

Undersecretary of State for Political Affairs Wendy Sherman

Interview for Channel 5, March 20, 2013

Channel 5: According to unofficial sources, Secretary Kerry's advisors advised him not to travel to Ukraine, that's why he sent you instead of going himself. Is that true?

Undersecretary Sherman: I think that we care a great deal about Ukraine. We have a Strategic Partnership with Ukraine and see tremendous potential for the country going into the future. We do think there are some things that ought to change in Ukraine to really take advantage of all of the prosperity that could come to the citizens of Ukraine. Secretary Kerry asked me to come here to affirm that relationship. I would imagine that the Foreign Minister and Secretary Kerry will meet some time in the future. But right now, I think, Ukraine has to focus on where it's headed. And one of the places it is most headed, we hope, is with European integration. We know that right now the Government is considering a set of reform that we hope it takes, so that come the meeting in Vilnius, the Association agreement and the Deep and Comprehensive Free Trade Agreement can be signed by the Government of Ukraine. And the kind of reforms, both prosecutorial reforms, judicial reforms, economic reforms, and ending selective prosecution can stop, and also proceed forward in a positive way, so that in fact, all of the openings that are there for the people of Ukraine come to pass.

Channel 5: Does it mean that Secretary Kerry may visit Ukraine eventually?

Undersecretary Sherman: I think eventually that's possible. It is most important, however, that Ukraine address selective prosecution, address the need for judicial reform, make economic reforms, integrate itself into international norms and standards in a way that says that, in fact, Ukraine has embraced the democratic freedoms, that it stands for the independence that it has gotten, the territorial and sovereign interests that it has for its people looking into the future.

Channel 5: Do you feel that Ukraine really strives to change for the European integration and to move forward?

Undersecretary Sherman: I don't know the answer to that question yet. I've had very good conversations with the Prime Minister, the Foreign Minister, opposition leaders – this morning, business leaders – and we'll be privileged and honored to meet with the President a little later this morning. But I think what I've heard is there is so much potential here in Ukraine. Speaking with business people this morning, indeed foreign direct investment is only a tiny percentage of the GDP of Ukraine. There could be billions of dollars of investment here. But that would require, really, adherence to the rule of law, judicial reform that insures that business knows what to expect; that bureaucrats have the freedom to follow that rule of law and not be fearful of prosecution, of losing their jobs. So, there has to be change and a real commitment by the government to indeed take those reforms, to say to the international community: we want you here, we want competition, we want growth, we want possibility. I know that the government and the people of Ukraine don't want to stay in recession, which is where the country is right now. There is tremendous promise here. There can be great prosperity.

Channel 5: Does it mean that in your conversation with the President, you may use the words that some U.S. Senators used – words like “sanctions”?

Undersecretary Sherman: Right now, the U.S. policy is for direct engagement with Ukraine. We believe that, at the moment, it is more helpful to have conversations directly, to talk about the changes that are needed, to use the prospect of European integration, to urge Ukraine to make the right choices and the right decisions for itself. Not because it's good for Europe or good for the United States, but because it's good for Ukraine. Countries always take the decisions that are in their own self-interest. And it is in the self-interest of Ukraine to

make these judicial reforms, to end selective prosecution, to put rule of law in place, to bring in foreign direct investments. That is in Ukraine's self-interest.

Now, I understand that there are many in the United States – and we certainly have all thought about whether there is other tools that might urge Ukraine to move in the right direction. But for right now, we want to stick with direct engagement and hope that, in fact, the Government of Ukraine makes the right choices.

Channel 5: So, my understanding you're not going to resort to this tool in your conversation with the President.

Undersecretary Sherman: We are not going to resort to this tool today. We believe in direct engagement. I can't tell you that never will we look at these tools – or other tools that we have, in terms of tracking financial assets and looking at what the options are. But right now, we think there is an opportunity here – through European integration – for Ukraine to make the right decisions. We want to provide the support, the technical assistance, and the friendship and the partnership to try to help Ukraine move in that direction. We sincerely hope that the Government makes those choices.

Channel 5: Talking about the most discussed and talked about names – Tymoshenko and Lutesnko – that influence both internal and foreign policy of Ukraine, what policy, do you think, the Unites States will pursue regarding these two individuals, who are more and more often described by the international community as political prisoners?

Undersecretary Sherman: As you have said yourself, the international community thinks, both with former the Prime Minister and the former Interior Minister, that this was political prosecution. That, in fact, this was selective justice. That the Government of Ukraine should step back from this very dangerous moment. And that these two selective prosecutions, as well as some others, ought to be addressed by the government. These are part of the requirements for European integration. I was in Brussels, meeting with several of the leaders of the European Union, before I went on to Poland and then came here to Kyiv. And I think that the European Union is quite serious about this. There are many ways that the President and the Government here can resolve this situation. And I hope they will take these very important decisions.

Channel 5: Is the following scenario possible, that we heard after President Yanukovich met with the Polish President – that, by summer, Lutsenko will be released and Tymoshenko can be possibly let go to Germany for treatment?

Undersecretary Sherman: As I said, I think there are a number of ways to resolve this problem. The path that you've just outlined is certainly one of them. And I hope that the government does take the decisions necessary to end what I think is a very sad chapter in the history of Ukraine. Ukraine needs to move forward and use all the opportunities in front of it, including European integration, to really open and unlock all of the economic possibilities that there are for Ukraine and all of the political justice opportunities there are for Ukraine.

Channel 5: What would you propose to reform our judicial system? Because, on one hand, Ukrainian side keeps talking that we are changing, we have adopted new Criminal Procedure Code, but in essence, the situation in Ukraine doesn't change. What your proposition would be?

Undersecretary Sherman: I think that Ukraine not only needs to resolve its criminal code, but also full judicial reform in the way that prosecutors undertake their jobs, how things go forward. There really is not adherence to rule of law here. I've met with businesses this morning, and they never know what to expect. They never know whether the agreements they make will be upheld. They never know whether, in fact, there is a process for getting permits that will be upheld, they never know whether their assets will be protected. And quite frankly, business will not come here. And, yes, a small group of Ukrainians can hold on to whatever assets are

in the country. But over time that will mean that young people will leave Ukraine. Because they will go elsewhere for opportunity. So, to really build the strength of all that is here – it's an extraordinary country, my grandmother comes from Pereyaslav...

Channel 5: Really?

Undersecretary Sherman: Yes. She would be amazed looking at Kyiv. I was here many, many years ago and I am amazed at the growth and the vibrancy that is here. But there is a door that is still not unlocked. And that is the door that would open up economic opportunity, jobs for young people, the IT sector, the investment sector, the banking sector, agriculture. Agriculture here is operating at a quarter of the efficiency of American agriculture. We can transfer all kinds of capabilities to Ukraine, so that opportunity can be unlocked for millions of people who want to stay here and raise their families here. But that means there have to be choices about the rule of law, there have to be choices about meeting international standards. There are opportunities now for Royal Dutch Shell, for Chevron, for ExxonMobil to really bring those international standards to the gas and oil industry. I hope Ukraine takes the decisions that allow that to happen.

Channel 5: Those are very good prospects considering the country and its future. But have you ever pondered about the fact that some advisors, who consult Ukrainian government, say that if to follow all the rules of democracy it will mean for the Ukrainian authorities to lose power? So, on the one hand there are good prospects for the country, on the other hand there is a push towards securing power.

Undersecretary Sherman: I don't think it is actually that choice. I think the choice is that leaders can show that they can think of the future, that they can create a legacy for themselves and for their children and grandchildren that is great. And, yes, I am sure the President, like all presidents, enjoys power. But is it the power to unlock the possibilities for their country? Is it a legacy that they can be proud of? Is it about personal power, or is it about power for their country? Will they go down in history as someone who really led Ukraine to the bright future that it can have? That is really the power of history, which is much more meaningful and much more lasting than a moment of power.

Channel 5: And are you going to raise all those questions in your conversation with the President?

Undersecretary Sherman: I am sure we will have a vigorous discussion, and indeed I will raise the desire of the international community to bring all that it has to bear to Ukraine, so that Ukraine can have all the prosperity that is possible. And it is enormous. For a decade I was in the private sector and helped to run an investment business, and many times we looked at Ukraine – and we always stepped back because we never knew what to expect. There was no rule of law. There was no assurance of our investment. There was no understanding of the power structure that would ensure that business could have a real return here. That should change – because it's important for the people of Ukraine, not because it was important for my business; because it was important for the people of Ukraine.

Channel 5: No doubt, the most important event for Ukraine this year is the signing of the Association Agreement with the EU. Doesn't the situation now resemble you what was happening with the NATO Membership Action Plan several years ago in Bucharest, when U.S. supported Ukraine and Georgia in greater extent than some European states? Don't you see that the situation now looks a lot like it was with the MAP for Ukraine?

Undersecretary Sherman: I think it is a different moment in history. What has happened in the past does not have to be the prelude to the future. There is a new moment here for Ukraine: to interact with Europe, to open up all the economic opportunities of trade with Europe. The Deep and Comprehensive Free Trade Agreement is quite important for Ukraine. In Ukraine, I know, in the background of everybody's mind, is always the issue of the relationship with Russia. I would expect that Ukraine will always have a strong, and important and robust relationship with Russia. But that does not mean it cannot integrate with Europe, it cannot have a strong

market with Europe. And then when Europe negotiates the Transatlantic Trade and Investment Partnership with the United States, it will open up that opportunity for Ukraine as well. So, Ukraine can have all of these relationships if it proceeds in a way that meets all international norms and standards and really joins the international community.

Channel 5: But the cooperation with Russia is more tempting for the Ukrainian authorities, because if to join the Customs Union there will be no talk that you must mind the democracy, rule of law, etc. So, Ukraine can begin developing relations with the Customs Union immediately after the Association Agreement with Europe is not signed. What do you think?

Undersecretary Sherman: But they will have a very narrow market for trade...Ukraine will have a very narrow market for development, and, in fact, Ukraine has already made a choice: that is to be independent, to be democratic... the majority of Ukrainians want to join the European Union. And I think, if Ukraine indeed integrates with the European Union, you can still have a robust relationship with Russia, but have the independence that it has sought and the sovereignty that it enjoys.

Channel 5: Thank you very much.

Undersecretary Sherman: Thank you.