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## **Clinton Presidential Records Mandatory Declassification Review**

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MEMO TO THE FILES

~~SECRET~~

Government  
Corruption

Meeting with Ukraine DATT Smeshko and Air Attache Havrylov  
November 7, 1995, 2:00 pm  
Jim Steiner, Carlos Pascual, Ed Salazar

Smeshko opened by underscoring the high priority President Kuchma has placed on fighting corruption in government. He noted that the change of Presidential Administrations in Kiev from Kravchuk to Kuchma had little affect on most corrupt activities in government. Smeshko explained further that President Kuchma brought a relatively small number of people with him when he assumed the Presidency and learned in the process how difficult it is to place people in the government.

Turning to his new responsibilities, Smeshko revealed that Kuchma has already signed a secret order appointing Smeshko to the position of Chairman of the Intelligence Oversight Committee. According to Smeshko, this position was established under Kravchuk and was first occupied by Marchuk. He said the Committee was roughly analagous to the "U.S. Intelligence Council" and that he would have interagency responsibilities similar to the DCI. Despite the fact that Smeshko would not be returning to Kiev until January, he already was carrying out his responsibilities in this job and travelling to Kiev regularly. Smeshko reiterated that his appointment and the existence of this Committee is considered secret.

Smeshko described his two top priorities in this assignment: 1) Utilize intelligence resources to help fulfill the government's obligation to build Ukrainian statehood; and, 2) collect information on the corrupt activities of government officials involving foreign countries. He emphasized that while all Committee members and staff and other key officials throughout the government are aware of his first task, only five individuals in the Ukrainian government know about his second. Smeshko later simplified his second tasking by explaining that the Committee's focus in this regard will be the carrying out of foreign operations to fight domestic corruption. He urged us to treat this information as extremely sensitive.

In carrying out his new responsibilities Smeshko said he will continue to work to preserve the level of relations Ukraine now enjoys with the Pentagon. He noted that no replacement has been identified for his job in Washington yet and that he plans to take two of his officers with him to Kiev to work on the Committee. He added later that the Committee has 9 members, and a staff of 150 in 7 divisions and that while it currently occupies space in the Presidential Administration building, it will soon relocate to another building in the center of Kiev  
TBD.

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As far as the legal basis for the Committee's work goes, Smeshko said that the Committee had already provided a draft bill on the activity of intelligence organs in Ukraine to Rada Deputy Chairman Dyomin and intends to continue to work to see to the implementation of the legislation. On the relationship of the Committee to the new National Bureau of Investigation, Smeshko said that the NBI, in reality, had not yet been formed. He explained that the government is concentrating its efforts on disbanding the former KGB organs first, hoping that by dividing them they can be more easily dismantled. Smeshko observed that the training, experience and mentality of these former KGB officers is not compatible with the government's desire to create a genuinely new NBI organization at this time. He added, however, that the cooperation of the FBI in helping to provide the proper basis for the NBI is actually helping to accelerate the change in this bureaucracy that will help create a new NBI.

Smeshko emphasized that he does not expect to be able to carry out his responsibilities without the assistance of the U.S. He added that the Ukrainian government does not intend to share this information with any other government and is not look to establish relationships in this area with any other government. Smeshko explained further that he anticipated his requests for assistance to focus on the sharing of information that will help him to build cases against corrupt officials. He stressed that he would provide the U.S. with ALL the information Ukraine has on any individual case before asking for information the U.S. may have.

12/8 Mtg

- Need for system to identify corruption. Risk of targeting individuals for ~~the sake of~~ specific political purposes.
- FBI works only with ~~strict~~ law enforcement counterparts, not political entities.
- Training/understanding of U.S. systems critical as counterpart in Kiev

1.4d

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① agree corrupt is serious; need to support

② enforcement

③

The Russians have been surprised by our firm threat of retaliation. How they respond to our ultimatum will depend on whether the poultry ban was premeditated and part of a broader protectionist effort, or whether it represents a limited and uncoordinated effort by the reform-resistant Ministry of Agriculture. Either way, this is fundamentally a domestic issue for Russia. If the U.S. were in a similar position, with surging imports causing market disruption in an industry already in steep decline, we would be under great pressure to protect that industry with temporary restraints to stop the import surge (i.e., "safeguards") -- though not with such draconian measures as a total cut-off of imports. If the Russians are prepared to talk, we can negotiate a WTO-consistent safeguards agreement, in which imports to Russia are restrained through a tariff-rate quota (i.e., tariff rises after certain level of imports reached).

The potential impact of this trade dispute on Yeltsin and the U.S.-Russia relationship is manageable if the Russian actions are the only protectionist measures contemplated and we reach some kind of safeguards agreement. If we retaliate, Yeltsin could portray this as an example of his willingness to stand up to the United States and protect Russian interests, but the U.S. sanctions would hurt other key industries/constituencies (e.g., steel). Therefore, his best alternative is to strive for an agreement that purports to address the health allegations and provides some relief for his domestic industry.

A tough line on this issue is not without risk. But we believe that there are two good reasons to take such a stance. First, the more credible our threat of sanctions, the more likely we are to reach a negotiated agreement. Second, to the extent Russia is considering expanding protectionism to many other sectors, discouraging that behavior is important, even if the Russians may not appreciate it. A broader protectionist policy could put at risk Russia's \$10.2 billion IMF package. (Even the poultry measures may be inconsistent with the agreement that Russia made with the IMF.) It is hard to imagine how Yeltsin could positively portray a collapse of the IMF program. He and Chernomyrdin are both closely associated with it as a necessary step for reform; and some of the proceeds of the loan are earmarked to pay back-wages of public workers.