THE BROOKINGS INSTITUTION

UKRAINE'S DRIFT AWAY FROM EUROPE AND THE WESTERN RESPONSE

Washington, D.C.
Tuesday, March 27, 2012

PANEL 2: U.S. AND EU POLICY TOWARD UKRAINE

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P R O C E E D I N G S

MR. PIFER: Okay. Let's go ahead and proceed with our second panel. The first panel described three American analysts' views of what's going on both within the Ukraine and also with regards to Ukrainian foreign policy and that was designed to sort of set the background. But now we have the main panel where we want to talk about what is U.S. policy and EU policy towards Ukraine, but also not just about the policies towards Ukraine, but also how the United States and the European Union coordinate and interact on this.

And we're very pleased to have first of all Dan Russell, Deputy Assistant Secretary of State with responsibilities for Russia, Ukraine, and other parts of the world in that area. I won't go to the long bio because you have that in the program. And then our second speaker from the European Union is Pirkka Tapiola who has done Ukraine and other things at the European Union now for eight years?

MR. TAPIOLA: Too long.

MR. PIFER: Too long, but prior to that was the Deputy Chief of Mission at the Finnish Embassy in Kiev for three years. So we have a lot of knowledge here on the governmental side with regard to Ukraine, and Dan, why don't you go ahead and start us off.

MR. RUSSELL: Okay. Well, I know that you've talked a lot about events inside Ukraine, so I thought I would confine my comments to mostly talking about the frame of U.S. policy. And I want to thank Steve and Brookings for not only the invitation, but making the effort to keep a focus on Eastern Europe at a time when certainly other regions demand a lot of policy attention.

And like I said, I think I would start off by talking about U.S. policy, Ukraine, and a little bit about Europe. And I think just first to start off, Ukraine obviously matters to the United States and it matters to Europe. It's one of Europe's largest countries with 45 million people, and it boasts a highly educated workforce. I think we all know that Ukraine is the transit route through which nearly one-quarter of Europe's gas imports flow, and it certainly could become self-sufficient in energy were its resources fully developed.

Ukraine likewise could become a net contributor to global food security, something we care a lot about. It produced over one-quarter of the Soviet Union's agricultural output. I think Ukraine can serve as an example in what is obviously a very crucial region, and I would just mention a couple of examples that have shown leadership on the world stage by making the decision to give up its nuclear weapons to become a nonnuclear state, and it has contributed in peacekeeping operations from the Balkans to Iraq. And also we shouldn't forget that Ukraine has shown leadership in democracy in the region, most recently with the 2010 presidential elections.

Now I think secondly I'd talk a little bit about U.S. policy towards Ukraine, and I think it's important to remember that unlike many things in Washington, I think we've had a pretty clear and consistent policy that's enjoyed bipartisan support. And probably the best summary for our aspirations for Ukraine are contained in the U.S.-Ukraine Strategic Partnership Charter that was signed at the end of the Bush Administration and reaffirmed by the Obama Administration. Briefly, the Charter says we want to broaden and deepen cooperation. The Charter talks about a strong, independent, and democratic Ukraine that contributes to the security and prosperity not only of the people of Ukraine, but of a Europe whole, free, and at peace, which obviously has been a headline U.S. goal for the last two decades. The Charter lays out priority areas for enhanced cooperation across a broad spectrum of mutual priorities, including economics, trade and energy, defense and security, and strengthening democracy. And it makes clear that cooperation is not only based on shared interests, but on shared values.

So I think it's fair to say that the Charter represents a vision statement -- if we were in business -- that continues to guide the specifics of our engagement and cooperation with Ukraine. We used that Charter during the Obama Administration to launch a Strategic Partnership Commission and to bring some structure to engagement. And that Commission has grown to six self-sufficient working groups, and it's also encouraged public-private partnerships. And I think the parallel civil society dialogue in which some of you have participated is probably the best known example.

And I think U.S. commitment is not only shown by the policies we have, but also by our bilateral assistance program, which still remains pretty high. We're around $114-$115 million in fiscal year 2011. And our assistance supports all those priority areas I talked about, as well as some key public health issues like securing Chernobyl, fighting HIV and AIDS, and improving child health.

If I had the Strategic Partnership Charter draft today, I think the one thing I would change to make it more accurately reflect our priorities is to have more of an emphasis on integration with Europe. The United States has been very supportive of Ukraine's European aspirations, particularly conclusion of an Association Agreement and a deep and comprehensive free trade agreement, about which I'm sure Pirkka will have more to say. But I think as Americans we want to see Ukraine succeed. Our vision for Ukraine is the one that Ukrainians have for themselves, and that is as a democratic and prosperous European nation with an effective and accountable government.

The third point I would make is obviously the U.S.-Ukraine relationship has not reached its potential. And while charting the course for Ukraine is, of course, a decision for Ukrainians and their leaders to make, the United States has joined the chorus of countries which are concerned about where Ukraine is headed. And looking back at the same priority areas of cooperation that I outlined, I think our biggest concern is about democracy, particularly about the selective prosecutions of former Prime Minister Tymoshenko and about twenty other senior officials. I think it's pretty clear that the United States has joined Europe in calling for Ms. Tymoshenko's release. The President, in fact, raised Ms. Tymoshenko's case with President Yanukovych earlier today in Seoul.

And, of course, we're watching preparations for the parliamentary elections this autumn, and we hope they will meet the standard that the 2010 presidential elections set. And the United States is prepared to offer technical assistance to help with implementation of the new electoral law that Ukraine has. I know it was passed not only with the support of the governing party, but with the opposition, one of the rare occurrences of that kind of cooperation.

On the economy and energy, Ukraine has made some tough decisions on cutting budget deficit and on pension reform, but we're still concerned that Ukraine has not been able to make the admittedly tough decision to phase out energy subsidies. And this is a critical reform to obtain lending from the International Monetary Fund and other international financial institutions. We're working closely actually with the EU on energy sector reform, and one example I would flag is we have a three-year pilot program designed to increase energy conservation and efficiency at the municipal level.

While we're on the economic and commercial side, clearly the business part of the relationship is going to be key if we're going to broaden cooperation and, I think, if Ukraine is going to get

the investment it needs to develop. And that's another area which is certainly weaker than we'd like it to be. U.S. investment in Ukraine remains pretty low. We're, I think, the eighth or ninth largest investor, depending on how you count, and again, we've seen some positive steps -- certainly a new tax code. There have been efforts to reduce bureaucratic red tape. Some of the VAT refunds to some major U.S. and European companies have come through, but clearly there's a lot more that needs to be done. Serious efforts to fight corruption is a clear part of that if we're going to have an investment climate that's going to attract the kind of U.S. investment that I think we'd all like to see in Ukraine.

On other areas of cooperation, particularly on defense and security, I think in some ways that's probably the brightest part of what is otherwise a difficult picture at this point. And we were very pleased at the Nuclear Security Summit to be able to announce two years after President Yanukovych and President Obama first met that we were successful in eliminating all of the highly enriched uranium in Ukraine's stockpile, making Ukraine free of highly enriched uranium for the first time in its history. I mean, this really completes a lot of the work we started with Ukraine at the beginning of the '90s in moving towards a non-nuclear state. That's an area we're going to clearly try to do more in because this is not the end of a process, it's the start of more cooperation, particularly on the civil nuclear and on the scientific side.

On defense cooperation, over the past three years we've been able to restart military exercises -- as we call it "in the spirit of partnership for peace" -- again, a pretty successful area. We can do a lot more in there, but we've got a good start.

So all in all, I think we're at a very challenging point in U.S.-Ukrainian relations and at, frankly, a difficult moment. But at the same time, I don't think any of us have any real choice. Ukraine is too important not to continue to command the attention of Europe and the United States. And frankly, it's a country with so much potential -- and I know we've all been saying that for twenty years, but it's still true. And I think we need to try to work together and work with Ukrainians to try to move ahead on a lot of these fronts. And I want to reemphasize that the strengthening democracy part is still the key part because that's the basis for the rest of the relationship and, I think, the area where we need the most work.

I think I'll stop there and turn to Pirkka.

MR. PIFER: Dan, thanks. Let's get the view from the European Union side.

MR. TAPIOLA: Thanks, Dan. Thanks, Steve. And thank you for the initiative of getting the sort of transatlantic players together to talk about Ukraine. And Ukraine is indeed important both for the U.S., but, of course, especially for Europe; Ukraine is in Europe. And as we said at the 2008 EU-Ukraine Summit, we're reminded also in the conclusions that Ukraine is a European country.

As a European country, we, of course, hold Ukraine to European standards as well, and I will talk not so much on specific projects or specific approaches, but rather on the overall approach we have and also touching upon the offers we have now on the table. And those are very important big offers, and we hope to go forward.

Now, Ukraine is incredibly important. She is a partner of strategic importance. A lot of the region, a lot which is happening in the region, will depend on which way Ukraine develops. And we have been engaged as the EU already from the '90s, but very much through the European Neighborhood Policy, or now we talk about the Eastern Partnership, both the bilateral and multilateral track. We stepped up since 2004 -- since 2005 we really stepped up -- our engagement. And Ukraine, which was also a leader in democratic development in the region, became sort of the frontrunner, and it is no surprise that we started negotiations in 2007 for an Association Agreement. And when Ukraine joined the WTO for a deep and comprehensive free trade area, which will be part of the Association Agreement. And we've concluded now last December these negotiations or the negotiations have been finalized. And yes, we will initial the Association Agreement this Friday, on the 30th. And this will be an important step because once initialed, our offer will be there on the table for everybody to see, for civil society and for other observers to look at and discuss. And you will see a very broad offer of political association and economic integration between the European Union and Ukraine.

But then there is a "but." As was said at the EU-Ukraine Summit, we will not be in a position to sign nor ratify this agreement unless there is significant improvement in Ukraine's democratic development. And here, unfortunately, we really see a dramatic drop, perhaps the most dramatic drop I've seen in the region from where Ukraine was, holding good parliamentary elections year after another, to where Ukraine is now. And I think that's a reality we need to face.

Now this prompts me to say a few words on the underlying logic of the EU's relationship with its neighbor. Many have been asking where Ukraine's going -- east, west, or nowhere. Well, I think that that's in a way the wrong question to ask because what we're interested in is to see whether Ukraine's going forward, forward in her reforms, forward in building a democracy, a functioning market economy, governed by the rule of law. The EU is -- and I wish to underline this -- a community of values, and this is not window dressing. We cannot compromise on these values because these values have also been defined very strongly as our interests. And if you look at the European security strategy from 2003, our fundamental interest vis-à-vis our neighborhood has been to see a ring of well-governed countries at our borders. Now, some of these countries may one day become members, but at this moment we're talking about a ring of well-governed countries. And we've seen already with the developments in our southern neighborhood and the Arab Spring how important really to work on the conditionality -- or mutual accountability as we talk now -- on our Neighborhood Policy, how important it is. And what we have seen last year was a review of our European Neighborhood Policy introducing also what we call the more-for-more principle where we will be able to support more actively those countries which don't just talk the talk on going forward, but also walk the walk and undertake those practical reforms.

So here it's important to remember that we are really not playing zero-sum games, and our Neighborhood Policy has never been a geopolitical or geostrategic process, but really a process of helping reforms. And I think it's very important to remember that when assessing where the EU would be flexible and where it would not be flexible.

Now, we do hope that the problems which we are now seeing will be addressed. The ball is now, as one would say, after the initialing which will take place on Friday, the ball will be very strongly in Ukraine's court. And the situation as was spoken about in the earlier panel today is, indeed, worrying, and we have said that clearly. And I mentioned the decline, and if you look at the elections which brought the current Ukrainian president to power, they were perhaps the best elections organized by Ukraine. They got a very high grade from the OSCE, and one would have expected that they would have been built on.

I will not, as Nadia was talking in the first session, I will try to avoid a laundry list. But I will, I'm afraid, have to mention certain parts of it. So if we look at the concerns of the freedom of media, an association which started already to emerge slowly in the summer of 2010, we look at the fact that the constitutional court overturned the constitution. While correct according to a legalistic principle, you could wonder about its compatibility with the spirit of constitutional law. And I remember having been there, when in the context of the Orange Revolution, the constitution was adopted as a way out of a political deadlock, the constitution which was overturned. We saw concerns over the local elections. We saw concerns over judicial reform and the role of the High Council of Justice. And we have also seen the issue already mentioned by Dan of selective prosecution.

Now, another thing which I would like to underline is that this is not about personalities. Had another election result taken place and a similar sort of wave of prosecutions would have followed, we would have been as principled on this. And I think this is something which I want to underline, and this is not just about Yulia Tymoshenko. There are others, there are 19 others, and there are also other cases where certain questions could be asked. Due process is needed and in all cases we had -- and I will not take sort of any comment on whether the political decision on the gas agreement was a correct one or not. I will mention that we did probably welcome that gas agreement in 2009 due to the context of it being reached after two or three weeks of supply cuts to the European Union and the complete political deadlock. So I think that context needs to be remembered as well.

Now, on the way forward: We have said very clearly we want to see that those who have been imprisoned under selective prosecution or what we see as selective prosecution that solutions are found so that opposition leaders and all political forces can participate in electoral processes and that their electoral rights are not violated. We will pay considerable attention to the parliamentary elections, and we very warmly welcome the fact that Ukraine has invited OSCE observers to this autumn's election. And I think it's very important also because Ukraine will be chairing the OSCE next year, and I will have a very positive comment on the OSCE and Ukraine in a few moments. And we have underlined the need to address constitutions.

Now, in terms of constitutional reform, this is unfortunately a little bit of a malaise in transition societies that constitutions tend to get used for political tactics. So when the constitution is

addressed and together with the Venice Commission which will be important, it should be addressed in a very inclusive manner to agree to sustainable ground rules for political life. And this is something which the European Union has been underlining and will continue to underline.

In the gas field, we are also -- our offer on the modernization of Ukraine's gas transit system from the 23rd of March 2009 is still there. We will be willing, together with the IFI, to support it, but it is important that more transparency is brought into the gas field. And we are giving other kinds of support as well, but due to very more technical reforms and lags in those reforms, we have been unable to disburse some of the budget support we've been giving to the Ukrainian government.

Now, on the positive side, we look forward very much to a foreign policy partnership. We look very much forward to working with Ukraine during her OSC chairmanship of next year. And Dan certainly knows this very well, we are partners in the 5+2 process on Transnistria. And here, of course, with Ukraine's expertise of the region, next year will be a very important plan.

Now, let me conclude. So there is a very deep commitment from the EU to Ukraine, and this commitment is to help Ukraine in precisely what was mentioned, her declared development path. But this is a very practical path. The tools are there. The assistance is there. And the offers are there. But it will be based on values, not looking at sort of whether there's a third country involved or not. It's based on values. It's based on having a country which serves her own citizens because that is fundamentally what the European Union is built on. And we very much appreciate the cooperation we're having with the United States. Our people are in constant contact both between Brussels and Washington, but also Ambassador Tefft, the U.S. Ambassador, and our head of the EU Delegation, Jose Manuel Pinto Teixeira, work very closely hand in hand on the ground, and I think this is very important cooperation. We have had joint approaches also at the highest, highest level between Secretary Clinton and our representative, Cathy Ashton, in terms of a letter to Yanukovych and so on. So we are very much hand in hand on this policy. So thank you.

MR. PIFER: Thank you for the opening comments. Let me ask two questions. First one, Pirkka, to you, a question that we got at the end of the last panel which was the European Union's unreadiness to extend to Ukraine the perspective of membership. And then let me give a question to both of you, which is I think -- in both of your opening comments, you talked about the importance for the

United States and for the European Union of engaging Ukraine. And in my comments to the first panel, one of the concerns I have is there is this miscalculation, I think, in Ukraine that somehow an overestimation of the value of Ukraine to Europe, that somehow Ukraine matters more to Europe than Europe matters to Ukraine. So my question is how do you in the approaches to Ukraine want to communicate on the one hand that importance that the United States and European Union attach, but also make sure that you avoid a situation in Kiev where they come to believe that because of that importance, these democracy values they really don't have to pay much attention, that you'll continue with the relationship regardless. So how do you get that balance right?

MR. TAPIOLA: Okay. I'll perhaps start with the membership perspective. Now, let's go back. Let's take the time machine and go back to the 1990s and to the capitals of the countries which joined the EU in 2004. And I think that here we've maybe forgotten certain little historical details. And the first thing we've forgotten maybe is that we did not rush with a membership perspective to Poland, to Hungary, to the Czech Republic, to the Baltic States. But we got to a situation where we saw so much local ownership, a national narrative of undertaking reforms, of wanting to transform societies, that in the end we saw that these countries really wanted this. So yes, the membership perspective helped after a certain point, but the dynamic was there beforehand.

Now let's go back to 2005, and I think the indigestion question was already mentioned. And I won't comment on that. But I think the feeling very much in 2005, just after the Orange Revolution was, that if Ukraine really walked the walk and if the then administration would've pulled together and worked together -- and I think we all saw that they unfortunately didn't -- and the country would have really moved forward in sort of more structural reforms, who knows where we would be today. But the key there needed to be a clear signal of willingness to really roll up your sleeves, do the reforms, and move forward. And that's how consensus is built in Brussels. There is no consensus on this question now. And we've said very clearly that while the European Neighborhood Policy and the Eastern Partnership are distinct from membership, they don't exclude anything. But we've seen, I think -- and I work on democratic transitions in general -- we've seen that for a democratic transition really to work, there has to be broad-based local ownership going into society, local accountability, and a move forward. And I'm not going to pass judgment here on whether we see that in Ukraine or not, but I can say that

when we see it and when that positive agenda of going forward is there, yes, we will reply to it. And I think the more-for-more principle is already one step in that direction.

On the miscalculation, as I said very clearly, we do not play geopolitical games or look for zero-sum solutions, and our values are our interests. So I think that that pretty much sums up your second question. Thank you.

MR. PIFER: Dan?

MR. RUSSELL: Well, I don't want to turn back the time machine to the '90s because I remember how much fun that was. But I think you raise a good question, Steve, which is the trick is to get the balance right. And the two questions, I think, that perennially have haunted relations with Ukraine -- and they've been brought up by successive Ukrainian administrations -- are, to frame it another way, that Ukraine is too big to fail is usually one piece of it. And the other is that the idea that somehow Ukraine will put it well, we have a choice between going with the West or going with Russia and it's up to you to help us make that decision, which I think both of those are actually wrong. And I think the way we usually frame it is that in the modern world, democracy, prosperity, and security are all linked together. You kind of can't have one of those without the other two, and I think that applies in the neighborhood as well. And so I think it's really incumbent upon Ukraine to be a smart consumer of what different people who are offering assistance on where they want to go are able to provide.

And I was struck by at the beginning when Pirkka talked about European standards. They are European standards, but they're also our standards, and they're international standards. There's no real difference here. And we have made that clear as well, that we are all speaking with one voice on these issues.

MR. PIFER: Great. Well, why don't we go ahead and open up the floor to questions. We have the microphone. Right back here. And if you can just briefly identify yourself and your affiliation please.

MR. BEARY: Yes, Brian Beary, Washington correspondent for *Europolitics*. Just on the Ukraine Association Agreement, I'm wondering if you could explain the rationale behind initialing an agreement when as you say you're very unhappy with the current course of democracy in Ukraine.

MR. TAPIOLA: Okay, I was wondering if you would take a few others, but okay. The rationale behind initialing an agreement: As I said, we are very, very serious about Ukraine and our offer and engagement to Ukraine. And we have wanted these negotiations to be concluded so that we have an agreement, an offer, a clear sort of perspective for the foreseeable future of our relationship; and so that the substance of that agreement can be made public for the Ukrainian population to see and for others to see. And this can only happen through initialing. We're not going to be in a situation where there should be any question, any question, about our commitment to come with this agreement to Ukraine with this agreement which has a very strong political part. And in addition to that -- and perhaps most importantly for the Ukrainians -- a very strong, deep, and comprehensive free trade component, which also will include the transfer or the adoption of the EU trade by Ukraine and support from our side to doing so. So initialing will put us one step forward in making it clear that this is really a serious thing which is on the table and which we want to move forward.

Then comes the political situation, which we've talked about and which President Van Rompuy has clearly addressed at the EU-Ukraine Summit, which Commissioner Füle has addressed in a number of public speeches, where it's very clear that if the values, if the problems which we see in the implementation of what we've thought are our shared values, on which this agreement is also founded. If work does not take place there, well, we cannot go forward signing and ratifying.

MR. PIFER: Okay, this one here.

MR. CAMANKO: Anatoly Camanko, recent graduate of Washington and Lee University. One of the concerns raised by the previous panel -- I think, Steve, you raised that -- is that Ukraine as a topic of discussion has not been very popular here in D.C. as of late. And Ukraine and domestic dynamics notwithstanding, I think part of the reason for that is the Obama Administration's serious focus on the Russian reset, sometimes at the cost of the discussion of Ukraine as a separate entity in Eastern Europe. But now that the reset has proven to be a political miscalculation and a diplomatic failure, how do you think that will affect the discussion of Ukraine here in D.C. from here on?

And as a related issue, how do you predict the upcoming elections here in the states will affect the U.S-Ukraine relations? Thank you.

MR. PIFER: Dan, the microphone's on, too, so --

MR. RUSSELL: Well, frankly, I don't agree with much of what you said. And I don't think there has been any failure of focus here on Ukraine. And I think you need to remember back at the beginning when Vice President Biden coined the term "reset" at the Munich Security Conference in 2009 that he made clear that partnership with one country would not come at the expense of others. And to see Ukraine and Russia as kind of an either-or choice I think is a wrongheaded way of looking at this. It's a zero-sum thinking approach. And I don't think we've had any shortage of focus on Ukraine actually. And part of this is going to be driven by Ukraine, as Pirkka's subtle point about the Association Agreement, and that's certainly true with a strategic partnership with the United States as well.

I wouldn't worry too much about U.S. elections. I think policy towards Ukraine over the last four U.S. presidents -- two Democrats and two Republicans -- has been pretty consistent in terms of its vision.

MR. PIFER: Okay, back in the back.

MS. ROBERT: Natalia Robert, Voice of America. I would like to touch upon the nuclear cooperation between the United States and Ukraine. And, Dan, you mentioned that Ukraine now is free from the enriched uranium, and you mentioned that this is just the beginning of cooperation between the United States and Ukraine. Could you elaborate on that, which projects we're talking about?

MR. RUSSELL: Sure, well, part of it -- in terms of nuclear security, Ukraine has been one of the most important partners in this global initiative against nuclear terrorism from the beginning. It was one of the founding members. So we have quite a history of working together in multilateral fora on this issue. Part of the elimination of highly enriched uranium in Ukraine -- part of the package of financial and technical assistance that the United States provided was a commitment to build a new state-of-the-art so-called Neutron Source Facility at the Kharkiv Institute. And this should be fully operational in 2014, and it will allow Ukraine to increase its basic research capabilities, allowing it to work more closely with the United States and other countries, and also will allow Ukraine for the first time to produce its own medical isotopes for treatment of cancer and other things which now has to be imported. That's the first step.

MR. PIFER: Let me ask, drill down a little bit more, in terms of the modalities of cooperation between the United States and the European Union because you both described, I think, a vision for Ukraine that's pretty similar. But can you talk about -- I mean, how do you interact because it

does seem to be that diplomatically if the United States and the European Union are speaking with a single voice or saying the same things and doing things like the Clinton-Ashton letter, you may have more value. How does that work on a day-to-day basis?

MR. RUSSELL: Do you want to know how much time we used to spend on the phone? I think from the U.S. perspective, it's -- and I've been working on these issues almost as long as the two of you -- I would say over the last four or five years things have certainly changed in terms of our interaction. I can tell you as somebody who has no formal responsibilities for relations with Brussels; I seem to be spending a lot of my time in Brussels. And I will spend part of today and tomorrow meeting with senior officials from the European Union. And I think that's a pretty typical week for us now. If you look at assistance programs, something Pirkka and I don't work on, between USAID and the State Department, it's a very different relationship where we're trying to do donor programs almost more than in parallel. And if you look at the cooperation between USTR and the Department of Commerce and DG Trade, again, something that's not directly in our responsibilities -- again it's very different than what it was three or four years ago. And I think just the level, the tempo of interaction and the willingness to when we start thinking about policies, well, what do they think in Brussels and get on the phone in the morning here and see what you guys have done over the past eight hours.

MR. TAPIOLA: I think you -- well, this maybe shows the extent of how well we work together because I don't think I have anything really to add. But I'll also answer slightly the sort of question, which was -- in fact, I'll comment on the question which was addressed to you, Dan, on continuity. First of all, I have to say that this is a partnership which gets intensified. And I think that the birth of the European External Action Service, which sort of brings the different Brussels actors now together and the different EU competencies on external affairs under one roof, of course leads to intensification. But also before the current administration, we did have very close interaction on the region. It has gotten more and more intensive, and I imagine that whatever happens, it will continue to be very intensive.

I was even thinking, Steve, when you asked about the modalities that it sounds like such a lofty word when what one thinks of is sort of picking up the phone or shooting a short email off and rather cryptic precisely asking okay, what do you guys think about this.

MS. MCCONNELL: Nadia McConnell, U.S.-Ukraine Foundation. It's too bad you can't form a strategic partnership with Ukraine civil society. But this brings me to a point when you talk about you're looking for Ukraine to exhibit internally the European values. And from my perspective, I think Ukraine civil society has been demonstrating that that's where they are at. And I think often they're ahead of their own political leadership. What more can you do perhaps to make that point? I know you were charged working directly with the government, and certainly Secretary Clinton has made it one of her trademarks to talk about civil society and its importance, but I really think that this distinction is important to raise not only outside, but I think it'd be helpful for people within Ukraine to hear that, that you know that they value European values or international values.

MR. RUSSELL: Nadia, I'd say that even in Washington you could get pretty depressed dealing with the political class here, but you could go out to a university and feel like it was a breath of fresh air. So I wouldn't limit that only to Ukraine. But I think you're right. I mean, the biggest -- and this is true almost -- when we get any visitors that go to Ukraine and they will go out and speak at various universities or whatever, and everybody who comes back is impressed with the quality of people that the universities are churning out, and the next generation, the future generation, is really pretty impressive. And I think they're modern people. I mean, I don't know what the stats are now -- roughly what, a quarter of Ukraine are frequent Internet users. You can see the social networking and just the generational change, which is taking place not only in Ukraine, but in other places as well. But I think that's truly the most encouraging part and one of, I think, the challenges is to try to make those connections between young Ukrainians and Europeans and Americans who, through modern technology, can have a chance to exchange views in a way they never have before. And I think it's challenging for us as public policy practitioners to deal with that, but a lot of it, frankly, is being done just between younger people. But I take your point.

MR. TAPIOLA: If I can add on to that because when we did the review of the European Neighborhood Policy, one of the fundamental questions there was that we wanted to build a partnership between societies. And while, of course, as officials we're used to working with the political and administrative classes in countries, the role of civil society in the work we do at least in the neighborhood is, in fact, quite important. The Eastern Partnership has a civil society platform which meets in the context

of all Eastern Partnership meetings or civil society forums. There are national civil society platforms. And since I've looked a bit into social networking sites, I'm really quite impressed how they sort of manage to build networks which include both them and officials, both in the Ukrainian government and within the European Union.

In addition, with the review of the Neighborhood Policy, we have two new instruments which are coming out from our side -- and I don't want to give bureaucratic answers, but I suppose that comes with the job a little bit -- so one of them is that we have a new Neighborhood Civil Society Facility in addition to the earlier civil society funding, which is precisely there to sort of help a vibrant civil society. And then we're working -- and I'm looking at Nadia to whom I'm indebted for her support earlier on in the process. You will see the launch this year of a European Endowment for Democracy which is there to support civil society. And I'm not talking Ukraine-specific, first in the neighborhood, but globally, in order to build real political pluralism -- also grassroots-level ownership of reforms when I talked about the importance of local ownership for democratic transition. So this is going to be extremely important.

These are not top-down processes, and I think all of us understand that if there is not a civil society demanding accountability, you can have the best blueprints for a functioning democracy in the world and you won't have that functioning democracy. So for us, civil society is a very important part, also with the Association Agreement with our action plans. There is civil society-monitoring built in into these structures. Thank you.

SPEAKER: (inaudible), Ukraine-American Coordinating Council. My question, I think, is a little bit outside of what has been discussed strictly speaking so far, and probably should be addressed to the Ukrainian government, and I'm not going to bother Ambassador Motsyk, but I would like to ask the question to you anyhow. The two-pronged foreign policy of Ukraine has been with us since independence. Yet at the same time under the presidencies of President Kuchma and Mr. Yushchenko, it seems to me Ukraine made great efforts to be a player on the world stage in terms of foreign policy, not only in supporting NATO in some critical areas, but making great efforts to establish close relationship with a number of states outside of North America -- Eurasia, Western and Eastern Europe.

Now under President Yanukovych, my view is that there has been an abandonment of a kind of broad policy that all efforts are to pursue a policy of closer or better relations with the West or with

Russia. The question is why? Is it because they do not want to offend one or the other, or is Ukraine simply exhausted because of this two-pronged policy so they don't really care anymore what happens in the Arab states or in Syria or Iran? I don't see any strong statements on any of the issues or an attempt to somehow participate in solving them.

MR. PIFER: I'm not sure we can fairly ask you two to be spokesmen for Ukrainian policy, but maybe you can -- what is the perception? I mean, do you share that assessment?

MR. RUSSELL: I guess since we work with Ukraine at the United Nations -- I mean, the two examples that would come to me are that the United Nations are on a lot of these issues, and I haven't really seen any change in Ukraine's activism there. And I haven't been thrilled with all their votes, but frankly they've been quite supportive on a lot of the Middle East issues. I'll use the Syria Resolution was one of the areas where Ukraine was a key supporter. Ukraine has been a key supporter in the UN Human Rights Commission. So we haven't really seen that much of a change there.

I will say since I have the dubious honor of being the U.S. representative at the 5+2 talks on trying to solve the Transnistria question that has certainly been an area where the Yanukovych Administration has been more active. And I think that thanks to really the governing coalition in Moldova and the Ukrainian government, relations with Moldova have increased significantly over the past two years. And Ukraine is playing a much more active role in the Transnistria talks, and I will tell you that it hasn't always pleased us and it hasn't always pleased my Russian colleague. So they've had quite an independent voice. But it's their neighborhood. It matters more to than, frankly, than to the EU or the United States or even Russia.

SPEAKER: I just would like to agree with them. I agree totally 100 percent and maybe if you give examples. Ukraine is trying to develop good relations, political and economical, with other important players in the world. During the recent time, very good development of relations with China, with Brazil. Ukraine is going to be very active in peacekeeping operations. And you might know that Ukraine, on the request of the Secretary General of NATO, Mr. Rasmussen, and Secretary-General of the United Nations, Mr. Ban Ki-moon, sent a helicopter team to Côte d'Ivoire. Well, we participated more actively in peacekeeping operations under the umbrella of United Nations, European Union, and NATO, not being a member of NATO. Well, our position on the world arena is really quite active, and we try as a

member of United Nations and a member of other international organizations to make our own contribution in certain international peace security and making this world more secure and better. Thank you.

MR. TAPIOLA: If I can add on just because this sort of two-pronged foreign policy or what President Kuchma called multilateral foreign policy, it's one thing which sort of comes out or comes up every now and then and sometimes it comes in a little bit of majority of terms. But on first globally, for instance, Ukraine's participation in our EU NAVFOR ATALANTA operation off the Somali coast countering piracy, which is also one where we're working closely with the Chinese and the Indians, shows a very big global commitment to sort of act against a shared global challenge. And I wouldn't say that Ukraine -- I mean, when I follow Ukrainian news and where Ukrainian leadership is traveling and which contacts are being built, I think that Ukraine is acting very much on the global -- as a country of her size -- globally at this kind of a juncture of history.

Now on this two-pronged policy, I'll just make a small little comment, and that's that this is something, of course, which we all very much encourage because Ukraine's geographical situation is such that you need to have good relations in all directions and hopefully built on positive agendas where you see how those relations can be beneficial. Where the problems come if they become relationships, and I'm not saying this is the case, but if they would become relationships, are playing one part against the other in order to get more from two different directions. That's where -- and a policy of cherry picking through that -- then that policy becomes counterproductive. But otherwise, having a good, positive agenda and good relations with the Russian Federation, having a good relationship with the European Union based on our offers, this is fundamentally in Ukraine's national interest and it's very important that Ukraine works on it.

MR. RUSSELL: From a bureaucratic point of view, one of the biggest issues we had over the last year was the Yanukovych team spending so much time in Brussels that it's hard to get time in negotiating the Association Agreement frankly, which was one of their big policy initiatives that we supported. But it did take a lot of time and a lot of effort, and in fact, we had to work around a lot of your dates.

MR. PIFER: I've got two questions here, one over here. Let's take all of these last three questions and you can answer them in a batch.

MR. PULLMAN: Mitchell Pullman. I just wanted to go back to what Mr. Russell was saying about the many impressive young people in Ukraine. I agree. I've met quite a few impressive young Ukrainians, but my own completely unscientific observation is far too many of them are leaving Ukraine. And I was wondering if you -- well, perhaps both of you -- can address brain drain and exactly how significant is it and what can be done to reverse it.

MR. ROWSON: Dick Rowson with the Council for a Community of Democracies. I'd like to return for a moment to this question about cooperation between civil society and governments and ask a question related to a recent decision on the part of this community of some 120 democracies to pick out those nations which ask for help and apply government funds to civil society groups which would help them with the practicalities of democratization -- everything from setting up a judiciary of free elections to civilian control of the military and so forth. Two of these countries that have been selected so far are Tunisia and Moldova. And the question is whether the application of what is being done in Moldova to help build a democratic process and to strengthen it in that country would be applicable in the Ukraine with the help of this kind of designated hitters, if you will, from governments working with civil society, using government money, to finance the democratization process and strengthen it?

MR. PIFER: And the last questioner here.

MR. KUDELIA: (Serhiy Kudelia, George Washington University. Let me go back to the more difficult question on Tymoshenko and other political prisoners in Ukraine. So if you look at the experience with EU enlargement in the 1990s, you see that in those cases when a political leadership put their own personnel power interests above the interests of the country like in the cases of Slovakia with Mečiar, Serbia with Milošević, the mere attractiveness of the EU membership did not work. It did not change the behavior of these political leaders. And we are seeing actually in the case of Tymoshenko more charges are being piled up against her. We're probably going to see another trial on the charges of tax evasion against Tymoshenko this summer or in the fall right after the election. So my question to you is if you see this continue, this sort of policy, this strategy of sort of eliminating political rivals by Yanukovych, the options that the West seems to have are either you accept the fact that Yulia

Tymoshenko and Lusenko will be locked up behind bars as long as Yanukovych is president and maybe reverse your position on the Association Agreement and go ahead with signing it, or you impose tougher sanctions either against specific political leaders or in terms of refusing some financially that you may be giving. What is more likely to happen, the reversal of the position on the Association Agreement or your position of additional sanctions? Thank you.

MR. TAPIOLA: Okay, I'll start by quoting an EU foreign minister at a recent event in Brussels who was asked the question that okay, what's the Plan B on the Association Agreement? And the answer was, "If not, then not." So there is no Plan B, and we believe that Plan A is worth fighting for because the offer is robust and it is there. I will not prejudge any further steps over and above that. You know that we are -- our foreign policy process is based on consensus among 27 member states. Ukraine's a very important country. But let me just say that there is an incredibly important offer on the table, and I would very much, of course, welcome that Ukraine would find the political will to solve problems, which would enable us to move forward in sort of reaching them.

Now on brain drain, this is indeed an issue which sometimes worries me. Now, I work a lot with the Ukrainian civil society and think tankers and others, and I can sort of corroborate that point, that there is an incredibly good body of well educated, smart, committed people. But at the same time, yes, I do see that there are well educated, good people who are getting job offers outside Ukraine and are not coming back. And I think that this is something which fundamentally first and foremost needs to be addressed by the government of Ukraine in how to build a circumstance which makes it attractive for people to come back, work for the administration, build their own country, and build their society. On a very personal note, I sometimes think that maybe it would be good to have scholarships which would have a certain requirement at least to work for a certain time back with your own government or in your own country. I know that some scholarship funds have done that, so maybe that would be a way forward. But fundamentally people need to be -- when people go and invest in their own skills, they, of course, need to be able to use those skills in an environment where they think that they can get results and then the attractiveness of coming back becomes important. Thank you.

MR. RUSSELL: Going back to the gentleman in the back's question about democracy programs in Moldova. I think democracy has to be demand driven ultimately, and each country is very

specific. I know the Moldova case pretty well. I mean, what they've done over the past two-and-a-half years is pretty impressive. But it's a small, largely agrarian country that has serious poverty issues. So the range of issues they face is quite different, I think, than the ones faced by Ukraine. But in fact Moldova, coming back to U.S. and the EU working together, is a good example where we've divvied up sectors we're working on. For instance, the United States is leading efforts at judicial reform in Moldova, and it's an area where we're working together on these issues.

MR. PIFER: Okay. Well, we've now reached 4:30. I'm not sure that we've solved the issues with Ukraine, but I think we've had a very good discussion here about how the United States and the European Union approach that. Please join me in thanking our panelists for the discussion.

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