

## **YANUKOVYCH COLD-SHOULDERED ON FIRST VISIT TO RUSSIA**

*by Vladimir Socor*

Ukraine's new prime minister, Viktor Yanukovich, paid his first visit abroad in that capacity on August 15-16 to Russian President Vladimir Putin's residence in Sochi. The visit's results are inconclusive, but Russia's message to Ukraine seems clear: Economic favors are ruled out for the time being, but may become conditionally available later through mechanisms of "integration." Yanukovich held talks with Russia's leaders and attended a summit of the six-member Eurasian Economic Community (EurAsEc: Russia, Belarus, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan) in line with Ukraine's observer status in that group. Extensive discussions between Yanukovich and Russian Prime Minister Mikhail Fradkov were followed by a one-hour Putin-Yanukovich session on the second day (August 16), just before Yanukovich caught his flight back to Ukraine. The ushering in of Yanukovich at the last moment underscored the Kremlin's wait-and-see attitude toward Ukraine's new government. Landing in the Crimea in the evening to report to President Viktor Yushchenko there, Yanukovich had to tell the awaiting press, "We are aware of our quite difficult relations in the oil and gas sector" (Interfax-Ukraine, August 16). Opening the prime ministers' session, Fradkov cautioned Yanukovich that declarations about Russia being a priority in Ukraine's foreign policy "should advance from words to deeds" and that Russia "needs full clarity" from Ukraine. Fradkov called for a "market approach" to bilateral economic relations, including energy supplies; Yanukovich, for a "market approach [that] also takes into account the intensity of Russia-Ukraine economic relations." While Fradkov's "market approach" implies monopoly and price dictation, Yanukovich's qualification implies favors to Ukraine within a context of Ukrainian economic gravitation toward Russia. Fradkov urged the Ukrainian side to participate more actively in preparations for creating the Single Economic Space (SES, with Russia, Belarus, and Kazakhstan) and, as an intermediate step, to fully join EurAsEc and its planned Customs Union. Fradkov described such participation in "integration processes" as one of the main factors that will determine the shape Ukraine's relations with Russia. Yanukovich seemed to demur on SES, announcing only that First Deputy Prime Minister Mykola Azarov would represent Ukraine in the High-Level Working Group on the Formation of SES. Regarding EurAsEc's Customs Union, Yanukovich answered cautiously that Ukraine would consider selective participation in those activities that would correspond to Ukraine's national interests. Even so, this would seem to go farther than the previous government's policy of seeking no more than a Free Trade Zone. At this Sochi meeting, the presidents of EurAsEc's member countries decided to accelerate preparations for the Customs Union, aiming to announce its founding by July 2007. Concurrently, the presidents of the three full-fledged SES member countries decided to forge ahead with that project. Such bifurcation would seem to enable Ukraine to opt for the softer form of "integration." However, participation in this Customs Union would jeopardize Ukraine's accession to the World Trade Organization and relations with the European Union. Yanukovich's public remarks during this two-day meeting did not include any reference at all to Ukraine's relations with the EU. In the run-up to the Sochi summit, Yanukovich had publicly expressed hopes that Russia might reduce if only symbolically the price of gas

for the remainder of 2006 and consider a price cut for 2007 (see *EDM*, August 16). These unrealistic hopes were dashed in Sochi. At the visit's end, Yanukovich cited speculation about a price range of \$150 to \$230 per 1,000 cubic meters in 2007, which must look horrific in Ukraine, compared to \$95 at present. But he assured the country on his return that there would be "no jump" in the price next year, though there would be some gradual increase; and that the price of gas to household consumers would rise only moderately in 2007. Thus, the issue remains in suspense as the heating season approaches. Fradkov and Yanukovich added to the uncertainty by announcing that a whopping 24.5 billion cubic meters of Russian gas would be pumped into Ukraine's underground storage sites ahead of winter, at a rate of 130 million cubic meters daily. There is no word as to how much of this volume is intended for export to EU countries and how much for Ukraine's consumption, how will an already indebted Ukraine pay for its share, and what fees Russia would pay for Ukraine's storage services. There was no word in Sochi about revising Kyiv's suspect arrangements with the RosUkrEnergO gas company. The new government seems reconciled to those arrangements, to which both the first Yanukovich government and the Yushchenko presidency contributed in an ironic demonstration of "bipartisanship." Gazprom's Vice-Chairman Alexander Ryazanov, who concurrently sits on RosUkrEnergO's Coordinating Committee, was a key participant in the Sochi talks with Yanukovich. Both sides aim to convene a meeting in Kyiv of the Russia-Ukraine Intergovernmental Commission on Economic Cooperation. That meeting would prepare decisions for a subsequent meeting of the Putin-Yushchenko Commission, the top albeit dormant authority on bilateral relations. In Sochi, Yanukovich pressed for an early meeting of the intergovernmental commission, to be followed the next day by the presidential commission's meeting. Fradkov, however, seemed in no hurry, and neither did Putin. The Russian side wants "careful preparation" of the first meeting and, after that, careful preparation again of the presidential-level meeting. Yanukovich clearly tried to secure for Yushchenko the meeting with Putin that the Ukrainian president insistently seeks. But the Kremlin evidently feels that Ukraine needs Russia more than Russia needs Ukraine at this point. (Interfax-Ukraine, UNIAN, Channel Five TV [Kyiv], August 15, 16; see *EDM*, August 7, 8, 10, 14, 16)

--Vladimir Socor