

# Security or Prosperity?

## Belarusian and Ukrainian Choices<sup>1</sup>

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In a decade of independent statehood, Belarus and Ukraine have taken very different paths. Ukraine initially opted for economic autonomy and subsequently for a version of market reform and integration into the global economy. It resisted economic integration and security cooperation in the framework of the CIS, and at the beginning of the new century declared its intention to join the EU and NATO. Ukraine's relations with Russia have been fraught with mutual suspicion and have oscillated between tension and efforts to develop a mutually advantageous partnership. Belarus has not seriously contemplated economic reform, but sought to maintain many features of the Soviet economic system. It has linked its national security, prosperity, and political future almost exclusively with the CIS in general and bilateral integration with Russia in particular.

Belarus and Ukraine share so many of their basic features that these almost opposite trajectories were by no means foreseeable in the immediate wake of independence. Their histories have many parallels—in fact the two shared a common “southern Rus” or “Ruthenian” identity until the seventeenth century. National identity in both countries has tended to pivot on a fulcrum between the rival attractions of “Europe” and the all-Russian/Soviet/East Slavic idea; it can still be understood in terms of these divided pulls, with Russophile and Europhile extremes flanking a middle ground in both states. The relative strength of the three options has varied historically within and between both nations. The Russophile wing is currently stronger in Belarus, while Ukraine is delicately balanced;

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but in neither case is the existing correlation immutable.

Both Ukraine and Belarus are middle-ranking states, facing the end of cold war bipolarity, but lacking the obvious answers provided by the NATO/EU framework, or even post-imperial Russia. Both must plot a course amid a similar triad of main dynamics: relations with the West (NATO, EU, United States); relations with Russia; and the repercussions of Russia's relations with the West. Many would also argue that their base geopolitical (and geoeconomic) positions are similar, which would *a priori* suggest that Belarus and Ukraine should follow similar foreign-policy orientations. In the world-view of Zbigniew Brzezinski, both are part of the Eurasian "rimlands," the potential frontier of "Atlanticist Europe."<sup>2</sup> Samuel Huntington's line dividing the Catholic-Protestant and the Orthodox civilizations cuts across the territories of both Belarus and Ukraine, although Huntington contends that their predominantly Orthodox heritage is likely to prevent their successful integration into Western institutions. According to the inverse view provided by Aleksandr Dugin, the doyen of the currently flourishing Russian school of geopolitics, "these territories, to which Belarus, the central part of Ukraine, Moldova, Romania, Serbia and Bulgaria belong, have an ambivalent geopolitical nature—geographically they belong to the southern sector of Central Europe, but culturally and confessionally to Russia-Eurasia."<sup>3</sup>

Both Ukraine and Belarus face superficially similar post-1991 security contingencies.<sup>4</sup> Both are in the grey zone beyond an expanding NATO and EU, but adjacent to the former metropolitan power. Both face instability in their immediate neighborhood. Economically, Ukraine and Belarus were among the most prosperous republics in the USSR, with a high concentration of relatively technologically advanced industrial capacity. However, their economies were highly dependent on inter-

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<sup>2</sup> Zbigniew Brzezinski, "A Geostrategy for Eurasia," *Foreign Affairs*, vol. 76, no. 5 (September–October 1997), pp. 50–64.

<sup>3</sup> Aleksandr Dugin, *Osnovy geopolitiki: geopoliticheskoe budushchee Rossii* (Moscow: Artogeia, 1997), p. 376.

<sup>4</sup> On Belarus' foreign policy, see Sherman W. Garnett and Robert Legvold (eds.), *Belarus at the Crossroads* (Washington, DC: Carnegie Endowment for International Peace, 1999). For Ukraine, the most recent treatment is Jennifer Moroney, Taras Kuzio, and Mikhail Molchanov (eds.), *Ukrainian Foreign and Security Policy: Theoretical and Comparative Perspectives* (Westport: Praeger, 2002).

republican trade, and on Russia in particular for export markets and raw material and energy supplies.

This chapter examines the reasons why the Belarusian and Ukrainian leaderships have made such different choices since the two countries' emergence as independent states in late 1991, focusing on the linkages between their respective interpretations of national security and their favored economic strategies. The first section contains an overview of the different constituencies in the two states and their different views of the interrelationships between prosperity and security. The second section looks at economic strategies and the third at threat perceptions and security policies. Finally, some tentative conclusions about changing interrelationships are drawn.

#### NATIONAL IDENTITY

Given the similar economic starting points and incentive structures that Belarus and Ukraine originally faced in 1991, our main contention is that it is differences in national identity and the consequent line-up of rival domestic forces that explain the divergent choices the two states have made since independence.<sup>5</sup> Nevertheless, that line-up is itself subject to change, and can be shaped by changes in the external environment. The following sections will examine the mitigating effects of external factors on the respective foreign-policy courses favored by the Ukrainian and Belarusian leaderships.

The main reason for Belarus's consistent alignment with Russia—at least since 1993—has been the relative uniformity of both the Belarusian elite and its electorate.<sup>6</sup> The nationalist constituency is extremely weak. The “nationally conscious” as a political constituency approximately correspond with habitual Belarusophones (i.e. those who prefer Belarusian as

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<sup>5</sup> This argument has already been well made in Rawi Abdelal, *National Purpose in the World Economy: Post-Soviet States in Comparative Perspective* (Ithaca: Cornell University Press, 2001). See also Glenn Chafetz, Michael Spirtas, and Benjamin Frankel, “Introduction: Tracing the Influence of Identity on Foreign Policy,” *Security Studies*, vol. 8, nos. 2/3 (Winter 1998/99–Spring 1999), pp. vii–xxii, and the other essays in the volume.

<sup>6</sup> Cf the analysis of Belarusian elites in Leonid Zaiko (ed.), *Natsional'no-gosudarstvennye interesy Respubliki Belarus* (Minsk: Makaturov Fund, “Strategiia,” 1999), pp. 11–30.

their primary language of communication), who make up around 10 percent of the population.<sup>7</sup> An estimated 45–50 percent are Russophone, and 35–40 percent speak the mixture known as *trasianka*.<sup>8</sup> The predominance of ethnic Belarusians over ethnic Russians in the new state (81 percent in the 1999 census; 78 percent in 1989) has not produced a strong sense of national identity based on a notion of distinctiveness from Russia or mass popular support for a “nation-building” project.<sup>9</sup> The majority preference for the Russian language (in the 1999 census 63 percent gave their first language as Russian; for reasons of perceived status, many *trasianka* speakers can be classed as would-be Russophones) in turn corresponds to stable majority support for the idea of a Russo-Belarusian condominium in an “East Slavic-(post) Soviet civilisation,” which President Lukashenko has elevated to the status of “unofficial state ideology.”<sup>10</sup> The referendum of May 1995, in which overwhelming majorities supported the restoration of Russian as an official language, the continuation of economic integration with Russia, and the reinstatement of Soviet state symbols (83 percent, 82 percent, and 76 percent respectively), illustrated the Belarusian population’s close affinity with Russian (and Soviet) identity. A wealth of survey evidence testifies to the continued salience of the various aspects of the Belarusian public’s attachment to Russia (preference for the Russian language; positive perceptions of Russia and its influence on Belarus; expectations of increased welfare linked to economic integration with Russia).<sup>11</sup>

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<sup>7</sup> A survey commissioned by the U.S. State Department and conducted in July 2000 (sample of 1081) indicated that 12 percent of Belarusians spoke Belarusian at home (53 percent spoke Russian) and only 7 percent spoke it at work (63 percent for Russian). The rest used both languages (31 percent at home; 26 percent at work). U.S. State Department Office of Research, *Opinion Analysis*, M-175-00, October 11, 2000, p.3.

<sup>8</sup> Andrii Dyn’ko, “Bilorusomovni suproty kvaziderzhavy i kvaziburzhuziï,” *Henezha*, special 1999 edition, pp. 56–58, at p. 56.

<sup>9</sup> Compare with Kuzio’s definition of the Ukrainian nation-building project as a set of “policies that seek to mould a national identity different to its neighbours (principally Russia), with its own ‘unique’ history that helps to create a sense of difference.” Taras Kuzio, “Identity and nation-building in Ukraine: Defining the ‘Other’,” *Ethnicities*, vol. 1 (3), 2001, p. 348.

<sup>10</sup> Zaiko (ed.), *Natsional’no-gosudarstvennye interesy Respubliki Belarus’*, p. 81. See also p. 187.

<sup>11</sup> See for example “Novak,” *Belarus and the World* (Minsk: March 2000); U.S. State Department Office of Research, *Opinion Analysis*, M-175-00, October 11, 2000.

Although the nationalist minority is somewhat stronger in the regions bordering Poland (Grodno, Brest), it cannot be said to have any real regional, social, or confessional strongholds comparable to Galicia in west Ukraine. Students and some intelligentsia in Minsk and other regional centers form the core nationalist constituency in Belarus. Moreover, unlike Ukraine, the Belarusian elite saw relatively little turnover in the late Soviet period. Nor have divergent business interests emerged after independence, as there has been no large-scale privatization in Belarus.

The pursuit of (re)integration with Russia has therefore been a consistently popular project, and the foreign policy priorities of both Viacheslav Kebich (Prime Minister between 1991 and 1994) and Aleksandr Lukashenko (first President of Belarus, 1994 to date) have provided a major source of public support. Public opinion research, however, indicates that Belarusians are increasingly appreciative of independent statehood and unwilling to support forms of integration that they think would place it under threat. The vast majority of Belarusians are against Belarus simply becoming part of the Russian Federation. Most Belarusians favor federal or confederal institutional models for integration with Russia.<sup>12</sup> At the same time, there appears to be some confusion as to the compatibility of state sovereignty with membership in a new federation or confederation, to which Lukashenko has often referred as the political end-point of bilateral integration. Similarly, a lack of adequate information seems to account for the Belarusian public's simultaneous support for the idea of membership in the European Union and integration with Russia.<sup>13</sup>

The narrow appeal of the nationalist constituency in Belarus has meant that elite—let alone popular—support for following the Baltic “fast track” away from Russian influence has been negligible. Since Lukashenko's forced reform of the Belarusian parliament in 1996, nationalist forces have been marginalized in Belarusian politics and their criticisms have had barely any impact on official policy. All opposition

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<sup>12</sup> Only 5 percent were in favor of Belarus being incorporated into the Russian Federation, according to repeated national surveys carried out by the independent institute “Novak.” *Belarus and the World*, March 2000; *Public Opinion Monitoring*, January 30–February 5, 2002.

<sup>13</sup> *Ibid.*; and Independent Institute for Socio-Economic and Political Studies (IISEPS), *IISEPS News*, December 2000, p. 82; *IISEPS News*, December 2001, p. 35.

forces (and less openly, many state officials), however, are critical of the Lukashenko administration's focus on political aspects of integration and of the almost exclusive alignment with Russia at the expense of relations with the West.<sup>14</sup> An anti-Russian Belarus exclusively oriented to the West is not a current possibility, but other aspects of current Belarusian policy cannot be attributed merely to the constraints of Belarusian national identity (or lack thereof). As the last section of this chapter will show, Lukashenko's phobic anti-Westernism and international isolation (due to his domestic behavior) are an additional factor. Perhaps more importantly, the Belarusian president's acute preoccupation with preserving his personal power—arguably over and above all other economic and national-security considerations—has led Belarus to engage in what appears to be erratic or even capricious behavior with regard to the declared objective of further integration with Russia.

Ukrainian society is much more diverse, and the balance between the various options more even than in Belarus. All Ukrainian leaders have had to compromise. The first president, Leonid Kravchuk (1991–1994), was not free to favor autonomy from Russia over economic advantage. His successor, Leonid Kuchma (1994 to date), has had to frame the advantages of engagement with Russia in a way that does not threaten potential welfare gains from the EU.

The nationalist constituency in Ukraine is stronger than in Belarus (about 25–30 percent of the population, largely Ukrainians from the former Habsburg territories and Ukrainophones in central Ukraine), but it is again a minority.<sup>15</sup> As well as a much larger ethnic Russian presence (22 percent of the population in 1989, down to 17 percent in the 2001 census) concentrated in the east and south, Ukraine has a huge number of Russophone Ukrainians (25–30 percent) and/or those speaking the Ukrainian equivalent of *trasianka*, known as *surzhyk* (again, language is here only being used as an available approximator for identity).<sup>16</sup> Like

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<sup>14</sup> Interviews conducted by Clelia Rontoyanni with Belarusian government officials and key figures of the Belarusian opposition (including Sergey Kalyakin, Anatoliy Lebed'ko, Mikhail Chigir, Stanislav Shushkevich, Ol'ga Abramova), Minsk, April 2002.

<sup>15</sup> See Andrew Wilson, "Elements of a Theory of Ukrainian Ethno-National Identities," *Nations and Nationalism*, vol. 8, no. 1 (January 2002), pp. 31–54.

<sup>16</sup> In a comparative study of survey data from L'viv, Kyiv, and Simferopol, Ian Bremmer found very close correlations between language preference, religious

their Belarusian equivalents, apart from a small isolationist current, Ukrainian nationalists are unambiguously Europhile and Russophobe. As nationalists, their basic principle has been building and defending Ukrainian sovereignty and autonomy—defined as the freedom and capacity to act independently from Russia—but as a minority they have interpreted national security and prosperity through a complex mythology outlined below.

At the opposite end of the political spectrum, there is little support for Russian ethno-nationalism in Ukraine. Opposition to Ukrainian nationalism is better represented by the Soviet nostalgia politics of the Communist Party—still the biggest single party in Ukraine, with 20 percent of the vote in the 2002 elections. The Communists tend to be anti-Western and Russophile, with a world-view still shaped by Soviet stereotypes of American imperialism, according to which “the West doesn’t need a strong Ukraine.”<sup>17</sup> According to this world-view, Western security interests in fact require the dismantling of Soviet economies of scale—and the Soviet “civilization” that spawned them—and ultimately the deindustrialisation of Ukraine and its transformation into a raw-material appendage. “Independent” Ukraine, in their eyes, is therefore not autonomous, because it cannot act independently of the West. Like the Russian Communists, the Ukrainians have recently updated this world-view by adding their own “clash of civilizations” theory to reinforce the alien nature of (mainly Catholic) Europe and add the threat from the Muslim South.

Neither the nationalist nor the communist minority is ever likely to govern alone. In Ukraine therefore, it is the center ground that is key to

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affiliation, and ethnicity, on the one hand, and political attitudes (including foreign policy preferences), on the other. Ian Bremmer, “The Politics of Ethnicity: Russians in the New Ukraine,” *Europe-Asia Studies*, vol. 46, no. 2, 1994, pp. 268–269, 277.

<sup>17</sup> Oleksii Haran’ and Oleksandr Maiboroda, *Ideini zasady liubo rukhu v Ukraïni: chy vidbuvaiets’sia dreif do sotsial-demokratii?* (Kyiv: University of the Kyiv-Mohyla Academy, 1999), p. 53. For an analysis of the Communist Party’s foreign-policy thinking, see Andrew Wilson, “The Communist Party of Ukraine: From Soviet Brotherhood to East Slavic Man,” in Jane Leftwich Curry and Joan Barth Urban (eds.), *The Left Transformed: Social Democrats and Neo-Leninists in East-Central Europe, Russia, and Ukraine* (Lanham: Rowman & Littlefield, 2003).

any governing formula, and it is the shifting interests of its non-ideological elites (that is, largely business and bureaucrats; cultural elites, on the other hand, are safely Ukrainophone) that have determined the course of politics under both Kravchuk and Kuchma. This political “center” owes its predominance to the cultural center ground in the mass population, largely made up of Russophones, Sovietised or *surzhyk*-speaking Ukrainians, along with the many local Russians who have been drawn into the same *mélange*. However, this mass center ground is more ambiguous in its loyalties than “*trasiianka*” Belarusians, who in current conditions are safely Russophile. It can be simultaneously Ukrainophile and Russophile/Slavophile. Unlike contemporary Belarus, Ukrainian demographics therefore mean that two types of situational majorities are possible, depending on which way the swing group swings—although its amorphous identity (identities) means that it is easily led.

The centrist elite’s pivotal role in Ukrainian politics has had profound implications for Ukraine’s external relations. National security does not figure prominently in the plans of this group. They have no intrinsic commitment to any version of the national idea. Many simply have no long-term perspective; others would define national security as their own safety from domestic threats. As one representative of this group put it, they are “neither pro-Russian nor pro-Western, but ‘pro-*sebia*’ [for themselves].”<sup>18</sup>

It is only since the former National Bank Governor Viktor Yushchenko served as prime minister in 1999–2001 that a real alternative to Ukraine’s capitalists of this sort has begun to emerge. After his successful economic stewardship, Yushchenko’s center-right “Our Ukraine” coalition topped the polls in the 2002 elections with 23.6 percent of the list vote—almost trebling the support for the main traditional Right party, Rukh (9.4 percent), at the last elections in 1998. The greatest asset of “Our Ukraine” was its remodelled nationalist leadership, whose members have recognized the need to transcend their own minority status and have fewer illusions than the traditional Right about the limited resources that Ukrainian cultural nationalism can bring to the new state. They have recognized that relative economic performance and prospects (in relation to Russia), and relative security perceptions (in the sense of whether Russia

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<sup>18</sup> Ukrainian government adviser and businessman, confidential interview with Clelia Rontoyanni, Kyiv, November 1999.



or Ukraine is the safer place to live) remain crucial to winning the loyalties of the middle ground. Without cooperation with Russia, it will be impossible to build security in stable statehood. They have also accepted that the new Ukrainian business elite must be encouraged to prioritize economic activity in the domestic market, as with former gas trader and Deputy Prime Minister Yuliia Tymoshenko, whose eponymous coalition won 7.3 percent of the vote in 2002. “Our Ukraine” therefore also included a broad range of business people whose interests are primarily in the local market. For some, the coalition was actually too broad, and several “sponsors” defected from its ranks immediately after free-riding into parliament. The new pragmatists grouped around Yushchenko recognize that the biggest threats to Ukrainian security are internal. Russian capital is as welcome a balm as any other investment, and in fact a more likely source of the sums that Ukraine desperately needs—and Yushchenko proved friendly to Russian capital in office. The more optimistic pragmatists would proffer that intertwining business interests serve as a potent guarantee of friendly political relations.

The tension between traditional Russophobic Ukrainian nationalism and this kind of open-door pragmatism may, of course, turn out to be a potential fissure in Yushchenko’s electoral coalition as he seeks to win the presidency in a likely contest with the establishment’s chosen candidate in 2004. Building a broad center-right coalition, expanding out of the traditional regional and social heartlands of Ukrainian nationalism, was his main achievement in the 2002 elections. Holding the coalition together will be an even bigger achievement.

#### ECONOMIC CHOICES AND FOREIGN POLICY

As constituent republics of the Soviet Union, Belarus and Ukraine for the most part lacked effective government structures, which had to be established essentially from scratch. They also lacked the necessary institutions for the implementation of economic policy, such as integrated tax collection authorities, reliable statistical agencies, and—more importantly—elites with a sound understanding of market economics. At first, both Belarus and Ukraine continued to share a currency with Russia and other Soviet successor states. Their first steps in economic policy were therefore a response to Russia’s introduction of economic reforms, particularly price liberalization in January 1992. Both introduced ersatz currencies

initially in parallel circulation with the ruble; but only as a passive measure to cover wages, protect domestic consumers, and preserve price controls on staple products. Already during the first year of independence, both countries were estimated to have lost up to 20 percent of their trade with other Soviet successor states. Essential supply chains were disrupted, leading to sharp GDP decline (see Table 1.1).

**TABLE 1.1**

GDP Growth in Belarus and Ukraine ( percent)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Belarus	-9.6	-7.6	12.6	10.4	2.8	11.4	8.4	3.4	5.8	2.5
Ukraine	-9.9	-14.2	-22.9	-12.2	-10.0	-3.0	-1.9	-0.2	5.8	7.0

**Source:** European Bank for Reconstruction and Development, *Transition Report 2001*, p. 59.

### *The Nature of Economic Dependence on Russia*

The implications of Belarusian and Ukrainian economic dependence on Russia were therefore soon apparent. Both economies were heavily export-oriented and import-dependent. Belarus and Ukraine were major exporters of foodstuffs and industrial products to other republics of the Soviet Union. Exports to other Soviet republics made up an estimated 33 percent of GNP in the case of Ukraine and 35 percent in the case of Belarus, Russia being the primary destination in both cases.<sup>19</sup> Due to its high concentration of industrial capacity and lack of its own raw materials, Belarus used to be known as the “assembly shop of the Soviet Union.” It exported textiles, agricultural machinery, transport vehicles, consumer durables, fertilizers, and electronic components. Ukraine was a key supplier of metals, diesel engines, aircraft and other transport equipment, and industrial machinery. Essential imports included oil and gas, paper, and various industrial components, on which the production lines of an estimated 80 percent of Ukrainian enterprises depended.<sup>20</sup>

As well as collapsing trade, both new states were faced with rapid rises in the price of Russian energy (oil, gas, and electricity) from the nominal

<sup>19</sup> Yurii Khromov and Yurii Puzanov, “Ekonomika Ukrainy na nachal’nom etape reform,” in Ye. Kozhokin (ed.), *Ukraina: vektor peremen’* (Moscow: Russian Institute of Strategic Studies, 1994), pp. 8–9; A. Vavilov and O. Vjugin, “Trade Patterns After Integration,” p. 140.

<sup>20</sup> Khromov and Puzanov, “Ekonomika Ukrainy,” p. 9.

levels applicable in Soviet inter-republican exchange. Owing to these subsidies, Belarus and Ukraine had positive trade balances within the Soviet Union.<sup>21</sup> In the late Soviet period, this gave rise to the impression that the two republics were net contributors to the Soviet economy and that they would benefit from autonomy from Moscow's tutelage. As the chapter by Abdelal explains in this volume, this dependence on imported energy, particularly gas, was by far the most serious challenge facing the two new states. Belarusian and Ukrainian industrial capacity was established without any consideration of energy efficiency, for the Soviet Union was rich in energy resources and market principles did not apply to their allocation. As a result, Belarusian and Ukrainian plants are estimated to be nine to twelve times more energy-intensive than their West European counterparts.<sup>22</sup> Belarus has modest oil reserves, which in the early 1990s barely accounted for 10 percent of its oil consumption. Unlike Ukraine, it has no nuclear power plants, natural gas, or significant coal reserves and relies very heavily on gas, all of which comes from Russia. Though in a better position than Belarus, Ukraine still imported more than half of its energy needs.

### *The Responses of National Leaderships*

Belarusian and Ukrainian ruling elites responded to these common problems very differently. Expectations regarding their countries' economic prospects were a key consideration at this stage. Paul D'Anieri has argued that in 1991–1992 Ukrainian elites were prepared to accept a classic Listian trade-off,<sup>23</sup> embracing short-term sacrifices in the name of build-

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<sup>21</sup> Leonid Zlotnikov quotes an inter-republican trade surplus of 3.6 billion rubles for 1991. L. Zlotnikov, "Prichiny ekonomicheskogo krizisa," in L. Zlotnikov and V. Shlyndikov, *Ekonomicheskaya politika: analiz i al'ternativa* (Minsk: Bestprint, 1999), p. 31. According to Goskomstat statistics, Ukraine's trade balance was positive only if calculated in internal (rather than international) prices. A. Vavilov and O. Vjugin, "Trade Patterns After Integration Into the World Economy," in J. Williamson (ed.), *Economic Consequences of Soviet Disintegration* (Washington DC: Institute for International Economics, 1993), pp. 141–42.

<sup>22</sup> Khromov and Puzanov, "Ekonomika Ukrainy"; Zlotnikov, "Prichiny ekonomicheskogo krizisa," p. 23.

<sup>23</sup> Friedrich List (1789–1846) was an advocate of tariff protection and state-sponsored development.

ing true economic and political autonomy.<sup>24</sup> However, insofar as this was ever temporarily true of the Ukrainian elite, it was only because they were borrowing arguments made by the nationalist Right—and the ideological gadflies in the Ukrainian leadership soon shied away from the implications. Economic sacrifice was not so much temporarily endured as wholly unexpected.

The types of arguments linking economy and security that developed in nationalist circles in 1989–1991 were based less on Listian principles than, in the words of a conference held in Kyiv in December 1990, “problems of overcoming economic colonialism in Ukraine.”<sup>25</sup> Unlike in the Baltic republics, calls to make short-term sacrifices in the name of the national interest were heard relatively rarely. Nationalists were more attracted to theories of internal colonialism, in part because of their own intellectual history (the works of the Ukrainian economist of the 1920s, Mykhailo Volobuiev),<sup>26</sup> but also because the exploitation myth was seen as a necessary means of mobilizing a relatively materialist electorate. During the Soviet end-game, nationalist economic analysis claimed to show that output per head of electricity, steel, etc. was close to that of developed countries such as France or the UK, and that Ukraine could therefore achieve the same standard of living once it achieved control over its own production surpluses.<sup>27</sup> More intelligent nationalists were acutely aware of the historical weakness of their core constituency and the consequent need to reach out to the Sovietized/Russophone/mixed-identity population in eastern and southern Ukraine. The myth of Ukraine’s economic exploitation had been crucial in the rapid turnaround from the 29.5 percent who voted “no” in Gorbachev’s referendum on the preservation of the USSR in March 1991 to the 90.3 percent

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<sup>24</sup> Paul D’Anieri, *Economic Interdependence in Ukrainian-Russian Relations* (New York: State University of New York Press, 1999), p. 201.

<sup>25</sup> “Ekonomichnyi neokolonializm na marshi,” *Vyzvolennia* ’91, no. 2, 1991.

<sup>26</sup> L.P. Horkina, *Narysy z istorii politychnoi ekonomii v Ukraini* (Kyiv: Naukova dumka, 1994). Volobuiev argued that the Tsarist authorities treated Ukraine as an economic “colony”; and, more controversially, that the Soviet regime continued to do so through such policies as over-taxation, under-pricing of agricultural goods, and the diversion of potential export surpluses. For the latter view, Volobuiev was purged in the 1930s.

<sup>27</sup> “Ekonomichnyi neokolonializm na marshi,” p. 2; see also Oleksa Didyk, “Dlia nas hotuiut’ nove yarmo,” *Ternystyi shliakh*, nos. 17 and 18 (June) 1991.

who backed independence only nine months later, in December 1991. By this count, the pragmatic “middle ground”—both ethno-linguistically and politically flexible—made up no less than 60 percent of the population. Significantly, there was no such intellectual tradition in Belarus to help underpin the nationalist position.

After independence, the argument continued, a protected national economy would provide a safe haven for expanding the otherwise regionally and socially limited base of Ukrainian cultural nationalism, as would the building of the social infrastructure of a Listian national economy. In the words of Rukh leader Ivan Drach, “the economic subsoil of national interests is the creation of a Ukrainian internal market. We recall how this occurred to Volobuiev in the 1920s. On this level lies the solution to the objective and artificial contradictions between the regions of Ukraine, which were parts of different empires.”<sup>28</sup>

Ukrainian nationalists also revisited the idea of a natural national “economic space” to be found in the works of the geographer Stepan Rudnyts’kyi and the nationalist writer and amateur geographer Yurii Lypa.<sup>29</sup> The idea of Ukraine’s “natural” economy had a dual purpose. First, it helped to reinforce the image of common Ukrainian interests over and above ethno-linguistic and regional differences. Second, it served to reinforce the mythology of prosperity via autonomy. Rudnyts’kyi and Lypa argued that Russian raw material and energy supply imposed unnatural diseconomies of scale on Ukraine, while exporting to Russia cut Ukraine off from geographically more proximate markets with lower transport costs. In short, welfare gains were predicted to accrue fairly rapidly after independence.

Nationalist security arguments were straightforward. At the time of independence, a real and present danger—and the then-universally cited historical precedent of Ukraine’s tragic “defenselessness” in 1917–1920—mandated a strong military posture. This was not possible without a strong national economy. First, the necessary material base and “closed production cycles” must be provided. Second, Ukraine must be extricat-

<sup>28</sup> Ivan Drach, *Polityka* (Kyiv: Ukraïna, 1997), p. 364.

<sup>29</sup> Stepan Rudnyts’kyi’s main works are reprinted in the collection *Chomu my khochemo samostiinoï Ukraïny* (L’viv: Svit, 1994). Yurii Lypa’s two books on geopolitics are *Rozpodil Rosiï* (L’viv: Academy of Sciences, 1995, original 1941), and *Chornomors’ka doktryna* (Geneva: Ukrainian Naval Institute, 1947).

ed from the type of “politico-economic leverage” scenarios mentioned by Robert Legvold in his chapter for this volume. Nationalists always tended to see the relationship with Russia as dependency (Russia as a stronger state using its political power to enforce economic gains via extraction) rather than as dependence (Russia as a stronger state using economic means to achieve political goals via subsidy).<sup>30</sup> The Ukrainian Left, on the other hand, sees and embraces dependence on Russia as a means of building joint autonomy against the West.

In fact, for many nationalists this chain of reasoning was more or less their only economic argument. Security first, economics second. Some of the proposals put forward in this period were frighteningly crude. This made it easier for the nationalist argument to be hijacked by Ukraine’s industrial elite. In the early 1990s, what were then called “red directors” had little more than post-Gosplan instincts, a desire to shelter themselves from the uncertainties of market reform by maintaining traditional economic ties and an essentially donor-recipient relationship with the state; if that meant a local state, then so be it. The same autonomy that would provide nationalists with security would provide them with rents and credits. The emergence of a proper ideological cover-story for the new Ukrainian business elite can be dated to the first musings about a “Ukrainian path” to reform, a specifically national “third way” that began to emerge in 1995–1996. Listian principles were now seriously distorted. Ukraine’s new “industrial policy” meant either blanket protection, or favors allocated by lobbying strength rather than “infant industry” potential, and a distinct reluctance to let go of traditional administrative levers of control. The “Ukrainian path” now relied on the argument that Ukrainians, lacking an ideological motivation to “return to Europe,” would not be prepared to bear the social costs of the kind of shock therapy introduced in Poland and elsewhere in Central Europe. On the contrary, relatively generous “social defense” was now enshrined in the 1996 constitution to win the support of the materialist center ground; but, with the economy still contracting in 1996–1999, it could not be delivered.

Hence, the “autonomy” project was distorted from the very beginning. During the initial “state-building” era under President Kravchuk,

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<sup>30</sup> Rawi Abdelal and Jonathan Kirshner, “Strategy, Economic Relations, and the Definition of National Interests,” *Security Studies*, vol. 9, nos. 1/2 (Autumn 1999–Winter 2000), pp. 119–56, at p. 122.

Ukraine's first economic program—the March 1992 Yemel'ianov plan—reflected the priorities of the managerial elite. It prioritized the building of a national “economic space” and accepted some severance costs in the pursuit of sovereignty and autonomy; but these costs were of course hugely underestimated, and the plan was never fully implemented. Still, the Ukrainian elite hoped that a strategy based on building political distance from Russia would help bring substantive Western assistance as a dividend for Ukraine's strategic importance and political loyalty. Ukrainian elites also expected to ease their path through a rapid restoration of Ukraine's natural “European” trading posture. The Ukrainian leadership clung to the first belief until the late 1990s, but were rapidly disabused of the latter expectation.

Ukraine redirected much of its export trade away from Russia and the CIS, though this was mostly due to the Ukrainian leadership's failure throughout the 1990s to take initiatives to arrest the decline of its exports to the CIS rather than a conscious decision (let alone a consistent strategy) to replace CIS markets with Western ones. Between 1996 and 2000, exports to the CIS were down by 54 percent; Russia's share decreased from 38 percent of all Ukrainian exports in 1996 to 19 percent in 2000; while exports beyond the CIS were up by 25 percent.<sup>31</sup> This trend began to be reversed as of 2000, largely as a result of renewed economic growth and increased demand for imports in Russia (see Table 1.2). But this did not amount to the major strategic reorientation achieved by the Baltic States—imports from Russia still accounted for 48 percent of Ukraine's total in 2000–2001.<sup>32</sup> Debt to Russia consequently accumulated. Trade volumes were also down (see Table 1.2), with disrupted supply links leading to a spectacular collapse in GDP, down 9.9 percent in 1992, 14.2 percent in 1993, and 2.9 percent in 1994 (see also Table 1.1). This level of decline was wholly unexpected. Furthermore, rather than embracing transition costs, Ukraine sought to offset their effect by taking advantage of hidden Russian subsidies that kept the two

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<sup>31</sup> It is worth noting that the decline in Ukrainian exports to Russia was sharper before the financial crisis of 1998: 37 percent between 1996 and 1997; 18 percent between 1997 and 1998; 23 percent between 1998 and 1999). IMF, *Ukraine: Statistical Appendix*, Country Report No. 01/28, February 2001, p. 45. See also Table 1.2 in this chapter.

<sup>32</sup> *Ibid.*, p. 46.

**TABLE 1.2**

Belarusian and Ukrainian trade with Russia, 1994–2000

	Belarusian trade with Russia (\$ million)				Ukrainian trade with Russia (\$ million)			
	Imports	Exports	Turnover	Balance	Imports	Exports	Turnover	Balance
1994	3103	2094	5197	-1009	6701	4404	11105	-2297
1995	965	2185	5150	-780	7149	6617	13766	-532
1996	522	3024	6546	-498	7547	6294	13841	-1253
1997	673	4780	9453	+107	7240	3982	11222	-3258
1998	670	4608	9278	-52	5560	3267	8827	-2293
1999	767	3222	6987	-545	4792	2528	7320	-2264
2000	557	3715	9272	-1842	5024	3651	8675	-1381
2001	249	3941	9160	-1308	5269	3820	9089	-1449

**Source:** *Rossia v tsifrah* (Moscow: Goskomstat, 2002), p. 367.**Note:** The large share of barter transactions seriously complicates the calculation of the monetary value of bilateral trade.

economies more closely enmeshed than official figures indicate. These took the form of Ukraine free-riding on Russian monetary issue until its exit from the ruble zone (November 1992); subsidized gas imports (to 1996); and several other mechanisms, including non-payment for energy imports and officially tolerated (by the Ukrainian authorities) theft of Russian gas transiting through Ukrainian pipelines.<sup>33</sup>

In the face of a rebellion by east-Ukrainian industrialists in 1993, the intellectual edifice of the nationalist argument collapsed. They had not prepared the ground for a true campaign of Listian sacrifice (even among their own limited constituency), and President Kravchuk was forced to campaign for re-election without real economic arguments in 1994—having in any case conceded in policy terms by accepting “reintegration” strategies from summer 1993 onward. The new president, Leonid Kuchma, went further. His inauguration speech condemned the welfare costs of “self-isolation” and promised a new pragmatism:

<sup>33</sup> The Ukrainian authorities’ tolerance of illicit gas siphoning is indicated by the effectiveness of the Russian government’s moratorium on oil exports to Ukraine (December 1999) in bringing gas theft under control. The problem has very much subsided since the agreements of December 2000 (debt rescheduling; automatic conversion of illicit gas takings into Ukrainian sovereign debt). *Kommersant*, February 8, 2000; *Zerkalo Nedeli*, February 3–9, 2001.



Ukrainian statehood cannot be an end in itself. A state is for the people and not a people for the state.... A state incapable of defending its citizens from spiritual and material impoverishment is worth nothing. The Ukrainian state is not an icon to which one should pray.<sup>34</sup>

A new consensus emerged, embodied in the 1997 National Security Concept, whereby national security and domestic economic welfare were now seen as mutually dependent. Nationalists of the Kravchuk era came to accept most of this, as sovereignty, if not autonomy, was now seemingly secure, so long as (as they saw it) “strategic assets” were ring-fenced from Russian purchase—as agreed by then Prime Minister Yevhen Marchuk. Nationalists edged toward a Faustian bargain with nascent “national capital,” again for claimed security reasons (keeping out their Russian equivalent), despite the welfare losses from domestic re-monopolization and the early watering-down of the October 1994 reform program (the restoration of tax breaks and preferential credit schemes, the proliferation of rent-seeking schemes, and corrupt licensing arrangements).

Something of a policy interregnum was also prolonged by hopes of Western assistance, as IMF funding began after the introduction of the October 1994 reform program, and Ukraine continued to seek political dividends from nuclear disarmament and the closure of Chernobyl. Ultimately a reordering of priorities did emerge in 1998–1999, before the murder of journalist Georgy Gongadze created a scandal that dramatically altered the political landscape in November 2000. First, the reluctance of IFIs to help Ukraine recover from the aftermath of the August 1998 crisis led to the first serious search for alternative sources of revenue.<sup>35</sup> After the 1997 Friendship Treaty (see below) the existential fear of Russia had begun to fade away; among a part of the new business elite it had disappeared completely. Several powerful “clans,” particularly those based in Crimea and the eastern cities of Dnipropetrovsk and the

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<sup>34</sup> Cited in excerpted form in Z. Brzezinski and P. Sullivan (eds.), *Russia and the Commonwealth of Independent States* (Armonk, NY: M.E. Sharpe, 1997), p. 271.

<sup>35</sup> See the argument made by Anders Åslund, “Ukraine’s Return to Economic Growth,” *Post-Soviet Geography and Economics*, vol. 42, no. 5 (July–August 2001), pp. 313–28.

Donbas, began to re-establish closer relations with Russian capital. Initially these groups, fearful that Russian economic penetration might displace them on their home turf, had sided with nationalist politicians in opposing the sale of Ukraine's "strategic enterprises." By early 1999, however, they came to realize that large-scale Western investment and/or financial assistance was no longer a realistic prospect. At the same time, it became clear that Russian capital had come out of the 1998 crash in much better shape than had been predicted, and had begun to consolidate domestically and reorient itself to neighboring markets. To east-Ukrainian elites with no inherent cultural fear of Russia, Russian business conglomerates were now seen as the saviors of enterprises (particularly in the metallurgical, chemical, and oil-processing sectors) which had mostly come out of the first stage of privatization massively indebted, starved of supply and investment capital. If that meant playing second fiddle, so be it.

In their hands, the concept of Ukrainian autonomy has come almost full circle. From a specifically anti-Russian project, it has evolved into a perception that "European norms" (that is, EU legal standards on competition), to which the Kuchma administration has officially committed itself, are a threat to their usual business practices (and to their very sources of power, if for example energy-sector reform were to have proceeded in line with EU recommendations as planned by the Yushchenko government). The penetration of Russian capital, however, leaves existing power relationships within Ukraine essentially unchanged. Any potential geopolitical ramifications emanating from Russian ownership of Ukraine's hard-currency-earning enterprises are of little concern to the pragmatic, non-nationalist elite. As a senior government adviser put it,

We have begun to understand that property and independence are different things. Even strongly nationally oriented politicians have realized that money does not smell, that there is no difference between a dollar coming from the USA and a dollar from Russia, and that the sale of large and important enterprises does not mean automatic loss of independence and sovereignty.<sup>36</sup>

It was only after the Yushchenko government in 1999–2001 that it became clear that the east-Ukrainian business clans did not speak for every business interest in Ukraine. Some accepted Yushchenko's tacit

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<sup>36</sup> Dmytro Vydrin, interview with *Nezavisimaya Gazeta*, November 16, 2000, p. 5.

offer to go legitimate and joined his “Our Ukraine” movement. Important sectoral differences also emerged: those who traded westward (such as aircraft leasing) or who might benefit from better relations with the EU (agricultural exporters) were still reluctant to accept Russian capital, its business practices, and its potential political agenda.

Finally, with Vladimir Putin as first prime minister and then president, Russia began to give greater priority to economic interests in foreign policy in general, and to cracking down on energy non-payment in particular. Oil supplies were suspended in December 1999, forcing Ukraine to improve its payment record and promise to control the siphoning of Russian gas headed across Ukrainian territory to Central Europe.

The new conjuncture led to the beginnings of major asset sales to Russian capital. Again it should be stressed that this was before old-fashioned nationalists like Levko Luk’ianenko accused Kuchma of organizing a “flash sale” of strategically important enterprises to buy Russian support at the height of the Gongadze affair in January 2001. A majority shareholding in the Odessa oil refinery went to Russia’s Lukoil in spring 2000, two-thirds of the Lysychans’kyi refinery to Tiumen Oil in summer 2000, the Mykolaïv aluminium plant to Siberia Aluminium, and its Zaporozhian neighbour to Avtovaz. None other than Marchuk, from October 1999 Secretary of the National Security Council, began to argue in favor of privatizing the most strategic of Ukrainian assets, the gas export pipelines, which have long been eyed by the Russian gas giant Gazprom.<sup>37</sup>

Ukraine’s changed circumstances in 1999–2000 also resulted in a major adjustment of economic and security thinking on the Right. The neo-liberal onslaught on the rent-seeking powers of domestic oligarchs under the Yushchenko government from December 1999 to April 2001 was inconceivable without some basic fiscal leeway, which meant making overtures to Russian—and Ukrainian—capital. Yushchenko was also well aware of the need to broaden his political and electoral base by playing divide and rule among the center “clans” and encouraging potential business “sponsors” onto his list for the 2002 elections.

On the other hand, Yushchenko has made it clear that, while Ukraine is happy to do business with anybody, this should not be at the expense of Ukraine’s strategic orientation toward the EU—which, in parallel with

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<sup>37</sup> Interview with *Nezavisimaya Gazeta*, November 14, 2000, p. 1.

increased Russian penetration, has also become a more direct factor in Ukrainian politics since the late 1990s. After the belated ratification of Ukraine's Partnership and Cooperation Agreement in 1998, there followed two years of argument over whether it was actually being implemented. With the remarkable economic performance and reform progress achieved during Yushchenko's term as prime minister, however, the prospect of upgrading to an Association Agreement began to look somewhat more realistic, and the EU rather than NATO was increasingly viewed by nationalists as a potential counterweight against any strategic turn to Russia. Hence their dismay that economic progress was offset by the damage done to Ukraine's international image by the Gongadze affair, and by earlier disquiet over Kuchma's 1999 re-election campaign and the referendum to increase presidential power in April 2000. In any case, Yushchenko's efforts to reform the Ukrainian economy in line with EU recommendations (particularly through a de-monopolization of the energy sector) clashed with powerful domestic interests, leading to the withdrawal of key centrist factions' support and the dismissal of his government in April 2001.

Moreover, following the 1997 agreements with Russia and Putin's accession to the Russian presidency, Ukrainian public opinion appears to have shifted back toward supporting integration with Russia and Belarus.<sup>38</sup> Opinion remains divided on NATO, although membership in the EU is in general perceived positively, albeit among a rather poorly informed Ukrainian public.<sup>39</sup> Kuchma must also pander to this sentiment by playing up Ukraine's long-term prospects with the EU, trimming his freedom for maneuver in foreign and domestic policy—and adding to the

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<sup>38</sup> Survey data published by the Office of Research, U.S. State Department, *Opinion Analysis*, M-27-02, March 27, 2002, pp. 4–5, indicate that 60 percent of Ukrainians now support integration with Russia (34 percent oppose it), although opposition remains strong in Western Ukraine (62 percent in 2001 compared to 82 percent in 1995). Fear of Russia had also declined (from 21 percent in 1996 to 5 percent in 2001), with the United States being perceived as more of a threat to Ukraine's security (10 percent thought so).

<sup>39</sup> A set of national surveys (n=1800) in January–February 2000 and 2001 and in February–March 2002 conducted by the Sociology Institute of the Ukrainian Academy of Sciences found strong support for EU membership, although the rate dropped to 45 percent in 2002 from 56 percent in 2001 (15 percent disapproved in 2002 compared to 8 percent in 2001). Support for cooperation

divisions within the Ukrainian elite.

For Ukraine, at least initially, re-orienting the national economy away from Russia and the CIS was an objective in its own right. The Belarusian political leadership had no such motivation. Moreover, Belarusian policy-makers were acutely aware of the national economy's near total dependence on Russia.<sup>40</sup> The nationalist Belarusian National Front advocated market reform (albeit with a high degree of protectionism), coupled with policies aimed at reducing economic dependence on Russia and re-orienting the economy toward the West; but held only 9 percent of the seats in the Supreme Soviet in 1990–1995, and, unlike Ukraine, had no tradition of national political economy on which to base its arguments. Its economic strategy therefore found little resonance among the rest of the Belarusian political elite, even among the reformist minority. In 1992, Stanislav Bogdankevich, the reform-minded first chairman of the Belarusian National Bank, wrote:

Belarus, because of its strong dependence on imports of energy and other key raw materials from Russia and other CIS countries, is doomed to a close cooperation with the other countries of the former Soviet Union.<sup>41</sup>

Indeed, to the overwhelming majority of the Belarusian political elite, the costs of an economic strategy aimed at reducing interaction with Russia were immediate, certain, and of such a magnitude as to make such a choice unthinkable. The potential economic rewards of a reorientation toward the West and other economic partners seemed doubtful and would at best become visible only in the medium-to-long term. Even the government of Viacheslav Kebich considered the preservation of a single economic space (including a customs union, single currency, and continuation of Soviet-era subsidies) in the CIS or at least bilaterally with Russia

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with NATO also seems to be declining: 19 percent of respondents were in favor in 2002 compared with 23 percent and 25 percent in 2001 and 2000 respectively. Results available at [www.for.com.ua](http://www.for.com.ua).

<sup>40</sup> Belarus depends on Russia for 83 percent of its oil consumption and for 94 percent of its needs in natural gas. Data from the U.S. Energy Information Administration (EIA), [www.eia.doe.gov](http://www.eia.doe.gov).

<sup>41</sup> Stanislav Bogdankevich, "Belarus," in Williamson, *Economic Consequences of Soviet Disintegration*, p. 352.

as essential to the Belarusian economy. Belarus initiated economic reintegration with Russia as early as 1993 and negotiated the first monetary union agreement in spring 1994, barely six months after the collapse of the ruble zone in November 1993.

Even before Aleksandr Lukashenko's election to the presidency in 1994, no real steps had been taken in the direction of privatization, liberalization, or macroeconomic stabilization. Inefficient enterprises were kept afloat through direct subsidies financed by inflationary currency emission, and price controls applied to a wide range of commodities, energy not the least. President Lukashenko, suspicious of private enterprise and market mechanisms, continued the aforementioned policies, which amounted to avoidance of reform. Indeed, Mario Nuti places Belarus (along with Uzbekistan and Turkmenistan) in the category of "non-starters" in terms of economic reform, suggesting that a process of transition to a market economy has not begun in these countries.<sup>42</sup>

Lukashenko described his policies as a unique "Belarusian model" of social and economic development aimed at the preservation of the perceived positive elements of the Soviet system, such as state ownership of large enterprises, near-full employment and free health care and education. According to IMF data, wages in Belarus tripled in dollar terms between 1994 and 2000, surpassing Ukrainian levels in 1995 and Russian ones in 1999.<sup>43</sup> Public opinion surveys indicate that these policies have played a key part in maintaining the president's high—albeit declining—approval ratings.<sup>44</sup> The real source of this prosperity bubble, however, was less Belarus's unique domestic policy and more its dependence on Russia. Like Kebich, Lukashenko sought to support his social and economic policies through a strategy of (re)integration with and deeper dependence on Russia, which resulted in the major agreements outlined in Table 1.3.

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<sup>42</sup> Mario Nuti, *The Belarusian economy: suspended animation instead of transition*, presentation at the ESRC "One Europe or Several" Workshop, "The Outsiders: Belarus, Moldova and Ukraine between Russia and Europe," London School of Economics, December 15, 2000.

<sup>43</sup> IMF, *Republic of Belarus: Selected Issues*, Country Report no. 02/22, February 2002, p. 20.

<sup>44</sup> See for example U.S. State Department Office of Research, *Opinion Analysis*, M-175-00, October 11, 2000, p. 4; M-32-02, April 5, 2002, pp. 2–3.

**TABLE 1.3**

Belarus-Russian Agreements, 1995–1999

January 1995	Customs union agreement	Restrictions in bilateral trade removed in June 1995; customs union still incomplete
April 1996	Treaty on the formation of a community	Creation of Community institutions; foreign policy co-ordination; harmonization of economic policies still pending
April 1997	Treaty forming a Belarus-Russia union	Concept of Union citizenship; re-iteration of Community treaty provisions
December 1998	Treaty on equal rights of citizens	Russia and Belarus extend rights to employment, residence and access to social services to each other's citizens by mid-1999
December 1999	Treaty establishing a Union state	Reform of common institutions still not complete; detailed provisions for monetary union; Union-state troops established in April 2001

Belarus has obtained substantial economic rewards from this process. As the chapter by Abdelal details, Russian subsidies have taken a variety of forms (debt pardoning and rescheduling; loopholes in the customs union, favorable barter terms, and heavily subsidized energy exports, particularly gas). These have represented a substantial share of Belarusian GDP (according to IMF estimates, around \$1.2 billion annually—or approximately 10 percent of Belarusian GDP).<sup>45</sup> In preparation for monetary (re)union, currently scheduled for 2005, Russia has supplied financial assistance to support the Belarusian currency.<sup>46</sup> Russian support has enabled the Belarusian leadership to maintain relatively generous social policies (such as free education and healthcare and relatively high salaries for public sector employees), delay potentially unpopular reforms, and

<sup>45</sup> This percentage is calculated based on the 2000 GDP figure of \$12,728 million. IMF, *Republic of Belarus: Selected Issues*, Country report no. 02/22, Washington DC, February 19, 2002, pp. 5, 39.

<sup>46</sup> The date of January 1, 2005 for the introduction of the Russian ruble in Belarus was confirmed at the Russia-Belarus summit of January 2003 (Minsk). However, the Belarusian president has refused to introduce the Russian ruble in nominal form by the previously agreed deadline of July 2003 on the grounds of outstanding economic disputes between the two countries.

avoid the dramatic rates of economic decline experienced by Ukraine and Russia itself. Russia's leniency with regard to Belarusian debts has allowed Belarus to do without credits from international financial institutions and commercial banks, which are highly critical of the "Belarusian model."<sup>47</sup> Belarus has posted positive growth rates since 1996 (see Table 1.1), although low investment and a lack of enterprise restructuring threaten the sustainability of this trend.

Unlike the Ukrainian leadership, the Lukashenko administration has been eager to develop trade with Russia, and shows little concern over the risk of increased dependence. In the short term, Russia provides a traditionally welcoming, huge market for Belarusian products, easing pressures on Belarusian producers to increase their international competitiveness and to seek to break into new markets. The president himself has played an active role in brokering trade agreements with most of Russia's regions. Since the customs union agreement of 1995, bilateral trade has grown impressively (even allowing for the unreliability of official statistics)—despite a dip after the 1998 crisis (see Table 1.2). A reduction in the share of non-CIS countries in Belarusian foreign trade suggests that a redirection of trade, rather than genuine trade creation, appears to account for a significant share of this growth.<sup>48</sup>

Belarusian and Ukrainian trade relations with Russia have followed opposite trends, particularly in exports. In 1997, Belarus bypassed Ukraine to become the second-largest exporter to Russia behind the EU. Belarusian exports further benefited from the August 1998 financial crisis, which raised the cost of non-CIS imports, but began to decline in 2001—in many cases, as a result of low quality and uncompetitive prices.

For the Belarusian leadership, the preservation of social and economic stability (and with it, the popular legitimacy of the president) has been the foremost priority. Political alignment and economic integration with Russia have so far provided an effective mechanism for attaining the Lukashenko administration's social and economic policy objectives without embarking on socially painful and politically risky economic reform. Economic dependence on Russia appears to have increased significantly since the mid-1990s. Trade turnover with Russia now represents around

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<sup>47</sup> The exception has been a small Social Infrastructure loan (\$22.6 million) from the World Bank approved in June 2001.

<sup>48</sup> *Republic of Belarus*, IMF Staff Country Report no. 97/111, p. 49.



50 percent of Belarusian GDP,<sup>49</sup> which critics of government policy regard as a matter for concern because of the limited investment and modernization advantages expected from economic interaction with Russia.

Belarusian policy makers saw no conflict between their economic priorities and the country's broader political and security interests, nor did they consider political distance from Russia a necessary element of state sovereignty. Russia was by far the partner of choice of the overwhelming majority of the political elite and public opinion. If economic dependence can be argued to encroach on security only when it prevents a country's leadership from choosing policies that would otherwise have been considered the optimal way of advancing its security, then the Belarusian leadership faced no such dilemma. After a brief flirtation with the idea of neutrality in 1992–1993 (see the following section), the Belarusian leadership opted for a full-blown alliance with Russia as the best strategy for safeguarding national security. Integration in the economic and security fields was considered complementary and—particularly under Lukashenko—mutually reinforcing. For many years, concern over a possible loss of sovereignty or policy-making autonomy had barely affected Belarusian policy makers' enthusiasm for integration with Russia. This began to change only after 2000, when firm Russian demands for Belarusian economic reform became incompatible with President Lukashenko's domestic agenda focused on regime survival. Bilateral integration initiatives were not the result of Russian pressure, but of persistent Belarusian demands. Government officials often compare the objectives of bilateral integration to those of the European Union, pointing out that Belarus remains a fully sovereign state with its own government institutions and diplomatic representation.<sup>50</sup>

President Lukashenko himself, who at one time had his sights on the presidency of a Russian–Belarusian federation, has consistently interpreted both sovereignty and security in terms of welfare. Belarus (in the form of the Belorussian SSR), he has asserted, used to have more sovereignty

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<sup>49</sup> IMF, *Republic of Belarus: Selected Issues*, Country Report no. 02/22, February 2002, p. 8. In 2002, Russia accounted for 58 percent of Belarusian external trade (50 percent of Belarusian exports and 65 percent of imports). IMF, Country Report no. 03/118, April 2003, p. 44.

<sup>50</sup> This is also asserted in Article 6, Treaty on the Creation of a Union State (December 1999), *Byulleten' mezhdunarodnykh dogovorov*, March 2000, p. 56.

within the Soviet Union, not only because it had its own institutions, but because the living standards of the population were higher.<sup>51</sup> To be sure, bilateral integration agreements require Belarus to adopt a series of reforms aimed at convergence with Russian norms and economic conditions, thereby restricting the Belarusian authorities' policy-making autonomy—at least in principle. But in fact, reliance on Russian economic support has for the most part come with rather weak conditions, allowing the Belarusian administration to maintain almost unfettered autonomy in the formulation of domestic policy, and thus functioning as a disincentive for reform. The flow of economic benefits is seen to have *added* to security, in Lukashenko's sense of the term. The Belarusian elite is much less interested than the Ukrainian in *samostoyatel'nost'* (self-reliance); which in many ways is antithetical to dependence, with which the elite is happy. Nevertheless, although the Belarusian ruling elite does not treat state sovereignty as a supreme value in its own right, it has staunchly stood for equal influence with Russia in bilateral institutions and jealously guarded its policy autonomy, particularly in economic matters.

It is only since Putin's coming to power that Belarus has taken certain steps in the direction of reform in line with obligations resulting from bilateral agreements with Russia. Monetary policy came first, with a reduction in rates of inflation and the elimination of multiple exchange rates in autumn 2000, both significant achievements. Price controls and subsidies to enterprises have begun to be progressively eliminated.<sup>52</sup> Following Lukashenko's re-election to the presidency in September 2001 and under strong pressure from the Russian government and Russian business, a program of privatization has been announced covering several major enterprises, including the flagship television manufacturer Gorizont and the Gomel' chemical plant, but so far no majority stake in any large enterprise has been sold. Other major enterprises such as the Mozyr' and Novopolotsk oil refineries and the Krinitsa brewery, whose sale has long been negotiated with leading Russian companies (Tyumen Oil, Lukoil, and Baltika respectively), are yet to issue any equity, testifying to the

<sup>51</sup> Quoted in V. Karbalevich, "Vneshnaya politika Belarusi: popytki samoopredeleniya," in V. Karbalevich and L. Zaiko (eds.), *Natsional'naya i regional'naya bezopasnost'* (Minsk: "Strategiya," 2001), p. 168.

<sup>52</sup> Details of the reform program are contained in the Belarusian government's *Memorandum of Economic and Financial Policies* of April 13, 2001 to the IMF (available at [www.imf.org](http://www.imf.org)).

Belarusian authorities' acute reluctance to cede control over the economy. Most importantly, at the bilateral summit that took place in Minsk in January 2003, Lukashenko announced that he had signed a decree providing for the capitalization of Beltransgaz, the enterprise controlling the international gas transit pipelines crossing Belarusian territory (the northern section of the Yamal-Europe pipeline). However, in July 2003, Belarus missed yet another deadline for the sale of Beltransgaz to Gazprom.<sup>53</sup>

These belated policy changes have been the result of overwhelming Russian pressure, which pushed Lukashenko into a corner in August 2002, when Putin asked his Belarusian counterpart to choose between incorporation into the Russian Federation (an option that Putin knows is totally unacceptable to the Belarusian public, the elite, and Lukashenko himself) and integration based on the EU "harmonization" model. Despite Belarusian rhetoric in favor of the EU model, the latter choice was almost equally unpalatable for Lukashenko. The Belarusian president has been loath to proceed with economic reform to approximate Russian conditions, and privatization in particular, from fear that reform would undermine state control of the economy and by extension his personal grip on power. At this writing, a conflict between prosperity and security appears finally to have emerged in the mind of the Belarusian leadership, although "security" in this case refers to regime survival rather than national security as such. President Lukashenko's refusal to allow the introduction of the Russian ruble as a nominal currency as of July 2003, despite bilateral agreements with Russia and the positive recommendation of National Bank Chairman Prokopovich, suggests that the Belarusian leader's preoccupation with his own political survival is overshadowing considerations related to the country's economic interests.<sup>54</sup>

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<sup>53</sup> According to the "Program of Actions" attached to the Union state treaty of 1999, ownership of the export pipeline was to have been transferred to Gazprom in 2001. A bilateral gas sector agreement of April 2002, which provided for the supply of 12 billion cubic meters of Russian gas at domestic market prices in 2003, also envisaged the registration of a joint Russian-Belarusian company of Gazprom and Beltransgaz by July 2003. Lukashenko, however, was willing to sell no more than 49 percent (leaving Gazprom without a controlling stake) and demanded at least \$2.5 billion, while Gazprom insisted on at least 50 percent for a maximum price of \$900 million. *Kommersant*, September 17, 2003, p. 1.

<sup>54</sup> Despite preliminary agreements between the Russian and Belarusian governments and central banks to bring the Russian ruble into parallel circulation as

BELARUSIAN AND UKRAINIAN SECURITY POLICIES: AT THE SERVICE OF THE ECONOMY OR AT THE EXPENSE OF THE NATION'S WELFARE?

In defense and foreign policy, both Ukraine and Belarus have gradually achieved a more consistent ordering of prosperity and security, albeit one leading them in very different policy directions. In Ukraine the nationalist emphasis on security at almost any cost stood surprisingly firm in 1992–1997. There was no sharp correction to defense or foreign policy, as there was to economic policy in 1993–1994. The autonomy project committed the Kravchuk administration to the rapid creation of large armed forces at high cost (size and speed also being dictated by the supposed “lessons” of the failed bid for independence in 1917–1920)—largely by taking the short-cut of nationalizing all Soviet armed forces left on its territory in December 1991. Moreover, in sharp contrast to the Belarusian leadership’s very modest international ambitions, the Kravchuk and Kuchma administrations shared a conviction that Ukraine could function as a European power in its own right.

By taking control of Soviet forces stationed on its territory at the end of 1991, Ukraine became the first CIS country to establish its own national armed forces. Ukraine subsequently refused to join the Collective Security Treaty (CST), which was signed by eight CIS countries in May 1992, and opposed all other initiatives for CIS security integration, such as Russia’s bid to conduct peacekeeping operations under CIS auspices. Economic realities soon enforced the inevitable downsizing and abandonment of several strategic delusions (a nuclear Ukraine, an “ocean-going” fleet, hence the almost instant redundancy of the 1993 Military Doctrine), but the basic “nationalization” strategy has remained intact, despite locking Ukraine in to a defense size and posture it cannot afford (one-off benefits of asset capture being soon overshadowed by replacement costs). The rebuilding of domestic security infrastructure under President Kuchma has occurred for reasons entirely unconnected with either foreign policy or economics.

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of July 1, 2003, Lukashenko put the measure off indefinitely. In a letter to President Putin, the Belarusian president has put forward a set of (unrealistic) conditions for the introduction of the Russian ruble in Belarus, including Russian supplies of oil, gas, and electricity to cover all of the Belarusian economy’s needs at Russian domestic prices and compensation for lost VAT revenue since 2000. (In trade with Belarus, Russia applies the origin rather than destination principle in levying VAT.) *Nezavisimaya Gazeta*, September 8, 2003, p. 3.

In the early 1990s, periodic crises with Russia, both real and imagined, regularly reanimated the nationalist case for prioritizing sovereignty and autonomy. Ukraine's new corporate elite initially also valued sovereignty—if not autonomy—as a shield for its economic activities. Tensions with Russia over ownership of the Black Sea Fleet and its basing facilities in Crimea were a constant factor in 1992–1997, as was the questioning by prominent Russian politicians of the “legality” of the 1954 transfer of Crimea from the Russian SFSR to the Ukrainian SSR, including two aggressive resolutions by the Russian parliament in May 1992 and July 1993.<sup>55</sup> Although the Russian leadership (that is, the president and the government) never itself advanced territorial claims against Ukraine (with the exception of reported comments by Yeltsin's press spokesman in August 1991), the absence until 1997 of official recognition of Ukraine's borders helped extend the image of Russia as the principal threat to Ukraine's security beyond nationalist ranks. Political instability and the trend toward growing nationalism in Russia, which the results of the 1993 and 1995 Duma elections appeared to indicate, exacerbated Ukrainian fears.

The nationalist position held firm until 1997, securing several notable victories. The Rada cited national security to reject several Russian proposals to offset Ukraine's debt against the division of the Black Sea Fleet and shares in Ukrainian enterprises, forcing Kravchuk to back-pedal on the September 1993 Massandra agreement and a similar deal in March 1994 which would have swapped Ukrainian debt for Russian equity in Ukraine's pipeline system. In November 1995 the Rada passed a law forbidding the sale of the oil and gas industry.<sup>56</sup> Ukrainian fears began to ebb only after a mutually acceptable compromise on the division and basing arrangements of the Black Sea Fleet was reached in May 1997. Although the Crimean city of Sevastopol remained the principal base of the Russian Black Sea Fleet, Russia recognized Ukrainian sovereignty by concluding a leasing agreement. A few days later the Friendship, Partnership and Cooperation Treaty (also known as “the Big Treaty”) provided

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<sup>55</sup> In 1992 and 1993, the Russian parliament adopted two resolutions declaring the transfer of Crimea to Ukraine in 1954 illegal and Sevastopol to be a subject of the Russian Federation. In 1996, the Duma adopted a resolution denouncing the Belovezh agreements and another on Russian state financing of Sevastopol.

<sup>56</sup> D'Anieri, *Economic Interdependence*, pp. 81–82.

unconditional Russian recognition of Ukraine's sovereign statehood and territorial integrity.

The one apparent exception to this order of priorities (security at the expense of prosperity) was the controversy over the fate of Ukraine's nuclear weapons. Ukraine had signed the Lisbon Protocol of May 1992, thereby agreeing to transfer nuclear weapons left on its territory to Russia. Still, the Kravchuk administration repeatedly called Ukraine's non-nuclear status into question and sought to make weapons transfer conditional upon substantial Western economic assistance and security guarantees, implying that a potential security asset was tradable for hard cash. Conversely, economic incentives from the West were seemingly decisive in securing Ukraine's ratification of the START-I and the NPT in November 1993 and the Trilateral Agreement with Russia and the United States in January 1994, which ended any nuclear delusions.

However, it is still possible to argue that security came first, and that it was the diplomatic isolation with which Ukraine was threatened in late 1993, the potentially fatal damage to Ukraine's quest for international recognition of its sovereignty, and the realization that nuclear stewardship without control was actually a security liability, that proved decisive. This undermined the nationalist argument that nuclear weapons were a potentially decisive addition to Ukraine's diplomatic importance and military might that was well worth paying for. In any case, another part of the nationalist constituency saw nuclear weapons as a cheap short-cut to the large-scale anti-Russian deterrence their view of security required.

In general, however, the high economic costs of maintaining large armed forces have been borne for a surprisingly long time. Even after 1997, military reform as opposed to mere downsizing, and the process of moving away from a Soviet-style structure with mass conscription and a top-heavy command structure to professional armed forces, has yet to properly begin—in Ukraine as in Russia. Ukraine's operational posture remains locked in assumptions of European-theater war rather than rapid and flexible force deployment. The higher echelons of the military have been extremely resistant to change, ensuring that the 2000–2005 State Program of Armed Forces Development and Reform was of very limited ambition.<sup>57</sup> It was only after a stray missile accidentally downed a Russian

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<sup>57</sup> James Sherr, "A Fresh Start for Ukrainian Military Reform?" *Survival*, vol. 43, no. 1 (Spring 2001), pp. 107–26.

commercial airliner over the Black Sea in October 2001, killing all 78 on board, followed within months by the L'viv airshow disaster in July 2002, when a Sukhoi Su-27 fighter jet crashed and killed 83 spectators, that public opinion began to question the wisdom of spending only some 1.3 percent of official GDP (3.3 billion hryvnia, or barely \$600 million in the 2002 budget) on bloated armed forces that were still planned to include 295,000 servicemen in 2005. The initial political response to the L'viv disaster implied that Ukraine would move in both directions—spend more money and begin real reform.

Belarus established its own armed forces in May 1992 (only after Russia did so first), but made it clear that it did not wish to preserve the then massive concentration of Soviet armed forces on Belarusian soil, which Speaker of the Supreme Soviet Stanislav Shushkevich estimated at around 240,000 men.<sup>58</sup> Belarus, like Ukraine, declared military neutrality and non-nuclear status, and originally abstained from the CST on these grounds.<sup>59</sup> Nevertheless, it acceded to the CST in 1993 and quickly engaged in extensive military cooperation with Russia. Shushkevich, who had signed the Belovezh Accords dissolving the USSR on behalf of the Belorussian SSR, was in a minority in arguing that membership in the CST would contradict the country's neutrality. He was critical of the "Eastern orientation" followed by Belarus, which in his view threatened to stifle the development of contacts with the West, and saw neutrality as necessary for the development of Belarus as a sovereign state.<sup>60</sup>

Most of the Belarusian political elite, led by Prime Minister Vyacheslav Kebich, preferred a loose interpretation of neutrality and took a prag-

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<sup>58</sup> Belarusian Defense Minister Pavel Kozlovskiy announced that the country's armed forces would be reduced to less than 110,000. Citations from Jan Zaprudnik, *Belarus: At a Crossroads in History* (Boulder, CO: Westview Press, 1993), pp. 206–207.

<sup>59</sup> References to military neutrality and nuclear-free status were contained in the Ukrainian and Belarusian Declarations of State Sovereignty (adopted July 16 and 27, 1990 respectively). A commitment to neutrality is also contained in the Belarusian, but not in the Ukrainian, constitution.

<sup>60</sup> Address to the Supreme Soviet (April 9, 1993) excerpted in Brzezinski and Sullivan, *Russia and the Commonwealth of Independent States*, pp. 245–46; Article by Shushkevich from *Narodnaya gazeta* (May 13, 1993) cited in V. Karbalevich, "Natsional'no-gosudarstvennye interesy Respubliki Belarus," in Zaiko (ed), *Natsional'no-gosudarstvennye interesy*, p. 67.

matic stance on military cooperation with Russia, being careful to accommodate Russian security interests. Belarus promptly and without controversy returned Soviet strategic nuclear weapons to Russia in line with its international commitments. Belarus concluded a number of military agreements with Russia, initially concerning the preservation of production lines linking the two countries' defense industries and temporary arrangements for the accommodation of Russian troops, which were to be gradually withdrawn. The Belarusian Popular Front opposed special ties with Russia as detrimental to the development of Belarus as a neutral state with a strong sense of national identity, but the Belarusian political elite did not perceive Russia as a threat in any sense. To them, preserving Belarusian national identity meant preserving an open door to Russian influence; and, as mentioned earlier, Belarus was unlikely to lose any positive liberty in foreign and defense policy by making any choices to which Russia would object. With no desire to build armed forces as an independent foreign policy asset, the economic case for free-riding on Russian efforts was overwhelming.

Since his accession to the presidency in 1994, however, Lukashenko has gone beyond the notion of security-as-welfare in shared Russo-Belarusian economies of scale and assumed channels of operation to identify the West as an actual security threat; and has been able to bypass Russian reformists' suggestions that Belarus is a burden on the Russian economy by playing up its allegedly indispensable contribution to Russia's security framed in the same terms. In the period between NATO expansion and September 11, 2001, the Russian ruling elite did indeed come to value Belarus as Russia's only "reliable" strategic ally, particularly at a time when Russian influence in the CIS appeared increasingly precarious. Military integration between the two countries has advanced very rapidly, and apparently smoothly. Under Lukashenko the military dimension of integration with Russia made impressive progress, developing into a full-fledged alliance. Key aspects of military integration include: Russia's rent-free use of two major military facilities (radar installation in Baranovichi and radio location facility in Vileika) since 1995; joint use of other military installations in border regions since 1998; joint exercises and officer training; joint collegial sessions of the Ministries of Defense (since 1998) on a range of areas of common policy formulation, including doctrine, the structure of the armed forces, and procurement; an integrated air-defense system; a regional force bringing together the Belarusian armed forces



with Russian troops serving in neighboring regions (under national commands in peacetime), set up in late 1999; and aspects of internal security (intelligence-sharing between secret services, combating crime and terrorism, and joint patrolling of borders with third countries).

Given Russia's own slow progress in the field of military reform, it is not surprising that the process is only beginning in Belarus. It was only in February 2002 that the Belarusian Ministry of Defense announced a reform program involving a gradual reduction of force levels and steps toward the creation of rapid-reaction capabilities in line with the objectives set for the regional force.<sup>61</sup>

The sustainability of a strategy based on a supposed threat from the West has come under question since September 11, however, as the Putin administration now clearly strives towards meaningful long-term partnerships with both NATO and the EU. Nevertheless, even in this context, Belarus still retains its strategic significance in the eyes of Russian decision makers, this time as a reliable transit route for Russia's trade with Europe and as a vital link with Kaliningrad oblast, which from 2004 will be a Russian enclave surrounded by new EU member states.

The question of relations with NATO has exemplified the divergence between the Ukrainian and Belarusian positions. Ukrainian diplomacy initially took a neutral position on NATO enlargement, recognizing Central European countries' right to make their own choices, but soon came to view it in more positive terms, sensing the greater danger that an incomplete process might turn Ukraine into a buffer state in Russia's shadow. Ukraine was the first CIS country to join NATO's Partnership for Peace (PfP) program in February 1994, and since signing the Charter on a Distinctive Partnership with NATO in July 1997 has developed into the Alliance's most enthusiastic partner in the region. The relationship has reaped substantial practical benefits for the Ukrainian military in terms of prestige and subsidized costs of equipment, exercises, and training at home and abroad. Cooperation with NATO thus contributes to maintaining the combat readiness of the Ukrainian armed forces to a much higher level than would otherwise have been possible.

Before September 11, however, the potential Russian reaction prevented Ukraine from taking its political relationship with NATO any further. After September 11, emboldened by the rapprochement in Russia's

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<sup>61</sup> *Tass News Agency*, February 24, 2002.

relations with NATO and the United States, Ukraine's National Security Council announced in May 2002 its intention to draw up "a long-term strategy, at the end of which Ukraine should join the collective security system on which NATO is based." However, Ukraine was ill-prepared for the sudden change in environment. Even before September 11, Ukraine was experiencing problems as its NATO partners sought to move PfP to another stage, from organizing common exercises to promoting in-service reform.

Ukraine's newly declared aspiration to join NATO has also fuelled speculation regarding the continued presence of the Black Sea Fleet in Crimea. Ukrainian officials insist that there is no reason for Ukraine's relations with NATO to affect the validity of agreements between Ukraine and Russia—or indeed the development of a stable partnership between the two countries.<sup>62</sup> Indeed, Russia has little reason to be concerned about Ukrainian officials' talk of NATO accession, not only because Ukraine has yet to submit a formal application for membership, but also because NATO has grown wary of closer relations with the Kuchma administration, which has been disgraced by the revelation of a series of major scandals, including the Gongadze affair, the revelations of the "Mel'nychenko tapes," and the alleged sale of arms to Iraq. Ukraine's already poor relations with the West took a further turn for the worse in fall 2002. In September, the United States decided the Iraq allegations had real substance, sharply reduced aid and announced a review of "all aspects" of its relations with Ukraine. Ukraine's contribution to the peacekeeping force in Iraq (deployed in August 2003) went some way toward restoring American good will.<sup>63</sup> Nevertheless, Ukraine's internal problems have therefore prevented it taking real advantage of the changed international environment after September 11, and have if anything left it more dependent on Russia.

Belarus, like Russia, acceded to the PfP rather reluctantly (in early 1995) and expressed its opposition to NATO expansion in very strong terms indeed. While the Belarusian position was partly a function of soli-

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<sup>62</sup> Mykola Beloblots'kyi, Ukrainian Ambassador in the Russian Federation, interview with *Nezavisimaya Gazeta*, August 8, 2002, p. 5.

<sup>63</sup> In September 2003, the United States and Ukraine signed a bilateral memorandum according to which \$150 million of U.S. aid will be allocated to assist the Ukrainian government's economic reform program.

clarity with Russia, President Lukashenko went much further than the Russian leadership in his objections to NATO expansion and, later, in his condemnation of NATO's military campaign against Yugoslavia in 1999, and in his rhetoric of Slavic and Orthodox solidarity. In 1999–2001, he increasingly served as a proxy voice for Russian nationalists frustrated by the less strident position adopted by their own leadership. Lukashenko referred to NATO as a threat to the security of Belarus and Russia alike and strongly emphasised the necessity of bilateral military integration in response. Since September 11, 2001, the Belarusian administration has progressively moderated its position and expressed a wish to improve relations with the Alliance—but largely to remain in line with Russian policy.

Lukashenko's anti-NATO bombast, however, was not merely another aspect of his populism. Since 1997, Belarus had found itself economically and diplomatically isolated from the West as a result of a strong international response to the much-criticized referendum of November 1996, which concentrated power in the president's hands at the expense of the legislature. Measures included a U.S. policy of so-called "selective engagement," the suspension of the Partnership and Cooperation Agreement with the EU (concluded in 1994), along with most EU bilateral assistance programs, and the expulsion of Belarusian parliamentary delegations from the OSCE and the Council of Europe.<sup>64</sup> Western criticism subsequently focused on the Belarusian administration's heavy-handed treatment of the opposition and the non-state media, putting Belarus on a black list of countries disregarding civic liberties and human rights. NATO's bombing of Yugoslavia in defense of the human rights of Kosovo's Albanian population and the subsequent toppling of the Milosevic regime alarmed Lukashenko, who interpreted the West's human-rights discourse as a smokescreen for geopolitically motivated attempts forcibly to remove unfriendly leaders. The United States, in particular, did indeed back the opposition's campaign against him in the 2001 elections.

Even though the Belarusian leadership's fears have since subsided, in the absence of a (rather unlikely) bold initiative to restore constructive relations with the West Belarusian options will be severely constrained as

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<sup>64</sup> Belarus had observer status in the Parliamentary Assembly of the Council of Europe.

long as Lukashenko remains in power. The Belarusian President has perhaps irredeemably damaged his reputation in the West by his administration's failure to address international concerns—including those over the fairness of elections.<sup>65</sup> This has in turn increased his reliance on Russia. Ukraine has yet to make a decisive break with Western standards on democracy, but its record on media freedom, civil liberties, and corruption has come under increasingly sharp criticism. The presidential election due in 2004 might help Ukraine clean up its act, or it could push Ukraine further down the Belarusian path to compensating semi-isolation in the West with Russia's rather more indulgent embrace.

### CONCLUSIONS

Ukraine and Belarus started their existence as independent states with different aspirations and expectations for the future. Belarus has been content to remain closely associated with Russia and to use its economic dependence as a means of boosting domestic welfare without incurring the economic and social costs of rapid reform. It has consistently pursued a Russia-oriented strategy in the economic and security spheres alike. It could be argued that the Belarusian leadership (of both Kebich and Lukashenko) subsumed the very idea of security into that of economic advantage, using the military alliance with Russia as a mechanism for extracting further material rewards. Belarusian decision makers did not have a notion of national security requiring any kind of distance from Russia, nor did they aspire to a distinct international role for Belarus (with the possible exception of the brief flirtation with neutrality up to 1993). They have, however, fiercely guarded their actual autonomy in domestic economic policy, the one area where their preferences have diverged from those of Russia. They have also strongly resisted any suggestion that the bilateral integration process might lead to the loss of Belarusian statehood and the country's absorption into the Russian Federation.

Ukrainian policy has been torn by powerful tensions between a drive to strengthen security and independence by reducing Russian influence and a reluctance to accept the economic costs implied by a determined

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<sup>65</sup> According to the OSCE, the EU, and the United States, both the parliamentary elections of October–November 2000 and the presidential election of September 2001 fell short of international standards for free and fair elections.

pursuit of such a choice. Ukraine's lesser degree of economic dependence on Russia (compared to Belarus) and initially greater hopes of prosperity in isolation from Russia were important factors in the Kravchuk administration's contemplation of a strategy aimed at economic and political separation from Russia. The resulting economic costs, already apparent in the first year of independence, forced a policy adjustment in 1993, and the subsequent simultaneous pursuit of autonomy (through a balanced foreign policy) and economic advantage. This balancing act has been the hallmark of the Kuchma period, and has taken the form of efforts to forge close relations with the European Union and NATO with a view to eventual accession—without prejudice to a close partnership with Russia.

Russia-related security concerns lost much of their salience after the Black Sea Fleet agreements and the "Big Treaty" removed uncertainties concerning Russia's acceptance of Ukraine's territorial integrity in 1997. Russian non-interference in disputes between Kyiv and Russophone Crimea also contributed to a decline in Ukrainian fears of Russia. Domestic economic and political developments, particularly the shift in the priorities of the non-ideological business elite, also played a key part in Ukraine's new emphasis on economic cooperation with Russia (including the attraction of Russian investors to Ukraine's main industries) since the late 1990s.

Putin's rapprochement with the West, which acquired special impetus after the tragedy of September 11, 2001, has eroded the sustainability of Belarusian and Ukrainian strategies premised on Russia-NATO (or Russia-U.S.) rivalry. Belarus's poor relations with NATO and the EU are no longer compatible with Russian positions. Some tentative steps made by Belarus toward reconciliation with the West (notably, agreement for the establishment of a new OSCE mission, which became operational in January 2003, albeit with a somewhat less intrusive mandate than the previous mission, which had been effectively ousted in 2002) illustrate the influence of Russian foreign policy. The Belarusian leadership can still count on continued Russian interest and support due to the political salience and long-term economic significance that Russian policymakers attach to Belarus. Belarus, however, will increasingly have to accept limitations on its policy-making autonomy to remain in line with Russian policies, especially in the economic sphere.<sup>66</sup> Non-nationalist reform-

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<sup>66</sup> Despite much speculation that Putin had no interest in Yeltsin's project of integration with Belarus, he has unequivocally affirmed his support for monetary

oriented critics of the Lukashenko administration welcome the imposition of Russian norms as an indirect path to integration with Europe (“to Europe through Russia”).<sup>67</sup>

Putin’s good relations with the West and the de facto isolation of Kuchma since 2000 (strengthened in 2002) have equally made irrelevant Ukrainian nationalists’ preferred strategy of enlisting Western economic and political support by projecting Kyiv as an alternative “geopolitical center” in the CIS. At the same time, the linkage between security considerations and economic dependence on Russia has faded further into the background. If Russia itself is striving to move closer to Europe (through partnerships with both NATO and the EU), as a leading Russian expert put it, “the question becomes who will get there first.” In the Yalta CIS summit of September 2003, Ukraine along with Russia, Belarus, and Kazakhstan signed an agreement to cooperate with a view to forming a “single economic space,” marking the first instance of Ukraine’s participation in a Russia-led integration initiative. As Kuchma explained, Ukraine’s choice had been due to the external environment (that is, the distant prospect of EU accession): “European markets are close to us,” and “it is better to have an egg today than a hen tomorrow.”<sup>68</sup> Ukraine’s current leadership appears intent on balancing the economic and security benefits of a more substantive partnership with Russia with the advantages—in political and economic terms alike—of getting “into Europe” first, a strategy of “in Europe alongside (or regardless of) Russia.”

Over the last decade, Ukraine’s foreign policy course has evolved markedly as a result of changes in the country’s international environment, fluctuations in the influence of different political and economic groups in domestic politics, and reconfigurations of dominant groups’ interests. An initial emphasis on state-building, sovereignty, and security based on autonomy (that is, distance from Russia) was subsequently moderated by harsh economic realities.

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union and the creation of common, albeit federal, state structures. Press conference following a meeting with Aleksandr Lukashenko, *Nezavisimaya Gazeta*, August 14, 2002, p. 1.

<sup>67</sup> Interviews by Clelia Rontoyanni with Belarusian politicians, officials, and policy experts, Minsk, April 2002.

<sup>68</sup> Comment made under Chatham House rules, Wilton Park Conference “Ukraine: Political and Economic Challenges,” October 8–11, 2001.

Belarus, on the other hand, has been remarkably single-minded in its pursuit of integration with Russia. Economic considerations and security perceptions have converged in pointing to Russia as Belarus' foreign partner of choice. Besides, given its history and current economic and political conditions (most notably the absence of business interests autonomous from the political leadership and the effective lack of a multiparty system), Belarus is far less pluralistic than Ukraine—in both domestic priorities and foreign-policy choices. Nationalist political forces, which interpret Belarusian security in terms of resisting Russian influence, have at no point been influential enough to put the Russia-centered orientation into question. Advocates of market reform and good relations with the West have relatively wider appeal, but, since Putin's coming to power, this constituency also appears to consider integration with Russia in a more positive light.

Perhaps the only notable change in the Belarusian leadership's ordering of economic and security considerations has been President Lukashenko's marked reluctance to proceed with certain aspects of economic integration with Russia (particularly privatization and monetary union). Such steps could endanger security in the sense of regime survival. Opening up the national economy to Russian capital, liberalizing the business climate, and giving up monetary emission would erode the state's control over the economy, which has so far enabled President Lukashenko to maintain relatively generous welfare policies, underpinning his popularity among his core constituencies. Moreover, liberalization would foster a new class of Belarusian entrepreneurs likely to seek to advance their own interests in a more pluralistic political landscape.

A similar phenomenon appears to have occurred also in Ukraine after the scandals that discredited President Kuchma and his administration in the West and among liberal-reformist forces (led by former Premier Yushchenko's "Our Ukraine") at home. The West's increasing isolation of President Kuchma since late 2000 has further prompted the Ukrainian leadership to side with domestic economic interests favoring closer relations with Russia. Ukraine continues to assert its EU (and—less unambiguously—NATO) membership aspirations, which are not simply meant to appease the nationalist and reformist constituencies, but also to provide Ukraine with a long-term strategic perspective and give the Ukrainian leadership room for maneuver in the meantime. It is clear, however, that security understood as autonomy (particularly from Russia)

has very much lost its prominence in mainstream public discourse and effectively disappeared from the list of the Ukrainian leadership's key foreign-policy preoccupations. An emphasis on pragmatic, preferably immediate, economic gains has become increasingly evident, usually with reference to improving relations with Russia. Other external factors, notably the unlikelihood of EU accession negotiations in the foreseeable future and the increasingly attractive prospects presented by the growing Russian economy, suggest that this shift in Ukrainian priorities cannot be reduced to the president's own personal calculations.<sup>69</sup> Nevertheless, in the Ukrainian and Belarusian cases alike, domestic political considerations have been the key factor in determining the ordering of security and prosperity when it comes to foreign policy. Public opinion represents a major constraint on the possible choices of the two countries' leaders. In Ukraine, the presence of sizeable nationalist and Russia-oriented constituencies requires any Ukrainian president to steer a middle course, notwithstanding occasional shifts of emphasis. In Belarus, the weakness of the nationalist constituency—among both the elite and the mass public—effectively rules out a Russia-skeptic interpretation of the country's economic and security interests. In both cases, domestic politics can be said to have overshadowed the concept of national security, as regime survival has become the prevalent, perverse interpretation of “national security interests.”

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<sup>69</sup> Speculation surrounding Kuchma's alleged search for a “successor” (meaning a candidate to support in the 2004 presidential election, presumably on the understanding that Kuchma would receive immunity from prosecution) is widespread in the Ukrainian and Russian media.