

**THE CENTER FOR  
STRATEGIC AND INTERNATIONAL STUDIES**

**“UKRAINE: AT POLITICAL  
AND ECONOMIC CROSSROADS”**

**FEATURING:**

**JULIA TYMOSHENKO,  
OPPOSITION LEADER  
AND FORMER PRIME MINISTER OF UKRAINE**

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Thank you very much for your attention. (Applause.)

I think that this is also important – that Ukraine for you also is the grace's hope and I'm very happy that you are support my opinion about Ukraine. Right now, if you have some questions, I am ready to answer them.

Ambassador Keith Smith : Thank you very much, Madam Prime Minister. I would first like to tell you that there were over 100 people that we had to turn away from the conference here. We didn't have room for them. I think more than 100.

The second thing I'd like to do before we go to the question period is introduce – to let you know that Dr. Gregorian Nemyria, who is sitting here on the stand, is the deputy leader of the party. He is also a member of the Rada and a very influential foreign policy analyst in Ukraine. I've known him for some time now and when he was a think-tanker and he's head of the Center of European and International Studies. In his own right, deserves to be up here and to speak.

Now, what I'd like to do now is open it up. We have – we have some time, some good over half an hour for questions. Those of you, if you'd raise your hand and I'll recognize you, please state who you are and what your affiliation is to begin with.

First here and then over here. There's a microphone. Wait for the microphone, please.

Q: (Unintelligible). (Unintelligible) – this is your first visit to United States in ten years. You've been a frequent visitor to Moscow, to European capitals. Even last year, you promised to – you pledged to visit Tehran, but you've been conspicuously absent in Washington. And some say that the reason you haven't crossed the U.S. border in the last ten years was because you were concerned about being detained or even taken or asked to testify in the case of your former business partner and political ally Pavlo Lazarenko. Pavlo Lazarenko, as we all know, has been in jail in San Francisco for the last eight years convicted of money laundering and other crimes.

So my question to you is, could you comment whether these – whether you had such concerns? Could you comment on the extent of your cooperation with U.S. law enforcement? And most importantly, could you tell us now whether you have any remorse about your work with Pavlo Lazarenko in the past? (Laughter.) Thank you.

MS. TYMOSHENKO: My dear friends, I think that my friends today in the United States, and that I can talk to you freely is practically the confidence and is against

what he just said, and I am thankful to the American government that so warmly has greeted us in the United States. I thank to all civic organizations that greeting us so warmly here. I know that you have prepared for my meeting, but dear friends, I have to disappoint you: everything is okay with us. We do not have why relation to these things that you just have mentioned.

Q: My name is Vadim Gorevich (ph). I'm an independent journalist. You described in very sharp tones the dangers that Ukraine faces today in terms of its democratic development and even sovereignty, but somehow you forgot to mention the most significant victory of Viktor Yanukovich since he's – you know, since he assumed the post of the prime minister. But your faction in parliament supported the vote for the (law for cabinet ministers ?) which basically stripped most of the president's powers, and you did that in exchange for the law on (imperative ?) mandate for local councils. You also said that in future, you are going to support the law for imperative mandate for Verkhovna Rada, and you know, as most people here probably would testify, you know, this law had been condemned throughout the world as antidemocratic. And the third thing, you devote most of your – (unintelligible) – Ukraine, if not most, then at least a great part to the issue of tariffs.

MR. : Sorry. Could we keep our questions short? Instead of making statements, please ask questions.

Q: Okay. Basically, in terms of tariffs – about (4 ?) percent of Ukrainian budget today is spent on subsidizing energy. This is a very significant number, for example, in relation to spending on education. And the energy tariffs in Ukraine have not grown since 1999. They've been under revision lately. So what's your strategy in terms of, you know, liberalizing energy markets? Sorry for the long question.

MS. TYMOSHENKO: First of all, after the changes to the constitution were adopted, practically has changed the function between the president and prime minister. Practically, it was in favor of the prime minister of the parliamentary republic making the president of the Ukraine a figure that has practical limitations in forming policies of Ukraine. That was voting regarding the constitutional reform. I would like to remind you that our faction and personally, myself, I was the only political force in Verkhovna Rada that did not vote – that practically manmade we would change the constitution and make the mechanism for the – (unintelligible) – practically changed the constitution. It was not an organization of Ukraine as practically to sit back and give influence for the old forces and the policy that were against to the Orange Revolution. Practically all officials that working under Kuchma are back in the government. You cannot find even one person that's not back in the government and doesn't do the same thing that they have done before Orange Revolution. That's fact nowadays.

Talking about the law on cabinet of ministers, that's a law that many times was declared by president, Verkhovna Rada government as a law that separates their powers as per constitution between the president and prime minister. We, as the opposition force, had to choose to give a chance to regulate this conflict between the presidential and

government chain, and the government tried to do it as the law prescribes because the law has separated. It's better have a bad policy and no policy at all, but lack of any policy at all gave the opportunity to Yanukovich and his team much more powers than the law on cabinet of ministers has taken away from him. From the two worst things we have really chosen the less evil and practically, we didn't want any flowers, but the law when it was adopted, we do not have any differences between two government branches in this issue. So we think that we have made a right choice.

As to the imperative mandate, it's very important issue in Ukraine because imperative mandate – that's a right on the highest organ of the party of Bloc, the convention telling the truth of those deputies that have switched from one political team to another and in this case from democratic forces to anti-crisis coalition of Yanukovich. So through way of (convection ?), take away this mandate from them.

I have to tell you that Ukraine is a nascent democracy, all democratic institutions in Ukraine, and at the same time also some elements of the traditions are just nascent in Ukraine in political way. But, you know, when you do not have a stable tradition – stable relation in the political sector, we have to have in place some law. Unfortunately, nowadays in such a short period of time, we do not have a party and the classic understanding of the world. We have the leadership parties that we do not have stable teams in those parties.

And unfortunately, during short period of time when these parties were formed, not all members are really clean members in each party. Besides that, Ukraine has temporarily stopped after all these things that happened to get a revenge – stopped all these. On the other hand, great amount of money were given to the politics and this money complies with the function that the money should not do. Unfortunately, this money are not use for business in parliament. That's why – unfortunately, that's why every day we have pressure on deputies of the democratic parties, pressures on small businesses, pressure on the corruption propositions. And nowadays, the only thing that we can do to protect (temporarily ?) the Ukraine's polity from not very logical steps of politics that's irresponsibility of the politician for his political party orientation.

When he change his political orientation for in depending of the causes, please give up your mandate. Yes, this procedure cannot be used for all entirety in Ukraine; maybe for five years, maybe for ten years, but temporarily so we have opportunity to strengthen the party, to strengthen our tradition, and to have opportunity not to change many people after some deputies were attracted to work in some other political forces.

And moreover, now in constitution courts, the topic of the imperative mandate is under contemplation. It could be adopted; it could not be adopted. So if they will not be adopted by the constitution court, I am risking saying that since we have a majority in constitution, we will have the majority in Yanukovich side more. So that's why we are practically fighting now for Ukrainian's independence from its democratic choice. We have to use sometimes political mechanisms that are not used in the developed democratic countries, but it's the only opportunity in the nascent democracies.

As to tariffs, I will not spend too much time for this. In the basis of tariffs that is raised, all of them, about 60 percent is the cost of gas. Ukraine, dear friends, was put not only on knees, but there are forces that tried to destroy Ukraine entirely through increasing this price by factor of – by high factor that destroys the budget, the local budget, the budget of the country. And today we have the results of access of – (unintelligible) – to our market and all our – with results of our agreement and each person in Ukraine is a victim of this gas aggression, gas terrorism that Ukraine for the past two years sees in its course. It is very unpleasant to say that both government led us to this situation, but we'll try to protect ourselves as much as we can.

How do we do it? Today, we are trying quickly to go through all procedures of energy saving and energy conservation. We are changing from natural gas to coal, other alternative fuel resources in order to get rid of this dependence. It's too bad it was not done 15 years ago and now we have to do it fast without destroying Ukraine's economy. You're right: we have much high inflation today than it was predicted; lower domestic production because we have inadequate influence on the gas price that we didn't expect in our economical models.

Q: Andrei Behun (ph) from Washington Group, former diplomat. Ms. Julia, if you can say about your Third Way, we hope that we will move in that Third Way. What kind of obstacles can be predicted, serious barriers that coalition could do or newly combined democratic forces?

MS. TYMOSHENKO: They will have to overcome these challenges and obstacles. Yes, I understand what you're talking about. You are saying about third way early election. You're talking about early election, legal election. This is the hardest. The best way to protect Ukraine today. I agree with you and I am viewed as a person who is able to make revolutions, but in reality I am very calm person in life and it is much better for me to move legally forward in order to try to move Ukraine to meetings and -- (unintelligible). That is why I believe that this is an adequate way: early parliamentary election.

What do we need for that? We need to have a very clear legal framework. Our political forces applied – appealed to constitutional court to explain to us whether the president has this kind of basis and we gave our arguments to the constitutional courts and we believe that there is basis for it. We are waiting for the decision of the constitutional court. After that, the presidential order – executive order has to be done and then early election.

What am I afraid of? I'm afraid that the Party of Regions said many times that they will not obey to the decision of president, the decision of the constitutional court. They will not obey any democratic decisions or procedures if it will be a threat for them to lose their power.

I believe that no government in the world would take a risk and make that statement that they will disobey the constitutional court's decision except for Ukrainian one. They said that: "We are different; we are not the same people as you saw us in 2005. Don't expect us to give away power as fast as we did it in 2004 and '05." This is their official position. You can read on the internet.

And what is important here: the constitutional court of any country is practically the last resource for interpretation of constitution and if we have these kinds of decision and the presidential decree will be there, and the procedure will be established, we expect that the democratic world will support us in order to see that nobody will throw their words like – that we will disobey the decision of the constitutional court or presidential decree.

We would like to see that if there will be need, legal opportunities and legal ways, will explain to Ukraine – all the forces of the world will explain to Ukraine that these steps that people have to be responsible and include these issues. And that is why we are moving towards this direction. We see the only way out in this manner and we are disturbed and concerned seeing what is going on today in problems that is related to the independence of Ukraine. As long as we are there having some position in politics, we will try our best to protect Ukraine, protect with all our efforts.

Q: Steve Larrabee, RAND Corporation. This follows up your last remarks. What would the legal basis for dissolving the parliament and holding early elections? Sorry it's such a short question. (Laughter.)

MS. TYMOSHENKO: Answering to you, I'd like to say once again what arguments we stated to the constitutional court, but I'll be brief. In reality, the constitution includes two options for the president to announce early elections. First, if during the 30 days there is no legitimate coalition majority in parliament; and second, 60 days from the time of loss of legitimate – there is no legitimate government established. Those are two reasons.

But in reality, we have a whole area of laws that were violated by both prime minister and officials when they were members of Verkhovna Rada and later became prime ministers and vice presidents because they did not declare their Verkhovna Rada membership and they did not move on time away from that and they lost. They are working today in that atmosphere.

And unfortunately, in Ukraine people know about their violations, changing from the parliament to government, but the laws are not enforced all the time in Ukraine and we believe that we have legal basis to announce early election. But I would not say about early election only about legal basis: there are other issues besides the letter of law formulate or create the necessity to have early election.

We have three issues here. First, Ukraine is going through deep constitutional crisis. We heard it from the leader of the Party of Regions. He said clearly that there is a

national, deep, political, constitutional crisis. The president of Ukraine stated the same. Prime Minister of Ukraine stated the same. And in reality we cannot ignore the fact that Ukraine is losing elements of stability every day and the standoff of two branches of government ruins our health, the investment climate, and the Ukraine's position as a stable partner – trustworthy.

And on the other hand, deep social and economic crisis in Ukraine. It has a lot of components, but people are frustrated and we see that, and the social problems that are related to high tariff on gas and also absence of compensatory politics. Those are the other issue.

And the third issue is the dissatisfaction of the government's work by middle and large and small businesses. Those are both are domestic businesses and investors and foreign investors. We have some restrictions with regard to export, including grain, that brought it to the shadows level and some – another that exporters are not refunded. Their taxes – value added taxes are not refunded to exporters. We know about it. Those are well known facts. In addition to that, we have the revision of ownership in Ukraine and everybody sees that (acts of raiders ?) today for the first time this issue was raised today and the first time there is a draft of law to prevent raiders. And that is why all of these components lead to the fact that even if the government of Yanukovich will want to be at the power forever, he will not be able to do that, taking into account what is going on in Ukraine today.

MR. : We don't have much. We have limited time. (Inaudible) – and then Ambassador Miller, then we have – (inaudible).

Q: Yes. My question is regarding – could you just shed some light on the reasons why in the presidential administration and in Our Ukraine there seems to be a situation where the left hand doesn't know what they right hand is doing? And I'm saying this in the context of why this is leading – this inability to have a coherent policy platform with the president is leading to a sense of Ukraine fatigue in Washington about President Yushchenko.

And I'll give you – and so please shed some light on why that is the case. Why Ukraine or the president of Ukraine seems to have a multivector domestic policy when he deals with various policies and particularly related to this one example is the great development that you signed an agreement on the opposition, on a joint opposition with Our Ukraine is, I think, a positive development. But in the same week that this was signed, President Yushchenko signed a decree awarding a medal for his alleged contribution to the rule of law in Ukraine to Mr. Portivenko (ph). You know this individual particularly because he instituted trumped up charges against yourself that led to your imprisonment in 2001.

So why would in the same week an agreement be signed with Our Ukraine, which the president endorses, and then in the same week he signs a decree promoting Mr. Portivenko? Thank you.

MS. TYMOSHENKO: As to the fatigue of Ukraine from all these processes, Ukraine can feel fatigue from inconsistency in politics, but Ukraine will never feel fatigue to protect its independence and its right to be Ukraine. Ukraine got never tired of this for the past 100 years. That is why I would like to tell you directly even if we see some difficulties in democratic camp and maybe some acts are inconsistent, that's why we have our team there under my leadership in order to stop all kind of steps to right or left, but rather move – keep the course and with one concept and this direction was announced by our forces during presidential campaign. We did not just simply sign this agreement on Saturday. This is a program to reform Ukraine. That is our domestic policy and our joint steps with regard to foreign vector. This joint position, this common position is stated in the program document that was signed.

With regard to awards, I believe that awards are fine. In any country, any president decided to award this person, then he knows why he gave that award – granted that award to him, but at this time I would not focus on these aspects. I would rather think how not to allow to have this multivector policy, as you said, because in reality there was – each politics has its own specifics. Kuchma had multivector politics in all areas, and very often in the morning he didn't know what kind of vector he will follow that day, and that sometimes depended upon circumstances, sometimes because of the weather or something else – some other factors affected it.

With regard to Viktor Andreevich, Yushchenk, and myself, I would like to say that in our case, multivector is not allowed. We are people of very strict line and there is no changes or deviation from it. With regard to Viktor Fedorovich, people are trying to make him look like Kuchma with his multivector policies, but nobody can do it. This is a person with one vector, which is in opposition to what we are doing today – our team.

That is why in this context today, I would like to say that we put an end to multivector situation in Ukraine. The issue is what vector will be chosen by our country and which politician would follow what vector, and I would like to thank the democratic countries of the whole world today who are trying today to shed a light to our prime minister that there is a multivector situation, but I don't know any politician who would be able to explain to me Mr. Yanukovych that there is one vector which is directed to Euro-Atlantic integration, to cleaning and reform of domestic life in Ukraine with European standards. That is why we would like to ask you to take into account that each politician has his own mentality, its own view, its own politics and take that into account.

I know today there is a quite popular view among politicians that Yanukovych and his team, including Akhmetov – those are big businessmen who would not want to go on the auspices of Russia; they will stay independent because they need to be independent in their business. Dear friends, this is a naïve position – absolutely naïve because Yanukovych and his team are not free to do – to choose anything in this context and protect the business. For example, in Naftohaz and Minister Boyko, minister of fuel and energy, you know this name, this is a person who is not accepted either by Yanukovych or Kluyev, but Boyko works anyway because that's the order he got.

We know that the firing of Tarasyuk from the position of minister of foreign affairs was absolute confrontation on the side of prime minister towards president. That was a direct confrontational act. What do you think? Yanukovich he wanted this confrontation? No, he couldn't make any other decision because he had – he felt great pressure and maybe even wanted to protect their business, but they are not free in following the policy that they can do in Ukraine.

Q: Mrs. Tymoshenko, you said in your talk that the majority of the Ukrainian people still support the values of the Orange Revolution, but you just said that the president and you still hold the same principles. If that's a case and you have early elections, what outcome could you predict in the composition of the parties as a result of elections?

MS. TYMOSHENKO: In Ukraine, sympathies are not stable and – but we believe that Ukraine will elect democratic forces for the third time. And the democratic forces, regardless who will represent them in the Ukrainian government, will be in favor always because nobody can see in Ukraine that there will be a reemergence of old format.

Sixty-five percent of Ukrainians see European integration, implementation of European values, see Ukraine to be cleaned of corruption, not allowing to corrupt clans to the power in Ukraine, see deep reforms in Ukraine based on transparent, honest, fair procedures, and nobody would be able to convince this part of the society to vote for a different camp. They can stay without gas. They can start use firewood. They can lose last pennies of their budget. They can be disenchanted by politicians who are in democratic camp, but they will never vote differently because this is on the level of genes, the level of people's life and their blood, and nobody will convince them otherwise.

Yes, in Ukraine we have 30 percent of people – still have – who still dream that they would be able to live better in a new form of the Soviet Union – those are 30 percent; 70 percent do not live that kind of life. That's why all supporters of Yanukovich who are there that were – they expect and they are waiting for steps, but at the same time, they are disenchanted by illiterate policy of the government with the challenges that have Ukraine today.

I am an optimist about democratic forces. Regardless what kind of forces will have – they will be – they will win. What kind of structure? Probably majority would go for our bloc, probably the same as Nasha Ukraina. I do not exclude the fact that there might be one or two parties of democratic (course ?) that can overcome that 3-percent threshold, but we early – before the early election, we signed the agreement stating that we are together today in opposition, but this agreement also predicts all kind of coalition agreement in the future and in the case of early election and in case of democratic forces win.

Do you have another – do we have time for more questions?

Two more questions and I would like to wrap up.

MR. : Instead of four questions, can you make them two questions?

Q: You answered somewhat question today. Party of Regions said that they are ready for presidential and parliamentary election in September of this year. Social polling shows that if this kind of election would be there, then Yanukovych can win during this kind of election. Do you see this opportunity to have a parliamentary and presidential election at the same time? If the presidential and parliamentary elections are scheduled, are you going to run for president? With regards to the ideology of your party, you said that party is not of western model or nevertheless, I'd like to know more about your ideology.

MS. TYMOSHENKO: I will start with the first question that today, as I said earlier, the team of Yanukovych stated that they have a draft submitted to their parliament about having parliamentary and presidential election at the same time. This is not a serious conceptual decision that they want to approve, but today, besides the presidential impeachment, there is no other procedure in constitution that would be applicable for the announcement of early election. The president is officially elected and the election was the most honest election. All the legal work was done, and all the judicial system – it went through all the judicial system and his presidency is legal.

And they know that there is no other legal way to announce a new presidential election besides impeachment, but there is not reason for impeachment. There is no basis for impeachment. I believe that this kind of statement is the understanding of the Party of Region that early elections are real and that the Ukrainian society has accepted it as a better way than the chaos that, unfortunately, the parliamentary majority created today. That is just a political statement which doesn't – is not supported by legal framework.

With regard to our party, our party is leftist and with understanding that the course of Ukraine is only towards European community and the European Union. Well, there is an issue when and how, but we believe that that's the course that our political force will move Ukraine forward.

With regard to reforms that Ukraine has to implement today, regardless of the fact that we are in opposition today, regardless of the fact that we have a very complicated situation in Ukraine, our political force submitted several drafts of law – bills.

First, it's a bill about reforms of judicial system in Ukraine. I know that there will never be a very big investment development in Ukraine on corrupt government in Ukraine, if we are not enforcing the laws. So we attracted – invited experts and we have a bill that Ukraine can be proud of today because it addresses all the weaknesses of our legal system today. That is; if this bill will pass, then we will overcome these problems.

The second thing that we're trying to do today also to better the investment climate is we are trying to introduce into parliament – today we introduced the conceptual document of protection of the majority investors in Ukraine. We think that the market of actual not work in the Ukraine if we don't have the regulations in place. Our bill is already at its first reading in the Verkhovna Rada and also was highly appreciated by European experts with regard to the economic topics.

The third project: in one month we're going to introduce in the parliament, independently that we are opposition. This is a very important project of the pensioners in the Ukraine – retired people in the Ukraine. Among our other laws, this law will take away all complications, all corruptions. And also the law about the land use, because we're trying to stop the corruption. This bill about land use is already in its first reading in the parliament.

I don't want to take more of your attention, but I want you to know, for us, whatever we were able to do after the Orange Revolution – first of all, the first honest privatization in post-Soviet space is proud that it was able to implement the program to stop the contraband with all the laws that we have accepted, practically the contraband, the illegal transfer is practically impossible in Ukraine now, and being in opposition we do not stop even for one day to create all (legal bases ?) to continue reforms in Ukraine and we have to vote for very important projects in Ukraine. We're going to vote with the power force, with anti-crisis coalition, because even we have this opposition coalition, but it cannot stop Ukraine's movement toward the stability in society, reforming the people's life, and accession into this WTO and European Union.

MR. : We need to cut off the question period and allow the prime minister to give her summation. Thank you very much.

MS. TYMOSHNEKO: Thank you very much dear friends for your questions and thank you very much for coming to this meeting, but in spite of this fact that we have talked to you about the complications, challenges of Ukrainian politics that we talked about not very nice things, maybe even of pre-term elections if there is need for it, but what happened in Ukraine during the Orange Revolution has no return back. Nobody can take it away from us. Even if the opposition will be weak and power party will be strong, even if forces will be eliminated, they are ready to support the process of moving Ukraine toward this or the other side, but you have to know that Ukraine has people with very great strength. This people understand where Ukraine has to be now, its place in the society and what to do to progress. And if we will do some steps toward the back, we will do in the future some hundreds of steps forward.

So nowadays in Ukraine we have at least two political forces that have in parliament more than 200 force – voices – votes, but no political force. This force foresees the independent Ukraine, strong Ukraine, European Ukraine and fourthly, Ukraine that we will be proud in the world. And this will be a very difficult way because democracy – development of democracy was never easy without struggle. I think in the United States this democracy has also a difficult way with steps forth and back, with

some achievements and failures, so that's why I would like you to understand. Please, do not dismiss Ukraine as something that they will be laid back. That's not typical for Ukraine. If we have businessmen in this room, please do not lose the hope, start your businesses in Ukraine. A few more steps and you will see that Ukraine is not only the business partner, but is a strong partner and none of the revanchist – the problems will spoil this relationship, and I thank you for the support of Ukraine on this way. (Applause.) Thank you.

MR. : Thank you for a brilliant speech and for answering, frankly, a lot of questions. Normally, prime ministers and former prime ministers evade a lot questions and I didn't hear too much evasion there, so I appreciate that.

(END)