

Ukraine at a Crossroads: What's at Stake for the United States and Europe

Subcommittee on European Affairs
Senate Committee on Foreign Relations
February 1, 2010

Testimony by

Damon M. Wilson
Executive Vice President
Atlantic Council

Madam Chairman, Ranking Member, Members of the Committee, I am honored to speak before your committee on the situation in Ukraine.

Ukrainian democrats and their supporters share a vision of an independent, sovereign Ukraine with strong democratic institutions, rule of law, and a prosperous free market, embedded in Europe, a partner of the United States, and at peace with Russia.

Yet twenty years after independence, Ukraine's young democracy, cultural identity, and weak institutions face political manipulation and its fragile economy is subject to massive distortions from widespread, top-down corruption. In short, Ukraine's sovereignty is not guaranteed, its democracy is not inevitable, and its market is not free.

Today, Ukraine teeters between Eurasian malaise and an ambivalent Europe. Indeed, Ukraine's future is in play. Decisions taken now and in the coming year by President Yanukovich and his government, the Ukrainian political opposition, civil society, media, and youth – as well as the United States and Europe – will determine whether Ukraine evolves into a European democracy or descends into a post-Soviet authoritarian kleptocracy.

Indeed, Ukraine is at a crossroads. And there is much at stake for transatlantic interests.

President Viktor Yanukovych and the Ukrainian government are pursuing contradictory policies: they seek to integrate Ukraine into Europe, while emasculating their domestic opposition. In their first two years in office, they have made progress on both, eliminating his key challenger from politics and negotiating a landmark deal with the European Union. Yet ultimately, they must choose.

The choice is not between Russia and the West. In many respects, this is a false choice. The choice is whether Ukraine sees its future in the European mainstream or relegated to the borderlands. The outcome rests on whether Yanukovych and his government decide their political preservation is more important than anchoring Ukraine in Europe.

Ukraine's difficult situation today is a direct result of the failure of political leadership in the wake of the Orange Revolution. Orange leaders, while allowing political pluralism to thrive, disappointed the Ukrainian people by failing to govern effectively. Their infighting opened the door to Yanukovych's rehabilitation and election in 2010 as president in free and fair elections, Ukraine's fourth set of free elections in a row at the time.

When President Yanukovych came to power, he began to centralize authority. His advisors offer a compelling explanation: after years of political chaos and economic mismanagement under Orange leaders, Ukraine's new leaders consolidated power in order to be able to govern more effectively and to implement long-needed reforms. And in many cases, the government has pursued difficult economic reforms necessitated by the global financial crisis, including for example raising the retirement age.

At the same time, under Yanukovych, Ukraine has been a responsible international actor, advancing practical negotiations with the European Union, agreeing with the United States to eliminate highly enriched uranium, and managing more normal relations with Russia.

However, President Yanukovych's first two years in office provide a sufficient record to sound the alarm on the state of democracy. We have witnessed selective prosecutions of opposition figures, a more restrictive media environment, disturbing involvement of the security service (SBU) in domestic politics, a seriously flawed local elections in October 2010, pressure on civil society, an erosion of speech, consolidation of executive influence over the judiciary, manipulation of the electoral code in advance of parliamentary elections this fall, and continued rampant corruption. In essence, the ruling Party of Regions has centralized authority, governing all of Ukraine much as it governed its stronghold oblasts like Donetsk, while weakening Ukrainian society's checks and balances.

The vision of a democratic, European Ukraine is not lost however. Yanukovych and his government value their domestic standing and their international reputation; therefore Ukrainian popular opinion and Western policy matter. Furthermore, Ukraine's political and cultural diversity is a bulwark against any one force dominating the political landscape.

As we look forward, Ukraine faces three key tests: its handling of political prosecutions, the October parliamentary elections, and its energy security.

First, despite protests to the contrary, Ukrainian authorities have pursued selective prosecutions against political opponents, most notably former Prime Minister Yuliya Tymoshenko. She is not an isolated incident, but is illustrative of a disturbing pattern that is corrosive to democracy. If those in power believe that the price of losing an election is prison, they are unlikely to ever relinquish power. Through its own actions, the Party of Regions has set this dangerous dynamic in play. After months of various officials telling many in the West that the president would find a way within the law to end the prosecution of Tymoshenko, she has been sentenced to seven years in prison and is now facing a set of new charges. Ukraine's leaders seem to have calculated that threat she poses politically outweighs the cost of the international opprobrium.

The United States and Europe have spoken out forcefully on this issue, and the European Union has delayed signing an association agreement over this issue. Both the United States and Europe should keep this issue at the top of their agenda with Ukraine, not allowing the passing of time to diminish the Ukrainians' calculations of the costs of their actions. Washington and Brussels should consider additional measures to raise those costs.

Second, the most critical test is whether Ukraine is able to conduct free and fair parliamentary elections in October. I already have serious concerns about Ukrainian authorities' actions to tilt the scales in their favor through changes to the electoral code and influence over the judiciary. After free and fair parliamentary elections in 2006 and 2007, there was no compelling need to revise the electoral code in advance of these elections. The ruling party's singular focus to do so raises concerns about those in power changing the rules of the game to their advantage.

Nonetheless, these elections are in play. Recent polling indicates that, while the opposition remains weak, the ruling Party of Regions has lost tremendous support throughout Ukraine, including in its political base in the east. Given there is a genuine possibility for competitive elections, authorities may be tempted to take extraordinary measures beyond administrative means to maintain their majority in parliament.

Therefore, now is precisely the time to shine a spotlight on Ukraine. The United States and Europe need to work together closely to help ensure a level playing field through support for measures that can counteract fraud. This includes helping independent civil society to observe elections, monitor media, and conduct exit polls and parallel vote counts.

Furthermore, the European Union can make clear that ratification of any Deep and Comprehensive Free Trade Agreement depends not only on the issue of political prosecutions, but also on the conduct of these elections. Similarly, the United States should make clear that the conduct of these elections will determine the possibilities in our bilateral relationship.

Ukraine has been a valued partner given its commitment to hand over all of its highly enriched uranium as part of President Obama's nuclear security initiative. My concern, however, is that the Ukrainians will perceive they can cooperate on this strategic priority, and

in return earn a pass on democracy issues. Washington needs to continue to send clear, consistent messages to Kyiv about the costs of poor elections in October.

A third key test for Ukraine is how it handles its dismal record on energy security. The energy sector in Ukraine is opaque and corrupt. More importantly, the government's management of energy is corrosive to Ukraine's democracy and sovereignty. The scale of corruption in the energy sector threatens to undermine Ukraine's democracy, as it provides an incentive for those in power to perpetuate their rule both for personal enrichment and to avoid prosecution once out of power. Corruption in the energy sector is also a national security threat as it allows unscrupulous interests to manipulate Ukrainian officials and policy. The best way to strengthen Ukraine's sovereignty, and to mitigate Ukraine's dependency on Russia for natural gas, would be to pursue an aggressive energy efficiency program and to liberalize its antiquated energy sector inviting in investors and promoting transparency.

As we judge Ukraine's performance on these three tests, US and European objectives should be clear.

First, in the near-term, our policy should aim to check democratic backsliding and help Ukrainians demand a free and fair election this fall.

Second, we should continue to promote Ukraine's genuine European integration by fostering societal level contacts while government-to-government negotiations stall. While some European nations seek to tether Ukraine to the European Union, many would prefer that Ukraine have no future home in Europe. US policy should state that a democratic Ukraine that pursues reforms can earn its place in Europe's institutions.

Third, we should continue to help Ukraine increasingly integrate its markets into the global economy, reorienting its economy away from Soviet era patterns of trade. As Ukraine's economic interests increasingly value their credibility in western markets, these forces will support rule of law at home and some will value Ukraine's democratic credentials abroad.

Finally, the United States and our transatlantic partners should continue to support Ukraine's sovereignty and independence. As Vladimir Putin plans his return to the Russian presidency, we are likely to hear about more ideas along the lines of his proposal for a Eurasian Union. While cooperative, constructive relations between Ukraine and Russia are healthy, Russian efforts to exert a sphere of influence, if unchecked, will lead to greater demands and ultimately greater instability over time. Our engagement with Ukraine through good times and bad will bolster Kyiv's ability to determine its own future.

Holding Ukraine to account on democracy, however, will not send Ukraine into Russia's arms. Whether it is Ukrainians in the west of the country whose reference is Poland rather than Russia, Ukrainian oligarchs who fear economic domination by their Russian counterparts, or Ukraine's political elites who have grown accustomed to managing their own nation, Ukrainians will play the lead role in preserving their sovereignty.

As members of Congress, you have much on your plate. The United States' interests are global so why should US policymakers concern themselves with Ukraine. I would offer three reasons.

First, as a nation with as many people as Spain and as much land as France, and with shared borders with the European Union, NATO, and Russia, Ukraine is a major actor and of significant importance to Euro-Atlantic security and prosperity. Much of the history of conflict in Europe is about insecurity in the land between Germany and Russia; as long as Ukraine's future remains uncertain, there is a risk of instability.

Second, Ukraine's success or failure as a free market democracy will reverberate far beyond its borders. Ukraine can help anchor a region plagued by uncertainty, moving the region closer to European norms, and advancing the vision of a Europe whole, free, and at peace. Alternatively, its failure will set back reform in the broader region and undermine the goal of "completing Europe."

Third, change in Ukraine may be among the best hopes for change in Russia. Most analysts think about how developments in Russia will impact Ukraine. I tend to believe that developments in Ukraine can influence Russia. First, failure in Ukraine would validate Vladimir Putin's narrative to the Russian people that experimentation with democracy in the former Soviet Union leads to political chaos and economic instability; "democracy is dangerous." However, Ukraine's success as a market-oriented democracy with strong ties to Europe would challenge those assumptions. For so many in Russia who have been taught to think of Ukrainians as their backward cousins, progress in Ukraine would underscore the viability of progress in Russia.

Madam Chairman, Ukraine is indeed at a crossroads. Its democracy is in play. Its place in Europe is in play. And its reliability as a partner of the United States is in play. Western policy can help sharpen the choices facing Ukrainian leaders.

A President Yanukovich who ceases political prosecutions, presides over fair parliamentary elections, combats corruption, achieves a ratified association agreement with the European Union, and advances a top US nonproliferation objective has the opportunity to remake his image in the world and in his own nation.

Thank you Madam Chairman, Ranking Member, and Members of the Committee. I look forward to answering your questions.