

**Victoria Nuland**  
**Assistant Secretary of State for European and Eurasian Affairs**  
**April 10, 2014**  
**Written Testimony**  
**TransAtlantic Security Challenges: Central and Eastern Europe**

Chairman Murphy and Ranking Member Johnson – I am honored to be here today to testify on the security challenges facing the TransAtlantic community in Central and Eastern Europe. Let me begin by thanking you for your leadership in the passage of the Support for the Sovereignty, Integrity, Democracy and Economic Stability of Ukraine Act. This legislation, which was supported by every member of this subcommittee, will enable the United States to provide needed help to Ukraine as the country undertakes its difficult transition.

I would also like to thank you for your visits to the region. I know that Chairman Murphy and Senator McCain have traveled to Kyiv twice in the past 5 months, and that Senator McCain -- along with Ranking Member Johnson, Senator Barrasso, and others -- will travel to the Baltic states and Moldova this weekend. This engagement demonstrates America's continuing bipartisan support for a Europe whole, free and at peace.

For over 20 years, the United States and our European Allies have worked to integrate Russia more closely into the Euro-Atlantic community through our bilateral engagement and organizations like the OSCE, the WTO and the NATO-Russia Council. Russia's actions in Ukraine are an affront to this effort and fundamentally change the security landscape of Eastern and Central Europe. Today I appreciate the opportunity to discuss the impact of Russia's actions on Ukraine, our policy response to their actions and other challenges in the region.

Russia's occupation of Crimea, rubberstamped by an illegitimate referendum conducted at the barrel of a gun, has tarnished its credibility and diminished its international standing in the eyes of Ukrainians and the world. Reports of human rights abuses in Crimea since the Russian occupation have shocked the conscience. Russia has also attempted to intimidate Ukrainians by amassing more than 40 thousand troops and quick strike aircraft along the border, and with trade blockades and gas price hikes of 80 percent.

This week's violent occupation of government buildings in Kharkhiv, Donetsk, and Luhansk deepen our concern. Far from a spontaneous set of events, these incidents bear all the hallmarks of an orchestrated campaign of incitement, separatism and sabotage of the Ukrainian state, aided and abetted by the Russian security services.

So today Ukraine is a frontline state in the struggle for freedom and all the principles the TransAtlantic community holds dear. The United States stands with Ukraine in

its efforts to forge its own path forward to a more free, peaceful, and unified future. Our approach includes four pillars: first, our bilateral and multilateral support for Ukraine; second, the costs we are imposing on Russia for its aggressive actions; third, our efforts to deescalate the crisis diplomatically; and fourth, our unwavering commitment to the security of our NATO Allies who also live on the frontlines of this crisis. Let me address the first three briefly. Assistant Secretary Chollet will address the fourth in his testimony.

First, we support the Ukrainian people and the transitional government in the courageous steps they are taking to restore economic health, democratic choice and internal stability and security to the country. The Rada has passed landmark anti-corruption measures, deficit reduction measures and taken difficult steps to reform the energy sector. These necessary reforms will require painful sacrifices from all Ukrainians. But they also open the way to an IMF package of up to \$18 billion in support.

The United States stands ready to help as the country addresses its immense challenges. Our \$1 billion loan guarantee, in conjunction with IMF and EU assistance, will help implement these reforms and will cushion some of impact on the most vulnerable in Ukrainian society.

And we have approximately \$92 million in FY 2013 State/USAID funding and an anticipated \$86 million in FY 2014 State/USAID funding for assistance to Ukraine in areas such as strengthening anti-corruption efforts, revising public procurement legislation, introducing agriculture and energy sector reforms, deepening privatization efforts, improving the transparency and quality of higher education and helping Ukraine prepare for free, fair elections on May 25<sup>th</sup>.

We are also working with the international community to push back against Russian propaganda, lies and efforts to destabilize Ukraine's regions. The OSCE has already deployed more than 120 monitors in ten locations throughout Ukraine as part of a special monitoring mission and the mandate allows the mission to grow to 500. The OSCE Office for Democratic Institutions and Human Rights will also play an essential role by sending 1000 observers for the Presidential election, one of its biggest missions ever.

Second, Russia is already paying a high price for its actions, and that cost will go up if its pressure on Ukraine does not abate. Across the board, Russia has found itself isolated. The United States along with all other G-7 members declined to attend the Sochi G-8 Summit and suspended participation in G-8 activities. Instead, the G-7 will meet in Brussels. On March 27<sup>th</sup>, the United States and 99 other countries in the UN General Assembly reaffirmed the unity and territorial integrity of Ukraine within its internationally recognized borders. Only 11 voted against. Along with our Allies, we have suspended practical cooperation between NATO and Russia. We have suspended most bilateral economic and military cooperation and much of the work of the U.S.-Russia Bilateral Presidential Commission. The President signed two

Executive Orders authorizing sanctions against those responsible, and finding that the actions and policies of the Russian government undermine democratic process and institutions in Ukraine; threaten its peace, security, stability, sovereignty, and territorial integrity; and contribute to the misappropriation of its assets. These sanctions have been carefully coordinated with the EU and other global partners. And today we are considering further measures in response to Russia's continued pressure on Ukraine.

And the financial markets are reacting. The ruble has fallen. Capital flight from Russia is at a high not seen in years. And Russia has been downgraded by major credit rating agencies on account of its actions.

These costs will only increase if Russia does not change course.

At the same time, we want to try to de-escalate the crisis. Secretary Kerry has met three times with Russian Foreign Minister Lavrov in recent weeks, with the support of the Ukrainian government at a time when Russia would not meet directly with Ukraine. Earlier this week, Russia agreed to sit down next week with Ukraine, the EU and U.S. to discuss de-escalation, demobilization, support for elections and constitutional reform. Between now and then, we have made it clear that Russia needs to take concrete steps to disavow separatist actions in Eastern Ukraine, pull back its forces outside the country, and demonstrate that they are prepared to come to these discussions with the goal of de-escalating the conflict.

So Russia has a choice—to work with the international community to help build an independent Ukraine that can meet the hopes and aspirations of all Ukrainians, or Russia can face greater isolation and economic cost.

We are also concerned about the pressure this crisis is putting on Moldova, Georgia, Armenia, Azerbaijan and other neighbors of Ukraine. Moldova in particular has been the victim of economic pressure from Russia, intense Russia-sponsored propaganda against its choice to associate with the EU and renewed separatist efforts in Transnistria and Gagauzia. As you know, we have intensified U.S. political and economic support to Moldova, and other states of the region in recent months and this effort will be sustained.

The Ukraine crisis highlights another deep and growing challenge in the Euro-Atlantic space. The Maidan protestors had many grievances. But one of the most galvanizing across Ukraine was the pervasive corruption that has infused every aspect of Ukraine's politics, economy and social fabric for too long. And as Secretary Kerry highlighted at the Munich Security Conference, we are seeing a similar disturbing trend in too many parts of Central and Eastern Europe and the Balkans now "where the aspirations of citizens are ... being trampled beneath corrupt, oligarchic interests" who "use their money and influence to stifle political opposition and dissent, to buy politicians and media outlets, weaken judicial independence and the rights on NGOs."

We are also seeing a growing league of oligarchs and corrupt politicians work together, including across national lines, to protect and help each other maintain that influence, and keep the cash flowing that feeds their preferred system. Corruption of this kind doesn't just rot democracies from the inside, it also makes them vulnerable to corrupting influences outside country who seek undue economic and political influence over state policies and decision-making. In other words, in many parts of Europe, fighting corruption needs to be a higher national priority in order to protect and defend democracy AND state sovereignty.

As we look to shore up the security, prosperity and values that are vital to our shared aspiration for a Europe whole free and at peace, therefore, fighting corruption must be a more central line of effort. Over the coming year, you will see our focus on this intensify in the work we do across the Balkans, and Central and Eastern Europe, in close collaboration with the with EU, to help these countries promote clean, accountable government, a lively and free civil society, and media independence and to help governments and citizens expose and root out corruption wherever it hides.

Similarly, the Ukraine crisis is a wake-up call to accelerate other work we have been doing to promote a stronger, more prosperous Trans-Atlantic community. As Assistant Secretary Chollet will discuss, the renewed need for security vigilance along NATO's Eastern border means our European Allies must reverse the downward trend of shrinking defense budgets.

And even as we revitalize our transatlantic security ties, we must also strengthen our economic ties and accelerate the growth and job creation on both sides of the Atlantic by completing an ambitious Trans-Atlantic Trade and Investment Partnership agreement. The work that Eurozone countries are doing to strengthen the banking system and institute other reforms will also give investors confidence.

Finally, we must do more together as a TransAtlantic community to strengthen Europe's energy independence and internal market including guaranteeing reverse flow capabilities; ensuring greater diversity of supply; enhancing storage capacity and developing a deeper network of import terminals and interconnectors throughout the continent.

So this crisis has intensified our focus not just on Central and Eastern Europe but on a broad set of transatlantic security challenges – and opportunities—on the road to a Europe whole, free and at peace.

We are grateful for the bipartisan and very active support of this subcommittee in that effort. I look forward to your questions.