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Russia deploys advanced anti-missile systems near NATO's eastern borders

Moscow warns against stationing Alliance troops in the Baltics

Vladimir Radyuhin

MOSCOW: Russia has begun deploying advanced air defence systems in Belarus near NATO's eastern borders in response to the continuing expansion of the Atlantic alliance to the east.

The first batch of S-300PS mobile surface-to-air missiles arrived in Belarus over the weekend, the Russian Defence Ministry's newspaper *Krasnaya Zvezda* reported. Russia will supply a total of four S-300PS batteries consisting of 24 missile launchers.

According to Russia's Deputy Air Force Commander Aytech Bizhev, the deployment will extend the effective range of Russia's western air defence by 150

km and the detection of air targets by 400 km. The S-300PS is an all-altitude air defence missile capable of shooting down aircraft, cruise and ballistic missiles at a range of 90 km.

Joint command planned

Belarus is Russia's closest ally in the former Soviet Union.

The two countries are planning to introduce a common currency and set up a joint defence command. Last month, Belarus leader Alexander Lukashenko, branded by the U.S. as "Europe's last dictator," won a third presidential term in an election denounced by the West as neither free nor fair.

Russia's Air Force Commander Vladimir Mikhailov described

• **Move in response to expansion of NATO**

• **Air defence systems deployed in Belarus**

• **Concern over U.S. plans to set up bases**

the deployment of S-300PS missiles as an "adequate response" to the admission of Poland and the former Soviet Baltic republics into NATO. Belarus shares borders with Poland, Lithuania and Latvia.

Russia is also concerned with U.S. plans to set up military bases in the former Warsaw Pact countries of Bulgaria and Roma-

nia, and deploy anti-missile systems in Poland and other East European states.

Russia's Defence Minister Sergei Ivanov warned that Moscow would view any deployment of NATO military forces in Poland and the Baltic countries as a violation of earlier agreements.

"Such redeployment could run counter to NATO commitment [under the 1997 Russia-NATO pact] to exercise restraint in deploying conventional forces," he said in an interview this week.

"In the event of a clear violation of the balance of forces near our borders, we reserve the lawful right to take all necessary measures to ensure the reliability of our national security."

64 280

THE HINDU

Russia calls for halt to Iran N-programme

ENS/AGENCIES

MOSCOW/PARIS/LONDON, APR 19

RUSSIAN Foreign Minister Sergey Lavrov on Wednesday called on Iran to halt all uranium enrichment activities, saying the international community is demanding "urgent and constructive steps" from Tehran to ease concerns about its nuclear programme, the Itar-Tass news agency reported.

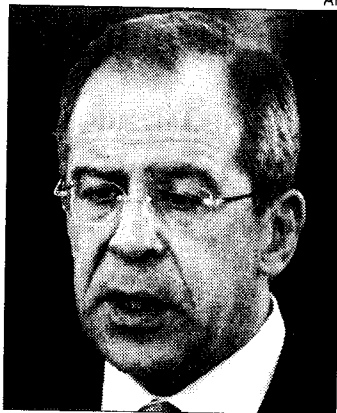
"Iran must heed the call to stop work linked to uranium enrichment," the agency quoted Lavrov as saying a day after a meeting in Moscow of diplomats from the five permanent UN Security Council members plus Germany.

"All participants in the meeting agreed that urgent and constructive steps are demanded of Iran in response to the decision of the board of the IAEA," which has called on Tehran to stop enrichment activity, Lavrov said.

But he added that no decision had been adopted at the meeting, echoing a top US diplomat who said the envoys recognised the "need for a stiff response to Iran's flagrant violations of its international responsibilities" but failed to reach agreement on how to proceed.

Meanwhile, French President Jacques Chirac in an interview published today said it was not too late for Iran to halt its nuclear programme and resume talks with the international community.

Iranian authorities must understand that the prospect of an Iran



Russian Foreign Minister Sergey Lavrov in Moscow on Wednesday

Call for UK suicide bombers

LONDON: A Tehran-based hard-line group has claimed it is trying to recruit Iranians and other Muslims in Britain to carry out suicide bombings against Israel.

"The Committee for the Commemoration of Martyrs of the Global Islamic Campaign," which claims to be independent, said it is targeting potential recruits in Britain because of the relative ease with which UK passport holders can enter Israel, *The Guardian* reported on Wednesday.

Mohammad Samadi, a spokesman for the group, told *The Guardian* in Tehran that striking at Israel was a priority in its recruitment drive.

Volunteers who have signed were asked to specify whether they preferred to carry out operations against "the quds occupiers" (Israel), controversial NRI author Salman Rushdie or "the occupiers of Islamic lands"—the US and Britain. —PTI

with nuclear weapons is "unacceptable" to international leaders, Chirac told *Al Ahram*, Egypt's leading daily.

He said Iran's nuclear stance was a "source of great anxiety in the region and the international community as a whole".

"I would like to state very clearly that the door is still open for talks to resume," if Iran complies with the demands of the UNSC and the IAEA, said Chirac.

British Foreign Secretary Jack Straw said Britain did not expect Iran to comply with UNSC demands to halt uranium enrichment by the end of April even as he played down the likelihood of a military action against Iran.

"We are working on the basis that Iran will not meet the proposals from the Security Council on the 30-day deadline," said Straw. "But what is most likely to happen is that the matter will move back to the Security Council and there will then be discussions about the next steps which the international community will take," he added.

Meanwhile, Saudi Arabia said it did not want a row with Iran over nuclear programme and ruled out that Riyadh was seeking to acquire nuclear weapons.

"It is also not in our interest to take a position against Iran while Israel possesses similar weapons. We are against nuclear weapons and its proliferation. It is enough that big powers have them to protect the world and defend themselves," said Saudi Crown Prince Sultan.

INDIAN EXPRESS

20 APR 2008

Russia seeks fresh Iran talks

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Associated Press

MOSCOW, April 14: Russia will host another round of talks next week with the USA, the European Union and China on Iran's nuclear programme, the foreign ministry said today.

The talks will be held in Moscow on Tuesday, said foreign ministry spokesman Mr Andrei Krivtsov.

China said yesterday that Cui Tiankai, assistant to Chinese Foreign Minister Li Zhaoxing, would visit Iran and Russia on 14 to 18 April. Russia and China, which have strong economic ties with Iran, have opposed the US push for international sanctions against Iran over its nuclear programme.

US under secretary of state Mr Nicholas Burns will also be in Moscow on

Monday for a meeting of political directors of the Group of Eight, the US Embassy said.

Mohamed ElBaradei, the chief of the International Atomic Energy Agency, visited Teheran yesterday and pushed Iranian officials to suspend uranium enrichment until questions over Teheran's nuclear programme have been resolved. But Iranian President Mahmoud Ahmadinejad said Iran will not retreat "one iota" on its uranium enrichment.

Iran insists on its right to enrich uranium as part of a civilian power generation programme, but the USA and others accuse Teheran of covertly pursuing a nuclear weapons bid and demand a halt to all enrichment activities.

15 APR 2006

THE STATESMAN

Russia to speed up nuclear re-armament

Moscow seeks to counter increasingly aggressive U.S. policies.

Vladimir Radyuhin

THOUGH THE Cold War ended over a decade ago, Russia still relies on its nuclear weapons to guarantee the country's security. A top Russian designer of intercontinental missiles said this week that within a decade Russia will overhaul its nuclear arsenal, deploying missiles that will have no rival for the next 15-20 years and will easily pierce the "star wars" missile shield the United States is building.

"Under a [new] weapons procurement programme Russia's land- and sea-based strategic nuclear forces will be effectively re-armed by 2015," Yuri Solomonov, Director and Chief Designer of the Moscow Institute of Heat Technology, told a news conference in Moscow. The new weapons programme was to be approved by the middle of the current year, he said.

Dr. Solomonov, who designed Russia's newest land-based Topol-M and sea-based Bulava missiles, said these two would constitute the core of the modernised strategic nuclear forces, replacing aging Soviet-built

RS-12M, RS-18 and RS-20 missiles.

"I assure you that the number of active warheads the strategic nuclear forces will have [in the years to come] will be no less than 2,000," Dr. Solomonov said. This number of warheads will enable Russia to maintain nuclear parity with the U.S. Under a 2002 strategic arms reduction treaty, Russia and the U.S. must cut their nuclear arsenals to between 1,700 and 2,200 warheads each.

In the past few years, Russia has made titanic efforts to upgrade its nuclear forces allocating the larger part of its defence budget for the purpose.

To make its missiles less vulnerable to an enemy first strike, Russia has built a mobile version of the Topol-M missile mounted on a wheeled chassis. The first mobile regiment consisting of six to 10 Topol-M missiles would be commissioned this year, Dr. Solomonov said.

In 2008, Russia would deploy the first 12 Bulava sea-based missiles on the Yury Drogorny nuclear submarine now under construction, he said.

Russia's new missiles would be armed

with six to 10 nuclear warheads each to make sure that even a single missile hit would cause unacceptable damage to a potential enemy. Moscow recently said it had developed a new supersonic manoeuvrable warhead that could penetrate any present or future anti-missile defences.

"The Russian people can sleep calmly through 2040," Dr. Solomonov said summing up his overview of the Russian nuclear re-armament programme.

Two weeks ago Russia's President Vladimir Putin explained why Russia needed to keep a strong nuclear force to "sleep calmly."

"Analysis of the present-day international situation and prospects for its evolution forces Russia to view the nuclear deterrent as the main factor guaranteeing its security," Mr. Putin said at a meeting of top defence and nuclear industry officials. "Keeping a minimum stock of nuclear warheads sufficient to maintain our nuclear deterrent remains a priority for Russia."

He did not elaborate, but Moscow's new emphasis on nuclear deterrence comes amid growing clamour in Washington to step up

pressure on Russia on the issues of its democracy and assertive foreign policy.

The National Security Strategy released by the White House last month warned Russia that its "efforts to prevent democratic development at home and abroad will hamper the development of Russia's relations with the U.S., Europe and its neighbours."

A little earlier, the influential U.S. Council on Foreign Relations said Russia was heading in the "wrong direction" that hurts U.S. global interests and concluded that a U.S.-Russian partnership was no longer feasible.

Washington has branded Russia's closest ally, Belarus, as "Europe's last dictatorship" and vowed to induct Ukraine into NATO.

Last but not least, the U.S. announced plans to deploy an interceptor missile base in Eastern Europe. This will be viewed in Moscow as a patently hostile move as American anti-missiles will arguably be able to shoot down Russian missiles during lift-off.

It is against this background that the Kremlin decided to beef up its nuclear arsenal as an essential safeguard against increasingly aggressive American policies.

NO. 11 1971 ✓

Russia keen on ending stalemate on Iran

There are indications that the agenda of the Russian-Iranian talks has been substantially expanded.

Vladimir Radyuhin

RUSSIA AND IRAN began another round of talks on ending the stand-off over Iran's nuclear programme in Teheran on Friday. Meanwhile, efforts are gathering momentum to avoid reporting Iran to the United Nations Security Council at a crucial March 6 meeting of the International Atomic Energy Agency board.

Russia's Rosatom atomic energy agency chief Sergei Kiriyenko left for Teheran on Thursday, just three days after an Iranian delegation discussed the issue in Moscow.

Following Iran's decision to break off talks with the European Union's "troika" — Britain, France, and Germany — earlier this week, the talks between Russia and Iran offer the last chance of reaching a compromise that would enable Iran to develop atomic energy and dispel international concerns about its nuclear weapons ambitions.

There are indications that the agenda of the talks, initially confined to a Russian proposal to enrich uranium for Iran on Russian soil, has been substantially expanded.

Commenting on the Moscow round of talks on February 20-21, Iran's negotiator Ali Hosseini-Tash said the "positive and constructive," discussions had gone beyond the possible creation of an enrichment joint venture.

"We talked about the principles of a common formula and reached an agreement on those principles," Mr. Hosseini-Tash told Iranian television.

Echoing his remarks, Iran's Supreme National Security Council Secretary Ali Larijani said the enrichment offer was just one of "several proposals" that could be finalised.

"The Russian proposal should be reviewed in a larger context. We had good talks in our recent negotiations," Mr. Larijani was quoted as saying on Tuesday.

Moscow has made it absolutely clear

to Teheran that any compromise solution must be based on Iran's commitment to stop uranium enrichment. This is the consolidated position of Russia, the EU, and the United States. Therefore the "larger context" and the "common formula" for a possible deal probably involve some sweeteners to make Iran swallow the bitter pill.

The fact that Russia is being represented at the talks by its atomic energy chief points to one such sweetener — a possible offer to build 5, 10 or even 15 atomic power reactors in addition to the one Russia has constructed at Bushehr.

Experts said Iran may also be offered the right to conduct initial uranium conversion, while the enrichment as such will be done in Russia.

Moscow has also indicated it may accept Teheran's demand to set a time frame for the operation of a joint venture to enrich uranium on Russian soil. This would imply that if Teheran within the specified time succeeds in persuading the world it has no plans to build an atomic bomb, it will gain the right to have the full nuclear energy cycle, including enrichment.

Alternatively, the full enrichment process may be set up on Iranian soil, but under the control of a consortium of other countries.

Russia may also offer Iran advanced anti-missile systems and other weapons that will boost its security. Moscow in December 2005 signed a deal for the sale of nearly 30 Tor-M1 close-range air-defence missile systems to Teheran, and reports said the two sides were discussing the sale of the long-range S-300 air-defence systems.

If the scope of the proposed deal is indeed expanded, discussion of details may require more time than it left before the March 6 meeting of IAEA board. In such a case, readiness to postpone referral of Iran to the U.N. Security Council will be a litmus test of the international community's willingness to seek a peaceful solution to the crisis.

20 FEB 2006

THE HINDU

Russia, Iran open talks

Moscow cautions against use of force

Vladimir Radyuhin

MOSCOW: Russia and Iran have begun talks on Moscow's offer to enrich uranium for Teheran on Russian territory.

Russia's Foreign Minister Sergei Lavrov made it clear the talks were crucial to avoid U.S. military action against Iran.

"We will make all efforts to prevent the situation from worsening and sliding towards the use of force," Mr. Lavrov told President Vladimir Putin during a Cabinet meeting on Monday ahead of the talks.

Talks began behind closed doors in the Kremlin on Monday afternoon with the Iranian delegation led by Deputy Secretary of Supreme National Security Council Seyed Ali Hosseini-Tash, and the Russian delegation headed by Deputy

Security Council Secretary Valentin Sobolev. Mr. Lavrov admitted that Moscow did not expect any breakthrough at the current round of talks. "Honestly speaking, we have modest expectations," he said, adding that the Russian side would try to find a way out of the deadlock.

Mr. Lavrov also hinted that Iran may be granted the right to enrich uranium on its territory later. Russia will "try to use the proposition of respect for Iran's right to a nuclear fuel cycle after experts from IAEA have clarified all questions that Iran's nuclear programme evoked in the past," he said.

As talks opened, Iran's Foreign Minister Manouchehr Mottaki said in Brussels that irrespective of their outcome Iran would go ahead with uranium enrichment on its territory.

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Another spat between Russia and Georgia

The row between the two countries over the breakaway Georgian territory of South Ossetia could have a wider fallout.

Vladimir Radyuhin

RUSSIA AND GEORGIA are embroiled in a new spat over Georgia's breakaway territory of South Ossetia that may have far-reaching international implications.

Georgia's Parliament last week unanimously called on the Government to revoke a 13-year-old peacekeeping arrangement under which Russian forces have maintained precarious peace in the region ever since South Ossetia fought a short but bloody war for independence from Georgia in 1992. South Ossetia and Abkhazia, another rebel autonomy of Georgia, claimed they had been forcefully transferred to Georgia by Soviet dictator Joseph Stalin, and had the same right to independence as all former Soviet republics received after the collapse of the Soviet Union.

Georgian MPs accused Russia of "creeping annexation of one of Georgia's regions," and urged the government to push for replacing the Russian peacekeepers with an international force.

Moscow fears the Georgian Parliament's resolution may be a prelude to renewed fighting in South Ossetia.

"If the [Russian] peacekeepers leave, civil war will break out again," Yuri Baluyevsky, head of the Russian General Staff, warned.

Tension in South Ossetia has been on the rise since President Mikhail Saakashvili came to power in Georgia in the wake of the pro-Western "rose revolution" two years ago. Georgia's hawkish Defence Minister Irakly Okruashvili has vowed to bring South Ossetia back to Georgia's fold before the end of 2006.

"Tbilisi has already embarked on a war path and is only waiting for [the] green light from the United States," said Kremlin-connected political scientist Sergei Markov.

Georgia has closely allied itself with Washington, evicting Russian military bases from its territory, inviting U.S. instructors to train its military and drawing up plans to join NATO.

However, Moscow is determined to

hold on to its positions in the region. It has rejected Georgia's call for renegotiating the 1992 peacekeeping mandate in South Ossetia on the grounds the other side in the conflict is strongly opposed to the withdrawal of Russian peacekeepers.

The Russian Foreign Ministry accused Georgia's Parliament of stirring an "anti-Russian campaign in Georgia" and stoking tension and destabilisation in the conflict zone. The Russian Parliament also responded with a strongly worded resolution which said Georgia's plans to forcefully reintegrate South Ossetia and Abkhazia were a "threat to Russia's national security."

Moscow has so far taken a stand that Abkhazia and South Ossetia are an integral part of Georgia even though both territories have formally asked to accede to Russia. But as Tbilisi adopted an increasingly hostile policy towards Russia, Moscow began issuing Russian passports to residents in the two separatist regions. Today 80 per cent of the local population in Abkhazia and South Ossetia hold Russian passports. Last month, President Putin indicated that Russia may also review its official position.

The Russian leader made it clear that Western plans to grant independence to Kosovo, a breakaway territory of Serbia, will strengthen Abkhazia's and South Ossetia's bid for independence from Georgia.

President Putin has rejected the West's attempts to qualify Kosovo as a "unique case," and said Kosovo must be treated as a "universal case," that is, one that will set a precedent for breakaway regions in other parts of the world, including the former Soviet Union.

The West looks certain to push through independence for Kosovo, but thereby it will give Moscow a free hand in dealing with the problem of rebel territories not only in Georgia, but also in Azerbaijan (Nagorno-Karabakh) and Moldova (Transdnistrie). If Russia recognises the independence of all or some of these territories, this is bound to have a wider international fallout.

Russia pushes for larger role in Middle East

President Putin's invitation to Hamas leaders to visit Moscow has caused unease in the West and in Israel.

Vladimir Radyuhin

PRESIDENT VLADIMIR Putin's decision to invite Hamas leaders to Moscow has taken the West by surprise and pushed Russia to the centre stage of peace efforts in the Middle East.

Mr. Putin's bombshell announcement came at the end of his visit to Spain on Thursday. "Russia is maintaining contacts with the Hamas organisation and intends in the near future to invite the leadership of this organisation to Moscow," he told a news conference in Madrid.

Hamas leader Ismail Haniyeh said his group members would be "delighted" to visit Russia if officially invited.

Washington admitted that the Russian initiative came as a bolt from the blue and urged Moscow to demand that Hamas renounce violence and recognise Israel. "As a member of the Quartet, we would certainly expect that Russia would deliver that same message," U.S. State Department spokesman Sean McCormack said. "They did so as a member of the Quartet in public to Hamas, and if there are any future meetings between Russian officials and Hamas officials, we would expect that they would deliver that same clear, strong message."

Israeli President Moshe Katsav said Mr. Putin's invitation to Hamas was "absurd," while Transport Minister Meir Shitrit described it as "a stab in the back" and said Israel would not let Hamas leaders travel to Moscow. However, Moscow indicated that it expected Hamas political department chief Khalid Mishal, based in Syria, to lead the Hamas delegation to the Russian capital.

Mr. Putin explained that his decision to talk to Hamas was consistent with the new ground realities in the region. "Today, we must accept that Hamas came to power through legitimate, democratic elections in the Palestinian National Authority, that is why we must respect the choice of the Palestinian people."

At the same time, Mr. Putin said, Ha-

mas must demonstrate readiness to work with the international community and recognise the legitimate rights of Israel. "While respecting the verdict of the Palestinian people it is necessary to search for solutions that would be acceptable to the new Palestinian government, the world community and Israel."

Mr. Putin's bold initiative was based on an understanding that following the crashing Hamas victory in the Palestinian election last month Russia was best positioned among the Quartet of key Middle East peace brokers, which also includes the U.S., the United Nations, and the European Union.

Commenting on the Hamas victory Mr. Putin said last week that it dealt a "big blow" to the United States and accused Washington of pursuing unilateral advantages "asking this or that side to pull [the] chestnuts from the fire."

For its part, Russia, in contrast to the U.S. and Western Europe, has never branded Hamas a terrorist group. "To burn bridges is the easiest, but not the most effective thing to do in politics," Mr. Putin explained.

Calming fears

Russian diplomats sought to calm Western fears that Moscow may be trying to split the Quartet. "We will put across [to Hamas] the coordinated stand of the Quartet of international mediators," Foreign Ministry spokesman Mikhail Kamynin said on Friday. "Our goal in establishing contacts with Hamas is to prevent a serious degradation of the situation in the Israeli-Palestinian settlement, preserve the prospect of advancing the peace process on the basis of the 'road map', and pursue the quest for decisions acceptable both for the PNA and Israel, as well as for the international community."

Mr. Putin's initiative can fill the dangerous vacuum created in the Middle East peace process and enable Moscow to regain a foothold in the region as an influential independent player.

Russia uses gas for rollback in Ukraine

Vladimir Radyuhin

A YEAR after Russia lost the battle for Ukraine to the United States, its President Vladimir Putin has mounted a new effort to woo back its biggest Slavic neighbour. Two months before a crucial parliamentary vote, Russia has hiked natural gas prices and firmly tied Ukraine to its gas supplies. It was a carefully calibrated blow designed to hurt Ukraine's pro-Western President Viktor Yushchenko in the coming election. Under a deal signed in Moscow last week, Ukraine will pay \$95 per 1,000 cubic metres of gas it gets from Russia and Central Asia in 2006, up from \$50 last year. Supplies to Ukraine, both from Russia and Central Asia, will be handled by a Russian-German trading company, Rosukrenergo, in which Russia's Gazprom natural gas monopoly has a 50 per cent stake. This arrangement will deny Ukraine the option of playing Russian and Central Asian suppliers against each other to secure lower prices.

The gas price hike has triggered a political crisis in Ukraine. A week after the gas deal was signed the Ukrainian Parliament voted to dismiss the Government, accusing it of betraying the country's interests. Even though the Government is likely to stay till the March election to Parliament, the no-confidence vote dealt a painful blow to President Yushchenko and boosted the chances of Opposition parties.

The March poll gives Moscow a real chance to roll back the "orange revolution" in Ukraine. A constitutional reform under way in Ukraine shifts the bulk of powers from the President to Parliament and the Prime Minister. After the parliamentary election, Mr. Yushchenko will no longer be able to push his political agenda. The new Parliament and the Government are likely to revisit the President's headlong rush towards the West.

The year that passed after the "orange revolution" has seen growing popular disappointment with the Government of Mr. Yushchenko that it

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The handling of Kiev is a clear signal that Moscow will play by its own rules in today's energy-hungry world.

brought to power. Ukraine's economy nosedived, the Government was rocked by a string of corruption scandals and bitter infighting among "orange revolutionaries," which prompted Mr. Yushchenko to sack Prime Minister Yulia Tymoshenko after barely seven months in office. According to December surveys, the party of the former Prime Minister, Viktor Yanukovich, who was backed by Russia against Mr. Yushchenko in the controversial presidential poll at the end of 2004, leads the race for Parliament. It has the support of a third of Ukrainian voters, more than 10 per cent ahead of the blocs of Mr. Yushchenko and Ms. Tymoshenko.

By turning the gas heat on Ukraine at this stage, Russia hopes to further tip the balance of power in favour of pro-Moscow forces. Ukraine's economy is still bound to Russia by an umbilical cord 14 years after the Soviet Union ceased to exist. Russia is the only source of oil and gas for Ukraine's energy-intensive steel and chemical industries, which together account for 30 per cent of GDP and 45 per cent of export earnings. Out of 76 billion cubic metres (bcm) of gas Ukraine needs annually, it gets 23 bcm as payment for the transit of Russian gas to Europe, buys 37 bcm from Turkmenistan, which comes to Ukraine through the Russian pipeline system, and produces domestically about 20 bcm.

Russia has not raised the price of its gas for Ukraine since 1999. Moreover, in the past 10 years Ukraine has quietly siphoned off \$2 billion worth of Russian gas transiting its territory to Europe. In the meantime, European gas prices have nearly tripled. Ukrainian households today pay less for natural gas than Russian households do. In Ukraine, almost 100 per cent of households have access to pipeline gas for cooking and

heating, whereas in Russia, where the climate is far more severe, the share of households with piped gas is only just over 50 per cent.

Using cheap Russian gas, Ukrainian steel, fertilizers, cement, butter, and sugar have been successfully competing with Russian products in the Russian market. Ukraine has been making good profit exporting to Europe electricity produced at gas-burning thermal stations. Ukraine has even been re-exporting 5 bcm of Russian gas to Europe at prevailing market prices. (It has a 2006 contract to sell gas to Romania at \$250 per 1,000 cubic metres.)

For all practical purposes, Russia has been heavily subsidising Ukrainian industry. This policy was geopolitically sound as long as there was hope that Ukraine, the second biggest post-Soviet economy and the largest ethnically-kin Slavic neighbour of Russia, was moving, however erratically, towards economic and political reintegration with Russia.

The "orange revolution" dashed these hopes. Kiev has firmly refused to join the Single Economic Space pact with Russia, Kazakhstan, and Belarus, and has set its sights on integration into the Atlantic structures. At the same time, it continued getting Russian gas at a mere 20 per cent of what Europe will pay in the New Year.

President Putin has now ended the absurd situation where Russia was paying for Ukraine's drift to the West. The 90 per cent hike in gas prices will not only add about \$1 billion a year to Ukraine's energy bill, but will further strain its already deficit budget and will be barely manageable for Ukraine's energy-intensive economy. Russia has also reserved the right of periodic review of gas prices in line with European upward trends.

Moscow has sent a clear signal to Ukraine: if you persist in your course of breaking away from Russia and joining the West, you must pay the price. If Ukrainian voters again support the "orange revolutionaries" in the coming parliamentary poll, they should be ready to face further hikes in the gas price, which will bring the country's economy to a standstill. To underscore the option facing Kiev, Moscow has just agreed to continue selling its gas to Ukraine's neighbour and Russia's staunch ally, Belarus, at less than half the price Ukraine will pay in 2006 — \$46.7 per 1,000 cubic metres.

Russia versus U.S.

The gas row has pitted Russia against the United States in Ukraine for the second time in the past 12 months. A year ago the U.S. orchestrated and actively supported the "orange revolution" coup, which stripped the Moscow-backed candidate of his victory in Ukraine's Presidential election and installed the pro-Western leader. Now Washington has firmly backed Kiev's new leadership in its gas dispute with Moscow, encouraging Ukraine to reject Russian demands of higher gas prices. President Yushchenko visibly hardened his stand on the issue after meeting Central Intelligence Agency chief Porter Goss in Kiev in mid-December.

Relying on U.S. support, Ukraine had dragged its feet over an agreement on Russian gas sales in 2006 for eight months, till Russia cut off supplies to Ukraine in the New Year. When Russia did act on its threat to leave Ukraine without gas, the State Department denounced "the use of energy [by Russia] to exert political pressure." Washington could not hide its irritation when Russia and Ukraine finally reached agreement on a new pricing mechanism. U.S. Secretary of State Condoleezza Rice sharply berated Russia for its handling of the gas dispute with Ukraine, demanding that Russia "play by the rules" as it assumed the rotating presidency of the Group of Eight.

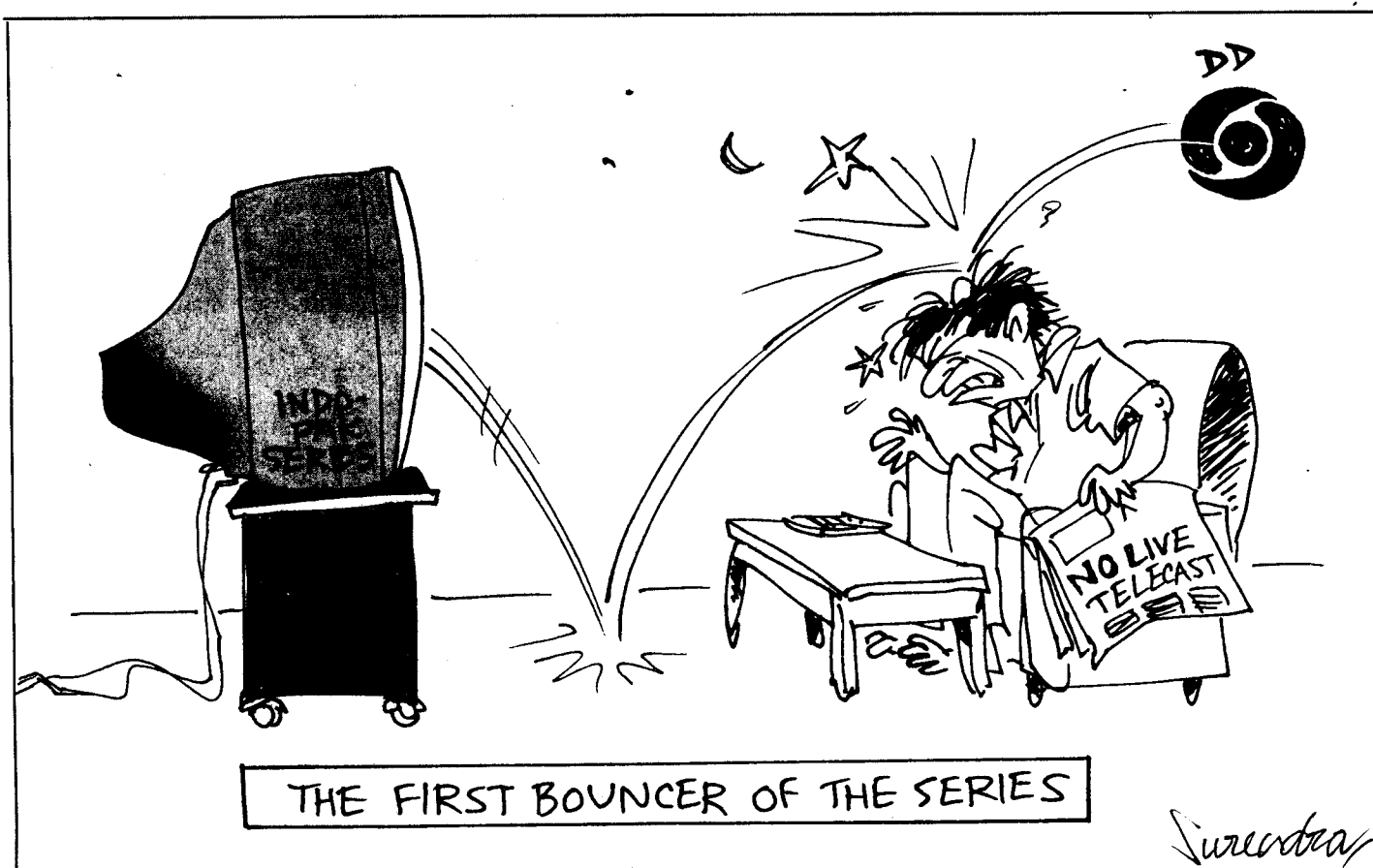
"That kind of behaviour," Ms. Rice said, "is going to continue to draw comment about the distance between Russian behaviour in something like this and what would be expected of a responsible member of the G8."

Washington indeed has reason to feel disappointed. The peaceful outcome of the Russia-Ukraine standoff foiled U.S.-crafted plans to whip up anti-Russian feelings in Ukraine and rebuild flagging support for the "orange revolutionaries" in the run-up to the March election. Russia's radical decision to stop gas sales to Ukraine forced the latter to start siphoning off European gas from transit pipelines, raising Europe's fears of freezing in the midst of a cold winter. This helped weaken the European Union's so far unmitigated support for Ukraine. Much to Kiev's disgust Europe refused to put pressure on Russia, telling Ukraine it should learn to pay market prices for its gas supplies. The gas row has also widened a rift between the European Union and the U.S., as the latter was seen provoking an energy crisis in Europe without the risk of feeling any of its consequences.

Last, but not least, Russia has demonstrated resolve to use its energy clout to uphold national interests just as it assumed rotating presidency in the Group of Eight in 2006. With President Putin focussing on the global energy security in G8, the Ukraine gas row set the tone for the coming G8 summit in St. Petersburg, showing the west that Russia will play by its own rules in today's energy-hungry world.

This lesson is likely to have a direct impact on the March election in Ukraine. It may help dispel the "orange revolution" euphoria that the west will stand by Ukraine in any confrontation with Moscow and that the weakening of ties with Russia will necessarily benefit Ukraine.

CARTOONSCAPE



Russia, Ukraine end gas row

Vladimir Radyuhin

MOSCOW: Russia and Ukraine on Wednesday resolved their bitter dispute over natural gas prices, ending a standoff that led to gas shortages in Europe.

Under an agreement signed in Moscow on Wednesday, Ukraine during will buy Russian and Central Asian gas at a flat price of \$95 per 1,000 cubic metres in 2006.

This price is nearly 56 per cent higher than the average price of \$61 Ukraine paid for its gas imports last year, but is far lower than the \$250 demanded by Russia.

Russia's Gazprom natural gas monopoly stopped selling gas to Ukraine on January 1 after the latter rejected a four-fold price

scheme agreed between the two countries, Russia's Gazprom state-owned gas monopoly will sell its gas to a Russian-German trading company at \$250 per 1,000 cubic metres.

The trading company, Rosukrenergo, will also buy cheaper Central Asian gas and sell the mix to Ukraine's Naftogaz at \$95 per 1,000 cubic metres.

The compromise agreement has allowed Ukraine to keep the gas price hike to a manageable level.

Gazprom has also made some important gains. It has delinked gas sales to Ukraine from gas transit fees.

Until now, Gazprom has paid for the transit of its gas across Ukraine with barter supplies of gas to Naftogaz.

This enabled Ukraine to tap onto Russia's Europe-bound gas during the latest gas price war, claiming that it was the transportation fee.

Henceforth, the fee will be paid in cash and the price has been fixed for the next five years.

Gazprom has also succeeded in fixing, if only on paper at this stage, the price of \$250 per 1,000 cubic metres of Russian gas for Ukraine.

A spokesman for the Russian company said this will be a base price for future deals with Ukraine.

Russian supplies meet about a third of Ukraine's gas needs, with two-thirds coming from Turkmenistan, Uzbekistan and Kazakhstan.

- **Ukraine to buy Russian and Central Asian gas at \$95 per 1,000 cubic metres**

- **Gazprom makes important strategic gains**

- **Transportation fee to be paid in cash**

- **Complex pricing mechanism put in place**

increase. European customers immediately reported a sharp fall in gas supplies, as Ukraine started siphoning off Russian gas from transit pipelines running across its territory.

Under a complex price

Russia, Ukraine deal to end crisis

Moscow, Jan. 4 (Reuters): Russia and Ukraine reached a face-saving deal today in a bitter gas dispute which hit supplies to Europe and cast doubt on Moscow's reliability as a safe supply source.

The EU welcomed the five-year pact but still held talks to discuss energy security after the sudden reduction over the New Year of Russian deliveries, which cover a quarter of the continent's needs.

The accord calms tensions between the ex-Soviet neighbours which peaked on January 1 when Russia's state gas monopoly Gazprom cut deliveries to Ukraine to press its demand for a four-fold hike in export prices.

European consumers suffered a sharp, two-day drop in deliveries of Siberian gas pumped westward across Ukraine, before full pipeline pressure was restored.

"We have reached a final agreement," Gazprom chief executive Alexei Miller said after crisis talks in Moscow with Ukrainian officials. "This agreement will ensure stable supplies to Europe."

Russian President Vladimir Putin said the deal would secure stable long-term export supplies for Europe.

"This creates stable conditions for Russian gas supply to European customers for many years ahead," Putin said.

Details were sketchy, but

Miller said the deal was effective from January 1 and based on a price of \$230 per 1,000 cubic metres of gas. That is up from the \$50 Ukraine had paid under an existing cut-price deal.

But, after mixing in extra supplies from the Central Asian states of Turkmenistan and Kazakhstan, Kiev will pay an average gas import price of \$95 per 1,000 cubic metres, both sides said. Ukrainian Prime Minister Yuri Yekhanurov welcomed the deal but said his country would have to work to reduce its dependency on Russian gas. "It was a serious lesson for us," he said in Kiev.

Importantly for the supply

security of major consumers such as Germany, France and Italy, the two sides agreed to increase fees for gas transit Russia pays to Ukraine, the route taken by 80 per cent of Russian gas pumped to European consumers.

Moscow's hardball tactics reflect a new assertiveness on the part of President Vladimir Putin, who has presided over a dramatic recovery in Russia's economic fortunes after the financial crash of 1998.

But Oleksander Der-gachev, an independent Ukrainian analyst, said Russia's plan had failed. "It is obvious that the Russian attempt to destabilise Ukraine economically and politically was

not successful," he said. "It is clear that Russia is stronger than Ukraine, that it owns the resources and that Ukraine has no real energy sovereignty, but Russia did not succeed in making its will felt."

The US and Europe are concerned that Russia is using gas as a geopolitical weapon to punish Ukraine's pro-western president, Viktor Yushchenko, who was swept to power in the popular "Orange Revolution" of 2004.

Officials from the EU's 25 member states met in Brussels to discuss the gas crisis and how to deal with potential future supply threats. Neither Russia or Ukraine attended.



Gazprom chief executive Alexei Miller in Moscow. (Reuters)

Ukraine stealing gas: Russia

Austria, Hungary and Poland report a sharp fall in supplies

Vladimir Radyuhin

MOSCOW: A day after it cut off natural gas supplies to Ukraine over a price dispute Russia accused Ukraine of stealing Europe-bound gas from pipelines running across its territory.

On January 1, Ukraine tapped into 100 million cubic metres of Russian gas exported to Europe worth over \$25 million, said a top official at Russia's Gazprom state-owned monopoly.

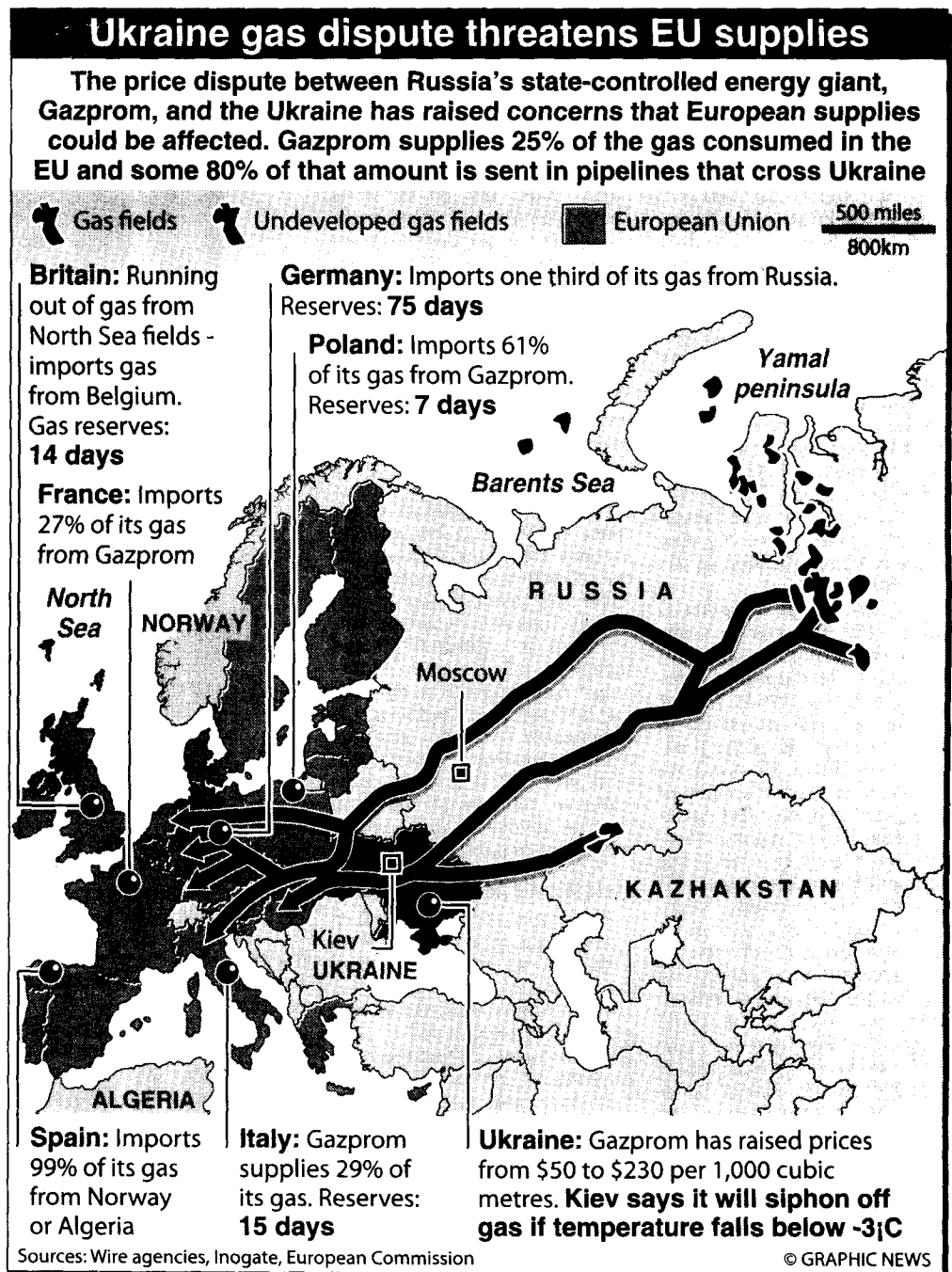
"If the theft continues at this rate, it will add up to very significant amounts both in terms of volume and value," Gazprom deputy head Alexander Medvedev told a press conference in Moscow on Monday. He said Gazprom invited the Geneva-based SGS International to monitor Russian gas exports through Ukrainian pipelines.

Austria, Hungary, Poland and Slovakia have reported a sharp fall in supplies. However, Ukraine's Energy Minister denied any siphoning off of European gas, saying Ukraine was relying on its own gas production, gas stocks and imports from Turkmenistan. At the same time, he confirmed Ukraine would start skimming off Russian gas to cover transit fees if air temperatures in Ukraine drop below minus 3 Centigrade.

For its part, Gazprom said it was not delivering any Turkmen gas to Ukraine.

Russia stopped selling gas to Ukraine on January 1 after the latter rejected a nearly fivefold hike from \$50 to \$230 per 1,000 cubic metres of gas demanded by Gazprom. Kiev says it is being punished for its attempts to become more independent from Moscow and develop stronger ties with the West. In a statement on Sunday night, it accused Russia of resorting to "blackmail" to undermine its economy.

Moldova said it had been cut off from Russia gas supplies as well. Following a telephone conversation with Ukraine's President Viktor Yushchenko, Moldova's President Vladimir Voronin said he had turned down Gazprom's new price of \$160 per 1,000 cubic metres of



gas, a twofold increase from last year's price of \$80. He said Mr. Yushchenko promised to share some gas with Moldova.

As Moldova joined Ukraine's gas war with Russia, the West stepped in criticising Russia for taking a tough line on its neighbours.

In Washington, U.S. State De-

partment spokesman Sean McCormack said in a statement that "such an abrupt stop creates insecurity in the energy sector in the region and raises serious questions about the use of energy to exert political pressure."

German Economy Minister Michael Glos, whose country covers 30 per cent of its gas

needs from Russia, called on Moscow must act responsibly. "Russia has the G-8 presidency and also here [in this dispute] one should naturally act responsibly," Mr. Glos said.

Gazprom supplies about one-quarter of the gas consumed in Europe, and 80 per cent of it goes through Ukraine.

The New York Times

January 3, 2006

Russia Restores Most of Gas Cut to Ukraine Line

By ANDREW E. KRAMER

MOSCOW, Jan. 2 - Faced with mounting criticism from its natural gas customers across Western Europe, Russia on Monday restored most of the gas it withheld from Ukraine's pipeline system a day earlier in a pricing dispute.

Officials of the state-owned Russian company, Gazprom, presented the decision not as a reversal but as a response to Ukraine's "theft" of natural gas. But it became clear almost immediately that the driving force in Russia's decision was the sharp criticism across Europe, including countries like Germany that are usually reliable allies.

Just hours after Russia disrupted gas supplies on Sunday morning by reducing pressure in the pipeline system, a cascading energy emergency moved westward across Europe, as one utility after another reported dropping gas pressures - at a time of peak demand in freezing weather.

As pressure continued to drop Monday, criticism erupted among European leaders, jittery over the threat to one of the Continent's primary sources of energy. The minister of economy in Germany, the largest consumer of Russian natural gas in Europe, questioned Russia's reliability as an energy supplier.

Ukrainian officials, who had been gearing up for a national conservation effort, welcomed the decision to restore pressure to the pipelines that came in a telegram from Russia around 3 p.m. on Monday.

"We think common sense won," Irina Gerashchenko, the spokeswoman for Ukraine's president, Viktor A. Yushchenko, said in a telephone interview. "There should be no questions of economic pressure or blackmail."

The decision on Sunday to choke off the westbound natural gas pipelines was seen as a gamble by Moscow to influence Ukraine's internal politics ahead of a parliamentary election in March, even though Gazprom contended that it was motivated by business interests.

The European Union's top foreign policy official, Javier Solana, called Russian and Ukrainian diplomats to encourage the sides to resume talks.

Ukraine's energy troubles are far from over, and Russia took other steps on Monday that will limit Ukraine's other sources of natural gas. Restoring most of the flow did not end the dispute, and it was still unclear what Ukraine would eventually pay for its gas. Both sides said negotiations would continue.

Ukraine's fuel and energy minister, Ivan Plachkov, denied the accusation that the country was siphoning gas for itself, a delicate issue for Ukraine, which is a signer of the European Energy Charter, a treaty that seeks to secure the flow of fuel across borders. "There has been no unauthorized diversion of natural gas," he said, according to the Interfax news agency.

03 JAN 2006

Gazprom said Monday that it would restore 95 million cubic meters of gas a day, after reducing the flow by 125 million cubic meters on Sunday.

The company's chief spokesman, Sergei V. Kupriyanov, said the restored level, expected to be reached overnight Tuesday, would be only an insignificantly lower amount than the normal flow through the Ukraine pipelines.

Gazprom provides about a quarter of Western Europe's natural gas, and most of that - about 80 percent - is shipped through a grid of pipelines that cross Ukrainian territory. On Sunday, Gazprom had reduced the flow into Ukraine 20 percent, saying it expected Ukraine to continue to allow all the remaining flow westward.

But Aleksandr Medvedev, the director of the export arm of Gazprom, charged that Ukraine had siphoned millions of cubic meters of natural gas intended for export to Western Europe on the first day.

Speaking on Russian television, Mr. Medvedev took pains to assure Western European clients that their energy supplies were secure despite the company's dispute with Ukraine, while striving to lay any blame for a disruption on Ukraine.

"With the indisputable thievery of our gas from the export pipes, we've decided to take all possible measure to secure our gas so that Western consumers continue to receive gas in accordance with contracts," he said on state television.

Gazprom said it would bill Ukraine at its asking price for gas taken from the export pipelines while the dispute continues.

"Ukraine is taking the gas from our European partners," Mr. Kupriyanov, the company spokesman, contended. "We decided to compensate the stolen gas for our partners."

"We are striving from our side to provide as much gas to our partners, while Ukraine is not fulfilling its obligations," he added.

Gazprom stood firm on the core of its demand that Ukraine pay more for energy that has been subsidized by Russia since the breakup of the Soviet Union. In 2005, Ukraine purchased natural gas from Russia at \$50 per 1,000 cubic meters under a deal negotiated before the leadership change of the Orange Revolution last winter removed the country from Russia's sphere of influence.

Now, Gazprom is asking for \$220 to \$230, a price based on the cost of a basket of oil products traded on international exchanges, a formula used in Western Europe. "We cannot make special exceptions for Ukraine," Mr. Kupriyanov said.

Most Western European countries supplied by Russia pay market rates, while countries formerly part of the Soviet sphere of influence pay varying subsidized rates, with deep discounts for some that remain close to Russia politically. The reduction in their energy supply especially threatens some of those countries, with their greater dependence on Russian energy and more fragile economies.

Ukraine has been getting about a third of its natural gas from Russia. Gazprom made no promises on Monday to supply Ukraine's energy-intensive economy regularly in the months ahead. In fact, Gazprom said gas from the Central Asian nation of Turkmenistan, which provides more gas to Ukraine than Russia, was no longer reaching Ukraine's borders. The Central Asian gas passes through Russian

pipelines.

The announcement put additional pressure on Ukraine, though Ukrainian officials say they are talking with Turkmenistan's government. Gazprom also cut out an intermediary company with murky ownership that for years has been seen as a drain on Gazprom's profitability and possibly as a slush fund for Ukrainian elites.

Before Gazprom's decision to resume most of its supplies, Ukraine had been bracing for an energy shortage, and maybe a cold winter. The Ukrainian authorities had said that the flow had all but stopped in three gas mains in Ukraine and that some households and factories were at risk of losing energy, according to Russian news reports.

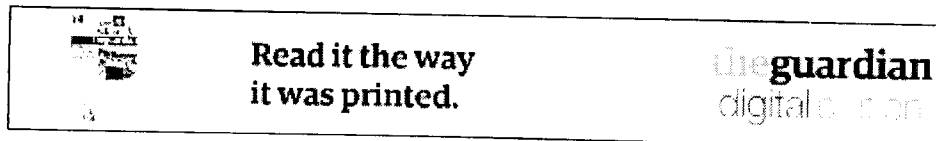
President Yushchenko had appealed for voluntary conservation measures with natural gas before his office was informed of the change in Russian policy.

Meanwhile, Mr. Solana, the chief of Europe's foreign policy arm, spoke by phone with Russian and Ukrainian officials through the day, said his spokeswoman, Christina Gallach.

"He's extremely keen and eager to see the conflict resolved," Ms. Gallach said in a telephone interview. "All the European Union has been asking for some sort of resumption of supplies to happen."

Germany's minister of economy, Michael Glos, also leaned on Russia to reverse course.

"Thirty percent of our gas comes from Russia at the moment," he said in comments to a German radio station and reported by Reuters. "That should be increased. But it can only be increased if we know that deliveries from the east are dependable."



Russia turns off supplies to Ukraine in payment row, and EU feels the chill

- Germany and Hungary feel first knock-on effects
- Kremlin says Kiev must pay fuel's market price

Tom Parfitt in Moscow
Monday January 2, 2006

Guardian

Russia followed through on its threat to stop natural gas supplies to Ukraine yesterday, in a fierce political standoff that is threatening to affect domestic fuel bills across Europe. Delivery from Siberian gas fields to Ukraine was cut off by reducing pressure in the pipeline network that also carries billions of cubic metres of gas chiefly to Germany, Italy and France.

The fallout was immediately felt in Germany and Hungary last night as gas suppliers warned of possible cutbacks.

A spokesman for the Russian state-controlled monopoly Gazprom, Sergei Kupriyanov, said: "From the beginning, the Ukrainian authorities prepared themselves for a conflict. [They] knew that from January 1 they would start non-sanctioned extraction of gas. To be precise, stealing."

Russia's foreign ministry issued a statement saying that if Ukraine did not guarantee uninterrupted delivery to the European Union it would bear "all responsibility" for worsening relations between the neighbouring countries.

Gazprom said the volume of gas being sent to western Europe was unaffected, but accused Ukraine of siphoning off transit supplies for its consumption. Ukraine denied the charge, saying the energy giant had cut the volume flowing across its territory to European importers. It issued a counter accusation that Russia was leaching Ukraine's gas supplies from Turkmenistan, through pipes which transit Russia.

Russian gas deliveries to Hungary via Ukraine fell by another 5-10% yesterday as big gas consumers were ordered to switch to oil where possible, Hungary's natural gas wholesaler Mol said. "Gas shipments are now down by more than 25%, a company spokesman, Sandor Kantor, told Reuters news agency.

The head of Germany's gas distributor warned that Russia's move to cut off natural gas to Ukraine could eventually crimp supplies for German industrial customers. Big business customers "are not affected at the moment, but down the line limited reductions in supply are not excluded," Ruhrgas's chief executive, Burckhard Bergmann, warned.

Mr Bergmann said the company's efforts to diversify gas supply with purchases from Norway, the Netherlands and domestic sources meant that there would be no cutbacks for smaller customers such as homeowners. "We are well equipped," he said. "Even with a further escalation there won't be limits for households and small customers."

Gazprom provides about half the gas consumed in the EU and some 80% of that passes through pipelines that cross Ukraine.

The crisis has escalated in the past week to resemble a full-scale cold war confrontation between two formerly friendly Soviet countries with closer historical links than England and Scotland.

The row is now on the verge of torpedoing the Kremlin's promise to be a stable energy partner to its western allies, after it formally assumed the presidency of the G8 group of leading industrialised countries yesterday.

There are fears that energy companies will capitalise on concern over supplies to western Europe by increasing their prices, hitting domestic consumers. Energy ministers from EU countries will meet on Wednesday for talks on the dispute.

The roots of the "gas war" lie in the widening divide between Moscow and Kiev since Ukraine signalled a dash towards EU and Nato integration after its "orange revolution" in 2004. Russia has important military bases in Ukraine and was previously pushing for its own economic union with the country.

The conflict began in earnest last month when Gazprom - effectively an instrument of the Kremlin - issued an ultimatum that export to Ukraine would stop if Kiev did not agree to raise the price it pays for gas supplies from a highly subsidised \$50 (£29) per 1,000 cubic metres to \$230, in line with market prices.

Both sides in the conflict have accused each other of acting for political gain. Ukraine wants a gradual transition to higher prices, but Moscow insists it should stump up immediately. Last week, Russia's president, Vladimir Putin, offered a \$3.6bn (£2.1bn) loan to help meet the payment, but his Ukrainian counterpart, Viktor Yushchenko, turned it down.

Mr Yushchenko also rejected a last-minute offer from Russia to freeze prices for three months if Kiev immediately signed a contract to start paying \$230 in April. However, there was confusion last night when Ukraine's Naftogaz claimed it had accepted that proposal in documents sent to Moscow shortly before midnight on New Year's Eve. Gazprom denied receiving such an agreement.

Ukraine says it has enough alternative supplies to provide to homes for several months, as temperatures hover around 2C, but the steelmaking plants that comprise a huge chunk of its economy could grind to a halt if Russia keeps the tap turned off for long.

A key issue for Ukraine will be the delivery of gas from Turkmenistan, which has been the country's single-largest supplier. Yesterday the Turkmen president, Saparmurat Niyazov, said 40bn cubic meters would be delivered to Ukraine this year - about the same amount as last year - which comes via pipelines crossing Russia. However, Gazprom this year is significantly increasing its own purchases of Turkmen gas, which some analysts suggested could bring a reduction in supplies to Ukraine.

Until Saturday, Gazprom supplied a third of Ukraine's supply. It bought up excess gas from Turkemistan for Russian consumption last week, in a move interpreted by some analysts as an effort to prevent its delivery to Ukraine.

The suspicion that Moscow's price rise is not only market driven has been given more credence by the prices it has agreed with former Soviet countries that it considers more friendly or malleable: \$47 per 1,000 cubic metres to Belarus, and \$110 to Armenia and Georgia.

Alexander Lebedev, a Russian state дума deputy, said he feared Russia's tough stance would remind the world of Soviet posturing. "We used to be called Upper Volta with rockets," he said. "Now it's Upper Volta with gas."

The Kremlin insists that its neighbour has no excuse not to pay standard European rates for energy.

Russian television channels struck a jingoistic tone yesterday as they provided live coverage of technicians cutting the supply to Ukraine at a compressor station on the border.

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Russia cuts off all natural gas supplies to Ukraine

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Kiev rejects Moscow's eleventh hour offer of compromise on price

Vladimir Radyuhin

MOSCOW: Russia has cut off all natural gas supplies to Ukraine on the New Year Day after Kiev rejected Moscow's 11th hour offer of compromise in a bitter dispute over gas prices.

Russia's state-controlled natural gas monopoly, Gazprom, shut off gas sales to Ukraine at 10:00 local time (07:00 GMT) on January 1, hours after Ukraine turned down President Vladimir Putin's offer not to raise gas prices till April provided Ukraine agreed to a steep hike in gas prices after that.

Gazprom is demanding that Ukraine pay \$230 per 1,000 cubic metres of gas, a nearly five-fold increase from the price of \$50. Ukraine's President Viktor Yushchenko said the most he was willing to pay now is \$80.

The Ukrainian leader also rejected another offer from Mr. Putin last week to loan Ukraine \$3.6 billion to cushion the shock of higher gas prices, saying his country doesn't accept "alms."

Russian gas covers just over 30 per cent of Ukraine's gas needs. Another 50 per cent Ukraine buys from Turkmenistan, with the balance made up by Ukraine's own gas extraction. Gazprom said it had stopped deliveries of both Russian and Turkmenian gas to Ukraine. Last week Gazprom signed a contract to buy additional quantities of Turkmenian export gas to step up pressure on

Ukraine. Russia depends on the Ukrainian pipeline system for the transit of 80 per cent of its gas exports — 116 billion cubic metres this year — to Europe. Therefore Gazprom cannot just turn off the gas tap for Ukraine. On Sunday it merely lowered the pressure of gas entering Ukraine's pipelines.

Meanwhile, Ukrainian leaders said they would continue taking Russian gas from Europe-bound pipelines because they thought Gazprom's move was unfair.

Siphoning off

Russia warned Ukraine to refrain from siphoning off European gas. "If this does not happen, all responsibility for a possible aggravation of Russian-Ukrainian relations in the gas sphere and for problems Kiev's actions will create for European countries will devolve on the Ukrainian side," said the Russian Foreign Ministry said in a statement on Sunday.

The statement accused Kiev of deliberately torpedoing the gas price talks to whip up anti-Russian feelings and postpone a crucial parliamentary election in March. Opinion surveys predict a defeat to President Yushchenko's party in the poll.

Reflecting the European Union's concern over possible disruption of Russian gas supplies, the E.U. Executive Commission has called an emergency meeting of its gas coordination group on January 4 to discuss the issue.



FEELING THE HEAT: An elderly woman stokes the fire in her kitchen's oven in the eastern Ukrainian city of Donetsk on Sunday. — PHOTO: REUTERS