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C O N F I D E N T I A L SECTION 01 OF 04 KYIV 004425

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SUBJECT: UKRAINE/RUSSIA: DEFENDING NATIONAL INTERESTS
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I. 05 KIEV 4462

J. 05 KIEV 4149

K. 05 KIEV 1354

L. MOSCOW 12666

Classified By: Ambassador for reasons 1.4 (b,d).

1. (C) Summary/comment: PM Yanukovich came to office on a campaign promise to improve relations with Russia, but, although he has toned down the rhetoric towards Russia, like his predecessors, he must find the right balance between close ties to Moscow and protecting Ukrainian sovereignty. While some joked that Yanukovich's unscheduled November 30 visit to Russia to meet with Putin was an effort to "get instructions" for his December 4-7 U.S. visit, it is more likely that the quick trip was intended to reassure Russia that he intends to maintain this balance between Ukraine's eastern and western interests. The effort to balance each step toward the West with a nod to the East, without sacrificing Ukrainian national interests, is a tried and true pre-orange Ukrainian political tradition.

2. (C) In recent weeks, as plans for the PM's U.S. trip



unfolded, Russian PM Fradkov and FM Lavrov have come to Kyiv to re-energize the dormant bilateral commission, and the long-postponed Putin visit to Kyiv is now scheduled for December 22. Despite these small steps forward on the diplomatic front and the corresponding warming up of the rhetoric between the two countries, we believe that Ukraine-Russia bilateral friction will continue, albeit at a reduced level, even with a Yanukovich government in control and in the absence of outspoken Russia critic Borys Tarasyuk as Ukrainian foreign minister (although this Rada decision will be challenged in court). Despite, or perhaps because of, the close historical and cultural ties, differences

between the two countries will continue to arise due to intractable problems that are the legacy of the break-up of the Soviet Union, conflicting and competing national security interests, and fundamental differences in outlook. End summary/comment.

No Mirror Images

3. (C) When many Ukrainians describe Russian attitudes toward Ukraine, they suspect Russians see a country that they firmly believe does not exist. They accuse Russians of holding revanchist views, regretting the separation of Ukraine (and Belarus) from the Russian motherland, and scheming to keep Ukraine in the Russian orbit. While the Orange Revolution was a major setback for the Kremlin's designs on Ukraine, some knowledgeable Ukrainian officials claim that Putin's team has not given up and are using every available tool to circumscribe Ukrainian independence. They argue that the Kremlin wants to keep Ukraine out of NATO and EU, delay WTO accession, maintain the Russian Black Sea fleet presence in Crimea past 2017, gain control over valuable Ukrainian infrastructure (especially the natural gas pipeline system) and other assets, and persuade Ukraine to join the Single Economic Space joining Russia, Ukraine, Belarus, and Kazakhstan. Allegedly, the Russians are also intent on removing Ukrainian FM Tarasyuk from government. Ukrainians claim the Kremlin not only is willing to use natural gas supply arrangements but also black propaganda "dirty tricks," ties to political parties, and even the Russian Orthodox Church to influence and destabilize Ukraine (note: septel will focus on related elements of the situation in Crimea).

4. (C) Ukrainians, whether from East or West, ethnic Ukrainians or not, stoutly affirm their sovereignty and independence. They recognize the importance of friendly relations with Russia, a country with which they share important economic, cultural, and historical ties. However, they insist that Ukraine will shape its relationship with Russia on Ukrainian national interests and, above all, refuse to be Russia's puppet. (Refs D-J report on meetings with a range of Ukrainians during which these views were expressed.) The discrepancy between Russian views that there is a special relationship and common interests with Ukraine and Ukrainian insistence on their own sovereignty remains the underlying cause behind continuing friction between the two countries.

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PM Seeks A Balance

5. (C) Whenever asked about ties with Russia, the PM and his team consistently argue that while the new government wants

both good relations with Moscow and progress on Euro-Atlantic integration, Ukrainian national interests drive the government's policies. When asked about Yanukovich's decision to make an unscheduled November 30 trip to Russia to meet with President Putin and PM Fradkov, nearly on the eve of the his departure for the U.S., the PM's top foreign policy advisor Konstantin Gryshchenko told the Ambassador that this was all about "defending Ukrainian national interests." It certainly was an attempt by Yanukovich to reassure his counterparts in the Kremlin about his intentions in the U.S. -- in line with a traditional pre-orange Ukrainian political strategy of publicly balancing each step toward the West with a step toward Moscow.

6. (C) Ukrainian conspiracy theorists have mooted the possibility that PM Yanukovich and the cabinet ministers involved struck a deal with Moscow to keep down the price of Russian natural gas. The deal purportedly involved a Ukrainian commitment to slow progress toward WTO membership or to consider the possibility of maintaining the Russian Black Sea Fleet's presence in Crimea past the 2017 deadline, which PM Yanukovich mentioned publicly in early November after meeting Russian PM Fradkov in Kyiv. Others, including Regions MP Leonid Kozhara have linked the price of gas to Ukraine's interest in a NATO Membership Action Plan (MAP), and Yanukovich's September 14 speech at NATO declining to pursue MAP at this time. When Yanukovich was asked point blank in a November 11 Inter television interview, Yanukovich categorically denied that any deal linking Ukraine's NATO aspirations and energy supplies had been struck.

7. (C) In fact, Yanukovich is unlikely to sell out Ukraine and its national interests. Ukrainian politicians and political analysts generally agree that, while Yanukovich wants better relations with the Kremlin, he is not prepared to hand over control of his government -- and his country -- to Russia. In addition, there are business interests within the Party of Regions that are encouraging Yanukovich and his political backers to keep their distance from Russia because they see Ukraine's economic future with the West (and perhaps even more importantly because they do not want Russian business competition in Ukraine). In their view, Yanukovich should satisfy Russia's interests only when doing so clearly provides the Party of Regions and Ukraine with a political or economic advantage. One example of an area in which the PM has not responded might be the Common Economic Space, about which Yanukovich and his government have continued the line of the orange government and at most given polite lip service, including during Yanukovich's November 30 visit to Russia, in response to entreaties to increase Ukraine's involvement beyond a free trade area.

8. (C) Yanukovich told EUR A/S Fried November 16 that he and President Yushchenko did not materially differ on the goals of European and Euro-Atlantic integration, but just on the timing and tactics to reach the goals (ref C). Yanukovich also claimed to Ambassador November 19 that the Kremlin had difficulty arriving at a more nuanced approach to Ukraine, taking into account Yanukovich's greater popularity in Russia, to substitute for the overt pressure directed against his "orange" predecessors. Former President Kuchma told the Ambassador that Yanukovich's assertion was probably right.

The Diplomatic Front

9. (C) Meanwhile, Russia is taking steps to warm up the bilateral relationship. Russian FM Sergei Lavrov's November 7-8 visit to Kyiv was productive and non-contentious, at least on the surface. MFA First Territorial Department

(responsible for relations with Russia) Counselor Oleksandr Kushnir told us the primary purpose of Lavrov's visit had been to hold the first meeting of the sub-commission on international cooperation, chaired by the respective foreign ministers, which was a subordinate element of the "Yushchenko-Putin Interstate Commission." The meeting was intended to pave the way for Putin's visit to Kyiv as head of the Russian side in the first session of the plenary interstate commission (note: this commission had not met since its inception in 2005). The sub-commission on stationing of the Russian Black Sea Fleet had met three times and the sub-commission for economic cooperation, chaired by Ministers of the Economy, had met October 24 in Moscow. Only the remaining two sub-commissions, for humanitarian cooperation and for security, needed to meet prior to Putin's visit to Kyiv.

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10. (C) Kushnir said the sub-commission meeting had taken place over two-and-a-half hours in a constructive and friendly atmosphere, since Foreign Ministers Tarasyuk and Lavrov had met briefly November 7 and decided to exclude any contentious issues. The two sides agreed on a plan of action, or as Kushnir noted, a kind of "roadmap," for 2007-2008 that carried forward activity on 20 priority areas addressed in the 2005-2006 plan of action. The foreign ministers heard updates from the chairs of the sub-commission's six working committees -- for land border issues, delimitation of sea boundaries in the Azov Sea and Kerch Strait, cooperation in international organizations, regional conflicts, new challenges and threats, and consular cooperation.

11. (C) As evidence of the constructive engagement in the sub-commission, Kushnir said the Ukrainian side had been pleased the Russians agreed to form a joint committee on land demarcation issues, a step that the Ukrainians had long urged and which the Russians had resisted. On maritime boundaries, however, the Ukrainians and Russians were still deadlocked. The Russians proposed the Sea of Azov be considered an internal body of water subject to joint use, except for a narrow coastal strip, while Ukrainians continued to insist that the Sea of Azov be divided according to the old Soviet administrative boundary.

The President-Prime Minister Tug-of-War

12. (C) When we asked, Kushnir said Lavrov, a seasoned diplomat, had been completely professional in all of his meetings in Kyiv, and there had been no evidence that he had attempted to "divide and conquer" by turning the Prime Minister's office against the Foreign Ministry. First Deputy Foreign Minister Volodymyr Ohryzko had sat in on Lavrov's meeting with PM Yanukovych. Kushnir said the fact of the visit belied the claim of some that the Kremlin was again targeting Tarasyuk for removal (note: Tarasyuk was dismissed as FM in 2000 by Kuchma after Kuchma met Putin in Yalta, and was again dismissed by the Rada -- although a presidential challenge is pending, December 1 after Yanukovych returned from his own meeting with Putin). Nonetheless, Ukrainian suspicion over Russian motivations prompted some to see darker motives behind the visit. Political analyst Viktor Nebozhenko claimed to daily newspaper Gazeta po-Kievski that Lavrov had visited Kyiv to lobby for Tarasyuk's removal and his replacement by someone who would demonstrate "the Party of Regions' wish to move closer to Russia."

13. (C) Unclear is whether, in forcing Tarasyuk out of government, Yanukovych is pandering to Russian desires as well as meeting his own political agenda. Regardless of Russian views, Yanukovych displayed a clear hostility to Tarasyuk in what could be political theater. Yanukovych attacked Tarasyuk in a November 13 Inter interview in personal terms, saying that, "if you are a man, if you have principles," then he would leave the cabinet, since Tarasyuk's own Rukh party was in opposition to the government's platform. Surprisingly, Tarasyuk was supportive of Yanukovych during his November 15 meeting with EUR A/S Fried and suggested Yanukovych had moderated his attacks on "orange" ministers after meeting with President Yushchenko (ref B). Tensions continued to rise and finally December 1, the Party of Regions-led ruling coalition voted Tarasyuk out of office -- at the PM's request. However, a lack of constitutional clarity and a constitutional court challenge to the dismissal could restore Tarasyuk in office (and may end up keeping him as Acting FM until the legal issues are resolved).

Flashpoints: Black Sea Fleet, Holodomor, and More

14. (C) Whatever government is in power or whoever is foreign minister, and no matter how friendly the public chatter between the two governments is, there will continue to be points of tension in Ukraine-Russia relations despite, or sometimes perhaps because of, the close historical and cultural ties between the two countries. One set of issues involves the intractable and still unresolved problems that resulted from the break-up of the Soviet Union and disentangling ex-Soviet structures. These are the issues -- such as the future of the Russian Black Sea fleet, demarcation of the maritime boundary, apportioning of Soviet-era debts -- that Tarasyuk and Lavrov probably decided to remove from the table during the November 8 sub-commission meeting.

15. (C) Other problems, often economic and trade-related,

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result from conflicting and competing national interests. Russia demands prices at Western European levels for natural gas and suspends importation of Ukrainian dairy and meat products; Ukraine responds by threatening to raise rents for the Russian Black Sea Fleet or suggesting greater compensation for operation of early warning radars. (Ukrainians also suspect Russia uses these economic levers to achieve political ends.) The GOU also has been very nervous about suggestions, including from Fradkov during his visit, that Russia and Ukraine coordinate their WTO accession. After the U.S. completed its WTO bilateral with Russia, the MFA, probably reflecting concerns high in the GOU, asking us to confirm the USG did not support such "synchronization" (ref A). Worries that Russia might accede before Ukraine seem to be one factor driving the GOU's recent energetic push to pass remaining WTO legislation.

16. (C) Another set of issues results from Ukrainian resistance to what Ukrainians see as unwarranted Russian interference in Ukrainian domestic affairs and infringements on Ukrainian sovereignty, particularly in Crimea (see septel). Senior Ukrainian officials told us that they were convinced that the Kremlin quietly supported the anti-NATO demonstrators that disrupted joint U.S.-Ukrainian military training related to the Sea Breeze exercise in June 2006. Ukrainians react by banning the entry of certain Russian

citizens, provoking Russian protests, and obtaining legal judgments on the status of lighthouses used and operated by the Russian Black Sea Fleet.

17. (C) Finally, an increasing source of friction is the different world view between Russia and Ukraine, an indication of growing Ukrainian independence and self-confidence. Ukraine declares the 1932-33 Holodomor famine was a form of Soviet genocide; Russia responds that Ukraine is being hostile to Russia when it campaigns to have the international community define the Holodomor as genocide. Ukraine and Russia also find themselves increasingly on opposite sides in how to address the frozen conflict in Transnistria, in regional organizations such as the OSCE, as well as at the UN as Ukraine continues to align itself with the European Union on most major issues, regardless of how Russia is voting.

18. (C) In spite of Ukraine's continued independent foreign policy stand, we have seen some evidence that the MFA, uncertain of the Cabinet of Ministers and ruling coalition's response, is more cautious and not as forward-leaning on positions that might irritate the Russians. The MFA endorsed a GUAM (Georgia, Ukraine, Azerbaijan, and Moldova regional organization) statement, for example, critical of the South Ossetia referendum and "election," but did not post its own statement on its website. In another example, Ukraine broke with its normal practice of adhering to EU policy positions by voting against the Australian amendment at the UN to the Cuba embargo resolution, although EU countries voted in favor. (Note: The Ukrainian parliament passed a resolution a few days earlier condemning embargoes on Cuba. Ukraine remains grateful for ongoing Cuban medical assistance for victims of Chornobyl - see ref K.)

19. (C) Prime Minister Yanukovich and his cabinet might be more conciliatory toward Russia than the previous two "orange" governments, but the underlying differences between Ukraine and Russia will continue to result in minor, and perhaps sometimes major, conflicts of interest between the two neighbors. The recurring tensions might threaten to overwhelm any good intentions and reservoirs of good will that exist on either side, before the two neighbors patch things up yet again.

20. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
Taylor

Website pages 