

## **U.S. Policy Toward Ukraine**

**Institute of World Policy**  
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### **Introduction**

Ladies and gentlemen, thank you for inviting me to speak with you.

Today I'd like to talk about the full range of relations between the United States and Ukraine. Our relationship is strong and active, and the United States continues to be closely engaged with Ukraine. We stand ready to do all we can to support the Ukrainian people in their quest for a democratic and economically prosperous future.

On a personal note, I have been in Ukraine for just over six months as the U.S. Ambassador. This is a good opportunity for me to reflect on the important events that have taken place during my time here, and to share some thoughts about the road ahead.

In recent years Ukraine's leadership in democracy has served as an example for the region. The Presidential elections in January and February were widely recognized as essentially free and fair. Although then Prime Minister Tymoshenko initially contested the result in court, the post-election transfer of power was orderly. We take great hope in the fact that the changes created by the Orange Revolution appear to be irreversible. This includes the peaceful expression of the people's democratic will. Ukraine has undergone rapid democratic change, and Ukrainians should take pride in what they've achieved. During the presidential campaign, Ukraine's citizens and press debated the recent government's record and the merits of each candidate. Voters made up their own minds and turned out in large numbers. The race was competitive and the result was close.

President Yanukovich has been in office for four months and has already made a successful trip to Washington, where he met with President Obama during the Nuclear Security Summit. The Presidents issued a Joint Statement in which they reaffirmed the Strategic Partnership between both countries and committed to build upon the United States-Ukraine Charter on Strategic Partnership. The United States and Ukraine are working together to modernize Ukraine's civil nuclear research facilities and to expand scientific cooperation in this field. President

Yanukovych's decision to remove Ukraine's HEU was an historic step and a reaffirmation of Ukraine's leadership role in non-proliferation.

The President's economic reform committee has issued an ambitious four-year economic reform plan, and we remain hopeful that the government will prove up to the task of making the timely reforms necessary for economic progress and, as President Yanukovych has said, ensuring the restoration of Ukraine's international financial credibility. Ukrainians deserve an effective government that can achieve real reforms.

Ukraine's need for reform and economic progress is independent of the specific government in power. Ukraine's enduring interests are embodied in the hopes of its people for more prosperity, more openness to Europe and the rest of the world, and more efficient and accountable public services that provide the security, health care, education, and social protection that every Ukrainian deserves. Ukrainians want to see their children enjoy a brighter future, and that depends on moving forward with reform and economic progress.

One of the key institutions that will help create that brighter future is a free press that can accurately report the news without interference by the government or owner-oligarchs. The free press plays an enormous role in holding public officials accountable for their actions - and that is a crucial element in creating the more efficient and accountable public services that Ukrainians want and deserve.

Let me emphasize again: Ukraine matters a great deal to the United States, and it matters a great deal to Europe as well. Just as the Ukrainian people have an enduring interest in economic progress and reform, so too does the United States have an enduring interest in Ukraine. Ukraine has tremendous potential. It serves as a transit route for nearly a quarter of Europe's gas imports, and it could become self sufficient in energy if its natural resources were fully developed and energy efficiency improved. It could become a significant contributor to global food security if it made full use of its rich black soil. Ukraine can serve as an example in this critical region. It has shown leadership on the world stage, eliminating nuclear munitions and launchers and contributing to security and peacekeeping operations from the Balkans to Iraq. Ukraine has served as an example for the region in its development of an active democracy. And Ukraine's highly educated workforce is now more connected with Europeans and Americans than ever before through business, travel, and education.

**U.S. Policy based on Strategic Partnership Charter**

As we look ahead to engagement with the Ukrainian government and Ukrainian citizens, it is worth reviewing the basis for our policy toward Ukraine. The United States will not waiver in its support for a strong and independent Ukraine. Our vision for Ukraine is the same one that Ukrainians have for themselves - a democratic and prosperous European nation with an effective and accountable government. Of course, Ukraine's future will be determined by Ukrainians and their elected leaders. In Moscow last July, President Obama said, and I quote, “State sovereignty must be a cornerstone of international order. Just as all states should have the right to choose their leaders, states must have the right to borders that are secure, and to their own foreign policies. Any system that cedes those rights will lead to anarchy. That is why this principle must apply to all nations, including ... Ukraine . . . .”

There has been speculation about how the Obama Administration’s efforts to improve ties with Russia would affect our relationship with Ukraine. As we reset relations with Russia, we have reaffirmed our commitment to the sovereignty and territorial integrity of Ukraine and its neighbors. We do not believe that a partnership with one country must come at the expense of another. In fact, the United States joined Russia last December in re-affirming the security assurances provided Ukraine in the 1994 Budapest Memorandum. Our larger goal is to encourage the transition to a multi-partner world, in which like-minded nations can make common cause on common concerns – and the stronger our partners, the more effective our partnerships. A strong and independent Ukraine is good for Russia, good for the region and good for the world. We strongly support Ukraine’s aspirations to integrate into Europe.

The specifics of our cooperation with Ukraine will continue to be guided by the U.S.-Ukraine Charter on Strategic Partnership. The charter highlights the importance of our bilateral relationship and outlines increased cooperation across a broad spectrum of shared priorities. They include economics; trade and energy; defense and security; strengthening democracy; and cultural exchanges. During Vice President Biden’s trip to Kyiv last July, the U.S.-Ukraine Strategic Partnership Commission was established to advance the objectives of the charter. The commission met in Washington in December. We look forward to its next session in Kyiv in July.

Our commitment to Ukraine is demonstrated by our assistance program, which totals \$123 million in 2010. Our goals are to bolster peace and security, strengthen democratic institutions, promote economic growth and energy efficiency, enhance

security and non-proliferation, secure Chernobyl, fight HIV, and improve child health.

### **U.S. Policy Priorities**

In the spirit of our strategic partnership with Ukraine, I would suggest five policy priorities that will be high on our shared agenda with the Yanukovich administration:

First, the United States is committed to policies that contribute to prosperity in Ukraine and is ready to support Ukraine's reaching agreement with the International Monetary Fund as soon as possible and its implementation of further economic reforms. We remain convinced that Ukraine's path to recovery and renewed prosperity runs through cooperation with the IMF, which can help Ukraine find a way out of the current crisis and open the door to lending from other international financial institutions and the European Union. That will require strong leadership to cut the budget deficit, revive the banking system and phase out energy subsidies.

Another high priority is strengthening democracy and freedom of the press. Effective rule of law is critical to a strong democracy, which is why we are supporting efforts to improve the situation. As President Yanukovich stated in his address to the Council of Europe in Strasbourg, his Administration has begun to enact reforms aimed at reaching European standards in all areas of Ukrainian life. The first of these, he declared, is guaranteeing the rule of law in Ukrainian society. In order to do that, President Yanukovich and his team have the ambitious goal to elevate the justice system in Ukraine to the norms and standards of the Council of Europe. He stressed in Strasbourg how important the conclusions of the Venice Commission would be on this process, and we were pleased to learn that the Administration forwarded the proposed judicial reform legislation to the Commission this week for its consideration. We hope that the Administration will work with the Venice Commission to develop the strongest reform legislation possible to strengthen Ukraine's judiciary.

Many of our legal experts at the embassy who focus on democracy and the rule of law are committed to assisting the Administration in drafting robust reform legislation for the criminal justice system, including both the criminal procedure code and the judicial system. Such reforms will, as President Yanukovich said, strengthen the fight against corruption they will promote media freedom by

preventing obstruction of journalists and intimidation that would otherwise impede the access to information that is essential to democratic development.

However, a democratic system does not depend on the legal code alone. As I said before, freedom of the media is also a crucial part of democracy. That's why we believe it is essential to protect and even expand the media freedoms that emerged in 2005. There should be no going back to the old system of government pressure on journalists and media companies. At the same time, we must also recognize that some media companies practice self-censorship, which is equally destructive to the principle of press freedom.

There have been troubling reports of pressure on journalists, and a violent attack against the editor of a newspaper in the city of Kolomyia. There have been open letters of protest from journalists at several television companies, who complain of inappropriate pressure and censorship. We believe the police should investigate violent incidents thoroughly, and that the government should take reports of pressure on journalists seriously. We applaud President Yanukovich's public statements in support of freedom of the press. We hope the government will take action when freedom of the press is threatened.

A third equally important area for Ukraine's long-term prosperity is in trade and energy. A gas sector based on transparency, competition, realistic pricing, and more energy-efficient distribution and consumption will be key. The United States is coordinating closely with the European Union on this issue. Ukraine uses energy three times less efficiently than the EU average, and consumes 50 to 60% more gas than it should. This is not economically sustainable and it narrows Ukraine's economic options. The United States is helping with a three-year program designed to increase energy conservation and efficiency of the municipal heating sector. Pricing reform is needed not only to encourage energy savings but also to spur investment in the energy sector. We encourage the Ukrainian government to make the most of EBRD/World Bank/EU offers to assist in the modernization of the gas transit system, which would reduce a major drain on the budget and encourage investment in the energy sector.

When it comes to trade, the United States is ready to work to strengthen the business side of U.S.-Ukraine relations, which has the potential to be much larger than it is today. The United States remains Ukraine's 8th largest foreign investor, with \$1.4 billion in foreign direct investment. We welcome President Yanukovich's remarks in favor of creating incentives for investors, such as lowering taxes and reducing red tape. Our business community tells us that much

remains to be done to make Ukraine more attractive to investors, including tax code reform, increased transparency, greater rule of law, and serious action against corruption. The timely payment of VAT refunds would be a big step forward. So would the protection of intellectual property rights. One area where the U.S. private sector could do more is in Ukraine's nuclear power industry.

The fourth area of cooperation is in defense and security. The United States and Ukraine must continue to work together to reduce the threat of the spread of nuclear materials and technology to dangerous regimes or terrorist groups, while safeguarding the peaceful uses of nuclear energy. Ukraine's pledge to remove its highly enriched uranium was a highlight of the April Nuclear Security Summit. Cooperation in this area between Ukraine and the United States has made the world safer.

Security and defense cooperation is an essential component of our strategic partnership. We commend Ukraine for its contributions to international peacekeeping efforts. It is a positive sign that the Rada overwhelmingly passed legislation to allow joint military exercises on its territory this year. With regard to NATO, we support a relationship that reflects the will of the Ukrainian people. President Yanukovich has made it clear that NATO membership is not on the agenda for his Administration. This decision is for Ukraine, and no other country, to make and we respect that. We are pleased that practical military-to-military cooperation between Ukraine and the United States is continuing. Indeed, we look for greater levels of cooperation with Ukrainian forces -- both bilaterally and with NATO.

The fifth important policy priority is the fight against corruption. Reducing corruption is absolutely essential for improving the economy. We have noted with great hope the new government's statements that fighting corruption is a top priority. However, actions speak louder than words. Streamlining and making more transparent government procedures can help eliminate the opportunities for corruption. We are working with the government to provide policy advice and technical expertise where needed. We are encouraged that the Rada made changes to the Public Procurement Law to make it consistent with World Bank, EU, and USAID recommendations. We have programs to help implement standardized higher education testing, and more generally to reform the judiciary, both of which will have an impact on corruption. The Embassy has also provided \$1.5 million for the introduction of E-Customs, which is an EU-compliant electronic import verification system that will also alleviate opportunities for corruption at the

border. In these and other ways, we are standing with the people of Ukraine, who have had enough of corrupt and unaccountable government. The time has come to make a major effort in this area.

### **Conclusion**

In conclusion, I would like to again emphasize that the U.S. remains actively engaged in Ukraine, including an upcoming visit by Secretary of State Hillary Clinton. We enjoy a highly cooperative relationship in many areas, and we can find even greater room for joint action.

While the challenges in U.S.-Ukrainian relations are complex and demanding, I remain optimistic about the possibilities before us. It is important to both nations that we find the right way forward for U.S.-Ukraine relations. With a new Administration in Ukraine, we have a chance to redouble efforts on both sides to realize the goals of our Strategic Partnership.

Thank you. And I will be happy to answer your questions.