

CRITICAL QUESTIONS

Ukraine-Russia Tensions

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Ukraine-Russia tensions have grown over the questions of natural gas sales and Kyiv's bid for a NATO membership action plan. These issues will continue to burden Ukraine-Russia relations as Dmitry Medvedev takes on the Russian presidency.

Q1: What is the dispute over natural gas sales?

A1: The Russians twice in February threatened to cut gas flows to Ukraine due to payment arrearages. On March 3, Gazprom reduced the supply of gas to Ukraine by 35 percent, citing failure to settle all outstanding debts. Given the lack of transparency in the arrangements by which Ukraine imports gas, we have little reliable information on who owes what to whom (Ukrainian officials say they have the same problem). It thus is unclear whether this is just a commercial dispute or something more, as when Moscow cut gas to Ukraine in January 2006. On February 12, Presidents Viktor Yushchenko and Vladimir Putin announced agreement in principle on gas sales, and Prime Minister Yulia Tymoshenko discussed the issue during a subsequent visit to Moscow. However, no details emerged. Tymoshenko wants to remove RosUkrEnergo, a murky intermediary whose value added is unclear, from the gas sales equation and buy gas directly from suppliers. This could introduce greater transparency into a sector traditionally seen as one of the most corrupt in Ukraine. But vested interests in Moscow and Kyiv may be resisting this change.

Q2: What does Ukraine want from NATO and what is the Russian angle?

A2: In January, Yushchenko, Tymoshenko, and Rada (parliament) speaker Arseniy Yatseniuk signed a letter to NATO secretary-general Jaap de Hoop Scheffer requesting a membership action plan (MAP) at the alliance's April summit in Bucharest. Yushchenko has made full integration into the Euro-Atlantic community his top foreign policy priority, and a MAP is the next logical step for strengthening Ukraine's relationship with NATO. NATO allies are now considering how to respond to the Ukrainian request.

Putin has said this is an issue for Kyiv to decide, but the Kremlin, never comfortable with NATO enlargement, dislikes the prospect of Ukraine drawing closer to the alliance. (Much of the Russian foreign and security policy elite portrays NATO as an adversary, giving little recognition to how its force structure and missions have changed over the past 20 years.) Putin has suggested that, were Ukraine to join NATO and accept NATO bases, Russia might target nuclear missiles at Ukraine. The Ukrainians replied that if they join NATO—at this point, Kyiv has asked only for a MAP, not for an invitation to join—they would not allow deployment of NATO nuclear arms or bases on Ukrainian territory. Ukraine hopes to draw closer to NATO without alienating Moscow.

Q3: What other issues trouble Ukraine-Russia relations at present?

A3: When Ukraine and Russia divided the Soviet Black Sea Fleet after the collapse of the Soviet Union, Russia lacked sufficient port facilities to base its ships in Russia proper. The Crimean port of Sevastopol had been the fleet's main base. In 1997, Kyiv and Moscow reached an agreement allowing the Russian Black Sea Fleet to use Sevastopol and other facilities in Crimea for a period of 20 years. The Russians want to stay longer, but Kyiv has made clear that it does not envisage extending the lease beyond 2017. The Russians appear to be making preparations to expand facilities in Novorossiysk.

Ukraine has completed its negotiations on joining the World Trade Organization. While the Rada must ratify the arrangements, Kyiv is on track for WTO accession by the middle of the year or sooner. Russia's WTO negotiations have gone considerably slower, and some in Moscow fear that Ukraine, once in the WTO, may insist on new conditions that will further slow Russia's accession. Ukrainian officials say they have no such intention.

Q4: Will Dmitry Medvedev's election have an impact on relations with Ukraine?

A4: Medvedev knows the gas trade, given his years chairing the board of directors of Gazprom, but he has far less experience on NATO and the Black Sea Fleet. Whether his election affects overall Ukrainian-Russian relations will depend in large measure on how he as president and Putin as prime minister divide the foreign policy portfolio. At this point, the Ukrainians do not appear to expect major shifts in Russian policy.

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