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C O N F I D E N T I A L SECTION 01 OF 02 KYIV 002175

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SUBJECT: YANUKOVYCH READY FOR RESET WITH RUSSIA, EU

REF: KYIV 2124

Classified By: Ambassador John Tefft for reasons 1.4(b,d)

SUMMARY

1. (C) Opposition Party of Regions head and presidential front-runner Yanukovych told the Ambassador that he welcomed international observation of the January 17 election. International observers will help ensure presidential candidates adhere to the law and prevent falsification. Yanukovych warned against disbursing the stalled fourth tranche of Ukraine's IMF package before the election, saying it would be siphoned into Prime Minister Tymoshenko's election coffers. He also laid out the five main goals of a Yanukovych presidency, which include major economic and judicial reforms, "restoring" relations with Russia, and improving cooperation with the EU, US, and NATO. Yanukovych was at ease in the presentation of his ideas and was confident of victory in the presidential election.

ELECTION CODE OF CONDUCT

2. (C) In a meeting with the Ambassador December 16, opposition Party of Regions leader Viktor Yanukovych, accompanied by his de facto chief-of-staff, MP Serhiy Lyovochkin, expressed concern that Prime Minister Yuliya Tymoshenko was trying to disrupt the January 17 Presidential election. He asked that the U.S. and other international organizations provide robust election observation missions, which would be key in refuting expected claims by Tymoshenko that her election loss was the result of widespread voter fraud.

3. (C) Yanukovych explained that this was also driving his effort to get all presidential candidates to sign on to an election code of conduct and promise to follow Ukraine's election laws. The code of conduct, he vouchsafed, is also a signal to his own party at the local and regional levels to obey the law. He said he is emphasizing to local leaders that any illegal actions they might take would only work to



discredit his victory.

IMF

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4. (C) Yanukovych said he opposed the disbursement of any IMF money before the presidential election. He said that delaying the fourth tranche until after the election would

ensure that the money would be used responsibly and transparently. Disbursing IMF money now would not promote economic reform, it would just increase Ukraine's debt burden and be siphoned into Tymoshenko's election fund. Yanukovych said that the government has the resources to cover wage, pension, debt and gas payments over the coming months. He argued that Tymoshenko was trying to scare and manipulate the IMF into disbursing the next loan tranche immediately, but she would simply use the money to augment her campaign fund.

#### TOP PRIORITIES FOR A YANUKOVYCH PRESIDENCY

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5. (C) Yanukovych said that if elected, his presidency would have five major goals. First, major economic and judicial reforms are needed to get the country moving again. Cleaning up Ukraine's endemic corruption would also be a major part his reform process. Yanukovych said that everyone, from the President to the lowest villager, ignores the law and that this is Ukraine's greatest failure. Corruption is one of the major limitations on new foreign investment in Ukraine, and it can only be tackled through restructuring the judiciary and holding people accountable.

6. (C) Second, Ukraine needs to restore its relations with Russia, which have been seriously damaged over the last five years. Ukraine wants a "reset" with Russia, similar to U.S. efforts. Vital issues such as energy, trade, and border demarcation must be urgently resolved. Ukraine also needs to clarify issues surrounding the stationing of the Russian Black Sea Fleet (BSF) in Crimea. Right now no one is satisfied with the current situation surrounding property, movement, and payment. We must work with Russia to make the BSF's stay mutually beneficial, Yanukovych underscored.

7. (C) Third, Ukraine needs to improve relations with the European Union. Europe is Ukraine's ultimate destination, but Yushchenko has not made it an attractive partner for the

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EU. Yanukovych said that he would push to quickly finalize Ukraine's Association Agreement with the EU, to sign a free-trade agreement beneficial to both sides, and to seek a liberalization of the EU visa regime for Ukrainian citizens. These agreements would allow for deeper, more meaningful European integration.

8. (C) Fourth, Yanukovych wants a concrete and substantial partnership with NATO. He said he envisions Ukraine's relationship with the alliance as similar to that of Sweden or Finland. The ultimate long-term question of membership can only be decided by the Ukrainian people in a national referendum. In the meantime, the country's relationship with NATO needs to be depoliticized and focused on mutual cooperation.

9. (C) Fifth, Ukraine needs to continue close cooperation with the U.S. Yanukovych said that if elected, he plans to visit Washington early in his presidency to reassure the U.S. that a "reset" with Russia will not come at the expense of relations with the U.S. and that Washington will remain an important partner for Ukraine. Yanukovych said that he foresees U.S. help in reforming the Ukrainian economy and meeting Western technical norms and standards.

#### POSSIBLE PM CHOICES AND EARLY RADA ELECTIONS

10. (C) Yanukovych emphasized that he would not push for early Rada elections next year if a stable majority (presumably under Party of Regions leadership) could be formed. He said he would give the Rada a chance to prove its effectiveness before making a decision. However, if new elections are needed, he would strive to hold them simultaneously with local elections scheduled for May 30,

2010. Yanukovych said he was sure that Tymoshenko would resign as Prime Minister after she lost the presidential election. He said that he had not yet decided whom he might support as PM because a) he would need to see which candidate places third in the January 17 presidential vote; and b) the PM must be someone who will help overcome regional divisions within the country. Tymoshenko remaining as PM was not an option, said Yanukovych, adding that Yushchenko's support for her appointment in 2005 and 2007 constituted the two greatest mistakes of his presidency.

#### COMMENT

11. (C) Yanukovych was clearly confident in his ultimate victory in the presidential election. He seemed to have a newfound personal confidence and handled the meeting by himself, unlike in previous meetings with former Ambassador Taylor or high-level visitors when he was surrounded by key advisors and often relied on them to field questions. Yanukovych took pains to emphasize his desire for clean elections and his conviction that electoral shenanigans by his party could only serve to tarnish the legitimacy of his expected victory. He concluded the meeting by asking the Ambassador when they would meet again, clearly signaling a desire to maintain contact even during the busy election period.

TEFFT

Website pages

