

Energy Analyses

# PECOB'S ENERGY POLICY STUDIES

**BELARUS-RUSSIA ENERGY  
DISPUTES – POLITICAL AND  
ECONOMIC COMPARATIVE  
ANALYSIS**

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# I. INTRODUCTION

The present paper deals with three crises which occurred between the Russian Federation and the Republic of Belarus in 2004, 2007 and 2010 regarding energy matters (gas & oil prices and transit fees) . The approach is both political and economic and it uses a comparative point of view, referring to the Russia-Ukraine gas disputes and various other key events which played a role in the topic under consideration.

The basic findings of the paper are that the first two crises (2004 and 2007) can be explained first for economic reasons and secondarily by political motivations, while for the third crisis in 2010 more serious political implications emerge.

## II. BELARUS, EUROPE'S "GHOST NATION"

The topic of the various economic disputes and diplomatic rows which have occurred between Belarus and Russia is largely unknown in the West. In fact, Belarus and its president, Alexander Lukashenko, remain for most Western policy makers "ghosts", due to Belarus's long isolation and mutual misunderstanding on both sides<sup>1</sup>.

Belarus has not always been completely isolated and on a few occasions dialogue has seemed to flourish; however all these episodes ended in failure and the termination of contacts.<sup>2</sup> Western states then tried to pursue the road of isolation, even trying to weaken Lukashenko by not recognizing the legitimacy of his actions as president. This strategy failed. Contacts and the financing of opposition groups and NGOs followed, yet Belarus never experienced a "colored revolution" nor continuous and mass demonstrations which could have forced the government to choose between a violent crackdown (like those we saw during the "Arab Spring" in 2011) or effective concessions/resignation<sup>3</sup>.

Various accusations regarding alleged election fraud, violations of the Belarusian constitution and the Belarusian parliament's role, the concentration of power under presidential control, human rights violations and even murder, have made the EU repeatedly shut down its linkages with Minsk. Condoleezza

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<sup>1</sup> European policy makers still fail to comprehend why "Belarus looks like Belarus"; why a neo-communist nostalgic of the Soviet Union overwhelmingly won the presidential elections of 1994 (without Russia's support), why the people supported his referendums (judged by the international community as generally fair in terms of democracy) which reinstalled the Soviet state symbology and festivities, the Soviet-style kolkhoz and sovkhos and which gave special powers to the president (such as the power to dismiss parliament when it violates the constitution, appoint the leaders of local organs, etc.)

<sup>2</sup> Gearóid Ó Colmáin, "Belarus: Dictatorship or Democracy?", Global Research, August 24 2010, <http://www.globalresearch.ca/PrintArticle.php?articleId=20754> (last accessed on November 04, 2011).

<sup>3</sup> Korosteleva Elena, and Rontoyanni, Clelia "Belarus : an authoritarian exception from the model of post-communist democratic transition?" in Flockhart, Trine. eds. "Socializing Democratic Norms: The Role of International Organisations for the Construction of Europe." London . Palgrave MacMillan. 2005.

Rice proclaimed that Belarus was "the last true remaining dictatorship in the heart of Europe"<sup>4</sup>.

Nevertheless, Lukashenko has consistently won presidential elections since 1994, and has passed all the referendums he called. A very peculiar "Sovietism of the 21<sup>st</sup> century" has become the guiding principle in Belarus, and from the very beginning, its president has seen in the Russian Federation a crucial ally.

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<sup>4</sup> CNN, "Rice: Russia's Future Linked to Democracy.", April 20, 2005, <http://edition.cnn.com/2005/WORLD/europe/04/20/rice.dougherty/index.html> (last accessed on November 03, 2011).

### III. BELARUS' INTEGRATION WITH A CHANGING RUSSIA

The process of integration between Russia and Belarus began in 1999 under Boris Yeltsin when the two nations reached a very peculiar form of 'unification': the Union State. This was, and is, a supranational union endowed with various legal authorities: the Supreme State Council, the Council of Ministers, Parliament (bicameral), a Court and House of Audit and an Accounting Chamber. Although the Union State has never met with the necessary impulse to make it really effective, it has never stopped working and particularly on the economic and military level it still has an important relevance. Moreover, on December 8, 1991 Russia (at that time still called RSFSR, Russian Soviet Federative Socialist Republic) and Belarus, along with Ukraine, founded the CIS, Commonwealth of Independent States. Finally, over the last twenty years Belarus has been involved in several Russian-led attempts at economic and military integration, which met with conflicting results: in 1992 the CIS Collective Security Treaty, in 1993 the Economic Union, in 1995 the Customs Union, in 1997 the above mentioned Union State, in 1998 the Customs Union and Common Economic Space, in 2000 the Eurasian Economic Community, in 2002 the Collective Security Treaty Organization, in 2003 the Common Economic Space and in 2007 the Customs Union<sup>5 6</sup>.

The rise of Vladimir Putin dramatically changed the nature of the Russian Federation and its foreign policy<sup>7 8</sup>. The Kremlin's increasingly confrontational behavior towards the West<sup>9 10</sup> made Belarus into a crucial pawn in the Kremlin's

<sup>5</sup> RIA Novosti, "Customs Union of Russia, Belarus and Kazakhstan.", 2010, <http://en.rian.ru/images/15960/39/159603938.jpg> (last accessed on November 03, 2011).

<sup>6</sup> Weinstein Adam, "Russian Phoenix: The Collective Security Treaty Organization.", *The Whitehead Journal of Diplomacy and International Relation*, Winter/Spring 2007, <http://blogs.shu.edu/diplomacy/files/archives/13-Weinstein.pdf> (last accessed on October 24, 2011).

<sup>7</sup> Andrei Melville and Tatiana Shackleina, *Russian Foreign Policy in Transition, Concepts and Realities.*, Oxford-New York, Central European University Press, 2005.

<sup>8</sup> Mankoff Jeffrey, "Russian Foreign Policy: The Return of Great Power Politics.", New York, Rowman & Littlefield, 2009.

<sup>9</sup> A complete deterioration of Russia-US relations came with Washington's invasion of Iraq, but since 2000 the new Russian leadership has had clearly in mind that "some of the expectations for the emergence of new, equitable and mutually beneficial relations of partnership between Russia and the surrounding world, as set forth in

security strategy. At the same time, the transformation of the economic giant Gazprom began to create various issues in the economic sphere<sup>11 12</sup>.

Gazprom, the world's largest natural gas extractor, is a state owned company which, after Russia's nuclear arsenal, could be considered the most effective weapon in the hands of the Kremlin. The only difference is that Russia has never made use of its nuclear arsenal, while it has repeatedly and extensively used its energy weapon<sup>13</sup>.

However, when the words "Gazprom" and "dispute" are pronounced the first thing that comes to mind are the various rows that broke out between Russia and Ukraine after the latter turned its back on Moscow, "conquered" by the Orange Revolution and pro-western political forces. There is no doubt that those events represent the most important and relevant case of the role played by Gazprom in a conflict which followed a path not primarily influenced by economic reasons, but by political calculations<sup>14</sup>. This remains true, but an over-focus on these latter events has overlooked the crucial disputes which emerged between Russia and what is still seen as one of its long-time most reliable allies, Belarus<sup>15</sup>.

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the Basic Previsions of the Foreign Policy Conception of the Russian Federation [1993], have not materialized" – Foreign Policy concept of the Russian Federation, June 28, 2000 in Andrei Melville and Tatiana Shackleina, eds., *"Russian Foreign Policy in Transition: Concept and Realities."*, New York, Central European University Press, 2005, p. 89.

<sup>10</sup> Robert H. Donaldson and Joseph L. Noguee, "The Foreign Policy of Russia, Changing systems, enduring interests.", M. E. Sharpe, 2009.

<sup>11</sup> Marshall I. Goldman, *"Petrostate: Putin, Power and the New Russia."*, Oxford-New York. Oxford University Press, 2010.

<sup>12</sup> Simon Pirani, *"Russian and CIS Gas Markets and their Impact on Europe."*, Oxford-New York, Oxford University Press, 2009.

<sup>13</sup> Ibid.

<sup>14</sup> Ibid.

<sup>15</sup> To make a brief comparison: Belarus, besides its membership in the Union State, is member of the CIS (Commonwealth of the Independent States), the CSTO (Collective Security Treaty Organization), the EurAsEc (Eurasian Economic Cooperation Community) and the newly born Customs Union; moreover, Belarus is Dialogue Partner of the SCO (Shanghai Cooperation Organization). Finally, Belarus is considered an 'assured member' of the forthcoming Eurasian Union. Belarus also hosts two Russian radar stations in Hantsavichy and Baranovichy and a naval communication center in Vileyka. To make clear Lukashenko's perspective on such matters, he is reported to have linked "Belarus' ten million people to a human shield for Russia against the West" – *Russian Profile*, "A Problem with the Udder Belarus and Russia Are Tumbling into a Full-Blown Trade War That Can Have Only One Outcome.", June 09, 2009, <http://www.cdi.org/russia/johnson/2009-108-37.cfm> (last accessed on November 05, 2011).

<sup>U</sup> raine, on the other hand, is a member of CIS, but also of GUAM (Georgia, Ukraine, Moldova, Azerbaijan), an organization which was founded on the idea of creating a

## IV. THE PUTIN ERA

Putin based the strengthening of his power and a vast set of policies on the petroleum industry's revenues<sup>16</sup>. While the oil industry never got completely out of the Kremlin's control, the gas industry was literally plundered in the 1990s; V. V. Putin explicitly said that "the oligarchs will cease to exist as a class"<sup>17</sup> using a typical Marxist-Leninist expression. The renationalization of huge portions of the gas industry, together with the rise of oil and gas prices meant an enormous inflow of wealth into the state's coffers; the crucial element in this process was, however, not only being able to materially possess the extraction and transport companies, but also securing key buyers. In this regard the EU has shown up as the most prominent buyer of Russia's gas and oil: due to Europe's shortage of natural resources, Russia accounted, in 2009, for 32.6% of EU oil imports and 38.7% (2011 data show an increase to 42%) of EU gas imports<sup>18</sup>.

The energy partnership between Russia and the EU is as crucial for every European state as it is for the Kremlin: the other side of the coin is that 88% of Russia's oil exports and 70% of its gas exports are directed to the EU<sup>19</sup>.

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new pole in the post-Soviet area, leaving out Russia (the group became GUUAM after Uzbekistan joined in 1999 and returned GUAM in 2005, after Uzbekistan quit). Ukraine is an observer of EurAsEc, but not a member of CSTO, SCO or of the Customs Union, even if recent developments put Ukraine nearer to the Customs Union and potentially a forthcoming Eurasian Union. Finally, Ukraine hosts the base of the Russian Black Sea Fleet in Crimea, an Autonomous Republic; this base represents the biggest Russian military presence abroad and has been one of the causes of the many disputes between formerly pro-western Ukraine and Russia.

<sup>16</sup> Ibid.

<sup>17</sup> Bahukutumbi Raman, "Decoding Vladimir Putin.", South Asia Analysis Group, March 31, 2000, <http://www.southasiaanalysis.org/%5Cpapers2%5Cpaper112.htm> (last accessed on November 03, 2011).

<sup>18</sup> Sergey Shmatko and Andris Piebalgs, "The Tenth Progress Report.", Council of Europe, November, 2009, [http://ec.europa.eu/energy/international/bilateral\\_cooperation/russia/doc/reports/progress10\\_en.pdf](http://ec.europa.eu/energy/international/bilateral_cooperation/russia/doc/reports/progress10_en.pdf) (last accessed on September 05, 2011).

<sup>19</sup> Gunter H. Oettinger and Sergey Shmatko, "EU-Russia Energy Dialogue 2000-2010: Opportunities for our future Energy Partnership.", *EU-Russia Energy Dialogue*, 2010. [http://ec.europa.eu/energy/international/events/doc/2010\\_11\\_22\\_eu\\_russia\\_anniversary\\_report\\_en.pdf](http://ec.europa.eu/energy/international/events/doc/2010_11_22_eu_russia_anniversary_report_en.pdf) (last accessed on September 06, 2011).



## V. THE 2004, 2007, AND 2010 CRISES

Since the 1990s Minsk has paid a highly discounted price for Russian gas and oil (close to the Russian internal market price), due to various prospects of integration; however, from the beginning of the new millennium the new Russian leadership turned more economy-focused in these matters and set two main conditions regarding its energy partnership with Belarus: a gradual increase in prices and the acquisition of a large portion of the Belarus state gas transportation company (Beltransgaz) <sup>20</sup>.

The crisis of 2004 erupted in January when the terms set by Gazprom for Belarus to sign a contract regarding gas prices expired. Russia's proposal was to increase the price from \$30 to \$50 per TCM (thousand cubic meters), but Belarus refused; moreover, after Russia agreed to buy 50% of Beltransgaz a serious disagreement emerged on the price for this stake: while the Kremlin declared itself ready to pay \$500-600 million, Minsk asked for \$5-6 billion. The crisis deepened when Gazprom stopped its exports to Belarus; however, the latter was able to sign short-term contracts with other suppliers and managed to persist in its refusal. The worst moment of the confrontation came in February, when Belarus started to siphon off natural gas in transit to EU countries: Russia did not wait long to respond but stopped all transit of natural gas to the EU via Belarus. Shortly after, however, when Belarus signed a contract with another company for \$46.68 per TCM, the confrontation rapidly came to an end, with Russia resuming gas supplies to Europe and Gazprom signing a contract for \$46.68 per TCM with the Belarusian authorities. Moreover, the two parties gave the task of defining an appropriate price for the sale of 50% of Beltransgaz to an outside consultancy firm. Together with these measures, political relations rapidly and easily improved <sup>21</sup>.

Nevertheless, in 2007, once more in January, another dispute arose, this time concerning not only gas but also oil. The gas dispute emerged because of a debt of \$456 million Belarus owed Gazprom: the latter threatened to decrease its gas supply to Minsk by 45% if the debt would not have been paid, but Belarus managed to pay the bulk of this debt on time, thus buying more time to pay it off in full and avoid sanctions. The oil dispute regarded the fact that Transneft

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<sup>20</sup> Ibid.

<sup>21</sup> *BBC News*, "Russia 'to Restart' Full Gas Supplies after Belarus Row.", June 24, 2010, <http://www.bbc.co.uk/news/10400911> (last accessed on November 2, 2011).

stopped pumping oil in the Druzhba pipeline, due to the Belarusian proposal to tax Russian oil transit \$45/tonne; afterwards, the Belarusian authorities revoked this proposal and Transneft resumed oil transit<sup>22</sup>.

In spite of all this, the same year, Belarus obtained a crucial "victory": Gazprom paid 50% of Beltransgaz for \$2.5 billion, which was the minimum price set by Belarus, while Gazprom initially affirmed it would have paid four times less<sup>23</sup>.

Far from being over, a disagreement between Moscow and Minsk over energy emerged once again three years later. In June 2010 a critical row exploded once again over natural gas prices and transit fees. The confrontation erupted because of crossed debt payment requests coming from Russia and Belarus. Both nations stated that the other one was claiming an exaggerated amount and Minsk's refusal to pay Gazprom the sum it claimed, encountered Gazprom's decision to cut its natural gas supplies to Belarus by 60%.

The debt Minsk contracted was due to the fact that Russia increased gas prices in 2009 from \$150 to \$169.20 per TCM and in 2010 to \$184.80 per TCM, but Belarus went on paying \$150 per TCM. Belarus request for cheaper prices was once more linked to its membership into the Union State and into the Customs Union, approved on the 1<sup>st</sup> of January 2010 (which Belarus even threatened to abandon at the lowest point of the crisis<sup>24</sup>)<sup>25</sup> <sup>26</sup>. Moscow, on the other hand, owed Minsk a conspicuous debt coming from unpaid gas transit fees.

While Moscow calculated that Minsk owed Gazprom \$192 million, Belarus said the real amount of the debt amounted to \$187 million and transferred it to the Russian gas giant. At the same time Minsk reported that Moscow's transit fee debt was equal to \$260 million, however Gazprom paid just \$228 million<sup>27</sup>.

<sup>22</sup> HIS, "Belarus Cancels Oil Transit Tax; Druzhba Oil Deliveries Resumed.", November 01, 2007, <http://www.ihs.com/products/global-insight/industry-economic-report.aspx?ID=106598518&pu=1&rd=globalinsight.com> (last accessed on November 04, 2011).

<sup>23</sup> Ibid.

<sup>24</sup> Belarus' threats of retaliation to international organizations it is a member of and in which Russia plays a hegemonic role was not new. In 2009 Belarus experienced a severe diplomatic crisis with Russia, when the first one refused to recognize the independence of South Ossetia and Abkhazia; subsequently the Kremlin froze a \$500 million loan which it had previously given as guaranteed to Minsk and Lukashenko refused to take part in Moscow's CSTO summit.

<sup>25</sup> Reuters, "UPDATE 4-Belarus buys one week's respite in Russia gas row.", August 03, 2007, <http://www.reuters.com/article/2007/08/03/gazprom-belarus-settlement-idUSL0347959120070803> (last accessed on November 02, 2011).

<sup>26</sup> BBC News, "Belarus 'clears gas debt with Russia.", June 23, 2010, <http://www.bbc.co.uk/news/10395370> (last accessed on November 04, 2011).

<sup>27</sup> Ibid.

## VI. INTERPRETATION AND COMPARATIVE ANALYSIS

In this last section we will analyze and define the main causes of the three crises outlined above.

The economic factors leading to the first two crises have already been explained: Russia's power as an energy exporter exists only when these energy resources get allocated, and the Kremlin's reliability in gas and oil transport has been repeatedly called into question. The political aspect of this issue is Russia's economic reliance on petroleum revenues for its stability and growth.

The Belarus-Russian crisis of 2010 appears to be more complex. On the one side we could easily say that economic factors again played a crucial role in 2010: once again gas prices and transit fees were in the spotlight and again, different perceptions of economic integration were at the basis of the debt which generated the dispute. However, on the other side, in 2010 we can see again one of the crucial elements which characterized the Russia-Ukraine disputes: the crisis might have broken out anyway but, in our opinion, political reasons (in this case the growing political distance between Minsk and Moscow on crucial matters), played an accelerating role or even a detonating one.

A factor that deepened the crisis in 2010 was the 2009 diplomatic crisis which took place between Moscow and Minsk. As mentioned before, the crisis erupted in the aftermath of the 2008 South Ossetia war when Belarus refused to recognize the independence of South Ossetia and Abkhazia. Lukashenko stated that Moscow would have granted a \$500 million loan to Belarus if it had recognized the independence of these two former Georgian breakaway republics<sup>28</sup>. This accusation angered Moscow even more.

Moreover, another key dispute between Russia and Belarus exploded a few months before the energy one, regarding Kyrgyzstan. Kyrgyz President Kurmanbek Bakiyev was ousted after the country was stormed by protests, which grew in violence the more violently they were repressed. 'He who lives by the sword dies by the sword', we could say, as Bakiyev came to power after the previous President, Askar Akayev, was ousted during the so called "Tulip Revolution".

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<sup>28</sup> *Russian Profile*, "A Problem with the Udder Belarus and Russia Are Tumbling into a Full-Blown Trade War That Can Have Only One Outcome.", June 09, 2009, <http://www.cdi.org/russia/johnson/2009-108-37.cfm> (last accessed on November 04, 2011).

Moscow reacted to the "Tulip Revolution" by giving refuge to Akayev, but soon found a way to deal with Bakiyev. The demise of the latter, however, met with far less sorrow than the one of his predecessor on the part of Russia, and Moscow hurried to recognize the new leadership of Kyrgyzstan as legitimate; however, in the process the Kremlin encountered Lukashenko. The Belarusian president not only hosted Bakiyev and his family, but even let him hold a press conference in which he reaffirmed that he did not step down and still considered himself the legitimate president of Kyrgyzstan. Serious ethnic clashes then broke out in Kyrgyzstan involving the Uzbek minority, which was repeatedly attacked. The new Kyrgyz authorities directly accused Bakiyev, others accused Al Qaeda and Russia did not hide its irritation with Lukashenko's attitude towards Bakiyev.

This crisis once more had an effect on the CSTO, as Belarus again questioned its effectiveness, which actually proved to be rather limited, as both Roza Otunbayeva<sup>29</sup>, the interim Kyrgyz president until 2011, and Bakiyev<sup>30</sup> himself asked the CSTO to send a peacekeeping force. The CSTO Secretary General at first refused, only to admit soon after that the organization he chairs could have done more<sup>31</sup>.

We are convinced that Lukashenko's opinion regarding the Russian intervention in South Ossetia and the Kyrgyz uprising were increasingly seen as too autonomous and distant from Moscow's line by the Kremlin; we are furthermore convinced that this played a key role in the explosion of the crisis. In 2010 political matters were not overshadowed by economic ones, but had an active role in worsening the crisis and, possibly, drove the Russian leadership to take harsher actions than what they would have done without the presence of these political elements.

Finally, we would like to draw a comparison between the Belarusian and the Ukrainian cases. Ukraine's situation shows both differences and similarities with Belarus's. Economically speaking, on the one hand Ukraine was also granted a reduced gas price in the 1990s, which was then increased by Gazprom<sup>32</sup>. On the other hand, since the 1990s Kiev has received large quantities

<sup>29</sup> ulkar Isamova, "Moscow-led bloc may try to quell Kyrgyz clashes.", Reuters, June 14, 2010, <http://uk.reuters.com/article/2010/06/14/uk-kyrgyzstan-violence-idUKTRE65A5PA20100614> (last accessed on November 09, 2011).

<sup>30</sup> Russia Today, "Cases of cash paid for Kyrgyz unrest – former president.", June 17, 2010, <http://rt.com/politics/former-kyrgyz-president-akayev/> (last accessed on November 09, 2011).

<sup>31</sup> Miriam Elder, "Kyrgyzstan tests Russia's regional commitments.", Global Post, June 15, 2010, <http://www.globalpost.com/dispatch/russia/100614/kyrgyzstan-ethnic-violence> (last accessed on November 12, 2011).

<sup>32</sup> IEA, "Ukraine 2006 – Energy Policy Review.", 2006, <http://www.iea.org/textbase/nppdf/free/2006/ukraine2006.pdf> (last accessed on November 03, 2011).

of gas from Moscow in exchange for Russia's use of Ukraine's pipeline system, since Ukraine has always played a key role in directing Russia's gas to EU countries<sup>33</sup>. This can be explained with the following data: in 2004-2005, 80% of Russia's gas exports to Europe transited through Ukraine<sup>34</sup>. However, politically speaking, Kiev and Minsk could not be more different: although Lukashenko has always tried to maintain a certain degree of autonomy from the Kremlin, thus opening itself up to a number of disputes over various matters, Belarus never turned its back to Russia. In 2005 the "Orange Revolution" made Ukraine into a very serious and immediate threat for Russia from many points of view: Kiev's NATO membership aspiration represented a paramount security challenge to Russia, while once more Ukraine's key role in Russia's economic fortunes threatened to jeopardize it.

Already in the 1990s Ukraine had been accused of siphoning Russian gas directed to Europe and Kiev's debt with the Kremlin reached \$2.8 billion<sup>35</sup>. From 2005 until 2009 a series of crises and disputes erupted between Moscow and Kiev regarding unpaid debts, gas prices, accusations regarding alleged stolen gas reserves and gas siphoning. Russia repeatedly reduced its gas supplies to Ukraine and, mostly in January 2009, this severely affected the volume of supplies directed to various east European EU countries<sup>36</sup>.

Moscow and Kiev repeatedly accused each other and filed various lawsuits. Some international experts blamed Russia<sup>37</sup> and others Ukraine<sup>38</sup>, but most agreed on the idea that political issues influenced at least some acts on both sides, which worsened or even caused some of the various rows (the Ukrainian leadership was also sharply split on various energy issues)<sup>39 40</sup>.

In conclusion, we believe that the Ukrainian case can be roughly compared to the 2010 Russia-Belarus dispute, while the 2004 and 2007 crises between Russian and Belarus remind us more of those in the 1990s which involved Moscow and Kiev when Ukraine was not the Kremlin's opponent.

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<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> *International Herald Tribune*, "Russia accuses Ukraine of siphoning gas to Balkans.", January 02, 2009, <http://www.ihf.com/articles/ap/2009/01/02/europe/EU-Russia-Ukraine-Gas.php> (last accessed on November 03, 2011).

<sup>38</sup> *RFE/RL*, "Russia, Ukraine Envoys In Brussels For Gas Talks With EU.", January 08, 2009, <http://www.globalsecurity.org/military/library/news/2009/01/mil-090108-rferl01.htm> (last accessed on November 02, 2011).

<sup>39</sup> Ibid.

<sup>40</sup> Simon Pirani, Jonathan Stern and Katja Yafimava, "The Russo-Ukrainian gas dispute of January 2009: a comprehensive assessment.", *Oxford Institute for Energy Studies*, October 13, 2009, [http://lepii.centredoc.fr/opac/doc\\_num.php?explnum\\_id=125](http://lepii.centredoc.fr/opac/doc_num.php?explnum_id=125) (last accessed on November 04, 2011).

## VII. FUTURE SCENARIOS

According to what has been described in this paper and recent developments we can try to foresee possible future scenarios. Two major elements need to be taken into consideration. First, in our opinion integration in the post-Soviet area will proceed and potentially encounter a new impulse (the crisis of the EU, together with increasing political distance, seem to be pushing Ukraine more and more towards the Customs Union<sup>41</sup>). Moreover, starting from the 1<sup>st</sup> of January 2012<sup>42</sup> Russia, Belarus and Kazakhstan, as part of the Customs Union, will introduce a single economic space. Secondly, in November 2011 Gazprom acquired the totality of Belarusian Beltransgaz (after Belarus was granted an as yet unknown discount on Russian gas and oil for 2012).

These two elements combined mean that from an economic point of view, the possibility of new energy crises erupting should dramatically decrease. More coordination, common decision-making, incentives and facilitation, due to the single economic space coming into effect, plus the change of ownership of the Belarusian pipeline operator, all support our thesis.

However, if we look at the topic from a political point of view we cannot avoid noticing that the whole process of integration among post-Soviet countries is still very fragile: in every aspect much still needs to be achieved. The CSTO is more a purpose than a reality (as the Kyrgyz crisis has highlighted). The Union State is following the same path and there were even rumors about Russia and Belarus being willing to put an end to this Union. The Customs Union can only be declared to really exist if after the 31<sup>st</sup> of December 2011 we will effectively see the birth of a single economic space. And finally, the Eurasian Union remains for now just a project, which should follow the Customs Union, still in the trial stages<sup>43</sup>.

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<sup>41</sup> *RIA Novosti*, "Ukraine may turn to Customs Union if EU talks fail - minister.", October 18, 2011, <http://en.rian.ru/business/20111018/167807463.html> (last accessed on November 24, 2011).

<sup>42</sup> International Congress of Industrialists and Entrepreneurs, "From the Customs Union to the Common Economic Space: Interests of Business.", July 12, 2011 <http://ic-ie.info/?id=369> (last accessed on November 04, 2011).

<sup>43</sup> BBC News, "Russia Sees Union with Belarus and Kazakhstan by 2015.", November 18, 2011, <http://www.bbc.co.uk/news/world-europe-15790452> (last accessed on November 22, 2011).

Moreover the whole post-Soviet area is far from being stabilized: the situation in Georgia is in a deadlock; other "frozen conflicts" still remain blocked; Central Asian states, as the Kyrgyz and the more recent Kazak experiences show us, could still be subject to turmoil; the internal situation in Ukraine is getting more and more tense, with the government and the opposition becoming extremely polarized. All these elements tell us that the doors for possible future political crises are still open and as this paper demonstrates, not only for Ukraine, but also for Belarus, political factors have had major implications in shaping and even provoking energy disputes.

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