

# Ukraine in Talks on Cooperating With Customs Union

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March 03, 2013



President Vladimir Putin with his Ukrainian counterpart, Viktor Yanukovich.

Ukrainian President Viktor Yanukovich said Monday that his country was holding talks on cooperating with the Russia-led customs union.

Yanukovich made the statement during his meeting with Vladimir Putin at the Russian president's Zavidovo residence, in the Tver region.

Moscow wants Kiev to stay a close ally, while Ukraine looks forward to integrating with the European Union, which could pull it away from Russia on some counts.

Ukraine hasn't yet contacted the other two countries in the customs union, Belarus and Kazakhstan, to find out how it could get a role in the group, Yanukovich said.

Ukraine has adamantly refused membership in the customs union but said it could agree to some other status in the organization, such as that of an observer.

Putin said Ukraine could boost economic growth if it joined the customs union. GDP could rise at least 1.5 percent, depending on the depth of integration, he said.

Yanukovych countered by saying the forecasts weren't all that positive. He indicated that his administration will continue with its cautious stance toward the economic group.

"We need to look at the formats of participating in the customs union and hold talks," Yanukovych said, Interfax reported.

He added that domestic discussion of the subject should take place.

Putin lamented that last year, trade between the countries was \$45 billion, a \$5 billion reduction from the previous year's amount.

Yanukovych attributed the decline to the fact that Ukraine had abstained from integrating with the customs union.

"There are negative processes in our cooperation with the customs union," he said. "It affects both countries, and we are not amused by the economic losses in connection with that."

Yanukovych also said he intended to talk natural gas with Putin.

"Our experts have advanced far into this issue, and it's time to sum up and correct plans," he said.

Ukraine contends that Gazprom charges too much for gas. Gazprom wants the country to pay a \$7 billion penalty for buying less than the amount specified in the contract.

The presidents retreated for talks behind closed doors after a brief evening meeting attended by reporters.

Yanukovych's visit to Russia came on the heels of his trip to Brussels to meet high-ranking EU officials on Feb. 25.

Ukraine and the EU confirmed their commitment to sign an association agreement in November. European Commission President Jose Manuel Barroso called the potential accord "the most advanced agreement of this type ever negotiated by the European Union."

Ukraine will be required to comply with the conditions set by the EU, which include adopting electoral, political and economic reforms and "addressing the issue of selective justice."

Yanukovych has said Ukraine is committed to implementing all necessary measures to sign the agreement with the EU.

Valery Chaly, a former deputy foreign minister for Ukraine, told The Moscow Times that it is precisely these demands for institutional change that make the European choice more attractive for Ukraine.

The potential integration into the Russia-led customs union addresses only the most immediate economic, financial and trade concerns Ukraine is facing, said Chaly, now deputy director of the Kiev-based Razumkov Center think tank.

Integration into the EU would be a strategic choice that yields a long-lasting impact on the country's institutional environment, he added.

Konstantin Zatulin, director of the CIS Institute, said that according to his sources, Moscow wants to lease its gas pipeline system from Kiev which would inevitably lead to Ukraine's withdrawal from the European Energy Community.

Zatulin said Yanukovych had been scheduled to meet with Putin in Moscow on Dec. 18, but then Russia demanded that Ukraine give tangible guarantees that the agreements to be concluded at the meeting would be fulfilled.

The European Union has its own proposals on Ukrainian gas pipelines. The EU supports the idea of transferring them to a Ukrainian-Russian-European consortium, EU Energy Commissioner Gunther Ettinger said in an interview with the newspaper Kommersant-Ukraine that was published Monday.

"We can offer Ukraine a trilateral consortium which would include a Russian participant, [Ukraine's] Naftogaz Ukrainy and European businesses," Ettinger said.

He said financial companies, banks, insurance firms and gas companies could represent Europe in the consortium.

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