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ARTICLE

Undermining economic engagement and enlargement: The Kremlin's impact on US foreign economic policy in Ukraine (1993–2001)

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ABSTRACT
The Clinton administration's drive to enact reform in Ukraine during the 1990s was viewed at the time as being necessary for the nation's revitalization and re-integration into Western Europe. Decades later, these policies have been critiqued for antagonizing the Kremlin, causing it to seek political control over its former satellite. This paper addresses the viability of the Clinton administration's efforts and the reasons for their ultimate failure. It finds that despite its best intentions, the administration's economic strategy faced unanticipated resistance from the Kremlin, as long-standing ties with Kiev undermined US-led efforts for economic and political reform.

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KEYWORDS Ukraine; Clinton administration; Bush administration; economics; Russia; Putin; Biden

Introduction

Ukraine has loomed large in both US foreign and domestic politics in recent years, dominating headlines and pre-occupying policymakers as never before. President Trump's first impeachment trial resulted from his 2019 telephone call with Ukraine's president, Volodymyr Zelenskyy, when he threatened to withhold $391.5 million in Congressionally appropriated military aid until he received compromising material on his political rival, Joe Biden.[1] More recently, Ukraine has dominated US foreign policy following Russia's invasion in February 2022, as the Biden administration provided military, political, and economic aid to shore up support for the besieged nation. Speaking in Poland ahead of the first anniversary of Russia's attack, President Biden insisted that the invasion was not merely a test for Ukraine

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[1]Michael D. Shear and Maggie Haberman, '"Do Us a Favor": Call Shows Trump's Interest in Using U.S. Power for His Gain', *New York Times*, 25 September 2019. See also Tim Weiner, *The Folly and the Glory: America, Russia, and Political Warfare 1945–2020* (New York: Henry Holt 2020), 265.

but that 'the whole world faced a test for the ages'.[2] Ukraine quickly became a key focus of US grand strategy during the Biden administration as it sought to offer its support while avoiding a direct military confrontation with Russia, or a wider land war in Europe.

The struggle to find a strategic balance between aiding Ukraine while not antagonizing Russia has challenged US policymakers throughout the post-Cold War era. Following the Russian invasion, questions have been asked as to whether a correct balance has ever been attained, and whether this itself helped provoke the current state of affairs.[3] Such questions inevitably lead to the decisions made by the Clinton administration during the 1990s in the furtherance of its grand strategy of Engagement and Enlargement. Due to the nature of the conflict, and the fact that Ukraine inherited the world's third largest nuclear arsenal following the collapse of the Soviet Union, many of these concerns have focused on issues pertaining to NATO expansion, denuclearization, and defense policy.[4] Such issues, however, did not constitute the full extent of the White House's policy towards Ukraine in the 1990s. Missing so far in any meaningful consideration of US policy towards Ukraine during the Clinton years is an analysis of its economic policies towards the former Soviet republic. This paper addresses this oversight by examining the challenges the Clinton administration faced as it sought to implement the economic reform aspect of its grand strategy of Engagement and Enlargement in Ukraine, which at one point ranked as the fourth largest recipient of US overseas aid, without antagonizing the Kremlin.

Vice President Al Gore's national security advisor, Leon Fuerth, defined the Clinton administration's efforts in the former Soviet space as constituting 'a Ratchet Principal', designed to 'guard against the situation slipping back to the previous situation'.[5] To do so, the White House sought to assist Ukraine introduce political and economic reform, replacing centralized control with democratic institutions and a command economy with free and open markets. Clearly, Ukraine was not the focus of US economic policy during the Clinton administration's 8 years in office, nor the primary focus of US policy in the region. Of far greater importance was maintaining stability in Russia, aiding President Yeltsin, and ensuring that the immediate post-Cold War era remained quiet and peaceful. Yet the Clinton administration had to contend with a series of newly empowered independent states, including

[2]The White House, 'Remarks by President Biden Ahead of the One-Year Anniversary of Russia's Brutal and Unprovoked Invasion of Ukraine', 21 February 2023.
[3]Philip Short, 'The Miscalculations and Missed Opportunities that Led Putin to War in Ukraine', *Time*, 3 August 2022; George E. Bogden, 'How Bill Clinton Sealed Ukraine's Fate', *Wall Street Journal*, 25 March 2022.
[4]Ivo Daadler and Karen Donfried, 'What Ukraine Needs From NATO', *Foreign Affairs*, 26 March 2024; White House, 'Fact Sheet: Removal of Nuclear Warheads from Ukraine', Office of the Press Secretary, 1 June 1996.
[5]Author's interview with Leon Fuerth (National Security Advisor to Vice President Al Gore), 8 June 2004.

Ukraine, which demanded to be addressed as such, and not merely as satellites of their former Soviet masters. It repeatedly discovered, however, that while political independence had been achieved, Moscow continued to exert considerable influence both in Kiev, and by extension, on US-Ukraine bilateral relations. While it may not have been a priority at the time, recent developments in Ukraine ensure that it is vital to consider all aspects of US policy to determine what role, if any, they may have played in contributing to the current situation.

Materials and methods

To date, researchers have offered only a broad assessment of the Clinton administration's foreign policy, with only cursory attention being paid to specific nations. Those who have addressed this era have tended to do so either in general terms, or as a precursor to the War on Terror.[6] This has exacerbated a flawed view of the Clinton administration as lacking focus on international affairs. This problem is particularly true regarding attempts to address the administration's policies in Ukraine, which continues to be overshadowed by dealings with the Kremlin, as it was during its time in office.[7] While Ukraine was not the focus of Clinton's grand strategy, or of US overseas economic engagement, it was a nation of key strategic importance to the White House to an extent that has not been adequately addressed by researchers to date.

The lack of a nation-specific approach to appraisals of the Clinton administration and its grand strategy is not confined to research scholars and has been exacerbated by former members of the national security team. The memoirs of those who served in the Clinton administration all fail to adequately consider the impact of their policies on specific nations or importance beyond their time in office, and, instead, repeatedly justify their decisions in office in relation to the attending domestic and international pressures they found themselves under. This approach can, in part, be understood by considering the era when many of these memoirs were published. As the administration left office and the War on Terror commenced, a clear attempt was made to meet the public appetite for material relating to counterterrorism. This, however, ensured that vital information regarding nation-specific

[6]See, for example, John Dumbrell, *Clinton's Foreign Policy: Between the Bushes, 1992–2000* (Abingdon, OX: Routledge 2009); William G. Hyland, *Clinton's World: Remaking American Foreign Policy* (Westport, CT: Praeger Publishers 1999); David Halberstam, *War in a Time of Peace: Bush, Clinton and the Generals* (New York: Random House 2001); Ryan C. Hendrickson, *The Clinton Wars: The Constitution, Congress and War Powers* (Nashville, TN: Vanderbilt UP 2002); Colin Campbell, and Bert A. Rockman (eds). *The Clinton Presidency: First Appraisals* (Chatham, NJ: Chatham House 1995); Colin Campbell, and Bert A. Rockman (eds). *The Clinton Legacy* (New York: Chatham House 2000).

[7]See Strobe Talbott, *The Russia Hand: A Memoir of Presidential Diplomacy* (New York: Random House 2002).

policy, including Ukraine, was omitted, and as a result, U.S. grand strategy from the era remains misunderstood and appreciated only in a broad, flawed manner.[8]

Even recent efforts to address the situation in Ukraine have failed to adequately address the role played by the Clinton administration. Writing in 2023, Farrell and Newman referenced George Kennan, Jimmy Carter, Ronald Reagan, and the collapse of the Soviet Union, before leaping to the efforts of the Biden White House without addressing the vital role that the Clinton administration played in promoting economics as an element of national security. Their sole reference to any policy initiative from the Clinton era was to recommend that the US government should 'consider creating an Economic Security Council to mediate between the National Security Council and the National Economic Council (NEC)'.[9] This utterly failed to address Clinton's role in establishing the NEC, or the fact that it had been designed precisely to 'do for economic policy what the National Security Council [had] done for national security policy'.[10] The concept that economic security was a national security issue was addressed directly by Dezenski and Rader in April 2024. They insisted that a 'new economic security function within the United States government must be built upon a clear and defensible framework of strategies, mandates, and resources'.[11] Unaddressed, however, was the fact that this approach had been attempted in the 1990s but had been left to atrophy by subsequent administrations of both parties. Worse than merely overlooking incidents is the effort made to critique the role played by policymakers with the benefit of hindsight. In April 2024, Motyl noted that Washington 'should have supported the creation of democratic institutions, even at the cost of a delayed economic transformation'. Needless to say, doing so could well have led to severe economic hardship, food-shortages, and political uprisings that could have equally brought about the rise of what Motyl refers to as today's 'fascist, proto-Nazi regime'.[12]

Thankfully, US-Ukraine relations have been addressed in a series of recent texts that provide a far more satisfactory insight into policymaking and the impact of decision-making on the lives of those directly affected across the region. These include Fishel's *The Moscow Factor* and Pifer's *The Eagle and the*

[8]See Anthony Lake, *Six Nightmares: Real Threats in a Dangerous World and How America Can Meet Them* (Boston: Little, Brown 2000); Madeleine Albright, *Madam Secretary* (London: Macmillan 2003); Nancy Soderberg, *The Superpower Myth: The Use and Misuse of American Might* (Hoboken, NJ: John Wiley and Sons 2005); Warren Christopher, *Chances of a Lifetime* (New York: Scribner Books 2001).

[9]Henry Farrell and Abraham Newman, 'The New Economic Security State: How De-risking Will Remake Geopolitics', *Foreign Affairs*, November/December 2023.

[10]Ben Wildavsky, 'Under the Gun', *National Journal* 26 (1996), 1417.

[11]Elaine Dezenski and David Rader, 'Economic Security is National Security', *The National Interest*, 24 April 2024.

[12]Alexander J. Motyl, 'How Wishful Thinking from the West Enabled Russian Authoritarianism', *The Hill*, 26 April 2024.

Trident.[13] The former presents an excellent overview of the shadow cast by Moscow in any dealings between the United States and Ukraine in the post-Cold War era, while the latter is a superb rendering of US-Ukraine relations across a span of administrations, including that of Bill Clinton. Although neither focus exclusively on economic policy, they both provide a wealth of information and analysis that help provide a far greater appreciation of policy during this period than has been provided previously. This paper, one in a series examining the core components of the Clinton administration's approach to Ukraine, builds on the work of both Fishel and Pifer, while correcting the oversight that has existed for far too long in assessments of Clinton's grand strategy, to provide a far greater appreciation of policy during this time.[14]

Campaign '92: Domestically and internationally, 'It's the economy, Stupid!'

The campaign that brought the Clinton administration to power was the first to occur following the end of the Cold War. This provided an opportunity to call for a break from the past, to portray incumbent President George H. W. Bush as belonging to a bygone era, and to elevate the role of economics in foreign policy. The American economy had been in recession during 1990 until March 1991, and remained 'sluggish', as the election approached.[15] With expectations of an impending peace dividend the Clinton campaign actively promoted all aspects of its policies as benefiting the national economy. A sign devised by Clinton's campaign manager, James Carville, reminding the candidate to stress, 'It's the Economy, Stupid' became synonymous with the need to attack Bush's economic record at every opportunity.[16] Clinton stressed the importance of economic security as a key component of his approach not only to domestic politics, but also to the post-Cold War world, in a series of speeches at Georgetown University during the first weeks of his campaign, during which he also called for a recognition of Ukraine's independence.

Clinton's stance on Ukraine was a deliberate attempt to distinguish himself from George Bush, whose administration faced a serious challenge regarding

[13]Eugene Fishel, *The Moscow Factor: U.S. Policy Toward Sovereign Ukraine and the Kremlin* (Cambridge, MA: Harvard UP, 2022); Steven Pifer, *The Eagle and the Trident: U.S.- Ukraine Relations in Turbulent Times* (Washington, D.C.: Brookings Institution Press 2017).

[14]See James D. Boys, *Clinton's Grand Strategy* (London: Bloomsbury 2015); James D. Boys, 'The Clinton Administration's Policy of Democracy Promotion in Ukraine (1993–2001): An Applied History Analysis', *Journal of Applied History* 5 (2023), 150–170. Further papers will examine the administration's approach to Ukraine through the prism of de-nuclearization and NATO expansion, both of which have proved pivotal for the current situation in Ukraine.

[15]Thomas Nardone, Diane Herz, Earl Mellor, and Steven Hipple, '1992: Job Market in the Doldrums', *Monthly Labor Review* 116, no. 2 (1 February 1993): 3–14.

[16]Martin Walker, *The President We Deserve* (New York: Crown 1996), 155, 166; Bob Woodward, *The Agenda: Inside the Clinton White House* (New York: Simon & Schuster 1994), 23, 62.

the Soviet Union. As the USSR teetered on the brink of collapse, Bush visited Moscow and Kiev, seeking to devise policy in a rapidly evolving environment.[17] To placate Moscow, Bush called for Soviet 'entry into the economic mainstream'. This included observer status at the General Agreement on Tariffs and Trade (GATT), and 'special association' status in the International Monetary Fund (IMF) and the World Bank, as the USSR 'embarked on its massive reconstruction program of economic reform'.[18] This reflected advice Bush had received earlier that spring from former president Richard Nixon. In a memo entitled *How to Lose the Cold War*, Nixon had warned Bush that foreign aid to Russia and the other republics was 'not charity', and that 'what helps us abroad helps us at home'. The removal of Yeltsin and the rise of Russian nationalism, Nixon warned, would necessitate an increase in the U.S defense budget, whereas his success would entail 'opportunity for billions in trade, which will produce millions of jobs in the United States'.[19] Bush urged Ukraine to avoid 'ruinous trade wars', and to pursue 'political, social, cultural, economic' reform, on the basis that 'American investors and businessmen look forward to doing business in the Soviet Union, including the Ukraine'.[20] Despite efforts to outline the basis for continued US economic support in the region, Bush was derided by *New York Times* columnist William Safire, who attacked the president for lecturing 'against self-determination, foolishly placing Washington on the side of Moscow centralism and against the tide of history'. This, Safire concluded, had been the 'Chicken Kiev speech'.[21] Misunderstanding existed on both sides, however, for while American officials insisted that external investment and international trade deals were dependent upon Ukrainian domestic economic reform, its President, Leonid Kravchuk, 'seemed uncertain about what types of reform to undertake, which left their American interlocutors uncertain about how hard they should push'.[22]

Throughout his campaign, Clinton stressed the need to 'tear down the wall in our thinking between domestic and foreign policy', insisting that they were 'inseparable in today's world'. Stressing the domestic element to foreign policy allowed Clinton to highlight his own record and further distinguish himself from Bush, as he called for support for 'evolving institutional structures favorable to countries struggling with the transition to democracy and markets'. This included the European Bank for Reconstruction and

[17]Robert Ajemian, 'Where is the Real George Bush?' *Time*, 26 January 1987.

[18]*Public Papers of the Presidents of the United States: George Bush, 1991, Book II*, 'Remarks at the Moscow State Institute for International Relations', 30 July (Washington, DC: United States Government Printing Office 1992), 978–981.

[19]Richard Nixon, 'How to Lose the Cold War', memo to President George H. W. Bush, March 1992.

[20]*Public Papers of the Presidents of the United States: George Bush, 1991, Book II*, 'Remarks to the Supreme Soviet of the Republic of the Ukraine in Kiev, Soviet Union', 1 August (Washington, DC: United States Government Printing Office 1992), 1005–1008.

[21]William Safire, 'After the Fall', *New York Times*, 29 August 1991.

[22]Pifer, *The Eagle and the Trident*, 23.

Development, seeking to rebuild the societies of central and Eastern Europe. Clinton insisted that it was vital to 'encourage private American investment in the former Soviet empire', since the Soviet republics and Eastern Europe 'could be lucrative markets for us'. Ultimately, he concluded, America's 'economic strength must become a central defining element of our national security policy', noting the new reality that American 'national security is largely economic'. As a result, Clinton concluded America's '"foreign" policies are not really foreign at all'.[23] This was an approach that he fully embraced for eight years as president, following his election on 3 November 1992.

The Clinton administration's promotion of economic national security

As the first administration elected following the end of the Cold War, it fell to the Clinton team to devise a new US grand strategy with which to engage the new geopolitical environment that had suddenly materialized. This was a particular challenge as it had taken office following a campaign dominated by the state of the domestic economy and on a pledge to reverse four decades of policy that had seemingly prioritized international affairs at the expense of national investment. The new administration had promised sweeping change, but it also inherited policies from the Bush White House that it intended to continue. The Bush administration's 1991 National Security Strategy sought to 'promote democratic change in the Soviet Union, while maintaining firm policies that discourage any temptation to new quests for military advantage'.[24] Likewise, Bush's National Security Directive 23, 'U.S. Relations with the Soviet Union', issued in September 1989, committed the United States to 'fundamental alterations in Soviet military force structure, institutions, and practices [which could] only be reversed at great cost, economically and politically, to the Soviet Union'.[25] This was an approach the Clinton administration intended to continue, but the challenges it faced were considerable, for as Jeff McAllister noted, there was 'huge upheaval occurring all around. It's very difficult to figure out exactly what the shape of the future will be when the existing pillars are being kicked away as rapidly as they are'.[26]

The Clinton administration was required to prepare a new grand strategy to replace the Containment policy that had largely driven US foreign policy for the previous 40 years. Unveiled in July 1994, the administration's *National Security*

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[23]Bill Clinton, 'A New Covenant for American Security', Georgetown University, Washington D.C., 12 December 1991. Reprinted in Stephen A. Smith (ed.), *Preface to the Presidency: Selected Speeches of Bill Clinton 1974–1992* (Fayetteville, AK: University of Arkansas Press, 1996), 111–124.

[24]*National Security Strategy of the United States, 1991* (Washington, D.C.: United States Government Printing Office August 1991), 3.

[25]National Security Directive 23, 'United States Relations with the Soviet Union', 22 September 1989.

[26]Author's Interview with J.F.O. McAllister (*Time* State Department correspondent 1989–1995, White House correspondent 1995–1997, Washington Deputy Bureau Chief 1998–1999), 28 February 2014.

Strategy of Engagement and Enlargement became the basis for grand strategy throughout its two terms in office. As National Security Adviser Anthony Lake observed, 'It's always the case that the first one is the most interesting and then the others are always looking for places to amend it'.[27] As had been the case since the campaign, Clinton's grand strategy was based around three central pillars: First, democratic promotion, designed to replace totalitarianism with democratically elected governments. Second, economic stability, as it sought to replace former command economies with free markets. Third, enhanced national security, intended to address nuclear proliferation at the end of the Cold War. The administration believed that this approach would enable it to engage with the world diplomatically, militarily, and politically, while using foreign policy as a vehicle for national economic renewal. 'It's the economy, stupid', was applied internationally, not just domestically, as the Clinton White House sought to use all aspects of policy to aid the economy and, in the process, enhance the president's hopes for re-election in 1996. The impact of these three pillars was particularly evident in Ukraine since the end of the Cold War presented an opportunity to utilize economic prosperity as a potential vehicle for peace.

Placing economics as one of the three core aspects of its grand strategy was an astute move on the part of the Clinton national security team as it sought to ensure the president's active engagement in foreign affairs, while harnessing the nation's economic might to lock-in the advantages derived from the end of the Cold War. While previous American administrations had addressed economic policy and the importance of foreign trade, the Clinton administration took this to a new level by incorporating them into US grand strategy. It did so at a defining moment in twentieth-century history: The collapse of the Soviet Union and decline in the nuclear threat enabled the White House to prioritize trade and economic power as an element of grand strategy, which would have been unimaginable only a few years earlier. Vitally, Clinton 'saw the global economy not only as a vehicle for increasing prosperity, but as a medium for enhancing international stability'.[28] Of the three central aspects of US grand strategy, it was the economic pillar that most clearly revealed Clinton's hand in foreign policy developments during the post-Cold War era. Incorporating economic security into US grand strategy allowed the administration to redefine foreign policy to minimize the president's lack of experience in international relations as practiced during the Cold War. As Douglas Brinkley noted, 'What Clinton liked best about [the] policy was the way it was inextricably linked to economic renewal with its emphasis on making sure the United States remained the number one exporter'.[29] Blending economics with foreign policy

[27]Author's interview with Anthony Lake, (National Security Advisor, 1993–1997), 14 September 2004.
[28]'Think Again: Clinton's Foreign Policy', *Foreign Policy*, 19 November 2009.
[29]Douglas Brinkley, 'Democratic Enlargement: The Clinton Doctrine', *Foreign Policy* 106, (Spring 1997), 117.

enabled Clinton to engage more fully in the subject, finally exclaiming "I get it, this is as interesting as domestic policy'.[30] Doing so also enabled President Clinton to maintain his commitment to focus on the economy, while initiating a foreign policy that was in tune with the geopolitical realities of the post-Cold War world.

The most concrete structural change was the establishment of the National Economic Council (NEC). Created by Executive Order 12835 on 25 January 1993, the NEC was designed to coordinate domestic and foreign economic policymaking. A memo drafted during the transition noted that the new entity would be Clinton's primary instrument for assuring that economic policy received attention equal to traditional national security, working extremely closely with the NSC and its staff when international economic issues were under consideration, and with the Domestic Policy Council and its staff on domestic policy matters.[31] Clinton promised as much on the campaign trail, insisting in *Putting People First* that the United States required an 'Economic Security Council, similar in status to the National Security Council, with responsibility for coordinating America's international economic policy'.[32] Deliberately christened to reflect Clinton's insistence that it enjoy a status akin to the National Security Council, the president was adamant that members of his economic team 'use this instrument to harmonize their efforts and coordinate policy', adding his personal stamp of approval to the NEC.[33] Structured to mirror the NSC, with a principals committee, a deputies committee, and various ad hoc interagency working groups, President Clinton later viewed the successful establishment of the NEC as having been 'the most important innovation in White House decision making in decades'.[34]

The Clinton administration's embrace of economic national security was compounded by an endorsement of the Democratic Peace concept, first espoused in 1795 by Immanuel Kant. Michael Doyle had advanced the concept in 1983, but at a time when the end of the Cold War was not foreseen, it received little serious attention.[35] Now that conflict had drawn to an apparent conclusion, it emerged as a potential approach with which to embrace the post-Cold War environment. In the early months of his administration, Clinton

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[30]Author's interview with Charles A. Kupchan, (Director for European Affairs, National Security Council, 1993–1994), (Policy Planning Staff, US Department of State, 1992), 24 January 2014.

[31]Memorandum to the President-Elect, quoted in Kenneth I. Juster and Simon Lazarus, *Making Economic Policy: An Assessment of the National Economic Council* (Washington, DC: Brookings Institution Press 1997), 8.

[32]Bill Clinton and Al Gore, *Putting People First: How We Can All Change America* (New York: Times Books 1992), 131–132.

[33]Robert E. Rubin, *In an Uncertain World: Tough Choices from Wall Street to Washington* (New York: Random House 2003), 114.

[34]Bill Clinton, *My Life* (New York: Knopf 2004), 636. For more on the NEC, see I.M. Destler, *The National Economic Council: A Work in Progress* (Washington, D.C.: Institute for International Economics 1996).

[35]Michael Cox, G. John Ikenberry, and Takashi Inoguchi, *American Democratic Promotion: Impulses, Strategies, and Impacts* (Oxford: Oxford UP, 2000), 4. See also Bruce Russett, *Grasping the Democratic Peace: Principles for a Democratic World* (Princeton: Princeton UP, 1993).

observed that 'our policies must focus on relations within nations, on a nation's form of governance . . . These are of concern to us, for they shape how these nations treat their neighbors as well as their own people and whether they are reliable when they give their word'.[36] This was a clear application of Immanuel Kant's Democratic Peace Theory, updated for the late 20th century. It was ultimately encapsulated in President Clinton's 1994 State of the Union Address, as he noted, 'the best strategy to ensure our security and to build a durable peace is to support the advance of democracy elsewhere. Democracies don't attack each other. They make better trading partners and partners in diplomacy'.[37] This utilization of Kant's Democratic Peace Theory proved to be pivotal in the post-Cold War era, as it became enshrined in US grand strategy as applied to former adversaries including Russia, China, and the Newly Independent States (NIS), including Ukraine.

The Clinton administration, Ukraine, and economic security

Of all the regions in the world, the former Soviet republics of Central and Eastern Europe presented the greatest opportunity for full implementation of the grand strategy of Engagement and Enlargement, as the White House sought to ensure that free markets flourished and replaced command economies. The Soviet withdrawal enhanced US national security, the collapse of command economies granted opportunities for US economic expansion, while the ruin of Communism presented opportunities for democratic enlargement. The former Soviet territory, however, resembled little more than 'a maze, with no guideposts' as the United States sought to devise a new approach to deal with a series of newly independent states of various ethnic, cultural, and military significance.[38] Whereas President Eisenhower used the Domino Theory to explain the potential spread of Communism in the 1950s, the Clinton administration now attempted this concept in reverse, hoping that as the Soviet influence retreated, nations including Ukraine would be westernized and commercialized. With a physical land mass larger than any European nation, only slightly smaller than the state of Texas, and with a population in 1993 of 51,778,418, it was clear to see why the Clinton administration believed Ukraine could serve as a destination for US exports as it sought to shore up the domestic economy and bolster the goods and services sector ahead of the 1996 re-election campaign.

[36]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1993, Book I*, 'Remarks to the American Society of Newspaper Editors in Annapolis', 1 April (Washington, D.C.: United States Government Printing Office 1994), 374.
[37]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1994, Book I*, 'Address Before a Joint Session of the Congress on the State of the Union', 25 January (Washington, D.C.: United States Government Printing Office 1995), 132.
[38]Hyland, *Clinton's World*, 80.

While Ukraine was important, though not central to Clinton's economic plans, economic policy was vital for Ukraine, along with democracy and national security considerations to avoid the nation collapsing, issues Clinton addressed in the first days of his administration with President Kravchuk. Ukraine, along with the other newly independent states, was in sharp economic decline in 1993 as it attempted to move towards a market-based economy following years of centralized control. Despite having secured political independence from Moscow, the state retained control of the nation's economy, leading to a period of hyperinflation as high as 10,000% as the money supply exploded. Prior to the 1992 election, the Bush administration attempted to address the rapidly developing economic crisis, pledging $500 million at a conference organized to draw together international donors, before flying much-needed supplies directly to Ukraine in its hour of need. A year later, however, as the Clinton administration came to power, the European Bank for Reconstruction and Development estimated that only 15% of Ukraine's Gross Domestic Product (GDP) came from the private sector.[39]

Michael Mandelbaum, who advised the Clinton campaign, observed that in the post-Cold War world 'economic issues will predominate, particularly as former Communist Europe and countries in other regions move toward market institutions and practices'.[40] Although Mandelbaum did not join the Clinton administration, his thinking was incorporated into official policy as the White House recalibrated US grand strategy and the bureaucratic architecture to account for the post-Cold War world. Speaking in the first months of his presidency, Clinton insisted that the United States wanted 'very much to be close' to Ukraine, noting that the US had 'a big stake in their success, and we've got a lot of commercial potential there and they here, as well as a lot of ties'.[41] This was identified in the first incarnation of Clinton's national security strategy, as the administration noted the 'unparalleled opportunity to contribute toward a free and undivided Europe'. The ultimate ambition was 'an integrated democratic Europe co-operating with the United States to keep the peace and promote prosperity'.[42]

As Under Secretary of Commerce for International Trade, Jeffrey Garten, noted at the time, the United States was 'entering an era when foreign policy and national security will increasingly revolve around our commercial interests, and when economic diplomacy will be essential to resolving the great issues of our age'.[43] Accordingly, economic security emphasized the pragmatic philosophy of the Clinton White House, appreciating that as it sought

[39]Pifer, *The Eagle and the Trident*, 21, 64.
[40]Michael Mandelbaum, 'The Bush Foreign Policy', *Foreign Affairs* 70/1 (Winter 1990–1991), 6.
[41]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1993, Book I*, 'Exchange with Reporters Prior to a Meeting with Dorsey High School Students', 25 March (Washington, DC: US Government Printing Office 1994), 356.
[42]*A National Security Strategy of Engagement and Enlargement 1994* (Washington, D.C.: United States Government Printing Office, July 1994), 21.
[43]Quoted in John Stremlau, 'Clinton's Dollar Diplomacy', *Foreign Policy* 97 (Winter 1994–1995), 18.

to strengthen the domestic economy, 'we serve our own prosperity and our security by helping the new market reforms in the new democracies in Europe's East that will help to deflate the regions demagogues'. To promote domestic economic prosperity, the White House committed itself to a 'vigorous and integrated economic policy' which was designed to stimulate 'sound economic growth and free trade' enabling open and equal US access to foreign markets. As early as July 1994, the Clinton administration recognized that if the United States could 'support and help consolidate democratic and market reforms' in Russia and the other newly independent states, the opportunity existed to 'turn a former threat into a region of valued diplomatic and economic partners'.[44]

One aspect of US foreign economic policy enacted by the Clinton administration had been directly inherited from the Bush White House. The FREEDOM (Freedom for Russia and Emerging [Eurasian] Democracies and Open Markets) Support Act had been passed with overwhelming bipartisan support and signed by President Bush in October 1992 to provide Ukraine with $225 million annually in direct aid. Grants to Ukraine made possible by the FREEDOM Support Act focused heavily on economic restructuring, as the United States sought to cultivate a viable private sector economy, reduce government regulation, and bolster a credible, independent energy market free from foreign dependence. This approach built upon the Clinton administration's decision to identify Ukraine as being of strategic economic importance, as it sought to rid the nation of a perceived lawlessness that impeded efforts to implement democratic governance and threatened international principles of the marketplace. Speaking in Kiev in January 1994, President Clinton noted Ukraine's 'rich heritage, enormous economic potential, and a very important position in European security'. Appearing alongside Ukrainian President Kravchuk, Clinton announced plans to 'expand and enhance' economic ties, acknowledging that this was 'a difficult time of transition for Ukraine', but noting that it was 'blessed with abundant natural resources and human talent'. He announced the establishment of an enterprise fund 'to capitalize new small businesses and provide assistance to existing firms that seek to privatize', in addition to the $155 million that the United States had provided in assistance to Ukraine over the previous 12 months.[45] Clinton hosted Kravchuk in Washington 2 months later, unveiling plans for the United States to provide Ukraine with

[44]*A National Security Strategy of Engagement and Enlargement 1994*, 23, 5, 19.

[45]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1994, Book I*, 'The President's News Conference with President Leonid Kravchuk of Ukraine in Kiev', 12 January (Washington, DC: US Government Printing Office, 1995), 43–44. This was an emotionally draining and, ultimately, domestically catastrophic trip for the president. It was in Kiev, on January 11, 1994, that Clinton, exhausted following the death of his mother only a week earlier, finally acquiesced to the appointment of a Special Prosecutor to investigate the Whitewater land deal, which eventually led to his impeachment.

$700 million in assistance, including up to $350 million in FREEDOM Act funds for fiscal year 1994 to support economic reform and the development of a democratic society.[46]

Despite this show of international economic support, Kravchuk lost the July 1994 Ukraine election to his rival, Leonid Kuchma. Although his term in office eventually became marred by claims of corruption and the rise of oligarchs, the White House was initially delighted with Kuchma's October 1994 reform package and willingness to engage with reformers including Viktor Yushchenko and Viktor Pynzenyk. In November 1994, Kuchma and Clinton discussed the need for market-led economic reform in Ukraine, as the United States pledged a further $200 million in economic assistance for fiscal year 1995, in addition to the $350 million in reform assistance announced the previous March.[47] A state visit to Ukraine in May 1995 afforded the opportunity for President Clinton to highlight the economic reforms that Kuchma had introduced since his election. U.S. ambassador to Ukraine, William Miller, recognized that Clinton's capacity to talk directly to President Kuchma was 'key in Ukraine, to get him to do things [since] Clinton could work through problems with him, persuade and come to agreements'.[48] Their joint statement revealed the importance both men attached to economic reform and for direct US financial support for Ukraine, including a $250 million line of credit, aimed at supporting Ukraine's import requirements. The visit also coincided with the decision to release over $2.5 billion from the International Monetary Fund (IMF) and other global financial organizations, following economic reforms in Ukraine that had freed the exchange rate, halted credit emissions, and reduced inflation. Vitally, an agreement was also reached to reschedule Ukraine's $3 billion of debts for natural gas it owed to Russia and Turkmenistan. Despite this, a pattern emerged that put these financial gains in peril, as the Ukraine government routinely failed to adhere to IMF requirements, placing future payments in jeopardy. This was compounded by continuing restrictions in Ukraine's domestic economy, for while the hyperinflation that had bedeviled the nation's finances appeared to have been tamed, the economy contracted by 9.7% in 1992, 14.2% in 1993, and 22.9% in 1994.[49]

Ukraine, therefore, remained in desperate need of foreign sources of investment to engender domestic growth as it sought to integrate into the European, transatlantic, and global economic institutions. To aid this effort,

[46]White House, 'Joint Statement on Development of U.S.-Ukrainian Friendship and Partnership', 4 March 1994.
[47]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1994, Book II* 'Joint Summit Statement by President Clinton and President of Ukraine Leonid D. Kuchma', 22 November (Washington, D.C.: United States Government Printing Office 1995), 2117–2120.
[48]William Miller, quoted in Sally Bedell Smith, *For Love of Politics: The Clintons in the White House* (London: Aurum Press 2007), 321–322.
[49]Pifer, *The Eagle and the Trident*, 80, 110.

the US-Ukraine Bi-national Commission was established to encourage reform and coordinate relations between the two nations. The Clinton administration took the lead in securing four billion dollars in grants and loans through the G-7 to foster economic growth and reform in Ukraine. By 1995, the Clinton administration could rightfully claim to have substantially expanded support for democratic and market reform, and for a comprehensive assistance package for Ukraine, but recognized that it needed to 'continue to help lead the effort to mobilize international resources'.[50] Reducing trade barriers was a tangible way for Clinton's grand strategy to assist in the economic liberation of Ukraine, recognized by the administration as being 'one of the great historical events of this century'. The administration recognized that in an era of budgetary cuts, and with limited funds for an economic bailout, the 'success of market reforms in the countries recently emerged from communism will depend more on trade and investment than official aid'.[51] Although there would not be a modern day Marshall Plan to bolster Ukraine, the Clinton administration liberalized controls on computer exports and eliminated controls on most civilian telecommunications equipment to Central and Eastern Europe and the NIS in March 1994 to help engender improve relations.

Despite such efforts, Ukraine's economy remained weak and its economic institutions in desperate need of reform. When the Clinton administration first instigated its grand strategy in 1994, average wages in Ukraine were $30 a month, while monthly inflation soared to 70%. Natural gas supplies were rationed to preserve national reserves as Ukraine languished as one of the poorest former Soviet republics, with a GDP of only $1,307 per capita. To that end, the Clinton administration pledged more than $900 million in financial aid for 1994 and 1995, placing Ukraine as the fourth-largest recipient of American foreign aid behind Israel, Egypt, and Russia. To qualify for the aid package, however, the government of President Leonid D. Kuchma was forced to enact stringent policies in a vain effort to address hyperinflation, as the nation's economy contracted annually between 9.7% and 22.7% from 1991 until 1996, while its GDP collapsed by almost 50% between 1990 and 1994.[52] Despite the strides that had been achieved, as the Clinton administration neared the end of its first term in office it recognized that

[50] *National Security Strategy of Engagement and Enlargement 1995* (Washington, D.C.: United States Government Printing Office, February 1995), 23.

[51] *National Security Strategy for A New Century 1997* (Washington, D.C.: United States Government Printing Office, May 1997), 22.

[52] By the mid-1990s only Israel, Egypt (whose aid was governed by the Carter-era Camp David Accords), and Russia received more. For Ukrainian economic data see Pekka Sutela, 'The Underachiever: Ukraine's Economy Since 1991', *The Carnegie Endowment*, 9 March 2012; John M. Broder, 'Clinton Lauds Kiev for "Taking the Hard Road"', *Los Angeles Times*, 13 May 1995; Alessandra Stanley, 'Clinton Visit to Ukraine Is Welcome', *New York Times*, 11 May 1995, A11.

much remained to be addressed 'to assure durable economic recovery and social protection'.[53]

By the start of Clinton's second term in office, Ukraine was annually receiving more than $300 million in credits, $131 million from the Departments of Defense, Agriculture, and Energy, and $225 million in FREEDOM Support Act funds. In total, the Clinton administration had allocated $1.3 billion to Ukraine during its first term in office, including $717 million via the FREEDOM Support Act, ensuring that only Israel, Egypt, and Russia received greater U.S. economic assistance.[54] The administration noted that the ongoing economic challenges in the region were compounded in Ukraine, where 'reinvigorating economic reform remain[ed] a key challenge to strengthening national security and independence'. To assist, the United States encouraged foreign investment in Ukraine, with special attention paid to its energy resources, to improve its export market, while seeking to consolidate democratic and market reforms. The administration recognized that Ukraine had reached a vital stage in its economic transition as the United States 'pushed to improve Ukraine's investment climate, and championed its integration into key European, transatlantic and global economic institutions'.[55] This coincided with the symbolic opening of the first branch of McDonald's in Ukraine in May 1997.

The US effort in Ukraine, however, fell victim to domestic political considerations, as the president's political opponents sought to leverage an advantage ahead of the 2000 election. The 1994 mid-term elections had brought a new generation of Republicans to power, as the party took control of the House of Representatives for the first time in 40 years, along with the Senate, forcing Bill Clinton to explain his relevance only 2 years into his term in office. As part of its Contract with America, congressional Republicans sought passage of the National Security Restoration Act, designed to curtail US involvement in UN operations, fund a national missile defense system, and expand NATO. This, and the approach adopted by Speaker of the House, Newt Gingrich, were seen as efforts to encroach upon the president's constitutionally defined remit as commander-in-chief. It was believed that this new generation of Republicans were less internationally focused than in the past, but what defined them was their determination to reduce government expenditure. With the end of the Cold War came a belief that the costs associated with foreign policy could be reduced, overseas commitments could be scaled back, and a peace dividend be implemented in the form of tax cuts. The Clinton White House portrayed such views as a new form of isolationism. Sandy Berger, who succeeded Anthony Lake as

[53] *National Security Strategy of Engagement and Enlargement 1996* (Washington, D.C.: United States Government Printing Office, February 1996), 32, 39.

[54] Pifer, *The Eagle and the Trident*, 109–112.

[55] *National Security Strategy for A New Century 1998* (Washington, D.C.: United States Government Printing Office, October 1998), 40–41.

National Security Advisor in the second term, told the Council on Foreign Relations that the 'internationalist consensus that has prevailed in this country for more than 50 years increasingly is being challenged by a new isolationism heard and felt particularly in the Congress'.[56] Such an approach, however, did little to ease tensions between the executive and legislative branches of government at a time when the Clinton administration was fighting to stay in office due to the president's personal indiscretions. Ultimately, the president succeeded in his long-running effort to avoid being removed from office over his relationship with Monica Lewinsky, but it came at a high cost, as it diverted his attention from far more pressing matters, including Ukraine. The crisis ensured that while the president should have been fully engaged, he was often distracted or forced to dispatch subordinates in his place who carried insufficient stature at vital moments. As William Miller, U.S. ambassador to Ukraine during Clinton's first term observed, the president had initially been 'a tremendous asset', who was 'on the phone several times a month, sending letters, seeing people from Ukraine constantly'. Once the impeachment process began, however, 'the amount of time the president devoted to Ukraine fell off'.[57]

By the time it prepared to leave office, the Clinton administration believed that Ukrainian accession to the World Trade Organization was a viable proposition so long as the international community continued to provide support, encourage reform, and stimulate foreign investment. The administration stressed the success of its partnership with West European allies to build civil societies, and launch civic education programs in Bosnia-Herzegovina, with a similar project being planned for Ukraine. During its time in office, the strategists within the Clinton administration had collapsed the ideological wall between economics and more traditional aspects of foreign policy, believing that doing so had set the course for 'a century of unsurpassed prosperity and security for the United States, with the further enlargement of the community of democratic countries'.[58]

The shadow of the Kremlin

Despite its aspirations, the Clinton administration's Ukraine policy was not the over-whelming success that had been hoped for. Its ability to implement its economic strategy in Ukraine was intrinsically linked to its simultaneous efforts to engage with Russia, which had its own reasons to resist further US encroachment into its sphere of influence. The challenge that would be posed by Moscow had been made clear to the Clinton team before it even took office. In his transition memorandum for Clinton's secretary designate

[56]Samuel R. Berger, 'American Power: Hegemony, Isolationism or Engagement', Remarks at the Council on Foreign Relations, 21 October 1999.
[57]Miller, quoted in Smith, *For Love of Politics*, 321–322.
[58]Stremlau, 'Clinton's Dollar Diplomacy', 35.

Warren Christopher, outgoing Secretary of State Lawrence Eagleburger noted that 'if reform succeeds in Russia, it may not assure [sic] the success of reform in the other states of the [former Soviet Union]; but if reform fails in Russia, it most assuredly will mean the failure of reform throughout the former Soviet empire'. Eagleburger noted the United States could 'help temper Ukrainian behavior by working now to treat Ukraine as an important player in its own right – not an adjunct to our central relationship with Russia'.[59] Despite its determination to address Ukraine as a newly independent state, the Clinton administration prioritized the democratic and economic reform of Russia, where the stakes were very different, as was the size of the risk and the opportunities involved. As President Clinton noted in his domestically focused Inaugural Address, Communism's collapse had 'called forth old animosities and new dangers'.[60] Both would need to be addressed by the new administration as it sought a way forward in dealing with a host of newly independent states, exuberant in their new freedom, and a Kremlin that found itself suddenly responsible for a vastly reduced landmass and attending diminution of prestige and influence.

The lingering ties between Russia and Ukraine remained a fundamental challenge that continued to haunt their bilateral relationship until the February 2022 invasion. Ukraine may have declared its independence from the defunct Soviet Union but severing ties from Moscow after seven decades proved more problematic. Despite its efforts to engage with the newly independent states as entities in their own right, the United States appeared to have underestimated the ties that had bound them together over the decades. As Boris Yeltsin noted in 2000, relations between Russia and Ukraine were 'a special, complicated topic' due to the 'enormous affinity in everything-language, customs, and lifestyle'. He insisted that Ukraine was 'the cradle' of Russia's national identity, and that without Ukraine, it was 'impossible to imagine Russia'.[61] Whatever economic assistance flowed from the West, and despite the best efforts to westernize and capitalize Ukraine, it remained financially dependent upon Russia. This was especially true in the utilities sector where oil and gas supplies were reliant on the good graces of the Kremlin, with 75% of Ukraine's natural gas and 90% of its oil supply being imported directly or indirectly from Russia. This provided not only an actual dependency on Russia for the supply of its energy needs, but also a financial dependency, compounded by an inability to pay for its supplies, running up a debt approaching $2 billion for natural gas alone. These were the

[59]Memorandum for Secretary of State designate Warren Christopher from Lawrence Eagleburger, 'Parting Thoughts: U.S. Foreign Policy in the Years Ahead', 5 January 1993, National Security Archive, Gelman Library, George Washington University.

[60]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1993, Book I*, 'Inaugural Address', 20 January (Washington, D.C.: United States Government Printing Office 1994), 2.

[61]Boris Yeltsin, *Midnight Diaries* (London: Weidenfeld and Nicholson 2000), 243.

fundamental challenges that the Clinton administration faced as it sought to address Ukraine as a newly independent state that remained dependent upon Moscow for its basic needs.

The difficulties that this presented were apparent from the start of the administration. As early as March 1993, after only 6 weeks, the Clinton administration was forced to address allegations that it was prioritizing Russia over the other newly independent states. Noting that Russia was 'a little bit farther along on the reforms right now', George Stephanopoulos insisted that this did not 'preclude the possibility of aid to the other republics'.[62] Only 5 days later, the president was advised that Russia was 'on the path toward becoming a modern state … a market for American goods and services, and a partner for American diplomacy. It should be U.S. policy not just to prevent the worst but also to nurture the best that might happen in the former Soviet Union'.[63] At their first summit meeting in April,1993, President Clinton and Russian President Boris Yeltsin announced an aid package for Russia totaling \$1.6 billion, the 'maximum' that was permissible 'with available funds'. The White House was adamant that 'only the private sector' could meet Russia's capital and technology requirements, equating the importance of trade and investment in the 1990s with that of arms reductions in the 1970s and 1980s.[64]

In its decision to prioritize relations with the Kremlin, the Clinton administration drew accusations that it was personalizing relations with Russian leader Boris Yeltsin, 'whose emotional and personal stability were suspect and whose political future was uncertain'.[65] Senator Bob Dole insisted that the Clinton administration had adopted a 'misguided devotion [to a] Yeltsin-first policy'.[66] Unsurprisingly, the administration did not concur with this sentiment, as Anthony Lake stressed, 'to state that this is a Russia-first policy … is simply wrong'.[67] Despite such denials, it was apparent from the start of the administration that it was prioritizing relations with the Kremlin over those with the newly independent nations, including Ukraine. President Clinton assigned his own personal seal of approval on the relationship by placing his former Oxford University roommate, Strobe Talbott, in charge of all relations with the former Soviet republics at the State Department. After only a month in the job, Talbott's boss, Secretary of State Warren Christopher, insisted that 'a strong and cooperative US-Russian

[62]Press Briefing by George Stephanopoulos, 10 March 1993.
[63]'Memorandum for the President: A Strategic Alliance with Russian Reform', 15 March 1993. Reproduced in Talbott, *The Russia Hand*, 52.
[64]William J. Clinton, background briefing by senior administration officials, 4 April 1993, American Presidency Project, https://www.presidency.ucsb.edu/node/272288.
[65]Hyland, *Clinton's World*, 81.
[66]Elaine Sciolino, 'Dole Hammers on Yeltsin as U.S. Frustration Grows', *New York Times*, 2 March 1995, A10.
[67]Anthony Lake, Press Briefing, 1 March 1995.

relationship, a relationship of genuine partnership, [was] of the highest priority for President Clinton and his administration'.[68] Two months later, in an appearance before the Senate Committee on Foreign Relations, Secretary Christopher highlighted 'the central importance' of Russia to US foreign policy, noting that 'no relationship [was] more important to the long-term security of the United States than our *strategic relationship* with Russia'.[69] It was, however, a strategic relationship developing at a time of severe economic crisis that left Russia with little to no capacity to challenge American initiatives.

The scale of what was being attempted in Russia was viewed as being 'the greatest economic reconstruction task in the history of the world'.[70] This transformation was being conducted against the backdrop of severe economic decline, as the Russian economy shrank markedly between 1990 and 1995. This was accompanied by a 40% decrease in the domestic demand for oil, leading to a massive reduction in Russian oil production, down to 6 million barrels a day by 1998 from a previous high of 11 million a decade earlier.[71] The precarious political situation in Russia compounded the economic crisis as overseas investors, vital for long-term growth, were disincentivized by the overall uncertainty in the country. The anticipated political freedoms had yet to materialize, but the collapse of the centralized command economy heralded immediate hardships: Russia's currency, the ruble, had become virtually worthless, food was in short supply, and the triple threat of unemployment, inflation, and corruption, 'all the vices of a market economy-were suddenly threatening'.[72]

In the face of these fiscal restraints, the Clinton administration provided $4.3 billion in bilateral assistance to Russia during its first term, far exceeding the support provided to Ukraine. U.S. grand strategy assisted in the rehabilitation of Russia by fighting inflation and stabilizing the ruble. The scale of privatization was remarkable, with ten percent increases year on year from 1995 to 1997 in Russia, ensuring that seventy percent of Russia's GDP was generated within the private sector by 1997.[73] US grand strategy ensured that the United States became Russia's largest foreign investor, with commercial

[68]Warren Christopher and Andrey Kozyrev, 'US-Russia Summit and Invitations to Middle East Peace Talks Announced', Opening Statements at a News Conference, Geneva, Switzerland, 25 February 1993, in *U.S. Department of State Dispatch* 4/10 (8 March 1993), 130.
[69]Warren Christopher, Statement before the US Senate Committee on Foreign Relations, *Hearing on the Treaty between U.S. and the Russian Federation on Further Reduction and Limitation of Strategic Offensive Arms (the START II Treaty)*, 103rd Cong., 11 May 1993
[70]Lawrence H. Summers, 'The Clinton Administration's International Economic Policy', *Challenge* 37/2 (March-April 1994), 26.
[71]Fiona Hill, 'Russia: The 21st Century's Energy Superpower?' *The Brookings Institution*, March 21, 2002.
[72]Hyland, *Clinton's World*, 80.
[73]*National Security Strategy for A New Century 1997*, 22.

transactions valued at more than $4 billion, as US-Russian trade rose 65%.[74] A particularly tangible sign of the rapid change in Russian society had been the opening of the first McDonald's in January 1990. This was all the more remarkable considering that foreign investment in the USSR had been 'almost entirely forbidden' since it was 'considered inconsistent with the basic tenets of the socialist command economy-principles such as central planning and regulation, concentration of all productive assets in the state, and disapproval of foreign economic entanglements'.[75] The economic security element of Engagement and Enlargement served a very specific purpose. As Leon Fuerth explained, 'we viewed it as a Ratchet Principal, a guard against the situation slipping back to the previous situation, particularly in the former Soviet Union'.[76] This, at least, was the idea.

The economic and political significance of the administration's relationship with the Kremlin was highlighted in 1998, as Russia became engulfed in an economic crisis. On August 17, Moscow devalued its currency, imposed a moratorium on bank-held loans, and defaulted on its short-term treasury bills. As the Russian government struggled to pay its debts and salaries, the stock market plummeted. It was feared that Russia was 'abandoning the path of reform and returning to policies of the past', with severe implications for the West, as well as for Ukraine and the former republics. The deteriorating situation threatened the Russian economy and prospects for closer economic cooperation, which, in turn, 'could have an impact on [U.S.] cooperation with Russia on nuclear disarmament, on fighting terrorism, and the spread of weapons of mass destruction'.[77] Although the circumstances quickly caused the IMF and World Bank to abandon a planned $17 billion aid package, the Clinton administration continued to work with the Kremlin 'toward passage of key economic and commercial legislation', as it strove to promote Russia's integration into international economic institutions and sustained American investment.[78] As President Clinton observed, 'never has there been a more important moment to set a clear direction for the future, to affirm the commitment of Russia to democracy and to free markets and to take decisive steps to stabilize the economy and restore investor confidence'.[79] Despite these calming words, the Clinton administration lamented that the recent

[74]Brinkley, 'Democratic Enlargement', 126.

[75]Mark David Davis and Robert J. Sokota, 'The Development of the Foreign Investment Environment in the Russian Federation', *Case Western Reserve Journal of International Law* 24/3 (1992), 475.

[76]Author's interview with Leon Fuerth, 8 June 2004.

[77]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1998, Book II*, 'Remarks to the Council on Foreign Relations', 14 September (Washington, D.C.: United States Government Printing Office 1999), 1574.

[78]*National Security Strategy for A New Century 1997*, 22.

[79]*Public Papers of the Presidents of the United States: William Jefferson Clinton, 1998, Book II*, 'Remarks to the Council on Foreign Relations', 14 September (Washington, D.C.: United States Government Printing Office 1999), 1574.

'economic turbulence' in Russia demonstrated that 'the transition to a more prosperous, market-based economy [would] be a long-term process characterized by promise and disappointment'.[80]

The economic shadow of Russia loomed large throughout the Clinton era, and continued to affect US relations with Ukraine, as the White House sought to ensure that Russia could not return to a command economy, with the attending impact on its former republics. The scale of Russia's economic plight ensured that whatever the Clinton administration's aspirations and initiatives, including making Russia the third largest recipient of foreign aid, they ultimately proved insufficient. It also ensured that the administration's efforts in Ukraine were sufficiently diluted so as to effectively undermine such policies. Russia may have been a reduced force during the Clinton administration, but it still posed an existential threat to the United States, having retained more than 20,000 nuclear warheads. The Clinton administration could advocate economic reform in Russia, and it could work with international institutions to make membership dependent upon such improvements, but ultimately it could not force through such changes in the face of Russian reluctance. Any pretense that Ukraine could compete with Russia for US economic or political attention ended abruptly on 11 September 2001. At that point it became clear that the post-Cold War era had ended as the United States initiated a War on Terror that was dependent upon Russian support, especially for the operation in Afghanistan, and that all other issues, including Ukraine, became secondary.

After Clinton

In the years that followed the Clinton administration's departure from the White House, economic aid continued to flow to Ukraine, despite it not being mentioned in the 2002 national security strategy. Although some economic resurgence commenced shortly after the Clinton administration left office, Ukraine continued to run a budget deficit of 14.4% of GDP. Under George W. Bush, the 2005 foreign aid bill provided $70 million to Ukraine, along with a further $3 million in foreign military financing. With additional funding provided through the Peace Corps and International Military Education and Training, the total US financial aid for 2005 amounted to some $84.9 million.[81] Echoing the Clinton-era policies, the Obama administration noted its commitment

[80]*National Security Strategy for A New Century 1998*, 40.

[81]Steven Woehrel, 'Ukraine's Political Crisis and U.S. Policy Issues', *Congressional Research Service*, 1 February 2005, 12. Stephen Pifer, 'Next Steps in Ukraine', *Washington Post*, 1 January 2005, A23.

to 'supporting Ukraine as it works to establish security, restore economic stability, strengthen the rule of law, advance the fight against corruption, and carry out democratic and constitutional reforms'. To this end, Vice President Biden unveiled an aid package in Kiev of $20 million to support anti-corruption reform in Ukraine's justice sector, and an additional $3 million to the UN World Food Program's emergency operation in Ukraine. 2014 saw the Obama administration commit $320 million in assistance to Ukraine, in addition to a $1 billion sovereign loan guarantee issued that May.[82] Despite this, Ukraine's economic performance stubbornly refused to improve. Its gross domestic product per capita in 1990 had been roughly equal with Poland. Twenty-three years later, following billions in development initiatives, it languished in comparison, as the Polish economy outstripped it by 300%.[83] By 2019, Ukraine's GDP had risen 3.2% to an estimated $150.4 billion to become America's 67th largest trading partner with $3.7 billion in total goods traded, as US foreign direct investment (FDI) reached $596 million, a 12% increase from 2018.[84]

The current crisis in Ukraine, however, has seen a fundamental shift in US policy towards its economic provisions, a move sanctioned by congressional legislation to provide emergency assistance. As early as November 2021, President Biden and his national security team had feared a potential Russia invasion of Ukraine. Biden had not sought 'a reset or any strategic breakthrough' with the Kremlin and had simply wanted to keep US-Russian relations 'stable and predictable' as the White House focused upon the challenge posed by China.[85] The invasion of Ukraine, however, ended such ambitions, causing the Biden White House to issue a series of Executive Orders (EOs) designed to curtail business ties with Russia and impose sanctions on its energy sector. This included Executive Order 14024 dated 15 April 2021, and Executive Order 14066, dated 8 March 2022. These built upon similar policies that had been enacted under the Obama administration in retaliation for Russia's annexation of Crimea and use of force in Ukraine.[86] The 2022 Ukraine Supplemental Appropriations Act includes $13.6 billion in emergency funding to be dispersed from across the executive agencies. By March 2022, after a little more than a year in office, the Biden administration had committed over $2 billion to Ukraine.[87] As it unveiled its 2022 National Security Strategy, the Biden administration committed itself to 'help Ukraine recover economically', having already 'marshalled near-record levels of security assistance to

[82]The White House, 'Fact Sheet: U.S. Assistance to Ukraine', 21 November 2014.
[83]Pifer, *The Eagle and the Trident*, 7.
[84]Office of the United States Trade Representative, Ukraine Country Report, 1 November 2019.
[85]Chris Whipple, *The Fight of his Life* (New York, Scribner 2023), 209.
[86]Executive Order 13662, 20 March 2014, 'Blocking Property of Additional Persons Contributing to the Situation in Ukraine', *Federal Register* 79/56, (24 March 2014), 16169–16, 171.
[87]The White House, 'Fact Sheet on U.S. Security Assistance for Ukraine', 16 March 2022.

ensure Ukraine has the means to defend itself'.[88] This spending, however, came at a time of conflict and was designed to ensure the continued independence of Ukraine, something that was believed to be assured during the Clinton era.

A final economic consequence of the current Ukraine crisis was the demise of the Democratic Peace concept which had been an article of faith for many politicians in the 1990s. The concept had reached its cultural apex when addressed by *New York Times* columnist Thomas Friedman. In a December 1996 newspaper column and subsequently in his 1999 book *The Lexus and the Olive Tree*, Friedman advanced the 'Golden Arches Theory of Conflict Prevention'. This took Kant's concept and applied it to the post-Cold War era, noting that no two countries that had a McDonald's restaurant had ever fought one another. Despite the inaccuracy of this, and the fact that Friedman conceded he was being a little obtuse, noting that this was very 'tongue in cheek', there was a prevailing sense at the time that his 'Big Mac One' concept both explained and underscored the deep-rooted faith in Kant's commerce-driven approach to peace in the international arena.[89] The first McDonald's in Russia had opened in Moscow in January 1990, followed seven years later by a branch in Ukraine. Following the invasion of Ukraine, however, all McDonald's restaurants in Russia closed on 14 March 2022, and were subsequently sold to Alexander Govor, who rebranded them as Vkusno I Tochka (Tasty and That's It). As of 2024 it operated 885 restaurants across 62 Russian regions. McDonald's subsequently withdrew from Belarus in November 2022 and from Kazakhstan in January 2023, although with an eye on a more peaceful and profitable future, McDonald's retains a 15-year option to buy back its former locations in Russia.[90]

Conclusion

The Clinton administration's grand strategy in Ukraine asserted that security, economics, and democracy were mutually supportive and, as a result, free markets and free societies were at the heart of its aspirations. US grand strategy reflected the belief that these concepts were self-sustaining: An improving economic climate in Ukraine should lead to greater cooperation with the United States and open new markets for American exports. Despite these high aspirations, it is difficult to reach any conclusion other than that the efforts of the Clinton administration to engage with economic reform in

88 *National Security Strategy 2022* (Washington, D.C.: U.S. Government Printing Office October 2022), 26.

89 Thomas L. Friedman, 'Foreign Affairs Big Mac 1', *New York Times*, 8 December 1996, E15; Thomas L. Friedman, *The Lexus and the Olive Tree* (New York: Farrar, Straus, and Giroux 1999).

90 *Reuters*, 'McDonald's Will Have a 15-Year Option to Buy its Restaurants in Russia Back', 2 June 2022; Joshua Askew, '"Tasty and That's It": Russia's Knock-off McDonald's Goes International', *Reuters*, 12 November 2022.

Ukraine as a component of its grand strategy of Engagement and Enlargement ultimately failed to achieve its desired effect. There were several reasons for this, including domestic and international challenges. Domestically, there was the challenge of attempting economic reform and investment at a time of US domestic financial difficulties and when voters believed they were due a 'peace dividend'. Internationally, the administration faced the challenge of implementing reform in Ukraine, whilst not alienating the leadership in Moscow, and in the face of an apparent unwillingness to accept the need to reform within the highest levels of the Ukrainian government.

The Clinton administration's grand strategy of Engagement and Enlargement incorporated values, interests, and pragmatism as the White House sought to secure the benefits derived from the collapse of the Soviet Union. Key to this was the policy of economic security, designed to enshrine the status of free market economies in formerly Communist states, including Ukraine. Although other administrations had embraced economic security, the timing of Clinton's efforts presented a unique opportunity to do so in the knowledge that Russia's capacity to resist such efforts in their former satellite states had diminished. US Trade Representative, Mikey Kantor, reached too far in his assertion that Clinton was 'the first president to really make trade the bridge between foreign and domestic policy', as commerce and foreign policy have long been in the American experience, but he was able to elevate the importance of such issues, freed from the Cold War constraints, to ensure that 'trade and international economics have joined the foreign policy table'.[91] As Secretary of State Warren Christopher observed, 'foreign policy is always a work in progress'.[92] This has become increasingly clear in recent years as the United States seeks to implement its national security aspirations in Ukraine and prevent its reinstatement as a Russian satellite state. Despite the highest hopes of those in Washington, the viability of Clinton's economic policy in Ukraine proved to be dependent on acquiescence from Moscow and the inability of the Yeltsin government to protest western efforts to impede upon its former sphere of influence. With that approach having long since been abandoned by the Putin regime, it remains to be seen what the true cost of this effort will be.

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[91]Quoted in Steve Erlanger and David E. Sanger, 'On Global Stage, Clinton's Pragmatic Turn', *New York Times*, 29 July 1996, A16. See also Alfred E. Eckes, Jr. *Opening America's Market: US Foreign Trade Policy Since 1776* (Chapel Hill, NC: University of North Carolina Press 1995), 1.

[92]Warren Christopher, quoted in Larry Berman and Emily Goldman, 'Clinton's Foreign Policy at Midterm', in Colin Campbell and Bert Rockman (eds.), *The Clinton Presidency: First Appraisals* (Chatham, NJ: Chatham House 1995), 291.

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