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Ukraine: Current Issues and U.S. Policy

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Summary

In January 2005, Viktor Yushchenko became Ukraine's new President, after massive demonstrations helped to overturn the former regime's electoral fraud, in what has been dubbed the "Orange Revolution," after Yushchenko's campaign color. The "Orange Revolution" sparked a good deal of interest in Congress and elsewhere. Some hope that Ukraine may finally embark on a path of comprehensive reforms and Euro-Atlantic integration after nearly 15 years of half-measures and false starts. However, subsequent events have led to a certain amount of disillusionment among Yushchenko's supporters. These include infighting within his governing coalition and a political non-aggression pact Yushchenko made with his opponent from the presidential election, Viktor Yanukovich. Economic reforms have also been hampered by political conflict, including over an effort to reprivatize firms sold to the previous regime's cronies at very low prices. Economic growth has slowed since the Orange Revolution.

On March 26, 2006, Ukraine held parliamentary elections. No party won a majority of the vote, resulting in protracted talks to form a coalition government. Analysts interpreted the election results as a sharp rebuke to President Yushchenko and his Our Ukraine bloc. The largest vote-getter in the elections was the Party of Regions, headed by Yanukovich. Our Ukraine is attempting to reconstitute the Orange Revolution coalition government, which many Western observers see as the best outcome for promoting reform and a pro-Western foreign policy. However, such a result is far from assured, due to continuing enmity between supporters of Yushchenko and those of former Prime Minister Yuliya Tymoshenko, who Yushchenko fired in September 2005. The importance of the new parliament will be heightened by the implementation of constitutional reforms that will reduce the powers of the presidency and increase those of the prime minister and the parliament.

After taking office as President, Yushchenko said that Ukraine would seek integration into the global economy and Euro-Atlantic institutions. The Ukrainian government's main foreign policy goal is to join the World Trade Organization (WTO) by the end of this year. In the longer term, Ukraine's leaders seek to join the European Union and NATO. Ukraine is seeking to retain good ties with Russia, but relations have been troubled since Yushchenko has taken power, particularly after Russia cut off natural gas supplies to Ukraine in January 2006. The supplies were quickly restored, but only after Ukraine agreed to a hefty increase in gas prices.

U.S. officials supported the "Orange Revolution" in Ukraine in late 2004 and early 2005, warning the former regime against trying to impose fraudulent election results, and hailing Yushchenko's ultimate victory. U.S. officials have remained upbeat about Ukraine's successes in some areas, such as adopting legislation needed for WTO membership and in improving media freedom, while acknowledging difficulties in others. Administration officials have also praised Ukraine's efforts to hold a free and fair parliamentary election on March 26, 2006. This report will be updated as needed.

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Ukraine: Current Issues and U.S. Policy

Background

Ukraine, comparable in size and population to France, is a large, important, European state. The fact that it occupies the sensitive position between Russia and new NATO member states Poland, Slovakia, Hungary, and Romania, adds to its geostrategic significance regionally and for the United States. Many Russian politicians, as well as ordinary citizens, have never been fully reconciled to Ukraine's independence from the Soviet Union in 1991, and feel that the country should be in Russia's political and economic orbit. The U.S. and European view, especially in Central and Eastern Europe, is that a strong, independent Ukraine is an important source of regional stability.

From the mid 1990's until recently, Ukraine's political scene was dominated by President Leonid Kuchma and the oligarchic "clans" (groups of powerful politicians and businessmen, mainly based in eastern and southern Ukraine) that supported him. Kuchma was elected President in 1994, and re-elected in 1999. He could not run for a third term under the Ukrainian constitution. His rule was characterized by fitful economic reform (albeit with solid economic growth in recent years), widespread corruption, and a deteriorating human rights record.

In 2004, many observers believed that Ukraine was at a key period in its transition that could shape its geopolitical orientation for years to come, in part due to presidential elections held on October 31, November 21, and December 26, 2004. In their view, the elections could move Ukraine closer to either integration in Euro-Atlantic institutions, real democracy and the rule of law, and a genuine free market economy; or they could move Ukraine toward a Russian sphere of influence, with "managed democracy" and an oligarchic economy. The oligarchs chose Prime Minister Viktor Yanukovych as their candidate to succeed Kuchma as President. The chief opposition candidate, former Prime Minister Viktor Yushchenko, was a pro-reform, pro-Western figure.

International observers criticized the election campaign and the first and second rounds of the election as not free and fair, citing such factors as government-run media bias in favor of Yanukovych, abuse of absentee ballots, barring of opposition representatives from electoral commissions, and inaccurate voter lists. Nevertheless, Yushchenko topped the first round of the vote on October 31 by a razor-thin margin over Yanukovych. Other candidates finished far behind.

After the November 21 runoff between the two top candidates, Ukraine's Central Election Commission proclaimed Yanukovych the winner. Yushchenko's supporters charged that massive fraud had been committed. Hundreds of thousands of Ukrainians took to the streets, in what came to be known as the "Orange

Revolution,” after Yushchenko’s chosen campaign color. They blockaded government offices in Kiev and appealed to the Ukrainian Supreme Court to invalidate the vote. The court invalidated the runoff election on December 3, and set a repeat runoff vote on December 26. Yushchenko won the December 26 re-vote, with 51.99% of the vote to Yanukovich’s 44.19%. After court challenges by Yanukovich were rejected, Yushchenko was inaugurated as President of Ukraine on January 23, 2005. On February 4, 2005, the Ukrainian parliament approved President Yushchenko’s appointment of Yulia Tymoshenko as Prime Minister of Ukraine by a vote of 373-0. Tymoshenko is a charismatic, populist leader with a sometimes combative political style who campaigned effectively on Yushchenko’s behalf. She is a controversial figure due in part to her alleged involvement in corrupt schemes as a businesswoman and a government minister during the Kuchma regime.

The “Orange Revolution” sparked a good deal of interest in Congress and elsewhere. Some hope that Ukraine may finally embark on a path of comprehensive reforms and Euro-Atlantic integration after years of half-measures and false starts. However, subsequent events have led to a certain amount of disillusionment among Orange Revolution supporters. Yushchenko’s efforts have been hampered by infighting within his governing coalition. In September 2005, Yushchenko dismissed Prime Minister Tymoshenko’s government. The atmosphere between the two leaders was poisoned by accusations of corruption lodged by supporters of each against the other side’s partisans, including over the highly lucrative and non-transparent natural gas industry. The two leaders also clashed over economic philosophy, with Tymoshenko favoring populist and statist methods in contrast to Yushchenko’s preference for a more orthodox free-market approach.

In order to secure support for a new government led by Yuri Yekhanurov, a technocratic figure, Yushchenko then made a political non-aggression pact with his opponent from the presidential election, Viktor Yanukovich, and promised not to prosecute Yanukovich’s key supporters for electoral fraud and other crimes. Some supporters of the Orange Revolution viewed the move as a betrayal of one of the key principles of their movement. Some even began to question whether the new government was better than the old regime, given ongoing government corruption scandals and the perception that the Orange Revolution might be reduced to squabbling over the redistribution of property among the “old” oligarchs and would-be, new “Orange” ones.¹

Current Political Situation

On March 26, 2006, Ukraine held parliamentary elections. The elections were considered important in determining whether Ukraine will be able to move forward with political and economic reforms, and maintain its support for Ukraine’s Euro-Atlantic integration. Analysts interpreted the results as a sharp rebuke to President Yushchenko and his Our Ukraine bloc. The largest vote-getter in the elections was the Party of Regions, headed by Yushchenko’s former presidential election rival

¹ Jamestown Foundation, Eurasia Daily Monitor, September 9, 2005; RFE/RL Belarus, Ukraine, Moldova Report, September 16, 2005.

Viktor Yanukovich. It received 32.12% of the vote, and received 186 seats in the 450-seat Ukrainian parliament. The Yuliya Tymoshenko Bloc received 22.27% and 129 seats. The Our Ukraine Bloc, backed by Yushchenko, won only 13.94% of the vote and 81 seats. The Socialist Party, currently part of Yushchenko's ruling coalition, won 5.67% and 33 seats. The Communist Party was the only other party to surmount the 3% minimum vote requirement needed to receive seats in the parliament. It won 3.66% of the vote and 21 seats.

Observers have noted that the voting, as in the presidential election, was heavily polarized along regional lines. Yushchenko and Tymoshenko are unpopular in eastern and southern Ukraine, where most ethnic Russians live and most Ukrainians speak Russian almost exclusively. People in these regions tend to favor very close ties with Russia. The Party of Regions won crushing victories in southern and eastern Ukraine, for example gaining 73.63% in Donetsk, its eastern Ukraine power base. It did very poorly in the center and west of the country, winning only 3% of the vote in the nationalist stronghold of Lviv in western Ukraine. After the election, local governments in eastern Ukraine declared Russian to be their "regional language."

Yushchenko and Tymoshenko draw their support from western and central Ukraine, which have more Ukrainian-speakers and where support for a Western orientation for Ukraine is higher. The Yuliya Tymoshenko Bloc and Our Ukraine split the vote in western and central Ukraine. However, the Tymoshenko Bloc easily bested Our Ukraine in central Ukraine and the capital Kiev, and even made deep inroads into Our Ukraine's core electorate in

Ukraine's Main Political Groups

Party of Regions: The largest party in Ukraine's parliament. It draws its support from eastern Ukraine, where suspicion of Ukrainian nationalism is high and support for close ties with Russia is strong. It defends the economic interests of powerful oligarchic groups in eastern Ukraine.

Yulia Tymoshenko Bloc: Mainly a vehicle for the ambitions of the charismatic Tymoshenko, it has little ideological cohesion of its own. It is the second largest group in the Ukrainian parliament largely because many Ukrainians see Tymoshenko as the most stalwart defender of the populist, anti-corruption ideals of the Orange Revolution.

Our Ukraine bloc: The main political group supporting President Yushchenko. Our Ukraine favors free market economic reforms and a pro-Western foreign policy. It draws its main support from western Ukraine, where Ukrainian nationalism is strong.

Socialist Party: Part of the Orange Revolution coalition, this rurally-based party took a strong stand against the corruption of the Kuchma regime. However, unlike Our Ukraine, the Socialists oppose NATO membership for Ukraine and are skeptical of free market policies.

Communist Party: Now a shadow of its former self, overtaken by the Party of Regions in its eastern Ukraine strongholds and faced with an aging electorate. It strongly opposes market economics and favors strong ties to Russia.

western Ukraine. This may have been due to feelings of betrayal among in these regions (which were the strongholds of the Orange Revolution) over Yushchenko's dismissal of Tymoshenko and rapprochement with the Party of Regions. Both blocs did very poorly in eastern and southern Ukraine. For example, the Tymoshenko Bloc won only 2.45% in Donetsk, and Our Ukraine only 1.4%. The Socialist Party's appeal was concentrated in rural areas of central Ukraine, while the Communists did best in southern and eastern Ukraine.²

Talks on forming a coalition government have been protracted and difficult. Many Western observers see a reconstituted Orange Revolution coalition after the election as the best outcome promoting reform and a pro-Western foreign policy. However, such a result is far from assured. Aside from the strength of the Party of Regions, other obstacles include continuing suspicion and enmity between supporters of Yushchenko and Tymoshenko. As a condition for re-establishing the Orange Revolution coalition, Tymoshenko is demanding reappointment as Prime Minister, a point Yushchenko has been very reluctant to concede. A coalition between Our Ukraine and the Party of Regions, an unthinkable possibility a year ago, cannot be ruled out. A "grand coalition" of all of the major parties is unlikely, as Tymoshenko has rejected cooperation with the Party of Regions.

The importance of the new parliament will be heightened by the implementation of constitutional reforms that will reduce the powers of the presidency and increase those of the prime minister and the parliament. The parliamentary majority will select the ministers of the government, with the exception of the foreign and defense ministries, which will be chosen by the President. The President will also choose the Prosecutor General and the head of the SBU, Ukraine's security agency, but can dismiss them only with the permission of the parliament.

Economic Situation

After taking office, President Yushchenko vowed to accelerate economic reforms in Ukraine. However, policy disagreements within the government and a balky parliament hampered progress. A government initiative to reprivatize key firms sold to the old regime's cronies at cut-rate prices was mired in conflicting policy statements from Ukrainian leaders (Prime Minister Tymoshenko favored a much larger reprivatization effort than Yushchenko) and court challenges from the current owners. The parliamentary election campaign further delayed some reforms. These difficulties have hampered foreign and domestic investment in Ukraine, which are needed to spur economic growth.

Economic growth has declined sharply since the victory of the Orange Revolution. Growth in Gross Domestic Product (GDP) was 12.1% in 2004 and only 2.6% in 2005. Yanukovich (who was Prime Minister in 2004) and his supporters have pointed to the figures as proof of the failure of the Orange Revolution. Yushchenko's supporters claim that the previous regime "cooked" the 2004 figures

² Central Election Commission of Ukraine website, [<http://www.cvk.gov.ua/vnd2006/w6p001.html>]

to boost its electoral chances. Experts also cite a fall in exports, especially steel, due to decreased international demand and the strength of Ukraine's currency, the hryvnya. The Ukrainian central bank has informally pegged the hryvnya to the U.S. dollar. Ukraine's current account surplus has dwindled from 10.5% of GDP in 2004 to 3.1% in 2005.³

Ukraine's consumer price inflation rate is currently under control; it was a relatively modest 8.5% in March 2006, year-on-year. However, Ukrainian government officials warn that further steep price increases for Russian natural gas supplies to Ukraine will have a devastating impact on Ukraine's economy. They say they plan to put in place policies to encourage energy conservation and to stimulate domestic oil and natural gas exploration.

On the other hand, Ukrainian wages are increasing rapidly, as they did before the Orange Revolution. Average monthly wages were up by 23% in real terms in February 2006, as compared to February in the previous year. Domestic demand has been strong, fueling an increase in imports. However, most Ukrainians remain poor; the average Ukrainian wage is only about \$5 per day, which is about half that of Russia's.⁴

Ukraine's Foreign Policy

Until Yushchenko's election in 2005, Ukrainian foreign policy was characterized by an effort to balance ties with Russia with those with the United States and Western countries. President Kuchma and his supporters gave lip service to joining NATO and the European Union, but did little to meet the standards set by these organizations. On the other hand, Ukrainian leaders also promised closer ties with Russia in exchange for Russian energy at subsidized prices, but balked at implementing agreements with Russia that would seriously compromise Ukraine's sovereignty, such as ceding control over Ukraine's energy infrastructure to Moscow.

After taking office as President, Yushchenko put integration into the global economy and Euro-Atlantic institutions at the center of Ukraine's foreign policy. In the short term, the Ukrainian government's main foreign policy goal is to join the World Trade Organization (WTO) by the end of this year. Ukraine has signed bilateral market access agreements with the United States and other WTO countries and has passed important legislation needed to comply with WTO standards. However, market access agreements with a few other countries, additional legislation, and a protocol of accession are needed before Ukraine can join the WTO. In the longer term, Ukraine's leaders seek to join the European Union and NATO. Ukraine has sought to retain good ties with Russia, but relations have been troubled since Yushchenko has taken power. Given the lack of a foreign policy consensus across the political spectrum in Ukraine, it is uncertain whether Ukraine can sustain its current pro-Western orientation in the long term.

³ Global Insight Report: Ukraine, May 2004.

⁴ Economist Intelligence Unit Country Report: Ukraine, April 2006.

NATO

Ukrainian officials say they want Ukraine to join NATO as early as 2008, after they have made progress in military reform and have built public support for the move within Ukraine. NATO officials have declined to suggest a timetable for Ukraine's possible entry, stating only that Ukraine needs to make further efforts to professionalize its armed forces, reform its security sector, and fight corruption in order to improve its membership chances. Ukraine currently has an "Intensified Dialogue" with NATO, but is seeking a Membership Action Plan (MAP), a key stepping-stone to joining the Alliance. The MAP gives detailed guidance on what a country needs to do to qualify for membership. NATO may consider whether to grant Ukraine a MAP at its November 2006 summit in Riga, Latvia.

Ukraine's leaders face domestic political obstacles to NATO membership. The new parliament could have a majority opposed to NATO membership, given the strength of Regions of Ukraine, and the presence of other groups such as the Communists, Socialists, and the Tymoshenko bloc. In November 2005, the outgoing parliament rejected a proposal to permit NATO aircraft to fly over Ukraine on their way to Afghanistan. In June 2006, the Socialist Party demanded the resignation of Defense Minister Anatoli Hrytsenko over the visit of a U.S. Navy cargo ship to Crimea. Public opinion polls have shown that NATO membership lacks majority support in Ukraine at present. President Yushchenko has said that Ukraine will hold a referendum on NATO membership before joining the Alliance.

European Union

Ukraine seeks to open talks on an Association Agreement with the European Union. Association Agreements are aimed at preparing a country for eventual EU membership. Many countries in the EU have been cool to Ukraine's possible membership, perhaps because of the huge burden a large, poor country like Ukraine could place on already-strained EU coffers. Indeed, EU officials have tried to dissuade Ukraine from even raising the issue. However, not all EU states are reluctant to consider Ukraine's eventual membership. Poland and the Baltic states have advocated Ukraine's joining the EU, in part because they see a stable, secure Ukraine as a bulwark against Russia. However, even supporters of Ukraine's EU membership acknowledge that it could be a decade or more before Kiev is ready to join, but believe that formal EU recognition of Ukraine's candidacy could speed the reform process in Ukraine.

Ukraine currently has a Partnership and Cooperation Agreement with the EU, as well as a Ukraine-EU Action Plan within the context of the EU's European Neighborhood policy. These agreements envisage EU designation of Ukraine as a market economy, assistance for Ukraine's WTO candidacy, a feasibility study for an EU-Ukraine free trade area, and other forms of assistance. At an EU-Ukraine summit in December 2005, the EU announced that it would grant Ukraine market economy status. The move should make it easier for Ukrainian firms to export to the EU without facing antidumping duties.

Russia

Ukraine's most difficult and complex relationship is with Russia. President Putin strongly backed Yanukovich's fraudulent "victory" during the 2004 presidential election campaign and reacted angrily at the success of the Orange Revolution. Russian observers with close ties to the Kremlin charged that the Orange Revolution was in fact a plot engineered by the United States and other Western countries. For his part, President Yushchenko offered an olive branch to Moscow, calling Russia a "permanent strategic partner" of Ukraine.⁵

Nevertheless, relations have been rocky. Russia has been irked by Yushchenko's efforts to support greater democratization in the region and impose tighter border controls on Transnistria, a pro-Moscow, separatist enclave within neighboring Moldova. Russia has been troubled by Ukraine's efforts to strengthen the role of the GUAM group, which is an acronym of its four members — Georgia, Ukraine, Azerbaijan, and Moldova. These countries, which have in common a desire to avoid domination by Russia, are working on a number of projects, particularly efforts to diversify energy resources. Ukraine has sought to have the group play a larger role in regional democratization. In May 2006, the group's name was changed to "Organization for Democracy and Economic Development — GUAM," reflecting this goal. The United States has backed Ukraine's efforts to strengthen GUAM. However, wishing to avoid offending Moscow, Yushchenko has refrained from calling for Ukraine to leave the Russian-dominated Commonwealth of Independent States, despite Ukraine's dissatisfaction with the organization.⁶

Ethnic Russians make up 17.3% of Ukraine's population, concentrated in the southern and eastern parts of the country. Moreover, ethnic Ukrainians in these same regions tend to be Russian-speaking, are suspicious of Ukrainian nationalism, and support close ties with Russia. Russian officials have tried to play on these regional and ethnic ties, not always successfully, as demonstrated by the 2004 Ukrainian presidential election.

The most severe crisis in Russian-Ukrainian relations in recent years occurred in January 2006. In 2005, the Russian government-controlled natural gas monopoly Gazprom insisted on a more than fourfold increase in the price that it charges Ukraine for natural gas. When Ukraine balked at the demand, Russia cut off natural gas supplies to Ukraine on December 31, leading also to cuts in gas supplies to Western Europe. The gas supplies were restored two days later after a new gas supply agreement was signed.

Western observers have expressed concern that Moscow may be using the "gas weapon" to try to secure foreign policy or economic concessions from Yushchenko. Putin may also hope to achieve Russia's long-standing goal of ownership of Ukraine's natural gas pipelines and storage facilities. Another issue is the involvement of a shadowy company, RosUkrEnergo, as the nominal supplier of

⁵ Jamestown Foundation, *Eurasia Daily Monitor*, January 25, 2005.

⁶ RFE/RL *Belarus, Ukraine, and Moldova Report*, June 2, 2006.

Russian natural gas to Ukraine. Some analysts are concerned about possible involvement of organized crime groups in the company, as well as corrupt links with Russian and Ukrainian officials. The U.S. Justice Department is reportedly investigating the firm.⁷

U.S. Policy

U.S. officials supported the “Orange Revolution” in Ukraine in late 2004 and early 2005, warning the former regime against trying to impose fraudulent election results, and hailing Yushchenko’s ultimate victory. President Yushchenko visited the United States from April 4-7, 2005 and had meetings with President Bush and Secretary of State Rice. Yushchenko’s address to a joint session of Congress on April 6 was interrupted by several standing ovations. U.S. officials have remained upbeat about Ukraine’s successes in some areas, such as adopting legislation needed for WTO membership and in improving media freedom, while acknowledging difficulties in others. Administration officials have also praised Ukraine’s efforts to hold a free and fair parliamentary election on March 26, 2006. Press reports have claimed that President Bush is considering a visit Ukraine in June or July 2006, around the time when he will go to Moscow to participate in the G-8 summit.

The fight against terrorism is a top foreign policy priority for Ukraine, according to the State Department’s 2004 Country Reports on Terrorism. President Yushchenko withdrew Ukraine’s troops from Iraq in December 2005, in fulfillment of a campaign pledge, but promised to continue participation in Iraqi troop training efforts.

In recent months, the United States has taken several steps to upgrade its economic relations with Ukraine. On January 23, 2006, the United States reinstated tariff preferences for Ukraine under the Generalized System of Preferences (GSP). Ukraine lost GSP benefits in 2001 for failing to protect U.S. intellectual property, particularly CD and DVD piracy. U.S. officials hailed Ukraine’s efforts in the past year to improve its record on this issue.

On March 6, 2006, the United States and Ukraine signed a bilateral agreement on market access issues, a key step in Ukraine’s effort to join the WTO. U.S. officials said that Ukraine committed itself to eventual duty-free entry of U.S. information technology and aircraft products, as well as very low or zero duty on chemical products. U.S. firms will also receive more open access in such areas as energy services, banking and insurance, telecommunications, and other areas. The bilateral agreement also addressed other key concerns such as protection of undisclosed information for pharmaceuticals and agricultural chemicals, imports of information technology products with encryption, the operation of state owned firms

⁷ Glenn R. Simpson and David Crawford, “Supplier of Russian Gas Draws Investigation,” *Wall Street Journal*, April 21, 2006, 1. For background on the gas crisis, see CRS Report RS22378, *Russia’s Cutoff of Natural Gas to Ukraine: Context and Implications*, by Bernard Gelb, Jim Nichol, and Steven Woehrel.

based on commercial considerations, and reduction of export duties on non-ferrous and steel scrap.

The Administration has approached the issue of NATO membership for Ukraine with some caution. During an April 4, 2005 press conference with Yushchenko, President Bush said, "I'm a supporter of Ukraine becoming a member of NATO. I think it's important." But he warned that Ukraine's NATO membership "is not a given," noting that Ukraine has to make reforms before it can join the Alliance.⁸ U.S. officials say no invitations for new countries to join NATO are likely before 2008, at the earliest. U.S. officials are backing Ukraine's request to join the Alliance's Membership Action Plan program in the future. If the United States decides to strongly advocate Ukraine's NATO membership in the near future, it would likely have to cope with Moscow's strident opposition, as well as tension with several European NATO allies more eager to accommodate Moscow on the issue.

The Administration was sharply critical of Russia's behavior during the January 2006 natural gas standoff between Russia and Ukraine. State Department spokesman Sean McCormack criticized Russia for using "energy for political purposes." He stressed that while the Administration supported a gradual increase in prices to market levels, it disagreed with a "precipitous" increase and cutoff. Secretary of State Condoleezza Rice likewise on January 5 stated that Russia had made "politically motivated efforts to constrain energy supply to Ukraine."⁹ In May 2006, Vice President Dick Cheney characterized Russia's energy policy toward vulnerable countries as "blackmail" and intimidation.¹⁰ The United States has favored helping Ukraine and other countries reduce their dependence on Russian energy supplies. The United States advocates the building of multiple means of supplying energy from Central Asia and Azerbaijan to Europe, including a pipeline from the Ukrainian oil terminal at the port of Odesa to Brody, on the border with Poland.

Congressional Response

During the Ukrainian presidential election campaign and during the ensuing electoral crisis, the 108th Congress approved legislation calling for free and fair elections in Ukraine and urged the Administration to warn Ukraine of possible negative consequences for Ukraine's leaders and for U.S.-Ukraine ties in the case of electoral fraud. The 109th Congress passed resolutions after President Yushchenko was inaugurated. On January 25, 2005, the House passed H.Con.Res. 16 and the Senate passed S.Con.Res. 7 on the 26th. The identical resolutions included clauses congratulating Ukraine for its commitment to democracy and its resolution of its political crisis in a peaceful manner; congratulating Yushchenko on his victory;

⁸ Transcript of President Bush's press conference with President Yushchenko, April 4, 2005, from the White House website, [<http://www.whitehouse.gov>].

⁹ The State Department. Statement, January 1, 2006; Daily Press Briefing, January 3, 2006; Secretary Condoleezza Rice, Remarks at the State Department Correspondents Association's Breakfast, January 5, 2006.

¹⁰ "Vice President's Remarks at the Vilnius Conference," May 4, 2006, from the White House website [<http://www.whitehouse.gov>]

applauding the candidates, the EU and other European organizations and the U.S. Government for helping to find that peaceful solution; and pledging U.S. help for Ukraine's efforts to develop democracy, a free market economy, and integrate into the international community of democracies.

Congress has also dealt with the issue of U.S. aid to the new government in Ukraine. The FY2005 Iraq-Afghanistan supplemental appropriations bill (P.L. 109-13) provided \$60 million in aid to help the new government in the run-up to the March 2006 parliamentary election. Including funds appropriated in FY2005 foreign operations appropriations legislation, Ukraine received \$156 million in U.S. assistance in FY2005.

The FY2006 foreign operations appropriations legislation (P.L. 109-102) allocated \$84 million in Freedom Support Act funds to promote reforms in Ukraine. Five million of that amount was earmarked for nuclear safety initiatives and \$1 million for mine safety programs in Ukraine. Total FY2006 U.S. aid to Ukraine is expected amount to \$106.5 million. In addition to Freedom Support Act funds, Ukraine is expected to receive \$2.18 million in Child Safety and Health funds; \$10.89 million in Foreign Military Financing; \$1.68 million in IMET military training funds; \$3.53 million in NADR funding to fight terrorism and proliferation; and \$5.08 in Peace Corps funding. The Administration has requested \$105 million for Ukraine for FY2007.

U.S. aid to Ukraine is also focused on anti-corruption and rule of law efforts, fighting trafficking in persons, media and NGO development, and election monitoring and other democracy-building programs. The United States also seeks to increase exchange programs between the two countries. Other programs include efforts to help Ukraine prepare for WTO membership, encourage the growth of small business, strengthen export and border controls, assist defense reform and interoperability with U.S. and NATO forces, and building a "sarcophagus" around the damaged Chernobyl nuclear reactor.¹¹ In 2005, the Millennium Challenge Corporation (MCC) selected Ukraine for Millennium Challenge Account (MCA) Threshold status.

Congress has dealt with a long-standing stumbling block in U.S.-Ukrainian relations by passing legislation to terminate the application of the Jackson-Vanik amendment to Ukraine, granting the country permanent Normal Trade Relations Status. On March 8, 2006, the House passed H.R. 1053 by a vote of 417-2. It was approved by the Senate by unanimous consent on March 9, and was signed by the President on March 23.¹²

¹¹ FY2007 Congressional Budget Justification for Foreign Operations, from the State Department website, [<http://www.state.gov>].

¹² CRS Report RS22114, *Permanent Normal Trade Relations (PNTR) Status for Ukraine and U.S.-Ukrainian Economic Ties*, by William H. Cooper.