

Eastern Europe left in the cold

Niall Green

16 January 2009

The gas flow from Russia to Ukraine tentatively resumed on Tuesday—only to halt amid accusations of theft and US conspiracy.

Russia cut off gas supplies to Ukraine on January 1, accusing Ukraine of stealing gas intended for the rest of Europe. A European Union-brokered deal reached on Monday saw Russia agreeing to resume supplies if Gazprom and European Union monitors were allowed to check the transit of gas through Ukraine.

EU monitors confirmed that a “very limited” gas flow had entered Ukraine from the Russian pumping station at Sudzha on Tuesday morning, although they were “not at this stage jumping to conclusions as to why this is the case,” a spokeswoman said.

Russian authorities said they had resumed the gas supply to Ukraine at test levels. The EU informed Russia it was “disappointed” at the level of gas flowing into Europe from Ukraine. Brussels has also complained about the “limited access” given to EU monitors.

The Ukrainian state company Naftogaz did not pass the gas on to its neighbours, saying the supply from Russia was too weak. Naftogaz also claimed that there was not sufficient coordination from Gazprom over the pipelines through which the gas would transit across Ukraine. “This seriously violates the established practice of reliable functioning of the gas transit system,” the Ukrainian company said in a statement.

Gazprom dismissed Kiev’s complaints and accused Ukraine of using the supplies intended for Europe to restock its own reserves.

Alexander Medvedev, deputy chairman of Gazprom, informed the EU on Tuesday that it was unable to continue the supply of gas into Ukraine because Naftogaz had still not opened any export pipelines. “If the system is closed, we can’t provide gas,” he said.

“It looks like they are dancing to music that is orchestrated not in Ukraine,” Medvedev added, in a clear reference to the United States.

Russia’s Prime Minister Vladimir Putin and his Ukrainian counterpart, Yulia Tymoshenko, plan to meet in Moscow on Saturday. Tymoshenko has been strangely muted regarding Moscow’s role in the dispute, feeding existing speculation that she is courting Russian support in upcoming parliamentary elections and also backing for her likely bid for the presidency next year.

Europe’s energy crisis

Seventeen European countries have had their gas supplies either cut or reduced, leaving hundreds of thousands without adequate heating as temperatures in eastern and south-eastern Europe have fallen to as low as -20C.

Serbia and Bosnia-Herzegovina are now almost completely without gas for heating and industry. Slovakia and Bulgaria have had to close schools, public buildings and industrial plants.

EU Commission president Jose Manuel Barroso has advised European energy companies to sue unless Gazprom and Naftogaz restored gas supplies “as a matter of urgency”. Heads of government from Bulgaria, Slovakia and Moldova have held separate talks in Moscow and Kiev.

Gazprom has used sharp price increases to pressure gas transit countries to relinquish control of their pipeline networks. In 2005 Belarus, a close ally of Russia was forced to hand over much of its transit industry to Gazprom after the cost of gas demanded by Moscow was ramped up.

Moscow insists that it only wants money owed by Kiev, including over \$600 million in fines. Russia wants Ukraine to pay up to \$450 per cubic metre of gas, up from the \$179.50 paid in 2008, though in return it would offer Kiev increased transit fees of \$2 per 1000 cubic metres for all gas transported to Europe.

Ukraine undoubtedly hopes to pressure Russia into maintaining a below market price for gas, while also extracting the maximum value from transit fees. Within the Ukrainian elite there are also fierce conflicts over control of the lucrative gas transit and secondary wholesale markets.

Both sides have been involved in intense shuttle diplomacy with the EU and the German government in particular. Germany is Russia’s single biggest market for gas, and German Chancellor Angela Merkel has led the call for Russia and Ukraine to accept EU inspectors as part of a deal to restart supplies.

Gazprom Deputy Chairman Alexander Medvedev and Ukrainian Energy Minister Yuri Prodan have both made trips to the German chancellery to press their cases. Reports from within government indicate that Berlin believes that much of blame for the dispute, at least in its initial phase, lay with Kiev.

However, patience with Russia is being strained. Speaking Thursday, Merkel warned, “I think there is a general danger that Russia to a certain extent will lose its reliability if we see very long interruptions in gas deliveries.”

Despite the efforts in Brussels and Berlin, the European powers have proven incapable of reliably restoring the gas supply, much less establishing a lasting stability in energy transit.

The inability of the European elite to respond in a coherent unified manner to the gas crisis has been a source of great embarrassment. On Monday German newspaper *Spiegel* complained that the ineffectiveness of last week's EU-brokered negotiations revealed "how much the EU lacked a concept, even in the gas crisis."

Russia's "own responses" to the US

The Russian economy is in deep trouble. The Kremlin has burned through a quarter of its currency reserves since August, while the rouble lost 15 percent of its value against the euro in 2008. The price of oil, one of Russia's principal exports, has plummeted and Gazprom has reported a sharp fall in earnings amid rising debts.

While Moscow's dispute with Kiev is largely driven by the need of Gazprom and the Russian treasury for increased revenue from gas, the background to the dispute is highly political and expresses enormous and growing geo-political tensions, primarily between Russia and the United States.

During a visit to Moscow December 12, Ukraine's President Viktor Yushchenko was publicly warned by Putin that Russia had "its own responses" to the expansion of US military influence in the region. Whatever the immediate triggers for the current dispute with Ukraine, Moscow has shown itself willing and able to use its energy resources to defend and advance its strategic interests.

Since the fall of the USSR, Washington has sought a dominant position in Eurasia through the war in Afghanistan, the expansion of NATO into the former Soviet republics of Ukraine and Georgia, and the stationing of US military bases from Poland to Kyrgyzstan.

Russia, a nuclear-armed power with control over vast energy and mineral resources, is, with China, the main state threat to US hegemony in the super-continent. As such, Washington has made a series of highly provocative moves against its rivals in the Kremlin, culminating in its vociferous support for Georgia's attack on the Russian controlled break-away province of South Ossetia last summer.

In a Strategic Partnership Agreement signed by Condoleezza Rice, for the US and Volodymyr Ogrzyzko, Ukraine's Minister of Foreign Affairs, December 19, Washington promised to encourage Ukrainian membership of NATO and that they would jointly expand "ongoing programs of cooperation and assistance on defense and security issues" which are "of benefit to both nations *and the region*." [Emphasis added]

Such a formulation would clearly have been read by Moscow as threat. Going on, the document spelled out Washington's intention to lessen Ukraine's reliance on Russia for its energy needs:

"Recognizing the importance of a well functioning energy sector, the parties intend to work closely together on rehabilitating and modernizing the capacity of Ukraine's gas transit infrastructure and diversify and secure Ukraine's sources of nuclear fuel making Ukraine less dependent on foreign sources of nuclear fuel and nuclear fuel storage."

Ukraine's large Soviet-era pipeline network has suffered from chronic under-investment and Naftogaz is said to be unable to maintain, let alone improve its infrastructure. Russian plans, signed in 2002, to aid the modernisation of the Ukrainian network were shelved after the "Orange Revolution" brought to power a pro-US regime in Kiev.

On January 9, Rice signed a similar Strategic Partnership Agreement with Georgian foreign minister Grigol Vashadze in Washington.

Failure of the nation-state system

European governments are planning to develop alternative routes to those going through Ukraine, including new pipelines from Russia. However, no alternative route will allow the European powers to circumvent the massive growth of inter-imperialist antagonisms which are threatening new wars for control of the world's resources.

A vast network of oil and gas pipelines, much of it dating back to the Soviet era, exists between the main hydrocarbon producing areas of Siberia and Central Asia and the main markets in Europe. Much of this network requires updating; but each one of the new energy pipelines being sponsored by Russia, the EU and the US represents not an attempt to develop the productive and distributive forces of the world but an attempt to stymie their rivals.

The Nord Stream pipeline under the Baltic Sea, being built by Gazprom and German firm BASF, is intended to secure the interests of German capitalism, but, as many industry experts have stated, is in effect a hugely expensive mechanism to bypass Belarus, Poland and the Baltic States.

From the Caspian Basin to the heart of Europe, the Baku-Tbilisi-Ceyhan and Nabucco pipelines supported by Washington will cost tens of billions of dollars to the sole end of cutting Russia out of the supply route. Moscow has responded with the South Stream pipelines, being developed by Gazprom and Italian capital, which will cost even more to set up.

The vast wastefulness of these doubled and redoubled pipeline networks, and the suffering caused to the peoples of Europe who are now surviving the depth of winter without heating, attest to the failure of capitalism and the nation-state system to meet the needs of modern civilisation. And while the conflict is now being fought using the tools of "energy politics" the threat of war looms ever larger on the horizon.

Against the anarchy and wastefulness of capitalism and the division of Eurasia into rival and antagonistic nation-states, the International Committee of the Fourth International advances the United Socialist States of Europe as an essential prerequisite for the rational planning of modern life.



To contact the WSW and the
Socialist Equality Party visit:

wsws.org/contact