

NATIONAL SECURITY COUNCIL
WASHINGTON, D C 20506

March 1, 1994

Deputy Natl Sec Advisor
has seen

ACTION

MEMORANDUM FOR SAMUEL R. BERGER

THROUGH: R. NICHOLAS BURNS *NB*

FROM: ROSE GOTTEMOELLER *RG*

SUBJECT: Ukraine's Ideas on Nunn-Lugar Assistance



Attached at Tab I is a Memorandum to the President that responds to his interest in Ukraine's ideas about its FY-1994 Nunn-Lugar assistance program. The three key points in the subject paragraph at Tab A will all be issues that President Kravchuk will want to discuss with the President at their meeting on Friday: SS-24 missile dismantlement, space launch and Nunn-Lugar funds for defense conversion. I have therefore taken the opportunity of this memorandum to preview the substance of all three for the President. We will be following up tomorrow with further substance in the memorandum for Friday's meeting.

RECOMMENDATION

That you sign the Memorandum to the President at Tab I.

Attachments

- Tab I Memorandum to the President
- Tab A Comments on SSD Negotiations in Ukraine
- Tab ~~B~~ Message from Kiev on Space Launch Issues

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DECLASSIFIED E.O. 13526
White House Guidelines,
September 11, 2006
By KOE NARA Date 05/26/16
2014-0644-M

THE WHITE HOUSE
WASHINGTON

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL R. BERGER

SUBJECT: Ukraine's Ideas for FY-1994 Nunn-Lugar Funds

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PER E.O. 13526

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You commented (Tab A) on Ukraine's ideas for using the \$100 million in Nunn-Lugar funds that we are prepared to extend to the Ukrainians in FY-1994. There are several points to stress about the Safety, Security and Dismantlement (SSD) talks in Kiev on February 17-18. First, the insistence that Ukraine wanted to maintain SS-24s for space launch came from a lower level Ukrainian negotiator who was surprised when he heard that Kravchuk's National Security Advisor, Anton Buteyko, had already submitted to us (in January) a proposal to use Nunn-Lugar funds to dismantle the SS-24s. We handed back to the lower level negotiator and his colleagues on the Ukrainian delegation a copy of the Buteyko paper.

The experience of our SSD negotiators in this case pointed to the fact that communication among higher and lower levels of the Ukrainian government is poor, not that the Ukrainian government is changing its position on this critical issue. Nevertheless, you will want to clarify this point with President Kravchuk when you see him on Friday. Because decisionmaking seems limited to Kravchuk and his close staff, we will need his direct and continued involvement to maintain progress on this and related SSD questions.

The issue of space launch is complicated, however. You will likely hear from President Kravchuk about Ukraine's aspirations to enter the space launch market and its willingness to do so under the guidelines of the Missile Technology Control Regime (MTCR). The Ukrainian government is clearly mindful of the agreements that we reached with Russia, which balanced adherence to the MTCR guidelines against access to the commercial space launch market.

Ukraine's interest in the MTCR is clearly welcome, but its commercial access to space presents several serious problems. For one thing, there are no launch facilities in Ukraine and Ukraine's access to the Baykonur facilities in Kazakhstan must be worked out in the context of the Russian-Kazakhstani agreement on use of those facilities. For another, the U.S.-Russian commercial space launch agreement was negotiated to ensure U.S. market share against low-priced Russian launch vehicles.

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Admitting another non-market economy, Ukraine, to the launch market would be complicated and would have to be balanced against the interests of the U.S. launch industry. Despite these complexities, your conversation with Kravchuk on Friday will present an important opportunity to encourage Ukraine to begin to move toward adherence to the MTCR while we gain a better understanding of Ukraine's aspirations for the commercial space launch market.

On the issue of SSD funding, we can be flexible about the Ukrainian request for more money for defense conversion, although the Nunn-Lugar legislation places some restrictions on how we spend funds for this purpose. We have proposed to the Ukrainians that we put \$30 million into defense conversion projects in FY-1994 and are currently waiting for their reply. This will also be an issue that you will want to discuss further with Kravchuk. He will be especially interested in discussing housing for officers.

Under the SSD program, we are willing to provide Ukraine with the same type of housing projects that we have begun in Russia and Belarus. The Nunn-Lugar legislation constrains us to spending no more than \$20 million per year of Nunn-Lugar funds on housing. (Funds from our other bilateral assistance programs are, as you know, used on housing projects with fewer restrictions.) Nunn-Lugar projects must have a strict defense conversion link -- e.g., converting a defense production plant to produce modular housing. Kravchuk should be interested in this idea, although the lower-level negotiators with whom our SSD delegation met asked instead for direct cash subsidies to the existing Ukrainian housing industry -- an approach restricted by the Nunn-Lugar legislation.

We will be providing points on each of these issues for your discussions with President Kravchuk on Friday.

Tab A Comments on SSD Negotiations in Ukraine

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