

**THE CENTER FOR
STRATEGIC AND INTERNATIONAL STUDIES**

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

REMARKS BY:

JULIA TYMOSHENKO

WEDNESDAY, FEBRUARY 28, 2007

Dr. Hamre, Ambassador Shamsur and distinguished guests

Thank you for the invitation to meet today. I am pleased to be here in Washington and to take a few moments to share with you our ongoing efforts to develop a sustainable democracy in Ukraine. I will also speak clearly, precisely, to very important geo-strategic issues affecting Ukraine, its neighbors, Europe and the United States.

This is the birthplace of the modern democracy, a country that has had great a positive influence on the world, on Ukraine, and on each and every one of its citizens, including me personally.

So I am most appreciative of being so warmly welcomed by your government, business leaders, media and policy experts. My fellow parliamentarians who have joined me: MPs Nemyria, Korniychuk, Schvets, and Feldman, offer their thanks as well.

Let us begin in Ukraine. More than two years after the momentous events of the Orange Revolution, when hope was so high, there has been much disappointment, regret, and frustration, at the opportunity that appeared to be lost. We have learned much, I personally have learned much, and it is in learning that we progress – and move on with the future instead of being tied to the past.

Specifically, we have all learned how very nascent democracy in Ukraine remains. It was Alex de Tocqueville, in observing the development of democracy in England and Ireland following his travels in America, who noted that

“Democracy is like a rising tide; it only recoils to come back with greater force, and soon one sees that for all its fluctuations, it is always gaining ground”.

In Ukraine, perhaps the rising tides of democracy move with greater force in both directions, but I firmly believe it continues to gain ground, relentlessly, despite all the fluctuations.

De Tocqueville closed the quote by adding,

“The immediate future of European society is completely democratic; this can in no way be doubted.”

What is true for Ireland, England, France, Germany, Poland and Hungary is true also for Ukraine as well – it is true for all of Europe.

As we will discuss today, events of the last week demonstrate that whatever setbacks we may have encountered, or contributed to, these are only fluctuations; we are gaining ground in a constructive and entirely democratic

manner. We will continue to do so. The Orange Revolution remains alive and true democracy for Ukraine, like Europe, is certain.

In describing where we are in Ukraine today, it may be useful to consider America's own progress and ultimate success that was many decades, even centuries in the making. The ebb and flow of the rising tide was certainly evident throughout American history, with great leaps forward and setbacks along the way. Ukraine is just beginning this cycle and doing so in the narrow confines of the compressed sense of history associated with the advent of instant communication. Perspective of time and place, of our moment in history, is necessary, and so is, dare I say, even patience?

However, throughout history, even in its nascent state, America's greatness derived from its vision of the future, daring conventional wisdom and challenging the entrenched status quo. America is a history of what could be; it was not the confines of the present or the attachment to the past that propelled this great country forward.

Had any of us followed conventional wisdom prevalent in Ukraine and abroad in 2004, I certainly would not be speaking to you here today as the leader of a opposition party holding the second largest block in the Verkhovna Rada.

Daring conventional wisdom yet again, this Saturday, February 24, we signed an important agreement that welcomes the Our Ukraine party into opposition with BYuT. This is in addition to other parties we have welcomed into opposition since August, such as The Reform and Order Party. This is part of the process of building a foundation of opposition that encompasses a broad democratic political spectrum.

We are rebuilding trust and relationships that were thought to be lost over the last year. This agreement is evidence of our commitment to working constructively in opposition for the future of Ukraine. In fact, this morning, President Yushchenko, with whom I have been meeting regularly, released a letter congratulating Our Ukraine and BYuT on our agreement. We are not just talking; we are working together again.

The core of the agreement reached between BYuT and Our Ukraine centers on three points:

First, domestically, we are unified in our belief that a new constitution must be adopted. This is necessary to move forward towards true democracy.

Second, we in opposition, in accordance with constitutional court decisions, will call on the President to hold pre-term elections.

And finally, on foreign policy, our parties share, without reservation, the position that we are committed to full membership for Ukraine in both the European Union and in NATO – thus a complete transatlantic relationship that anchors Ukraine firmly in Europe, where it has always been and has always belonged.

And let us discuss the concept of an opposition party, a reality new to Ukraine. We are building an opposition party that will have a foundation in a constructive agenda; we will not be an opposition by default.

Examples of this constructive approach include our minority working with the majority in Parliament on important issues such as the laws laying the groundwork for WTO, national sovereignty over our energy infrastructure, and collaboration on the Law on the Rights of the Opposition. These are all signals that we are working in the interest of the people of the nation, not in the interest only of a particular individual, party or power structure.

I want to expand on this point, essential to Ukraine's democratic development: the Law on the Rights of the Opposition which only recently enjoyed its first reading in Parliament. As Americans know very well, it is not enough simply to have rights expressed in laws. In a truly civil society, there must be mechanisms for practicing those rights as well as redress when those rights are threatened or even trampled upon. It is one thing to have free press, which our Prime Minister trumpeted during his speech here at CSIS in December; it is another thing for reporters to have no recourse after being beaten in the street for holding views contrary to majority rule, as we have had recently in Ukraine.

We are not satisfied with simply having the rights in law; there must be institutionalized protections of these rights and the mechanisms which permit their practice. This is one example of how our party is working constructively together to build the platform to support this rising tide of civil society.

As to the economy, the current Ukrainian government has broadcast a series of mixed signals to investors. The Prime Minister has made significant efforts to declare Ukraine "open for business". However, differentiated reimbursements for VAT and the reconstitution of special economic zones suggest that Ukraine has returned to "business as usual".

If Ukraine is to attract foreign direct investment, it must develop coherent policies. Currently, both foreign direct investment and trade flows are far below what they could be in light of Ukraine's well-educated, dynamic population, developed industry and natural resources. Poorly designed government policies have held back both Ukraine's economic development and integration into the broader global community of trade and commerce.

Let me describe briefly the underlying BYuT philosophy for domestic reform in Ukraine; these policy objectives include:

Strengthening of the rule of law: Legal stability is a prerequisite to the reforms that will be needed to stimulate the economy, attract domestic and foreign capital, and enable Ukraine to develop its national assets more effectively. These specific reforms include:

Respect of property rights, the rights of shareholders/investors and the sanctity of contracts.

Simplified fiscal and taxation policies which would reinforce fairness and be less vulnerable to abuse.

Elimination of the shadow economy, introduction of the transparency necessary for true price-competitive markets.

All of these supported by strengthened powers for the judiciary to curb tax evasion and combat organized crime.

Creation of a “Clean Government” through Reform to Increase Accountability and Efficiency: Accountability in elected and professional officials is essential throughout government.

Repeal of the law providing legal immunity to elected officials. No elected official, at any level, can be above the law.

Creation of Mandated Legal Registers for disclosure of salaries and business interests; clear rules on reliability and accessibility of information.

Identification and introduction of more qualified experts within government to promote professionalism, integrity and efficiency

Stimulation of Economic Growth: We will introduce measures to stimulate business activity by streamlining certain aspects of the governmental-business interface.

A review of credit policy to attract foreign banks and ease restrictions to business borrowing.

An overhaul of customs tariffs to stimulate domestic and foreign trade.

Simplification of the process to purchase non-agricultural land for foreign investors.

All of these policy objectives provide for a more stable and sustainable political and economic environment via: Increased transparency and reduced bureaucratic burden on business, the reduction of the enabling mechanisms of corruption, and ensuring timely WTO accession and deeper EU integration

I mentioned at the outset that I would address matters of a geo-strategic interest to Ukraine, Europe and the United States. And this relates to my vision of Ukraine in the heart of Europe, as a leader in the transitioning regional spaces that exist between Russia and the Former Soviet Union.

Many see the role of Ukraine as a bridge between Russia and Europe. I do not. I see Ukraine as nation firmly planted in Europe that is a good neighbor, partner and friend of the Russian people, not a bridge to be trampled underfoot or a platform across which one ships natural resources for a nominal fee.

I see Ukraine as a leader in the transitioning democratic spaces of Georgia, Azerbaijan, Moldova and nations to the east. It is to be a force for change, a shift in the paradigm of the concept of what is still today referred to as the "Post Soviet Space", a concept with which I believe the Prime Minister is most comfortable, a concept which his government reinforces, albeit it in language that is softer and more appeasing to Western ears, a little more "corporate" and a little less "nomenklatura," but inherently Soviet at heart.

My vision for Ukraine is that it will be the country that puts an end to the very concept of the "Post Soviet Space", with its practices of "managed democracy", controlled media and co-opted civil society. We do not refer to Poland, now a vital member of the European Union and of NATO as one of the "Former Soviet Satellite States". The Ukraine I see is not a Post Soviet Space. But there are obstacles to this vision.

The belligerent tone manifested most recently in President Putin's speech in Munich two weeks ago, has been the source of much alarm and consternation in Washington and in European capitals. Today, the dominant thrust in Russian foreign policy is the Kremlin's attempt to restore its dominance in territories it once controlled.

Nowhere are President Putin's unsettling statements more closely monitored than in Kyiv, where, in the coldest days of January 2006, we witnessed firsthand Russia's use of its energy resources as a tool of foreign policy. This is not a new problem; our Baltic neighbors have struggled to balance their political independence with their dependence on Russia for energy for over a decade. But when the gas pipelines that cross Ukraine and supply the West were turned off, Europe and the United States took notice, and for good reason. Since that time, Russia has played this trump card against even its most staunch ally, Belarus, and against one of the boldest transitions to democracy in the region, Georgia.

Gazprom's energy brinksmanship puts at risk the ongoing regional development of democracy, free markets and the critical Western investment that supports them.

And corrupt organizations such as RosUkrEnergo, in collaboration with the illicit political business interests in Russia and Ukraine, not only undermines investment in Ukraine, it undermines the fabric of society, the development of a market economy as well as the future foreign investment, which Ukraine so desperately needs, especially in the energy sector.

Yet the Ukrainian Prime Minister stood before you here at CSIS in December and described RosUkrEnergo as if it were a noble entrepreneurial enterprise.

In contrast to this, my party supports the further development of the European Energy Charter where energy transactions are rooted in open and transparent contracts and best business practices, rather than on the political goals of state-owned companies or the use of opaque business intermediaries. The role of corrupt states and corrupt intermediaries such as RosUkrEnergo, which was central to Russia and Ukraine's 2006 gas dispute, is to perpetuate corruption by creating inefficiencies and facilitating shadowy business arrangements, eroding investor confidence. A framework for fair, market-based energy relationships already exists in the European Energy Charter and its Transit Protocols.

A robust agreement within an institutional framework that fosters transparency and governance must be created to chart the course to a secure energy future. This new framework should include not only Europe and Russia, but also the United States and Central Asia. Bilateral arrangements, even between the EU and Ukraine are a step forward but insufficient. From my perspective the inclusion of energy security must be considered within the context of other regional security mechanisms, even the EU's Common Foreign and Security Policy.

The US and European private sector already has a vested interest in building regional energy security. Since the mid-1990s, oil, gas and engineering companies, financial institutions and investors have formed an unprecedented partnership with local governments to end the geographic isolation of the energy-rich states of Central Asia and the Caucasus. With this influx of technology and capital, fields that lay dormant in Soviet times are being developed, and pipeline infrastructure is being expanded to bring these resources to the West.

Considerations of such projects as the GUEU gas link could open an additional supply point and offer diversification of both supplier and transport. On an expanded scale, and with the support of a transnational Energy Alliance, these efforts can finally bring energy security to the Euro-Atlantic region.

Is there a single economic initiative more important to our future? Our interdependence on energy has long term implications for the security and sovereignty of Ukraine, of Europe and of the United States. What shall we see: a resurgent Russia undermining its own future and instituting a cartel driven by ill

conceived national interests, or an international framework that underscores investment and cooperation?

Central and Eastern Europe, including Ukraine, is on the threshold of an era of unprecedented prosperity. We have seen this as our neighbors, most recently Romania and Bulgaria, have achieved EU membership. As freedom, democracy and market liberalization continue to spread eastward, shining light on the corruption of the past, we must not allow our potential to be limited by energy security concerns. As leaders, together with our partners to the east and west, we can build a more secure and prosperous future for all of us.

Thank you, and now I am glad to take questions.