in the contract with the Russian gas company Gazprom—be reduced to US\$132 in the second quarter of 2016.

In March 2016, however, Belarus sought to receive another discount on Russian gas. It wanted to reduce the price from US\$142 to US\$117 per 1,000cm (while the average price for European customers was US\$185) until the EAEU was in place.

In April, Gazprom dismissed further calls by Belarus to lower its price to US\$80 per 1,000cm.

In May 2016, Gazprom claimed that the country had been underpaying for Russian gas deliveries by US\$125m during the first four months of 2016, while Belarus denied that it had any gas debt. Belarus held that under its 2011 agreement with Gazprom, it should pay an equal netback price for gas after 2015 (i.e., Russia's domestic gas price). While Belarus was charged US\$132 per 1,000cm, it estimated the netback price at US\$73 per 1,000cm. However, Gazprom claims that equal netback pricing was not obligatory for Belarus; therefore, as no transition to equal netback pricing has been agreed upon, the old agreement of US\$132 is binding (Information on prices taken from NewsBase, FSU Oil & Gas Monitor).

Russia, in an attempt to force Belarus to settle its gas debt, had reduced oil supplies to Belarusian refineries since June 2016, curbing the planned annual supply from 24mt to 18mt. This affected Belarus' state budget strongly as a large part of its revenues comes from the re-export of refined Russian oil (Kardaś and Kłyśiński 2017, p. 2).

As no compromise could be reached, the Russian oil pipeline operator Transneft announced a further reduction of 1.5mt in oil supplies in the first quarter of 2017; the Belarusian authorities, for their part, announced a 20.5 percent increase in transit fees for Russian oil to the European Union (Kłyśiński 2017).

Over the course of time, more and more issues were added to the catalogue of disagreements between Minsk and Moscow. Consequently, Belarusian President Alyaksandr Lukashenka boycotted the EAEU summit in St. Petersburg on 26 December 2016. As a result, the EAEU's customs code could not take effect.

It was only at the meeting of the presidents of Russia and Belarus on 3 April 2017 in St. Petersburg that a political deal setting the rules of further co-operation in the oil and gas sector was reached. As the Russian side had not accepted the unilateral re-negotiations of the gas price, Belarus' gas debt had accumulated to US\$726 million by April 2017; the Belarusian side repaid the debt in full on 12 April. On the same day, Lukashenka

signed the Customs Code of the EAEU (Kardaś and Kłyśiński 2017, pp. 2–3; Kłyśiński 2017).

On 13 April 2017, Moscow agreed to return the volume of oil supplies to Belarus to 24mt annually until 2024, to lift the obligation for Belarus to supply 1mt of petroleum products annually to Russia, to offer Belarus a loan of US\$1.6bn, and that Gazprom will reduce the gas price for Belarus in 2018–19 by around 20 percent, i.e. to the level of around US\$130 per 1,000cm (US\$129 per 1,000cm in 2018 and US\$127 per 1,000cm in 2019) (Kardaś and Kłyśiński 2017, pp. 3–4).

Additionally, an intergovernmental task group was set up in June 2017 to prepare a document on forming a common gas market before the end of the year. In late May, Belarus called on the trade bloc to fast-track the establishment of a common gas market much sooner arguing that this was necessary given the importance of gas to the Belarusian electricity market (NewsBase, FSU Oil & Gas Monitor, No. 23, 14 June 2017, p. 13).

Conclusion

This latest energy dispute is part of a broader discussion over the relations between the two countries regarding what kind of co-operation they will engage in and the extent of Russia's political influence in Belarus.

Especially since the Russian–Ukrainian conflict began in November 2013, Russia has become more assertive towards, and demanding of, Minsk. The Russian authorities are increasingly expecting specific concessions in exchange for energy subsidies: the Kremlin expects Belarus to become fully engaged in the process of integration as part of the EAEU and to back its moves with regard to Ukraine. Meanwhile, President Lukashenka has been trying to avoid making serious political concessions, while trying to receive subsidies at the highest possible level. The escalating economic recession of the Belarusian economy has forced the government to apply for more and more subsidies (Kardaś and Kłyśiński 2017, p. 2).

At the same time, Russia could no longer afford to be so generous once it was hit by the collapse of world market prices for oil and economic sanctions related to its aggression against Ukraine in 2014. As a result, Moscow has been regularly reducing its support for Belarus over the past few years: between 2013 and 2015, the value of Russian subsidies was cut drastically amounting to slightly over 10 percent of Belarus's gross domestic product in 2015. Nevertheless, Moscow realised that it was politically strong enough to put effective pressure on the Belarusian authorities because Belarus has lost some of its importance as a transit country (Kardaś and Kłyśiński 2017, p. 2; IMF 2016, p. 28; Kłyśiński 2017).

As a result, another Russian–Belarusian energy dispute had been escalating since the beginning of 2016,

turning into an unprecedentedly long crisis extending over almost all aspects of co-operation between the two countries. In April 2017, the two parties reached an agreement regulating most of the problems, most

importantly the conditions of Russian oil and gas supplies in the coming years. However, many issues remain unclear, leaving room for further conflicts.

About the Author

Dr. Andreas Heinrich is a political scientist at the Research Centre for East European Studies at the University of Bremen, Germany. He specialises in energy relations in the former Soviet Union.

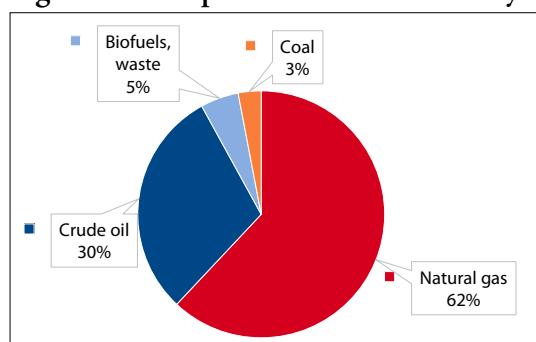
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STATISTICS

Belarusian Energy Supplies

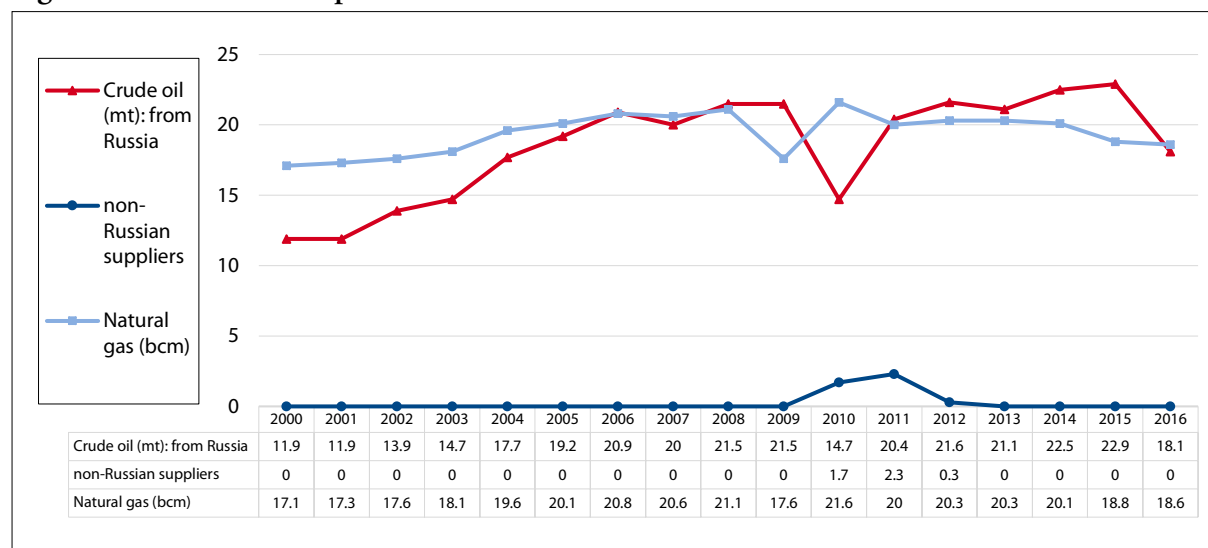
Figure 1: Composition of Total Primary Energy Supply in Belarus



Note: All sources with a share of more than 0.1%. Total primary energy supply equal to 27460 ktoe (thousand tonnes of oil equivalent). Latest year available (2014)

Source: International Energy Agency (Paris), <<http://www.iea.org/statistics/statisticssearch/report/?country=Belarus&product=balances>>.

Figure 2: Oil and Gas Imports



Note: All natural gas imports are from Russia. Figures for natural gas are in billion cubic meters, figures for crude oil in million metric tonnes.

Sources: National Statistical Committee of the Republic of Belarus, <http://www.belstat.gov.by/en/ofitsialnaya-statistika/macroecconomy-and-environment/vneshnyaya-torgovlya_2/osnovnye-pokazateli-za-period-s-___-po-___-gody_10/imports-of-major-products/> (22.8.2017), National Statistical Committee of the Republic of Belarus (2014) Statistical Yearbook 2014. Minsk: National Statistical Committee, p. 492; National Statistical Committee of the Republic of Belarus (2016) Statistical Yearbook 2016. Minsk: National Statistical Committee, p. 482.

Table 1: Own Production of Natural Energy Resources

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fuel peat, 1000 t	2,307	2,125	2,502	2,361	2,216	2,352	2,704	2,679	2,269	1,433	1,015
Crude oil including natural gas liquid, 1000 t	1,785	1,780	1,760	1,740	1,720	1,700	1,681	1,660	1,645	1,645	1,645
Associated gas, million cm	228	219	201	203	205	213	222	218	228	222	225
Biogas, 1000 tce*	–	–	–	–	–	3	4	6	13	13	14
Firewood, 1000 solid cm	4,739	5,370	5,537	5,508	5,010	5,437	6,292	6,173	6,150	5,896	5,064
Other natural fuel, 1000 tce*	378	408	429	476	456	495	528	539	526	569	594
Wind, hydro and solar energy, GWh	37	37	36	40	46	46	46	78	146	132	140

* tce = tonnes of coal equivalent

Source: National Statistical Committee of the Republic of Belarus, <http://www.belstat.gov.by/en/ofitsialnaya-statistika/real-sector-of-the-economy/energy-statistics/annual-data_4/primary-energy-production/> (22.8.2017)

ABOUT THE RUSSIAN ANALYTICAL DIGEST

Editors: Stephen Aris, Matthias Neumann, Robert Ortting, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (<www.forschungsstelle.uni-bremen.de>), the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich), the Resource Security Institute, the Institute of History at the University of Zurich (<<http://www.hist.uzh.ch/>>), the Institute for European, Russian and Eurasian Studies at The George Washington University, and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russland-Analysen* (<www.laender-analysen.de/russland>), the CSS analytical network on Russia and Eurasia (<www.css.ethz.ch/en/publications/rad.html>), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Editors: Stephen Aris, Matthias Neumann, Robert Ortting, Jeronim Perović, Heiko Pleines, Hans-Henning Schröder, Aglaya Snetkov

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Research Centre for East European Studies at the University of Bremen • Country Analytical Digests • Klagenfurter Str. 8 • 28359 Bremen • Germany

Phone: +49 421-218-69600 • Telefax: +49 421-218-69607 • e-mail: laender-analysen@uni-bremen.de • Internet: <www.css.ethz.ch/en/publications/rad.html>