



# Ukraine: Current Issues and U.S. Policy

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## Summary

On February 7, 2010, Viktor Yanukovich defeated Prime Minister Yuliya Tymoshenko to win Ukraine's presidency. International monitors praised the conduct of the election. President Yanukovich will try to form a parliamentary majority from parties in the current parliament. If he cannot, new parliamentary elections will have to be held later this year.

The global economic crisis has hit Ukraine hard. Ukraine's real Gross Domestic Product fell by an estimated 15% in 2009. In November 2008, the International Monetary Fund approved a \$16.4 billion standby loan for Ukraine to bolster its finances. The loan was conditioned on a commitment from Ukraine to allow its currency to depreciate in a controlled way, to recapitalize the banking sector, and to pursue more rigorous fiscal and monetary policies. Political infighting during the presidential election campaign hindered Ukraine's implementation of the conditions of the IMF loan. A post-election struggle for a parliamentary majority could further delay Ukraine's reforms.

Under the leadership of former President Viktor Yushchenko, Ukraine sought integration into the global economy and Euro-Atlantic institutions. In the longer term, Yushchenko set the goal of Ukrainian membership in the European Union and NATO. Relations with Russia have been tense over such issues as Ukraine's NATO aspirations and energy supplies. President Yanukovich has said he will pursue closer ties with Russia, especially in the economic sphere. He has said he will seek reduced prices for natural gas supplies from Moscow, in exchange for giving Moscow an ownership stake in Ukraine's pipeline system. He has said EU integration is a key priority for Ukraine. He has said he will drop Yushchenko's policy calling for NATO membership for Ukraine.

U.S. officials have remained upbeat about Ukraine's successes in some areas, such as securing WTO membership, as well as in holding free and fair elections and improving media freedoms, while acknowledging difficulties in others, such as fighting corruption, establishing the rule of law, and adopting constitutional reforms. The Bush Administration strongly supported granting a Membership Action Plan to Ukraine at the NATO summit in Bucharest in April 2008, a key stepping-stone to NATO membership. However, opposition by Germany, France, and several other countries blocked the effort. On the other hand, the Allies surprised many observers by confirming that Ukraine will join NATO in the future, without specifying a timetable.

The Obama Administration has worked to "reset" relations with Russia, but has warned that it will not accept any country's assertion of a sphere of influence, a tacit reminder of U.S. support for Ukraine's sovereignty. It has reaffirmed its support for NATO's "open door" to NATO aspirants such as Ukraine. In a telephone conversation with Yanukovich on February 11, President Obama praised the conduct of Ukraine's 2010 presidential elections and expressed a willingness to work with President Yanukovich to promote the two countries' shared values and interests.

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## Background

Ukraine, comparable in size and population to France, is a large, important, European state. The fact that it occupies the sensitive position between Russia and NATO member states Poland, Slovakia, Hungary, and Romania adds to its geostrategic significance. Many Russian politicians, as well as ordinary citizens, have never been fully reconciled to Ukraine's independence from the Soviet Union in 1991, and feel that the country belongs in Russia's political and economic orbit. The U.S. and European view (particularly in Central and Eastern Europe) is that a strong, independent Ukraine is an important source of regional stability.

From the mid-1990s until 2004, Ukraine's political scene was dominated by President Leonid Kuchma and the oligarchic "clans" (groups of powerful politicians and businessmen, mainly based in eastern and southern Ukraine) that supported him. Kuchma was elected President in 1994, and re-elected in 1999. He could not run for a third term under the Ukrainian constitution. His rule was characterized by fitful economic reform (albeit with solid economic growth in later years), widespread corruption, and a deteriorating human rights record.

Ukraine's 2004 presidential elections were characterized by electoral fraud and massive street protests. The oligarchs chose Prime Minister Viktor Yanukovich as their candidate to succeed Kuchma as President. The chief opposition candidate, former Prime Minister Viktor Yushchenko, was a pro-reform, pro-Western figure. After the November 21 runoff vote, Ukraine's Central Election Commission proclaimed Yanukovich the winner. Yushchenko's supporters charged that massive fraud had been committed. Hundreds of thousands of Ukrainians took to the streets, in what came to be known as the "Orange Revolution," after Yushchenko's chosen campaign color. They blockaded government offices in Kiev and appealed to the Ukrainian Supreme Court to invalidate the vote. The court invalidated the runoff election and set a repeat runoff vote. Yushchenko won the December 26 re-vote, with 51.99% of the vote to Yanukovich's 44.19%.

On February 4, 2005, the Ukrainian parliament approved President Yushchenko's appointment of Yuliya Tymoshenko. Tymoshenko is a charismatic, populist leader with a sometimes combative political style who campaigned effectively on Yushchenko's behalf. She is a controversial figure due in part to her alleged involvement in corrupt schemes as a businesswoman and a government minister during the Kuchma regime.

The "Orange Revolution" sparked a good deal of interest in Congress and elsewhere. Some hoped that Ukraine could finally embark on a path of comprehensive reforms and Euro-Atlantic integration after years of half-measures and false starts. However, subsequent events led to disillusionment among Orange Revolution supporters. Yushchenko dismissed Prime Minister Tymoshenko's government in September 2005. The atmosphere between the two leaders was poisoned by accusations of corruption lodged by supporters of each against the other side's partisans, including over the highly lucrative and non-transparent natural gas industry.

In order to secure support for a new government, Yushchenko then made a political non-aggression pact with his opponent from the presidential election, Viktor Yanukovich, and promised not to prosecute Yanukovich's key supporters for electoral fraud and other crimes. Some supporters of the Orange Revolution viewed the move as a betrayal of one of the key principles of their movement. Some began to question whether the new government was better than the old regime, given ongoing government corruption scandals and the perception that the

Orange Revolution might be reduced to squabbling over the redistribution of property among the “old” oligarchs and would-be, new “Orange” ones.

On March 26, 2006, Ukraine held parliamentary elections. The largest vote-getter in the elections was the Party of Regions, headed by Yushchenko’s former presidential election rival Viktor Yanukovich. Yushchenko reluctantly appointed Yanukovich as Prime Minister, and the Ukrainian parliament approved the new government on August 4, 2006. Yanukovich’s government and the parliamentary majority, led by the Party of Regions, worked steadily to whittle away at Yushchenko’s powers and political influence. Hoping to stem the threat to his power, President Yushchenko dissolved the Ukrainian parliament, despite Yanukovich’s charge that the move was unconstitutional. According to many observers, this political crisis underlined the fact that the country still needs to make substantial progress in developing a smoothly functioning democracy. The poorly defined separation of powers in Ukraine’s constitution has invited conflict and needs to be clarified. Another key problem is the persistence of a post-Soviet political culture in which “winner-take-all” attitudes and unscrupulous tactics take precedence over a genuine respect for the rule of law.

After a lengthy political stalemate, the contending sides worked out a compromise and on September 30, 2007, Ukraine held early parliamentary elections. The Party of Regions remains the largest party in the legislature. It won 34.37% of the vote and 175 seats in the 450-seat parliament. The Yuliya Tymoshenko Bloc, which won 30.71% and 156 seats, is the second-largest. Our Ukraine-People’s Defense came in a distant third, with 14.15% and 72 seats. The Communist party received 5.39% of the vote and 27 seats. The Lytvyn Bloc was the only other party to reach the 3% vote barrier for representation in the parliament. It won 3.96% of the vote, and secured 20 seats. After lengthy negotiations, President Yushchenko nominated Tymoshenko as his candidate for Prime Minister. The parliament approved Tymoshenko as Prime Minister on December 18, 2007, by a vote of 226-0, the barest of majorities in the 450-seat assembly. The Party of Regions, Communist Party and Lytvyn Bloc did not take part in the vote.

Over the next two years, the extreme fragility of her majority made Tymoshenko’s task as Prime Minister difficult. Her government lurched from crisis to crisis. Perhaps the key problem was the re-escalation of tensions between Tymoshenko and President Yushchenko. The two clashed over economic policy (including privatization and budgetary policy), foreign policy (especially relations with Russia), energy policy, and over the relative powers of the presidency, the government, and the parliament. In addition to intense personal enmity and distrust between the two leaders, the conflict was also due to jockeying for power in advance of presidential elections in January 2010, in which both were to be candidates. At times, each sided with Yanukovich and the Party of Regions on legislation and even proposed constitutional reforms in an effort to best the other.

As Ukrainian leaders engaged in this three-sided political battle over the past few years, an overwhelming majority of Ukrainians grew disgusted with the Ukrainian political class, according to opinion polls. Observers say that this is in part due to the fact that Ukrainian leaders continued to squabble despite the global economic crisis, which has inflicted severe blows on Ukraine’s economy.

## Current Political Situation

Ukraine held new presidential elections on January 17, 2010. As expected, Viktor Yanukovich came in first, winning 35.32% of the vote. Yuliya Tymoshenko, doing somewhat better than some pre-election polls indicated, won 25.05%. Serhei Tihipko, a former Prime Minister whose support was strongest in pro-Russian eastern Ukraine, won 13.05%. Former parliament speaker Arseniy Yatsenyuk won 6.96%. Incumbent President Yushchenko did poorly, winning a mere 5.45%. Other candidates split the rest of the vote. Voter turnout was 67%.

The results set up a second round runoff vote between Yanukovich and Tymoshenko on February 7. Yanukovich won 48.98% of the vote, beating Tymoshenko, who won 45.47%. Voter turnout was 69%.

As in previous Ukrainian elections, the results showed a sharp regional split, with Yanukovich winning in Russian-speaking eastern and southern Ukraine, while Tymoshenko prevailed in central and western Ukraine, where Ukrainian nationalism is stronger. However, Yanukovich's overwhelming margins in the east (particularly in his home base, the Donetsk and Luhansk regions) more than offset Tymoshenko's somewhat more modest victories in some western areas. A contributing factor may have been that, after being knocked out in the first round, Yushchenko encouraged his few supporters to vote against both candidates in the second round. (Ukraine's election laws give voters this option.) A substantial 4.36% voted against all in the second round, as opposed to 2.2% in the first.

International monitors praised the conduct of the election. Joao Soares of Portugal, head of the observer team from the Organization for Security and Cooperation in Europe, said the February 7 vote was an "impressive display of democratic elections." In a possible hint to Tymoshenko, he added that it was "now time for the country's political leaders to listen to the people's verdict and make sure that the transition of power is peaceful and constructive."<sup>1</sup> Exit polls by independent groups did not show a significant departure from the announced results.

Initially, Tymoshenko appeared to have ignored the hints of Soares and other EU and U.S. officials to accept the results of the election. She charged that Yanukovich's supporters had

### Ukraine's Main Political Groups

**Party of Regions:** The largest party in Ukraine's parliament. It draws its support from eastern Ukraine, where suspicion of Ukrainian nationalism is high and support for close ties with Russia is strong. It defends the economic interests of powerful oligarchic groups in eastern Ukraine.

**Yuliya Tymoshenko Bloc:** Mainly a vehicle for the ambitions of the charismatic Tymoshenko, it has little ideological cohesion. It became the second-largest group in the Ukrainian parliament largely because many Ukrainians saw Tymoshenko as the most stalwart defender of the populist, anti-corruption ideals of the Orange Revolution.

**Our Ukraine-People's Self Defense bloc:** This bloc is composed of a number of parties favoring free market economic reforms and a pro-Western foreign policy. It draws its support from western Ukraine, where Ukrainian nationalism is strong. It was President Yushchenko's main base of support in parliament early in his term. However, the group fragmented as Yushchenko's popularity plummeted.

**Communist Party:** Overtaken by the Party of Regions in its eastern Ukraine strongholds and faced with a largely elderly electorate. It opposes market economics and favors strong ties to Russia.

**Lytvyn Bloc:** A centrist bloc headed by Volodymyr Lytvyn, the current parliament chairman. Lytvyn has changed sides several times in Ukraine's political struggles, backing the side with the upper hand at the moment.

<sup>1</sup> The reports of the International Election Observation Mission can be found at <http://www.osce.org/odihr/>.

engaged in massive fraud, but that she would not call her supporters out into the streets to challenge the result. Analysts have suggested that this is because a disillusioned public would not turn out for mass demonstrations as they had in 2004. Nevertheless, Tymoshenko launched a legal challenge against the result. However, on February 20, Tymoshenko reversed course and dropped her challenge, saying that she did not believe the court would rule justly. She continued to insist that Yanukovych's presidency is illegitimate.

President Yanukovych faces the challenge of replacing Tymoshenko as Prime Minister and creating a new parliamentary majority. The most likely partners for the Party of Regions are the Communists and the Lytvyn Bloc. However, this will still leave them a few votes short of the 226 needed for a majority. As a coalition with Tymoshenko appears unlikely, Yanukovych may be focusing on the Our Ukraine bloc as a possible partner. The Our Ukraine bloc is divided, but a majority vote within its caucus for a coalition with Regions is possible. If this does not occur, individual members of Our Ukraine and even the Tymoshenko Bloc would probably like to join the new coalition, perhaps in exchange for material considerations. However, it is unclear whether it is constitutionally valid for individual members of parliament to opt to join a new coalition by themselves, without the support of their faction.

One key subject for discussion among the factions is who would replace Tymoshenko as Prime Minister. Yanukovych has said that options include Tihipko and Yatsenyuk, the third- and fourth-place finishers respectively in the presidential vote, as well as Mykola Azarov, a close aide to Yanukovych who served as first deputy prime minister and finance minister when Yanukovych was Prime Minister. Yatsenyuk, a former Yushchenko supporter who tried to position himself as an independent during his presidential run, might be more acceptable to Our Ukraine than Azarov, who is controversial, due to allegations that he used the tax police to reward political supporters and punish opponents when he was in the government.

If he cannot secure a majority in the current parliament, Yanukovych has said that he will call new parliamentary elections later this year. However, given his relatively modest margin of victory in the presidential vote, it is not certain whether Yanukovych and his supporters could secure a majority this way. Moreover, many members in the current parliament are likely to be unenthusiastic to face the voters before they have to, given the country's problems. This may be particularly true for Lytvyn and his bloc, and Our Ukraine, which could fall short of the vote threshold to receive seats in a new parliament. The likeliest beneficiaries of an election could be new groups outside the current parliament, perhaps forming around Tihipko and Yatsenyuk, who could prove more difficult for Yanukovych to control than the vulnerable Lytvyn and Our Ukraine leaders.

Some observers have expressed concerns that Yanukovych may not be as committed to democratic institutions as Yushchenko was, and that key gains that Ukraine has made in holding relatively free and fair elections and media freedoms could be in jeopardy. Yanukovych's detractors point to his conduct as President Kuchma's Prime Minister, and particularly his effort to rig the 2004 presidential elections. Others say that weakening of the formal powers of the presidency in the wake of the Orange Revolution, the closely divided parliament and electorate, and changes in Yanukovych's advisors and his own outlook argue for the irreversibility of Ukraine's democratic progress.

Yanukovych is likely to take steps to increase the official use of the Russian language in Ukraine, a long-standing demand of Russian-speaking eastern and southern Ukraine. The move could increase tensions with more nationalist western Ukraine, however.

## Current Economic Situation

Until the global economic crisis, Ukraine was experiencing substantial economic growth, with GDP increasing by an average of 7.5% between 2000 and 2007. The growth was fueled mainly by consumption, including an import boom fed by heavy domestic and foreign borrowing. This was reflected in a widening trade deficit and current account deficit (7.1% of GDP in 2008). Ukraine's growth was also due to strong demand for products of the country's large steel and chemicals industries.<sup>2</sup> Despite this growth, Ukraine remains much poorer than other European countries. Its GDP per capita in purchasing power parity terms is only 22% of that of the EU and only 40% of Russia's.

Due to the unsustainable basis of its growth and the lack of confidence caused by its squabbling political leadership, Ukraine has been hit very hard by the global economic crisis. Ukraine's real Gross Domestic Product fell by about 15% in 2009, according to the estimates of the Economist Intelligence Unit. The economy is slowly improving, however. Real GDP dropped by only 7% year-on-year in the fourth quarter, as opposed to a 15.9% drop in the third quarter, year-on-year.

The sharp decrease in domestic demand has reduced Ukraine's serious problem with inflation, which reached as high as 31% in May 2008, on an annualized basis. Nevertheless, annual average inflation remained high at 15.9% in 2009. Ukraine's currency, the hryvnya, dropped 45% against the dollar between August 2008 and February 2009. The decline in the currency contributed to a sharp reduction in the current account deficit from 7.1% in 2008 to 1.7% in 2009, as demand for imports dropped as they became more expensive. Exports also dropped, but to a lesser extent. The devaluation of the hryvnya and a pickup in foreign demand for steel should boost exports in 2010.

Another aspect of the crisis is the weakness of Ukraine's banking sector. The sharp drop in the hryvnya's value has made it very difficult for borrowers to repay their loans, which were often denominated in foreign currencies. The government has had to bail out a number of large banks, and many others have clamped down on lending, hindering growth. Moreover, the Naftogaz, the state-owned natural gas firm, remains near bankruptcy and also needs a bailout.

In November 2008, the International Monetary Fund approved a \$16.4 billion standby loan for Ukraine to bolster its finances. The loan was conditioned on a commitment from Ukraine to allow its currency to depreciate in a controlled way, to recapitalize the banking sector, and to pursue more rigorous fiscal and monetary policies. An initial tranche of \$4.5 billion was disbursed, but subsequent tranches were placed in jeopardy by the Ukrainian parliament's passage of a budget which ran a deficit of 3% of GDP in order to pay government salaries and make social payments. Even this budget was based on overly optimistic assumptions, according to experts.

After weeks of backbiting, in March 2009, Yushchenko and Tymoshenko finally agreed to a reform package in order to get the IMF aid flowing again. The budget was revised to reduce the deficit. Consumers were required to pay more for natural gas. The budget stipulated that the remaining budget deficit would be financed from loans and higher taxes rather than loosening monetary policy; pension reform would be enacted; and Ukraine would stop relying on its foreign currency reserves to defend its currency, among other provisions.<sup>3</sup> In response, the IMF released

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<sup>2</sup> Economist Intelligence Unit Country Report: Ukraine, June 2008; "Ukraine: Slowing Growth Suggests Stagflation Risk," Oxford Analytica, August 14, 2008.

<sup>3</sup> EIU Country Report: Ukraine, March 2010.



additional tranches of the loan. However, Ukraine again fell out of compliance with the IMF's terms. The IMF was reportedly dissatisfied with a budget-busting social spending bill that the parliament passed and Yushchenko signed in October. Ukraine also held off on increasing domestic natural gas prices. Over \$10 billion of the IMF loan had been disbursed by the end of 2009. A \$3.8 billion tranche of the loan, scheduled for release in November 2009 was suspended. However, perhaps in hopes of freeing up funds to help Ukraine meet its natural gas bill to Russia (thereby preventing a shut-off of gas supplies to Western Europe), in late 2009 the IMF allowed Ukraine's central bank to reduce its foreign reserves by \$2 billion.

President Yanukovych may have little recourse than to meet the IMF's conditions for resuming the loan. However, the austerity measures required by the IMF plan may increase social tensions in Ukraine and cause unrest. Ukraine's ability to meet the IMF's terms might also be negatively affected by a protracted power struggle over forming a new government or new parliamentary elections. Yanukovych has pledged, as have previous Ukrainian leaders, to fight corruption, strengthen the rule of law, and to improve the country's investment climate. Even if he is sincere (which may be open to some doubt, given the possible interest of some of his supporters in retaining the current, corrupt, non-transparent system), he may be no more successful than Yushchenko or other Ukrainian leaders have been.<sup>4</sup>

## Ukraine's Foreign Policy

Since achieving independence in 1991, conflict between Ukraine's political forces has led its foreign policy to appear incoherent, as the contending forces pulled it in pro-Western or pro-Russia directions or simply neglected foreign policy as less important than domestic political combat. Before the election of Yushchenko as President in 2005, leaders gave lip service to joining NATO and the European Union, but did little to meet the standards set by these organizations. Ukrainian leaders also promised closer ties with Russia in exchange for Russian energy at subsidized prices, but balked at implementing agreements with Russia that would seriously compromise Ukraine's sovereignty, such as ceding control over Ukraine's energy infrastructure to Moscow.

President Yushchenko put integration into the global economy and Euro-Atlantic institutions at the center of Ukraine's foreign policy. Ukraine achieved one key foreign policy goal in May 2008, when it joined the World Trade Organization (WTO). In the longer term, Yushchenko wanted Ukraine to move toward eventual membership in the European Union and NATO. He had limited success in this area, however. Relations with Russia were troubled throughout Yushchenko's presidency.

President Yanukovych is likely to make some changes in Ukraine's foreign policy. This could include a return to the pre-Yushchenko approach of trying to balance relations between Russia and Western countries. Yanukovych has said he will place special emphasis on improving economic ties with Russia. In a February 2010 op-ed article in the *Wall Street Journal* after his victory, Yanukovych said he was in favor of the "integration of European values" in Ukraine, and that Ukraine should serve as a "bridge between Russia and the West."

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<sup>4</sup> Independent International Experts Commission Report, Proposals for Ukraine: 2010 -- Time for Reforms, at <http://www.piiie.com/publications/papers/aslund0210.pdf>.

## **NATO**

Ukraine currently has an “Intensified Dialogue” with NATO, but President Yushchenko sought a Membership Action Plan (MAP), a key stepping-stone to joining the Alliance. The MAP gives detailed guidance on what a country needs to do to qualify for membership. NATO declined to offer Ukraine a MAP at the April 2008 NATO summit in Bucharest, despite strong support from the United States and almost all central European NATO members. Germany and France played the leading role in blocking the effort. They raised questions about Ukraine’s qualifications for a MAP and also expressed concerns that granting a MAP to Ukraine would hurt relations with Russia. In a move that surprised many observers, the summit communique also contained an unqualified statement that Ukraine (and Georgia) “will become members of NATO,” without specifying when that might happen.

The conflict between Russia and Georgia in August 2008 may have had an important impact on Ukraine’s hopes of receiving a MAP. European NATO countries that have opposed a MAP for Ukraine may be even more reluctant to agree to one, fearing a sharp deterioration in relations with Moscow and perhaps even being embroiled in a military conflict with Russia in the future.

On December 2, 2008, NATO foreign ministers agreed to work with Ukraine on “annual national programs” within the framework of the existing NATO-Ukraine Commission, which assists Ukraine’s defense reform efforts. The Bush Administration, the main supporter of a MAP for Ukraine, may have seen this approach as a way for Ukraine to make progress toward NATO membership without calling it a MAP. However, France and Germany, unwilling to provoke Moscow, warned strongly against viewing the compromise as a shortcut to NATO accession, saying that a MAP would still be required.

In addition to concerns among some European countries about Russia’s response, domestic political infighting in Ukraine hurt Kiev’s MAP prospects by convincing some NATO members that Ukraine lacks political maturity required for NATO membership. Also, critics point out that opinion polls have repeatedly shown that a large majority of Ukrainians oppose NATO membership. President Yanukovich has said he will drop former President Yushchenko’s MAP aspirations. He may continue cooperation with NATO in defense reform and other areas, particularly if it is done in a way that Russia does not view as threatening.

## **European Union**

Ukraine seeks to be recognized as a potential EU member candidate. Most EU countries have been cool to Ukraine’s possible membership, perhaps because of the huge burden a large, poor country like Ukraine could place on already-strained EU coffers. Indeed, EU officials have tried to dissuade Ukraine from even raising the issue. However, Poland and the Baltic states have advocated Ukraine’s eventual membership in the EU, in part because they see a stable, secure Ukraine as a bulwark against Russia. Nevertheless, even the most optimistic supporters of Ukraine’s EU membership acknowledge that it could be well over a decade before Kiev is ready to join, but believe that formal EU recognition of Ukraine’s eligibility could speed the reform process in Ukraine.

Ukraine currently has a Partnership and Cooperation Agreement (PCA) with the EU, as well as a Ukraine-EU Action Plan within the context of the EU’s European Neighborhood policy. The agreements are aimed at providing aid and advice to assist Ukraine’s political and economic

transition and to promote closer ties with the EU. At an EU-Ukraine summit in December 2005, the EU announced that it would grant Ukraine market economy status. The move makes it easier for Ukrainian firms to export to the EU without facing antidumping duties.

In March 2007, the EU and Ukraine announced the opening of negotiations on a New Enhanced Agreement to replace the PCA. Talks on an EU-Ukraine free trade area began in February 2008. Ukraine is seeking visa-free travel between the EU and Ukraine, although the EU is offering only visa liberalization as a goal. The EU budgeted 494 million Euro (\$658 million) from 2007-2010 to support reform in Ukraine, in such areas as energy cooperation, strengthening border controls, bolstering the judiciary and the rule of law, and addressing environmental concerns.<sup>5</sup>

In September 2008, the EU agreed to call the new Ukraine-EU accord currently under negotiation an "Association Agreement." However, unlike the association agreements signed by other European countries in the past, the new accord will not contain an explicit recognition of Ukraine's EU membership aspirations. In May 2009, the EU launched the Eastern Partnership program within the context of their European Neighborhood policy, which also includes non-European countries. Although the EU insists that the regional approach taken by the Partnership (which includes Belarus, Moldova, Georgia, Armenia, and Azerbaijan) will improve EU cooperation with these countries, it is not clear that the initiative offers Ukraine significantly more than previous efforts.

EU countries were angered by the January 2009 natural gas standoff between Russia and Ukraine, which led to a cut-off of natural gas supplies to EU countries for two weeks. However, the EU did not assign sole blame for the crisis to Ukraine, despite Moscow's diplomatic and public relations efforts aimed at doing so. After the stand-off, the EU took steps to try to work with Ukraine to prevent another gas cutoff. In March 2009, the EU agreed to provide EU assistance to help modernize Ukraine's gas pipeline system in exchange for greater transparency by Ukraine in how the system is run. In July 2009, the EU Commission brokered an agreement under which the EBRD and World Bank agreed to provide loans to help Ukraine modernize its gas pipeline system. In the short term, \$300 million in EBRD loans would be aimed at helping Ukraine improve its natural gas storage facilities and other infrastructure. The EBRD would be willing to loan Ukraine another \$450 million for Ukraine to reform its gas sector. The World Bank would be willing to loan Ukraine up to \$500 million for structural reforms, including of the gas sector. However, the deal was shelved because of Ukraine's inability or unwillingness to meet the EU's terms for the loan. Given Moscow's strong opposition to the plan, it is unclear whether incoming President Yanukovich will support it.

President Yanukovich has said that he favors the completion of the Association Agreement, visa-free travel to the EU for Ukrainians, and eventual EU membership for Ukraine. However, while integration into Euro-Atlantic institutions was the ideological centerpiece of Yushchenko's foreign policy, Yanukovich will take a more pragmatic approach. Progress on a free trade agreement and other issues will likely depend in part on whether Yanukovich's oligarchic supporters find such agreements favorable to their business interests. Many observers are cautiously optimistic, as these business tycoons have expanded into European markets in the past few years.

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<sup>5</sup> "Commissioner Ferrero-Waldner Announces Substantial Increase in Financial Assistance to Ukraine," EU press release, March 7, 2007.

Yanukovich made a symbolic step in the direction of the EU by making Brussels his first foreign visit as President on March 1, 2010, preceding his first to Moscow as Ukraine's new leader. Yanukovich said European integration was a "key priority" for Ukraine, both in its foreign policy and its domestic reform strategy. EU leaders urged Yanukovich to reach agreement with the IMF, which would unlock additional EU aid of over 500 million Euro. They also urged him to reform the gas sector, which would be followed by aid from international financial institutions and would spur private investment. The two sides expressed hope that the Association Agreement could be completed in late 2010.

## **Russia**

Ukraine's closest, yet most difficult and complex relationship is with Russia. President Putin strongly backed Yanukovich's fraudulent "victory" during the 2004 presidential election campaign and reacted angrily to the success of the Orange Revolution. Russian observers with close ties to the Kremlin charged that the Orange Revolution was in fact a plot engineered by the United States and other Western countries. For his part, President Yushchenko offered an olive branch to Moscow, calling Russia a "permanent strategic partner" of Ukraine.<sup>6</sup> Nevertheless, relations were rocky. Russia was irked by Yushchenko's efforts to support greater democratization in the region, impose tighter border controls on Transnistria, a pro-Moscow, separatist enclave within neighboring Moldova, and forge closer links with Georgia.

Ethnic Russians make up 17.3% of Ukraine's population, according to the 2001 Ukrainian census. They are concentrated in the southern and eastern parts of the country. They form a majority in the Crimea (a peninsula in the Black Sea in southern Ukraine), where they make up 58.3% of the population. In the Crimean city of Sevastopol, the home base of the Russian Black Sea Fleet, 71.6% of the population are Russians. In addition, ethnic Ukrainians in the east and south also tend to be Russian-speaking, are suspicious of Ukrainian nationalism, and support close ties with Russia. Russian officials have tried to play on these regional and ethnic ties, not always successfully, as demonstrated by the 2004 Ukrainian presidential election. Perhaps learning a lesson, Russia did not intervene so openly in the 2010 Ukrainian presidential vote. While Yanukovich was favored by Moscow, Prime Minister Putin made it clear that Russia could work with Tymoshenko as well. President Medvedev and other Russian leaders expressed open scorn for Yushchenko, who observers believed was destined to lose anyway.

The Russia-Georgia conflict in August 2008 had a negative impact on Russian-Ukrainian relations. After President Yushchenko took power, Ukraine and Georgia had close ties. President Yushchenko strongly condemned Russia's military actions in Georgia. Ukraine's foreign ministry accused Russia of using Black Sea Fleet vessels based in Crimea to attack targets in Georgia without consulting Ukraine and said Ukraine reserved the right to exclude such vessels from Ukraine. Russian leaders charged that Ukraine had supplied Georgia with arms which were used against Russian troops in the conflict.

On August 13, 2008, Yushchenko issued a decree requiring Russia to provide advance permission for movement of Russian military ships, planes, and personnel on Ukraine's territory. Russia said the decree was anti-Russian and in contradiction to the 1997 treaty that gave Russia the right to base its fleet in Crimea. The Russian Black Sea Fleet has ignored the decree. The Russian vessels

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<sup>6</sup> Jamestown Foundation, *Eurasia Daily Monitor*, January 25, 2005.

that participated in the Georgia conflict later reportedly returned to their Crimean base. Russia was also upset that Ukraine rejected Russian proposals to extend the Russian Black Sea Fleet's stay in Crimea beyond 2017. On the contrary, President Yushchenko called for starting talks on preparing for the withdrawal of the Fleet, so as to prepare a smooth transition in 2017. In September 2008, Ukraine's foreign minister charged that Moscow was providing Russian citizenship documents to inhabitants of Crimea on a large scale. He expressed fears that Russia could use the presence of Russian citizens in Ukraine to justify military intervention in the future, as it did in Georgia.

President Yanukovich's top foreign policy priority is to improve relations with Russia. He will likely de-emphasize Ukraine's relations with Georgia. He has said that he is open to extending the Russian Black Sea Fleet's stay in Ukraine past 2017. However, Yanukovich continues to stress Ukraine's neutral, "non-bloc" status. He has said Ukraine will not join Moscow's counterpart to NATO, the Collective Security Treaty Organization. He has said that Kiev's possible participation in the Eurasian Economic Community (which includes a customs union among Russia and several other former Soviet states), must not conflict with Ukraine's WTO obligations or its cooperation with the EU. These conditions may make Ukraine's integration into this organization difficult, if not impossible.

## **Energy Issues**

The most severe crises in Russian-Ukrainian relations have occurred over energy. Ukraine is heavily dependent on Russia for its energy supplies. About 80% of its oil and natural gas consumption comes from Russia. However, Ukraine's vulnerability to Russian pressure has been mitigated by the fact that the main oil and natural gas pipelines to Central and Western Europe transit its territory. Over two-thirds of Russia's gas exports pass through Ukraine. Until recently, Russian firms supplied energy to Ukraine at prices far below market rates. Energy sales have been conducted by non-transparent intermediary institutions, offering the elites of both countries opportunities to profit.

Russia's efforts to increase gas prices to market levels provoked crises in 2006 and 2009 that resulted in cutoff of Russian gas to Western Europe. After Yushchenko came to power in 2005, the Russian government-controlled natural gas monopoly Gazprom insisted on a more than fourfold increase in the price that it charged Ukraine for natural gas. When Ukraine balked at the demand, Russia cut off natural gas supplies to Ukraine on December 31, leading also to cuts in gas supplies to Western Europe. The gas supplies were restored two days later after a new gas supply agreement was signed.

Another issue has been the involvement of a shadowy company, RosUkrEnergo, as the nominal supplier of Russian natural gas to Western Europe through Ukraine. Some analysts are concerned about possible involvement of an organized crime kingpin in the company, as well as corrupt links with Russian and Ukrainian officials. The U.S. Justice Department reportedly investigated the firm.<sup>7</sup> Tymoshenko battled to eliminate the company as a middleman in Russian gas exports to Western Europe and in supplies to Ukraine's domestic consumers. Yushchenko defended the

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<sup>7</sup> Glenn R. Simpson, "U.S. Probes Possible Crime Links to Russian Natural-Gas Deals," *Wall Street Journal*, December 22, 2006, 1. For background on the gas crisis, see CRS Report RS22378, *Russia's Cutoff of Natural Gas to Ukraine: Context and Implications*, by Jim Nichol, Steven Woehrel, and Bernard A. Gelb.

company, triggering charges by Tymoshenko that his supporters were profiting by the company's existence, which Yushchenko denied.

The second gas crisis occurred in January 2009. The state-controlled Russian natural gas firm Gazprom stopped gas supplies to Ukraine on January 1 after the two sides failed to reach agreement on several issues, including a debt allegedly owed by Ukraine to Gazprom and the price that Ukraine would pay for gas supplies for 2009. The cut-off was supposed to affect only supplies for Ukraine; Russia continued to send gas through Ukraine destined for other European customers. However, within a few days, Russia accused Ukraine of diverting these supplies for its own use, and by January 6 cut off all deliveries through Ukraine to the rest of Europe. The EU sharply criticized the cutoff, calling for a rapid resumption of supplies, but refused to take sides in what it termed a "commercial dispute."

Many large European countries (and Ukraine itself) did not suffer greatly from the cutoff, despite frigid temperatures, due in part to substantial amounts of gas in underground storage facilities. However, some countries, particularly in the Balkans, were hit hard. Negotiations between Russia and Ukraine repeatedly broke down, with each side accusing the other of bad faith and trying to enlist European support for its views. An increasingly angry EU threatened to re-evaluate its relationship with both countries unless the impasse was resolved. Finally, on January 18, Russia and Ukraine reached an agreement, and gas supplies to Europe resumed on the 20<sup>th</sup>.

According to the agreement, RosUkrEnergo was eliminated as a middleman in the gas trade. In the first quarter of 2009, Ukraine was required to pay more than double what it paid in 2008 for gas. However, Ukraine was able to avoid this price increase by using gas in storage until gas prices declined later in the year, as the drop in oil prices was reflected in natural gas prices. The price that Russia would pay for gas transit remains at last year's level. In November 2009, Russia and Ukraine reached a revised gas deal that confirmed Moscow's earlier pledges that Russia would not impose fines on Ukraine for not taking enough gas from Russia. Ukraine's gas consumption has declined as a result of the economic crisis.

Since the collapse of the Soviet Union in 1991, Russia has sought control of Ukraine's natural gas pipelines and storage facilities. However, its efforts have been stymied on several occasions, due to Ukrainian objections that Kiev could not cede control of one of its key economic assets. As a result, Russia has worked to develop options to cut Ukraine out of gas supply to Western Europe, at least in part. Gazprom is developing new gas pipelines under the Baltic Sea (called Nord Stream) and through the Balkans (called South Stream) to Western Europe. Both would bypass Ukraine. Nord Stream could be ready as early as 2012, while South Stream would not be available until at least 2015. If successful, these efforts could sharply reduce Ukraine's leverage over Russia on energy supplies. Moreover, Russia could then feel it would have a freer hand to put greater pressure on Ukraine on other issues. Key Western European countries could feel they have less of a stake in Ukraine's future, if they, like Russia, were no longer dependent on Ukrainian gas transport infrastructure.

During the presidential election campaign in late 2009 and early 2010, Yanukovich criticized the current gas agreement between Russia and Ukraine, saying that the gas was too expensive for Ukraine. He said that he favored Russia providing gas to Ukraine at subsidized prices, in exchange for Russia's gaining a minority stake in Ukraine's pipeline system. Western European consumer countries would also gain shares in the system. However, there appear to be several problems with such a scheme. First, it is not completely clear whether Gazprom, in its present financial difficulties, would be willing to cut gas prices for Ukraine unless it received very

favorable terms in buying into Ukraine's pipeline system. Secondly, the Ukrainian parliament would have to pass a law permitting the deal, which could prove highly controversial. Many in the parliament could accuse Yanukovich of selling off the country's chief strategic asset to Moscow. Yanukovich may also revive the role of non-transparent middlemen in the gas trade.

## **NATO Membership**

Under President Yushchenko, Russian-Ukrainian relations were strained by Kiev's desire to join NATO. Russian leaders were angered when the April 2008 NATO summit in Bucharest said that Ukraine will join NATO at some point in the future. According to Russian press accounts, President Putin reportedly told President Bush and NATO leaders that Ukraine was not a real state, given its regional heterogeneity, and that it would cease to exist if it joined NATO. Putin's reported comment appeared to imply that Russia could encourage secessionist or other centrifugal forces in eastern and southern Ukraine, especially the Crimea. Russia could make territorial claims against the city of Sevastopol in Crimea (where Russia has a naval base) or the Crimean peninsula as a whole. Other Russian leaders threatened possible economic and other sanctions against Ukraine if it joined NATO. However, President Viktor Yanukovich's rejection of NATO membership for Ukraine will likely greatly ease Russo-Ukrainian tensions on this issue.

## **U.S. Policy**

U.S. officials supported the "Orange Revolution" in Ukraine in late 2004 and early 2005, warning the former regime against trying to impose fraudulent election results, and hailing Yushchenko's ultimate victory. President Yushchenko visited the United States from April 4-7, 2005, and had meetings with President Bush and Secretary of State Rice. Yushchenko's address to a joint session of Congress on April 6 was interrupted by several standing ovations. U.S. officials have remained upbeat about Ukraine's successes in some areas, such as joining the WTO, holding largely free and fair elections, and improving media freedom, while acknowledging difficulties in others, such as fighting corruption, establishing the rule of law, and constitutional reform.

Ukraine has not contributed significant numbers of troops to Afghanistan, at least in part due to bad public memories of the Soviet occupation of Afghanistan in the 1980s, but has supported a provincial reconstruction team. According to the website of the NATO-led ISAF peacekeeping force, Ukraine has eight soldiers in Afghanistan.

The United States has taken steps to upgrade its economic relations with Ukraine. On January 23, 2006, the United States reinstated tariff preferences for Ukraine under the Generalized System of Preferences (GSP). Ukraine lost GSP benefits in 2001 for failing to protect U.S. intellectual property, particularly CD and DVD piracy. U.S. officials hailed Ukraine's efforts to improve its record on this issue. On March 6, 2006, the United States and Ukraine signed a bilateral agreement on market access issues, a key step in Ukraine's effort to join the WTO. U.S. officials said that Ukraine committed itself to eventual duty-free entry of U.S. information technology and aircraft products, as well as very low or zero duty on chemical products. U.S. firms also receive more open access in such areas as energy services, banking and insurance, telecommunications, and other areas. The bilateral agreement addressed other key concerns such as protection of undisclosed information for pharmaceuticals and agricultural chemicals, imports of information technology products with encryption, the operation of state-owned firms based on commercial considerations, and reduction of export duties on non-ferrous and steel scrap.

The Administration was sharply critical of Russia's behavior during the January 2006 natural gas standoff between Russia and Ukraine. State Department spokesman Sean McCormack criticized Russia for using "energy for political purposes." He stressed that while the Administration supported a gradual increase in prices to market levels, it disagreed with a "precipitous" increase and cutoff. Secretary of State Condoleezza Rice likewise on January 5 stated that Russia had made "politically motivated efforts to constrain energy supply to Ukraine."<sup>8</sup> On January 22, 2009, after the resolution of the second major Russia-Ukraine gas crisis, a State Department spokesman said the conflict "underscores the need for transparent, market-oriented arrangements for the sale and shipment of natural gas and the importance of diversifying energy supplies."<sup>9</sup>

President Bush visited Kiev on April 1, 2008. He offered "strong support" for Ukraine's request to receive a Membership Action Plan from NATO at the Bucharest summit. He praised Ukraine for its contributions in Iraq, Afghanistan, and Kosovo, noting that Ukraine is the only non-NATO country supporting every NATO mission. He praised Ukraine's commitment to democratic values and open markets, and offered continued U.S. support to fight corruption, support civil society groups and strengthen Ukraine's institutions.

The two sides signed a "roadmap" for strengthening bilateral ties in many areas, including trade and investment, energy security, defense cooperation, technology and space cooperation, among other issues. One document signed was a Trade and Investment Cooperation Agreement, which Ukraine would like to see as a stepping-stone to an eventual free trade agreement between the two countries. In order to boost U.S. investment in Ukraine, the United States has urged Ukraine to continue to make reforms in several areas, including reducing regulation, clarifying commercial laws, and introducing more transparency into the privatization process.<sup>10</sup> In December 2009, the United States Overseas Private Investment Corporation (OPIC) reopened its programs to Ukraine. OPIC provides financing and political risk insurance for U.S. investors in foreign countries. OPIC funding had been suspended after a commercial dispute between U.S. investors and their Ukrainian partners in 1999 led to OPIC payment of an insurance claim to the U.S. investor. The resolution of the issue in 2009 led to the resumption of OPIC funding to Ukraine.

Although the United States was unsuccessful in persuading NATO to give Ukraine a MAP at the Bucharest summit, Administration officials hailed NATO's commitment in the summit communique to grant Ukraine membership in the future. They scored another success in getting NATO to agree to the development of annual national plans within the context of the NATO-Ukraine Commission, although differences continued to exist between the United States and those countries (particularly France and Germany) on whether such plans could advance Ukraine's NATO membership aspirations in the absence of a MAP.

The Bush Administration sharply criticized Russia's military actions in Georgia in August 2008. On September 5, Vice President Cheney visited Ukraine, as part of a tour to bolster U.S. allies in the region. Other stops included Azerbaijan and Georgia. After a meeting with President Yushchenko, Cheney stressed the United States' "deep and abiding interest" in Ukraine's security. He said Ukraine should be free of "threat of tyranny, economic blackmail, or military invasion or

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<sup>8</sup> The State Department. Statement, January 1, 2006; Daily Press Briefing, January 3, 2006; Secretary Condoleezza Rice, Remarks at the State Department Correspondents Association's Breakfast, January 5, 2006.

<sup>9</sup> "Statement on Agreement to Restore Gas Flows to Europe," January 22, 2009, <http://useu.usmission.gov>

<sup>10</sup> Transcript of Remarks by U.S. Secretary of Commerce Carlos M. Gutierrez to American Chamber of Commerce in Ukraine, June 5, 2008.



intimidation” in the region. He said Ukraine’s “best hope to overcome these threats is to be united—united domestically first and foremost, and united with other democracies.”<sup>11</sup>

In an effort to signal support for Kiev after its failure to secure a MAP, the United States signed a “Charter on Strategic Partnership” with Ukraine on December 18, 2008. The charter discusses areas of current and future cooperation between the two countries, including “a program of enhanced security cooperation intended to increase Ukrainian capabilities and to strengthen Ukraine’s candidacy for NATO membership.”

During a speech to the Munich Conference on Security Policy in February 2009, Vice President Joseph Biden echoed President Obama’s call for U.S. relations with Russia to be “reset,” but warned that the United States would not accept any country’s asserting a “sphere of influence” and that states have the right to choose their own alliances. At a March 5 meeting of NATO foreign ministers, Secretary of State Hillary Clinton said “we should continue to open NATO’s door to European countries such as Georgia and Ukraine and help them meet NATO standards.”

Despite these assurances, some Ukrainian analysts expressed concern that the “reset” in U.S.-Russian relations could lead to a downgrading of U.S.-Ukrainian ties, or even the making of concessions to Russia at Ukraine’s expense. Perhaps in order to calm these fears, Vice President Biden visited Ukraine on July 20, 2009, in the wake of President Obama’s visit to Moscow earlier that month. Biden expressed strong U.S. support for Ukraine’s aspirations to join NATO and rejected the idea of a Russian sphere of influence in the region. He said that the “reset” in ties with Russia would not come at Ukraine’s expense. He added that, on the contrary, it could help Ukraine by defusing “zero-sum” thinking in Moscow about U.S. relations with Russia’s neighbors.

Vice President Biden also urged Ukraine’s political leaders to overcome their differences for the good of the country. He warned them that their country’s economic freedom depended more on its energy freedom than any other factor. Biden said that Ukraine needs to move to market pricing for domestic energy supplies, improve energy efficiency, and diversify its energy supplies. A working group of the U.S.-Ukraine Strategic Partnership Commission began discussions last year on ways to improve Ukraine’s energy security.

On February 11, after Yanukovich’s victory, President Obama called Yanukovich to congratulate him on his victory. Obama praised the Ukrainian people’s conduct of the election and said the vote marked another step in the consolidation of Ukraine’s democracy. He noted the “strategic partnership between the United States and Ukraine is based on shared interests and values. These include expanding democracy and prosperity, protecting security and territorial integrity, strengthening the rule of law, promoting non-proliferation, and supporting reform in Ukraine’s economic and energy sectors.”<sup>12</sup>

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<sup>11</sup> “Remarks by Vice President Cheney and President Yushchenko of Ukraine After Meeting,” September 5, 2008 from the White House website, <http://www.whitehouse.gov/news/releases/2008/09/print/20080905-3.html>.

<sup>12</sup> Press release from the White House website at <http://www.whitehouse.gov/the-press-office/readout-presidents-call-with-president-elect-yanukovich-ukraine>.

## **Congressional Response**

### **U.S. Aid to Ukraine**

Congress has dealt with the issue of U.S. aid to Ukraine. The FY2005 Iraq-Afghanistan supplemental appropriations bill (P.L. 109-13) provided \$60 million in aid to help the new government in the run-up to the March 2006 parliamentary election. Including funds appropriated in FY2005 foreign operations appropriations legislation, Ukraine received \$156 million in U.S. assistance in FY2005.

The FY2006 foreign operations appropriations legislation (P.L. 109-102) provided \$84 million in Freedom Support Act (FSA) funds to promote reforms in Ukraine. Five million of that amount was earmarked for nuclear safety initiatives and \$1 million for mine safety programs in Ukraine. Total FY2006 U.S. aid to Ukraine was \$100.1 million. In addition to Freedom Support Act funds (\$82.16 million were actually allocated in FY2006, according to the Administration), Ukraine received \$2.18 million in Child Safety and Health (CSH) funds; \$10.89 million in Foreign Military Financing (FMF); \$1.75 million in IMET military training funds; and \$3.1 million in NADR funding to fight terrorism and proliferation. In FY2007, U.S. aid to Ukraine was \$96.5 million. Of this total, \$80 million was in FSA funding, \$9.5 million in FMF, \$2.17 million in Child Survival and Health funding, \$1.86 million in IMET, \$1.36 million in NADR, and \$1.63 million in Global HIV/AIDS Initiative funding.

According to the FY 2010 Foreign Operations Congressional Budget Justification, U.S. aid to Ukraine totaled \$119.31 million in FY2008. This amount included \$72.409 million in aid for political and economic reform in the Assistance for Europe, Eurasia, and Central Asia account (AEECA, formerly FSA). Ukraine also received \$34.5 million in Economic Support Fund (ESF) aid, \$6.036 million in FMF, \$2.391 million in Global Health and Child Survival funds; \$1.874 million in IMET military training funds; and \$2.1 million in NADR assistance. In FY2009, the Obama Administration estimated Ukraine will receive \$89.419 million in U.S. aid, including \$71.5 million in AEECA funding; \$7 million in FMF, \$1.75 million in IMET; \$7.369 million in Global Health and Child Survival funds; and \$1.8 million in NADR aid.

For FY2010, the Obama Administration requested a total of \$118.953 million in aid for Ukraine, including \$90.125 million in the AEECA account, \$16 million in FMF, \$8.178 million in Global Health and Child Survival aid, \$2.15 million in IMET, and \$2.5 million in IMET. The Consolidated Appropriations Act 2010 (P.L. 111-117) includes FY 2010 foreign aid appropriations. The conference report for P.L. 111-117 recommends \$89 million for Ukraine in the AEECA account, and \$11 million for FMF.

U.S. aid to Ukraine is focused on anti-corruption and rule of law efforts, stopping trafficking in persons, media and civil society development, energy sector reform, and fighting HIV/AIDS. Aid will help Ukraine improve its electoral system and improve local governance, particularly in eastern and southern Ukraine. The United States also seeks to increase exchange programs between the two countries. Other programs include efforts to help Ukraine implement WTO accession as well as prepare for a free trade agreement with the EU, encourage the growth of small business and strengthen export and border controls. Security assistance for Ukraine is aimed at helping Ukraine's defense reform efforts, improving operability with U.S. and NATO forces, as well as taking steps to boost Ukraine's military capabilities.

In 2005, the Millennium Challenge Corporation (MCC) selected Ukraine for Millennium Challenge Account (MCA) Threshold status. MCC funding in Ukraine is focused on fighting the country's severe corruption problem. In November 2006, Ukraine was made "compact-eligible" by the MCC board. The MCC is spending about \$45 million on anti-corruption efforts in Ukraine as part of a two-year program. The current program is slated to be completed at the end of 2009.<sup>13</sup>

## **Other Legislation**

During the 2004-2005 Ukrainian presidential election campaign and during the ensuing electoral crisis, the 108<sup>th</sup> Congress approved legislation calling for free and fair elections in Ukraine and urged the Administration to warn Ukraine of possible negative consequences for Ukraine's leaders and for U.S.-Ukraine ties in the case of electoral fraud. The 109<sup>th</sup> Congress passed resolutions after President Yushchenko was inaugurated. On January 25, 2005, the House passed H.Con.Res. 16 and the Senate passed S.Con.Res. 7 on the 26<sup>th</sup>. The identical resolutions included clauses congratulating Ukraine for its commitment to democracy and its resolution of its political crisis in a peaceful manner; congratulating Yushchenko on his victory; applauding the candidates, the EU and other European organizations and the U.S. Government for helping to find that peaceful solution; and pledging U.S. help for Ukraine's efforts to develop democracy, a free market economy, and integrate into the international community of democracies.

Congress dealt with a long-standing stumbling block in U.S.-Ukrainian relations by passing legislation to terminate the application of the Jackson-Vanik amendment to Ukraine, granting the country permanent Normal Trade Relations Status. On March 8, 2006, the House passed H.R. 1053 by a vote of 417-2. It was approved by the Senate by unanimous consent on March 9, and was signed by the President on March 23.<sup>14</sup>

On April 17, 2007, Representative Alcee Hastings introduced H.Con.Res. 115, which called on all sides in Ukraine's political crisis to solve the issue peacefully and in accordance with the rule of law. The resolution reaffirms U.S. support for Ukraine's transition to democracy and a free market economy, as well as for the country's independence, sovereignty, and territorial integrity. A Senate version of the resolution (S.Con.Res. 30) was introduced by Senator Dodd on May 2. On July 23, Representative Hastings introduced H.Con.Res. 189, which called on Ukrainian leaders to abide by the May 27 agreement to hold new parliamentary elections, and to hold those elections in accordance with OSCE standards.

On September 21, 2007, the Senate passed S.Res. 320. The resolution expressed hope that Ukraine will hold its September 30 parliamentary vote in a way that is consistent with OSCE standards, urges Ukrainian leaders to work together to solve Ukraine's problems, and pledges continued U.S. friendship for and assistance to Ukraine. On October 4, Representative Hastings introduced H.Res. 713, which congratulated Ukraine on conducting the September 30 elections in accordance with OSCE standards and pledging continued U.S. support for Ukraine's efforts to achieve a democratic political system, a free market economy, and full integration with the West.

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<sup>13</sup> FY2010 Congressional Budget Justification for Foreign Operations, from the State Department website, <http://www.state.gov>.

<sup>14</sup> CRS Report RS22114, *Permanent Normal Trade Relations (PNTR) Status for Ukraine and U.S.-Ukrainian Economic Ties*, by William H. Cooper.

Congress has expressed support for Ukraine's possible membership in NATO. The NATO Freedom Consolidation Act was passed by the Senate on March 15, 2007, and the House on March 26. The bill (S. 494) expresses support for further enlargement of NATO and authorizes U.S. aid to Ukraine to assist it in preparing for possible NATO membership. President Bush signed the bill into law on April 9 (P.L. 110-17). On February 14, 2008, the Senate passed S.Res. 439, which expresses the "strong support" of the Senate for a MAP for Ukraine and Georgia. On February 25, 2008, Representative Wexler introduced H.Res. 997, the House version of S.Res. 439. It was passed by the House on April 1, 2008.

After the NATO summit, the Senate passed S.Res. 523 on April 28. The resolution expresses the "strong support" of the Senate for the statement of the Allies at the Bucharest summit that Ukraine and Georgia will become members of NATO. It also urges NATO to grant a MAP to Ukraine and Moldova at the NATO foreign ministers' meeting in December 2008. On May 19, the Senate passed S.Res. 570, which reiterated the Senate's strong support for Ukraine and Georgia's NATO aspirations.

On January 13, 2010, just before the first round of the Ukrainian presidential election, the House agreed to H.Res. 981 by voice vote. The resolution, sponsored by Representative Howard Berman, hailed the "strong relationship" between the United States and Ukraine and urged Ukraine to hold free and fair elections.

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