

THE WHITE HOUSE
WASHINGTON

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PER E.O. 13526
2016-0123-M (1.38)
10/2/2018 KBH

MEMORANDUM OF CONVERSATION

SUBJECT: Expanded Plenary Meeting with President
Kuchma and Ukrainian Delegation

PARTICIPANTS: U.S.

The President
Ambassador Miller
Secretary of State Christopher
Treasury Secretary Rubin
National Security Advisor Lake
Deputy Chief of Staff Bowles
Deputy Secretary of State Talbott
Treasury Under Secretary Summers
ACDA Director Holum
Commerce Counselor Kalicki
OPIC President Harlin
NIS Assistance Coordinator Morningstar
State Chief of Staff Donilon
S/NIS Senior Coordinator Collins
OSD Assistant Secretary Carter
JCS General Christman
NSC Senior Director Blacker
Treasury Deputy Under Secretary Lipton
NSC Director Pifer (Notetaker)

Ukraine

President Kuchma
Acting Prime Minister Marchuk
Acting First Deputy Prime Minister Pynzenyk
Acting Deputy Prime Minister Mityukov
Acting Deputy Prime Minister/Acting Minister
of External Economic Relations Osyka
Acting Deputy Prime Minister/Acting Defense
Minister Shmarov
National Security Council Secretary Horbulyn
Acting Foreign Minister Udovenko
Presidential Chief of Staff Tabachnyk
Acting Minister of Economics Shpek
First Deputy Foreign Minister Tarasyuk

DATE, TIME May 11, 1995, 5:15-6:00 p.m.
AND PLACE: Mariyinsky Palace, Kiev

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President Kuchma: I want to welcome the President and his distinguished delegation to Kiev. We have been awaiting your arrival. My just-concluded conversation with President Clinton confirms to me that the U.S.-Ukrainian relationship has a bright future ahead. I suggest we listen to the information developed by members of our delegations while we (the Presidents) met. (S)

President Clinton: I agree. (U)

Acting Foreign Minister Udovenko: We had fruitful discussions (with Secretary Christopher and delegation) during which we emphasized the importance of President Clinton's visit to Kiev. We discussed the state of relations between the United States and Ukraine. The Ukrainian side expressed gratitude for the political, moral and financial support extended by the United States. We dealt with various issues and emphasized the necessity of exchanging ideas regarding international problems. There may be a number of joint initiatives. (S)

We informed the American side of the current state of Ukrainian-Russian relations, including some positive developments. We also informed our counterparts of the negotiation on a treaty of friendship and cooperation and of the negotiations on the Black Sea Fleet, which have not been successful. I have the impression that the United States is interested in the further development of Ukrainian-Russian relations. (S)

We also discussed in detail issues related to European security, including the expansion of NATO. We informed our American interlocutors of our contacts with NATO and of our contacts regarding an invitation for the Ukrainian President to attend the Halifax G-7 summit. Not all of our proposals were accepted right away, but we have defined the scope of the issues and developed a mechanism for discussing them. (S)

Secretary Christopher: We worked through a number of issues, and I would make two or three points. We talked about border areas between Ukraine and its neighbors. I emphasized the point that border demarcation between Ukraine and Russia might be useful. Second, we talked about the importance of respect for minorities and about Russian Foreign Minister Kozyrev's remarks (about use of force to protect Russians outside of Russia). Any action by Russia regarding Russians living abroad must be consistent with OSCE principles. (S)

We discussed the importance of Nunn-Lugar funds for dismantling nuclear facilities in Ukraine. Despite the tight budget in the United States, there remains strong support for the Nunn-Lugar program. We also discussed the support that we will try to give as Ukraine closes Chornobyl by the year 2000. (S)

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Acting First Deputy Prime Minister Pynzenyk: We had an interesting discussion (with Secretary Rubin and delegation) focused on economic reform and the problems facing Ukraine. We are satisfied that Ukraine has received a stand-by program and are very grateful for U.S. support for bilateral balance-of-payments assistance and stand-by credits. We have the impression that it is the United States, not Europe, that is Ukraine's neighbor. European promises seem to be paper; it is unclear what other conditions Europe will put forward on its assistance. (S)

The inadequate financing of the budget creates a number of problems for Ukraine. One is debts to Russia, Turkmenistan and others. We discussed cooperation in a variety of areas: taxation, budget reform, government bonds, servicing foreign debt, the banking sector and privatization. We are getting good help from the U.S. side, for example, on restructuring the energy sector. We would like further help channeled to social services and social protection. (S)

President Kuchma: I can confirm that the United States seems much closer to Ukraine than other countries. (S)

President Clinton: It is kind of you to say that. Perhaps the reason is that we came to appreciate earlier than the Europeans the strategic importance of Ukraine to all of Europe in the 21st century. If you look at the map, you can make the case that peace in a broad area depends on what happens to Ukraine and Turkey. A second reason is the large number of Ukrainian-Americans. We are pleased to have this kind of partnership. Secretary Christopher told me that the Ukrainian team is impressive and good to work with. (S)

Secretary Rubin: I agree. There is a remarkable team on the Ukrainian side that has considered in a very serious way where Ukraine has to go. We have a good relationship with the Ukrainian economic team. We can help with the World Bank and IMF and can provide technical assistance. I have raised with G-7 finance ministers the promises that have been made with respect to Ukraine and will do so again as Halifax approaches. I am impressed by the development of private and capital markets. Where we can be helpful, we will try to do so. (S)

Acting Minister of Foreign Economic Relations Osyka: We discussed trade and investment between the U.S. and Ukraine at a special working group (with Commerce Counselor Kalicki, OPIC President Harkin and NIS Assistance Coordinator Morningstar). We are satisfied by the fact that trade is up by 30 percent over 1994, and the general value of investment is up as well. Credit lines have started working, and a number of projects are now

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underway, such as the investment fund for Ukraine and agricultural trade credit insurance facility. I emphasized our gratitude to the U.S. side for its help on these. ~~(S)~~

We still, however, have some problems in trade regimes and securing investment. Therefore, the working group agreed to a list of issues to discuss: the general trade regime between the two countries, issues on trade preferences and anti-dumping, issues regarding GATT/WTO accession and issues regarding lifting bilateral limits on trade. A second group of issues includes sectoral analysis of private investment and general privatization, including a study of business in the NIS. A third group of issues includes analysis of complete investment projects. We also decided to create a special working group headed by Ambassador Miller to discuss implementation and successful completion of investment projects. ~~(S)~~

President Kuchma: Perhaps Mrs. Harkin would respond. (U)

OPIC President Harkin: This is my third trip to Ukraine in three months. I want to second what Minister Osyka said. There are many projects which need to be worked on a case-by-case basis. I want to thank President Kuchma for his attention to OPIC projects. It has been a pleasure to tell the American business community about the strides being made in Ukraine and the great opportunities. ~~(S)~~

President Clinton: There will be a meeting on trade and investment later this year? ~~(S)~~

OPIC President Harkin: Yes, this is in Mr. Kalicki's area, and it will be held in July. (U)

President Clinton: And what about next year? (U)

Commerce Counselor Kalicki: The Ukrainians will come to the United States for another conference sponsored by the Joint Commission on Trade and Investment. (U)

President Kuchma: Are there other issues we should discuss? (U)

President Clinton: Is there anything else we can do to help with your drive to energy independence? What are your options? What else could be done by the United States to assist? ~~(S)~~

President Kuchma: Energy is the number one issue for us. It is a matter of survival. We are working closely with the U.S. side, which knows our needs, on several projects that involve the World Bank and EBRD. We have to breathe life into these. ~~(S)~~

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National Security Council Secretary Horbulyn: We are cooperating with the United States first of all in the area of nuclear energy. We are talking with Westinghouse and AB&B and examining bids from these two companies. As regards fossil fuel, the situation is very critical. We will need U.S. expertise to find the best solution. We started talking first about Chornobyl because it is an issue of interest to the whole world. We want to be independent in getting nuclear fuel for our power plants. We have our own uranium deposits and want to use U.S. instead of Russian tools on this. (S)

President Kuchma: A number of American visitors have raised the issue of insurance. If this could be resolved, it could lead to an influx of private capital into Ukraine. (S)

OPIC Director Harkin: There is both political risk insurance and commercial insurance. I know a couple of American companies that are interested in trying to help on commercial insurance, such as AIG from New York. (S)

Acting Minister of External Economic Relations Osyka: We decided to discuss these issues. There are two groups of questions that we would like to deal with in greater depth: sectoral programs and insurance programs. (S)

President Kuchma: I told President Clinton that there are several areas where we really need investment: first, agricultural production, processing, storage and transportation, where there is no investment at the moment, and second, oil processing and the energy field. We are not talking about general insurance but priority problems. (S)

President Clinton: We have done work on these. (U)

OPIC President Harkin: Yes, we have. (U)

President Clinton: Does Ukraine have a commodity exchange yet? (S)

Acting Minister of External Economic Relations Osyka: We have a commodity exchange program and are helping to fund a financial sector. We now have a program of technical assistance and U.S. experts helping us to expand this network. (S)

Acting First Deputy Prime Minister Pynzenyk: I want to say that agricultural produce is increasingly sold through agricultural exchanges and freely exported. The volume of exported produce is increasing. Regarding energy, our balance-of-payments deficit is due to the consumption of energy. We have large gas deposits but need investment. A related issue is our dated technology, which

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makes for high energy consumption. We would like help on this. The volume of investment does not have to be large, but it could mean big gains in energy savings. We would like to form a joint investment fund for U.S. companies to participate in this. (S)

President Clinton: Ways to make progress on using energy more efficiently should be given careful thought. There are environmental benefits. U.S. private companies are investing now in energy savings and splitting the benefits with consumers. This is a very important issue. As you rebuild your economy, you can save tens of billions of dollars if you institute energy conservation. (S)

Secretary Christopher: The World Bank is very favorable on such projects. (S)

President Kuchma: Thank you. I believe at this point we should conclude. (U)

-- End of Conversation --

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