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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with President Kuchma of Ukraine on
October 13, 1994 (S)

PARTICIPANTS: The President
President Kuchma

George Sajewych (Translator)
John Beyrle, Anne Alexander and Thorn Turner
(Notetakers)

DATE, TIME: October 13, 1994; 10:15 a.m.-10:38 a.m., EDT
AND PLACE: The Oval Office

The President: Hello? (U)

President Kuchma: Good afternoon. (U)

The President: President Kuchma? (U)

President Kuchma: Yes, speaking. (U)

The President: I'm sorry we weren't able to speak last week. I'm glad to be able to talk with you today. I want to thank you for your recent letters. I'm looking forward to your visit November 29. We are working hard to ensure a productive and successful outcome. The Vice President told me he had a very positive meeting with you in August. I have asked him to keep in touch with you on key issues before the summit. I was very pleased to hear you have submitted NPT to the Rada for a vote. I know we, and you, have a lot of work ahead to convince the Rada of the importance of this matter. We are doing all we can to be helpful. In particular, we are paying special attention to the pace of our Nunn-Lugar assistance to Ukraine. (S)

President Kuchma: Thank you. (U)

The President: By the end of this year, 130 million dollars of the 350 million dollars we promised in March will have been spent for material and training and services. You asked for my help in storing heptile fuel and we've awarded a contract to a Ukrainian firm. I also wanted to say I was

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very impressed by your speech to the Rada Tuesday on economic reform. You have shown great courage and leadership. You can count on our support. (S)

President Kuchma: Thank you. Since the first days of my administration I have felt your personal presence on these issues. I was extremely happy that Vice President Gore was the first official American to visit after the election as a personal representative of you, Mr. President. I also want to thank you for your support in Madrid for Ukrainian economic reforms. I am glad that Ukraine has taken decisive action on its economic transformation. I made this clear in my speech to the Rada. But, I'd like to address you once again for assistance in this time of hardship for us. Today I carried out a meeting with the G-7 ambassadors on the situation in our country. I had a productive discussion with Chancellor Kohl and he promised me the support of Germany, the EU and the G-7. I also talked with the Canadian Prime Minister who promised me their support. Today the estimates from the IMF and others show that Ukraine will need support by the end of this year totaling \$1 billion. We are speaking here about critical imports -- energy resources. The IMF has promised \$350 million in assistance but we need help for the rest of the total. There will be a meeting of the G-7 on October 18 in Washington and you will be discussing these issues. I ask for your support. Another issue is the credit debts of Ukraine. Our main creditors are Russia and Turkmenistan. As concerns Russia, I'd ask for your support for Russia to take part in the meeting in Canada at the end of October. Russia insists categorically on this. But keep in mind that we would like Russia to agree at the October 18 meeting to freeze our debt and extend additional credits till the end of the year. Perhaps on that basis it might be possible for them to attend the Canada meeting. (S)

I have submitted the NPT to the Rada, and I am following this process very carefully. Today the Rada is discussing this and the Foreign Affairs Committee has given its positive view of our proposal and said it intends to place this on the agenda. I will be sending a letter to the Rada speaker on the importance of NPT ratification for Ukraine. I'll do everything possible -- and even impossible -- to make sure this is process is carried out in a normal way. (S)

So, I've informed you about a number of issues in a short time. I'd like to inform you, once again, that Ukraine is on the path of reform. There is no other way. I hope to confirm this to you once again in Washington. (S)

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The President: I'm looking forward to that. Let me talk a little bit about the aid issue. We intend to take a leadership role at the IMF meeting October 18 on Ukraine. We will be there prepared to commit up to 100 million dollars of our current technical assistance funds to your balance of payments need for this year. We have asked our G-7 partners to make equally substantial commitments and our information is that it will be sufficient to cover your gap this year. In addition, we will also seek G-7 agreement to help cover your 1995 financing gap. Our goal is to provide one fifth of the resources needed to cover the financing gap identified by the IMF for the next fifteen months. I believe this is more than you requested in your recent letter. We can do it and believe the other G-7 countries will help. I am happy you are talking to them about this. We will also attend the Canadian conference on Ukrainian reform in Winnipeg on October 26. I agree with you that Russia should be represented. (S)

President Kuchma: Thank you. I am extremely grateful to hear this; this is pleasant news for me. I told the Ambassadors today about the great assistance you are giving Ukraine. It is of utmost importance for today. Among the most important tasks we face is the liberalization of prices. With your assistance, we can keep social peace as we do this. I am grateful for your position on Russia. In today's conditions, we cannot avoid dealing with them. It is very important to Ukraine's economy that we can use the assistance we receive to pay for restructuring our economy. Thank you for a very informative conversation. (S)

The President: Thank you. (U)

President Kuchma: Good-bye. (U)

The President: Good-bye. Thank you. (U)

-- End of Conversation --