

Executive Memorandum

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Getting Ukraine to Safe Shores

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Ukraine's Orange Revolution demonstrated the deep desire of the people of Ukraine for honest, responsive, and democratic government. It was a drama worthy of the 1989 scenes in Wenceslas Square in Prague and Solidarity's surge to freedom in Poland. Victor Yushchenko's inauguration as president following his heroic victory in the third round of elections in December now focuses attention on how the West can help to make the Ukrainian transition a success.

The Bush Administration should facilitate Ukraine's membership in the World Trade Organization (WTO) and European Union (EU), lift Jackson–Vanik trade restrictions, expand NATO's cooperation with Kyiv, offer a bridging loan for economic restructuring, and state unequivocally that the U.S. will not tolerate threats to Ukraine's territorial integrity.

Post-Election Challenges. Having won 52 percent of the vote, Yushchenko will face multiple challenges. His primary concerns include the polarized electorate; calls for regional autonomy; decrepit rust-belt coal and steel industries in the East; and the opposition of protectionist oligarchs, apparatchiks, and thugs. Some 44 percent of voters favored Prime Minister Victor Yanukovich, an ex-con who promised to tighten Ukraine's ties with Russia, make Russian the second official language, and introduce dual citizenship. Ukrainian oligarchs—Yanukovich's supporters and

main beneficiaries of the economic links with Russia—may launch a political opposition that will be difficult to overcome. If Russia retaliates against the Orange revolutionary victory by banning its large Ukrainian guest workforce, Yushchenko's popularity may suffer.

Finally, Ukraine finds itself in the epicenter of the East–West strategic competition. The Orange Revolution opened the door to Ukraine's reintegration with Europe. Russia's influence in the country declined, though Ukraine's relations with its giant neighbor remain a long-term national priority.

Implications for the West.

The United States and the EU cooperated extensively to achieve a coordinated position in support of Ukraine's transformation—an important post-Iraq achievement. Since the revolution, however, the EU has proceeded with caution. In addition to its future relations with Ukraine, the EU faces the difficult accession of Turkey. The EU may pursue a good-neighbor policy toward Ukraine, sign an associate-member

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- The Bush Administration should facilitate Ukraine's membership in the WTO and EU, lift Jackson–Vanik trade restrictions, and expand NATO's cooperation with Kyiv.
 - It should also grant market economy status to Ukraine and offer a bridging loan for economic restructuring through international financial institutions.
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agreement, or explore outright membership—which could take from 10 to 15 years to achieve.

Relations with NATO are another promising direction for cooperation. NATO is a leading Western organization to ensure Ukraine's Western integration, as well as to restore a greater cohesion in transatlantic foreign policy. However, Ukrainian membership may cause friction with Russia.

The U.S. has supported the triumph of democracy in Ukraine and is interested in a Ukraine that is stable, prosperous, and integrated in Euro-Atlantic structures. At the same time, America's relationship with Russia is important, as the Bush Administration seeks President Vladimir Putin's support on future diplomatic action on Iran, reconstruction of Iraq, non-proliferation, counter-terrorism, and energy cooperation. Support for Ukraine should not damage this relationship.

Supporting Ukraine. It is in the U.S. interest to provide support for Ukraine's integration with the West, encourage the EU to take Ukraine into membership, and preserve a working relationship with Russia. Therefore, the Bush Administration should:

- **Convince** Congress to repeal Jackson–Vanik amendment's applicability to Ukraine. The amendment, which curbs normal trade status, is an irrelevant legacy of the Cold War as far as Ukraine is concerned.
- **Direct** the U.S. Trade Representative and Department of Commerce to support Ukraine's joining the WTO and positively consider Ukraine's request for approval of market economy status subject to the six statutory factors, especially openness to foreign investment, that guide the Commerce Department in determining a country's standing.
- **Encourage** the EU to sign an associate-membership agreement with Ukraine and begin preliminary consultations on accession, including setting a date for the start of negotiations.

- **Expand** NATO's Partnership for Peace program to further modernize Ukraine's military, promote civilian control over the military, and explore a "trusted ally" non-member relationship.
- **Work** with and through international financial institutions such as the World Bank and International Monetary Fund to diversify Ukraine's Soviet-era heavy industries and provide, if necessary, a bridging loan to shut down unprofitable mines.
- **Develop** a comprehensive package of reforms in the rule of law, privatization, free trade, taxation, and civil service overhaul, including law enforcement. The U.S. should promote regionally focused export-oriented projects in Ukraine and should foster technical assistance and cooperation with the private sector to make Ukraine a foreign investment magnet.
- **Make** a statement that the U.S. fully endorses the territorial integrity of Ukraine. Washington should clarify to the Kremlin that U.S. support of Ukraine is not aimed at hurting Russian political and economic interests there, such as the Russian naval base in Sevastopol, investment, energy transit to Europe, or overflight rights.
- **Work** with the Yushchenko administration to reverse pre-election promises to withdraw the Ukrainian contingent from Iraq, which is the fourth largest in the U.S.-led coalition.

Conclusion. Ukraine presents a renewed opportunity for U.S. engagement in the region. Washington should demonstrate unwavering support for Ukraine's pursuit of its democratic aspirations. An ongoing, cohesive transatlantic U.S. foreign policy toward Ukraine should be at the core of the Bush Administration's support for Ukraine.

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