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“Ukraine and Its Relations with the United States”

Chairman Cardin, Co-Chairman Hastings, Members of the Commission: Thank you for the invitation to discuss Ukraine and its relations with the United States in the wake of presidential elections. Your timing could not be better, as Ukraine’s new president took office last month and its new government was confirmed last week.

Why Ukraine Matters

Let me begin by making three basic points about Ukraine and the recent elections before sketching out our agenda for engagement. My first point should be obvious: Ukraine matters to the United States and it matters to Europe. Ukraine is one of Europe’s largest states, roughly the size of France with 45 million people. It serves as a transit route through which nearly a quarter of Europe’s gas imports flow, and it could become self sufficient in energy, were its natural resources to be fully developed. Ukraine has tremendous potential. It could become a net contributor to global food security; its rich black soil produced over one-quarter of the Soviet Union’s agricultural output. Ukraine can also serve as an example in a critical region. It has shown leadership on the world stage, giving up its nuclear weapons to become a non-nuclear state and contributing to security and peacekeeping operations from the Balkans to Iraq. And Ukraine’s highly educated workforce is probably now more connected with Europeans and Americans through business, travel and education than ever before. Cell phones outnumber Ukrainians; about one-quarter of the population is on-line; and Ukrainians are travelling abroad in record numbers.

My second point is about Ukraine’s leadership in democracy in the region, a role aptly illustrated by the conduct of its presidential elections in January and February. Taken together, the two rounds of voting received an overwhelmingly positive assessment by international observers. Among those observers were Congressman Hastings and Helsinki Commission staff members, and I would like to recognize their contribution to the OSCE Parliamentary Assembly’s election observer mission. The OSCE concluded that the presidential election showed significant progress over previous elections, and met most OSCE and Council of

Europe commitments. The open, competitive election demonstrated respect for civil and political rights and offered voters a genuine choice among candidates representing diverse political viewpoints. Candidates were able to campaign freely, and the campaign period was generally calm and orderly. The U.S. Senate, in fact, recognized the progress represented by this election with its passage of Resolution 422.

My third point is that the 2010 presidential election may have been a defeat for the Orange Revolution's leaders, but not for the Orange Revolution. The peaceful expression of the political will of Ukrainian voters should be viewed as another step in strengthening democracy in Ukraine. Ukraine has undergone rapid – and, I would suggest – irreversible, democratic change, and Ukrainians should take pride in what they have achieved. During the presidential campaign, Ukraine's vibrant body politic and free press discussed and debated the poor governance and chronic political infighting that has plagued the country. Ukraine's economy contracted 15% in 2009, one of the worst economic performances in the world. Voters, with access to independent information and the candidates' views, made up their own minds and turned out – and turnout exceeded 65% in each round – to vote out the incumbents.

The post-election transfer of power has been orderly. After the votes were counted and certified, President Yushchenko stepped down and Viktor Yanukovich took the oath of office in the parliament as Ukraine's fourth president since independence. Prime Minister Tymoshenko initially challenged the results in court but later withdrew her case. She left office after a vote of no-confidence and President Yanukovich set about assembling a parliamentary majority coalition. When formation of a coalition appeared unlikely, threatening stalemate or early elections, Yanukovich and his Party of Regions sought and won passage of a new law that allows coalition formation based on votes not only of political parties but also independent deputies. On that basis, Prime Minister Mykola Azarov and his cabinet were confirmed last week. The opposition questioned the new law's constitutionality. We were pleased to see that the Party of Regions itself took the initiative to ask the Constitutional Court to review the law and pledged to abide by the court's decision. If the court rules against the new procedure, we expect the Party of Regions will seek to form a new coalition consistent with whatever the Court decides or seek early parliamentary elections.

Ukraine's democracy is a work in progress. The electoral process is contentious but as Vice President Biden told a Ukrainian audience when we visited Kyiv last July: "To those cynics who have asserted for centuries that this part of the world

could never practice democracy because its culture and values are different, Ukraine today stands as resolute rebuttal...”

With the election behind him, President Yanukovich now faces the challenge of governing. Obviously, he and his new team need time to organize themselves and put policies and programs in place, but some key elements of his approach are already obvious. Economy recovery will rightly be the Yanukovich Presidency’s top priority, and he has inherited a difficult situation at a difficult moment. Sound leadership and tough measures will be needed if he is to succeed. With regard to foreign policy, President Yanukovich has been quite clear. He says he wants to continue Ukraine’s strategic partnership with the United States, improve relations with Russia, and pursue integration with the European Union. President Yanukovich made his first trip abroad to Brussels, his second to Moscow, and he has been invited to Washington to attend the President’s Nuclear Security Summit in April. Let me add that the United States enjoyed a productive working relationship with Ukraine and with Mr. Yanukovich during his two previous tenures as prime minister.

U.S.-Ukraine Strategic Partnership

As we look ahead to engagement with President Yanukovich and his new team, it is worth reviewing the underlying premises of our U.S. policy toward Ukraine. Simply put, the United States will not waiver in its support for a strong and independent Ukraine. We want to see Ukraine succeed; our vision for Ukraine is the vision Ukrainians have for themselves – a democratic and prosperous European nation with an effective and accountable government. Charting the course for Ukraine is, of course, a decision to be made by Ukrainians and their elected leaders. President Obama, in his speech in Moscow last July 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 over the past year that the Obama Administration’s efforts to improve ties with Russia would somehow threaten our relationship with Ukraine. This was not and is not correct. 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. The United States, in fact, 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 our common concerns – 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.

There also has been speculation about Ukraine's relationship with NATO during a Yanukovich presidency. Let me be clear that the United States continues to support Ukraine's deepening ties to NATO and to the European Union. But again, these are decisions to be made by Ukrainians and their elected leaders. We recognize that how far and how fast to proceed will be a Ukrainian choice. President Yanukovich has said that he would continue programs of cooperation with NATO at existing levels but NATO membership was not on his agenda. We respect that choice and want Ukrainians to know that NATO's door remains open.

Because of the importance that we attach to our relationship with Ukraine, once the Central Election Commission had announced the full electronic results of the presidential election, President Obama was among the first world leaders to congratulate Viktor Yanukovich on his victory. The President wished Mr. Yanukovich success in carrying out his mandate and commended the Ukrainian people on the conduct of the vote. National Security Advisor General Jones subsequently led the U.S. delegation to the presidential inauguration, where he had a chance to meet not only with Ukraine's newly elected President, but Prime Minister Tymoshenko. Mrs. Tymoshenko will be one of the leaders of the opposition in parliament and we will continue our longstanding relationship with her in that new role. We also plan to work closely with leaders on the political scene, among them Member of Parliament Arseniy Yatsenyuk and Deputy Prime Minister Sergey Tigipko. The development of new democratic leaders is important for all parties in Ukraine.

Let me underscore that U.S. policy toward Ukraine will continue to focus on strengthening the strategic partnership between our two countries. The specifics of our engagement and 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 enhanced cooperation across a broad spectrum of mutual priorities including economics, trade and energy; defense and security; strengthening democracy; and people-to-people and cultural exchanges. During Vice President Biden's trip to Kyiv last July, the U.S.-Ukraine Strategic Partnership Commission was established in order to advance the

objectives of the charter. The commission now includes six autonomous working groups and met in Washington in December. We look forward to its next session in Kyiv.

Our commitment to Ukraine is evidenced by our assistance program -- \$123 million in FY2010. The goals of our assistance are to bolster peace and security, strengthen democratic institutions, promote economic growth and energy efficiency, enhance security and non-proliferation, secure Chernobyl, fight AIDS and HIV, and improve child health.

U.S. Policy Priorities

In the spirit of our strategic partnership with Ukraine, I would like to suggest five policy priorities, beyond traditional foreign policy cooperation, that should be high on our shared agenda with the Yanukovich Presidency:

First, the United States is committed to policies that contribute to a democratic and prosperous Ukraine and stands ready to help Ukraine reach agreement with the International Monetary Fund as soon as possible. The path to recovery and renewed prosperity runs through the IMF, which can help offer Ukraine 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 resolute leadership and hard decisions to undertake the critical reforms needed to cut the budget deficit, revive the banking system and phase out energy subsidies.

A second equally important policy area for Ukraine's long-term prosperity and economic freedom is energy sector reform. A gas sector based on transparency, competition, realistic pricing, and more energy-efficient gas distribution and consumption will be key, and the United States is coordinating closely with the European Union on this issue. Ukraine uses energy three times less efficiently than the EU average; the country consumes 50-60% more gas than it should. The United States is helping with a three-year pilot program designed to increase energy conservation and efficiency at the municipal level.

Third, the United States is ready to work to strengthen the business side of U.S.-Ukraine relations, which is weaker than we would like it to be. 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, from tax code reform to increased transparency, from greater rule of law protection to serious action against corruption. The payment of VAT refunds would be a big step forward. One area where the U.S. private sector could do more is in Ukraine's nuclear power industry.

A fourth area of cooperation lies in nuclear 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. We look forward to building on our successful record on non-proliferation at the upcoming Nuclear Security Summit. Thanks to the leadership of Senator Lugar and former Senator Nunn, we can point to vital cooperation between Ukraine and the United States that has made the world safer. We recognize Ukraine's importance as a partner in the Global Initiative to Combat Nuclear Terrorism, which brings our experience and expertise together with those of over 70 other countries to fight nuclear terrorism.

Finally, the United States wishes to strengthen bilateral security and defense cooperation, which is an essential component of our strategic partnership. We are grateful to Ukraine for its contributions to international security. As part of this effort, we hope that Ukrainian parliament will pass legislation to allow joint military exercises on its territory this year in order to facilitate mutually beneficial military training activities. With regard to NATO, we look forward to cooperating with Ukraine to meet its objectives in the NATO-Ukraine Commission and in its Annual National Program, regardless of Ukraine's intentions regarding membership.

Conclusion

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 and both peoples to get U.S.-Ukraine relations right. We have a chance, at the beginning of a new presidency in Kyiv, to redouble our efforts. Let's ensure that Ukrainians and Americans, both in and outside of government, make the most of that chance.

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

