

UKRAINE

Russia the Troublemaker

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Russia is actively intimidating Ukraine, in light of the November Eastern Partnership Summit in Vilnius, where Kyiv expects to sign the EU Association Agreement. In mid-August, Ukrainian exports were effectively stopped for one week at the Russian border. The conflict has seemingly eased, but Moscow undoubtedly will keep menacing Kyiv, to warn it about how painful “life without Russia” might be. Given Ukraine’s already-shaky economic position, an unfriendly advance from Russia, even if temporary, will only make the country’s position more precarious.

The gas issue also poses multiple near-term problems for Ukraine. In H1, the country imported a record low volume of gas, to conserve foreign cash. A nearly 60% gas import increase is needed in H2, to have the minimum 27 bcm necessary to survive the winter safely. Yet Energy Minister Eduard Stavytskiy warned that gas imports could be even lower: Naftogaz plans to pump only 12.5 bcm of gas into storage by the end of September, or 36% less than a year ago. So it is likely that Ukraine will not only experience foreign cash problems, but will also>>>