



A Key Moment in Ukraine-American Relations

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As delivered

Thank you, Professor Hajda, for that kind introduction. And thanks to all you for turning out as well.

It's good to be back at Harvard, where I studied a country, the Soviet Union, that, I'm pleased to say, no longer exists. Conversely, I'm here to speak to you today about a country that was at the time I was a student a republic only on paper.

Today's date should remind us that events are difficult to forecast. Today is known as the day that will live in infamy, and for those of you who are younger and may not immediately recognize the quote, no, I'm not warning you about my speech. Today of course is the 66th anniversary of Pearl Harbor.

Closer to my line of work, today is the 20th anniversary of Mikhail Gorbachev's arrival in Washington for a key summit with President Reagan, in what became a historic visit many of us remember vividly. Coming after a long line of gray, truculent leaders going back decades, Gorbachev was clearly a new face and, for at least that reason, a breath of fresh air. He wowed Washington publics during the summit, giving his security detail nightmares by bursting out of his limousine to dive into street crowds. It was a seminal event in U.S.-Soviet relations.

I will leave aside for the moment the debate over whether Gorbachev succeeded in freeing Russians, Ukrainians, and others from Stalinism or failed in his plan to reform communism and make the Soviet system permanent by giving it a human face. For us what matters at the moment is what happened.

The result of his years in power is that the Soviet Union broke up, freeing the 15 so-called republics to go their own way. The 15 were all over the map, quite literally, but also in terms of their history, internal cohesiveness and economic development. Not surprisingly, they have met with varying levels of success in terms of economic development, political liberty and the overall happiness of their people.

None of the countries that finally separated themselves from Russia is as populated or as important to regional history-and to Russianness, from the clouded Russian perspective-than Ukraine. Before Russia and Belarus there was Rus, and we all know where that was. It was the princes and princesses of Kyivan Rus who first adopted Orthodox Christianity. Another country and civilization developed later in the back-woods Duchy of Muscovy, but Ukraine was first.

Today Ukraine can be first again. It has enormous potential, it has all it needs to succeed, to be at the forefront that emerged from the break-up of the Soviet Union in economic and political development. To do so, it must overcome the past and forge headlong into the future, a future Ukraine's nearly 47 million people deserve.

There is some good news. Ukraine has taken an important step forward with the coalition formed by the parties involved in the Orange Revolution. The nomination yesterday of Yuliya Tymoshenko to return as prime minister is another welcome development, as it appears that Ukraine is inching closer to having a new government.

The Orange majority in Parliament would be narrow, but other countries have succeeded in establishing successful governments even under such circumstances. It doesn't make life easy, to be sure, but democracy isn't easy. It's just better than any other system.

With formation of a new government, it'll be time to get back to business. We are looking forward to a new start, but for that we need a government to talk to. And when there is one, we have a large agenda of bilateral issues. Ukraine, for its part, has no shortage of urgent reforms that need attention.

Prolonged political uncertainty has stalled reform and led to inertia. It has lessened Ukraine's ability to function as a strong partner to Europe and the United States. It hasn't helped that Ukrainian politics has been Byzantine in its complexity and intrigue. The coalition took so long to materialize that for a while there we worried if there was greater urgency to form a Ukrainian government in Washington than in Kyiv.

Sympathetic friends of Ukraine, among whom I count myself, have followed events with frustration. Above all, we thought infighting and delay failed to respect the wishes of the people of Ukraine.

One of our biggest fears was that the bickering would cause some observers to lose interest, to sort of give up on Ukraine and dismiss it as incorrigible, an impossibly convoluted place more trouble than it was worth. Those of us who know the value of this country and its people, worried that it would lose the attention and good will that it so richly deserves.

We comforted ourselves in the knowledge that Ukraine is a functioning democracy, one where elections have real meaning. The politics behind formation of a coalition, choice of a Rada speaker, and nomination of a new government have been peaceful and democratic; that should not be taken for granted. Yes, it's taken a long time, but I'd rather have that than have security forces determine the outcome or see blood spilling onto the streets.

And of course, in an important way, the fact that the vote was so closely contested is a testament to the vibrancy of Ukraine's democracy. The party of the presidency, in fact, came in third. A narrow result is a better sign of democracy's existence than a lop-sided vote in an atmosphere of fear and one-sided media coverage, as we have recently seen elsewhere.

And in fact, in a region where democracy is often under attack, Ukraine stands out for its consistent record of democratic elections and respect for human rights. The media are freer now than they have ever been before. I'm impressed every time I go to Kyiv by the diversity of views and the sense of freedom among journalists. They can report on any issue and no longer fear for their safety or even their lives; the reprehensible murder of journalist Heorhiy Gongadze in 2000 reminds us of how things used to be for the press in Ukraine and how much things have changed for the better.

This is why, when it comes to the subject of Ukraine, you find strong bipartisanship in Washington. Ever since it became independent in 1991, there has been a consensus in Washington in support of a strong Ukraine.

Now, as everyone knows, there have been ups and downs in our relations during this time. After a warm period in the 1990s, relations went into a period at the start of this decade that was neither complete warmth nor complete hibernation.

The United States never forgot the strategic importance of Ukraine or lost faith in its people. But the scandals, corruption, and human-rights violations of the Kuchma leadership restricted close contact.

U.S.-Ukrainian relations leapt forward with the Orange Revolution. That event started us on a new trajectory of open dialogue and closer cooperation.

We know that there will be ups and downs. But one lasting result of the Orange Revolution in terms of relations with the U.S in the long term is continued support for Ukraine's aspirations to become a full member of the trans-Atlantic community and integration into its institutions.

The United States wants to see Ukraine solidify its democratic gains and take its place as an integral part of a Europe whole, free, and at peace.

U.S. interests will be served by Ukrainian success. We are not battling anyone else for influence in Ukraine. And let me be clear: We are not in competition with Russia. We don't see things in a zero-sum way, nor do we view our relations with Ukraine through a Russia prism. U.S.-Ukraine relations stand on their own and always will.

Ukraine's own evolution has greatly helped our ties. Following the flawed presidential election that sparked the Orange Revolution, we've witnessed a succession of free and fair elections in Ukraine, the most recent on September 30, 2007. That vote mostly proceeded well, and all parties and candidates had free access to the media beforehand. A large contingent of international observers certified the basic fairness of the election.

Let me, once again, congratulate Ukraine on these achievements. Democracy isn't just holding a vote. Democracy means allowing everyone to have equal access to the media and having the election independently verified. We have international observers, including the OSCE, verify our elections here in this country; Ukraine did the same. So, again, let's give well-deserved kudos to Ukraine.

The U.S. of course did not take sides in the election. We will work with any government produced from a democratic and legal process. We worked with an Orange government following the Orange Revolution with first Yuliya Tymoshenko then with Yuriy Yekhanurov as prime minister, then worked with an Blue-Red-Pink Coalition with Viktor Yanukovich in the prime minister's seat up until these new elections. We received Prime Minister Yanukovich at very high levels in Washington last December; opposition leader Yulia Tymoshenko also paid a visit to Washington this past February. We simply want to work with a government, hence our interest in seeing one formed as quickly as possible. Political infighting is not unique to Ukraine, but it is important that the new government rise above the political competition and personalities and proceed with the important work of reform.

The Orange Revolution was a vote cast by the people for freedom and democracy. It is the first step in a long journey. After the exhilaration of the Revolution came the perhaps less dramatic-but no less important-work of reforming Ukraine's polity, economy, and society.

Ukraine has to prepare itself to become a full-fledged member of the Euro-Atlantic community. Reform is an ongoing process, reform is a road not a destination. But Ukraine has no shortage of incentives to undertake reform.

First, it is what Ukrainians deserve. Second, a reformed Ukraine could become a beacon to the region. Third, a Ukraine that has taken the necessary steps can have a closer relationship with the West.

What are these reforms? The challenges are many. For one, the Orange Revolution lifted expectations very high. Meeting those expectations, perhaps an impossible task for any leadership, will nonetheless require hard work.

Basically, the reforms needed fall under the following three broad areas, chosen in no particular order:

- The first is energy security. Ukraine is a strategic country in this priority of the first half of the 21st century.
- Corruption is the second area where reforms are needed. It is a tax on all citizens and an impediment to development. Building strong institutions is a critical way to address this problem.
- Free and open markets is our third and last area. Free markets are the untax; they lower prices on all goods.

Energy Security

I'll start with energy security. Energy is one of the biggest challenges Ukraine faces, getting greater control over its energy security. Energy security means having as much control as possible over your supply of energy.

Ukraine needs to focus its national energy strategy on diversifying its foreign energy suppliers and routes, increasing domestic supply, and improving efficiency.

Our emphasis has been on transparency, diversification, and elimination of middle men, that is companies that for no good reason whatsoever come between the supplier and the consumer.

In order to achieve all three objectives, processes must be transparent and market-based. And in order to do that, Ukraine must get rid of all energy middlemen. Middlemen companies thrive on non-transparent arrangements; they fester in a corrupt environment. They serve no useful purpose.

And lest I be misunderstood, I mean companies like RosUkrEnergo. We were intrigued by recent comments made by Gazprom Chairman Dmitriy Medvedev when he talked about removing RosUkrEnergo from the energy equation between Russia and Ukraine. During a meeting earlier this week in Washington with a senior Gazprom official, I heard Medvedev's view echoed. If Russia and Gazprom are willing to eliminate RosUkrEnergo from the equation, then Ukraine should seize this opportunity and move quickly. Yuliya Tymoshenko has been clear on this subject - she wants to eliminate RosUkrEnergo; I have also on occasion heard Viktor Yanukovich say the same thing. The key is not to replace RosUkrEnergo with another middleman company, but to eliminate that kind of role entirely.

Energy supply arrangements in Ukraine, particularly gas, are just not transparent, a reality that ultimately harms Ukraine's energy security.

Critics say that prices would go up significantly, and they might, although the idea that the presence of a middleman would lead to cost savings in this kind of gas supply deal defies credibility. But I think it's also important to point out that there are hidden costs when a company like RosUkrEnergo is allowed to exist in Ukraine, and I think that's something Ukrainian leaders need to look at very seriously.

Ukraine will have to adapt to higher energy prices due to Russian price increases anyway. There is something to be said about getting the pain of higher prices over with sooner rather than later; it has the advantage of providing a kind of liberating effect vis- -vis Russia. Market forces should determine pipeline routes; oil and gas should flow to where there are buyers.

For every dollar's worth of industrial production, Ukraine consumes about two and a half times as much energy as does Poland; this demonstrates there is much room for improvement on the energy consumption side. Energy conservation, with subsidized prices, has been virtually non-existent. It is simple economics, any good whose consumption is subsidized will be used ineffectively. The new government needs to launch a serious energy conservation campaign, and higher prices should provide a decent incentive to move quickly on that front.

In order to implement a new energy strategy, Ukraine must attract new technologies, expertise, and investment capital. That approach will lower costs, without the inefficiency associated with subsidization.

To do that Ukraine will need to open up the domestic energy sector, particularly in oil and gas, to international investment. Market pricing will increase efficiency in the allocation of energy resources and the consumption of energy resources. It will make Ukraine a more competitive, stronger country.

Corruption and Institution-Building

Next up in the broad area that needs reform is corruption and institution-building. Corruption remains a major impediment to the achievement of Ukraine's potential.

Helping Ukraine combat corruption is one of our key objectives. Ukrainians need to be able to take an issue to court and expect an impartial outcome based on the law and the facts of the case. U.S. funds are helping both the Ukrainian media and NGOs build their capacities as anti-corruption watchdogs. That's why for fiscal year 2007, U.S. government assistance programs emphasize the reform of the justice system.

That assistance, by the way, totaled about 100 million dollars. It includes support programs that help Ukraine develop a healthy economy, promote energy security, and build sustainable institutions that advance democratic reform, human rights, and economic growth.

We are also helping Ukraine to combat HIV/AIDs and tuberculosis.

In response to the tragic explosion in one of Ukraine's deepest mines, which killed 100 people, we are providing aid to help injured miners. We also have an ongoing mine safety program in Ukraine and are working to send more technical experts to help Ukraine avoid such problems in the future

Free Markets

Building off the need to battle corruption, the last broad area where we'd like to see reforms is in opening markets. One indicator of Ukraine's direction toward more integration into the global community has been its work to join the World Trade Organization.

We fully support Ukraine's WTO accession, and I should add that work toward this goal is very well-advanced. Ukraine should achieve accession soon, maybe within months, given that most of the changes needed for Ukraine to accede have been made.

Some work remains to be done, however. The new parliament will need to pass final legislation, and we should all feel relieved that a strong consensus across the political parties exists to do so.

WTO membership will not only provide more market access, it will also spur needed economic reform and increase competitiveness. While Ukraine has enjoyed strong economic growth, for this to be sustained Ukraine needs to become a more attractive place to invest. The legal and regulatory changes mandated by WTO membership will help this process along.

The important thing is that Ukraine has demonstrated that it wants to be a part of the global community, and is taking on reforms to get there. We will continue to support Ukraine in this endeavor.

By working on the three areas I just outlined-ensuring energy security, fighting corruption and building institutions, and enhancing open markets-Ukraine can achieve many if not most of its domestic and international goals.

Ukraine would help itself, for example, as it endeavors to join the EU. The U.S. and EU are very much in synch in our hopes that Ukraine will continue to build its young democracy while actively pursuing reforms.

The EU and the U.S. work together and coordinate our actions in support for Ukraine, and we value the extensive European contributions to Ukraine's development just as the Europeans value the strong and continued role played by the United States.

Some Europeans remain hesitant about committing to eventual EU membership for Ukraine. This is a choice that Europeans themselves must make and membership under any circumstances would likely be years away.

To be sure, we encourage the EU to recognize Ukraine's European choice and demonstrate that the door remains open to countries that meet EU accession standards. But we have told the Ukrainians that they could help their cause the most by accelerating reforms and taking steps to spur increased economic growth. Having a government in place would certainly help in that cause.

Ukraine can also help itself with its participation in the European Neighborhood Policy, which can be very helpful in encouraging such reforms.

The U.S. and the EU, for our part, can do more to support broader European energy security through efforts to help Ukraine fight corruption, become more energy efficient, and become a more reliable participant in energy markets and more market-oriented overall.

A reforming Ukraine can also help its relationship with NATO. NATO membership, by the way, is not a requirement for close relations with the U.S. It is up to Ukraine to determine what kind of relationship it wants with NATO.

It was President Kuchma in 2002, in fact, who declared Ukraine's aspirations to join Euro-Atlantic institutions, including NATO. We remain very supportive of deeper ties between Ukraine and NATO, whether that would include membership or not. We would welcome a Membership Action Plan (MAP) for Ukraine, if that is the goal of a united Ukrainian government. We are actively engaged at NATO to help Ukraine achieve its reform and Euro-Atlantic goals. Necessary defense reform is proceeding well but needs to continue with or without a MAP.

It will be up to Ukraine's new government, of course, to demonstrate unity of purpose in furthering reform and in reaffirming Ukraine's interest in joining NATO. President Yushchenko's interest in deepening ties with NATO has been clear, but we need to see support for MAP across the government spectrum. The U.S. will not push Ukraine toward NATO; Ukraine must decide its relationship itself.

One important priority is the pursuit of a credible, effective information campaign that dispels Soviet-era myths about NATO and realistically presents the benefits, obligations, and responsibilities of NATO membership to the people of Ukraine.

Surveys have demonstrated that domestic opposition to Ukraine's NATO membership is closely tied to a lack of information about NATO. Ignorance of NATO will not be resolved without a robust information campaign. Again, this will be up to the Ukrainians themselves; we can help but we cannot substitute for the work the government itself needs to engage in.

If the new Ukrainian government decides to pursue MAP and then eventually NATO membership, we will offer strong support and encouragement for as long as it takes. We are in this for the long haul. But Ukraine needs to make sure it has its act together before making premature appeals that will fall on deaf ears. NATO, after all, is a performance-based organization. A properly functioning government is obviously a basic prerequisite.

NATO membership would be an important step toward Ukraine's integration into the Euro-Atlantic community and the door remains open. Membership is subject only to Ukraine's desire and its ability to meet NATO's performance-based standards and its commitment to the values shared by Alliance members. We remain committed to supporting Ukraine in reaching this goal.

The free exchange of ideas between our two countries is critical to promoting understanding, and exchanges and academic programs are the best ways to do this. Nearly 700 Ukrainians came to the U.S. in 2006 to participate in professional and educational exchanges. These professional exchanges addressed issues such as community policing, municipal energy efficiency, and access for the disabled, government accountability, investment promotion and public health.

A reforming Ukraine can play an even larger role in advancing security in the Black Sea region. Ukraine plays a key role in the 5+2 negotiating process to resolve the conflict over the Transnistria region of Moldova. It has provided indispensable support to the EU's Border Monitoring Mission at the Ukrainian-Moldovan border. Ukraine's constructive approach to solving the Transnistria problem is a model for others.

Ukraine is also the largest member and an active participant in GUAM, bringing Georgia, Ukraine, Azerbaijan and Moldova together in practical forms of regional cooperation. In fact, GUAM's headquarters is based on Kyiv, thanks to Ukraine's hospitality and leadership in this organization. GUAM is an important regional organization that is taking on a life of its own, with its member states assuming greater responsibility for its collaborative efforts in law enforcement, border monitoring, security, and other common issues.

Most importantly, Ukraine can serve as a model for other countries transitioning to democracy in the region, showing that strong democracy and economic growth are complementary rather than contradictory. Some of Ukraine's neighbors could learn a few things about democratic development from Ukraine.

The U.S. is committed to supporting Ukraine in its development from post-Soviet state to a prosperous, democratic, and sovereign state oriented to Europe and integrated into Euro-Atlantic institutions.

We are pleased that Europe is our partner in supporting democracy and reform in Ukraine. As we work together, it is important to keep in mind that the issue is not whether Ukraine is ready for NATO membership *today*, or whether it could be considered for EU membership *now*.

The issue is whether, with our support, Ukraine will undertake the tough reforms needed to build its democracy to meet high performance-based standards of both bodies, if that is the path they take.

If Ukraine succeeds in:

- Ensuring energy security;
- Fighting corruption and building institutions; and
- Enhancing open markets.

It will improve its chances of joining an international community that beckons and bring great benefit to its own people. Success at these reforms, inherently good in themselves, will bring real benefits to Ukraine.

We need to encourage and support them. But ultimately, it will be the decisions of the people of Ukraine, expressed through a democratic government, as well as a lot of hard work and a good deal of patience that will get them there.

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