

➤ Belarus

Balázs Jarábik and Anaïs Marin

Belarus is Russia's only formal ally, and Russia will continue its policy of subsidising the Belarusian economy.¹ Yet two decades of privileged cooperation across political, military and economic sectors, has not led to genuine integration but has instead cemented an overarching Belarusian dependency on Russia. Lukashenka's regime, leveraging Belarus's symbolic and strategic importance for Russia, has successfully extracted a high price for Belarus's loyalty, while seldom having to deliver on its commitments. However, whilst Russia will continue to keep Belarus's beleaguered economy afloat, the annexation of Crimea and the subsequent Western response – seen as weak in Minsk – have altered Lukashenka's strategic calculus. Belarus is no longer balancing between the EU and Russia, but hedges between integrating economically with the Eurasian Union and being absorbed in the so-called Russian World. Belarus, along with Kazakhstan, signed the Eurasian Union Treaty on 29 May 2014, but Minsk will press to keep its privileges and avoid transferring powers to any kind of supranational body, should this entail abandoning sovereignty to Russia. Even as geopolitics in the region evolves, Minsk will try to continue extracting rent benefits from its transit situation for Russian hydrocarbons exports, allowing Lukashenka's regime to continue delivering services to Belarusians, enhancing its chances of survival in the face of both internal collapse and Russian pressures.

Three years after the Treaty on the Customs Union (CU) of the Eurasian Economic Community was signed on 19 May 2011 in Minsk, Belarus signed the Treaty setting up the Eurasian Economic Union to be launched on 1 January 2015.² From the Belarusian viewpoint, however, many provisions of the 2009 Customs Union Treaty are still not being implemented. Technical and practical aspects of implementation are subject to (dis)agreements. The most important issue for Minsk is that the major commodity traded by the three countries – namely energy – remains outside of the free trade principle. But Minsk's aim remains to trade its support for Putin's plans for economic reintegration of the post-Soviet space for the highest possible price. This extractive geopolitics has been the trademark of independent Belarus since Stanislav Shushkevich's regime after 1993. Against the background of the Ukrainian crisis, however, Minsk lacks the room for manoeuvre to continue its hard bargaining stance vis-à-vis Moscow.

Belarus and Kazakhstan's economic and strategic calculus has changed by the Ukraine Crisis. Seeking closer association with the EU is likely to provoke Russian recriminations that Brussels appears disinclined to resist. And while both countries retain a long-term interest in upgrading the SES into a fully-fledged economic union, for its part Russia is reluctant to go that far, preferring to continue to leverage its relative strength bilaterally. In this sense, the EEU agenda involves incrementally increasing political costs to reducing economic returns. Belarus's position is an unpalatable one, as it seeks to avoid having to choose between an EU that won't defend its integration project as far as potential new members, and an EEU that provides little in the way of economic benefit in return for geopolitical concessions.

1 Russia gives \$2 billion credit to Belarus, 9 May 2014, 5th Channel (Ukraine) <http://www.5.ua/svit/item/383419-rosiia-dast-bilorusi-kredyt-u-rozmiri-usd2-mlrd>

2 Belarus wont block creation of Eurasian economic Union, Reuters, 9 May 2014 <http://www.reuters.com/article/2014/05/09/russia-belarus-unions-idUSL6N0NV1ZX20140509>

THE ECONOMIC SITUATION

Alexander Lukashenka has made his signing up to Putin's Eurasian integration project conditional on Moscow's lifting of the requirement that Belarus return to Russia the customs duties it levies on the export of oil products transformed in Belarusian refineries from Russian crude oil. For the past four years, Belarus and Kazakhstan have argued that such limitations to free trade of energy products be removed among all three CU member states. So far, Russia has consistently ignored its partners' claims for an integrated energy market, preferring the annual renewal of *ad hoc* bilateral deals and *post hoc* money transfers: Belarus received a \$2 billion loan from Russia for signing up to the EEU.³ The Eurasian Union Treaty does confirm that external customs duties will gradually converge and internal ones be fully lifted. Yet Moscow has announced and will maintain that, if pushed to satisfy Minsk's claims, as well as Astana's (for customs-free transit of Kazakh oil via Russian pipelines), it will compensate for the estimated \$30 billion per year loss that changing the current schemes will entail for the Russian budget by raising taxes on mineral extraction. In other words, Russian oil producers are likely to pass this additional cost on to final consumers, whether Russian or Belarusian.⁴

The main worry for Belarus, given its dependence on trade with – and subsidies from – Russia, is the slowing down of the Russian economy. This has had a chilling effect on Belarus's GDP growth and industrial production levels, which had already plummeted following the 2008-9 crisis. According to the Belarusian statistical office Belstat, industrial production in February 2014 was down seven percent compared to the previous year. Due to a lack of foreign and especially Russian demand, BelAZ, one of Belarus's flagship manufacturing companies and a world leader in the production of haulage and earthmoving equipment, has reduced its production.⁵ Belarus has been bailed out by Russia in difficult circumstances before, but the looming recession in both economies makes such a rescue less likely and casts a shadow over the future prospects of the Eurasian Economic Union more broadly.

Russia's integration scheme also requires that officials in Minsk commit to implementing reforms towards the liberalisation of export-oriented sectors of its still mainly state-controlled economy.⁶ Following Russia's formal entry into the World Trade Organisation (WTO) on 22 August 2012, WTO rules became part of the Customs Union legal system, entailing a number of new, often painful obligations for Belarus. Several industrial sectors are scheduled to undergo long-delayed privatisations.⁷ State subsidies in the agro-industrial complex, a deeply embedded feature the post-Soviet Belarusian economy, are also expected to be gradually limited. In compliance with the 2010 agreements, Minsk is expected to cut the level of state support to the agricultural sector by 40 percent over six years – from 18 percent of the gross value of produced agricultural commodities in 2010 to 10 percent in 2016.⁸ This major shift may serve to challenge the foundations of Belarus's paternalistic social contract and its centralised management of the economy, creating real risks for the survival of Lukashenka's regime, should the reduction indeed occur.

3 Neil Macfarquhar, Russia and 2 Neighbors Form Economic Union That Has a Ukraine-Size Hole, 29 May 2014. <http://www.nytimes.com/2014/05/30/world/europe/putin-signs-economic-alliance-with-presidents-of-kazakhstan-and-belarus.html>

4 Olesia Astakhova, Denis Pinchuk 'Interview: MinFin RF gotovitsya k novomu nalogovomu manevru v nefteotrasli k 2015 goda', *Reuters business and economic news*, 13 March 2014, <http://ru.reuters.com/article/businessNews/idRUMSEA2C02L20140313?pageN=undefined&pageNumber=2&virtualBrandChannel=0&sp=true>

5 'Analytical note: monitoring of the economic security situation (February 2014)', *Belarus Security Blog*, uploaded on 21 March 2014, <http://www.bsblog.info/analytical-note-monitoring-of-the-economic-security-situation-february-2014/>

6 According to official figures, 70 percent of the economy remains under state control and directors of major state-owned enterprises are appointed and dismissed by the President himself.

7 The government announced the opening of the capital of over 60 of the biggest State companies, half of which Russian investors covet and will seek to appropriate (such as Integral, MAZ, the Minsk Wheel Tractor Plant MZKT, Grodnoazot, possibly the Mozyr oil refinery), although Lukashenka has set too high a price for these assets so far. Repeatedly announced and systematically postponed, the transfer of these companies to private hands, and their subsequent restructuring, might become unavoidable as Lukashenka's room for manoeuvre, bargaining and blackmailing the Kremlin keeps on shrinking.

8 Agreement on common rules of state support of agriculture, signed in Moscow on 9 December 2010, ratified by the Law of the Republic of Belarus 216-3 of 28 December 2010. In fact, the agreement prohibits national support that distorts by more than 10% the level of mutual trade in agricultural products with another CES member states. Belarus successfully negotiated a deadline extension until 2016 for gradually reducing its level of state support to agriculture to this 10% threshold.

Whilst Belarus's economic downturn can hardly be blamed on the Customs Union, the economic benefits of its membership are hardly apparent. Evidence suggests a trend towards trade diversion, rather than multiplication, among the three member states: mutual trade is falling in many sectors, whereas individual member states' bilateral trade with China continues to grow. Trade between Belarus and Kazakhstan has stagnated at around \$900 million for the past three years,⁹ while Russia-Belarus figures suggest¹⁰ that Belarusian products are not competitive, aside from a limited number of items.¹¹ This increases Belarus's reliance on subsidies from Russia. Minsk's fear that this support may be stopped, or that new, more demanding conditions be attached to it, has led it to seek new markets and foreign investors from outside of the Customs Union, a task made difficult by Belarus's stagnating competitiveness and low labour productivity.

BALANCING SOVEREIGNTY AND INTEGRATION

Since the collapse of the Soviet Union, Belarus has proven to be an omnipresent, albeit unreliable, partner in Russia's 'holding-together integration' projects.¹² Belarus is part of the CIS, the CSTO, the bipartite Union State of Russia and Belarus and the tripartite Customs Union of the Common Economic Space. Yet the country has never been fully and genuinely committed to integration. In fact, whenever planned cooperation entailed the transfer of aspects of national sovereignty to some supranational institution – as would have been the case in the event of establishing a joint currency for the Union State – Minsk has backpedalled.¹³ In addition, since the second half of the 2000s, Belarus has been courting the West with promises of democratic reforms, a manoeuvre designed to push up the bidding for Belarus's loyalty in Moscow.

Opinion polls suggest that Belarus's balancing act is popular at home. The share of respondents opposing the unification of Belarus with Russia has constantly risen since June 2012, except in the spring of 2013.¹⁴ As of December 2013, polls showed a historically low 23.9 percent in favour of unification with 51.4 percent against it. However, this antipathy does not precipitate support for a (hypothetical) accession of Belarus to the EU: for the past three years Belarusians' position has remained unchanged, and equally divided, with 36-38 percent 'for' and a similar share 'against' joining the EU. When offered a choice between unification with Russia and joining the EU, 35 percent reply in favour of the former, 45 percent for the latter, and about 20 percent remain undecided. At the same time, another survey revealed that Belarusians would accept as a matter of pragmatism a *de facto* absorption by Russia: a staggering 70 percent of respondents would support a single state with Russia 'on the condition that the move contributes to the improvement of the economic situation in the country'.¹⁵

The Belarusian regime has always rejected Russian proposals to transfer aspects of its sovereignty to any kind of supranational institution. Even in case of agreeing on the EEU, Minsk is unlikely to accept losing control over any of the major macroeconomic policy instruments that have allowed the regime to conduct an autonomous economic and social policy. Whilst negotiating the terms of its participation in Putin's Eurasian integration project, Belarus has continually endeavoured to keep the door to Western markets open. Minsk has repeatedly requested that the EU recognise and treat the Customs Union as an equal partner. This would effectively de-politicise the EU28's economic relations with Belarus, a long-time goal of Lukashenka's foreign

9 Alexander Sinkevich, 'Parad deval'vatsii ukhushit pozitsii belorusskikh eksporterov', Regnum 17 February 2014.

10 See the data of the World Integrated Trade Solution (World Bank) at <http://wits.worldbank.org/CountryProfile/Country/BLR/Year/2012/TradeFlow/Import>

11 Chubrik, Alexander, IPM presentation at the 3rd Belarus Reality Check, Non paper, upcoming

12 On this notion of post-Soviet regionalism as 'holding together integration', see Alexander Libman & Evgeny Vinokurov *Holding-Together Regionalism: 20 Years of Post-Soviet Integration*, MacMillan, 2012.

13 Worsening of relations with the West could put Russian ruble in front for the Eurasian Union, cf. <http://www.vedomosti.ru/politics/news/24804671/andrey-kostin-rossii-pora-perejti-na-raschety-v-rublyah-so#ixzz2xitxgW3L>

14 See the data for the question by independent pollster ISEPS 'If a referendum on the unification of Belarus and Russia was held today, how would you vote?'. <http://www.iiseps.org/analitica/559>, uploaded 8.10.2013.

15 Belarus Institute for Strategic Studies, Geopolitical Preferences of the Belarusians: A Too Pragmatic Nation?, April 2013, Minsk http://belinstitute.eu/sites/biss.newmediahost.info/files/attached-files/BISS_SA07_2013en.pdf

policy, which has attempted to secure the lifting of EU sanctions against his regime without fulfilling Brussels's conditions for normalising relations, namely the release and rehabilitation of political prisoners. Informally, the official Belarusian argument that a more pragmatic stance would be mutually beneficial is met positively in several EU capitals. Belarusian business is already very well implanted in neighbouring EU countries such as Lithuania and Latvia, whereas trade links with Germany (5.88 percent of Belarus's total trade flows in 2012), Poland (almost 3 percent), Italy (2 percent)¹⁶ or the Netherlands – through which Belarusian exports of oil products are shipped en route to North American markets – are also vitally important for Belarus's balance of payments. This is why Belarus insists on presenting itself as a potential bridge between the Eurasian (and potentially the Chinese) markets on the one hand, and EU customers on the other.

Building on this bridge metaphor, the Belarusian government created a new rhetorical concept – the 'integration of integrations'. This was developed in parallel to a new strategic partnership with China, whose flagship project is the Chinese-Belarusian Industrial Park near Minsk. The idea is to turn Belarus's industrial base into an assembly line for Chinese products to be exported on to Russia and Kazakhstan, but also with the expectation that EU markets will be the final destination in a more distant future. However, the level of FDI from China has turned out to be much lower than the Belarusian authorities expected, after Chinese partners decreased the promised sum from \$30 billion to little over \$5 billion.

MINSK'S VIEWS AND EXPECTATIONS

Belarus's participation in Eurasian integration is driven mainly by three sets of factors. First, Moscow's continuing subsidies to Belarus's economy drive political support for the Eurasian project. By presenting itself as a loyal partner, Belarus hopes to secure leverage in its negotiations with Russia on other issues: geopolitical loyalty is the bargaining chip that Minsk trades for economic concessions.¹⁷ As one analyst notes, 'Minsk has taken a highly instrumental approach, with integration traditionally exploited as a means to an end, rather than a goal in itself'.¹⁸ Belarus's approach to economic liberalisation, which is a necessary corollary to further integration within the Eurasian Union, boils down to allowing Russians to invest in the privatised companies whilst retaining control over their management. At the same time, some small but innovative private businesses have managed to grow despite the unfavourable local circumstances.¹⁹ The second, and equally important, motive impelling Belarus to join the Customs Union is the belief that it could help turn Belarus into a competitive transport and logistics hub able to service trade flows between Asia and Europe. This hope builds on Belarus's main, if not only, comparative advantage over the two other CU member states – a reputedly lower level of corruption and crime, which would make Belarus the most attractive country in which to fulfil customs clearance.²⁰ Third, institutional deepening of cooperation within the Eurasian Economic Union will improve the attractiveness of its member-state economies for Western investors, thereby facilitating technology transfers and, ultimately, the modernisation of Belarus's economy. However, given the unwillingness to engage in genuine structural reforms, such modernisation remains a distant prospect.

16 Gross trade data and shares available here: <http://wits.worldbank.org/CountryProfile/Country/BLR/Year/2012/TradeFlow/Import#>

17 Russian media evaluated the total amount of direct and indirect subsidies granted by Russia to Belarus – in the form of price discounts, rebates and other 'presents' to various social groups and companies – to no less than \$ 50bn during the period 1991-2010 alone. On energy subsidies specifically, cf. Belarus Reality Check 1st Non Paper, December 2012, p.3 www.eesc.lt/uploads/news/d515/Belarus_Reality_Check__December_2012.pdf

18 Matthew Frear 'Belarus: player and pawn in the integration game', in Rilka Dragneva & Katarzyna Wolczuk, *Eurasian Economic Integration: Law, Policy and Politics*, Elgar, 2013; draft here: https://www.academia.edu/3861913/Belarus_Player_and_Pawn_in_the_Integration_Game

19 Paradox of Belarusian business: Aggression of authorities is the best motivator, EuroBelarus, Minsk, 2 February 2014, <http://eurobelarus.info/en/news/economy/2014/02/02/paradox-of-belarusian-business-aggression-of-authorities-is-the-best-motivator.html>

20 This argument has been repeated by several Belarusian officials during interviews conducted by one of the author in Minsk in April 2014.

BELARUS IN THE CUSTOMS UNION: A BALANCE SHEET

The expected added value of integration is manifold for Belarus – yet it remains largely unsatisfied.²¹ The amount of FDI (from China or the EU) has not risen significantly since Belarus joined the CU at the time of the global economic downturn. Moreover, easier access to the Russian market facilitated by the ECU framework caused more Russian products to flow in Belarus, as Belarusian goods were not able to compete with those of other ECU members – even Kazakhstan.²² Despite this, Belarus is generally believed to be the CU member-state that, so far, has benefited the most from joining the Customs Union.

Customs conditions for trade did improve in some sectors while others faced serious limitations. The inability of its bureaucrats to negotiate CU regulations that would be more favourable for its own economic actors meant Belarus could not stop the Eurasian Commission from imposing certain technical standards, non-tariff barriers and customs exemptions which ultimately harm Belarus's producers and consumers. This concerns, for example, alcohol, tobacco and pharmaceutical products. Harmonisation of the common external customs tariff has led to severe price hikes on some imported goods, such as automobiles. Although Belarus secured advantageous duties on the export of its dairy products to Russia, the free circulation of another Belarusian commodity that traditionally enjoyed a wide market share throughout the former Soviet Union – women's lingerie – has recently been subject to export limitations, officially on technical grounds.²³ And Belarusian alcoholic products – beer and vodka – enjoy less favourable distribution conditions in Russia than their Ukrainian competitors do.

Whereas gas transport policy will remain a national prerogative of each Customs Union member state, the activities of other natural monopolies such as oil pipelines and electricity distribution are to be gradually integrated, that is to say regulated by principles and rules determined in accordance with the tripartite agreements signed in late 2010 with Russia and Kazakhstan.²⁴ According to these accords, Belarus is supposed to stop subsidising some deficit-making industries – a move which, with or without the subsequent sale of state assets to private investors, is likely to jeopardise production and employment in some of Belarus's flagship companies.²⁵

The Customs Union and Common Economic Space have led to the institutionalisation of new, multilateral mechanisms for dispute management, which Belarus has learnt to use in order to seek legal solutions to its recurring trade disputes with Russia. Eurasian integration is creating a codified framework that is more able to constrain and restrict Russia's domination of its smaller partners.²⁶ Initially seen as an empty shell, the EurAsEC Court, which formally started functioning in 2012, has clarified Belarus's rights and obligations with regards to both its trading partners within the CES and the Eurasian Economic Commission. Given the derogations of sovereignty that the decisions of this new supranational body – expected to acquire more prerogatives when the Eurasian Union Treaty enters into force on 1 January 2015 – may entail, it remains to be seen whether the Court will be fully accepted by Lukashenka's regime.

21 Irina Tochitskaya, 'The Customs Union between Belarus, Kazakhstan and Russia: Economic Implications for Belarus', *Belarus Info Letter (BELL)*, Vilnius: EESC, 5(15), June 2010, p. 4-7.

22 At the same time the trade with Ukraine has shown constant growth and was over \$6bn in 2013 <http://www.blackseagrains.net/novosti/belarus-ukraine-trade-over-6bn-in-2013>

23 'V Kazakhstane zapretili kruzhevnoe belio', 16 February 2014, <http://news.nur.kz/302626.html>

24 *Agreement on common principles and rules of regulation of the activities of natural monopoly entities* signed in Moscow on 9 December 2010, ratified by the Law of the Republic of Belarus 205-3 of 28 December 2010. Cf. Revera Consulting Group 'The Common Economic Space: the history of creation, institutional framework and the scope of coordinated spheres of activities', Minsk, May 2013, 27 p., http://www.economy.gov.by/dadvfiles/002045_125323_The_Common_Economic_Space.pdf; p. 13.

25 Some of Belarus' key companies are connected to potash (Belaruskali, Azot) and refineries (Mozyr and Novopolack).

26 'Eurasian Economic Integration: Rhetoric and Reality', summary of expert round-table discussion held on 18 July 2013 at Chatham House, <http://www.chathamhouse.org/sites/default/files/public/Research/Russia%20and%20Eurasia/180713summary.pdf>

As far as the free movement of people is concerned, Belarusian migrants living in other CIS or Customs Union states enjoy a relatively good level of legal and social protection. Since 2006, a bilateral treaty ensures Belarusian and Russian citizens equal rights to freedom of movement and residence in both countries. However labour migration trends are less positive, and further integration within the Eurasian Economic Space is unlikely to improve the situation. Belarus is unable to retain its qualified workers, who prefer to emigrate to Russia in search of better-paid jobs. At the same time, Belarusian public opinion is reluctant to open the Belarusian labour market to foreigners. According to a poll conducted by IISEPS in December 2013, 39 percent of respondents disapproved of Lukashenka's call to Russian workers to come and seek permanent residence in Belarus, while only 23.8 percent supported it.²⁷

With an average monthly nominal salary of \$579 – 40 percent lower than in Russia and 20 percent lower than in Kazakhstan – Belarus offers a comparatively cheap labour force. In the context of the Single Economic Space, this wage differential enhances Belarus's attractiveness for CU and foreign investors but has a negative impact on Belarus's demographic profile. The wage gap between Belarus and neighbouring countries widened as a result of the 2011 currency crisis and the subsequent devaluation of the Belarusian rouble. This created additional incentives for economic emigration. Although reliable data on migration is scarce in Belarus, several studies have shown that labour emigration, dominated by the younger and most educated segments of the population, has been growing over the past couple of years. This 'brain drain', the main destination of which is Russia, is not being compensated for by immigration flows, which are composed of less qualified workers.²⁸

Some of the most interesting developments in the economic sector are not actually linked to the Customs Union framework. The government's efforts to attract FDI by offering preferential conditions for new businesses in Special Economic Zones (located near its borders) has 'opened doors' to Belarus for Western investors, who until the 2010s entered CIS markets only via Russian or Baltic entry points. Ranked much better than its CU partners on the World Bank's 'Doing Business' rating (63rd out of 189 countries),²⁹ Belarus has managed to divert some FDI inflows traditionally captured by Moscow, including Russian reinvestment flows originating from EU countries such as the UK, Cyprus and Austria. For instance, in the dynamic IT servicing and outsourcing sector, Belarus is now the world's 13th most attractive destination for FDI. Yet according to foreign investors, Belarus's comparative advantages over Russia for doing business – low levels of corruption and crime, a strong payment culture and a cheap qualified labour force – do not compensate for uncertainty as to future economic development and the country's relations with Russia, nor for the unpredictable nature of the legal-administrative environment.³⁰

27 Actual Trends for December 2013, as published by the Independent Institute of Socio-Economic and Political Studies NISEPI, <http://iiseeps.org/trends/11>, published on 6 January 2014.

28 Alexander Chubrik & Aliaksei Kazlou 'Country Study: Belarus', conducted as part of the research commissioned by the European Commission on *Costs and Benefits of Labour Mobility between the EU and the Eastern Partnership Partner Countries*, 6 December 2012, http://www.case-research.eu/sites/default/files/Belarus%20country%20study_final.pdf; esp. p. 26-27 and table p. 41.

29 Ranking benchmarked to June 2013. <http://www.doingbusiness.org/rankings>

30 Cf. Kari Liuhto 'Experiences of Finnish firms operating in Belarus – Balancing between profits and political peculiarities', Electronic Publications of the Pan-European Institute (University of Turku), 4/2014, http://www.utu.fi/en/units/tse/units/PEI/reports/Documents/Liuhto%204_2014.pdf.

CONCLUSION

The adoption of a common Customs Code and the abolition of internal customs borders has led to greater mobility of goods, services, capital and labour. However, 600 types of goods are exempt,³¹ and dozens of other categories of goods and services are subject to non-tariff barriers (NTB). In fact, one-third of all product types are still not covered by the freedom of movement principles. These restrictions to free trade are a cause of much consternation in Minsk.³² Yet the major source of discontent for Minsk concerns the right to keep customs duties on the export of oil products refined in Belarus from Russian crude oil in its own budget, as it does for other products exported to third countries – a request that has still not been met by Moscow.

These disagreements have given Belarus the opportunity to make its own requests for exemptions and extended transition periods for harmonising its legislation with Customs Union requirements, notably when it comes to complying with WTO regulations. Minsk has attempted to maintain and extend protectionist exemptions to the freedom of circulation rules and to preserve loopholes and non-tariff barriers allowing for non-compliance.³³ By limiting the circulation of capital, as well as services, Belarus hopes to protect vulnerable sectors of its economy from Russian competition.

There is little doubt that officials in Minsk – who have already negotiated a four-year delay for implementing WTO rules limiting subsidies to the agro-food sector, the source of the majority of regime supporters – will eventually find a way of not complying with these demands. At the same time, Belarus is likely to continue its ‘you can invest, but we manage’ policy communicated openly to both Russia and the Europeans.

The Ukraine crisis caused shockwaves in Belarus, too. But even though some pundits believe Belarus would like to turn its back on the Eurasian Union project,³⁴ the reality is that it has nowhere to go. Belarusians’ perception that Maidan was an illegitimate process that caused chaos consolidated the regime’s position at home. Even the opposition now sees Lukashenka as the last rampart able to prevent the country’s absorption by Russia.

In fact, the Ukrainian crisis opens the door for Belarus to revive certain contracts with Russia that the new leadership in Kiev will not honour, for example the crucial and profitable defence industry.³⁵ The key task for Minsk remains to keep Moscow at bay whilst Russian subsidies continue to flow, at the same time as it reforms its traditional (state) institutions to continue deliver services amidst the economic slow-down. This is not an easy task, but Belarus has been there before. ■

31 According to the President of the Eurasian Economic Commission Viktor Khristenko, the Customs Union still has about 600 exemptions that restrict the free movement of goods, services, capital and labour force inside the union. See <http://belarusdigest.com/story/ukraine-can-help-belarus-exemptions-eurasian-economic-union-17393>

32 Agata Wierzbowska-Miazga ‘The Customs Union summit: crisis instead of success’, *OSW Analyses*, 30 October 2013, <http://www.osw.waw.pl/en/publikacje/analyses/2013-10-30/customs-union-summit-crisis-instead-success>

33 Exemptions are sought in the following sectors in particular: education, science, culture, public health, state procurement, passenger’s transport and, partly, agriculture are important for Belarus. *Kommersant*, 12 February 2014

34 Andrew Wilson, ‘Belarus wants out’, *Foreign Affairs*, 20 March 2014, <http://www.foreignaffairs.com/articles/141048/andrew-wilson/belarus-wants-out>

35 See Yauheni Preiherman, Ukraine can help with Belarus exemptions in the Eurasian Economic Union, *Belarus Digest*, 8 April 2014, <http://belarusdigest.com/story/ukraine-can-help-belarus-exemptions-eurasian-economic-union-17393>