

# **Ukraine and Russia: mutual relations and the conditions that determine them**

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Among all of the countries that border Ukraine, the Russian Federation is its most important partner. Ukraine's relations with Moscow are the key issue of its foreign policy to such an extent that each option of the Ukrainian foreign policy is first and foremost a choice as to the shape of its relations with Russia. This is mainly a consequence of Ukraine's geographic and geopolitical situation, the legacy of many centuries of political, economic and cultural bonds between these two countries, as well as Russia's inevitably dominant position in their mutual relations.

Furthermore, this is a consequence of the fact that the European Union's most important partner in the East of Europe is Russia, while Ukraine is viewed (and will continue to be) by the EU mainly in the context of its relations with Russia: the better these relations, the better Ukraine will be perceived by Berlin, Brussels and especially Paris. In the case of the United States the situation is a little different, since the US is interested in the independence of Ukraine's security policy from that of Russia, nevertheless the Americans also see Ukraine mainly in the context of their relations with Russia. On the other hand, after ten years of Ukraine's existence as an independent state there is no doubt that this country has no chance of joining NATO or the European Union in the foreseeable future (if ever). This makes the relations between Moscow and Kyiv even more important.

## **Theses**

1. Because of the diverse ties existing between Russia and Ukraine, it was extremely difficult for these two countries to establish normal interstate relations. Russia finally recognised Ukraine's independence and borders (i.e. signed the treaty on mutual relations) only in 1997, and only under pressure from the international community.
2. The disintegration of the USSR's single economic system resulted in many difficulties, both for Russia and for Ukraine. Ukraine, however, had to face more severe problems, because it was more heavily dependent on its partner. Still, in spite of the Russian side's attempts at exerting pressure, Ukraine has defended its economic independence with great determination, while its political classes have been aware that, in order to derive gains from the economic co-operation with Russia, Ukraine has to preserve its independence.

3. The year 2000 saw a breakthrough in Ukrainian – Russian relations: their economic growth, which was achieved mainly due to the good economic situation in Russia, made the Ukrainians aware that there is no alternative to close co-operation with the Russian Federation (even at the price of certain concessions). Moscow, on the other hand, realised that it will be easier to pursue its political goals in Ukraine if the Ukrainians are treated as partners.

4. It is in Ukraine's primary interest to develop a partnership with Russia, even if this partnership has to be unequal. It will enable Ukraine to sustain its independence while closely co-operating in economic and political terms. Still, Kyiv seeks a counterbalance for its relations with Russia from the strategic partnership with the USA. For Russia, on the other hand, it is in its best interest to prevent NATO's presence on the northern coast of the Black Sea and a too close alliance between Ukraine and the USA. These interests are contradictory, but they may be reconciled so that they do not lead to controversies and conflicts.

5. Russia's key economic goals in Ukraine are largely consistent with the interests of Ukraine: Russian transit through the territory of Ukraine is a huge source of revenue for Kyiv, while the growth of mutual business exchange is something which both countries can benefit from. However their respective interests in the energy sector are definitely contradictory. Russia wants to retain the monopoly of natural gas supplies for Ukraine (supplying its own gas or Turkmen gas transited through Russian territory) and to limit its dependence on the transit of gas through Ukraine, while the interests of Kyiv are exactly the opposite. The Ukrainian side, though, isn't really determined to pursue these interests.

6. Like Ukraine's political classes, its society is largely pro-independence, but opposes the idea of loosening the relationship with Russia. Therefore, the policy of "asymmetric partnership" and Ukrainian – Russian rapprochement "safeguarded" by Ukraine's close co-operation with the USA, which was articulated in the new foreign policy doctrine formulated in early 2001, may meet with wide-spread support.

7. It seems that this direction in the mutual policies will prove permanent, both for Russia and for Ukraine. It will lead to the tightening of the two countries' mutual bonds, however the degree of asymmetry of the partnership that is being formed remains open to debate. However, it appears unlikely that Russia should

be able (or even willing) to "absorb" Ukraine in the foreseeable future, or that in Ukraine there would emerge major political groups ready to support this kind of political project.

8. As yet, it is difficult to determine how the impending war against terrorism will affect Ukraine and Russia's mutual relations. However, the expected Russian – American rapprochement is certainly in agreement with Kyiv's disposition to develop closer relations both with the Russian Federation and with the United States.

## I. Outline of the development of Ukrainian – Russian relations from 1991 to 1999

### The Beginnings

During the final period of USSR's existence the authorities of Ukraine and Russia co-operated in their efforts against the union-oriented Centre. However, the day after the signature of the Commonwealth of Independent States formation treaty on December 8, 1991 conflicts of interests emerged and co-operation gave way to rivalry. One of the basic causes of controversy was the fact that the two countries had different ideas of the Commonwealth. For Ukraine, it was to be a kind of Commission for the Liquidation of the USSR, while Russia saw it as an instrument to preserve the maximum possible degree of post-Soviet countries' integration and to carry out their future reintegration.

A major factor that affected the development of independent Ukraine and its relations with Russia is often overlooked. This is the fact that Ukraine's independence was a product of the Soviet political classes' division into republican "formations". It was Ukraine's Soviet ruling class that decided to form a state of its own, and therefore this state has been a continuation of the Ukrainian Soviet Socialist Republic, both in terms of the international law and in terms of its political system, economy and culture. Manifold bonds existed between the emerging Ukrainian political classes (with the exception of the very limited dissident circles) and the Russian political classes. From the very beginning this has been a major factor which made it extremely difficult, if not impossible, for Kyiv to adopt a policy of definite separation from Moscow, as independence-oriented right wing Ukrainian groups wanted. Thus, in the first years of Ukraine's inde-

pendence it was mainly the Russian Federation's confrontational policy that pushed Ukraine towards the West.

The beginnings of Russian – Ukrainian relations were very difficult. Ukraine was experiencing an independence induced euphoria which bred excessive expectations regarding the West. At the same time the Russian Federation was in a state of shock caused by the loss of lands that were considered to be historically part of Russia and were largely inhabited by Russians. For some time Moscow continued to articulate threats of border revision and to promote the idea of Ukraine's inevitable division into a western and an eastern part (this kind of suggestions continue to appear in the Russian press even today). On the other hand, the attitude adopted by Kyiv towards Russia in the first years of independence was strict and in many respects unrealistic. Moscow welcomed this attitude, as it slowed down the process of recognising Ukraine as a responsible member of the international community entitled to full rights.

For the Russian Federation it was significant that along with its territory, Ukraine took almost all of the Black Sea Fleet bases, as well as the groups of strategic bombers and rockets armed with over 1700 nuclear warheads. Also taken were two stations of the nuclear attack early warning system, these being the most important for Russia, as without them its anti-rocket defence system lost sight of the south-west. Nevertheless, the two countries soon reached an agreement on this: Ukraine leased both these facilities to the Russian Federation and their operation continued uninterrupted<sup>1</sup>. Similarly, Ukraine never questioned the presence of Russian armed forces in Sevastopol.

Ukraine did not accede to the CIS Collective Security Treaty (the Tashkent Treaty), nor did it join the treaty on collective defence of borders and many other CIS agreements, which Ukraine considered disadvantageous. Also, Kyiv consistently and effectively opposed the transformation of the CIS into a superstate structure, and from 1994 Ukraine developed a tendency to sabotage forms of multilateral co-operation and to prefer bilateral co-operation (including with the Russian Federation). This policy, supported by some of the other CIS countries, ultimately led to the failure of Moscow's policies and to the decline of the Commonwealth of Independent States.

The policy of Ukraine's first president Leonid Kravchuk was fairly impressive and rather ineffectual. It was basically a policy of gestures, both in relation to the West and to Russia. It led to the recognition of Ukraine as an equal member of the community of nations, but failed to solve any of the country's major problems.

Especially in the relations with Russia Leonid Kravchuk proved to be unable to develop workable compromises. However Russian expectations were also exaggerated. In 1992–1994 the main points of debate could have been resolved in a manner that would be much more favourable for Russia than the compromise reached ultimately in 1997.

The attitude of Ukraine's second president Leonid Kuchma was radically different. Elected promising closer relations with Russia, he pursued a definitely patriotic yet simultaneously pragmatic policy towards it from the start. This policy proved quite effective. In February 1995 the Russian-Ukrainian Treaty of Friendship, Co-operation and Partnership was signed. It did not include the provisions on dual citizenship and the Black Sea Fleet that Russia had proposed (both these issues were excluded to be settled in a separate agreement), and its provisions on the recognition of borders were absolutely univocal. Nevertheless, Moscow's agreement to sign the Treaty depended on the signature of the accords on the final division of the Black Sea Fleet and the terms and conditions of Russian navy's stationing in Crimea. The absence of any progress on this matter resulted in repeated cancellations of the Russian president Boris Yeltsin's visits to Kyiv. It was, however, a success on the part of Ukraine's diplomacy to convince international opinion that Moscow was responsible for the impasse in the negotiations and that the conditions it wanted to impose would call into question Ukraine's sovereign rule over a portion of Crimea.

The Ukrainian constitution passed in June 1996 ruled out the fulfilment of one of Russia's demands, namely the introduction of dual citizenship (and of equal status of Russian as an official language, which has been persistently, if unofficially, urged by the Russian and some groups within the Ukrainian political classes). The constitution did, however, allow the existence of a Russian military base in Ukraine<sup>2</sup>. This opened the way to the final resolution of the Sevastopol issue.

## **Disintegration of the common economic system**

As a consequence of the sudden introduction of state borders that divided an area which used to be highly integrated in social and economic terms, both parties encountered numerous new difficulties. Ukraine became the owner of huge arms and chemical industries, of which it needed only a small fraction. Following the Soviet military policy's breakdown, Russia didn't need much of

these industries either. The fast disintegration of the command economy, which was not accompanied by the introduction of market economy mechanisms, caused anarchy in economic relations and the spontaneous formation of pseudo-market mechanisms that remain unclear even today. This affected international economic relations as well. The crises of the post-Soviet economies (especially the dramatic decline in military contracts), combined with excessive expectations regarding economic co-operation with the West, resulted in the mass-scale breaking of co-operative ties between Ukrainian and Russian (as well as other post-Soviet) businesses. As a consequence, the years 1992–1993 saw a very serious decline in economic exchange among the post-Soviet countries.

Ukraine made intensive efforts to build its „structure of independence”, introducing its own economic legislation and other measures. However they failed to take into consideration the inevitable consequences of such changes for the still existing common monetary and customs systems. The other post-Soviet countries did the same. The common legal system therefore disintegrated at a very fast rate, which entailed disintegration of the other systems. The creation of a merely formal border (unguarded at the beginning and not demarcated until today) afforded an excellent source of revenue, especially for the large commercial companies that speculated in different prices and exchange rates and took advantage of the differences in legal situations (especially tax laws). This new class of business people, which began to form even before the break-up of the USSR, quickly transformed into an influential group (or, more specifically, influential groups) whose pressures have repeatedly influenced decisions at state level.

In November 1992 Ukraine ceased to belong to the ‘rouble zone’, and the Russian ruble became foreign currency in Ukraine after nearly a year of “co-existence” with the Ukrainian *karbovanets* (coupon). It was Russia who inspired this move when growing inflation in Ukraine began to adversely affect the Russian economy and to pose a threat to the reform program launched in Russia, as the existence of the ruble zone had been an important factor that stimulated the emergence and strengthening of the “new Ukrainians” and “new Russians” groups mentioned above.

Almost immediately afterwards a significant asymmetry in economic relations became apparent. It manifested itself in Ukraine’s heavy dependence on strategic supplies from Russia and in Russia’s much slighter dependence on supplies from Ukraine. Ukraine was mainly dependent on the supplies of raw materials – it had to import huge quantities of natural gas (over 80% of its

supplies), oil (approx. 90%), as well as timber and cellulose (approx. 60% and 80%, respectively), and all of its nuclear fuel from Russia. Diversification of supplies proved impracticable, even though as a result of the oil products market demonopolisation Ukraine’s dependence on supplies from Russia ceased to be major threat.

For Russia, on the other hand, supplies from Ukraine were not strategically important (except for foods and some metallurgic products), although the existence of many major Russian businesses was contingent upon some of them. Wealthier (because of its easily marketable raw material resources) Russia was able find replacement sources of supplies, either within its own economy, or from the international market. While it was important for Russia to sustain the co-operation with certain Ukrainian businesses from the arms sector, this was mainly due to the fact that starting to produce the missing elements on its own (and establishing design offices) would be too costly for Russia. For the Ukrainian arms industry, on the other hand, co-operation with Russian partners was a matter of survival.

Already around 1994 it became clear that Ukraine had little skill in taking advantage of those few areas in which Russia was dependent on it (these being mainly natural gas and oil transit, and transit to and from the port of Odesa). Meanwhile, Russia would use the supplies of natural gas as an instrument of political pressure. This instrument, however, turned out to be barely effective. Firstly, because in response to supply limitations Ukrainian businesses started consuming gas intended for Western customers taken from the transit pipelines, and secondly, because Gazprom pursued its own policy towards Kyiv, which was not always consistent with the policy of the Russian Federation.

As political controversies gradually lost importance, the focus of Ukrainian-Russian relations shifted to economic issues. Here, Ukraine had much less room for manoeuvre because, unlike political relations, it could not expect support from the West. What is worse, slow structural reforms in Russia and the absence of any such reforms in Ukraine created a distance that put Ukraine in a much weaker position in any economic negotiations. Nevertheless, while there is simply no alternative to economic co-operation with Russia for Ukraine, the necessity of close economic relations, and even of major concessions to the partner, does not have to pose a threat to Ukraine’s independence.

## **Signature of the Ukrainian – Russian treaty...**

Towards the end of 1996, when it became clear that the expansion of NATO was inevitable, Ukraine started diplomatic action aimed at ensuring that the Alliance's expansion does not adversely affect its geo-strategic situation. This action brought the expected results, not only in the form of the NATO-Ukraine Charter: under evident pressure from the West, Moscow agreed to sign the treaty with Ukraine along with the three agreements negotiated immediately before, which governed the final division of the former USSR's Black Sea Fleet and set out the terms and conditions on which the Russian navy base in Sevastopol was to operate. It is quite likely that these agreements were negotiated with confidential mediation of the NATO member states. On May 30, 1997, during president Yeltsin's official visit to Kyiv the Ukrainian-Russian treaty and the Sevastopol agreements were finally signed<sup>3</sup>.

The Sevastopol agreements confirmed Ukraine's unconditional sovereign rule over the city and the naval port, but they guaranteed Russia the right to keep a navy base there for at least twenty years. It was a compromise based on realistic analysis of gains and losses for both sides. It did not satisfy either party but it was acceptable to both. Signature of the treaty closed the formation phase of the basic structures in Ukrainian – Russian interstate relations<sup>4</sup>. Russia ultimately gave up the idea of separating Crimea or Sevastopol from Ukraine (if it had ever considered seriously this). In return it gained what it really wanted and secured its significant interest, i.e. retained the military base in Crimea. At the same time it prevented Ukraine's potential accession to NATO, and consequently, avoided the Alliance's presence on the northern coast of the Black Sea.

## **...and the framework economic agreement**

Following the signature of the treaty on friendship and co-operation, negotiations were undertaken with a view to conclude the long-term economic agreement which was finally signed by presidents Leonid Kuchma and Boris Yeltsin on February 27, 1998 during the Ukrainian president's first official visit to Moscow. The agreement on economic co-operation from 1998 to 2007 is a fairly enigmatic document. Its key provision, Article 2, states that *the high parties signing the agreement, who recognise the necessity to gradually shape and develop a joint economic space,*

*shall create favourable conditions for the harmonisation of basic directions of social and economic change; structural reconstruction; alignment of the normative and legislative foundations of economic co-operation with abroad, customs tariff policy, tax policy and antimonopoly legislation; the development of separate projects and programs; promotion of co-operation; the development of strong production structures; as well as for mutual participation in privatisation and investment projects, in compliance with national legislation<sup>5</sup>.*

The agreement also contains provisions on the necessity to *align the basic directions of market reforms* in both countries and to *create the foundations for further development of integration processes in the economy*<sup>6</sup> (this is pure new-speak: in fact, in 1998 the disintegration processes were still going on). The media on both sides have attached huge importance to this document, but in fact it is little more than a letter of intentions that must be followed by long and difficult inter-government negotiations and real decisions, including the passing of numerous legislative acts. What is also necessary is good will on both sides, i.e. the will to achieve more than just conclusion of an agreement, a success that is easy to turn to propaganda profit (especially in the campaign running up to the Ukrainian parliamentary elections). One more thing that significant about this agreement is its distinctly bilateral nature: the Commonwealth of Independent States appears only as a decoration of no real consequence.

The agreement, however, is merely a preamble to the appendix that details the scope of future arrangements. This appendix, entitled *The Program of Economic Co-operation between Ukraine and the Russian Federation for 1998–2007* (unpublished), comprises 130 paragraphs, of which 16 are devoted to co-operation in the area of the armaments industry, and it makes a provision for future negotiations aimed at *liberalisation of the free trade regime* (in fact, adjustment of the terms of this trade to world standards), uniformisation of the terms of imposing indirect taxes, *alignment* (but not uniformisation) of customs tariffs and procedures, establishing co-operation between the two countries' border and customs services (the more detailed propositions in this respect could be summed up as calling for the introduction of elementary legal and organisational order on the Russian – Ukrainian border), and so on. The Program, nevertheless, remained dead, and real improvement in economic relations between Russia and Ukraine did not take place until 2000<sup>7</sup>.

Following a period of relatively good economic situation, the Ukrainian – Russian economic co-operation wavered under the

impact of the Russian crisis in 1998. Ukraine did not experience a financial crash like the one in Russia, but the ties existing between the financial markets of both countries led to a serious weakening (not a breakdown, though) of the hryvnia in autumn that year. This, in turn, adversely affected the economic exchange between Russia and Ukraine. In 1999 Ukraine's commodity exports to Russia had decreased 50 percent compared to 1995 and 22 per cent compared to 1997, while imports from Russia had decreased 1/3 per cent and 10 per cent, respectively<sup>8</sup>. Exports of services increased 40 per cent in 1997–1998, but in 1998 dropped 30 per cent, while imports decreased 15 per cent and 10 per cent, respectively. An important long term consequence of the crisis was the reduced profitability of imports in both countries, which stimulated domestic production. This, in turn, contributed to the 2000 boom in Ukraine.

## Import of natural gas

The supply and transit of natural gas is the key element in Ukrainian – Russian economic relations. Ukraine cannot survive without the supplies of natural gas from Russia (or from other sources through the territory of Russia)<sup>9</sup>, while for the Russian Federation the proceeds from natural gas exports are of crucial importance for the stability of its public finances. Russia exports its natural gas almost exclusively through the territory of Ukraine, and the launch of the first branch of the Yamal pipeline has changed this situation by only a small extent<sup>10</sup>. Ukraine is also one of the major consumers of Russian gas, a consumer that Gazprom could not do without in the early years (this changed around 1999 when Gazprom decided to maximise its exports outside the CIS). In the early 90s, the import of natural gas was probably the most criminally-affected sector of Ukraine's economy: all (or nearly all) of Ukrainian oligarchical fortunes (and some of those in Russia) were built on corrupt practices in the gas sector. These practices caused losses for Gazprom, too, but in spite of the Ukrainian partners' growing debt, its supplies of gas to Ukraine must have remained profitable, either for the concern or for its management, whose private interests were often in conflict with the interests of the company.

Following the break-up of the USSR, Ukraine assumed control over the system of transit pipelines running across its territory. At that time the management of Gazprom disregarded this fact, probably because it did not take the ultimate break-up of the common state seriously. This is why they later attempted to reclaim

this infrastructure (without success yet, even though it has made several such attempts).

In the early 90s, Ukraine's consumption of natural gas reached 115 billion cubic metres per year, dropping gradually over subsequent years and reaching 68.6 billion cubic metres in 2000<sup>11</sup>. At the same time, Ukraine's domestic production decreased from 28.1 billion cubic metres in 1990 to 18.0 billion cubic metres in 2000<sup>12</sup>. Nevertheless, the proportion of domestic production in the energy balance increased.

From the start (probably even before 1991), a portion of the gas supplied to Ukraine originated from Turkmenistan. In 1996 this country provided 18.3 billion cubic metres of gas, while Russia provided 52.9 billion cubic metres (in 1997, 11.9 and 49.3 billion cubic metres, respectively)<sup>13</sup>. However, in 1997 Turkmenistan discontinued its supplies because the Ukrainians failed to meet their obligations. Unlike Russia, Turkmenistan was not dependent on Ukraine for transit of gas exports and so could afford to cut off supplies. The management of Gazprom took advantage of this situation and increased supplies to Ukraine so as to make up for the shortage caused by the discontinuance of Turkmen imports. At the same time Gazprom attempted to force the transformation of the Ukrainian gas importers' debt into Ukrainian state debt<sup>14</sup>. Given all this, the 1998 agreement on the supplies of natural gas to Ukraine seriously worsened the Ukrainian side's situation. The arrangements that accompanied it secured a quasi-monopoly position in Ukraine's internal market<sup>15</sup> for ITERA-Ukraina<sup>16</sup> (who also acts as the provider of Turkmen gas). The debt relating to current supplies ceased to accrue and the old debts were restructured, but there was the growing problem of gas theft from transit pipelines. Moscow would use this as an argument in bilateral negotiations and on the international scene to discredit Ukraine, while the management of Gazprom did nothing to stop the theft. It seems that the main reason for this was the fact that theft of gas and its subsequent resale to the West was a source of profit not only for the top management of Ukraine's Ukrhazprom, but also for the top managers of Gazprom.

In February 1998 Ukraine and Turkmenistan signed a long-term agreement for the supply of natural gas, but the supplies under this agreement were also soon discontinued. In 1998 Ukraine received no Turkmen gas, while in 1999 the volume of supplies reached approx. 8 billion cubic metres<sup>17</sup>. Thus, Russia continued to supply a major portion of the natural gas consumed by Ukraine. Gazprom went on to take advantage of this situation, attempting to assume control over Ukrainian transit gas pipelines (unsuc-

cessfully) and over Ukraine's metallurgic and chemical enterprises that were of interest to it (quite successfully)<sup>18</sup>.

## II. Year 2000. Re-valuation.

### Kyiv: its economic growth and disappointment for the West

The election of Leonid Kuchma for a second term of office and the appointment of Victor Yuschenko as Prime Minister increases hopes for the beginning of radical reforms in Ukraine, which would bring the country closer to West-European standards of economy and social life. These hopes were only partially fulfilled. The economic growth, achieved without any help from Western financial institutions, turned out to be the main success of the Yuschenko government. Nevertheless, the disappointment of the West with Ukraine and vice versa was still growing even despite the government's successes over the year 2000. On top of that, an understanding that there is no alternative to close co-operation with Russia matured in Ukraine.

The program executed by Yuschenko's government was aimed at bringing order to the mechanisms of Ukrainian economic life, but not at their radical change. Over the year 2000 Ukraine was rather reducing the distance from Russian Federation than becoming closer to the Western standards. It is striking that the fundamental mechanisms of Ukrainian political life (especially the struggle between the oligarchic and bureaucratic groups for influence over the president) and their changes reflect similar mechanisms and processes in the Russian Federation<sup>19</sup>. For example, the oligarch's attacks first on the Vice-Prime Minister Julia Tymoshenko and then on the Prime Minister Yuschenko were preceded by similar attacks from their Russian counterparts on the Prime Minister Sergei Kiriyenko in the summer of 1998. However, the changes which the Russian political mechanisms have been undergoing since 2000 still have not been seen in Ukraine.

Ukraine experienced in 2000, for the first time since gaining independence, a substantial economic growth (Gross National Product rose by 6%, industrial production by 13%, agricultural by 7.5%) and an increase of budget's income which improved the social situation. The biggest increases were in food, steel and light industry. The increase was largely due to a growth in the prices of crude oil, which was unfavourable to Ukraine, but which propelled Russia's economic growth which in turn propelled the

demand for imports from Ukraine<sup>20</sup>. The second important factor was the continuation of extensive privatization, as a result of which numerous plants of heavy and chemical industry have become the property of Russian capital and were able to increase or even start production again. The Ukrainian economic and political circles must have understood then that their country could manage without the Western help, but not without close co-operation with Russia.

On the other hand, the IMF did not resume loans to Ukraine in 2000<sup>21</sup> and the Western media would occasionally renew their campaigns discrediting the country, Prime Minister Yuschenko especially – the most pro-Western politician of Ukraine's leaders, seen there as the one "appointed by the USA". At the same time an almost year-long discussion of the Russian project (which mainly took place in Poland not in Ukraine) for a new gas pipeline which would go around the territory of Ukraine combined with Brussels' attitude towards an increase of the import of Russian gas have made the Ukrainian political class aware that EU sees the Russian Federation as its main partner in Eastern Europe, and from Kyiv it expects good relations based on partnership with Moscow<sup>22</sup>.

Some time earlier, in 1999, another event happened which weakened the pro-Western affinities. This was the war in Kosovo and NATO's attack on Yugoslavia. Although Kyiv, unlike Moscow, did not openly protest against the Pact's activities and later willingly took part in a peace operation, the Ukrainian politicians did not hide that their sympathies lay on the side of Serbs, not with the Albanians. The feelings of the Ukrainian society, to whom the Serbs (Slavic and Orthodox) are closer than the Muslim Albanians, were similar<sup>23</sup>.

In October 2000, out of 100 leading Ukrainian experts (civil servants, analysts from non-governmental organizations and media) who were polled, 80 regarded Ukraine's relations with Russia as the priority of its foreign policy (66 with the USA, 62 with Germany, 52 with Poland, 25 with China, other countries scored under 20). Among the countries with which co-operation is crucial for fulfilling the aims of Ukrainian foreign policy, Russia was indicated by 89 (the USA by 90, Germany by 80, Poland by 58, China by 36, Great Britain by 34, France by 28), and to a question on military help from which country Ukraine can count in case of aggression Russia was indicated by 48 (the USA by 54, Poland by 30, Germany by 20)<sup>24</sup>. The poll gives an insight into the beliefs of the Ukrainian political class which puts relations with the Russian Federation and the United States as the priorities for its policy.

## Moscow: New pragmatism

The new president of the Russian Federation, Vladimir Putin, has given up his predecessor's inconsistent policy towards Ukraine, which was coloured with a certain post-soviet nostalgia and the hopes of the still more and more mythical "re-integration of the CIS' countries". Moscow has understood and accepted the fact that Ukraine's independence is irreversible and that it would be in Russia's interest to respect this, not only making its policy towards Kyiv easier, but also improving the Russian Federation's image world-wide. The change contributed to improvement of bilateral relations in the years 2000–2001.

During the presidential campaign of 1999 in Ukraine, Russia remained restrained. Relatively late in the campaign it opted for Leonid Kuchma as the least inconvenient of the important candidates. His main rival, a communist Petro Symonenko, was dangerous to Moscow as he is an ally of Gennady Zyuganov. Kuchma however, was already known and was also liked and valued by Boris Yeltsin. If the change of leaders in the Kremlin had happened earlier, Russia might have decided to support Oleksandr Moroz, the only candidate who in those elections constituted a real political alternative to Kuchma.

Since 2000 Russia's politics have become more pragmatic and predictable, and Russia itself ruled much more consistently, and therefore stronger. Putin's Russia has given up treating the CIS as a tool in re-integration of the "post-USSR space" and with determination has backed bilateral relations with the member countries of the CIS. The Kremlin has decided that treating Ukraine as a partner and an ally, and not as a "transient country", would make it easier to achieve the important political aims connected with this much weaker country. It has turned out to be a good decision. The new political direction has removed the main psychological impediment in the way of tightening the Ukraine-Russia relationships, enabling Kyiv to make some concessions to its northern neighbour.

As the chief of the Council for Foreign Affairs and Security of the Russian Federation Sergei Karaganov said at the beginning of 2001: *Russia is interested in a stable Ukraine (...) Russia needs a friendly Ukraine. (...) Russia cannot afford the luxury of supporting Ukraine financially*. Moreover, according to Karaganov: *A downfall of Ukraine's economy means a catastrophe for Russia*<sup>26</sup>. Boris Tarasyuk, Ukraine's previous minister of foreign affairs, similarly assesses the situation: *Since Vladimir Putin's victory in elections we have clearly experienced a new approach of*

*the Russian Federation. It is characterised by firmer relations and I would even say, pressure on Ukraine. Nowadays, there is less sentiment in the relationship of the leaders and more pragmatism, which is positive in itself. But if you are the weaker party, such pragmatism turns into the partner's pressure*<sup>26</sup>. Nevertheless, contrary to Tarasyuk's beliefs, it is difficult to see any increase in Russia's pressure on Ukraine. It was especially noticeable during gas negotiations at the end of 2000, which gave Kyiv some unexpected benefits<sup>27</sup>. As a Russian political commentator has accurately remarked, Yuschenko's pro-Western policy was favourable to Russia as the new Ukrainian government honestly addressed the issue of debts and gave Russian businessmen wide access to legal privatization in Ukraine<sup>28</sup>. The dismissal of Ihor Bakai, the director of *Ukrhazprom*, who was a patron of the mafia-like relations of Russia and Ukraine (responsible for stealing of Russian gas) was also convenient to Russia (as it weakened Rem Vyakhirev whom Putin wanted to remove<sup>29</sup>). A certain hardening of Russia's standpoint in economic matters did not take place until 2001.

## A new doctrine of Ukraine's foreign policy

Re-orientation of Ukraine's foreign policy resulted from the above mentioned political re-valuation both in Kyiv and in Moscow. The "Zlenko's doctrine", formulated in the beginning of 2001, was one of its results. It concentrates on co-operation with Russia and the USA, although relations with the former should be based on "asymmetrical partnership" which is often compared (a bit prematurely) to the relations between Canada and the USA.

The first sign of that re-orientation was the dismissal of Boris Tarasyuk (a pro-Western minister of Foreign Affairs) in September 2000, which resulted in immediate and clear warming of bilateral relations. The new minister, Anatolii Zlenko, in his first public statement said that relations with the Russian Federation are the greatest priority of Ukrainian foreign policy. In January 2001 Zlenko publicly expressed a new doctrine of Ukraine's foreign policy (although he did not call it a doctrine) stating that Ukraine has only two strategic partners<sup>30</sup>: the Russian Federation and the USA, which pushed the relations with EU to the background.

Let us quote the key fragment of Zlenko's speech during a press conference in Kyiv on 23<sup>rd</sup> Jan. 2001: *Ensuring favourable external conditions is crucial to be able to care calmly about the internal transformation and the execution of the European choice*.

*Under present circumstances it basically means for Ukraine the development of a strategic partnership with the Russian Federation and the United States. I believe that friendly and pragmatic relations with these countries are crucial to our safety. (...) It also envisages tightening the contacts with Berlin, London and Paris based on partnership<sup>31</sup>.*

If the *development of strategic partnership with the USA* is a means of execution of the European choice and the European Union (Brussels) as a political partner is not even mentioned, it must mean that Ukraine's *European choice* is nothing more but a "smokescreen" thrown to divert the attention of European capital cities from the already crystallised "American choice". Kyiv has drawn conclusions from the fact that there is no alternative to close co-operation with Russia in economic matters and that its attempt to become closer to the European Union has failed. It is also aware of the importance of Ukraine in global American politics. It therefore perceives good relations between Ukraine and America (especially in the area of security) as a counterbalance protecting Ukraine from falling into political dependence on Russia.

In his speech in *Heritage Foundation* on 27<sup>th</sup> March 2001, minister Zlenko very strongly accentuated the importance of partnership between Ukraine and America for strategic interests of both countries. While talking about Ukrainian-American relations, he said: *As far as Russia is concerned, also here we have witnessed a positive development or, to use a diplomatic cliché, a "movement in the right direction". In my opinion one of the main achievements in this path is the fact that a large part of Russian political establishment has started to recognise the independence and the European choice of Ukraine as objective reality and not personal offence. We do not intend to become a part of any empire again. We do not intend to become a sphere of influence of any country. We want to be a reliable and equal partner. And I believe that Russia's current leaders respect this course. (...) The atmosphere of mutual respect has been strengthened in the relations between Kyiv and Moscow. It is very rare nowadays to hear the official thesis about the, so called, "union of Slavic countries". Moscow wishes to create the relations with us according to the "Canada-USA" model. Those who have followed the development of Ukrainian-Russian relations since 1991 will admit that it is a huge step forward<sup>32</sup>.*

## Bilateral relations and the political crisis in Ukraine

The political crisis which shook Ukraine in autumn 2000 and spring 2001, and which contributed to the fall of the Prime Minister Victor Yuschenko did not affect the Ukraine-Russia relations significantly. However, it seriously damaged Ukraine's relationship with the European Union. It is plausible to suspect that it will be long-term damage (although in summer 2001 there was certain restoration of Brussels-Kyiv relations). EU (with no serious political and economic interests in Ukraine) will be willing to treat the country mainly dependant on the freedom of the media, of the citizens, etc. – i.e. factors which are less important for EU in the relationship with Russia. This, in turn, will strengthen an anti-European attitude among the Ukrainian elite.

Meanwhile, Russia remained restrained during the crisis. The mild embarrassment of Russian politicians (about the scandal casting a shadow of doubt over the president of Ukraine and about the ensuing crisis undermining his position) was visible at that time. However, the Russian media which promoted a thesis of an "American trace" tried to reinforce the dislike of the nation (its own mainly, but also Ukrainian) for the USA. It is worth mentioning that such a version of events (according to which the American secret service was behind the provocation with the alleged recordings of the conversations of president Kuchma with the aim of paving the way for Prime Minister Yuschenko to become president) is very popular in Ukraine. At the same time hardly anyone (apart from radical nationalists) believes the rival version blaming the secret service of the Russian Federation for the provocation.

That Russian embarrassment with the situation in Ukraine resulted from the belief that a strong president of the Russian Federation needs a strong partner in Ukraine. The belief that it is in Russia's interests to weaken president Kuchma's position is unfounded. It would be easier to persuade a strong and independent Kuchma to make concessions than a weakened one and therefore forced to take into account his opponents accusing him of excessive submission to Russia, selling out national interests, and even high treason. Only a strong president of Ukraine would be able to propagate the convenient solution (for Russia) to the problem of the control over the Ukrainian system of transit pipelines; probably the most important "issue to be solved" for Russia in Ukraine.

The nomination of Anatolii Kinakh for Prime Minister (while preserving almost the entire makeup of the government) did not result in a serious change in relations with Russia. The extremely difficult economic negotiations (where Kyiv has not wanted to concede) have lasted for a very long time now. And with the election campaign starting soon, it would be unreasonable to expect any decisive agreement on the most important issues.

On 10<sup>th</sup> May 2001, Victor Chernomyrdin became the new ambassador of the Russian Federation to Ukraine. This caused triumphal comments in Moscow and the alarming ones in Kyiv, all of them mentioning Chernomyrdin as a “governor”, or even a “vice-president” of Ukraine. Even taking into account journalistic exaggeration, the comments were strikingly unjustified. The nomination fits in with the logic of Russia’s new approach towards Ukraine; its strong pragmatism, but also a serious treatment of the partner. It is another matter altogether that Chernomyrdin started his mission in the worst possible way: publicly criticising and later boycotting the visit of Pope John Paul II to Ukraine. It is also worth noting that soon after Chernomyrdin’s appointment to Kyiv speculation arose that Yevhen Marchuk (a former Prime Minister, the current Secretary of the Council of National Security and Defence of Ukraine) – one of the leading politicians of Ukraine – might become the new ambassador of Ukraine to Moscow.

## Natural gas and the military-technical co-operation

The agreements about delivery conditions and transit of natural gas signed on 22<sup>nd</sup> December 2000 turned out to be surprisingly favourable to Ukraine<sup>33</sup>. The fact that Russia agreed to postpone negotiations on admitting Gazprom to participate in the management of the Ukrainian system of transit pipelines as well as on restructuring the “gas debts”<sup>34</sup> was most important. The only crucial concession made by Kyiv was to give up the export of its natural gas<sup>35</sup>. Russia also agreed to send Turkmen gas to Ukraine and to the fact that Ukraine would not buy Russian gas in 2001 (apart from the amount received in lieu of transit fees)<sup>36</sup>. It is favourable to Gazprom which at the moment favours expansion to European markets at the expense of the less profitable sale to the CIS markets (including Russia). A basic agreement on *restoring co-operation in research and development as well as production of arms industry* was signed during the same meeting of the presidents in St. Petersburg.

Next, on 12<sup>th</sup> Dec. 2001 in Dnipropetrovsk the presidents of Russia and Ukraine signed a package of agreements specifying the St. Petersburg agreement. Most of these are just memorandums which will serve as a basis for specific contracts. The scale of Ukrainian concessions is much smaller than it seems from the tone of both Russian and Ukrainian commentaries. The negotiations on restoring unity of power systems in both countries (broken off in 1998 due to technical not political reasons) proved to be very difficult. The agreement was not signed until August 2001 on conditions favourable to both parties and not only to Russia (or rather to the Russian power industry monopolist, RAO JES Rossii). It should be noticed that parallel to the president Putin’s visit in Dnipropetrovsk, Jeffrey Starr (a representative of the minister of National Defence of the USA) visited Kyiv. He met Marchuk (a person co-ordinating the whole issue of national security on behalf of the president) instead of the minister or vice-minister of Defence. In this way Kyiv sent a very clear signal that the USA remains its strategic partner and that special partnership with NATO – an important element of Ukraine’s national security. The Americans, in turn, showed that tightening of Russian-Ukrainian relationships does not stand in the way of a strategic partnership between Kyiv and Washington. Both signals were directed to the Russian Federation as well as to the European Union.

In 2001 a certain breakthrough was achieved in regulating the stationing of two navy fleets in a base in Sevastopol. The introduction of joint garrison patrols, traffic control of Sevastopol’s harbour (until then done by the Russians only), a decision about creating a mixed lifeboat service unit were agreed on among other things<sup>37</sup>. This way Kyiv strengthened its sovereignty in Sevastopol without conceding in such matters as the control over introducing new Russian weapons to Sevastopol and the right of inspection of Russian arsenal<sup>38</sup> (both these are important for Russia). It should be noted however, that serious Russian concessions coincided with Ukrainian declaration of reluctance towards the American initiative of the “son of star wars” anti-rocket shield.

## The Russian-Ukrainian border

The last serious problem in the political relations between Ukraine and Russia has been the delimitation of the common border. There has never been a border between Ukraine and Russia, just a line separating the administrative units drawn arbitrarily on the maps and approximately marked in terrain, devoid of any practical meaning. The border “has crossed” unified complexes of agri-

cultural land or even towns<sup>39</sup>. Also the routes of railways, roads, pipelines, etc. have not been consistent with the borders of the republics (the main transport lines from Moscow to the Northern Caucasus crossed Eastern Ukraine). It caused serious problems during delimitation, as the principle of specifying and not changing borders has been unanimously agreed on.

Since the dissolution of the USSR the Russian Federation has believed that the borders of the CIS countries are divided into the "external" (of ex-USSR) and "internal" (of ex-republics), therefore opposing any regulation by law (including delimitation) of the latter. Ukraine has been consequently rejecting such division and trying to grant the same status to all its borders. For six years Moscow evaded the start of delimitation work, until in February 1998 it agreed to appoint an appropriate committee. However, even during the first session (1<sup>st</sup> April 1998) it turned out that the Russian party was only authorised to talk about the land border and not delimitation of the waters of the Azov Sea and the Kerch Strait, while the sea border was the main problem here. Moscow believes that the above mentioned reservoirs should be recognised as "common" and the national border should not be marked out there. Ukraine, on the other hand, believes that they should be divided.

Work on delimitation of the land border was completed to almost 100%<sup>40</sup> in 2000. The lack of agreement on the sea border (there has been no change in both countries' standpoints, there has also been no sign of willingness to compromise) however, makes signing the delimitation contract and the start of demarcation work impossible. It is to be expected that Russia will try to postpone demarcation and Kyiv will be less firm here than in the issue of delimitation. Anatolii Zlenko, the minister of Foreign Affairs in Ukraine, declared after his visit to Moscow in October 2000 that Ukraine and Russia would not introduce visa regime and demarcation of the border<sup>41</sup>. According to the available information Zlenko later withdrew the second statement and said that demarcation would be carried out. Nevertheless, even if that was just a gaffe, it was a meaningful one<sup>42</sup>. At the same time a solution of the Azov Sea problem does not seem real without mediation from the Western superpowers.

## **Language and culture**

The heritage of a few centuries of the common cultural space of the Russian Empire and later of USSR is a separate issue, which has not been included in the narrowly understood Ukrainian and Russian inter-state relationships, but which has had a certain influence on them. That heritage is in form of the millions of people who live in Ukraine and every day use mainly or exclusively the Russian language. Many Russian politicians believe all Russian-speaking inhabitants of Ukraine (and other CIS countries) to be ethnic Russians and a national minority, whom Russia ought to provide not only with care but also protection from discrimination and "nationalistic tendencies" of the authorities of the countries they live in.

According to the newest research, only 39.1% of the inhabitants of Ukraine use exclusively Ukrainian on an every day basis, 36% – only Russian, 24.8% – both languages depending on the circumstances. However in the group of people up to 22 years old 47.4% use only Russian<sup>43</sup>. Assuming that use of both languages "depending on the circumstances" largely means restricting the use of Ukrainian to home and/or school, the real scope of Russian language use is much higher.

In 1991 49.3% of pupils and students of the Ukrainian primary and secondary schools studied in Ukrainian<sup>44</sup>, however higher education was almost completely in Russian. In the 90s that percentage probably increased up to 75-85% (the appropriate data has not been published) and many universities (humanistic at least) largely used Ukrainian<sup>45</sup>. The introduction of Ukrainian as an official language of administrative and economic structures was much more difficult. Very often only some official documents (reports, etc.) are written in the official language but Russian remains the real language of official duties. Only in the West of Ukraine has the Ukrainian language achieved the status of the main language of public life, but it is a region where there are almost no Russian-speaking Ukrainians and Russians are quite scarce.

However, the bureaucratic Ukrainianisation was not accompanied by a concern for Ukrainianisation of mass culture. For ten years all popular literature, pop music, "yellow" and advice press, etc. were written in Ukraine almost entirely in Russian<sup>46</sup>. Only elitist literature and school handbooks were available in Ukrainian. What was even worse, a harsh tax and customs legislation led to domination of the Ukrainian book market by Russian publishers. As a result, Russian has become extremely popular among a large part of young people. They speak Russian (very often 'broken Russian') because it is a craze. On the other hand, Ukrainian schools and Ukrainianisation of "public space" (inscriptions, announcements of authorities, partly advertisements) and of electronic media has created bilingualism of a new type – more and more inhabitants of Ukraine can use both languages more or less fluently<sup>47</sup>.

In the tenth year of an independent Ukraine the Ukrainian language can be heard more often than in 1991 in the streets of Kyiv (although still not very often), whereas in the streets of Lviv, where Russian was hardly ever heard 10 years ago, it is now as common as Ukrainian in Kyiv. And following public discussions on the status of the Ukrainian language in the country, reform of spelling, etc., it would be difficult not to think that only few members of the Ukrainian political elite understand the significance of the problem and seriously consider finding its solution.

On 23<sup>rd</sup> Feb. 2000 Ukraine and Russia signed an inter-governmental agreement of co-operation in the field of radio and television. Among its provisions there is a clause where Ukraine agrees to broadcast Russian TV programmes without Ukrainian dubbing (never used in practice) and its handing over control over the re-transmission contracts of these programmes by Ukrainian cable operators<sup>48</sup>. These are serious concessions limiting Ukraine's sovereignty of information, as they will result in strengthening the domination of Russian information and political commentary programmes on the Ukrainian airwaves. What is striking is the fact that the agreement was signed by Ivan Drach, the chairman of the National Committee for Politics of Information, who in his public appearances has often attacked the excessive presence of Russian media in Ukraine. It confirms a belief that the real politics of Ukraine is much more pro-Russian than its political rhetoric.

The above situation is portrayed by the activists of the Russian minority in Ukraine as discrimination against the "Russian-speaking majority"<sup>49</sup> and every attempt to increase presence of the Ukrainian language in public life of Ukraine (in the media especially) triggers off their violent and hostile reaction repeated by the Russian media. This, in turn, from time to time provokes a sharp criticism of Kyiv by Russian politicians, most importantly by MPs (e.g. a statement made by a vice-Prime Minister Victor Khristenko during the Internet conference of 1<sup>st</sup> August 2001, who demanded that the Russian language to be granted the status of an official language). Such statements disrupt bilateral relations every time they happen but only temporarily. As it seems, both sides understand these clashes are mere ritual.

### **III. Russia and Ukraine: contradiction and convergence of interests**

Ukraine and Russia are connected by basic strategic interests. Some of them converge, which is conducive to bringing both countries closer, other are contradictory, making it more difficult. Many of these spheres of interests have already been mentioned. However it seems useful to discuss them separately. The most basic interest of Ukraine is to keep its independence and maximum possible autonomy from the Russian Federation, while Russia's most basic aim is not to allow the politics of Kyiv to let NATO "settle down" on the coast of the Black Sea. Since Moscow gave up its attempts to reinstate control over Ukraine, these basic interests have stopped being contradictory and their harmonisation has become possible.

#### **Russia**

It is in the key interest of Russia to stop Ukraine extending its current co-operation with NATO beyond the limits of the present "Partnership for Peace" and to prevent the US from gaining more political influence in Ukraine. Moscow perceives such influence as a threat to its strategic position in the Black Sea Basin and to its ability to influence the situation in the Balkans. It is in this context that one should see Russia's ambition to retain its base in Sevastopol, a facility of key importance on the Black Sea. Moscow sees the potential presence of NATO on the Black Sea northern coast as a threat to its security and does not want to share its political (especially military-political) influence in Ukraine with the Western world.

This geopolitical concern is related to the crucial importance of Ukraine's territory as a transit area for Russia. It is not only the well known significance of gas and oil pipelines running across Ukraine to the countries of Central and Western Europe. Equally important is the availability of the oil pipelines and product pipelines<sup>50</sup> leading to the Odesa–Illichivsk port complex, as well as Russia's ability to export electricity (which it has not regained yet)<sup>51</sup> and the stability of road and rail transit to and from these ports and to and from the Ukrainian ports on the Danube. Access to the countries of Eastern and, in particular, Southern Europe and to Turkey through the territory of Ukraine is also of no small significance for Russia. Today, the route across eastern Ukraine remains the shortest and the most convenient way from central

Russia to Rostov-on-Don, Novorossiysk (where the Black Sea Fleet infrastructure is being developed) and to the Northern Caucasus, while the Kerch Strait continues to provide the way from the Volga river basin, i.e. from central Russia, to the world's oceans<sup>52</sup>. Russia also has other diverse economic interests in Ukraine, which are not related to transit. Today, the most vital one seems to be the import of Ukrainian foods (especially sugar, meat and meat products, and spirits). The fact that Russia took temporary measures to prevent the growth of Ukrainian exports of these goods to its market, e.g. by introducing prohibitive tariffs or threatening to initiate anti-dumping procedures, was a result of the conflicts of interests among particular groups of Russian businesses. At the same time it confirmed the competitive advantage of Ukrainian foods in the Russian market. Russia may buy these and other commodities from other sources, but Ukraine offers them at the lowest prices and within the shortest distance.

The Russian economy (though not necessarily the Russian state) also needs Ukraine's metallurgic, petrochemical, chemical and arms industries, some of which are even indispensable for it (such as the Ukrainian rocket and spacecraft industry). In many cases it is easier and cheaper to restore the co-operative ties broken after 1991 than to start their own production of parts formerly manufactured in Ukraine or seek other sources of imports. Therefore, it is in the best interest of Russia (and large Russian enterprises) to expand Russian businesses' presence in Ukraine and to limit the presence of businesses from other countries there (unless they make investments that are compatible with the interests of Russia, such as the development of Ukraine foods industry, or carry out investments in co-operation with Russia). The Russian Federation also needs Ukraine as a huge market for its commodities, i.e. mainly natural gas, oil and oil products, but also, to a growing extent, Russian manufactured products, which lack competitive advantage in world markets.

Finally, Russia's interests in Ukraine include the so called Russian issue. Russia's concern for the situation of Russians in other post-Soviet countries is about understandable national solidarity, but it also has a measurable, even if secondary, economic aspect: there still exists one unified or near-unified market of Russian books, press and electronic media.

## Ukraine

For Ukraine, it is in its basic interest to preserve independence (still in peril, from Kyiv's subjective point of view) and to prevent Russia's inevitable political and economic dominance from making Ukraine politically dependent. On the one hand, this is about modelling the relations with Russia as an "asymmetric partnership" and reinforcing Ukraine's position as a self-determined subject in international relations, and on the other, about maintaining, or even increasing, the degree of separateness of Ukraine's legal space. Not only because such separateness is a token of sovereignty: differences in customs laws, tax laws, etc are a huge source of revenue for Ukraine's businesses (and for Russian businesses too).

To achieve these goals Ukraine needs as close as possible a co-operation with the US, especially in the area of security, and it needs to make sure that all Russian – American agreements take into account its security interests. Relations with other European countries are of lesser importance, because these countries are unlikely to be willing to counterbalance Russian influence in Kyiv. Nevertheless, Ukraine is not interested in substituting the United States' military presence in its territory for Russia's military presence (now limited to Sevastopol), and it seems highly unlikely that it would start a considerably closer military co-operation with the USA (i.e. go beyond the limits of the "Partnership for Peace" in this respect). Kyiv is perfectly aware that it is vital for Ukraine not to vex its relations with Russia, especially in the sphere of security.

The second key interest of Ukraine is connected with its dependence on energy supplies from Russia. The latter country provides most of the oil and natural gas<sup>53</sup> consumed by Ukraine and all of Ukraine's nuclear fuel, and in the past has often exploited Ukraine's dependence on these supplies for political purposes. Ukraine should therefore seek diversification of energy supply sources (this does not include nuclear fuel, in the case of which diversification is not possible). Unfortunately, Kyiv does not show much political will or determination to carry out such a project. No doubt, one of the factors that stop its diversification efforts are the activities of the agents of influence of Russia (or Russian energy raw material exporters). Another important factor is the profit that Ukraine derives from the transit of energy carriers: it is crucial for the Ukrainian economy to retain these revenues.

Ukraine is interested both in keeping up the Russian transits through its territory (as an important source of profit and a consequ-

ential political factor) and in exporting to Russia any goods that Russia may possibly be willing to buy. For many Ukrainian businesses co-operation with Russian partners is a matter of survival, while these partners see this co-operation merely as beneficial. Some Ukrainian analysts even believe that the Russian market affords Ukraine the sole opportunity for economic growth, the events of the last two years seem to substantiate this opinion.

## **IV. To Europe together with Russia?**

Most Ukrainians oppose a radical break with Russia. When asked what relations between Ukraine and Russia should be like, 19% in 1996 and only 9% in 2001 replied that these should be *relations like those with any other state: with visas, custom duties, closed borders, etc.* On the other hand, the idea of a union between Ukraine and Russia was supported by 25% and 32% of respondents respectively. The most favoured option, however, was the one of friendly relations between two independent states, without visas or custom duties: it was supported by 55% and 56%, respectively<sup>54</sup>.

When evaluating relations between Ukraine and Russia in 1997, 34% of respondents said they were normal, i.e. each side defended its interests, 30% believed that they were characterised by a certain tension and a mutual lack of confidence, 13% described them as a mutually profitable co-operation, and only 6 % said these relations were overtly hostile<sup>55</sup>. Given the clear improvement in bilateral relations that occurred in 2000, one can assume that today fewer respondents would choose the second option, while more would be for the first and the third one. These polls (and many similar ones) confirm the opinion that the Ukrainian society does not want the distance between Ukraine and Russia to broaden, and that a large portion of it would be willing to accept a re-integration, even though at the same time this society is now strongly attached (or rather accustomed) to having a state of its own.

The majority of the Ukrainian political elite are convinced of the necessity to co-operate closely with Russia and they generally refer to such co-operation as "strategic partnership", regardless of whether they are happy about this necessity or not. Only the right wing nationalist or near-nationalist parties are strongly against this co-operation. It is characteristic that only such nationalist or near-nationalist groups and the ostensibly pro-Russian post-

communist parties distinctly state their opinions. The broadly understood centre avoids doing this, probably in order to conceal its real viewpoint (much more pro-Russian than the patriotic electorate supporting the parties of the centre might be able to accept). On April 17, 2001 an inter-faction group was formed in the Verkhovna Rada of Ukraine named „To Europe together with Russia”, which was joined by 32 deputies from the oligarchic factions. It was the first such clear manifestation of Ukraine's Eurasian program. This program could be summed up as follows: Ukraine may integrate with the European structures only as much as the Russian Federation will, and the European policies of both countries should be highly co-ordinated.

The leader of this group, Dmytro Tabachnyk explains the objectives of its activities as the establishment of closer co-operation between the parliaments of Ukraine and Russia, and *harmonisation of the two countries' economic legislation, and abolition of quotas, customs charges and export restrictions, especially for the machine-building industry*. In his opinion, it should be the strategic goal of Ukraine and Russia to co-ordinate the *efforts of their diplomacies aimed at more effective alignment with the European structures, for geography, history, territorial borders and, finally, fate itself have determined that Russia should be a European state. This has been recognised by all European structures: Russia is a member of the Council of Europe and the OSCE, and it is integrating with other European organisations. The most important objective of Ukraine and Russia is to join the European Union*<sup>56</sup>.

This couldn't be explained more clearly. Tabachnyk's words echo a slightly earlier statement by minister Zlenko: *Our choice is Europe, but one shouldn't think that we realise it in separation from our neighbour Russia*<sup>57</sup>.

## **V. Can this be done?**

This political calculation seems reasonable. The first responses of the European Union, alerted by Kyiv's open declarations of its pro-American option, also confirm this. The Göteborg summit in June *recognised Ukraine's European aspirations* and invited it to take part in the European Conference, thus awarding it the same status as Turkey enjoys. This was followed by further gestures, the importance of which was nevertheless weakened by the absence of any consequential representation from the EU at the celebration of the tenth anniversary of Ukraine's independence.

This proved that the unofficial isolation of president Kuchma, which followed the winter's political crisis, continues.

Some time before, the June visit of John Paul II to Ukraine brought about aheightening of the Ukrainian politicians' pro-Western and pro-European rhetoric, and undoubtedly, it also strengthened the supporters of the truly pro-Western option in Ukraine. On the other hand, the fact that the Ukrainian Orthodox Church of the Moscow Patriarchy strongly objected to this visit and that this objection was supported by the Russian ambassador could easily disturb Ukrainian – Russian relations. This was not the case, though, which confirms that the pragmatic tendency in Kyiv's policy is gaining force.

On the 29<sup>th</sup> of July in Sevastopol the presidents of Russia and Ukraine jointly celebrated the Day of the Russian Federation's Navy and the Day of Ukraine's Navy<sup>58</sup>, taking the joint salute of the two fleets. In this way Vladimir Putin symbolically closed the Black Sea Fleet and Sevastopol dispute, which for years before had been a cause of conflicts and tensions in the bilateral relations of the two countries. Less than a month later Putin participated in the celebration of the tenth anniversary of Ukraine's independence, *our common jubilee*, as he put it. It was a symbolic declaration recognising Ukraine as an equal partner, a gesture that opened a new perspective for the mutual relations of Ukraine and Russia.

This does not mean, however, that either of the parties is willing to make any extensive concessions. We continue to get fragmentary information on the negotiations regarding the transit of Russian electricity through the territory of Ukraine. This shows that both sides are determined to defend their interests and that it will be very difficult to reach a compromise.

It seems that Ukraine will continue to pursue its present policy of developing closer relations with the Russian Federation and the United States, and, where possible, also with the European Union, though relations with the EU will be treated as a lower priority. Whether and to what extent Kyiv's policy in these areas will prove effective will depend first and foremost on the political objectives and tactics of Moscow and Washington.

Ukraine's attainment of the main goal of this calculation, i.e. partner, even if asymmetric, relations with the Russian Federation, is a different issue. Such a development is possible, but a certain degree of scepticism also seems justified.

If Russia continues to pursue its pragmatic interests in the post-Soviet area, the "asymmetric partnership" model will seem feasible, and even likely, since the basic interests of the two states are

not contradictory or irreconcilable. What makes it likely is especially the fact that this model of Ukrainian – Russian relations would be beneficial not only for Ukraine and its political classes (which is obvious), but also for Russia and the political classes there, as it would enhance the Russian state's image in the international scene.

If, however, Russia should relapse into superpower and imperialistic policies (and not just such rhetoric), which does not seem likely, but is nevertheless possible, the partnership model would have to break down. But even then it is barely probable that Russia should attempt a political reintegration with Ukraine. Ukraine now has numerous and powerful political groups whose vital interests are dependent on the state's sovereignty, and Moscow cannot fail to take them into account. Russian political analysts also believe that an attempt to openly subjugate Ukraine would lead to war in its western parts. This opinion may be exaggerated but it acts in favour of Ukraine. Finally, unless Russia wants to break off relations with the international community (which is extremely unlikely), it cannot afford either to liquidate a sovereign state or to overtly disregard an important strategic interest of the United States.

Thus, a lot will depend on the policy of the US, from the point of view of which Ukraine is first and foremost a Black Sea country, and its independence and stability are an important factor for the security of Turkey, one of the key states in the region and an important ally of the US. Therefore, one can presume that the Americans will support the steadyng of Ukraine's independence and counteract any developments that might put it in jeopardy. It is highly unlikely, though, that the Americans should openly challenge Russia by offering Ukraine NATO membership, because such a development would be sure to vex Ukrainian – Russian relations and might even imperil Ukraine's security.

Whatever developments in political relations occur, Ukraine will remain economically dependent on Russia. This dependence may become weaker, but it will not disappear altogether. As the American analyst Sherman W. Garnett soberly notes, *while Russian economic predominance or even dominance is possible in some sectors, but Ukraine's economy is too large and Russia's problems are too great to see it as a strategic threat to an independent Ukraine*<sup>59</sup>. However, the degree of economic dependence (especially in the area of power supplies), and the scope and transparency of the ties existing between the Ukrainian and Russian business and political circles, will certainly determine the extent to which Kyiv will be able to take really independent deci-

sions. Today, even though the degree of dependence is high and the ties strong, this affects Kyiv's decision ability to only a small extent. In the future, this influence may be stronger or weaker, but it is highly unlikely that it should become powerful enough to altogether deprive Ukraine of its sovereignty in this respect.

## VI. Post Script: Facing the war against terrorism

The terrorist attack on the United States and this country's military response opened a new chapter in the American – Russian relations. It is difficult to say at the moment how far the tightening of co-operation between Moscow and Washington will go, and how it will affect the situation of Ukraine. Kyiv firmly supports the United States' actions, having granted the US Air Force broader access to its airspace than Moscow has<sup>60</sup>. Also, Kyiv will probably be willing to increase its involvement in the peace forces in the Balkans, if such a need arises.

In the context of these events the "Zlenko doctrine" discussed above acquires a new meaning: the Russian – American rapprochement will make it easier for Ukraine to pursue its present policy of economic and, partly, political alignment with its northern neighbour, counterpoised by closer co-operation with the United States. This political line of Kyiv, and the relative policy of Moscow, may meet with wider support from Washington.

Tadeusz Andrzej Olszański

[Warsaw, September 2001]

<sup>1</sup> The terms and conditions of the lease of these facilities, situated near Sevastopol (Crimea) and Uzhorod (Transcarpathia) were agreed as late as the beginning of 1997.

<sup>2</sup> The Constitution of Ukraine passed on June 28, 1996, paragraph 14 of Chapter XV (Transitory Provisions), Art. 17 forbids the establishment of **new** foreign military bases only.

<sup>3</sup> The text initialled in 1995 was signed without any amendments; the dual citizenship issue remained unresolved, and the Russian Federation apparently gave up this demand, for it has not resumed it yet.

<sup>4</sup> For the sake of order let us add that the Verkhovna Rada of Ukraine (Supreme Council, the parliament) ratified the treaty on January 14, 1998, while the State Duma of the Russian Federation did so on February 17, 1998 on the condition that Ukraine ratify the „Sevastopol package”, which took place on March 24, 1998.

<sup>5</sup> *Uriadovyj Kur'jer*, 10.03.1998.

<sup>6</sup> Ibid.

<sup>7</sup> The ratification documents for this agreement were exchanged only in July 1999, when in away the agreement itself was not valid anymore: none of the tasks scheduled for completion by the end of 1998 had been carried out. This fact is indicative of the condition of the Ukrainian – Russian relations and the merit of agreements signed at that time.

<sup>8</sup> *Strategic Partners of Ukraine: Declarations and Realities (UCEPS Analytical report)* [in] *National Security & Defense*, 12, 2000, Ukrainian Centre for Economic & Political Studies Named After Olexander Razumkov and *Raport o gospodarce Ukrainy w 1998 r.*, a study by the Trade Counsel of the Republic of Poland in Kyiv, based on official Ukrainian statistics.

<sup>9</sup> Even in late 90s, the proportion of natural gas in Ukraine's energy balance was a high as 48 per cent (*BP Amoco Statistical Review of World Energy 2000*).

<sup>10</sup> The Management of *Gazprom* seeks to diversify the transit of natural gas towards the west and south-west. The respective investments, however, are still in the planning phase, and it is impossible to determine when they may be carried out.

<sup>11</sup> *Ukraina ucyfrach u 2000 roci. Korotkyj statystycznyj dowidnyk*, Kyiv, 2001, Table 4.6 on page 61.

<sup>12</sup> *Konceptja derznavnoji enerhetycznoji polityky Ukrainy na period do 2020 roku* [in] *Nacionalna bezpeka i oborona*, 2, 2001, Ukrainskyj Centr Ekonomichnykh i Politychnykh doslidzen imeni Olexandra Razumkowa.

<sup>13</sup> *Natural Gas Information 2000* (International Energy Agency website at [www.iea.org](http://www.iea.org)).

<sup>14</sup> For more information see: *Sygnal OSW*, 31, July 1, 1997. This year, Ukraine demonopolised its imports and distribution of natural gas.

<sup>15</sup> In the preceding years, distribution of imported natural gas in Ukraine had been dealt with by Ukrainian companies fiercely competing with one another. For more information, see *Sygnal OSW*, 2, January 22, 1998.

<sup>16</sup> *ITERA-Ukraina* is an affiliate of *ITERA International Energy LLS*, a company incorporated in Florida, whose registered seat is, nevertheless, in Moscow (in the *Gazprom* office building). Most likely, *ITERA IE LLS* is owned by the members of the concern's top management. No specification of the "gas debt" mentions *ITERA-Ukraina* as a debtor: apparently, it settles its debt to *Gazprom* on "different" terms. The attempted elimination of *ITERA* from the Ukrainian market in 2000 was most probably connected with the conflict between the Russian government and the management of *Gazprom* which *de iure* remains a state-owned enterprise.

<sup>17</sup> Data of *Naftohaz Ukrayiny*, published in: *Kievskie Vedomosti*, 14.12.1999.

<sup>18</sup> For more information see: Arkadiusz Sarna – *Ukraina-Rosja: „strategiczne partnerstwo”, strategiczne... uzależnienie?* CES Analysis, Warsaw, 1999.

<sup>19</sup> The most important difference between them is that in Ukraine the armed forces do not have apolitical role and that its oligarchs are financially

substantially weaker (and therefore also politically weaker) than their Russian counterparts, and the state bureaucracy (especially tax bureaucracy) is more powerful than in Russia. Although during Vladimir Putin's presidency the Russian oligarchs have been essentially weakened, they are still much more independent of the state than the Ukrainian ones.

<sup>20</sup> In 2000 trade exchange increased by 13%, including the exchange of goods – 24% (*Ukraina wcyfrakh*, Kyiv 2000). The tendency of increase was also present in Ukrainian economy in the 1st half of 2001.

<sup>22</sup> Ihor Kyriushyn, one of the leaders of the Green Party of Ukraine, bluntly expressed that disappointment with the West writing in one of the official organs of the Ukrainian Parliament: *The year which has passed brought about a complete disappointment with the European politics towards Ukraine. Europe has chosen Russia as its main partner in the territory of CIS and does not hide it any more. Ukraine is, in my opinion, only interesting to Europe as a huge potential market for the products of its industry.*

(*Holos Ukrayiny*, 27.02.2001).

<sup>23</sup> For similar reasons Ukraine eagerly helped Macedonia in their conflict with Albanian military rebels in 2001.

<sup>24</sup> *Strategic Partners of Ukraine: Declarations and Realities (UCEPS Analytical report)* [in] *National Security & Defense*, 12, 2000, Ukrainian Centre for Economic & Political Studies Named After Alexander Razumkov. The respondents indicated more than one possibility.

<sup>25</sup> *Ekspert* no. 7, 19.02.2001.

<sup>26</sup> *Polityka i Kultura (PiK)*, no. 8, 2001.

<sup>27</sup> See asub-chapter: *Natural gas and the military-technical co-operation.*

<sup>28</sup> *Wiedomosti*, 27.04.2001.

<sup>29</sup> Rem Vyakhirev at least tolerated the participation of the members of *Gazprom*'sboard of directors in that arrangement. According to some observers, he managed it himself.

<sup>30</sup> The concept of "strategic partnership" was placed in official documents signed by Ukraine with the USA, Poland, the Russian Federation, Uzbekistan, Bulgaria and Azerbaijan. In the speeches of the president of Ukraine it was also mentioned with reference to China, Israel, Finland, Argentina, Hungary, Slovakia and Germany. Relations with Canada and Georgia were in respective documents referred to as "special partnership". Similar determiners, although not so strong, were used with reference to Belarus, Moldavia, Romania and Turkey. Detailed documentation – see: *Strategic Partners of Ukraine: Declarations and Realities (UCEPS Analytical report)* [in] *National Security & Defense*, 12, 2000, Ukrainian Centre for Economic & Political Studies Named After Alexander Razumkov.

<sup>31</sup> [www.mfa.gov.ua.zlenko/2001/0123.htm](http://www.mfa.gov.ua.zlenko/2001/0123.htm)

<sup>32</sup> [www.mfa.gov.ua.zlenko/2001/0327.htm](http://www.mfa.gov.ua.zlenko/2001/0327.htm)

<sup>33</sup> Russia and Ukraine did not sign along-term contract in that matter, and the conditions of delivery and transit are negotiated every year. No agreement was signed for year 2000.

<sup>34</sup> These negotiations lasted over the whole year 2001 and finished on 4<sup>th</sup> Oct. with the signing of an agreement favourable to Ukraine. (It still needs to be ratified by both parliaments). Prime Minister Kinakh in the course of the negotiations backed out of his predecessor'sconcession recognising the gas debt as the national debt, which was finally accepted by the Russians.

Some observers believe that Russian concessions are connected with the fact that deliveries of Turkmen natural gas have been uninterrupted so far, which strengthens Kyiv'sposition in the negotiations. Another agreement about Russia's participation in completing the construction of the reactors in the Zaporizhzhia and Rivne nuclear power plants was signed on the same day. Earlier Ukraine had counted on EU help (in exchange for such promise, it agreed to turn off the last reactor of the nuclear power plant in Chernobyl).

<sup>35</sup> Export of Ukrainian natural gas served just as a cover for illegal re-export of Russian natural gas. The above mentioned agreement of 4<sup>th</sup> Oct. 2001 is accompanied by amemorandum once again allowing the export of Ukrainian natural gas.

<sup>36</sup> Ukraine will get 30 billion m<sup>3</sup> of gas from Russia in lieu of transit fees, it will buy 30 billion more from Turkmenistan, its own extraction will be 9 billion m<sup>3</sup>. *ITERA-Ukraine* has remained the operator of Turkmen gas. Over the last three quarters of 2001 there have only been temporary interruptions in delivery of gas and the course of the negotiations of the contract for 2002 indicates that both Kyiv and Ashkhabat will be pleased with its outcome.

<sup>37</sup> Joint control of Sevastopol'sinternal and external harbour was agreed on after the appropriate technical preparations were finished on 22<sup>nd</sup> July 2001. On the same day a Russian-Ukrainian unit of protection of harbour waters started its activity. It originally was arescue party, but also capable of military actions in the field of port-protection (*Vriemia novostiej*, 23.07.2001).

<sup>38</sup> The Ukrainian media once in awhile suggest that there may be nuclear weapons and launchers based in Sevastopol. It is impossible to dispel these suspicions without inspections, so Kyiv does not want to give this postulate up. For the same reason Ukraine opposes introduction of Su-24 aircraft to Crimea.

<sup>39</sup> E.g. In Luhansk district there is atown where the side of the street with even numbers belongs to Ukraine and the one with odd numbers to Russia, the railway line is in the territory of Ukraine, but the railway station – of Russia. The Ukrainian part of the town is called Milove, the Russian part – Cherkovo.

<sup>40</sup> Any information on this issue is contradictory. According to some sources, delimitation has been completed. However, there has been no information on solutions to the problems of Milove/Cherkovo and similar towns.

<sup>41</sup> [www.pravda.com.ua/?01025-5](http://www.pravda.com.ua/?01025-5)

<sup>42</sup> Later statements of both Russian and Ukrainian diplomats (July – August 2001) also indicate that the issue of demarcation has not been settled. And until the delimitation contract has been signed, they all remain just voluntary political declarations. At the same time introduction of visas between Russia and Ukraine seems unrealistic.

<sup>43</sup> The research of the Institute of Social Science at the National Science Academy of Ukraine conducted in 2000, here after: *Kievskie Vedomosti*, 14.11.2000.

<sup>44</sup> *Narodne hospodarstwo Ukrayny 1991. Statystychnyi schorochnyk*, Kyiv 1993.

<sup>45</sup> According to available data from 2000 there were 74% of kindergartens, 70% of universities and 67% of "all schools" using Ukrainian. In Kyiv, however, where Russian-speaking people constitute 70%, there are only 3% of Russian-language schools and no kindergartens. Vladimir Malenkovich, „Derusifikacija” kak fienomen agressivnogo nacjonalizma [in] *Region* no. 9, 2000.

<sup>46</sup> Despite the fact that some popular authors of Russian science-fiction and crime literature live in Ukraine (some of them are even Ukrainian who write in Russian for commercial reasons).

<sup>47</sup> The future shape of this new bilingualism and the policy of the state towards the "language issue" will largely determine the future shape of the nation and the country. This issue, however, goes far beyond the scope of this study.

<sup>48</sup> The text of this agreement has never been published. We discuss it from: *Polityka i Kultura (PiK)*, no. 9, 2001

<sup>49</sup> E.g. An interview with Alexandr Svistunov, the leader of the Russian Movement of Ukraine in: *Niezawisimaja Gazeta*, 04.07.2001, or an earlier quoted article by Malenkovich.

<sup>50</sup> i.e. transporting oil-products, including ammonia

<sup>51</sup> In 1990 87 % of Soviet electricity exports went through or originated in the territory of Ukraine.

<sup>52</sup> Russian reluctance towards division of the Basin of Kerch Strait results from the fact that in such case the only route through this very shallow strait would be within Ukraine's internal waters.

<sup>53</sup> In 2001 half of these raw material imports still originate from Russia and all reach Ukraine through Russia's territory. There is no realistic chance that this second factor could be changed.

<sup>54</sup> *Den*, 09.02.2001. Research by other institutions provides similar results with differences within the limits of statistical error.

Cf. [www.part.org.ua/default.php?news=19593589](http://www.part.org.ua/default.php?news=19593589)

<sup>55</sup> *Den*, 25.12.1997.

<sup>56</sup> [www.part.org.ua/default.php?art=11163383](http://www.part.org.ua/default.php?art=11163383)

<sup>57</sup> *Zerkalo Nedeli* no. 13, 2001 (in the article *Zalozhnyk-2*).

<sup>58</sup> they fall on the last Sunday of July and the first Sunday of August respectively.

<sup>59</sup> Sherman W. Garnett, *Ukraine: Strategic Partner or Strategic Problem*, an address to the University of Ottawa Conference on Ukraine, delivered October 30<sup>th</sup>, 2000, to be published in the Conference proceedings.

<sup>60</sup> The Russian Federation opened its airspace only to "humanitarian cargoes", while Ukraine granted the right to fly over its territory to all aircraft except for combat aircraft.