

FOR THE RECORD

In Ukraine, Cold War Still Seems to Rage

West and Russia Compete with Economic Aid, War Games

by Matthew Brzezinski,
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KYIV, Ukraine - It was a dangerous game, straight from the pages of a Tom Chancy thriller.

On a balmy spring day, U.S. Navy destroyer Arthur W. Radford tested the limits of Moscow's patience by weighing anchor in the Black Sea port of Odesa, well within the Soviet Union's old sphere of influence. Within hours, Russia's Black Sea Fleet responded with unscheduled military exercises in nearby waters - using live ammunition.

That was last April, more than five years after the breakup of the Soviet Union. But diplomats kept the incident under wraps at the time, underscoring an odd twist in geopolitics: the Cold War is over, but it doesn't always look that way from Ukraine.

U.S. diplomats in Kyiv fret about "losing" Ukraine. Russian apparatchiks are putting an economic squeeze on the country to keep it in their orbit; the West is pumping billions of dollars in aid into Kyiv. And both sides are flexing their muscles in war games that show Ukraine has replaced Germany as the buffer between East and West.

War Games

Last month, 150 U.S. troops trained in western Ukraine with soldiers from a dozen former Warsaw Pact countries, including Russia. As U.S. Secretary of Defence William Perry looked on, the troops put on a mock battle, with attack helicopters swooping down to pepper the "enemy" with blanks and smoke bombs.

"I cannot overestimate the importance of Ukraine as an independent country to the security and stability of all of Europe," Mr. Perry said during the games near Yavorov on his fifth trip to Ukraine. "It's why I've come here so often - and it's the reason the United States places such great importance on it."

The West is taking such a vigorous line because Ukraine is a big, pro-Western country with a population and territory similar in size to France. Until recently, it was also home to the world's third-largest nuclear arsenal. And time and again, it has played a key role in Russia's history: when Moscow has controlled Ukraine,

Russia has become an expansionist empire. If Ukraine gets pulled back into Moscow's orbit, foreign and defence ministries throughout Central Europe will push their panic buttons.

For now, the Ukrainian government is leaning toward the West. Kyiv last month endorsed the idea that the North Atlantic Treaty Organization should expand eastward and announced that Ukraine would apply for associate membership. But the fight for Ukraine isn't over, and the West may be poorly equipped for this war, which is largely economic.

It is not that the West isn't trying. Ukraine is the world's third-largest recipient of U.S. foreign aid. The \$330 million it will receive from the U.S. in 1996 puts it just behind Israel and Egypt on the list of top drawers. On a visit to Kyiv this month, U.S. Deputy Secretary of State Strobe Talbott praised Ukraine's effort to integrate into Europe and said the U.S. is ready to maintain its aid to Kyiv.

The European Union is ponying up \$500 million in loans and grants for Ukraine this year. It is also footing much of the \$3.1 billion bill to decommission the Chernobyl atomic-energy plant, located in Ukraine and site of the world's worst nuclear-power accident. "Independent Ukraine is the highest priority in Eastern Europe," says Luis Moreno, the EU Ambassador to Kyiv.

But all those funds and good intentions still aren't enough to attract much Western investment to Ukraine, where crushing administrative controls and punitive tax rates make for a hostile business environment. According to the World Bank, Ukraine has the former communist world's worst red tape and tax burdens. So Ukraine has only attracted some \$900 million in foreign direct investment, roughly the same amount as little Slovakia, which has one-tenth its population.

Ties To Russia

Nor is the Western aid sufficient to enable impoverished Kyiv to cut the economic umbilical cord that has tied it to Moscow since the days of Peter the Great. The economic structures that Ukraine inherited after breaking from Moscow in 1991 have left its industries extensively interconnected with Russia.

Take Kyiv's Antonov aircraft factory, one of several Antonov plants around the Former Soviet Union. After Kyiv declared independence, the Antonov plant struck out on its own. It set its

hopes on two promising prototypes of large cargo-transport aircraft, the AN-124 and the AN-70T, which factory bosses thought could compete in world markets. But both prototypes crashed in test flights last year. The factory had to seek components for new prototypes from hundreds of Russian and Uzbek parts makers. But the factory had no funds with which to buy parts, so it was forced back under the wing of its former parent company.

All told, 43% of Ukraine's exports go to Russia. That figure swells to 60% when one factors in exports to all other members of the Commonwealth of Independent States that recently joined a customs union with Russia. This dependence on export markets to the east leaves Ukraine vulnerable to Russian economic pressure, such as the use of tariffs. Moscow has already slapped customs duties ranging as high as 40% on 168 Ukrainian goods.

Moscow frequently uses its economic advantages to bully political concessions out of Kyiv. It supplies about 80% of all gas, oil and nuclear-fuel deliveries to Ukraine, for which Kyiv owes \$5 billion in back payments. Threats to turn off the tap have made Kyiv think twice about carrying out threats to evict Russia's Black Sea Fleet from the hotly disputed naval base of Sevastopol in Crimea.

Ukraine's dependence on Russian energy supplies is apt to continue. For three years, local communist officials and environmental groups have stymied plans to build near Odesa a huge oil terminal that would allow the country to receive fuel from the Mideast and other oil-producing regions. "It's obvious who's behind and who benefits from stalling the terminal," says Pavlo Zhovnireenko, a security specialist who advises Ukraine's parliament.

Moscow doesn't seem inclined to let up the pressure. In May, the Kremlin dispatched a new envoy to head the Russian mission in Kyiv: Alexander Dubinin, a tough-talking former ambassador to Washington and acting deputy foreign minister. "Sending such a heavyweight means the Russians intend to start playing hardball," warns one Western diplomat.

Despite all the big-power wrangling over the country, Western officials say Ukraine's fate will ultimately hinge on Kyiv's ability to prevent standards of living here from falling further below those in Russia. If they do, it could easily fuel nostalgia for Soviet times. Wages are about 30% lower than those in Russia, and millions of Ukrainians labouring in the moribund state sector haven't been paid in months. ●

Additional References:

The following are some of the articles and speeches available to Subscribers from the Monitor:

- **Russia discusses plans to restore the Soviet Union by 2005.** In-depth analysis by Volodymyr Zvighlyanich, *JF Prism, Jamestown Foundation, Washington, July 1996*
- **Ukraine spurning Russian advances; Ukraine frustrating Kremlin's expansionist dreams.** *Globe and Mail, April 11, 1996.*
- **Constitution's passage a key historic event.** *Ukrainian News, July 30, 1996.*
- **Give Ukraine a break.** *Op-ed by Anders Aslund. New York Times, August 8, 1996.*