

**UKRAINE—COUNTERING RUSSIAN INTERVENTION
AND SUPPORTING A DEMOCRATIC STATE**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
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UKRAINE—COUNTERING RUSSIAN INTERVENTION AND SUPPORTING A DEMOCRATIC STATE

TUESDAY, MAY 6, 2014

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 3:08 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez (chairman of the committee) presiding.

Present: Senators Menendez, Boxer, Cardin, Murphy, Kaine, Markey, Corker, Rubio, Johnson, Flake, McCain, Barrasso, and Paul.

OPENING STATEMENT OF HON. ROBERT MENENDEZ, U.S. SENATOR FROM NEW JERSEY

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee will come to order.

Let me welcome today's panelists from the Departments of State, Defense, Treasury, Georgetown School of Foreign Service, and Freedom House who can provide a wide range of perspectives to help us assess Putin's actions in the Ukraine.

Before I talk about the Ukraine and Russia, I want to note my grave concern about the cowardly and heinous kidnapping of some 276 young Nigerian women from their school and claims by Boko Haram's leader that many of the over 200 who remain missing are being trafficked to neighboring states and sold into child marriage. As a father, I am heartsick that these brave young women and their families are in a set of circumstances where they simply were getting an education and have been kidnapped. I look forward to the passage later today of a resolution authored by Senators Landrieu and Boxer condemning Boko Haram and this terrible act.

Boko Haram is a brutal organization that is waging an escalating campaign of terror and war against its own people to tragic ends. Violence that they have fomented has contributed to an estimated 1,500 deaths in Nigeria this year alone. And just today, we have new reports that Boko Haram may have kidnapped an additional eight girls from their village homes in northeastern Nigeria.

Later today, I will be sending a letter to the President of Nigeria, Goodluck Jonathan, pressing him to lead the effort to find the young women and hold the captors accountable. I urge him to work closely with the United States and international partners in this effort and welcome the offer today by Secretary Kerry to provide

a coordination cell that would include U.S. military personnel and law enforcement officials with expertise in investigations and hostage negotiations.

Turning back to the situation in Ukraine—I am pleased to have Ambassador Motsyk of Ukraine here. Ambassador, thank you very much for joining us.

The situation in Ukraine is untenable, and there is no question that Russia and President Putin himself is supporting and instigating the conflicts that developed in southern and eastern Ukraine in the last days.

Foreign Minister Lavrov's ruling out of additional talks today makes clear that Russia has no interest in resolving the crisis, leading us to conclude that the goal is to destabilize the country and potentially pursue further territorial ambitions.

Our resolve, however, must be clear. Putin's actions must not stand and will not go unchallenged.

These actions are an inexcusable breach of international law and a deeply aggressive gesture that sets a troubling precedent. Putin's tactics are not just about changing facts on the ground by sending in armed men to grab land. He has also launched a massive propaganda effort to distort the facts of this situation.

In my view, President Obama's decision to impose sanctions and send hundreds of U.S. troops to our easternmost NATO allies is a correct response. There are several additional steps we could take.

First, I believe enhancements should be made to NATO's defense posture. NATO and the United States need to take seriously the possibility that Russia will undertake aggressive actions beyond those in Georgia and Ukraine. And NATO should begin preparation to station forces in Central and Eastern Europe.

Second, we should consider additional targeted sanctions. I am not shy when it comes to the use of sanctions because I believe they can be an effective tool of peaceful diplomacy, whether against Iran or Russian oligarchs who have made Moscow the home of more billionaires than anywhere else in the world.

I would like to see additional targeted narrow sanctions, including on Rosneft and Gazprom, whose actions are causing economic havoc in Ukraine by manipulating prices and supply.

We could also pursue other individuals in Putin's inner circle and the weapons exporter Rosoboronexports, which continues to send weapons to Assad.

In my view, the next step could be sanctions. The next steps beyond that could be sanctions, as outlined by the administration, on Russia's financial, energy, and defense sectors.

Thirdly, we need to examine further steps we can take to assist Ukraine at this critical juncture, including the provision of military assistance and equipment and body armor, as well as training and security assistance for Ukrainian forces.

Now, I have to add that I am disappointed by some efforts to draw partisan lines around this issue. This committee very successfully reported legislation just weeks ago in a bipartisan manner supporting Ukraine and imposing sanctions. If additional legislation is needed, I would hope that we will work together to make that happen, rather than to make this an election year issue, which tends to work against productivity.

In that vein, I am particularly concerned about language in a bill that would tie implementation of the New START treaty and, more broadly, the United States-Russian strategic nuclear balance to the crisis in the Ukraine. In my view, this would dangerously imply that the United States sees our strategic nuclear forces as a way to pressure Russia into withdrawal of its forces.

I hope we can continue to move forward and work in the way that we have successfully done over the last 16 months, and today, I hope we can get the perspective of our panelists of where Putin's actions could lead and what options there are. I hope we can send a strong, clear bipartisan message to Putin that his repugnant behavior in Ukraine cannot stand.

And with that, let me recognize the distinguished ranking member, Senator Corker, for his remarks.

**OPENING STATEMENT OF HON. BOB CORKER,
U.S. SENATOR FROM TENNESSEE**

Senator CORKER. Mr. Chairman, thank you, and I appreciate very much you calling this hearing and the way we have been able to work together.

I like the way you laid out what we need to do to address this issue. I could not agree more that there needs to be a strategy that includes strengthening NATO. I have put a lot of effort into thinking about that. I think you know that, and I know you have too because we have had conversations together with leaders of other countries toward that end.

I think we also need to sanction Russia and try to prevent their behavior from being such that we are forced to do something after the fact. And I know you just shared the same thing.

And thirdly, we need to work to harden our allies like Ukraine, Moldova, and Georgia that are not part of NATO.

I know we did the first round together. I think conditions on the ground certainly have changed dramatically since that time, and it would be my hope that, we would do something more robust. Based on the conversations that we have had, I know that we share these views.

So I thank you very much for your opening comments.

Secretary Nuland: Anne Patterson came in here 41 days ago. Anne Patterson is someone like you that I respect greatly. I really appreciate the work you have been doing in Ukraine since you were confirmed. You have been very diligent and certainly transparent with us.

Anne Patterson had always been that way too, and she came in here and wanted to talk about a strategy on Syria and talked about the fact that they had one. Many of us have been very concerned about what has happened in Syria. As a matter of fact, it feels like in Ukraine we are watching the same kind of thing unfold that we watched unfold in Syria, and that is we talked big but we did not follow up. We did not do the things that we said we would do.

And, of course, as I have said many times, the wisest thing Assad did for his own survival was to kill 1,200 people with chemical weapons. Today right now in Syria, someplace is probably dropping a barrel bomb on innocent civilians, killing and maiming people indiscriminately.

So, you know, Anne said she had a strategy and they wanted to share with us this strategy. It has been 41 days. I have not gotten a phone call, Mr. Chairman. Have you gotten a phone call regarding a Syria strategy? I do not think so.

So what I hope is going to happen today, with the tremendous respect that I have for you, you will lay out a strategy that will tell us exactly what the administration is going to do. The fact is that Breedlove, somebody that you work with very closely, is saying right now that Putin is accomplishing exactly what he wants to accomplish inside eastern Ukraine without moving any troops. And we know exactly what he is doing. We know he is fomenting what is occurring inside Ukraine. We do not think that; we know that. And the administration has stated that publicly.

Since the sanctions went in place last Monday, the stock market has risen almost 4 percent in Russia. They are laughing it off. It has no effect whatsoever on Russia's behavior. As a matter of fact, I think it actually moves them in the other direction because they are just minor irritants. They are not the kind of things that change behavior. Almost 4 percent. I think 3.63 percent increase since the sanctions, which everyone knew had no effect, were announced.

So, Madam Secretary, I hope today, with your great strength and the admiration that we all have for you, what you are going to do is lay out what the administration is going to do, not talk in heavy rhetoric. And you have never given that. But tell us what we are going to do to affect things on the ground.

My thinking is that if we continue as we are, it is going to be just like Syria, when we could have nipped it in the bud and made it a much lesser issue. Instead we let it get out of hand, and I think that very thing is happening in Ukraine.

I will close with this. When people speak like Chairman Menendez just did, when they speak like I do or Ron Johnson or John McCain, the President continues to say that we are warmongering. I would say it is just the opposite. If you let things fester until they get out of control, it is far more likely that we are going to find ourselves in a conflict that is of a much more severe nature than if we do those things to prevent Russia from doing the things that they are continuing to do on a daily basis.

So I hope you are going to be very explicit about what the administration plans to do to change things on the ground today. And I thank you very much for coming to our committee.

I thank the chairman for having this meeting.

The CHAIRMAN. Thank you, Senator Corker.

The only thing Senator Corker did not do with his southern charm is say "God bless your soul" before he went to the rest of the—

[Laughter.]

Senator CORKER. God bless your soul. [Laughter.]

Ms. NULAND. Thank you, Senator.

The CHAIRMAN. I know my friends from the South, when they say that, I brace myself first after they say that.

But on a serious note, I appreciate the ranking member's comments. We will hopefully get a fair amount of the way to understanding where we are headed.

So let me start off by introducing our first panel: the Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland; the Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia, Dr. Evelyn Farkas; and Dan Glaser, the Assistant Secretary of Treasury for Terrorist Financing. Thank you all for being here.

We are going to include all of your opening statements fully in the record, without objection. I would ask you to try to summarize your statement within 5 minutes or so, so that we can get into a panel discussion with each of you. And we will start off with you, Madam Secretary.

STATEMENT OF HON. VICTORIA NULAND, ASSISTANT SECRETARY OF STATE FOR EUROPEAN AND EURASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ms. NULAND. Thank you, Chairman Menendez, Ranking Member Corker, for inviting me today. I apologize for being late. As I usually do at such moments, I will blame Secretary Kerry. We were meeting with Lady Ashton.

I also want to thank this committee for its bipartisan legislation, for its support for the people of Ukraine, for the many visits many of you have made. It has made a huge difference.

I hope collectively we can answer your questions here, Senator Corker, and lay out a strategy.

When I testified before the subcommittee on April 10, I laid out four pillars of U.S. policy to address the challenges in Ukraine: supporting Ukraine itself, reassuring our NATO allies, creating costs for Russian behavior, and keeping the door open for de-escalation through diplomacy. Collectively, we will speak to all of those things again today.

But what I want to focus on here today are the events since we had our last diplomatic encounter to try to de-escalate, which was the U.S.-EU-Russia-Ukraine meeting on April 17 in Geneva and on the crucial 19 days from now until the May 25 Presidential elections in Ukraine.

For a quick reminder about the commitments that were made in Geneva, at its core the Geneva agreement was kind of a grand bargain that offered amnesty and deep and broad decentralization of power to Ukraine's regions through national dialogue and constitutional reform if and as pro-Russian separatists ended their violence, ended their intimidation, left seized buildings, and gave up weapons, all of it to be guaranteed and overseen by the OSCE.

As you all know, the Ukrainian Government began implementing its part of Geneva even before the ink was barely dry on the text. It introduced a broad amnesty bill into the Rada. Authorities in Kiev began dismantling barricades and opening streets on April 14, and on the 29th, the Constitutional Reform Commission held public conferences to which all the regions were invited about decentralization and reform. Ukrainian Security Forces even instituted an Easter pause in their clearing operations and sent senior officials out with the OSCE teams to the east to try to talk to separatists and try to get them to pursue their aims politically rather than through violence.

In contrast, the Russian Federation fulfilled none of its commitments. None, zero. After we left Geneva, no one in Moscow at any level even issued a public statement calling for buildings and checkpoints in the east to be vacated and weapons to be turned in. Russia declined a request by the OSCE to send a senior representative to Ukraine's east to work with the separatists on compliance. And in fact, the separatists in Donetsk and Luhansk told the OSCE that they had heard no messages from Moscow urging them to step down.

Instead, since April 17, as you have seen, the efforts of the Ukrainian side and the OSCE have been met with more violence, mayhem, kidnappings, torture, and death. Pro-Russian separatists have seized at least 35 buildings and three TV and radio centers in 24 towns. On Friday, the Ukrainian Government announced that separatists had used MANPAD's to shoot down a Ukrainian helicopter, killing the pilots. And Friday, as you know, also saw the deadliest tragedy of this conflict, the death of more than 40 in Odessa, following violent clashes reportedly instigated by pro-Russian separatist thugs attacking what was initially a peaceful pro-unity demonstration.

Today, Russia claims it has no influence over the separatists and provocateurs rampaging in eastern and southern Ukraine, and yet, a week after eight OSCE observers were taken hostage in Slovyansk, when Moscow finally agreed that it would send an envoy to help the OSCE, the hostages were released within hours.

In Odessa, it should come as no surprise that the Ukrainian authorities report that those they arrested for igniting the violence included people whose papers indicate they came from Transnistria, from Crimea, and from Russia itself.

As Secretary Kerry told this committee in April, we continue to have high confidence that Russia's hand is behind the instability. Moscow is providing material support, funding weapons coordination, and there are Russian agents on the ground in Ukraine involved in this.

Equally worrying today from Slovyansk to Odessa, the playbook is identical to what we saw in Crimea. First, you create the upheaval in the towns that were completely peaceful just 2 months before. Then you intimidate the local population. Then you hold a bogus independence referendum on 2 weeks' notice. And that is exactly what has been declared for May 11 in the so-called Donetsk and Luhansk Peoples' Republics. And we all remember what came after that, what came next in Crimea. Russian peacekeepers swarmed in to protect the will of the voters.

Just as we do not accept Russia's declared need for these so-called peacekeepers in Crimea, we will not accept any unilateral decision to deploy unsanctioned Russian peacekeepers to eastern or southern Ukraine.

And yet, the polling indicates that the separatists do not speak for the populations of eastern and southern Ukraine. More than two-thirds of Ukrainians in the east report that they plan to vote in the May 25 election. They do not want little green men or separatists or Moscow deciding for them, and with more than 20 candidates running representing every viewpoint and every region in Ukraine, these elections offer Ukrainians a real democratic choice.

That is why the United States and Europe and the international community are working so hard with the Government of Ukraine to help them ensure free and fair elections do take place across Ukraine. All told, the OSCE's Office of Democratic Institutions and Human Rights, ODIHR, is preparing to deploy more than 1,000 observers throughout the country to monitor the elections. The United States will provide one-tenth of these and 26 other OSCE states are also contributing. The United States is also supporting 255 long-term observers and over 3,000 short-term observers, some of whom will provide a parallel vote tabulation.

Free, fair elections on May 25 are the best route to political and economic stability in Ukraine. From Lviv to the Maidan to Odessa to Donetsk, the Ukrainian people want and deserve the right to determine their own future, and those who claim to be their protectors should stand up for the ballot box if they truly want the voices of eastern Ukraine to be heard in the political process rather than dictating to them through the barrels of a gun or barricades of burning tires.

In this regard, it is more than ironic that today Moscow asserts that both the interim government in Ukraine and the May 25 elections are illegitimate. It makes you wonder if Moscow is afraid to allow the Ukrainian people to participate in an election that is going to afford them far more choice than any recent elections in Russia's own history.

As we work to empower the Ukrainian people to determine their own future democratically, we must also acknowledge that the people of Russia are being cheated of their democratic rights. Just since the Sochi Olympics, the Russian Government has taken new aggressive steps at home to tighten control of the media, curb dissent, criminalize free expression on the Internet, and to trample on human rights. Putin's formula is simple, as you both said: intervention abroad and repression at home.

But, Senator, I would disagree with you with regard to the impact of sanctions. Russia's economy is already showing that this model does not lead to a great Russia. It leads to a broke one. Russia's credit rating is hovering just above junk. Fifty-one billion dollars in capital has fled Russia since the beginning of the year, almost as much as in all of 2013 combined, and that was a bad year for capital flight. Russian bonds are trading at higher yields than any debt in Europe, and as the ruble has fallen, the Central Bank has raised interest rates twice and has spent close to \$30 billion from its reserve to stabilize the ruble.

So at some point, the nationalist fever in Russia will break, and it will give way to a sweaty and harsh realization that there are economic costs to what Russia is doing. And the Russian people will start to ask their government what have we actually achieved. Instead of funding schools and hospitals and science and prosperity at home in Russia, we have squandered our national wealth on adventurism, interventionism, and the ambitions of a leader who cares more about empire than he does about his own citizens.

But it does not have to be this way. Russia can still step back from supporting separatism and violence and do the right thing. Working closely with the Ukrainians, the OSCE, key European governments, including Germany, we are once again offering a

diplomatic path forward, a rejuvenation of the Geneva agreement: amnesty for separatists and real political reform through elections and constitutional change in exchange for peace, security, and unity across Ukraine that all of these require.

A Russia that truly cares about the fate of the ethnic Russians in Ukraine and the people of Ukraine's east, let alone its own citizens, will work with us on this. A Russia that does not will face a tightening grip of political and economic isolation from the international community. And as the President said standing next to Chancellor Merkel on Friday, if Russia further destabilizes the elections, they will face sectoral sanctions.

In 19 days, the Ukrainian people will have the opportunity to make their choice. It is in the U.S. national security interest that the May 25 Presidential elections reflect the will of Ukraine's 45 million people. We stand united with the overwhelming majority of the international community in support of Ukraine's democratic choice. The stakes could not be higher for Ukrainian democracy, for European stability, or for the future of the rules-based international order.

Thank you.

[The prepared statement of Ms. Nuland follows:]

PREPARED STATEMENT OF ASSISTANT SECRETARY OF STATE VICTORIA NULAND

Chairman Menendez, Ranking Member Corker, thank you for inviting me to testify today on our efforts to counter Russia's de-stabilizing, provocative actions in Ukraine and to preserve Ukraine as a united, democratic state.

I want to express my deep appreciation to the members of this committee for the bipartisan support you have shown to Ukraine and its people since this crisis began. The Senate's passage of the U.S. loan guarantee legislation sent a strong signal of America's support. And the visits that so many of you have made to Ukraine reinforce America's bipartisan solidarity with the Ukrainian people during this critical time.

When Assistant Secretary Chollet and I testified before the Subcommittee on European Affairs on April 10, I outlined four pillars of U.S. policy to address the challenges in Ukraine. Let me restate them again briefly. First, the United States is supporting Ukraine with financial, technical, and nonlethal security assistance as it prepares for democratic Presidential elections on May 25, and works to protect a peaceful, secure, prosperous and unified future for its people. Second, we are stepping up our effort to reassure our NATO allies—an area that DASD Farkas will address in detail—and we are providing support to other “front-line” states like Moldova and Georgia. Third, we are steadily raising the economic costs for Russia's illegal occupation and annexation of Crimea and its continuing efforts to destabilize eastern and southern Ukraine; Assistant Secretary Glaser will address the sanctions we've imposed and what's next. And fourth, we are working with Ukraine and our European partners to leave the door open for diplomatic de-escalation should Russia change course, and make a serious effort to implement its April 17 Geneva commitments.

Today, I want to focus my remarks on events since the April 17th meeting in Geneva and on the crucial 19 days from now until the May 25th Presidential elections in Ukraine. First, I will provide an update on the Geneva Joint Statement's implementation and events on the ground in eastern and southern Ukraine. Second, I will address how the United States and the international community are working with Ukraine to protect the May 25th elections even as Russia refuses to recognize the Ukrainian Government's legitimacy and Russian agents and surrogates sow mayhem and separatism from Slovyansk to Odesa. Finally, I want to speak about the other victim of President Putin's policies—the Russian people.

First, a quick reminder about the commitments made in Geneva. At its core, it is a grand bargain that offers amnesty for those who vacate seized buildings and deep, broad decentralization of power to Ukraine's regions through national dialogue and constitutional reform, as the other half of Geneva is implemented: an end to violence, intimidation, the seizing of buildings and weapons, with both parts overseen and facilitated by the OSCE.

The Ukrainian Government began implementing its part of Geneva even before the ink was dry on the text of the Joint Statement. The day after Geneva, the Government of Ukraine sent a draft amnesty bill to the Rada, and that bill would be law now if it had not been blocked by the Communists and the Party of Regions. Authorities in Kiev dismantled barricades and opened streets. Maidan activists peacefully vacated the Kiev city administration building. President Turchinov and Prime Minister Yatsenyuk made speeches confirming their commitment to decentralize an unprecedented amount of political and economic authority to Ukraine's regions through constitutional reform and to protect language rights, in offers far more sweeping than any Moscow affords its own regions and citizens. On April 14 and 29, the constitutional reform commission held public conferences to which all the regions were invited. Ukrainian security forces instituted an Easter pause in their operations in eastern Ukraine, and sent senior officials out with the OSCE teams to Donetsk, Slovyansk, Luhansk and other embattled cities to try to talk separatists into pursuing their aims politically rather than through violence.

In contrast, Russia fulfilled none of its commitments—none, zero. After we left Geneva, no one in Moscow at any level even issued a public statement calling for buildings and checkpoints in eastern Ukraine to be vacated and weapons turned in. Russia declined a request by the OSCE to send senior representatives to eastern Ukraine to insist on separatist compliance with Geneva. In fact, separatists in Donetsk and Luhansk told OSCE observers that they had had no messages at all from Russia urging them to stand down.

Instead, since April 17, all the efforts of the Ukrainian side and of the OSCE, have been met with more violence, mayhem, kidnappings, torture and death. Pro-Russia separatists have seized at least 35 buildings and 3 TV/radio centers in 24 towns. Armed and organized Russian agents—sometimes described as “little green men”—appeared in cities and towns across Donetsk and into Luhansk. At least 22 kidnappings have been attributed to pro-Russia separatists—including the eight Vienna Document inspectors and their Ukrainian escorts who have now been released after 8 days as hostages. The bodies of three Ukrainians have been found near Slovyansk all bearing the signs of torture. Peaceful rallies have been beset by armed separatist thugs. Roma families have fled Slovyansk under extreme duress. As the violence grew, the United States and the EU imposed more sanctions at the end of April. On Friday, the Ukrainian Government announced that separatists used MANPADs to shoot down a Ukrainian helicopter, killing the pilots. And Friday also saw the deadliest tragedy of this conflict: the death of more than 40 in Odesa following an afternoon of violent clashes reportedly instigated by pro-Russian separatists attacking an initially peaceful rally in favor of national unity—similar to many that have happened in Odessa since the start of the Maidan movement.

Today, Russia claims it has “no influence” over the separatists and provocateurs rampaging in eastern and southern Ukraine. In Odesa, it should come as no surprise that the Ukrainian authorities report that those arrested for igniting the violence included people whose papers indicate that they come from Transnistria, the Crimea region of Ukraine, and Russia. As Secretary Kerry told this committee in April, we continue to have high confidence that Russia's hand is behind this instability. They are providing material support. They are providing funding. They are providing weapons. They are providing coordination, and there are Russians agents on the ground in Ukraine involved in this.

Equally worrying, today from Slovyansk to Odesa the playbook is identical to what we saw in Crimea: first you create upheaval in towns that were completely peaceful just 2 months before, then you intimidate the local population, and hold bogus independence referenda on 2 weeks' notice, as have just been declared for May 11 in the so-called Donetsk and Luhansk Peoples' Republics. And we all remember what came next in Crimea: Russian “peace-keepers” swarmed in to “protect” the will of the voters. Just as we do not accept Russia's declared need for these so-called “peace-keepers” in Crimea, we will not accept any unilateral decision to deploy unsanctioned Russian “peace-keepers” to eastern or southern Ukraine. Russia's military intervention in Ukraine thus far is a clear violation of international law, and Russia fools no one by calling its troops “peace-keepers.” Russia has a track record of using the term “peacekeeping” as a cover for occupation and unlawful military intervention without authorization from the U.N. Security Council and without the consent of the host government.

And yet, the pro-Russia separatists do not speak for the population of eastern and southern Ukraine. More than two-thirds of Ukrainians in the east report they plan to vote in the May 25th elections. They don't want little green men or separatists or Moscow preventing them from making their choice freely. And with more than 20 candidates running, representing every viewpoint and every region in Ukraine, these elections offer a real democratic choice. That is why the United States,

Europe, and the international community are working so hard with the Ukrainian Government to ensure free, fair elections take place across Ukraine, and in alternate locations for Crimeans, and if needed in eastern towns where that might be necessary, too.

In March, the OSCE's Office for Democratic Institutions and Human Rights (ODIHR) deployed 100 long-term election observers to 26 locations around Ukraine to monitor the lead-up to the election and help ensure the country's electoral process meets the highest international standards. An interim report from ODIHR on April 17 noted that the Central Election Commission had met all deadlines thus far, and that technical preparations were proceeding. For the first time in a Presidential election, Ukraine's 36 million voters can review their registration details online. All told, ODIHR is preparing to deploy 1,000 observers throughout the country to monitor the elections in the largest monitoring effort in the organization's history. The United States will provide approximately one-tenth of the observers, and 26 other OSCE states are also contributing. These 1,000 ODIHR observers will be joined by more than 100 members of the OSCE Parliamentary Assembly, including some of your colleagues here on the Hill.

The United States is also working bilaterally to support free, fair, and informed elections. We have allocated \$11.4 million for nonpartisan activities to improve the integrity of these elections, including efforts to support voter education and civic participation; assist the Central Electoral Commission administer the elections effectively and transparently; foster linkages between political parties and civil society; support election security; and help to guarantee a diverse, balanced and policy-focused media environment. We are supporting 255 long-term observers and over 3,330 short-term observers, some of whom will provide a parallel vote tabulation (PVT).

Free, fair elections on May 25 are the best route to political and economic stability in Ukraine. From Lviv to the Maidan to Odesa to Donetsk, the Ukrainian people want and deserve the right to determine their own future. Those who claim to be their protectors should stand up for the ballot box if they truly want the eastern Ukraine's voices heard in the political process rather than dictating to them through the barrels of guns or barricades of burning tires. In this regard, it is more than ironic that today Moscow asserts that both the interim government and the May 25th elections are illegitimate. It makes you wonder if Moscow is afraid to allow the Ukrainian people to participate in an election that is going to afford them far more choice than any in recent Russian history. And as President Obama stated, "the Russian leadership must know that if it continues to destabilize eastern Ukraine and disrupt this month's elections, we will move quickly on additional steps, including further sanctions that will impose greater costs."

Finally, as we work to empower the Ukrainian people to determine their future democratically, we must acknowledge that the people of Russia are being cheated of their democratic rights. The Russian Government's reckless actions in Ukraine have distracted the world's attention from a new clamp down on civil society in Russia. Just since the Sochi Olympics, the Russian Government has taken new aggressive steps to tighten control of the media, curb dissent, criminalize free expression on the Internet, and to trample on human rights. Putin's formula is simple: intervention abroad, repression at home.

The Russian economy is already showing that this model doesn't lead to a great Russia; it leads to a broke one. The IMF believes Russia may already be in recession. Russia's credit rating is hovering just above "junk" status. The Russian central bank is reporting that \$63 billion in capital has fled Russia since the beginning of the year, more than for all of 2013. As the ruble has fallen, the Central Bank has raised interest rates twice and has spent close to \$50 billion from its reserves to stabilize it. Unless Putin changes course, at some point in the not-too-distant future, the current nationalistic fever will break in Russia. When it does, it will give way to a sweaty and harsh realization of the economic costs. Then, Russia's citizens will ask: What have we really achieved? Instead of funding schools, hospitals, science and prosperity at home in Russia, we have squandered our national wealth on adventurism, interventionism, and the ambitions of a leader who cares more about empire than his own citizens.

But it doesn't have to be this way. Russia can still step back from supporting separatism and violence and do the right thing. Working closely with the Ukrainians, the OSCE, and key European governments including Germany, we are once again supporting a diplomatic path forward—a rejuvenation of the Geneva agreement: amnesty for separatists and real political reform through elections and constitutional change in exchange for the peace, security, and unity across Ukraine that these require. A Russia that truly cares about the fate of the ethnic Russians in Ukraine and the people of eastern Ukraine, let alone its own citizens, will work with us on

this. A Russia that doesn't will face a tightening grip of political and economic isolation from the international community.

Since 1992, we have provided \$20 billion to Russia to support pursuit of transition to the peaceful, prosperous, democratic state its people deserve. We are not seeking to punish Russia. We support the rights of all individuals—those of Russians and Ukrainians, alike—to have a clean, open, accountable government rooted in democracy and rule of law.

In 19 days, the Ukrainian people will have the opportunity to make that choice. As Vice President Biden said during his visit to Kiev, "This may be the most important election in the history of Ukraine. This is a chance to make good on the aspirations of the overwhelming majority of Ukrainians east and west and every part of this country."

It is in the U.S. national security interest that the May 25th Presidential election reflects the will of Ukraine's 45 million people. We stand united with the overwhelming majority of the international community—in the G7, in NATO, in the OSCE, in the U.N. General Assembly, in the Council of Europe—in support of Ukraine's democratic choice. The stakes could not be higher—for Ukrainian democracy, for European stability and for the future of a rules-based international order.

The CHAIRMAN. Secretary Glaser.

STATEMENT OF HON. DANIEL L. GLASER, ASSISTANT SECRETARY FOR TERRORIST FINANCING, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, D.C.

Mr. GLASER. Thank you, Chairman Menendez, Ranking Member Corker, distinguished members of the committee. Thank you for inviting me to speak today about the U.S. Government's response to Russia's illegal annexation of Crimea and its continued provocative actions in Ukraine.

The Department of the Treasury is designing and implementing a strategy that uses targeted financial measures to raise the costs to Russia of its actions. Our approach is calibrated to impose immediate costs on Russia and to create conditions that will make Russia increasingly vulnerable to sanctions as the situation in Ukraine escalates. To this end, Treasury has targeted not only corrupt former Ukrainian officials, Crimean separatists, and their backers in the Russian Government, but also individuals and President Putin's inner circle who have important interests and holdings throughout the Russia economy. Russia is already feeling the impact of our measures.

In my remarks today, I will describe Treasury's sanctions tools and how we are deploying them. I will also discuss the important measures we are taking to buttress the Ukrainian economy. By pursuing these dual tracks, the Treasury Department is using the tools at our disposal to contribute to the development of a strong and sovereign Ukraine.

President Obama has signed three Executive orders that provide the Secretary of the Treasury with expanded authority to sanction individuals responsible for the continuation of the crisis in Ukraine, as well as entities under their control. In total, we have designated 45 individuals and 19 entities. The most important of these targets include those in Putin's inner circle and the companies they control or own. These include Igor Sechin, the chairman of the state-run oil company Rosneft; Sergei Chemezov, the CEO of the Russian weapons and metals conglomerate Rostec; and Gennady Timchenko who ran Gunver, one of the world's largest commodity trading firms. We have also targeted Russia officials

directing the annexation of Crimea, as well as Crimean separatists and former Ukrainian Government officials.

We have a range of options we can deploy, should Russia's leadership continue to destabilize Ukraine. For example, Treasury has additional authority authorized by President Obama under Executive Order 13662 to significantly enhance Russia's economic costs and isolation. This Executive order authorizes the targeting of entities operating in broad sectors of the Russian economy such as defense, metals and mining, finance, engineering, and energy.

I should note the importance of coordination with our international partners, particularly those in the European Union and the G7. To be clear, the United States always stand ready to take the actions we deem necessary to safeguard our national security and to safeguard international security. We do, however, recognize that our financial measures are more powerful and effective when done in a multilateral framework. Our partners have taken sanctions measures of their own and have stated they are prepared to do more.

We are working to ensure that our international partners continue and expand their measures as we move forward together to address Russia's aggression. For example, this week, as we speak, Under Secretary of the Treasury Cohen is coordinating with his counterparts in London, Paris, and Berlin, along with an inter-agency delegation, including from the State Department.

But even as we lay the groundwork for expanded measures, if necessary, our sanctions are having an impact on Russia's already weak economy, as Victoria was just articulating. In fact, my numbers are going to be even a little bit worse than hers.

As sanctions increase, the costs to Russia not only increase, but their ability to mitigate those costs will diminish. Already market analysts are forecasting significant continued outflows of both foreign and domestic capital and a further weakening of growth prospects for the year. The Russian stock market has declined by over 13 percent, and the Russian currency has depreciated by almost 8 percent since the beginning of the year. These are the worst numbers of any member of major emerging markets. The IMF has downgraded Russia's growth outlook to 0.2 percent this year, and I suggest that a recession is not out of the question. This stands in stark contrast to previous IMF forecasts which, as recently as February, were projecting 2 percent growth for Russia. The IMF has also indicated that they expect as much as \$100 billion in capital flight from Russia which has caused rating agencies such as Standard & Poor's to downgrade Russia's sovereign credit rating to just a notch above junk status.

In addition to our measures to isolate the Russian economy, the Treasury Department is working with the international community to support the Ukrainian Government in returning the country's economy to solid footing. Last week's approval of a 2-year \$17 billion IMF reform program is a positive first step. Treasury is also offering its expertise in identifying, tracking, and recovering stolen Ukrainian state assets in support of a Department of Justice-led effort. Expert Treasury advisors have also been deployed to Kiev to help the Ukrainian authorities stabilize the financial sector and implement reforms.

As the United States and our international partners continue to confront Russia's illegal actions in Ukraine, we stand ready to further employ our arsenal of financial measures as the situation escalates. A diplomatic resolution to the crisis remains our goal, but if Russia chooses to continue its illegal and destabilizing actions in Ukraine, we can impose substantial costs on, and expand the isolation of, an already weak Russian economy.

Thank you, Senators, for the opportunity to speak today, and I would be happy to answer your questions.

[The prepared statement of Mr. Glaser follows:]

PREPARED STATEMENT OF ASSISTANT SECRETARY DANIEL L. GLASER

Chairman Menendez, Ranking Member Corker, and distinguished members of this committee, thank you for inviting me to speak today about the U.S. Government's response to Russia's illegal annexation of Crimea and its continued provocative actions in Ukraine. The Department of the Treasury is designing and implementing a strategy that uses our toolkit of targeted financial measures to raise the costs to Russia of its actions. Our approach is a calibrated effort to impose immediate costs on Russia and to create conditions that will make Russia increasingly vulnerable to sanctions as the situation in Ukraine escalates. To this end, Treasury has targeted not only corrupt former Ukrainian officials, Crimean separatists, and their backers in the Russian Government, but also individuals in President Putin's inner circle who have important interests and holdings throughout the Russian economy. Russia is already feeling the impact of our measures. As the Kremlin's decisions concerning the situation in Ukraine leave us with little choice but to continue to ratchet up the pressure, we will use the full range of sanctions authorities at our disposal, which will expose the weakness and vulnerability of the Russian economy.

In my remarks today I will describe Treasury's sanctions tools and how we are deploying them. I will also discuss the important measures we are taking to buttress the Ukrainian economy. By pursuing these dual tracks of imposing significant costs on Russia's illegal and destabilizing actions and facilitating the institution of the economic conditions necessary for a vibrant and prosperous Ukrainian economy, the Treasury Department is using the tools at our disposal to contribute to the development of a strong and sovereign Ukraine.

IMPOSING COSTS ON RUSSIA: SANCTIONS AND FINANCIAL ISOLATION

President Obama has signed three Executive orders that provide the Secretary of the Treasury with expanded authority to sanction individuals and entities responsible for the continuation of the crisis in Ukraine, as well as entities owned or controlled by such individuals. These Executive orders are as follows:

- E.O. 13660 provides the authority to block the assets of any individuals or entities determined to be responsible for or complicit in undermining democratic processes or institutions in Ukraine; threatening the peace, security, stability, sovereignty, or territorial integrity of Ukraine; misappropriating Ukrainian state assets; asserting governmental authority over any part of Ukraine, without authorization from the Government of Ukraine; or providing material assistance to any individual or entity that does;
- E.O. 13661 provides the authority to block the assets of any individuals or entities determined to be an official of the Russian Government; operating in the arms sector in Russia; or providing material assistance to, or acting on behalf of, a senior official of the Russian Government; or providing material assistance to any individual or entity whose assets are blocked;
- E.O. 13662 provides the authority to block the assets of any individuals or entities determined to be operating in such sectors of the Russian Federation economy as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, such as financial services, energy, metals and mining, engineering, and defense and related materiel; or providing material assistance to any individual or entity that does.

As noted above, we are implementing these Executive orders in the context of a pressure strategy designed to impose immediate costs on Russia, including at high levels in Moscow, and to create market conditions that will make Russia increasingly vulnerable to financial measures and accountable as the situation in Ukraine

escalates. In total we have imposed sanctions on 45 individuals and 19 entities to date. Our targets can be organized into the following categories:

Targeting Putin's Inner Circle and Certain Related Companies

- Igor Sechin, the chairman of the State-run oil company, Rosneft, and close associate of Putin;
- Sergei Chemezov, a trusted ally of Putin, who is also the CEO of the Russian weapons and metals conglomerate Rostec;
- Gennady Timchenko, who at the time of the designation ran Gunvor, one of the world's largest commodities trading firms, the funds of which may have been accessible to President Putin. Treasury also designated Timchenko's Volga Group, one of the largest investment groups in Russia, and Stroytransgaz Holding, an engineering and construction company for Russia's oil and gas industry, also controlled by Timchenko;
- The Rotenberg brothers, Arkady and Boris, who were designated for their role in supporting Putin's personal projects by receiving and executing high-price contracts for the Sochi Olympics and for state-controlled energy giant Gazprom. We also designated firms under the Rotenbergs' control, including banks InvestCapitalBank and SMP Bank, as well as a gas pipeline company, SGM Group;
- Yuri Kovalchuk, who served as the personal banker for Putin and many senior Russian officials, earning the moniker "Putin's cashier"; and
- Treasury designated Bank Rossiya for its close connections to Putin's inner circle and the fact that it is controlled by the inner circle's personal banker Kovalchuk. Before sanctions were imposed, Bank Rossiya was among the 20 largest banks in Russia, with approximately \$10 billion in assets. As a result of our designation, Bank Rossiya lost almost \$1 billion in deposits in March and was forced to sell almost \$500 million worth of bonds to maintain liquidity. The bank has also lost access to its correspondent accounts in U.S. financial institutions, and we are in close cooperation with our European and global partners to ensure that other financial centers do not provide services to this bank.

Targeting Russian Officials Directing the Purported Annexation of Crimea

Our efforts have also targeted Russian officials in response to the illegal annexation of Crimea. These officials include senior Duma and Federation council officials, such as the Speaker and Deputy Duma Speaker, key Duma deputies, and senior leaders in the Federation Council. Treasury has also imposed sanctions on senior Kremlin aides, including the Chief of Staff of the Presidential Executive Office, Advisor to the President, and Head of the Presidential Administration, as well as other senior Russian Government officials, including the Head of the Russian Military Intelligence Service, the Chairman of the Board of Russian Railways, Director of the Federal Drug Control Service, and Director of Russia's Protective Service.

Targeting Crimean Separatists and Former Ukrainian Government Officials

We have also identified Crimean separatists and former Ukrainian Government officials for their involvement in the illegal referendum on Crimean secession and purported annexation by Russia. These include Viktor Yanukovich, who, along with his regime's cohorts, was responsible for actions that threaten the security, stability, sovereignty, or territorial integrity of Ukraine, the self-appointed "Prime Minister of Crimea" Sergei Aksyonov, Vladimir Konstantinov the speaker of the Crimean Parliament, and Viktor Medvedchuk, a political party leader responsible for pitting supporters and foes of Russia's attempt to annex Crimea against one another.

As noted above, President Obama has given the Secretary of the Treasury additional authority to significantly enhance Russia's economic costs and isolation. Executive Order 13662 authorizes the targeting of individuals and entities operating in broad sectors of the Russian economy to be identified by the Secretary of the Treasury, in consultation with the Secretary of State, such as defense, metals and mining, finance, engineering, and energy. Treasury has been working closely with our colleagues within the U.S. Government, and with counterparts within the European Union and G7, to design a strategy to deploy our full range of tools to target the Russian economy should Russia's leadership continue to destabilize Ukraine, including by attempting to disrupt this month's Presidential election.

In this regard, I should note the importance of coordination with our international partners, particularly those in the European Union and G7. To be clear, the United States always stands ready to take the actions we deem necessary to safeguard international security. We do, however, recognize that our financial measures are

more powerful and effective when done in a multilateral framework. This is certainly the case in the context of Russia, which is financially and economically integrated with Europe and the G7 countries to a significant degree. Our partners have taken sanctions measures of their own, and have stated that they are prepared to do more should circumstances require. It will be important for them to do so, and the State and Treasury Departments are working tirelessly to ensure that our international partners continue and expand their measures as we move forward together to address Russia's efforts to destabilize Ukraine.

IMPACT: THE COSTS OF SANCTIONS ON THE RUSSIAN ECONOMY

Sanctions, and the uncertainty they have created in the market, are having an impact, directly and indirectly, on Russia's weak economy. And as sanctions increase, the costs will not only increase, but Russia's ability to mitigate costs will diminish. Already, market analysts are forecasting significant continued outflows of both foreign and domestic capital and a further weakening of growth prospects for the year. The IMF has downgraded Russia's growth outlook to 0.2 percent this year, and suggested that recession is not out of the question. This stands in stark contrast to previous IMF forecasts, which as recently as February were projecting 2 percent growth. It is clear that our sanctions policy is working:

- Since the start of the year, Russia's stock market has declined by over 13 percent;
- The Russian ruble has depreciated by almost 8 percent since the beginning of the year, despite substantial market intervention by the Russian Central Bank and an interest rate hike, amid heavy capital outflows that have already exceed last year's total;
- The Central Bank of Russia has spent nearly \$50 billion (10 percent of its total foreign exchange reserves) in an effort to defend the value of the ruble;
- The yield on Russia's 10-year government bond is up over 170 basis points;
- The government is feeling the bite of rising borrowing costs. On April 23, Russia was forced to cancel a debt auction due to a spike in the price investors demanded to buy Russian bonds;
- IMF expects as much as \$100 billion in capital flight from Russia this year; the World Bank puts that estimate closer to \$130 billion;
- Citing recent large capital outflows and a deteriorating economic outlook, S&P downgraded Russia's sovereign credit rating to BBB-, or one notch above junk status, with a negative outlook; and
- S&P has downgraded ratings and outlook for several Russian banks and corporations on the deteriorating outlook for the Russian economy.

SUPPORTING UKRAINE

In addition to our measures to isolate the Russian economy, the Department of the Treasury is working with the international community to support the Ukrainian Government in returning the country's economy to solid footing. Last week's approval of a 2-year, \$17 billion IMF reform program is a positive first step and has unlocked additional bilateral and multilateral financial support to help Ukraine as it undertakes essential reforms to set its economy on the path to sustainable growth.

The IMF will be at the center of this international assistance effort and is best placed to support Ukraine's implementation of robust and market-oriented reforms. The Ukrainian authorities have already begun undertaking the necessary steps to build a secure economic foundation, including urgently needed market reforms that will restore financial stability, improve economic potential, and allow Ukraine's people to better achieve their economic aspirations.

Total financial support from the international community for Ukraine is expected to reach \$27 billion over the next 2 years, including support from the IMF, World Bank, European Bank for Reconstruction and Development, European Investment Bank, the United States, European Union, Canada, Japan, and possibly other bilateral donors. Financial support for Ukraine totaling \$5.9 billion is estimated to be released in May, including \$3.2 billion from the IMF and an estimated \$2.7 billion from the United States, EU, World Bank, Japan, and Canada.

Our \$1 billion loan guarantee agreement with the Ukrainians was signed last month, and we continue to work expeditiously to enable Ukraine to issue the \$1 billion in U.S. guaranteed debt by mid-May—the proceeds of which will allow the Ukrainian Government to insulate vulnerable Ukrainians from the impact of necessary economic reforms.

In addition to this direct financial support, the international community is supporting Ukrainian efforts to recover billions of dollars in assets stolen by the former

Yanukovich regime. At an international conference last week in London, Attorney General Holder announced that the FBI would form a “financial SWAT team” to assist the Ukrainian Government. In support of this effort, Treasury will offer its expertise in identifying, tracking, and recovering stolen Ukrainian state assets, following the Department of Justice’s lead. Already, Treasury’s Financial Crimes Enforcement Network (FinCEN) issued an advisory on February 26 reminding U.S. financial institutions of their responsibility to apply enhanced scrutiny to private banking accounts of assets related to Viktor Yanukovich. When the Ukrainian Government announced its criminal investigation against Yanukovich officials for misappropriation of state assets, we added those names to the list to be scrutinized as well.

The United States has also pledged \$50 million for new programs to address emerging needs in Ukraine. As a part of these efforts, expert Treasury advisors have been deployed to Kiev to help the Ukrainian authorities stabilize the financial sector and implement reforms. Treasury advisors are already working closely with the Finance Ministry and National Bank of Ukraine, helping to develop strategies to manage existing liabilities, resolve failed banks, improve banking supervision, and spur financial intermediation. As Ukraine’s needs evolve, Treasury will be in a position to deploy additional advisors with expertise in areas such as budget and tax administration.

CONCLUSION

As the United States and our international partners continue to confront Russia’s illegal actions in Ukraine, we stand ready to further employ our arsenal of financial measures as the situation escalates. A diplomatic resolution to the crisis remains our goal, but if Russia chooses to continue its illegal and destabilizing actions in Ukraine, we can impose substantial costs on, and expand the isolation of, an already weak Russian economy.

The CHAIRMAN. Thank you.
Secretary Farkas.

STATEMENT OF HON. EVELYN N. FARKAS, PH.D., DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR RUSSIA/UKRAINE/EURASIA, U.S. DEPARTMENT OF DEFENSE, WASHINGTON, DC

Dr. FARKAS. Thank you very much, Chairman Menendez, Senator Corker, and all the members of the committee, for the opportunity to speak to you today on the crisis in Ukraine. Thank you also for your individual engagement on the crisis and for the committee’s work in support of the administration’s efforts and, of course, in support of Ukraine and the Ukrainian people.

Russia’s illegal annexation of Ukrainian sovereign territory and continued aggressive actions are not just a threat to European security, but a challenge to the international order.

As demonstrated by the Vice President’s recent visit to Kiev, the administration has made support for Ukraine a top priority. And as Secretary Nuland has just described, the United States has been working with the international community to address the most pressing political and economic issues related to the situation in Ukraine.

Meanwhile, from a bilateral perspective, the Departments of State and Defense are working with Ukraine to review, prioritize, and respond to its defense capability needs. Our aim is to provide reassurance, deterrence, and support without taking actions that would escalate the crisis militarily.

The first round of this process was completed on March 29 with the delivery of 330,000 meals ready to eat to support Ukrainian forces in the field. Subsequently, the U.S. Government approved the requisition and delivery of uniforms, medical supplies, and non-lethal equipment to the Ukrainian Armed Forces and to the border

guard services. Taken together, this represents about \$18 million of security assistance to Ukraine from existing resources.

Looking ahead, we will utilize all available tools to provide meaningful, cost-effective support to Ukraine's security institutions. We are working with the State Department to identify additional security assistance resources for Ukraine. We are mindful of the fact that we cannot fill all the gaps in Ukraine's security sector. Ukraine's requests for material assistance are far-reaching and vastly outstrip our ability to meet them under current authorities and appropriations. But we are also mindful of the fact that this committee and many of the members are trying to help us with those authorities and appropriations. So we thank you again for that.

In addition to material assistance, the Department is maintaining our senior-level dialogue with Ukrainian counterparts, including multiple conversations between Secretary Hagel and the Ukrainian Minister of Defense. On April 1, we held bilateral defense consultations in Kiev, and the U.S. European Command will reinforce this effort with a senior-level dialogue in Ukraine next month.

These initiatives represent only the most recent developments in our long-standing defense cooperation programs with Ukraine. Many of our existing programs are intended to build capacity over the long term, particularly those that focus on education and training. We continue to realize the gains from investments that we have made over the last 20 years in the International Military Education and Training program, one that this committee has a special responsibility for, as officers trained in U.S. military institutions have assumed positions of greater responsibility in Ukraine's Armed Forces. We saw this manifested in the great professionalism and restraint exercised by the Ukrainian military during the demonstrations on the Maidan when the Ukrainian military refused to use force against peaceful demonstrators and in their courage and restraint in the face of overwhelming force in Crimea.

The United States has taken prompt and high-profile steps to reassure NATO allies in light of Russia's incursion into Ukraine. Measures so far include bolstering our maritime presence in the Black Sea and deploying additional combat aircraft to the Baltics and Poland. And last week, 600 paratroopers arrived in Estonia, Latvia, Lithuania, and Poland to begin exercises requested by those nations. These exercises are the first in a series of activities that will take place over the next few months and beyond in addition to the 22 U.S. and NATO exercises already planned between April and June.

We are also taking measures to support non-NATO security partners who feel directly threatened by Russia's actions. Moldova, for example, has Russian forces on its territory who support the unrecognized separatist regime in Transnistria. We recently held senior-level consultations—Secretary Nuland was there—with Moldovan officials and approved \$10 million in additional funding for Moldova to help it maintain secure borders. We are also working to address Georgian concerns, given the ongoing Russian occupation of Georgian territory.

Since the start of this crisis, our NATO allies have acted with resolve. Denmark, France, Germany, and the United Kingdom have offered aircraft for NATO's Baltic air policing. The Netherlands and Turkey have offered air-to-air refueling capabilities. Germany and Norway have offered ships for Baltic maritime security. And to ensure preparedness across the alliance, NATO is updating and expanding its contingency planning. As we approach the NATO summit in Wales this fall, we will continue to urge all NATO allies to increase support to these reassurance measures, including by bolstering their individual commitments to allied security through robust defense investment.

As a coordinated effort, these measures represent a clear eastward shift of allied forces, a shift that is explicitly intended to counter Russia's aggressive actions.

We are also further isolating Russia and imposing significant costs on Russia for its actions. The United States has led the international community in isolating Russia diplomatically and imposing financial and political costs for its actions, as my colleagues have laid out.

At the Department of Defense, we have halted all military-to-military engagements with Russia, including bilateral military exercises, bilateral meetings, port visits, planning conferences, although we do maintain channels for dialogue that can serve to de-escalate the crisis. So what I mean by that are senior levels of dialogue. While we have worked hard over the last two decades to build a cooperative, transparent defense relationship with Russia, its actions to undermine stability in Europe mean that we cannot proceed with business as usual.

Chairman Menendez, Senator Corker, and members of the committee, Russia's actions stand as an affront to the international order that we and our allies have worked to build since the end of the cold war. Russia's illegal annexation of Crimea, followed by blatant and unconcealed efforts to destabilize eastern and southern Ukraine, signifies a paradigm shift in our relations with Russia. Despite Russia's efforts to portray the situation otherwise, this crisis is entirely one of its choosing. These actions represent a wholesale rejection of the goal of a Europe whole, free, and at peace.

I want to conclude by thanking the Congress and the committee again for its resolute support through this crisis so far. In addition to legislative actions, the outreach by the members here to the countries on the periphery of Russia has provided reassurance in a time of great uncertainty, and I know many of you have traveled to those countries and we have taken note and we appreciate that. As we move forward, it will be important to continue to show resolve and to speak with one voice across our Government. And again, I appreciate that we are doing so now.

I look forward to your questions.

[The prepared statement of Dr. Farkas follows:]

PREPARED STATEMENT OF DR. EVELYN FARKAS

Chairman Menendez, Senator Corker, and members of the committee, I appreciate the opportunity to speak to you today on actions taken by the United States, along with our allies, and international partners in response to Russia's incursion into Ukraine.

Russia's illegal annexation of Ukrainian sovereign territory and continued aggressive actions are not just a threat to European security, but a challenge to the international order. The United States continues to pursue three main lines of effort, consistent with the President's direction, to achieve a negotiated, peaceful outcome. These lines of effort include: (1) demonstrating support to Ukraine's transitional government, (2) reassuring allies and de-escalating tensions in Eastern Europe, and (3) imposing costs on Russia for its actions. The Department of Defense has an important role in achieving U.S. objectives in all three areas.

SUPPORT TO UKRAINE

As demonstrated by the Vice President's recent visit to Kiev, the administration has made support for Ukraine a top priority. The United States has been working with the international community including the United Nations (U.N.), the European Union (EU), the International Monetary Fund (IMF), the World Bank and allies to address the most pressing political and economic issues. From a bilateral perspective alone, the United States has pledged funding for a \$1 billion loan guarantee to allow Ukraine to raise funding directly in private capital markets at a more affordable rate and \$50 million for new programs to address emerging needs in Ukraine.

The Departments of State and Defense are working with Ukraine to review, prioritize, and respond to its defense capability needs. Our aim is to provide reassurance and support without taking actions that would escalate the crisis militarily.

The first round of this process was completed on March 29 with the delivery of 330,000 Meals Ready-to-Eat to support Ukrainian forces in the field. Subsequently, the U.S. Government approved the requisition and delivery of medical equipment, uniforms and individual equipment, water purification units, handheld radios, and Explosive Ordinance Disposal robots to the Ministry of Defense. We are also providing nonlethal assistance to the State Border Guard Service to procure monitoring and surveillance equipment, electric generators, shelters, vehicles, and engineering equipment. The Departments of State and Defense are working together to procure and deliver these items to the Ukrainian Armed Forces and State Border Guard Service. To date, we have purchased and delivered fuel pumps, concertina wire, vehicle batteries, spare tires, binoculars, and communications gear to the Ukrainian Border Guards. Taken together, this represents about \$18 million of security assistance to Ukraine from existing resources.

Looking ahead, we will continue to utilize all available tools to provide meaningful, cost-effective support to Ukraine's security institutions. We are working with the Department of State to identify additional security assistance resources for Ukraine. We are mindful of the fact that we cannot fill all of the gaps in the security sector. Ukraine's requests for material assistance are far-reaching and vastly outstrip our ability to meet them under current authorities and appropriations.

In addition to material assistance, the Department of Defense is maintaining senior-level dialogue with our Ukrainian counterparts, including multiple phone conversations between Secretary Hagel and the Ukrainian Minister of Defense. On April 1, we held bilateral defense consultations in Kiev, at which we discussed our mid-term and long-term objectives for defense cooperation. U.S. European Command will reinforce this effort with senior-level dialogue in Ukraine in June to maintain focus and encourage progress towards our mutual goals.

These initiatives represent only the most recent developments in our longstanding defense cooperation programs with Ukraine. Many of our existing programs are intended to build capacity over the long term, particularly those that focus on education and training. We continue to realize the gains from investments made over the last 20 years in the International Military Education and Training (IMET) program, as officers trained in U.S. military institutions have assumed positions of greater responsibility in Ukraine's Armed Forces. We saw this manifested in the great professionalism and restraint exercised by the Ukrainian military during the demonstrations on the Maidan and when the Ukrainian military refused to use force against peaceful demonstrators, and in their courage and restraint in the face of overwhelming force in Crimea. Now, more than ever, it is important to bolster Ukraine's security sector to give them the means to secure and defend their territory.

REASSURING ALLIES AND DE-ESCALATING THE SITUATION WITH RUSSIA

The United States has taken prompt and high-profile steps to reassure NATO allies in light of Russia's incursion into Ukraine. Measures so far include bolstering our maritime presence in the Black Sea with the USS *Donald Cook*, USS *Taylor*, and an extension of stay for the USS *Truxtun*. We augmented the U.S. January-

April rotation in the NATO Baltic Air Policing mission with six additional F-15s, and we deployed 12 F-16s and nearly 200 support personnel to Poland to supplement the U.S.-Poland Aviation Detachment training rotation. Our KC-135s are providing air-to-air refueling for NATO early warning and surveillance flights over Poland and Romania. And last week, 600 paratroopers from the U.S. Army's Europe-based 173rd Airborne Infantry Brigade Combat Team arrived in Estonia, Latvia, Lithuania, and Poland to begin exercises requested by those nations. These exercises are the first in a series of expanded, land-based training activities that will take place over the next few months and beyond. These measures are in addition to 22 U.S. European Command and NATO exercises already planned between April and June.

We are also taking measures to support non-NATO security partners who feel directly threatened by Russia's actions. Moldova, for example, has Russian forces on its territory, nominally peacekeepers, but who actually support the unrecognized, separatist regime in Transnistria. We recently held senior-level consultations with Moldovan officials and approved \$10 million in additional funding for Moldova to help it maintain secure borders. We are also working to address Georgian concerns, given the ongoing Russian occupation of Georgian territory.

Since the start of this crisis, our NATO allies have acted with resolve. Denmark, France, Germany, and the United Kingdom have offered aircraft for NATO's Baltic Air Policing. The Netherlands and Turkey have offered air-to-air refueling capabilities. Germany and Norway have offered ships for Baltic maritime security. And to ensure preparedness across the alliance, NATO is updating and expanding its contingency planning. As we approach the NATO summit in Wales this fall, we continue to urge all NATO allies to increase support to these reassurance measures, including by bolstering their individual commitments to allied security through robust defense investment.

As a coordinated effort, these measures represent a clear eastward shift of allied forces—a shift that is explicitly intended to counter Russia's aggressive actions. As Secretary Hagel has said: "The essential character and commitment of (our) alliance . . . remains unchanged, but we will look for new ways to collaborate and improve the alliance's capabilities and readiness."

IMPOSING COSTS ON RUSSIA

We are also further isolating Russia and imposing significant costs on Russia for its actions. Russia continues its illegal annexation and occupation of Crimea, and President Putin continues a campaign to destabilize eastern Ukraine from within using local pro-Russian agents and Russian special forces. Russia continues to deploy significant military assets along Ukraine's border in a menacing fashion, adding to the uncertainty and instability present in eastern Ukraine. Russia has clearly failed to abide by the commitments it made in the 1994 Budapest Memorandum commitments and violated the principles of the NATO-Russia Founding Act. In response, the United States has led the international community in isolating Russia diplomatically and imposing financial and political costs for its actions.

At the Department of Defense, we have halted all military-to-military engagements with Russia, including bilateral military exercises, bilateral meetings, port visits, and planning conferences, although we do maintain channels for dialogue that can serve to deescalate the crisis. While we have worked hard over two decades to build a cooperative, transparent defense relationship with Russia, its actions to undermine stability in Europe mean that we cannot proceed with business as usual. NATO and many allies have likewise suspended military cooperation and engagements with Russia.

CONCLUSION

Chairman Menendez, Senator Corker, and members of the committee, Russia's actions stand as an affront to the international order that we and our allies have worked to build since the end of the cold war. Russia's illegal annexation of Crimea, followed by blatant and unconcealed efforts to destabilize eastern and southern Ukraine, signifies a paradigm shift for our relations with Russia. Despite Russia's efforts to portray the situation otherwise, this crisis is entirely one of its choosing. These actions represent a wholesale rejection of the goal of a Europe whole, free, and at peace.

As the crisis deepens, our European allies and partners will look to the United States to demonstrate resolve and to reinforce solidarity across the continent. In support of our broader national objectives, the Department of Defense will continue to strengthen ties and build capacity across the security sector in Europe, and we will carefully apply any additional tools that Congress puts at our disposal.

I want to conclude by thanking Congress for its resolute support throughout the crisis so far. The Support for the Sovereignty, Integrity, Democracy, and Economic Stability of Ukraine Act of 2014 is closely aligned with the administration's objectives, and demonstrates a unified position across the U.S. Government. And in addition to legislative actions, the outreach by members to our partner nations on Russia's periphery has provided reassurance in the face of great uncertainty. As we move forward, it will be important to continue to show resolve and to speak with one voice across our government, and I appreciate that we are doing so now.

The CHAIRMAN. Thank you all very much.

Let me start with you, Secretary Nuland. Just to set the record—and I do not want long answers to this first set of questions, if I can. We have no doubt that Russian agents are a part of creating unrest in the cities of eastern Ukraine. Is that fair to say?

Ms. NULAND. In this setting, Senator, I can say that we have high confidence that Russia is involved as I said.

The CHAIRMAN. And I think we can take public notice that they are waging a propaganda war on the airwaves in Ukraine and beyond to paint a picture that the Russians would like to paint as they painted in Crimea. Is that fair to say?

Ms. NULAND. Absolutely. In fact, the Russian effort to block the airwaves of anything but their propaganda, particularly in eastern Ukraine, has been virtually complete. As you know, one of the early targets of the pro-Russian thugs were some of these TV towers in eastern Ukraine so that they could take pro-Ukrainian programming off the air. The government has now reclaimed two of those towers in its cordon operation, but it is a real problem.

The CHAIRMAN. And there are public reports about Spetsnaz forces, which are special forces of Russia, among elements of some of these—I will call them “rebels” for lack of a better name, that are engaging. I am not going to even ask you to comment. I am going to acknowledge the public sources that have said that.

And from everything we can tell, is it not fair to say that Russia continues to try to generate economic coercion on the Ukraine?

Ms. NULAND. Yes. I mean, there have been efforts to close off access to the Russian market, et cetera. That actual aspect of Russia's efforts have been less successful because they are equally dependent on the Ukrainian market.

The CHAIRMAN. But their potential risk on energy sources has been one of their threats.

My point is this: there are a series of things that the Russians have done and are doing to destabilize eastern Ukraine. There are many who suggest that Putin does not have to send his 40,000 troops across the border because he is achieving what he wants by virtue of undermining elements in eastern Ukraine.

And if it is the case that all of these different elements are taking place—in my mind, is a troubling scenario. And my question is: what ultimately triggers the sanctions that have been announced as a possibility, but have not been pursued. Does the administration look at the sanctions as a preventative effort to, or does it look at them as an element of consequence and punishment for doing something wrong?

Ms. NULAND. Well, Chairman, the President, as you know, has talked about costs for Russian behavior, but obviously the sanctions escalatory ladder is designed also to have a deterrent effect. As Assistant Secretary Glaser made clear, we have already done a

number of rounds of sanctions getting closer and closer to those who are close to Putin, who protect his money, who fund those aspects of the economy—

The CHAIRMAN. I get what has been done, and I have applauded it—

Ms. NULAND. Right.

The CHAIRMAN [continuing]. And said I think the administration is definitely on the right path.

My concern is the following. If we do not use this calibration on sanctions in a way to prevent further incursion into Ukraine, we will find ourselves using those sanctions as an aftermath as we did in Crimea. That is an after-fact that I do not want to envision. So as I look at these elections on May 25 that you so aptly said are critical to laying a foundation for Ukraine's future, I see the Russians doing everything they can to disrupt those elections. It seems to me that there needs to be a consequence up front so that disruption does not continue to take place.

Ms. NULAND. Well, Chairman, as you recall, when the President was in Europe in March, which was a month ago, we were talking, as you said, about sectoral sanctions kicking in and we talked to the Europeans about this in the context of Russian forces coming over the border. But we analyze the situation the same way you do, that Russia has demonstrated through its actions since then that it can destabilize eastern Ukraine without having to pour forces in.

So that is why you saw the President and Chancellor Merkel talk about sectoral sanctions in the context of destabilizing these elections because, in fact, the elections are the Ukrainian people's choice, and it is how the people of the east of Ukraine actually express their will through the political process rather than having these little green men dictate their—

The CHAIRMAN. Very quickly, what do we estimate is the ability of the Ukrainians to proceed with that election on the 25th?

Ms. NULAND. So we can talk about this at some length. We had an internal review of what the OSCE is now saying. In fact, the OSCE is giving the Government of Ukraine very high marks for election preparations across the country, and even is giving some of the hotter Oblast, Donetsk, and Luhansk relatively high marks for establishing electoral commissions, getting ready to receive ballots, for protecting the sites. There are, obviously, parts of Donetsk, Oblast, and some parts of Luhansk where if the election were held today, you would have to make alternative arrangements. But the Ukrainian Government is working very hard to try to minimize those but is prepared to consider alternative sites for places like Slovyansk.

The CHAIRMAN. At this point, do we believe that the elections can take place on the 25th?

Ms. NULAND. If the elections were held today, yes, in the vast majority of Ukraine. The news reporting distorts the fact that the vast, vast majority of Ukraine is stable and looking forward to elections. And as I said, three-quarters of the people of the east say we want to vote.

The CHAIRMAN. Secretary Glaser, following Russia's invasion of Crimea, the Treasury Department suspended negotiations with the

Russian Government over an intergovernmental agreement to bring Russia's financial sector into compliance with the Foreign Account Tax Compliance Act, known as FATCA. There have been several reports in Russian and United States press questioning whether Russian banks will be able to comply with FATCA before it takes effect on July 1, and raising the possibility that failure to do so would have a devastating impact on Russia's financial sector—worse than the impact of any U.S. or EU sanctions to date.

Several Members of Congress, including on this committee, have cautioned Treasury not to restart FATCA negotiations with Russia as long as its forces are threatening Ukraine. What is the status of this issue with Russia?

Mr. GLASER. Thank you, Senator Menendez.

There are individual Russian banks that are able to bring themselves into compliance with FATCA requirements and that is a good thing in that it allows the United States to get information on taxpayers. That said, the United States at this point, the Treasury Department at this point, has no intention of restarting negotiations with Russia with respect to the reciprocity that Russia would get if they were able to enter into an agreement with us.

The CHAIRMAN. Beyond those banks that may be able to put themselves in compliance, has Treasury analyzed how FATCA would impact Russian financial institutions without an IGA in place, or if the government does not change domestic laws to allow Russian banks to register with Treasury?

Mr. GLASER. Well, if Russian banks do not register with Treasury because they are prohibited from registering with Treasury because they decide not to register with Treasury, then they would be subject to the same penalties that any other bank would.

The CHAIRMAN. And those are pretty pervasive, are they not?

Mr. GLASER. There are strong penalties, certainly.

The CHAIRMAN. So you—meaning the Treasury Department—are not pursuing at this point in time any further negotiations with the Russian Government.

Mr. GLASER. Correct.

The CHAIRMAN. You are not pursuing negotiations.

Mr. GLASER. Correct. We are not.

The CHAIRMAN. Lastly, there was a very extensive article in Bloomberg about how Russia moves billions offshore, and a handful of tax havens may be critical to the question of our sanctions ability. Are you familiar with that issue?

Mr. GLASER. I am generally familiar with the article.

The CHAIRMAN. And are we looking at the potential of engaging those tax havens to have a consequential effect as it relates to the sanctions that we have already levied, and those which we might levy?

Mr. GLASER. With respect to secrecy jurisdictions around the world, whether they are small islands or otherwise, this has been an initiative of the U.S. Treasury Department for almost as long as I have been at the Treasury Department, for many, many years. Through organizations like the Financial Action Task Force and directly, we make clear to jurisdictions that are secrecy havens for tax purposes, for money laundering purposes, for any other purpose that they risk access to the United States and international

financial system if they are not able to comply by the international community's rules and norms with respect to information exchange. So certainly if we were to have information that an offshore jurisdiction was harboring sanctions evasion, whether it related to Russia or any other target, we would be quite concerned about that and we would pursue that quite vigorously.

The CHAIRMAN. Well, I would like to follow up with the Department on that because between these two items that I have spoken to you about, FATCA, as well as the offshore tax havens, it seems to me that we would have a far more devastating effect than any potential sanctions impact that we might pursue.

Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

And I appreciate all of you for coming up here. Again, I have a lot of respect for the Secretary.

I will say, after listening to the testimony, sometimes I think the only strategy the administration has is getting people who talk about Ukraine to look in the mirror and make sure they practice sounding tough. I really do not see any evidence of anything other than people trying to sound tough. Just as you mentioned, the President and Chancellor Merkel the other day talking—that is the way you referenced “talking”—about what we might do in Ukraine if things further destabilize.

I would just ask you, Madam Secretary, are you satisfied with the United States response at present in Ukraine? You are a professional that we all respect. Are you satisfied with the response that is taking place today?

Ms. NULAND. Senator, I think, as we have made clear, particularly on the cost side for Russia's actions, we will be far stronger if we move, particularly when we move sectorally, if we do it together with Europe. It is a matter of ongoing consultation between us and the Europeans at every level—

Senator CORKER. Yes, I got all that. But are you satisfied?

Ms. NULAND [continuing]. To be ready for that.

Senator CORKER. Are you satisfied today with our response to the crisis in Ukraine, wherein we know that Russia is fomenting problems. We know that. When you say “high confidence,” I want the audience to understand that means you know it. That is about as high as it gets from the standpoint of understanding what is happening inside. We know that it is occurring, so are you satisfied with our response where we just keep talking?

We have an Executive order for sectoral sanctions, none of which have been put in place.

And again, I just want you to tell me, do you think we are doing what we should be doing right now in Ukraine to deter Russia from annexing other portions of eastern Ukraine like they did in Crimea?

Ms. NULAND. I do not think any of us should be satisfied with what we are seeing on the ground in Ukraine. I think we have more work to do with our European partners to make the costs real for Russia on the sectoral side, if in fact we cannot have elections on May 25. And that is what we are trying to do right now.

Senator CORKER. So let me ask you this. I know that today you said the elections could be held in reference to Chairman

Menendez's question. Mr. Glaser says that if Russia chooses to destabilize Ukraine—now, I think it is pretty self-evident that Russia has chosen to destabilize Ukraine—but he said if they do that, then we can do some other things. And you quoted what the President said the other day with Chancellor Merkel. If they continue disruptions and destabilization that impede the elections, on the trajectory that we are on today, will we have an election process that is credible?

Maybe I will ask it a different way. When do you discern that they have crossed the line and are doing things that merit sectoral sanctions between now and May 25?

Ms. NULAND. Again, the President, standing next to Chancellor Merkel—the two of them together declared that if we cannot have these elections, there will certainly be sectoral sanctions. If there is continued destabilization such that there cannot be elections—and that is 19 days from now. So the goal there was to set a deterrent.

Senator CORKER. So what we are going to do is, after the fact, we are going to respond, just as it happened in Syria. We are beginning to realize that in Syria, we have got counterterrorism issues. And because it has gotten so bad, it is now a threat to us.

So what you are saying is when it gets really, really bad and Russia has done the things that they wish to do to discredit the election, which by the way is the most important thing for them to do right now—is that correct? Do you agree with that? I mean, that is the most important thing for them to do. We are watching them do it, and we are saying after they disrupt the election, then we are going to consider putting some sectoral sanctions in place. Is that correct?

Ms. NULAND. Senator, what we are doing this week, including with teams in Europe—and I was in Europe last week working on this and will be back in Europe on Monday—is trying to develop this strong sectoral package on both sides of the Atlantic so that the Russians can see it, understand it, and understand its impact if they take further action to prevent these elections from happening.

Senator CORKER. And I have watched our country hide behind Europe. The chairman and I had dinner the other night with Chancellor Merkel and had an opportunity to listen a little bit to what she was thinking. Most of us have been to Ukraine recently and seen firsthand what is happening there on the ground. We are hiding behind Europe.

I think everybody on the ground is appreciative of the things that we have done, but they know that Russia is far more interested in them failing than we are in them succeeding. They know that. They are watching. They are hearing people talking tough and doing nothing.

So what I do not understand is on the sectoral sanctions. There are a few banks that we could hit, and I think you are going to have some witnesses who will come after you who will identify those. I think you have identified those. We do not have to hit entire sectors. They are second party sanctions. So they do not really implicate Europe.

Typically the United States has led on these issues, and Europe does about 75 percent of what we do. I mean, that is the way things typically have worked.

I do not understand. I truly do not get it. We have 40,000 troops intimidating people on the inside. We have got black ops, little green men, doing the things they are doing on the inside. We know it. We know their goal is to disrupt the election and discredit it so there is a massive setback to this young government. You know that. We know it. We are watching them. Everybody is watching them. Today the German Foreign Minister said do not go to Ukraine. It is becoming a war zone. Other Foreign Ministers are doing the same thing. So we are watching this happen.

We do these things last week that caused the stock market to go up 3.63 percent after we announced them.

I do not understand. I really do not. I just do not understand the thinking of waiting until the damage is done and Russia has won to put in place things that matter. I do not get that. And I really would like for you to explain to me why you think that is a good way for us to be going.

Ms. NULAND. Again, Ranking Member Corker, I think we are working currently on a lot of the things that you are interested in seeing. I think you know that we have already hit—was it four or five—banks in our previous rounds of sanctions. But as I said, it will be much stronger in the next round if we can coordinate with Europe. That is what we are working on right now.

Senator CORKER. Mr. Glaser, how are the separatists being financed right now?

Mr. GLASER. I think that would be a question for the intelligence community, Mr. Senator.

Senator CORKER. Are you kidding me? Are you kidding me? That is the answer you are going to give me in this hearing with your responsibility knowing all of those things. That is an answer for somebody else. Do you not have a classified clearance? Is this not what you do? Tell me how the separatists are being financed right now.

Mr. GLASER. Mr. Senator, I know that we could have a further conversation in a closed hearing.

Senator CORKER. Forty-one days ago that is what Anne Patterson told us on Syria. Will you tell us that this afternoon at 5 o'clock?

Ms. NULAND. I do not actually have too much information—

Senator CORKER. Well, could he accompany you to the meeting today at 5 o'clock?

Ms. NULAND. If you would like to invite him, we will see if he is available. I think somebody from Treasury is coming to the meeting.

Mr. GLASER. I am going to be at the meeting. Mr. Senator, though, I do think this is a question that the intelligence community will be able to answer.

Senator CORKER. Do you know the answer to the question? Do you know the answer to the question? If you do not, then we have problems in Treasury since that is your focus.

Mr. GLASER. Mr. Senator, I do not think the issue is how the separatists are being funded right now. It is clear that the separatists are being supported by Russia in every way, shape, and form.

Senator CORKER. So is Russia financing the separatists?

Mr. GLASER. I think it certainly stands to reason that Russia is funding the separatists. I do not think the question, though, is whether Russia is funding the separatists. The separatists are controlling territory right now. I think what our focus has been, Mr. Senator, is imposing costs on Russia, not on breaking financial links between Russia and the separatists, which I think we have far less ability to do.

Senator CORKER. If I could, are those not the people that are destabilizing the country?

Mr. GLASER. Are the separatists destabilizing the country?

Senator CORKER. Yes.

Mr. GLASER. Absolutely.

Senator CORKER. I guess I am missing something.

But let me move to Ms. Farkas. And I know my time is up.

You said, "within all the authorities that you had." I think there are plenty of us that would love to give you authorities, if you need authorities to help Ukraine defend itself. Would you please outline the kind of authorities that you would like?

By the way, there is not a person on this committee that has ever talked about boots on the ground or sending in military. Nobody has ever said that.

I will say that Yatsenyuk, in talking to all of us, would like to have the ability for Ukrainians to at least defend themselves. I think you said you saw the President the other day say that they have lost control of the country.

So I would love for you to share with me what authorities the Pentagon is seeking to help Ukraine harden itself.

Dr. FARKAS. Thank you, Senator. Thank you for the question.

And I would like to say, in answer to a comment that one of you made about the United States taking the lead and working with the Europeans, I think one of the things that we are actually very proud of—the United States is as a Government—is that we have moved out very strongly bilaterally on the military front to do certain things to reassure our NATO allies. And our European colleagues have actually followed, and they are joining us in those efforts.

Senator CORKER. So I rest my case.

Dr. FARKAS. So I just wanted to——

Senator CORKER. Okay, I rest my case. But answer the question. I know we have got to move on.

Dr. FARKAS. Yes, I am sorry. I just could not resist.

With regard to your particular question, it is more in the area of appropriations and the amount of funding that we have because we are looking at existing accounts in order to find——

Senator CORKER. What would you like to do?

Dr. FARKAS. Well, we would like to ideally—one thing that we are trying to do right now is we are trying to get the global security contingency fund—get a proposal together, and we have a draft one that we are working on right now, get it up to the Hill, and get some funding for Ukraine and also for Moldova.

Senator CORKER. I am going to give time to other people here, but you never answered my question. You never told me what you

would like to do. Forget the gobbledygook about the funds. What would like to do in layman's language?

Dr. FARKAS. What we would like to do is use those authorities with the right amount of appropriations to support Ukraine and, as I mentioned, another neighboring country. The problem is that we have to work within the existing funding streams that we have. So we are working to find the necessary funding, and we always welcome additional help with that.

Senator CORKER. That was a nonanswer, but thank you.

The CHAIRMAN. As I turn to Senator Cardin, maybe before it is over here—I think what Senator Corker is looking for is not only do you need authorities and funding, but what would you do with that funding? What would you do that we are not doing today? Do not answer it right now because in fairness to other members, I need to move on. But we may want to get you to that at some point in the hearing.

Senator Cardin.

Senator CARDIN. Well, thank you, Mr. Chairman. I first want to thank you for mentioning the kidnapping in Nigeria, which shocks all of us. My work on the Helsinki Commission is focused on human rights globally, and what happened there with Boko Haram kidnapping girls that are just going to school should be shocking to the entire world. And I just want to note the Senate this afternoon did pass the resolution, and this will be a matter that we will certainly continue to follow. And our strategy needs to be to get these girls released. Human trafficking is one of the worst crimes in modern times, modern slavery, and we will certainly be focused on that.

In regards to Ukraine, Ms. Nuland, I first want to talk a little bit about the OSCE mission whether we believe that they are now getting access and whether they are safe. I also want to talk a little bit about what you anticipate happening in the next 19 days, what are the risk factors, how can we mitigate those risk factors. You are correct that they will be one of the largest international groups ever to monitor an election. We expect that the Helsinki Commission will be participating in monitoring, including Members of Congress.

So can you just bring us up to date as to OSCE's involvement in Ukraine, their access and what we anticipate in the next 19 days and how can we mitigate the risk factors for an open, free, and fair election?

Ms. NULAND. Thanks, Senator Cardin, and thanks for what you have done throughout the Euro-Atlantic space to support OSCE and to support ODIHR.

OSCE is busier than it has ever been as a result of the Ukraine crisis. As you know, they are deployed in a number of ways. We have the special monitoring mission which has been deployed all over Ukraine, but primarily in the cities of the east to, first and foremost, bear witness to what is happening with the separatists, but as you know, the idea had been to have them implement the April 17 Geneva agreement and try to support the Ukrainians in negotiating amnesty, on the one hand, for building releases.

That has not been successful, as you know and as I said in my testimony, in part we believe because Russia has not sufficiently

supported the OSCE mission, including by rejecting the request of the chairman of that mission to send a senior level Russian diplomat to tell the separatists that Russia supported Geneva and wants them out of these buildings.

Nonetheless, having the OSCE bear witness to what is happening has made a manifest difference in all of our ability to assess who is at fault here and to make many of these assertions we have made about Russian involvement. They also played a crucial role in Odessa in bearing witness to what happened on Friday.

In addition to that, we have, as I said, one of the most massive election preparation and monitoring missions the transatlantic community has ever mounted in the last 25 years being planned by ODIHR, the OSCE, and thanks to all of you through the Helsinki Commission as well. They are doing everything from supporting the development of the list, the development of the ballots, getting things out to the regions, ensuring that there are election commissions in all of these towns that are constituted properly. They are working with the Ukrainians on this question of whether there will be an additional question on the ballot now regarding unity, but decentralization.

Senator CARDIN. It sounds like the Ukrainians are preparing for the election and they will succeed in having a free election unless there is outside influence that disrupts that process.

What can we do to mitigate that risk factor?

Ms. NULAND. I think the biggest concern that they have, that the Ukrainians have, that OSCE has flagged, obviously, is the issue of security. As I said a little bit earlier on—I do not know if you were in the room—they do assess that if the election were held today, it can be held in the vast majority of Ukraine, absent Crimea where special arrangements have been made. And, in fact, in most of Luhansk and at least a third of Donetsk, there may have to be special arrangements made for some of these areas in Donetsk. And they are working, as are we, as are IFE's with the Ukrainians on—

Senator CARDIN. Did the international community help in providing this guidance on security and alternatives in those areas where it is not secure?

Ms. NULAND. That is one of the things we are working on. In fact, Prime Minister Yatsenyuk asked Ambassador Pyatt yesterday for some advisors to come who have had experience doing elections in difficult security environments in the past, for example, in Iraq and Afghanistan, and we will be supporting that in the coming days.

Senator CARDIN. Thank you.

Secretary Farkas, you mentioned what you would like to see done, and it was interesting. We talk about helping countries in the region as far as perhaps additional U.S. support, which may require appropriations. You probably have the authority, but you may need appropriations.

But we all have NATO. You have also mentioned NATO. NATO's resources are available. Clearly Russia has violated all of our agreements, including the most recent one in Geneva to de-escalate. What are we doing in regards to NATO resources to make it clear to Russia that we are prepared to defend our NATO allies

and are prepared to make sure that they understand that there are security issues that we cannot allow them to compromise?

Dr. FARKAS. Thank you very much for the question, Senator.

As you know, first of all, we, as I mentioned, have done several things militarily to show our support to the eastern allies within NATO. We have augmented our participation in the Baltic air policing. Many of the other NATO countries, the noneastern NATO countries, have joined us in this effort. The same goes for the aviation detachment training in Poland, as well as a number of other things which I outlined a little bit in my earlier testimony.

We also have at the moment ongoing an effort to essentially establish a continuous rotational presence through the end of the year. And General Breedlove is essentially working on this right now. The North Atlantic Council approved 16 reassurance measures, and those will be sourced by all of the countries.

Senator CARDIN. Have you seen any Russian response to the reallocation of NATO resources?

Dr. FARKAS. Yes, absolutely. They have taken some military measures to show that they have taken note of what we have done. So clearly, colloquially I guess we are getting under their skin, and they have made comments about our various rotations and our military deployments.

I should also mention the maritime ones. We have also deployed at least two ships to the Black Sea. So we have a presence there as well.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Rubio.

Senator RUBIO. Thank you.

Thank you all for being here today.

Secretary Nuland, let me start with this. Here is what we see evidence of. First of all, we see an all-out effort—I want to focus on this referendum, which is a farce, on the 11th. So what we see is Russian efforts to try to unite eastern Ukraine and establish this unified political structure there that they can control. We see them working to bring all the institutions that would be responsible for carrying out those elections under pro-Russian control. We see them working to protect their deniability by recruiting external groups to be a part of some of this including, by the way, we have had reports of mercenaries and even some organized crime figures to be part of the efforts that are going on in eastern Ukraine.

Last, but not least, we now see this term becoming increasingly used in Russian political circles. The term is “new Russia,” which I think is a 19th century term for eastern Ukraine.

So this is in my mind—and I think Senator Corker was getting there, actually got there in his comments—I do not think there is any doubt on the minds of anybody on this committee, nor probably on this panel, for that matter, what is going to happen next there, or at least what Russia is going to attempt to do. And you actually speak about it in your statement, at least the written statement. You said just as we do not accept Russia’s declared need for these so-called peacekeepers in Crimea, we will not accept any unilateral decision to deploy unsanctioned Russian peacekeepers to eastern or

southern Ukraine. This you say in the aftermath of any sort of referendum on May 11 where as a result of everything I have just outlined, we can surely expect—I do—that on May 11, the pro-Russian elements will win that referendum fraudulently because they control all of this. They will declare the people of eastern Ukraine, or at least these two regions that have asked for them to come in. And then they come in with their peacekeepers. You say we will not accept that.

We will not accept that or what? What will we do when that happens?

And I guess my second question, as part of the first question, is why would we not just do it now if we know that is where it is headed?

Ms. NULAND. Thank you, Senator.

As I said in my statement, this is something we are watching intensely. Secretary Kerry spoke to this today in his press conference with High Representative Ashton that this is the Crimea playbook all over again, that if there is a referendum—and it is not clear that it will actually be held, but they are broadly mooted it on Sunday to declare the independence of the Donetsk and Luhansk Republics—then the scenario would mirror Crimea where you could conceivably see Russia then recognize that and then come in with peacekeepers to defend it. Obviously, that would trigger sectoral sanctions.

Senator RUBIO. So that would trigger the sanctions. So the reason why we are holding back on those sanctions is to hopefully serve as a deterrent to keep them from doing that?

Ms. NULAND. Senator, as I said—I do not know if you were in the room—we are working very intensively now with our European partners to develop that package of sanctions as we judge that it will be a stronger package if we can do it together with Europe. I was in Europe last week working on it. We have a senior Treasury and State team in Europe today. As I said, Secretary Kerry has been burning up the phone lines, and we have a European Foreign Affairs Council on Monday.

Senator RUBIO. Just to clarify, when we talk about Europe, the three most influential governments in terms of moving the community in that direction is the U.K., France, and Germany. Is that right?

Ms. NULAND. Yes.

Senator RUBIO. Would we expect that if those three move in one direction, that is the way the community would go by and large?

Ms. NULAND. Yes, absolutely, and certainly Germany has been the center lodestar of this. But I will say that there are very diverse opinions and very diverse vulnerabilities across Europe. So keeping the cats herded is a challenge for Europeans, and they are having intense conversations among themselves, including if we move to sectoral, the need to share the pain across Europe because some are more vulnerable on the energy side, some on the banking side, et cetera.

Senator RUBIO. But the actions we are contemplating would not be—we are prepared to move unilaterally on those. Is that right?

Ms. NULAND. Well, again, the EU would move as a bloc. We would move nationally, but they will be stronger if we do it in coordination with each other.

Senator RUBIO. And then, Secretary Glaser, I wanted to ask you about the currency situation within Ukraine. I know that that is having a major impact on their banking sector's ability to provide loans to get them out of this recession. Today I wrote a piece in the Wall Street Journal calling for us to encourage them to set up a currency board to help them supervise the value of their currency and perhaps reestablish some confidence.

Do you have any openness to that? Have you opined on it? Has the administration or the State Department—Treasury—I apologize—opined on it? I mean, do you see value in that and is that something that we should explore?

Mr. GLASER. Thank you, Senator Rubio. I did read your editorial in the Wall Street Journal, and I know that you also have a letter in to Secretary Lew on this precise question that you sent in a few weeks ago.

It is an issue that we are examining very carefully, and I suppose the question becomes whether that is the path to it or whether to have a more free-floating currency as the path to it. But the actions that we are doing that I articulated in my written statement with respect to the IMF program on Ukraine is going to the same direction that I think we are all pulling for, which is to have a strong and vibrant Ukrainian economy as possible.

With respect to currency boards, it is an idea that we are examining. It is an idea that we know we owe you an answer to, and we are going to get you an answer to as soon as we can.

Senator RUBIO. Thank you.

And then finally, Dr. Farkas, I want to get back to the question that Senator Corker had asked and Senator Menendez had asked you to address, and that is, if you had the funds available, what precisely would we do? What is the best use for the funds?

Dr. FARKAS. Thank you, Senator. Thank you for your question, and again, thank you for your personal engagement on the issue of supporting Ukraine.

What we would do is essentially what we have been doing in the building which is evaluating all of the Ukrainian requests that are coming from the Ministry of Defense. And as you may know, we have quite a lot of requests. We cannot take care of all of them, but we work to prioritize them in close conjunction with the Ministry of Defense and our Embassy team in Kiev. So we would essentially address those priorities.

And we have been working through them gradually. As you know, there is already \$18 million of assistance, approximately, that we have approved and is on its way to Ukraine. So we would continue with that effort.

The other part of it, which is a bigger component—it would require more money. We are working also on providing more medium- and long-term assistance to Ukraine. As you know, for 20 years, we have been working very closely with the Ukrainian Ministry of Defense. Again, as I mentioned in my earlier testimony, it is one of our successes, at least to the extent that we have worked with them on professional military education.

Where we have not been able to make as much progress is on defense institution-building and frankly on converting the Ukrainian military from a post-Soviet model to a more modern one. There are elements of the Ukrainian military that can deploy and have deployed. Actually they should be proud. They are in Kosovo right now. They are in Afghanistan. They have deployed also as part of the EU antipiracy missions, and they are very active also in U.N. missions.

So we would aim to increase the number of Ukrainian forces that can do that, that can be interoperable and then, obviously, also now help them with their internal problems. So it would be a package that would address not just the crisis but also move into a more long-term, sustainable path for Ukraine.

The CHAIRMAN. Thank you.

Senator Boxer.

Senator BOXER. Thank you, Mr. Chairman.

Before I ask my question, I am going to kind of follow up on what Senator Rubio discussed with you, Ms. Farkas—Dr. Farkas I should say.

But first, I wanted to thank the chairman and the ranking member from the bottom of my heart because they worked together and they got this resolution out of this committee, which calls for more assistance to help free those 270-plus Nigerian girls who were kidnapped by terrorists. And we just had a prayer vigil on the Capitol steps, but that bore fruit because the Senate passed the resolution unanimously. That is rare and we are thrilled. On behalf of Mary Landrieu and a bipartisan team that worked on the resolution, thanks to both of you, particularly Senator Corker who I know really helped. So thanks.

I am going to kind of press on the answer that you gave to Senator Rubio. So we know the Russian military holds a significant advantage in both size and strength compared to Ukraine. That is obvious. And since March, Russia has amassed at least 40,000 combat troops and heavy equipment on the eastern border with Ukraine. And today the Russian Defense Minister stated Russia will take steps to increase its presence in the Black Sea with additional warships and submarines.

Now, in response to a request by the Ukrainian Government, last month the administration announced \$8 million in nonlethal military assistance. We know that this aid package was welcomed there. It included bomb disposal equipment, handheld radios, engineering equipment, communications equipment, vehicles, and nonlethal tactical gear for Ukraine's border guard service.

Now, Deputy Assistant Secretary Farkas, in your testimony you state that the Defense Department is working to "identify additional security assistance resources for Ukraine," but that "Ukraine's requests for material assistance are far-reaching and vastly outstrip our ability to meet them under current authorities and appropriations." So I need to press you. What is it that they are asking for and what is it that we are not giving them?

Dr. FARKAS. Thank you very much, Senator, for your question and for your interest.

The Ukrainian Government has given us pages of letters and requests for specific things ranging from gear for personnel,

helmets and things of that nature, all the way through the gamut. We have gone through the list and prioritized with them. I am sure you are well aware of that.

Senator BOXER. No, I am not. I am not aware of that.

Dr. FARKAS. Oh, okay. We have gone through those lists and prioritized them. Again, our Embassy in Kiev has worked very closely with the Ministry of Defense so that we know that we are addressing their priorities—

Senator BOXER. Well, how much do you think we should be giving them, given what I just said about what Russia is doing today even, increasing their military presence? Forget the money for a minute because that is our problem. Okay? So tell us what you think we need to do right now. Right now. Supposing there were the votes to do an emergency package—I do not know that there are. I certainly would vote for it I think if it was smart. What are we talking about moneywise?

Dr. FARKAS. There are a couple of points, Senator. One is, of course, we will never be able to, in a short period of time, build up the Ukrainian military to be a modern, agile, ready military in the near term. And obviously, Russia's posturing on the border is one that we hope to de-escalate through our diplomatic and economic measures. So it is not a question of matching—

Senator BOXER. Well, can I suggest it might de-escalate more if they knew they would be paying a price because people need to defend themselves. If they are paying a price, it might de-escalate the situation. So can you not give me an answer? I do not have a lot of time left.

Dr. FARKAS. Yes, Senator.

Senator BOXER. What do you think you should be asking us for that you cannot give right now?

Dr. FARKAS. I think part of the issue has to do with the actual dollar amounts. We are looking for more money—

Senator BOXER. That is what I am asking you.

Dr. FARKAS [continuing]. Within our couch cushions, if you will, because we are restrained by the existing budget and where the dollars are allocated.

Senator BOXER. I did not ask you about your couch cushion. I am saying suppose suddenly the couch cushion was filled. I am not saying it would be, but I am just saying it might be. What would it be? Give me a number, please, or a range. Or would you rather answer in writing?

Dr. FARKAS. I can certainly answer in writing. I can tell you that to give you a number would be irresponsible because it has to do with Ukraine's requirements. It also has to do with their ability to absorb assistance. So I could pull a really big number out, but they could not implement.

Senator BOXER. I ask you to respond to this, please, and I will put it in writing. I am not asking you to be irresponsible. I am asking you to act responsibly in this situation where we all know the constraints. We are not sending troops in there. We have told them they have to defend themselves. I am asking you what it would take in the short run to be credible. I mean, I am going to ask you to write me, as soon as you can, on that.

Now, I am also deeply concerned about the natural gas situation. Ukraine wants to begin reverse-flow deliveries of natural gas from Europe through neighboring Slovakia. And last week, Ukrainian and Slovak pipeline operators signed an agreement that would allow for some reverse-flow deliveries of natural gas from Europe to Ukraine. According to the New York Times, pipelines in Slovakia “could move up to 30 billion cubic meters of gas from Europe to Ukraine a year—more than all the gas Ukraine is expected to import from Russia this year.”

So while I have colleagues here who want to take our natural gas away from us—we have a little dispute about that because I think we need it here for our manufacturing and so on—here you have a situation in a neighboring country, and yet they will only give Ukraine a very small percentage. I think it is just 10 percent? One-tenth of what they have asked for. Okay? One-tenth.

So I guess I would ask you, Ms. Nuland, Ambassador, if you could please help us here. The Slovak company that controls natural gas flows has only offered to provide a tenth of the gas Ukraine has requested from Europe. The reverse-flows cannot begin until engineering work is completed. How important are these reverse-flows, and why are we meeting this resistance?

This should be Europe’s problem. It should not be at our doorstep. We have to deal with it because of humanitarian, moral reasons and everything else. But why is Europe not doing more to help on the natural gas front?

Ms. NULAND. Senator, thanks.

Reverse gas to Ukraine is absolutely an essential piece of the strategic protection of Ukraine in the short run and over the longer term until they can get to the point where they can get the gas out of the ground. As you know, we have fracking operations there as well.

So we have borne down very intensely with, as you said, Slovakia, Poland, Hungary. We now have—I am going to get the numbers wrong, but about 3 billion cubic meters coming in from Slovakia through the pipe that has now been reverse-flowed. We have got about 10 coming from a combination of Poland and Hungary. That will start to fill the tanks over the summer in Ukraine. There are other things that can be done including potentially more from Slovakia. The problem there has to do with Slovakia’s contractual obligations to Gazprom because Gazprom owns the codes that would open the spigots.

So we are also working with Europe in its larger conversation with Gazprom on what might be done. It obviously works against Gazprom’s market interests because they want to keep the price high.

More broadly, it is a strategic priority of the President to accelerate our support for a more dynamic energy market within Europe which will reduce the price and make more reverse flow available.

Senator BOXER. My time is up. So if you were to sum it up in 2 seconds—

Ms. NULAND. We have started. We have more to do.

Senator BOXER. Yes, but why is Slovakia not doing more?

Ms. NULAND. Slovakia is doing what it can legally under its contractual arrangements with Gazprom. We can, with Europe, put

more pressure on Gazprom but also on others to help accelerate reverse flow into Ukraine and we will.

Senator BOXER. We have to.

Thank you.

The CHAIRMAN. Thank you.

Before I turn to Senator Johnson, Dr. Farkas, I think there is a degree of frustration here. So let me try to get to the heart of what many of us are looking for which is we would like to hear from the Department—based upon your comment about authorities and resources—what it is that you would want, meaning the Department, and for what purposes. We are not talking about the long-term modern Ukrainian Army. That is another longer term purpose. We will have budgetary times for that. Talking in this window, what can be done now to assist the Ukrainian security so that it can provide internal security and, at the same time, send a message that there is a consequence to the Russians? Because Crimea was bloodless and therefore, back at home—yes, rah, rah, it was great—but when Ukrainian soldiers are potentially at risk, it changes the dynamics back at home.

What we would like for you to tell the committee is: what are the amounts of money and what would they buy? If what we are talking about are MREs, well, that is great. The reality is, though, there will be members of this committee who will want to see far more than that. If we are talking about a certain type of weaponry, then there will be greater support. For us to be able to calibrate assisting Ukraine in a foreign policy context to understand this one dimension on the security side, we need to get a better sense of: “it means X dollars and it means this is what we would do with it.” If we do that, then I think members can make a judgment. Provide that through the chair to the committee.

Dr. FARKAS. I can provide that to the committee for the record.

[EDITOR’S NOTE.—The written response to the requested information can be found on page 78 in the “Additional Material Submitted for the Record” at the end of the hearing.]

The CHAIRMAN. Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

I would like to thank the witnesses.

I want to concentrate on just acknowledging the reality of the situation here. I made little notes here. One of the little scribbles I put was too little too late. We threatened serious consequences with Crimea. They have done it. We instituted sanctions. Senator Corker basically talked about the currency strength and the stock market rose slightly.

I have heard the President repeat words that I know a lot of us have also repeated as well. We need to change Putin’s calculus. I am not hearing anything discussed here today that is going to change Putin’s calculus. When we were in Ukraine, I was asking the Prime Minister what can we do to do that, and he was very clear in saying, well, Vladimir Putin will not respond to words. He will only respond to action.

So, Secretary Nuland, let me just ask you first and foremost, why do we continue to only talk about providing nonlethal military support?

Ms. NULAND. Well, I think, first, it is a question better directed to Dr. Farkas, but let me—

Senator JOHNSON. No. This is diplomatic because early on before Crimea was annexed, we were told; we better not supply small arms and ammunition because that could provoke Vladimir Putin into taking over Crimea. Has the administration changed its calculus in terms of the fact that Vladimir Putin does not need provocation? He will create his own provocation. Are we recognizing that reality as we are seeing this thing spin out of control? Have you changed your calculus in terms of what you think may or may not change Vladimir Putin's calculus?

Ms. NULAND. Senator, I think you know from our private conversations, I am not persuaded personally that he can be deterred in the ambition that he has, but what we can do is make it cost for Russia for these actions that he has already taken. And as I said in my testimony, I think whether he realizes it or not, there have already been significant costs to the Russian economy; \$51 billion in capital outflow in the first quarter alone, a credit rating just above junk. As I said, I was in Europe last week and had a chance to talk to a number of European business folk who say that nobody in Europe is investing in Russia anymore, that their products are too expensive for Russians to buy.

Senator JOHNSON. Let me just point out—Secretary Glaser, when did those capital outflows start flowing? When did that capital start fleeing Russia?

Mr. GLASER. The number that Victoria gave—and I think the number is actually closer to \$63 billion—are year-to-date numbers.

Ms. NULAND. So this is first quarter of 2014 alone.

Senator JOHNSON. My point being is the stock market had their Black Monday on March 3, 2 weeks before we instituted sanctions. The currency had already devalued before we ever instituted sanctions. My guess is the capital took flight out of Russia certainly before we ever instituted sanctions. I am not sure sanctions had any effect whatsoever other than the Russians have mocked them.

So we are threatening greater sanctions, but, Secretary Nuland, you said there are diverse opinions. It is herding cats. I am not in any way, shape, or form convinced that the Europeans will ever agree to sanctions that would have any possibility of changing Vladimir Putin's calculus. So I am asking what else could we do that actually would change his calculus because sanctions will not do it because we will never institute the types of sanctions that might.

Ms. NULAND. Senator, as I said, we are hopeful that working with Europe we will have a strong package. But, obviously, if that work is not successful, we will have to move forward, and that is what we plan—

Senator JOHNSON. It will be too little too late because this has spun out of control and Vladimir Putin will have accomplished what he wanted in eastern Ukraine. And then what?

Ms. NULAND. Senator, I think we are in this with this Russian leadership for the medium term, and we need to buckle our seat belts for that. And this economic approach is going to take some time.

Senator JOHNSON. The economic approach is going to fail. So that is what I am saying. When the economic approach fails, then what do we do? Are we ever going to consider providing even small arms to the brave and courageous people of Ukraine? I know you share that opinion. You have been over there. You see the desperation in their voice. Are we ever going to consider doing more than just threats, talking tough?

Ms. NULAND. I think there is a question whether in the short run what we are talking about, the 19 days between now and the election, even with all the will in the world, one could pour enough in there to tip the balance vis-a-vis the mighty Russian military if he chooses to use it. So again, we need to make it clear what the costs are going to be and continue to escalate them going forward.

Senator JOHNSON. We are not making it clear, though. We are not making it clear at all. Again, we are threatening sectoral sanctions, whatever that means, with a bunch of allies that have diverse opinions and are a bunch of cats. What is clear about that at all? Why would that change Vladimir Putin's calculus?

Ms. NULAND. With respect, whether he has registered this yet or not, the ruble is down 20 percent against the dollar since the new year. They are in recession now.

Senator JOHNSON. Exactly. What does that tell you? He seems to be impervious to the economic harm. He is not going to respond to that. What might you do that he might respond to?

Ms. NULAND. Again, we are on an escalatory ladder here and we need to continue to raise the pressure if he continues to pursue an aggressive path vis-a-vis Ukraine.

Dr. FARKAS. If I could just add one thing, Senator. It is not as if the Ukrainian military does not have small arms and ammunition or that they do not have their own lethal equipment. And when they came to us with their list of desired equipment and other support, they prioritized it for us, and frankly, they did prioritize a lot of nonlethal assistance.

Senator JOHNSON. That is because when we were there, the Prime Minister specifically said he is not going to ask for something that he knows will be refused. So if he knows it is going to be refused, he is not going to ask for it. If you were in that position, what type of lethal weaponry do you think Ukraine needs to change Putin's calculus? Antitank weapons? What might actually work?

Dr. FARKAS. Senator, I think I am not going to disagree with my colleague. Frankly, it is not the military balance that is going to change the calculus for President Putin. He will know that it will be bloody if he chooses to intervene militarily in Ukraine. Make no mistake. It will be bloody and it will be a disaster tactically and certainly strategically. So I think that adding more lethal military equipment into the equation, into the balance is not going to change things.

Senator JOHNSON. Thank you.

Thanks, Mr. Chairman.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Thank you all for being here.

Madam Secretary, as you know, I along with a few others on this panel were amongst the earliest to advocate for sanctions against the Yanukovich regime. I have argued from the very beginning for a robust American response to this crisis.

But I think it is important for us to recognize a simple fact, and that is this. The future of Ukraine matters more to Russia than it matters to the United States. It is a neighbor of Russia. It is on the other side of the world from us. And I sometimes worry that the hand-wringing that happens over those who want a much more robust response risks viewing the world through an extinct prism in which Russia is our chief adversary, whereby our actions have to be equal maybe not in exactitude of tactics, but in proportion to the tactics that Russia uses.

That is not the world we live in any longer. We should respond. We should be robust in that response, but we should not be expected to care about this as much as the Russians do.

So let me posit a slightly complicated hypothetical for you here. Let us say that we and the international community are not successful in changing Putin's mind in the medium term, and Crimea stays effectively within Russian control. Like he has done in South Ossetia and Abkhazia and Transnistria, he is able to effectively cloud the title to eastern Ukraine, compromising the future of their direction toward Europe. But his economy continues to hemorrhage because we ratchet up sanctions. The rest of the world, to the extent that they are dictated by rational actions, receives a message that if you try to change your boundaries, there is an economic price to be paid, and Europe decides to move even faster toward energy independence because they have received this monumental wakeup call that they are not dealing with a rational actor themselves on the other side of the European Union.

If that is the hypothetical 6 months from now, is Russia in a better position than they were 6 months ago? Are U.S. security interests in a better position than they were 6 months ago?

Ms. NULAND. Well, Senator Murphy, thank you for that and for your commitment throughout these many months on Ukraine.

I think you have just made the point that Putin has done more in the last 6 months to galvanize and unify the transatlantic community than we have seen in years and years in terms of the commitment to NATO and NATO reassurance, in terms of the renewed energy that is going into energy security both within Europe and across the Atlantic, in terms of the energy that is going into the Transatlantic Trade and Investment Partnership because people understand that that offers real opportunities to shore up the economic underpinnings of our model, and in terms of the unity that we have had so far in the first rounds of sanctions. So I am not sure what President Putin intended, but he is now reaping a lot of what he has claimed to be concerned about over all of these years.

And as I said in testimony, there is going to come a time after this nationalist fever in Russia breaks where the Russian people are going to turn around and say what has all of this adventurism abroad brought to us. Where are our schools? Where are our roads? Where is our investment as we are building expensive bridges between Crimea and Mother Russia? So I do think over the

medium term, this will turn out to have been a grave mistake. Unfortunately, the Russian people are going to pay as well.

Senator MURPHY. I do not claim to be a historian of the cold war, but I know that we played the long game. And for the Ukrainians, they do not have that luxury, and that is why we need to be certain about the level of military support and economic support and diplomatic support that we are going to lend them today. This is not an argument to abandon them in their time of need, but we emerged from the "cold war," victorious because we did play that long game, and I think that those dynamics still play to our benefit here.

I ask this question to both you, Secretary Nuland and Secretary Farkas. You probably both have thoughts on this. Some of us did get the chance to sit with Chancellor Merkel, and one of the queries we had for her was her thoughts on the direction of NATO. You can send messages in a crisis to your enemies or your adversaries, and you can also send messages to your friends. And it seems that there is a tremendous opportunity with an application, for instance, for a membership action plan from Georgia that we can send a clear message to our friends that we are not going to allow this tactic, which is where Russia tries to invade half a country with provocations so as to make it less attractive toward membership in EU or NATO.

Is there a way to get a membership action plan to Georgia given the fact that that application will be compromised by the continued strange state of two territories there? You want to talk about messages. You want to talk about clear signals. That would be a very clear signal that if you think that by muddying up the waters in a section of a former republic, you are going to forever take away their ability to join NATO, if we were able to find a pathway to bring Georgia into NATO, give them a membership action plan, that is a very strong signal as to what Russia may have in store for the future of a country like Moldova, et cetera.

Ms. NULAND. Well, Senator, thank you for raising that with Chancellor Merkel. I would be interested in her response.

As you know, it does take 28 affirmative votes in the alliance to grant MAP status. Certainly Georgia has done an enormous amount for the alliance as a partner and has made enormous strides. So they are working very hard to build that consensus. But as you know, they are not there yet.

Dr. FARKAS. And if I could just add to that. We are incredibly impressed with Georgia's progress on the defense reform front. Secretary Hagel is actually meeting tomorrow with his counterpart, Minister Alasania. They will go over and review everything that Georgia has done. It is not just defense institution-building, which is really the building blocks of a real strong, modern professional military, but it is also, of course, their interoperability and their willingness, their steady willingness to deploy with us to Afghanistan, and they have actually held their hand up for a number of other missions, U.N., EU, NATO response force. So we absolutely commend all of Georgia's efforts.

Thank you.

Senator MURPHY. I would not categorize her response as hyper-encouraging, but clearly this is important to the Europeans as well.

The CHAIRMAN. Having been at the dinner with Senator Murphy, I think he is optimistic. [Laughter.]

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you, Mr. Chairman.

Secretary Farkas, a recent Wall Street Journal editorial entitled “Ukraine Needs U.S. Military Aid. It Needs it Now”—Mr. Obama, it says, is so worried about upsetting Mr. Putin that he refused to send even night vision goggles, offering 300,000 meals ready to eat. The Ukrainians are battling to free themselves of Russian domination and build a European democracy. They deserve more than Spam in a can from America.

So the United States currently provides night vision goggles even to the Afghan National Army even though they could fall into the hands of the Taliban.

What military assistance up to this point has been provided to Ukraine from the United States?

Dr. FARKAS. Thank you, Senator.

As I outlined in my testimony, I think maybe you were not here yet, but we have provided them—we are in the process of providing them with \$18 million worth of assistance. Some of that is going to their border guard. It is everything from engineering equipment to binoculars to gear for personnel. We have also provided them with some equipment also for their armed forces. And we have not said no to anything. We are essentially reviewing on an ongoing basis all of the Ukrainian requests. So it is an ongoing process, and as we identify opportunities, we are moving forward with those packages.

Senator BARRASSO. We have seen over the weekend the situation Ukraine continues to spiral out of control. Pro-Russian forces once again take over local government facilities in eastern Ukraine.

Last week, I joined Senator Corker and a couple of dozen other Senators in introducing the Russian Aggression Prevention Act. It is authorizing up to \$100 million for direct military assistance to Ukraine, including antitank, anti-aircraft weapons, small arms.

And I made two visits to the region. During a recent visit, along with Senator McCain and other members, the committee heard directly from the Ukrainian Government officials specifically requesting this kind of additional assistance. So we have a group that has come forward with this Russian Aggression Prevention Act.

Why has the administration decided not to provide this additional military assistance?

Dr. FARKAS. I think the administration is going to provide additional assistance. We are reviewing the Ukrainian requests.

With regard to lethal assistance, that is an area where we are more careful, again because we do not want to escalate the situation militarily and we do not believe that it will change the balance of military force.

Senator BARRASSO. Secretary Nuland, Friday the Russian Energy Minister announced Gazprom is going to require an upfront payment for natural gas deliveries in June. In April, Russia almost doubled the cost of natural gas for Ukraine. So with Gazprom’s history of cutting off natural gas supplies to Ukraine—they did it both in 2006, 2009—how likely do you think it is that Russia is

going to cut off Ukraine for now non-payment of debts or refusal to pay the outrageous price increases from Russia that they are demanding?

Ms. NULAND. Thanks, Senator.

Well, as you know, if they do a complete cutoff, it hurts Russia far more over the medium term than it hurts Ukraine, which is why the second time they did it, it did not last very long. That said, there are many other levers, economic levers, at their disposal.

This is why the whole question of appropriate Ukrainian gas debt to Russia has been part of the IMF discussion with the Ukrainians. I think they have worked through with the Ukrainians what is legitimate and what is not legitimate.

With regard to advance payment, this is a question that has to do with the complicated gas history back and forth. We are gratified that we now have a Ukrainian-EU-Russian conversation about gas because it is also of manifest importance to Europe that there not be a gas cutoff. And that conversation has begun, and collectively together with the IMF, there is considerable leverage there for a fair and equitable resolution of this with a willing Russia.

Senator BARRASSO. I think you saw yesterday's New York Times front page above the fold, "Kiev Struggles to Break Russia's Grip on Gas Supply." I just wanted to visit a little bit about that. The article highlights the problems facing Ukraine in attempting to free itself from Russia's strategic weapon, natural gas. And it is interesting today that Senator McCain and I and some others on this panel were in Ukraine. This was a bipartisan group. It was the day even before the election was held in Crimea, if you want to call it an election, but it is when the helicopters landed and took control of the gas facility just north of Crimea. So this is something that has been high on our minds.

Ukraine has been seeking help from countries in the European Union to secure gas supplies through reverse flow deliveries, as we have discussed. Poland and Hungary have already started helping.

The article, though, from yesterday New York Times highlights the difficulties in getting the reverse flow deliveries of gas to Ukraine due to the vulnerability of some countries to Russia, as well as the power and reach of Gazprom. Senator Boxer asked some questions earlier about another country and activities. And a lot of that to me seems to be just the fear of dealing with Putin and specifically Russia.

So how is the administration now helping Ukraine break Russia's grip on their energy supplies and energy security?

Ms. NULAND. So, Senator, this is, as you know, a very important priority for us both in the short term and in the medium term. In the short term, Secretary Kerry had a meeting with High Representative Ashton and the EU Commissioner Ettinger, and as a result of that, they agreed to intensify support for Ukraine in reverse flow. That resulted in new contracts for reverse flow from Poland and from Hungary and this initial reverse flow from Slovakia that can be expanded with more investment, although the big flow from Slovakia, as you said, is dependent on a Gazprom deal.

More broadly, we need to intensify and accelerate intra-European work on the dynamism of their energy market. We are talking to

them as a Presidential priority now about increased investment in the kinds of interconnectors in LNG terminals that would allow more gas from more locations, including the United States, to get in there to lower the price so that Gazprom gas has to be more competitive, including reverse flow.

But you know that the medium-term game in Ukraine is its intense investment with U.S. companies in fracking, and if that goes well, Ukraine could be energy independent in as little as 8 years.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman.

To the witnesses, we are not making your life easy or any of our lives easy in terms of the options. No troops on the ground. We have made that clear. And that is a view that you and the President share, but Congress has made that very clear.

Military aid costs money. I mean, I am on the Armed Services Committee. You ought to hear our Armed Services Committee testimony about the effects of sequester on the military budget. I mean, we are cutting pay, looking at benefits cuts that affect our active servicemembers. But we are going to talk theoretically about we are going to do all kinds of military aid to the Ukraine? I mean, I know that that is what we want you to do, but we want you to do it for free because we are sure—if we do not eliminate the sequester in fiscal year 2016 and out, we clearly do not want you to do anything with respect to military aid to the Ukraine or anyone else. We can say everything we want about how we should be tough in the provision of military assistance, but if we let the sequester continue, our actions are telling you we do not want you to do anything with respect to significant military aid to the Ukraine or anything else.

So that is why it is down to economic sanctions. So let us talk about economic sanctions for a minute, and I want to get your opinions on some.

Here is something we could do economically that would really hurt Russia. Ninety percent of credit card transactions in Russia are through two American companies, Visa and MasterCard. So we could do a sectional sanction that would say our American companies should stop doing credit card transactions. If you eliminate consumer credit in Russia, that would blitz their economy, at least until they built their own indigenous consumer credit capacity, which would probably take them about a year. It would be hugely expensive. They would not build it near as well as their folks are getting served right now. It would accelerate capital outflow and hurt the economy in a very significant way.

It would also hurt two American companies. They are making hundreds of millions dollars in profits, as they should, servicing these customers. They probably would not get paid the monthly bills from the customers if they said we are going to have a sanction and we are going to servicing credit. But that is an economic option at our disposal if we choose to do it.

We could stop all of the American multinational oil companies from doing joint ventures with Russia over energy issues. That would have some significant effect on the Russian economy, but it would also affect American companies.

I wonder if we have got the stomach to do some of the economic sanctions that we could do that would affect the economy pretty significantly. This credit card thing would have an immediate and very dramatic effect on their economy, and they would not be able to quickly recover and serve their consumers in the way that their consumers are being served now. But it would affect American companies as well.

I tend to agree with Senator Barrasso that there is a lot of energy things we can do over the medium and long term that will wean countries and others away from Russian monopolies, especially helping Europe develop their own energy assets or Ukraine. But if we get down to economic sanctions that we could do that would really be tough, a lot of those sanctions—I mean, let us be honest—they hurt American companies too. Is that not the case, Secretary Glaser?

Mr. GLASER. Thank you, Senator, for the question.

Let me begin by saying I know that there has been some skepticism expressed about the efforts and the sanctions we have put in place to date, but as Secretary Nuland has articulated, I do think we are beginning to see a very dramatic impact on the Russian economy.

Senator KAINE. You are seeing an impact but it is not yet changing the tactical calculus. It may change it next month. It may change it 3 months—but it is not yet changing the tactical calculus.

Mr. GLASER. I do think it is important. I do want to say I have been working on sanctions for a long time, and oftentimes when we initially impose a set of measures, when we initially begin a strategy, what we see from the target, we see laughter, we see bravado, we see taunting. But that normally is very short-lived when they start to realize what they are up against.

Senator KAINE. We saw that from Iran at the start of this. They said it was not going to be serious, but it started to tighten them down. It brought them to the table.

Mr. GLASER. We see it all the time. And then when they start to realize what they are up against, they start to realize what our capabilities are, and they start to realize our seriousness of purpose. They start to understand that this is, indeed, a very serious threat that they are up against.

Senator KAINE. But these sanctions are only going to be powerful if Europe gets on board. It was ultimately getting the support of the world community that made the sanctions against Iran really bite. It was not just that we came up with a great sanctions regime. If you cannot get Europe on board in these economic sanctions, there is little we can do short of this credit card thing, unilaterally, that will really come down hard on that economy. Would you not agree with that?

Mr. GLASER. Well, I think that we have a number of tricks up our sleeve. I mean, the credit card idea that you are articulating is certainly one of the levers that we have with respect to Russia. We have a variety of economic and financial levers with respect to Russia. But as has been pointed out—

Senator KAINE. Did I state it correctly that 90 percent of their credit card transactions are done with these two American companies?

Mr. GLASER. I do not know the exact percentage. I am sure we could get you the exact percentage. But Visa and MasterCard are very, very, very significant.

Senator Kaine. Does that number surprise you?

Mr. GLASER. If that is the correct number, it would not surprise me, but I do not know what the correct number is.

The point, though, is that this is going to be effective if it is done in a deliberate fashion. Now, Russia may or may not have acted deliberately with respect to its decisionmaking with respect to Crimea and with respect to Ukraine. They may or may not be acting deliberately with—

Senator Kaine. You say deliberately. You mean with a lot of advance planning. They are not in Crimea by accident.

Mr. GLASER. With a lot of thought about what the costs will be to them in the future. But in understanding what our tools are and how we can deploy them in the best, most effective way, as you point out, they are going to be more effective if done in conjunction with the Europeans, but we have a lot of authorities ourselves too. And I think the President made quite clear that should the elections be disrupted, that we are prepared to impose quite significant costs on the Russian economy, and I think we have shown we can do that. And we will do that and we can do that. It is a matter of taking very seriously, as you say, what the impact is within Europe, within the United States, within the international financial system, trying to minimize those impacts, but understanding that there are going to be some of those impacts and taking the appropriate measures anyway. And that is exactly what we are working on. We are working with the Europeans as we speak. We are working on it within the administration, and we have every intention to move forward on it as we need to.

Senator Kaine. Thank you, Mr. Chairman.

The Chairman. Senator McCain.

Senator McCain. Thank you, Mr. Chairman.

Ms. Farkas, my understanding is that we have committed \$3 million worth of MREs, \$7 million of health and welfare assistance, \$8 billion worth of nonlethal military assistance for Ukraine's Armed Forces and state border guard service. Is that correct?

Dr. Farkas. It is \$18 million total.

Senator McCain. Then my numbers are correct.

Dr. Farkas. They probably are, Senator.

Senator McCain. I just asked if that is correct. The MREs have been delivered. Right?

Dr. Farkas. The MREs have been delivered. Correct.

Senator McCain. And how were they delivered?

Dr. Farkas. They were delivered through EUCOM by a German company.

Senator McCain. By a German company. They were not flown in by U.S. aircraft into the airport at Kiev. Right?

Dr. Farkas. They were not.

Senator McCain. Of course, not. That might be provocative.

Now, how much of the rest of the \$7 million and \$8 million have been delivered so far?

The Chairman. Excuse me, Senator McCain. Excuse me a minute.

Expressions of approval or disapproval of any remarks at this hearing are not in order.

Senator McCain.

Dr. FARKAS. Senator, I do not have the exact data for you. I can tell you that the border security assistance—it is \$3 million. That has already been delivered to the Ukrainians because that is sourced locally. The rest of the assistance is done through U.S. Government contracting.

Senator MCCAIN. Has it been delivered yet?

Dr. FARKAS. It has not all been delivered yet.

Senator MCCAIN. That is what I thought.

Now, Secretary Nuland, is it the administration's argument against providing body armor, night vision capabilities, and similar nonlethal assistance—obviously, that was not provided. Right?

Ms. NULAND. Senator, as you know, we are continuing to look at those issues.

Senator MCCAIN. Was it delivered or not?

Look, I have watched you—

Ms. NULAND. It has not been delivered—

Senator MCCAIN [continuing]. Testify. I would like just answers to the questions.

Has body armor, night vision capabilities, and similar nonlethal military assistance been delivered?

Ms. NULAND. No.

Senator MCCAIN. It has not.

And can you explain to me how it might be provocative to provide some body armor to soldiers whose countries are being invaded by Russian special forces?

Ms. NULAND. Again, I do not think anybody has called those items provocative. I think we are continuing to review.

Senator MCCAIN. Then why would we not supply them? They have asked for them repeatedly and begged for military assistance as their first priority in order to defend themselves. They reject the argument that they cannot win anyway. So why give them any capability? Can you explain to me why we have not given them even body armor or other equipment that they so badly need?

Ms. NULAND. Again, I think we are continuing to look at those things.

Senator MCCAIN. I see. And that invasion took place when? Of Crimea. How long ago? Weeks ago. Good. I am glad you are going to continue to look at it.

Now, as I understand it, the announcement made by the President and Angela Merkel was, "that if the U.S. and Germany would impose additional sanctions on Russia, it continues to destabilize eastern Ukraine and disrupt this month's Presidential election." Given what is going on in Odessa today, would you say that that probably would disrupt the Presidential election in Odessa?

Ms. NULAND. Again, in the view of the OSCE, an election, if it were to be held today, could be held in Odessa.

Senator MCCAIN. It could be held in Odessa.

Ms. NULAND. It could be held in Odessa in the view of the OSCE, and we checked that before coming here, Senator. That is not to say that it could be held in all of Donetsk.

Senator MCCAIN. Do you think that they are trying to disrupt the elections in Odessa?

Ms. NULAND. As I made clear in my opening, we certainly think that there were pro-Russian elements and there were aspects of Odessa that were far from indigenous.

Senator MCCAIN. So then they are trying to disrupt the elections in Odessa.

And our strategy seems to be, Mr. Glaser, we will just let the Russian economy fail. And I was pleased to note—and all three of you have repeated it—how the Russian ruble and the flight of—has declined. But since the sanctions were imposed, actually the ruble has strengthened and the Russian stock market has gone up. I think those facts speak for themselves.

So would you agree that in fact Putin continues to increase tensions and aggression in Ukraine as the recent unrest in Odessa suggests, Secretary Nuland?

Ms. NULAND. As I made clear in my testimony, we believe that since the Geneva agreement, the aggressive actions of the Russian Federation have continued in the east and in the south.

Senator MCCAIN. So tell me what would it take between now and the elections for these sanctions that President Obama and Chancellor Merkel talked about to be triggered. What action? Obviously, there was just a building burned in Odessa and 30 or 40 people were killed. More people are being killed. Helicopters are being shot down by Russian—excuse me—pro-Russian in Ukraine. What does it take to say, hey, this is enough? They have gone to Odessa. They are continuing to foment combat and conflict in eastern Ukraine, and they are shooting down helicopters. Tell me what action on the part of Putin would trigger these—specifically what action in order to trigger these sanctions that are supposed to be so severe.

Ms. NULAND. Well, as you know, we have continued to escalate sanctions as we have seen more aggression. We instituted a new package of sanctions—what was it—10 days ago.

Senator MCCAIN. I am asking specifically what the President and Chancellor Merkel said, that if they continue to disrupt the elections and cause tensions—I can quote it to you again. What would it take to impose a new round of sanctions?

Ms. NULAND. The expectation is if the elections do not go forward, if we cannot have elections—

Senator MCCAIN. So if it is the elections do not go forward, and so he can do anything he wants to prior to that. Is that right?

Ms. NULAND. I think I made clear that we are watching this May 11—

Senator MCCAIN. What are you watching for? What is the destabilizing moment that says, okay, we will impose these sanctions?

Ms. NULAND. Again, we are developing the sanctions now with the Europeans. I think we will have them at the ready very soon, and we will be able to impose them as we watch the continued destabilization.

Senator MCCAIN. That is a total nonanswer to my question. My question is not what you are developing. My question is—and I am sure you understand me—what action would Vladimir Putin take,

in addition to what he is already doing, which is a lot, in order to trigger the sanctions?

Ms. NULAND. First, if we have a separatist referendum that is recognized by Russia and results in Russian peacekeepers, that will be a trigger. If there is the inability to have elections in broad swaths of Ukraine, whether that happens earlier or later, if the elections do not go forward, all of these are the kinds of triggers that we are talking to the Europeans about.

Senator MCCAIN. So if there is a referendum in eastern Ukraine that says they want to be part of Russia or independent of Kiev, that will trigger additional sanctions?

Ms. NULAND. If that referendum is recognized by Russia and they move, as they did in Crimea, and we have a scenario where they go in to protect the—

Senator MCCAIN. Oh, so not only do they have the vote, but then Russians have to move into eastern Crimea?

Senator MCCAIN. Again, Senator, I think we will evaluate events as they move forward, and we are very much—

Senator MCCAIN. So the answer is that you cannot tell me what specific action Russia would take in order to trigger sanctions outside of the actual elections being disrupted themselves. You are not answering the question, Madam Secretary.

Ms. NULAND. We have steadily increased packages of sanctions as the Russians have destabilized. Even before we get to sectoral, there is more we can do in the crony and name sanctions efforts, and we are prepared to do some of that on a shorter string.

Senator MCCAIN. May I express my deep disappointment on your failure to answer the questions. I had hoped better as a witness when I strongly supported your nomination for your present position.

The CHAIRMAN. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman, very much.

It is pretty clear that Russia is using natural gas as its weapon, not just against Ukraine but in trying to influence the response from the EU, and that is the Achilles' heel of the Ukraine. It is the Achilles' heel that the Russians are seeking to exploit across the spectrum.

And I am not going to talk about LNG exports here except to say, one, we do not have a terminal built in the United States to export to Ukraine. Two, if we did have a terminal, Ukraine does not have a terminal to accept it. And if we were trying to send it though the Strait of Bosphorus, the Turks say they would block it for safety reasons. And third, even if we did put it out in the open seas, it would go to the highest price which is Asia. We do not control where it goes. The Senate Foreign Relations Committee, the administration, no one controls where it goes on the open seas. So I am just being realistic about LNG.

What we can do, however, is recognize that Ukraine is the second-least energy efficient country in the world. Uzbekistan is last. The Ukraine is second from last out of 180–190 countries. Pretty sad shape.

Now, we also know that if Ukraine just increases its energy efficiency to Poland's level, it backs out three-quarters of the natural gas it has to import. Let me say that again. If it increases its

energy efficiency to Poland's level, it backs out three-quarters of natural gas it has to import from Russia, and that is because right now they are using Soviet era boilers, Soviet era buildings, Soviet era standards. Russia moved after 1990, so did Poland. Ukraine just stayed right where they were largely because of the fact that energy subsidies are actually unbelievably 8 percent of their gross domestic product, which are energy subsidies from Russia. So they had no stake because that subsidy it kept them addicted.

So I guess my question is this. What can we do with the EU and other countries to put together a set of incentives that moves in a telescoped timeframe the Ukraine economy to a modern energy efficient economy? And what is the goal that you think makes the most sense? And what is that timeframe? And what will we have to do in order to meet it? And I would like the goal to be as big and bold as you can make it because the bigger we make it, let me just tell you, the more frightened Russia is going to get. The more frightened. Gazprom is running their policy. That is who Putin is meeting with every day. So the bigger you set this, the more frightened they will be. Can you just give me some hope here that with the EU we are going to announce some huge goal for the Ukrainian economy to transfer over to a much more energy efficient model?

Ms. NULAND. Well, Senator, energy efficiency is one of our main lines of effort with the Government of Ukraine with our assistance. If you have ever spent time there in the winter where the heat is blazing out of the radiators and all the windows are open in government buildings, this speaks to the inefficiency.

But as you know from your own work, fixing a problem like that is a medium-term problem. It involves giving them new technologies. It involves giving them lots of advice about tax incentives and the kinds of things that create change in the way buildings are heated and the way energy is used. But it also speaks to—so we are working on all of those things, and part of our AID assistance is very much targeted on this issue, as is the work of a number of U.S. companies who specialize in energy efficiency.

But as you say, the most important thing is to reduce the price of Gazprom gas in Europe, which speaks to this larger effort that we have going with the EU and in the transatlantic space to encourage more building of interconnectors, more building of LNG terminals for gas from anywhere—

Senator MARKEY. As I said, LNG is just a red herring. We might as well put an aquarium out here to hold LNG storage. It just is not going to be something that works in the free market in the world that we live in. It is going to the highest price.

I just want to come back to energy efficiency.

Ms. NULAND. If I could just say on this one, though, you are talking about U.S. LNG to Europe, but the price of gas is going down as a result already of Algerian and other LNG going to Europe, and that we need to encourage.

Senator MARKEY. Well, that is good. But the big thing here is energy efficiency.

Ms. NULAND. Yes.

Senator MARKEY. The big thing.

In the United States, I was in hearings in the late 1970s where our Department of Energy was saying we need 200 new nuclear

power plants by the year 2000 or else we are going to have blackouts and brownouts in the United States. We did not build one new nuclear power plant. Not one new power plant was ordered from 1979 on in the United States. Why? Because we just doubled our energy efficiency.

So what can we do here for the Ukrainians so that they can say to the Russians, we do not need your natural gas any more than we need your soldiers here in Ukraine? And the smartest way to go is energy efficiency in the short run. And all I would urge you is that you announce the goal publicly and that you do so with the European Union and the United States standing there with the Ukraine leaders and you make it 50 percent reduction in 10 years, 25 percent over 5 years, whatever it is, but on this pathway toward backing out all that natural gas. And that is just keeping your windows down, having thermostats that are smarter, having insulation that is smarter, having all new buildings be smarter. And it will work because they are so inefficient. Uzbekistan, my God. That is where they are. It is pathetic.

We know it is the most corrupt energy sector perhaps in the world—Ukraine. And we just have to basically say to the people who have been on the take in their country from the natural gas sector that you are out, and we have got to condition it publicly that they are out and we are putting in people who come from this newer mentality. And I just say it. It is basically as clear as can be that their sector was so corrupt, so tied into the Russian gas mafia, that there was no way in which this day was not going to arrive.

So I guess what I can ask from you is that you set a goal. And I do not know amongst the three of you if you have a goal yet that you publicly announced in terms of the reduction of energy consumption in the country.

Ms. NULAND. I think it is certainly a worthy thing to take up with the newly elected President of Ukraine, assuming we have free, fair elections on May 25, to set a firm goal for the country. But we are very much on the case, and we agree with you on all of these points.

Senator MARKEY. Amongst yourselves and the Europeans, set a goal that you would like to see achieved so you can talk to the president of the country in the first meeting that you have with him. I think it is the most important signal you can send to Russia.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Markey.

I understand Senator Corker has a brief comment he wants to make and then we will let this panel move on.

Senator CORKER. Mr. Chairman, I want to thank you for having the hearing, and I certainly appreciate the way the members asked the questions they did.

I know there was some discussion about Russia blocking information coming into eastern Ukraine. I hate to say this, but from a national security standpoint and a global stability standpoint, I almost wish this testimony today was blocked and the rest of the world could not see what took place.

This is the kind of testimony I would expect in a third world country, not the United States. And while I think the witnesses

probably are good people, I think what we are seeing today is that we have no strategy and no policy toward what is happening in Ukraine, that we are reacting with as little as we can possibly react with.

And I just want to close with this final statement. I think that all of us are very concerned, and I think it is the type of policy that we have seen here today, which is to say no policy, that actually takes the world into a much more dangerous place. So I do not envy people who come up here as witnesses when the administration evidently—very, very evident to everyone here—has no strategy and no policy. And I hope that something will change. I hope this hearing will be such an embarrassment to this administration that somehow they will decide that they have to, as a great nation, put forth some policy that is coherent so that others can understand it, so that Russia can understand what price they will actually pay if they continue what they are doing. But I certainly do not know. I do not think anyone here does, and I am very disappointed that the three of you had to come up here and act as witnesses when there is no policy to really discuss.

So thank you.

The CHAIRMAN. Let me, first of all, thank this panel. I think there were a lot of important insights here that help us get to where we collectively want to be.

I have a bit of a disagreement with my ranking member. I do not think that it is fair to say that there is no strategy and no policy. We may have different views as to what we would add to the strategy or the policy. Some on one side want to do the LNG that Senator Markey does not think is going to make a difference because the Ukrainians cannot receive it. You know, others would like to engage more militarily with the Ukrainians. Some of us, including myself, think we could be a little bit more forward-leaning, even though I commend the administration who acted first. No other country in the world acted as quickly as the United States of America in response to what happened in the Ukraine.

Now, I think we can have different views as to what is the standard that we would ultimately like to get to, but I think it is unfair to say that this administration did not act in a precipitous manner—in a timely manner, I should say, in a way that was very significant. It took on all of Putin's circle with Putin standing in the middle, and it went "boom, boom, boom, boom, boom." And if you do not get the message of what that means, you have to be more than blind.

Now, I think it is also fair to, just for the record—I know sometimes it is easy to whip witnesses and to ask them to get to points that are either beyond their pay grade, or for which a policy is evolving.

There are 28 nations in the European Union. It became very clear to me at dinner with Chancellor Merkel the other night that as much as we would like them to be more forward-leaning, they are going to get there on their timeframe. Now, that is a challenge. That is a challenge. I think, in fairness, the President would like to get them there a little quicker than they are willing to get there. But we have a \$40 billion marketplace with Russia. The European Union has a \$500 billion marketplace with Russia. In terms of

effects, there is no doubt that having the European Union be alongside us in this effort is going to be critical to the ultimate pain we want to elicit so that Putin will change his calculus.

I think people of good will on both sides want to get to the same goal: preserve Ukraine, have it be able to move forward with its election, be able to exercise its own freedom, and for its people to exercise its own judgment for the future. We may disagree on how to get there, but we share that goal.

So I do appreciate this panel's testimony. I appreciate the insights. I know that there is going to be a classified briefing in 10 minutes or so, which I understand the Assistant Secretary, as well as others, will be. We still have a panel here, which I think is very important, so I will get there a little later. I will have my staff there at the beginning, and I look forward to hearing what you have to say. And we look forward to a continuing engagement. Thank you, with the appreciation of the committee. This panel is excused.

Let me call up Angela Stent, the director of the Center for Eurasian, Russian and East European Studies at Georgetown School of Foreign Service; and David Kramer, the president of Freedom House. I appreciate both of you having the staying power to go through 2½ hours before you got to testify. But I think both of your testimonies are very important to the dimensions of what we are considering. And so we will have you come up as our panel is leaving.

I would urge members of the press or the public who want to try to get any of the panelists who are leaving to do so outside of the hearing room.

Both of your statements will be fully included for the record. I would ask you to try to summarize them in about 5 minutes or so so the panel can engage in a conversation with you. And, Dr. Stent, we will start with you.

STATEMENT OF ANGELA E. STENT, PH.D., DIRECTOR, CENTER FOR EURASIAN, RUSSIAN AND EAST EUROPEAN STUDIES, GEORGETOWN SCHOOL OF FOREIGN SERVICE, WASHINGTON, DC

Dr. STENT. Thank you very much, Chairman Menendez, Ranking Member Corker, members of the committee. Thank you for giving me this opportunity to testify before you today at a very critical time, and I am going to very briefly cover three topics: Russia's goals in the Ukraine crisis, the current situation in Ukraine, and U.S. policy going forward.

It is important to understand that the current Ukraine crisis is the latest iteration of a problem that has bedeviled the United States-Russian relationship since the end of the cold war, namely that four resets that we have had since 1992 have foundered because of conflicts over the situation in Eurasia. Russia believes that it has a permanent right to a sphere of privileged interests in areas that were historically dominated by, or allied to it, and that neither NATO nor the European Union should encroach on its neighborhood. And of course, the United States and its allies do not accept that.

Since Crimea's annexation, we are living in a dangerous new geopolitical reality: Russia's actions in Ukraine, the annexation of Crimea, and the active support of the separatists in eastern Ukraine that are systematically destabilizing the country. These actions are part of a broader Russian challenge to the legitimacy of the entire post-cold-war order.

President Putin has torn up the 1994 Budapest Memorandum guaranteeing Ukraine's territorial integrity in exchange for Ukraine's renouncing its nuclear weapons. Putin has reserved the right for Russia to protect what he calls compatriots, fellow Russians and Russian speakers in Ukraine and other parts of the former Soviet Union, whenever they feel threatened. Russia's actions also challenge the nonproliferation regime enshrined in the Budapest Memorandum. Even during the Soviet era, there were rules of the game that both sides observed. Now no one knows what those rules of the game are anymore.

And so what are Russia's goals in the Ukraine crisis?

In the short run, as we have heard, the Kremlin wants to undermine the May 25 election in Ukraine. There is already a creeping civil war in eastern Ukraine, as groups of separatists, as we have seen, seize municipal buildings and declare that they will hold their own referendum on May 11 to secede from Ukraine.

In the longer run, Russia in the best case seeks a permanently neutral Ukraine with a loose federal structure that will weaken the central government's ability to impose its control over its eastern regions and maximize Russian influence there.

Now, a couple of words just about the situation in Ukraine. Unfortunately, in the past 22 years, Ukraine has not succeeded in modernizing its political institutions, society, or economy sufficiently to create a strong, well-functioning state. And how difficult it has been is just if you compare Ukraine to Poland. In 1992, Ukraine and Poland had the same per capita GDP. Today Poland's per capita GDP is three times larger than that of Ukraine, and it is, of course, a thriving market democracy.

The current Ukrainian interim government is in acute need of substantial economic assistance, both to avoid default and to help Ukraine deal with Russia's recent raising of gas prices by at least 80 percent. It needs political support to move toward and successfully hold the May 25 election, and it will need much more guidance and support afterwards as it implements constitutional reform, which it has recognized it needs to do.

As we have seen in the past few weeks, Ukrainian military and law enforcement agencies have found it extremely challenging to reimpose control over those areas seized by the armed separatists in the east, and these law enforcement groups will need to be reconstituted in a much more effective way. So these are huge, enormous challenges that Kiev will face in the next few years.

And finally, a few words about U.S. policy. It is in our national interest to support a strong, independent Ukraine with effective institutions of modern governance that can live in peace with its neighbors, both to the west and to the east. And we should focus on three major objectives, and these were already outlined by Secretary Nuland.

First, to give robust political, economic, and logistical support to Ukraine and to help it recover from the assault on its sovereignty and economy in the past few months.

The second U.S. objective must be to reassure our NATO allies, especially the new members, that despite the challenge to the post-cold-war Euro-Atlantic security order that Russian actions pose, that despite these, the alliance remains committed to the robust collective defense of all of its members because the Russians are trying to call into question the validity of article 5 particularly in the Baltic States.

And the third U.S. objective must be to deter Russia from launching a military invasion in Ukraine and from further destabilizing Ukraine through supporting the separatists who, in fact, are rendering eastern Ukraine ungovernable. And in addition to the punitive measures, which we have heard about, particularly the sanctions, we also do need to leave open the door for a diplomatic solution with Russia, were the Russians interested.

Crisis management is very important. In the deteriorating situation in Ukraine, it is possible that local groups could take actions that trigger a more wide-ranging armed conflict. Now, there are a lot of historical analogies made. I think about the one leading up to the outbreak of war in 1914 where you have some similarities.

Although it appears that the current sanctions have not changed Russian policies yet, they may have a longer term impact on the domestic economic situation in Russia. Again, we already heard about that. The Russian Finance Minister himself has forecast that there is going to be probably a negative growth rate this year and going forward, and the outlook further down the road for the Russian economy is much more negative.

In the longer run, we are going to have to work with our European allies to restore the sense of stability and predictability that existed when we believed that we had moved beyond the cold war with Russia. And another immediate goal has to be to work with Europe to reduce its dependence on Russian energy supplies and therefore reducing its vulnerability to Russian pressure.

So in conclusion, Mr. Chairman, Russia has broken the rules of the game by annexing territory from another country, supporting groups that are challenging its sovereignty. We will have to think about new rules of the game. We will have to devise these going forward, and this will require a U.S. recommitment to a robust defense of Europe, of a Europe that aspires to be whole, free, and at peace.

Thank you.

[The prepared statement of Dr. Stent follows:]

PREPARED STATEMENT OF DR. ANGELA E. STENT

Chairman Menendez, Ranking Member Corker, members of the committee, thank you for giving me this opportunity to testify before the Foreign Relations Committee at this critical time. I will cover three topics: Russia's goals in the Ukraine crisis, the current situation in Ukraine, and U.S. policy going forward.

Before turning to Russian goals, however, it is important to understand that the current Ukraine crisis is the latest iteration of a problem that has bedeviled the U.S.-Russian relationship since the end of the cold war—namely that Washington and Moscow have had a very different understanding of what a productive relationship would look like because, among other reasons, of their contrasting attitudes toward Russia's neighborhood. Since the Soviet collapse, U.S.-Russian relations have

been on a rollercoaster, a cycle of political booms and busts, with periods of high expectations followed by disappointments. There have been four resets since 1992. Each U.S. President has sought to find a more productive way of interacting with the Kremlin, only to see his efforts end in disillusionment and mutual recriminations.

The resets foundered because of discord and conflict over the post-cold war settlement. Russia believes that it has a continuing right to a “sphere of privileged interests” in areas that were historically dominated by or allied with Russia. The United States does not accept that. During the Clinton administration, Russia deeply resented NATO’s 1999 bombing of Serbia, a traditional ally, in support of Kosovo, something that Vladimir Putin invoked in his March 18, 2014, speech announcing the annexation of Crimea. During the Bush administration, U.S. support for Georgia’s and Ukraine’s ambitions to move closer to NATO and the European Union provoked the Kremlin’s ire, ending in the rubble of the 2008 Russo-Georgia war and the dismembering of Georgia’s territorial integrity. During the Obama administration, U.S. support for the Maidan protestors and the interim government in Kiev that led to the ouster of Viktor Yanukovich has similarly incensed the Kremlin. Simply put, Russia wants to ensure that neither NATO nor the European Union move into the post-Soviet space and that these countries maintain close political and economic ties with Moscow and remain within Russia’s orbit.

RUSSIA’S GOALS IN THE UKRAINE CRISIS

Since Crimea’s annexation, we are living in a new geopolitical reality. Russia has upended the agreements and understanding within the international community that ended the cold war. Russia’s actions in Ukraine—the annexation of Crimea and the active support of separatists in Eastern Ukraine that are systematically destabilizing the country—are part of a broader Russian challenge to the post-cold-war settlement. Because of the unprecedented way in which the U.S.S.R. disintegrated in December 1991, many Russians refuse to believe that the Soviet Union perished and died of its own failures and self-inflicted wounds but rather that the United States deliberately engineered its demise, as Mr. Putin has recently argued. The Kremlin has served notice that it has the right to review and reconsider the arrangements that have governed the post-Soviet space since 1992.

Moreover, most Russians have never viewed Ukrainians as a separate nation and Ukraine as a separate country. Indeed, at the 2008 NATO summit in Bucharest, Vladimir Putin said, “Ukraine is not even a country. Part of its territory is in Eastern Europe and the greater part was given to us.” In his March 18, 2014, speech announcing the annexation of Crimea and in subsequent pronouncements, President Putin has questioned legitimacy of the actions that led to the 1991 agreement dissolving the U.S.S.R. With his annexation of Crimea, he tore up the 1994 Budapest Memorandum guaranteeing Ukraine’s territorial integrity in exchange for Ukraine’s renouncing its nuclear weapons. Setting off wider alarm bells, he has also reserved the right for Russia to protect what he calls “compatriots”—fellow Russians and Russian-speakers in Ukraine and other parts of the former Soviet Union who feel threatened. The claim to have the right to protect one’s fellow ethnics living in other countries with force, if necessary, evokes disturbing historical reverberations. Russia’s actions also challenge the non-proliferation regime by nullifying the 1994 Budapest Memorandum. Even during the Soviet era, there were rules of the game that both sides observed. Now no one knows what those rules are any more.

Ukraine is also a domestic issue for President Putin. Ten years ago there was a popular uprising in Kiev—the Orange Revolution—to protest the results of an election that Viktor Yanukovich—the recently ousted President—claimed he had won, but whose results many Ukrainians believed had been falsified. After a rerun of the election in December 2004, Mr. Yanukovich’s rival, Viktor Yushchenko, won the Presidency. The Kremlin was convinced that the United States had engineered the Orange Revolution in order to bring its candidate to power. During Ukraine’s Orange Revolution, the question in the Kremlin was—if a popular uprising can depose an unpopular government in Kiev, could the same thing happen in Moscow? Although today Mr. Putin’s popularity rates have soared above 80 percent after the Crimean annexation, the 2014 Ukrainian revolution raises once again the same threat about the example of opposition groups in a post-Soviet state overthrowing the ruling government.

It is important to remember that Ukraine and Russia are closely integrated economically. The industrial eastern part of Ukraine provides much of the hardware for Russia’s military-industrial complex and Russia’s orders for these goods provide employment for Ukrainians living in these eastern regions. More than 50 percent of Ukraine’s total machinery exports go to Russia. Moreover, when President

Yanukovych was ousted, there was concern in Moscow that the new Kiev government might revisit the basing agreement for the Russian Black Sea fleet in Crimea. Mr. Yanukovych extended the lease from 2017—when it was originally set to expire—to 2042, but the Kremlin was concerned that this could be changed.

What are Russia's goals in the Ukrainian crisis? In the short run, the Kremlin wants to undermine the May 25 Ukrainian Presidential election by destabilizing eastern Ukraine and challenging the legitimacy of the interim government in Kiev and its election process. There is a creeping civil war in eastern Ukraine, as groups of separatists seize municipal buildings and declare that they will hold their own preemptive referendum about seceding from Ukraine on May 11. In the longer run, Russia seeks a Ukraine with a loose federal structure that will weaken the central government's ability to impose its control over its eastern regions and maximize Russian influence in the East. It also will insist on Ukraine declaring permanent neutrality with no aspirations to join NATO or the European Union. Moscow's goal is to cement its "sphere of privileged interests" in Ukraine and other post-Soviet countries and to minimize U.S. or EU presence in its neighborhood. It wants to create a new set of relationships in the post-Soviet space where Russia will dominate, including areas with significant Russian populations such as the Transnistria separatist enclave in Moldova.

THE SITUATION IN UKRAINE

In 2008, a high-level transatlantic group undertook an assessment of Ukraine's development since 1992 and concluded "Ukraine still has a significant path to travel to complete its transformation into a modern, democratic, European state," citing the lack of transparency in government structures as a major problem. There has been little improvement in the 6 years since. In 2013, Transparency International ranked Ukraine 144 out of 175 countries in the Corruption Perceptions index. How poorly Ukraine has done can be seen in a comparison with Poland. In 1992, Ukraine and Poland had the same per capita GDP. Today, Poland's per capita GDP is three times larger than that of Ukraine. In the past 22 years, Ukraine has not succeeded in modernizing its political institutions, society and economy sufficiently to create a strong, functioning state.

Ukraine's development, like that of many other former Soviet republics, has been hampered by the persistence of "the post-Soviet syndrome," whereby the transition away from communism has produced governments run by small groups of people where personal ties are much more important than the institutions of government and the rule of law is weak and in which corruption is endemic. The economy is controlled by a small elite with close ties to the political leadership, and between them they control substantial assets. In Ukraine's case, successive governments since 1992 have failed to create the institutions of effective, modern government, nor have they been able to forge a consensus on national identity in what remains a country divided between East and West, as we have vividly witnessed in the past 6 months. Anger at the corruption of the previous government produced the opposition in Kiev that eventually helped to topple President Yanukovych. "Anticorruption" is also refrain that the pro-Russian militias in the East have picked up.

The current interim government is in acute need of substantial economic assistance both to avoid default and to help Ukraine deal with Russia's recent raising of gas prices for Ukraine by 80 percent. It needs political support as it moves toward the imminent May 25 election and it will need guidance as it contemplates constitutional reform. Ukraine's Constitution states that it is a unitary state, but the current government apparently understands that the constitution has not given enough power to Ukraine's different regions, which seek more control over their local administration. A new government could introduce reforms that achieve a better balance between the center and the regions. Electing governors instead of appointing them from Kiev and devolving more budget authority to local administrations would be a start. As we have seen in these past few weeks, Ukrainian military and law enforcement agencies have found it extremely challenging to reimpose control over those areas and buildings seized by armed separatists in the East and they will need to be reconstituted in a more effective way. Ukraine is a highly inefficient user of energy, which increases its dependence on Russian gas. The next government should, with the assistance of the EU and United States undertake a far-reaching reform of its energy sector.

Above all, the next Ukrainian Government will need to move decisively away from the post-Soviet syndrome, introduce effective anticorruption measures, promote and support the rule of law and reform the political system. These are enormous challenges that Kiev will face as it confronts the instability and insecurity promoted by the separatists and their supporters in the East. The new government will have to

deal with those forces that seek to keep Ukraine permanently weak and in a state of near anarchy.

And realism is necessary about healing the ethnic divides. Historically around the world, language is often a critical element in ethnic identity. About 17 percent of the population is identified as “Russian” although a larger percentage of the population uses Russian as their primary language.

U.S. POLICY IN THE UKRAINE CRISIS

It is in the U.S. national interest to support a strong, independent Ukraine with effective institutions of modern governance that lives in peace with its neighbors, both East and West. U.S. policy should continue to focus on three major objectives. The first is to give robust support to Ukraine and help it recover from the assault on its sovereignty and economy during the past few months. Financial assistance from the U.S., the European Union and the International Monetary Fund is essential. However, it must be carefully disbursed to ensure that it is used to the greatest effect and does not disappear, as has previous assistance, into a black hole of corruption. The United States should also provide training for law enforcement agencies and, either bilaterally or through the NATO-Ukraine Commission, for the Ukrainian Armed Forces. It should seek to ensure that the May 25 election is held and provide whatever legal assistance the next government requests as it begins the process of constitutional reform. We should also support Ukraine through advice on best practices in reforming its energy sector to become less dependent on Russian gas supplies—and more efficient. Ukraine will need a long-term commitment from the United States to ensure that it can survive this current crisis.

The second U.S. objective must be to reassure our NATO allies—especially the new members—that, despite the challenge to the post cold war Euro-Atlantic security order that Russian actions pose, the alliance remains committed to the collective defense of all its members. The policy of military and political reassurance through the presence of U.S. troops and aircraft in the Baltic States and Poland is an essential element in this commitment. Hopefully this will also prompt a broader debate among our NATO allies about raising their own defense spending. We need to ensure that Article Five guarantees—that NATO will come to the defense of any member state that comes under attack—remain credible.

The third U.S. objective must be to deter Russia from launching a military invasion of eastern Ukraine and from further destabilizing Ukraine through supporting separatists who are rendering Ukraine ungovernable. If Russia is pursuing the goal of the long-term destabilization of Ukraine, then U.S. policy, like that of Europe, will have to make use of a full arsenal of measures to deter Russia. In addition to punitive measures, however, the United States has to leave open the possibility of a diplomatic solution. Crisis management is important. In the deteriorating situation in Ukraine, it is possible that local groups could take actions that trigger a more wide-ranging crisis.

Although it appears that the current sanctions have not changed Russian policies toward Ukraine so far, they may have an impact on the domestic economic situation in Russia. The question is how long can patriotic fervor be a substitute for economic well-being. Putin’s compact with the Russian people is that, under his rule, their living standards have risen even if their political freedoms have been curtailed. If this is no longer the case—as growth rates are forecast to be negative this year—can he still maintain these popularity rates and at what point does the Russian population become restive? From 2000–2008, Russian GDP rose by 7 percent a year, largely due to rising oil prices. Since the financial crisis, they have fallen and were forecast to be 1.3 percent this year. Recently, the Russian Finance Minister forecast that Russia’s growth rates would be zero or negative this year. The longer term prospects for the Russian economy and society are not favorable—if one looks at its declining birth rate and, health and mortality for youths and adult men, its antiquated infrastructure and lack of modernization, its capital flight (\$51 billion in the first 3 months of this year) and the brain drain. These realities should not be forgotten amidst what appear to be Putin’s huge surge in popularity.

Although most U.S. measures will be punitive, Russia is not going away and the United States will have to continue to seek ways to end this crisis. It will also be important to leave open channels of communication that Russia could use were it to decide to back away from its confrontational stance—especially once the sanctions have a more palpable effect. It will also be important to explain to the American people why deterring Russia and supporting Ukraine is a priority for the United States. Russia remains the other nuclear superpower, with thousands of nuclear warheads and is also endowed with critical natural resources, such as the titanium used in building airplanes. Moreover, we should not jettison activities that are

strongly in America's own national interest. We share with Russia an interest in nonproliferation of weapons of mass destruction and continue to negotiate over Iran's nuclear program.

The United States cannot bolster Ukraine and reduce the crisis situation by itself. The immediate challenge is to work as closely as possible with our European allies to present a united front both in assisting Ukraine and in deterring Russia from further destabilizing actions. In the longer run, the United States will have to work with Europe to restore the sense of stability and predictability in Europe that has existed as we have moved beyond the cold war. Another immediate goal should be to work with Europe to decrease its dependence on Russian energy supplies, thereby reducing its vulnerability to Russian pressure.

But there is also an important political-military dimension. Russia has broken the rules of the game by annexing territory from another country and supporting groups that are challenging its sovereignty. The goal going forward is to maintain what is left of Ukraine's territorial integrity and to prevent further annexations of territory in the post-Soviet space and re-commit to the territorial integrity of Russia's neighbors. Russia is a multiethnic and multiconfessional state which has already fought two wars in Chechnya in the name of preserving its own territorial integrity, and it should be in Moscow's interest to minimize the possibility of future separatist movements in its neighborhood. New rules of the game are necessary, and this will require a U.S. recommitment to Europe, even as we look toward Asia and grapple with the other global challenges we face.

The CHAIRMAN. Thank you.
Mr. Kramer.

**STATEMENT OF DAVID KRAMER, PRESIDENT,
FREEDOM HOUSE, WASHINGTON, DC**

Mr. KRAMER. Mr. Chairman, Ranking Member Corker, members of the committee, thanks very much for the opportunity to appear before you today to discuss what I consider to be the gravest crisis the international community has faced in decades.

Vladimir Putin's brazen disregard for Ukraine's territorial integrity and his threats to defend Russian speakers beyond Crimea and other parts of Ukraine and even into other neighboring states represent an assault not only on the very concept of freedom, but also on the ability of people to choose their own political destiny.

At the heart of all this I think is the nature of governments, which matters enormously, and the way a leadership treats its own people is often indicative of how it will behave toward others along its borders and on the world stage. Vladimir Putin oversees a thoroughly corrupt and increasingly authoritarian regime that actively seeks to undermine and offer an alternative to universal values such as fundamental freedoms of expression, association, and belief. Putin's regime is diametrically opposed and a threat to our own democratic rule of law based societies exactly because we treasure freedom, accountability, justice, checks and balances, all concepts alien to Vladimir Putin.

When Ukrainians turned out in the streets, starting in November leading to Viktor Yanukovich's removal from power as President in February, Putin's sense of insecurity and paranoia rose exponentially. Ukrainians' demands, represented by the hundreds of thousands of protestors over the last few months, for more democratic and transparent government and closer ties with the European Union posed the biggest challenge to Putin's grip on power in Russia. Without Ukraine, after all, Putin's Eurasian union vision will not be realized, but even more urgently, Putin worried that what happened in Ukraine could be replicated in Russia itself. Thus, to prevent a genuine popular democratic movement from taking root

in Ukraine, Putin invaded Crimea, fabricating the justification that he was protecting the rights of fellow Russians.

The irony, of course, is that Putin does not give a damn about the welfare of Russians inside his own borders, and the crackdown against human rights in Russia since Putin returned to the Presidency has been the worst since the breakup of the Soviet Union. Staying in power is what drives Putin's actions internally and also across Russia's borders. His foreign policy is in many ways an extension of his domestic policy, and he justifies his way of governing Russia by perpetuating the absurd notion that the West, NATO, and the United States, in particular, are a threat to Russia.

Until late February, Ukraine was not facing ethnic unrest, nor was it on the verge of splitting between east and west. Much too much has been made of a divided Ukraine among journalists and commentators, even some officials in the West. To be clear, those living in the east while not huge supporters of the interim government do not want to be under the Russian thumb. They want Ukraine to stay united despite the efforts by Putin to fabricate these justifications for his actions.

The current crisis is the creation of Vladimir Putin whose goals are to retain Crimea, destabilize Ukraine to make it unattractive and unappealing to the West, and force the postponement of the Ukrainian Presidential elections scheduled for May 25. This underscores even more, as you have said in your questions of the previous panel, the importance of keeping those elections to May 25.

Now, the West has taken some steps, but they simply have not been enough. Overall, I would argue the West has been far too reactive to events on the ground, letting Putin set the agenda. We need to take a more proactive stance to prevent and preempt further Russian aggression, punish Putin and his regime for the terrible damage they have already caused in Ukraine, and seek to return to the status quo ante, difficult though that may seem to be. United States strategy should shift to preventing Putin's next moves by imposing crippling sanctions against more Russian banks, energy firms, and state-owned entities. I support broad sectoral sanctions as well.

It is a mistake in my view to wait either for Putin to move Russian tanks across the border, as some have been concerned about, or for him to disrupt the May 25th Presidential election, as President Obama and Chancellor Merkel spoke about last Friday. He has already done the latter. We have set too high a bar. Putin has found other means short of full-scale invasion, though that too cannot be ruled out, by which to accomplish his goals.

So I would recommend the following: that we go after more high-level officials and businessmen, including people such as Aleksei Miller, the head of Gazprom; Alexander Bortnikov, the head of the Russian security services, FSB; Sergei Shoigu, the Minister of Defense. And then I would go after a number of enterprises including Gazprombank, Vneshekonbank, Vneshtorgbank, Sberbank, Rosoboronexport, Transneft, Novatek, Gazprom, Rosneft.

By imposing further sanctions now, we might be able to preempt rather than react to the possibility that Putin will invade other parts of Ukraine or even Moldova, Kazakhstan, or stir up trouble

in the Baltic States. Sanctions could be lifted in return for the status quo ante.

In response to criticism about the administration's sanctions being too mild, we have heard President Obama say that he does not want to get too far out ahead of the Europeans. I too would like to see a united front, the United States, Canada, and the European Union moving forward. But the simple reality is that it is much more difficult for the EU to do this given the trade interests they have and given the difficulty of getting agreement among 28 member states. It is easier—not easy, but easier—for the United States to do this.

So for all these reasons, I would argue the United States has to take the lead, and the extraterritorial nature of U.S. sanctions, I think, should also not be underestimated.

There are several steps I would argue in closing, Mr. Chairman, that we should do to help Ukraine as well, and that includes pressing for the elections to take place on May 25, doing whatever we can to ensure that that happens. Aiding local civil society organizations that do election monitoring, assisting development of real democratic institutions so that Ukraine does not squander yet another opportunity as it did after the 2004 Orange Revolution, refusing to give up on Crimea by demanding a return to the status quo. All too many conversations these days do not talk about Crimea because we are focused now on eastern and southern Ukraine. Disbursing funds from the international finance agencies is also very critical.

In March during his visit to Washington, Acting Prime Minister Arseny Yatsenyuk said, "It's all about freedom. We fight for our freedom, we fight for our independence, we fight for our sovereignty and we will never surrender."

If Ukraine, with Western help, is able to fend off Putin's aggression, then freedom in Ukraine and, for that matter around the globe, will have secured a major victory against one of the biggest threats posed by authoritarian regimes and one of the biggest challenges to confront the democratic community of nations. This is about Ukraine's aspirations to be free, Putin's efforts to deny them that possibility, and the West's willingness and courage to rise to the challenge.

Thank you.

[The prepared statement of Mr. Kramer follows:]

PREPARED STATEMENT OF DAVID J. KRAMER

Mr. Chairman, Ranking Member Corker, members of the committee, it is an honor to appear before you once again, this time to discuss what I consider to be the greatest global challenge we have faced in decades: Vladimir Putin's invasion of Ukraine. Putin's brazen disregard for Ukraine's territorial integrity and his threats to defend Russian-speakers beyond Crimea, in other parts of Ukraine, and in other neighboring states represent an assault on the very concept of freedom and the ability of people to choose their own political destiny. The democratic community of nations has faced no greater test since the end of the cold war.

Not since World War II has one European country seen its territory forcibly annexed by another, as Putin did with Crimea and may be trying to do with parts of eastern Ukraine. Putin has shattered numerous treaties and agreements and sought to unilaterally alter the international system that has been in place since the collapse of the U.S.S.R. more than two decades ago. Full-blown war between two of the largest countries in Europe cannot be ruled out, and the spillover effects of

that are incalculable, given the common borders that Ukraine and Russia have with several NATO member states.

ORIGINS OF THE CURRENT CRISIS

To understand the current crisis requires stepping back and understanding the Putin regime. After all, the nature of governments matters enormously, and the way a leadership treats its own people is often indicative of how it will treat neighbors and interact on the world stage. Vladimir Putin oversees a thoroughly corrupt and increasingly authoritarian regime that actively seeks to undermine and offer an alternative to universal values such as fundamental freedoms of expression, association, and belief. Putin's regime is diametrically opposed and a threat to our own democratic, rule-of-law-based society exactly because we treasure freedom, accountability, justice, and checks-and-balances—all concepts Putin views as alien. With our two systems going in such fundamentally opposite directions, the reset policy of the Obama administration was bound to exhaust early on the list of areas of common interests. Seeking a strategic partnership with Russia, as some have called, is simply unachievable and undesirable—unless we sacrifice our principles—as long as the Putin system remains in place.

Beyond the Putin regime is Putin himself. He possesses a paradoxical, if not dangerous, combination of arrogance and self-assuredness with paranoia, insecurity, and hypersensitivity. His paranoia increased—and with it his assault against civil society in Russia—following the “Color Revolutions” in Georgia and Ukraine in 2003–04, which scared him into thinking that Russia was next. His insecurities were fed by developments in the Arab world in 2011, when he watched like-minded leaders in Tunisia, Egypt, and Libya fall from power as a result of popular movements. After major protests against him in Russia in December 2011 and March–May 2012, Putin, since returning to the Presidency in May 2012, has launched the worst crackdown on human rights in Russia since the breakup of the U.S.S.R.

Fast forward to last November when Ukrainians turned out in the streets again, as they did almost a decade before, forcing out Viktor Yanukovich as President and heightening Putin's sense of insecurity. Ukrainians' demands, represented by the hundreds of thousands of protestors over the last few months, for more democratic and transparent government and closer ties with the European Union pose the biggest challenge to Putin's grip on power in Russia. Without Ukraine, Putin's Eurasian Union vision will not be realized, but more urgently, Putin worried that what happened in Ukraine could be replicated in Russia. Thus, to prevent a genuine, popular, democratic movement from taking root in Ukraine, Putin invaded Crimea, fabricating the justification that he was protecting the rights of fellow Russians. His use of energy exports as a political weapon and further moves into eastern Ukraine reveal his determination to destabilize his neighbor as much as possible.

The irony is Putin's professed concern for the welfare of Russian speakers in Crimea and eastern Ukraine to justify his takeover of Crimea when he shows no such concern for the welfare of Russians living inside Russia itself. On the contrary, Putin has ratcheted up pressure inside Russia on opposition figures and civil society activists. Critics of Putin at universities are losing their jobs, opposition figures are facing new politically motivated investigations, news outlets and Web sites are being shut down with greater controls being imposed on the Internet, and anti-Westernism and anti-Americanism are reaching their highest levels in the post-Soviet period.

Reflecting his zero-sum thinking, Putin views efforts by Ukraine, Georgia, Moldova and other neighbors to Westernize and democratize as a threat to Russia's “zone of special interests” and to the political model he has created in Russia. Thus, Putin lends support to fellow authoritarian regimes, whether in Kiev under Yanukovich or Damascus under Bashar al-Assad. By cracking down at home and interfering with (or invading) neighbors, Putin tries to strike the pose of a confident, assertive leader. In reality, his actions reflect a worried authoritarian willing to resort to any means necessary to stay in power. And staying in power is what drives Putin's actions internally and across Russia's borders. His foreign policy is, in many ways, an extension of his domestic policy, and he justifies his way of governing Russia by perpetuating the absurd notion that the West, NATO, and the U.S. in particular are threats.

In fact, contrary to the claims of some Western and Russian commentators that NATO enlargement over the years is to blame for the current situation, Russia's most stable neighbors are the three Baltic States and Poland, all members of the EU and NATO. And yet Putin considers them a threat—in his military strategy in 2010, NATO enlargement was considered the greatest “danger” to Russia—because of what they represent: namely, democracy, transparency, rule of law, and respect

for human rights. These are concepts that clash with the corrupt, authoritarian model Putin is intent on creating in Russia and along his borders. Greater democracy in neighboring states, he fears, could generate demand for meaningful freedoms inside Russia itself. And that is something he will not tolerate.

THE SITUATION IN UKRAINE

Responsibility for this crisis lies with Vladimir Putin, but ex-Ukrainian President Viktor Yanukovich deserves blame as well. Yanukovich's decision in November to spurn the European Union triggered hundreds of thousands of Ukrainians to turn out in the streets of Kiev and other cities around the country to protest his thoroughly corrupt and increasingly authoritarian rule. Unlike during the Orange Revolution of 2004, however, Ukrainian protestors this time suffered terrible losses as Yanukovich, egged on by Putin, ordered snipers to mow down defenseless citizens; Yanukovich should be returned from Russia to Ukraine and put on trial. Democratically elected in early 2010, Yanukovich forfeited his legitimacy over the years through the massive corruption he and his family engaged in, his unconstitutional actions, and his decision to use force against peaceful protestors as early as November 30–December 1. Yanukovich put his personal, corrupt interests above those of his country.

I was in Kiev last month and walked through the Maidan, where there are makeshift memorials for the more than 100 Ukrainians who lost their lives fighting for a better future for their country. It is a deeply moving experience. Since November, they and hundreds of thousands of others who took to the streets have demanded freedom and the rule of law, dignity and respect for human rights, an end to corruption, and an opportunity to deepen integration with Europe—in short, the opposite of everything that Viktor Yanukovich and Vladimir Putin represent.

Until late February, Ukraine was not facing ethnic unrest nor was it on the verge of splitting between east and west. Much too much has been made of a “divided” Ukraine among journalists and commentators, even among some Western officials. To be clear, those living in the east, according to recent surveys, are not supportive of the current interim government in Kiev, but they reject the claims, fabricated by Putin, that they were under attack or facing threats because of their ethnicity or the language they speak. A survey carried out April 8–16 by the Kiev Institute of Sociology (KIIS) revealed that 71.3 percent of those polled rejected the notion that their rights were being infringed. At the same time, these surveys also show that the majority of people living in the east and south do not want to be taken over by Russia and do not support Russian intervention. The KIIS survey showed only 8.4 percent residents in the south and east would like Russia and Ukraine to unite into one state; 69.7 percent of the respondents oppose such a union. Only 11.7 percent of people in the region support the Russian troops' incursion. In the Donetsk region, a hotbed of Russian-instigated problems, the Russian incursion is supported by only 19.3 percent of the respondents.

The current crisis, in other words, is the creation of Vladimir Putin, whose goals are to: retain Crimea (though Putin may rue the day given the costs involved), destabilize Ukraine to make it unattractive and unappealing to the West, and force postponement of the Ukrainian Presidential elections, scheduled for May 25. Such a delay in voting would enable Putin to maintain his line that the current government in Kiev is illegitimate. This underscores even more the importance of conducting the election on May 25, even under such trying circumstances, so that Ukraine will have a legitimate, democratically elected leader.

THE WESTERN RESPONSE TO RUSSIA

As events were unfolding with Russia's invasion of Crimea, I wrote in the March 2 Washington Post: “President Obama faces the gravest challenge of his presidency in figuring out how to respond to Russia's invasion of Ukraine. How he responds will define his two terms in office, as well as determine the future of Ukraine, Russia and U.S. standing in the world. After all, if the authoritarian tyrant Vladimir Putin is allowed to get away with his unprovoked attack against his neighbor, a blatant violation of that country's sovereignty and territorial integrity, then U.S. credibility . . . will be down to zero. Allies won't believe in us, enemies won't fear us and the world will be a much more dangerous place.”

More than 2 months later, the situation has only worsened. The violence in the last 4 days as Ukrainian central authorities have sought to regain control over cities in the east and south has been accompanied by the increasing possibility that the tens of thousands of Russian troops just across the border will be mobilized, leading to further bloodshed. I support the actions of the Ukrainian Government to retake government buildings and try to restore order—they have a right and responsibility

to do so; it is their country, after all. But they are being challenged by resistant Russian special forces and Russia-sponsored provocateurs. We should be providing military assistance beyond MRE's (meals-ready-to-eat) to include night-vision goggles as well as antitank and anti-aircraft missiles; none of this would involve actual troops on the ground. We should also be sharing intelligence so that the Ukrainians pushing back against Putin's aggression literally have a fighting chance.

The joint statement emanating from the April 17 Geneva meeting among Ukraine, Russia, the EU, and U.S. is dead and never offered promise in the first place. The statement made no mention of the tens of thousands of Russian troops massed along the Russian-Ukrainian border or Russia's illegal annexation of Crimea. It lacked any call for respecting Ukraine's sovereignty and territorial integrity. There was, however, a reference to the need for Ukraine's constitutional process to be "inclusive, transparent, and accountable," even though this played right into Putin's desire to meddle in Ukraine's affairs. There were no clear mechanisms for implementing the agreement, and pro-Russian forces immediately declared that it did not apply to them. I see no reason to support German Foreign Minister Frank-Walter Steinmeier's call over the weekend for another Geneva meeting any time soon; in fact, I would argue that such a session would be counterproductive at this time since it would likely lead to a delay in imposing additional sanctions against Russia, just as the first Geneva meeting did, with no prospect of solving the crisis.

Overall, the West has been far too reactive to events on the ground and letting Putin set the agenda. We need to take a more proactive stance to prevent and preempt further Russian aggression, punish Putin and his regime for the terrible damage they have already caused in Ukraine, and seek to return to the status quo ante, difficult as that may seem. For decades, the United States never recognized the absorption of the Baltic States into the U.S.S.R. and now those countries are members of the European Union and NATO. We must take a similarly principled stand on Crimea even while currently focused on eastern parts of the country.

The problem with the current Western approach is that we have not done well at anticipating what Putin will do next. Let's recall that there were many observers here in the U.S. as late as February and into March saying that Russia would not move against Crimea. Then, in late March and into April, some analysts were arguing that Putin wouldn't move into eastern and southern Ukraine. Here we are in early May with Crimea having been annexed and the situation teetering on the edge in places like Slavyansk, Donetsk, and Odessa—all as a result of Putin's further efforts to destabilize the situation and stir up unrest. U.S. strategy should shift to preventing Putin's next moves by imposing crippling sanctions against more Russian banks, energy firms, and state-owned entities; I support broader sectoral sanctions as well. It is a mistake, in my view, to wait either for Putin to move Russian tanks across the Ukrainian border or for him to disrupt the May 25 election, as President Obama and German Chancellor Angela Merkel said in their joint press conference last Friday, May 25; he has already done the latter. We have set the bar too high, for Putin has found other means short of full-scale invasion—though that cannot be completely ruled out—by which to accomplish his goals.

I support the legislation introduced last week by Senate Republicans designed to deter further Russian aggression by, as Senator Corker described it, taking a three-pronged approach to "strengthen NATO, impose tough sanctions to deter Russia, and support non-NATO allies of Ukraine, Moldova, and Georgia." I hope it wins bipartisan support, just as previous sanctions legislation did, including back in 2012 involving the Sergei Magnitsky Rule of Law and Accountability Act.

The outcome of the Russia-Ukraine crisis—and the response of the West—may determine the prospects for democracy for Russia's neighbors and well beyond Eurasia. While Western states have shown some resolve through imposition of visa bans and asset freezes on a limited number of Russian Government officials, businessmen, and a number of Russian entities, what has been done so far is simply not enough and is taking too long. We must go after more high-level officials and more businessmen close to Putin such as Aleksei Miller, head of Gazprom, Alexander Bortnikov, head of Russia's security services (FSB), and Sergei Shoigu, the Minister of Defense. Sanctions against Russian banks and state-owned enterprises, especially any doing business in Crimea, should be adopted, and broader economic sanctions should be considered. As part of an informal Friends of Ukraine Task Force, I joined a number of colleagues in recommending to officials at the State Department and White House the following companies to be targeted:

- Gazprombank
- Vneshekonbank (VEB)
- Vneshtorgbank (VTB)
- Sberbank
- Rosoboronexport

- Transneft
- Novatek
- Gazprom
- Rosneft

All members of the Federation Council beyond those already sanctioned who voted for the use of force against Ukraine, and all members of the Duma beyond those already sanctioned who voted for annexation of Crimea should be included. Finally, Putin himself needs to be added to the list if he refuses to stop his aggression and return to the status quo ante. By imposing further sanctions now, we would aim to preempt, rather than react to, the possibility that Putin will invade other parts of Ukraine, or even Moldova, Kazakhstan or even stir up trouble in the Baltic States. Sanctions could be lifted in return for the status quo ante.

In response to criticism that his administration's sanctions have been too mild so far, President Obama has cited his desire to avoid getting too far out ahead of the Europeans on sanctions and instead present a united U.S.-EU response to Putin. I, too, would like to see the U.S., along with Canada, in closer coordination with the EU, but the simple reality is that it is much more difficult for the EU to get agreement among its 28 member states to impose tougher sanctions for various reasons, not least the fact that EU-Russia trade is more than ten times that between the U.S. and Russia. A number of European countries are heavily dependent on Russia for their energy needs, and others simply want to continue business-as-usual and not let the events in Ukraine get in the way of making profits.

For all these reasons, the United States has to take the lead. The extra-territorial nature of U.S. sanctions has an impact in its own right: European companies and financial institutions would have to choose between staying in the good graces of the U.S. Treasury Department and doing business with sanctioned Russian enterprises; my bet is that they would choose the former. Thus, while joint U.S.-EU sanctions are naturally preferable, unilateral American sanction can deliver a solid punch. We must not let the aspiration to have U.S.-EU unity on sanctions impede us, the U.S., from doing the right thing now. I dare say that the EU will follow, but only if the U.S. leads; naming and shaming those holding the EU back should also be considered.

Since Putin's move into Ukraine, the Russian economy, already facing serious problems, has seen the ruble drop sharply, the Russian stock market fall some 20 percent, capital flight soar—possibly as high as \$70 billion this quarter alone compared to \$63 billion all of last year—and Russia's credit rating lowered to near-junk status. Investor confidence is badly shaken. Putin and his circle are vulnerable to imposition of such sanctions, given that many of them keep their ill-gotten gains in the West. Closing that option to them is certain to get their attention and possibly lead them to rethink their position, even if it may not lead to an immediate turnaround in Putin's takeover of Crimea. Russia is significantly integrated into the global economy, particularly with Western states, leaving them vulnerable and giving us leverage over Russia, if we choose to exercise it.

This is no time for business as usual. It was appalling to see the leadership of the German conglomerate Siemens travel to Moscow to meet with Putin in mid-March when its own government in Berlin was supporting the first round of sanctions, essentially embracing the Russian leader and reassuring him of their continued business no matter what steps the West might take. Other corporate executives should think twice before doing the same.

Putin's appetite will show no limits unless we impose a serious price for his aggression. Many more countries with sizable ethnic Russian populations, including Moldova, Kazakhstan, and even the Baltic States will be at greater risk unless Putin suffers serious consequences for what he already has done and is deterred from going further.

HELPING UKRAINE

Addressing the Putin challenge is critical, but no less important is the need to help Ukraine recover from the turmoil of the last few months, the corrupt leadership of the last two decades, and the economic crisis that it faces right now. Making life doubly difficult for the interim authorities in Kiev are three facts: the threatening presence of tens of thousands of Russian forces along the border, the instability in the industrially important east, and the loss of Crimea. Nevertheless, the interim government and parliament have no choice but to adopt various reforms required by the IMF and to ensure that Ukraine advances toward democracy and rule of law. The West can and must help. Over the next weeks and months, the U.S. and the EU can best aid Ukraine by taking these steps:

- Pressing for the Ukrainian Presidential election slated for May 25 to stay on schedule. Some parties in Ukraine, and in Moscow, are urging postponement of the election, arguing that the country needs more time to prepare and cannot hold them as long as Russia occupies part of the country. This would be an enormous setback to Ukraine's need to elect a legitimate, new leadership as soon as possible. The sooner Ukraine votes for a new President in a credible, democratic fashion, the better off the country will be.
- Aiding local civil society organizations that do election-monitoring kinds of work as well as long- and short-term observers, working closely with the OSCE/ODIHR. Independent media must be able to operate during the electoral period to ensure that the public is informed both about the conduct of the elections and the important policy issues around which the elections revolve; this is especially needed in the regions where information is scarce and violations plentiful. Special scrutiny should be devoted to the formation of an impartial election commission and unhindered participation in the voting process by all registered Ukrainian voters wherever in the country they may be located.
- Assisting development of real democratic institutions so that Ukraine doesn't squander yet another opportunity, as it did after the 2004 Orange Revolution, for lasting rule of law and liberalization. This would include strong support for Ukrainian civil society and a free press, both of which played critical roles in the protests. It would also entail protecting the country's religious and ethnic minorities, combating hate crimes, and promoting tolerance. The presence of some radical elements in the opposition movement and the new governing structure should not give license to any extreme statements and actions by radical groups.
- Refusing to give up on Crimea by demanding a return to the status quo ante. Conducting a rushed referendum under the barrel of Russian guns, without any efforts to involve Ukraine's central government, is both illegal and illegitimate. No reputable government or body has recognized the referendum, and none should give the impression that this issue is settled.
- Disbursing funds from the financial package that the U.S., European Union, Canada, IMF, and World Bank have put together, totaling more than \$25 billion, to help stabilize the Ukrainian economy. Adding to the challenge is Russian economic pressure, trade cutoffs, and a spike in the price for Russian gas. Equally important is assistance in recovering stolen assets from ousted President Viktor Yanukovich and his cronies, estimated in the tens of billions of dollars, and assistance with energy reforms and development of alternate energy sources.
- Preparing for delivery of humanitarian assistance to Crimea, especially on behalf of ethnic Ukrainians and Crimean Tartars living there, who together constitute some 35 percent of the region's population. They effectively have been disenfranchised from their country. The Crimean Tartars in particular, whom Stalin exiled to Siberia in 1944 and only returned to Ukraine's Crimea as the Soviet Union was collapsing, are distraught at falling under Russia's thumb once again.

There are some who have argued that the best way to respond to Putin is to help Ukraine succeed, implying that sanctioning Putin is unnecessary. I strongly support doing what we can to help Ukraine, the interim government, civil society and soon a newly elected leadership, but helping Ukraine requires simultaneously pushing back firmly against Putin and his regime. Ukrainian authorities would have their hands full without having to worry about further Russian aggression and territorial loss. That they are confronted with a massive threat from Putin requires us to both support Ukraine and push back on Putin.

During his visit to Washington and his meeting with President Obama in March, Acting Ukrainian Prime Minister Arseny Yatseniuk said the following: "It's all about freedom. We fight for our freedom, we fight for our independence, we fight for our sovereignty and we will never surrender."

If Ukraine, with Western help, is able to fend off Putin's aggression, then freedom in Ukraine and, for that matter, around the globe, will have scored a major victory against one of the most threatening authoritarian regimes in the world and one of the biggest challenges to confront the democratic community of nations. This is about Ukrainians' aspirations to be free, Putin's efforts to deny them that possibility, and the West's willingness to rise to the challenge.

The CHAIRMAN. Well, thank you both for your testimony.

Let me ask you, Dr. Stent. Two things that you said in your testimony that makes me question.

One is that you talk about a diplomatic solution, and you added “if the Russians were interested.” What is the diplomatic solution? I thought the beginning of the effort that took place in Geneva was an effort at that, and they basically went there and said they would do a series of things and then left and totally dismissed it. Where is the diplomatic leverage here to get them to act in a different way? If sanctions to date have not gotten them to deter from some of their actions, including creating greater instability in eastern Ukraine, where is the diplomatic leverage here?

I often hear my friends talk about diplomatic efforts, and I am always for that as long as they have some possibility of moving forward at a given point in time because the environment is right. Where is the environment for that? Where are the circumstances for that?

Dr. STENT. Thank you for the question, Mr. Chairman.

I agree that it does not look very likely now. Clearly the Geneva negotiations were thought of as a potential framework for all the parties sitting down and then people fulfilling what they agreed to do. Right now, that does not appear very likely.

But I think one should never say that one takes this off the table, and I think we heard again from the previous panel—

The CHAIRMAN. I am not suggesting that.

Dr. STENT [continuing]. That it is not taken off the table.

Personally I do not believe that the sanctions that have been imposed so far will have an economic impact on Russia, and they are clearly not going to deter at the moment the Kremlin from doing whatever it wants to do. And so I think we are in a position where we do not have that many levers, and if we do impose sectoral sanctions, those could have a longer term economic impact, but they will not have an impact on Russian actions in the very near term. And so holding diplomacy open as an option is something that we should continue to do but understanding that in the short run, it is not likely to have much of an impact.

The CHAIRMAN. Let me ask you a different question. You said something about adjusting ourselves to the new rules of the game. I would like to hear you define that a little bit for me. In my mind, just because somebody violates the rules of the game, you do not make new rules. You just make sure that if the rules were worthy of being upheld, which is international law, territorial integrity, and rights of people to make their own decisions for their future—that is my sense of the rules of the game. How are you referring to we have to adjust ourselves to the new rules of the game? What do you mean by that?

Dr. STENT. Thank you for that question.

Well, what I mean is, that Mr. Putin has now called into question the agreement in 1991 that dissolved the Soviet Union. He has called into question the 1994 Budapest Memorandum. So we are going to be living with a Russia that has served notice that it has the right to defend its fellow ethnics and fellow Russian speakers in places like Transnistria, maybe Kazakhstan, as we heard. Not that we should accept this, but we have to understand that our assumptions that we are dealing essentially with a Russia that more or less accepts the boundaries of the new states in Eurasia that were agreed upon in 1991, that it no longer accepts that.

So that will require at least, first of all, with our own allies sitting down and figuring out how do we deal with this and then moving forward to prevent further erosion of the territorial status quo. This is not now. This is somewhere down the road. How are we going to deal with Russia on this? What we have to do is contain Russia from repeating the Ukrainian scenario in some other part of the former Soviet Union.

The CHAIRMAN. So we are not making new rules. What we are saying is there are internationally accepted rules. Russia has violated them. They seem to have their own doctrine which they believe that they can pursue. We do not accept that. And we will have to deal with the new realities of a Russia that no longer wants to play by international norms.

Dr. STENT. Right, and then how do we get them maybe to change their mind?

The CHAIRMAN. Okay. Now I am in sync.

Mr. Kramer, you are very forward-leaning on sanctions, and there are probably very few people in the Congress that have been as forward-leaning on sanctions as I have because I believe they are a tool of peaceful diplomacy. There are very few tools that are available to any country in diplomacy abroad. First of all—international opinion—the extent that one could move a country or a leader by virtue of that international opinion. Secondly, the use of aid and trade to induce a country to act in certain ways. And then the denial of aid or trade, which is basically a sanction, as well as other elements beyond aid and trade, which is access to markets by financial institutions or whatnot.

I am generally of the belief that if you do not want to do military action, which certainly we are not talking about in this case, then you do have to think about how you use sanctions robustly.

The one question I have for you is if you do the blunderbuss, for sake of a metaphor, and put all the sanctions out there, is there not the consequence as well that Putin will say, “well, I have already been sanctioned for everything that I possibly can be sanctioned, let me get something forward”? Let me go into eastern Ukraine and ultimately take over. There is always a calibration element here. At some point, it is a question of providing enough deterrence and consequences that one does not want to take the risk. At another point, it is going so far to one direction that the result is that, “well, I have already lost everything; let me get something forward.”

Give me a little bit of thought on that.

Mr. KRAMER. Sure. Thank you, Mr. Chairman.

I would start with a list of entities that I identified in my testimony before going to broader sectoral sanctions, but I would not wait very long to do that. As I mentioned, I think we have been too reactive in doing this.

The CHAIRMAN. Those are a series of companies and individuals who you listed, many of which I have said myself: Rosneft, Rosoboronexport, and Gazprom. I get that.

Mr. KRAMER. Yes. But sanctions, to be clear, are both punitive and a deterrent, but they are also psychological. And the point of them is for the target of the sanctions to think that if he or she continues down the path that he or she is on, that they are going

to get hit with more sanctions. And so it is not sufficient, though, to come out with the kinds of sanctions, I would argue, the administration has so far because as a number of you have mentioned, the reaction last Monday was that the ruble went up a little bit in value and the stock market went up as well. The expectation was that Russia was going to get hit with harder sanctions than what was announced.

The CHAIRMAN. Although I think it went up when the Europeans announced their set of sanctions, which were maybe less than what the Russians expected.

Mr. KRAMER. I think I can go back and check. I think Monday afternoon, the market in Moscow went up. The EU announced Monday that it also would sanction. It did not announce against whom until Tuesday.

On what Putin might do, I have nothing to lose. There is always that possibility. I would argue that Putin is not all-powerful. He is certainly powerful. He is like a chairman of the board, and he needs the approval of the other members of the board around him. I would argue that those members of the board have not signed up to a scenario in which they lose all their ill-gotten gains because of sanctions in the West. They will say to Putin we actually want to benefit. We want to be able to go to the West. We did not sign up for this. That is a calculation. I cannot sit here and promise you that that will be the outcome.

The CHAIRMAN. Those other members of the board that you described—for the most part, they are his oligarchs and he made them oligarchs.

Mr. KRAMER. He did and he is one himself. There was a story in the New York Times about 8–9 days ago saying that the administration knew roughly where Mr. Putin's money was. I hope we are going after it. I think we should not wait too long before we put Putin himself on the list. That might get his attention. I think one of the things he is most concerned about and one of the reasons he wants to stay in power at any cost is he does not want to lose what he himself has gotten, and he does not want the people who have supported him and are around him to lose what they have gotten either. It is a thoroughly corrupt, rotten regime, and I think what it values more than anything are the assets that it has stolen over the years. And if we threaten those assets, then it might force a recalculation on Putin's part, or at least those around him.

The CHAIRMAN. Senator Corker.

Senator CORKER. Thank you, Mr. Chairman.

And thank you for your testimony.

Dr. Stent, Mr. Kramer was pretty forward in his opening comments about the importance of what has happened, that what Russia is doing relative to its neighboring countries is as dramatic as anything since the agreements that were put in place in 1991, and in 1994.

You have witnessed today that the United States is really only willing to do so much. I think that is pretty evident. And someone said earlier that this is far more important to Russia than it is us. I liken it to Maslow's letter. To him, it is food, clothing, and shelter. To us it is self-actualization. And there is a different level of perceived interests certainly by the citizens of the two countries.

From your perspective, how important is this to the United States? And how big of a thing, if you will, from a global stability standpoint is it that Russia has embarked upon?

Dr. STENT. Thank you for the question, Senator.

I think if we look back in the past few years, you could say that this part of the world was important for the United States, but it has not been a top priority just because we have other priorities we were concerned with like Syria, like Iran, like Afghanistan, and before that Iraq. And so I think we have come somewhat late to the focus on what was happening in this region. Before last November, we assumed that the European Union, because it was negotiating with Ukraine, was bearing the burden of most of these negotiations.

We have understood that what Russia has done by violating agreements that were signed, particularly in 1994, by violating principles of international law, annexing another country's territory, that this is very significant and it is a problem for us. But still, as you have said and other people who were testifying today have said, this is in Russia's neighborhood and it is not in our neighborhood. And we are a long way away and we have many other international crises and issues that we have to deal with. Therefore, it is inevitable that this ranks number one for Russia and it does not for us. And that is something that we have to deal with as we try and formulate an effective policy to try and get Russia to step back from this.

Senator CORKER. So you use the words "effective policy." Just in listening to your testimony and much of what has been said here, I almost feel that many people, hopefully not everyone, but many people accept what is going to happen as a fait accompli. Do you think there is an effective policy that we could put in place today that would change Putin's behavior on the ground in Ukraine?

Dr. STENT. Thank you.

I think that at the moment, it is very hard to see what we could do in the next months to deter Russia from continuing to interfere in eastern Ukraine. I see this as a crisis that is going to continue. Hopefully there will be an election on March 25 and it will be recognized as legitimate by most of the population. But that does not mean that the next day the separatists are going to leave the buildings and hand over their arms.

So I think we need a longer term policy strategy and that can include, obviously, the sanctions and some of the other measures helping build up capacity in Ukraine. But there are no easy solutions to this, and there is nothing in the short run that is going to deter Mr. Putin.

Senator CORKER. And do you get the sense that the administration has come to the same conclusion and that is why they are talking big, if you will, but do not really believe that there is anything they can do to change Putin's behavior?

Dr. STENT. Well, I think the administration is obviously implementing sanctions. They are doing that. They are again reassuring our NATO allies, which is very important at least to deter Russia from thinking that it could maybe move beyond Ukraine certainly to the Baltic States. So the administration is doing a number of things. But I think it is probably doing as much as it believes it

can, given the limitation that no one is prepared to use military force in a conflict like this because it involves a very large country with thousands of nuclear weapons.

Senator CORKER. And as part of that longer term strategy, you would agree that having a European strategy—I think you alluded to the fact that we were late to the game and basically focused on other things—but having a European strategy that focused on strengthening NATO, that did focus on punishing Russia with sanctions, but also hardening and strengthening Ukraine, Moldova, and Georgia would be a good thing for us to do?

Dr. STENT. Yes. I think that is really all we can do, and I think we do have to persuade our European allies that if they, indeed, have woken up in this crisis that we really have a problem, they should be willing to spend more on defense. And that is going to be very difficult.

Senator CORKER. So I agree with that. I know the chairman made some comments on the front end, and hopefully all of us can work toward that end.

Mr. Kramer, do you agree that, in essence, we are at a place today where there is really nothing we can do to change Russia's behavior and they are going to have their way in eastern Ukraine either through military force or doing what they are doing right now?

Mr. KRAMER. Senator, I do not agree with that, and I think it would be contrary to U.S. interests to take that position. Ukraine is critical to a decades-long vision of a Europe whole, free, and at peace, as Dr. Stent referred to at the end of her testimony. Ukraine is in the heart of Europe. It borders Russia. It borders members of NATO and the EU. The spillover effects of a conflict breaking out worse than what we have already seen could entail article 5 commitments if it were to spread to NATO member states. The implications of this I think are enormous.

Russia has annexed territory and we have not seen this in Europe since World War II. There is the Budapest Memorandum, which has been mentioned, which involved Russia, the United Kingdom, the United States, and Ukraine. In exchange for giving up Ukraine's nuclear weapons, the other three signatories promised to respect Ukraine's territorial integrity and sovereignty. One of those signatories has violated that agreement. There are no treaty implications. There is no article 5 obligations.

But if we do not respond and come to Ukraine's defense through providing military support and the necessary means by which Ukraine can defend itself, then I do have concerns about what signal that sends to other countries that might be interested in acquiring nuclear weapons or countries that may be trying to pursue them but decide we are not going to give them because we saw what happened to Ukraine.

I think the implications of this are absolutely enormous, and this is being led by a leader who, I would argue, on the one hand is acting out of weakness. He is paranoid and insecure. He was terrified by what happened in 2003 and 2004 with the Rose and Orange Revolutions in Georgia and Ukraine, and yet, at the same time, he thinks right now, weak as he may be, he is stronger than we are,

that he has the upper hand. And I think it is critical for us to change that thinking and those dynamics.

Senator CORKER. Thank you both for your testimony and for being here today.

The CHAIRMAN. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Thank you, both of you.

I want to continue along this line of questioning with you, Mr. Kramer, because this is all an exercise in priority-setting for this committee, for the administration, for the Secretary of State in terms of what he talks about with our European allies when he is across the table with them.

And I, too, was impressed with the gravity to which you ascribe the crisis. You, I think, referred to it as the greatest crisis that the United States has seen in decades, which strikes me as surprising because to me the world is not aligned any longer around who is with the United States and who is with Russia, who is with the West and who is with the East. There are paradigms that matter much more to us than that, who has nuclear weapons, who does not; who is aligned with Shia, who is aligned with Suni. What are we doing to try to downgrade the ability of terrorist groups to attack this country? Those seem to be the things that should be first and foremost. This does not strike me as the gravest crisis we have seen in decades. It is important. It deserves all of the time that we are spending on it.

But why do you believe that of all of those crises that are facing the United States today that this is the most important?

Mr. KRAMER. Senator, thanks for the question.

My organization, Freedom House, has documented 8 straight years of decline in freedom around the world since the previous administration in which I served. Russia is one of the leading—not the only, but one of the leading—authoritarian regimes that is actively and aggressively pushing back against efforts to advance freedom and human rights around the world. We see it not just along Russia's borders. We see it in Syria where Russia not only blocks U.N. Security Council resolutions but arms, aids, and abets Assad's slaughter of the Syrian people. So the threat that Russia poses goes well beyond Ukraine. It is a threat that is global in nature.

It is not to say that we cannot cooperate with Russia in some areas. There are some areas where we have common interests. But I come back to the point I made earlier. It is the nature of the Putin regime that really significantly inhibits our ability to cooperate.

And if left unchallenged, I worry about Putin's appetite. I worry how easy Crimea was, the annexation of Crimea, and I worry, to borrow a Stalinist phrase, that Putin, even though I have described him as acting out of weakness to an extent, may get dizzy with success and decide Crimea was easy. I will try my bet at eastern and southern Ukraine. I will stir up trouble with Transnistria and Moldova. I will show the EU and NATO that I can even cause problems in those member states. And when we get to that point—and this is why I think it is the gravest crisis we face—we have

article 5 obligations that if we do not fulfill, the NATO alliance is finished and our credibility as an ally is irreparably damaged.

Senator MURPHY. And I think it just speaks to the end that we are trying to effectuate because you are right. It may be the gravest crisis that we face, should the end be an invasion of an article 5 country. Thereby, what we may be trying to do is to prevent that line from being crossed. The invasion of Ukraine or the invasion of Crimea is not the gravest political crisis that we have faced, but the potential next steps, should we not take actions to draw a line, certainly may be.

I want to ask a very specific question about facts on the ground. We did not talk a lot in our opening panel about this May 11 referendum that has been called in, I guess, Donetsk and Luhansk. What do you know about what we should fear or not fear about that referendum, about how active the Russians may be in trying to make sure that there is enough turnout so that it has some veil of legitimacy? We are talking about a week from today. How much of our focus should be on May 11 rather than on May 25 at this point?

Mr. KRAMER. I did not refer to May 11 in my testimony, Senator, because I think it is a joke. The notion of holding a referendum on such short notice under such conditions I think is not even worthy of mention. I think not even Ukrainians will take it seriously. Russia might recognize it. If they do, that to me is yet another reason to move ahead, although I frankly, again as I said, would not wait for that.

Can I just take 1 minute to respond to the first point about the Baltics? I think it is less about Russian tanks crossing the border into Latvia. As we have seen in Crimea, as we have seen in eastern Ukraine, it is not so much tanks crossing borders. Putin has found other means and methods by which to destabilize these states. In 2007, Estonia was the target of a cyber attack from Russia. There now has been much more thought given to what the western NATO reaction would be to a cyber attack against a member state. I applaud the administration for beefing up the defenses of NATO allies. But I do worry that if Putin psychologically thinks he has gotten away with Ukraine, that he will then test the waters in other places, and that is why I think this is so critical.

Senator MURPHY. I think that is a very fair point. I think you have to ask why is he doing this in the countries that he has done it in. And the answer is partially because they have not yet made the decision as to whether to join NATO and the European Union, and he is trying to prevent that. So the question would be whether those kind of provocations are as necessary or as useful to him in countries that have already made that decision. But I think it is a very important distinction to make because we clearly see that he does not believe he needs to send tanks in in order to gain influence, in order to stymie behavior that may be contrary to Russian instincts.

Mr. KRAMER. Senator, can I just—but Yanukovych even had made the decision. Ukraine was expecting to sign those agreements with the EU until, under pressure from Putin and also because the EU had not backed down on the Tymoshenko case, he decided to do a U-turn. That is what triggered the protests. Ukraine had

made its decision, and Putin saw Ukraine's moving toward closer ties with the EU as a threat to him and his vision for a Eurasian economic union.

Senator MURPHY. Ms. Stent, on this question of May 11, do you share Mr. Kramer's views?

Dr. STENT. I think there will be something on May 11, and I think there will be groups who will support the referendum. As in all cases like this, you have a small active group of militants who think that they can call the shots. The majority of people in the eastern part of Ukraine do not want to join Russia, and they want to be in a Ukrainian state. I think there will be some kind of vote. I am assuming that those people who vote will be supporting the separatists and they will declare that they want these regions to be independent, join Russia. I am not sure what the questions on the ballot are, and I am not sure that we have seen that. And Russia will, no doubt, come out with some statement about it.

I do not take this very seriously, but I think it would be a way of further destabilizing Ukraine. And I think what the Russians want is not to have the May 25 election either held, or if it is held, regarded as legitimate. And this would be part of the arsenal in de-legitimizing the May 25 election.

The CHAIRMAN. Senator McCain.

Senator MCCAIN. Just to follow up, what do you think the odds are that the May 25 election will be held?

Dr. STENT. I think from what we have heard today, it will be held. I think it would be very difficult now for either the separatists or their Russian supporters to prevent it from being held. The question is will people in the eastern part of Ukraine be so intimidated that they will not be able to go to the polling places and vote. There will be an election, but I am not sure how many people in the east will be able to vote.

Mr. KRAMER. Senator, I think, if I had to bet today, the election will take place. I think it will take place under very adverse circumstances, but I think Ukrainian authorities are doing the best they can to have a credible election.

Senator MCCAIN. So Kiev and other parts of Ukraine but impossible in eastern Ukraine and maybe increasingly difficult in Odessa.

Mr. KRAMER. Absolutely. I think holding a credible election in the eastern parts of the country now is seriously challenged.

There is also the issue of Crimea which all too often gets forgotten. There are the Crimean Tartars and the ethnic Ukrainians there, roughly 40 percent of the population in Crimea. What happens to them? How are they going to be able to participate? They are disenfranchised from their country.

Senator MCCAIN. Well, I mean, since they have been taken into Russia, then maybe an election will not even take place there.

Mr. KRAMER. I do not see how voting could be held in Crimea. I think that is exactly right, Senator.

Senator MCCAIN. So when does Vladimir stop?

Mr. KRAMER. Unless he came out today—there is an interesting fact, which is he has not been in public in the past 5 days. There was a tape of him meeting with a governor, but the suspicion is that was taped a while ago. If you remember back in 2000 with the

sinking of the Kursk submarine, he disappeared for several days. He has an odd way of handling crises. And I am not suggesting he is hiding under a bed or something, but it is an odd way to lead a country through a crisis. Maybe—and this may be wishful thinking on my part—he is starting to think he has bitten off more than he can chew, but I do not think we should count on that. I think we should be anticipating more of his steps and trying to preempt them rather than react to them.

Senator MCCAIN. Ms. Stent.

Dr. STENT. Senator, I heard Mr. Putin today on the radio saying that the CIA invented the Internet and that Russia now has to have new controls on the Internet because this is all a CIA plot. So he may not have appeared in public but he is around.

Senator MCCAIN. That is something that I have thought for a long time. [Laughter.]

Well, I thank you both very much. I think that is a \$64 question, but I would make an argument when you look at what actually in reality the punishment that he has received so far versus what he has accomplished so far—and it is hard for us to put ourselves into his shoes, but if I were him, I could not help but be encouraged by the course of events so far.

Mr. KRAMER. Senator, I agree with that. And again, weakness or strength are relative, and I do worry that he feels that he is stronger than we are, that he is in the driver's seat and he is setting the agenda. And so I do share your concern. And his interest is to have those elections postponed so that he can continue his claim that the interim government is illegitimate, took over in a coup, and I think we have to everything we can to make sure those elections take place. It is in the best interest of Ukraine.

Senator MCCAIN. I thank the witnesses.

The CHAIRMAN. Thank you both for your insights and your testimony. I think it is very helpful to the committee. We appreciate it.

This hearing's record will remain open until the close of business on Thursday.

And with the gratitude of the committee, this hearing is adjourned.

[Whereupon, at 6:10 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF VICTORIA NULAND TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. In late March, the Congress approved a bill calling on the Obama administration to increase objective international media programming to Ukraine, Moldova, and Eastern Europe in order to push back against Russian propaganda saturating the region.

- ◆ What efforts have been taken to date by the State Department, in consultation with the Broadcasting Board of Governors, to define a strategy that strengthens our public diplomacy programs and expands the work of the Voice of America and Radio Free Europe/Radio Liberty in the region?

Answer. The Department of State has taken a series of steps to highlight and confront Russian distortions and falsehoods, including the creation of our Ukraine Communications Task Force, which uses social media and other tools to aggressively counter Russian propaganda, advocate with global audiences for our Ukraine policy positions, and demonstrate our steadfast commitment to the people and legitimate

Government of Ukraine. The Department of State has also launched a Russian-language social media campaign in support of Ukraine.

In addition, the Department of State has been working with the Broadcasting Board of Governors (BBG) to strengthen its capabilities, including expanding domestic distribution in Ukraine and neighboring countries and increasing Russian-language content, and has transferred \$550,000 in Public Diplomacy funds to the BBG toward this end. Additionally, the Department has provided assistance to BBG representatives in the region as they work to add affiliate radio and television partners within Ukraine and neighboring countries. We will continue to explore other options to support these efforts.

The BBG has expanded its Ukrainian and Russian television and video news products for the region, increased its digital and social media presence—especially with new digital video/audio products that counter Russian misinformation with accurate reporting and analysis—and improved the media environment through sponsored training of journalists, sometimes in cooperation with USAID.

The BBG leverages the expertise, knowledge, and access of Voice of America and Radio Free Europe/ Radio Liberty in Ukraine and the region to work with affiliates to expand audience reach and impact. Surveys show their programs are consistently ranked as credible, making them key channels of essential information in support of key U.S. national security interests.

Question. In the last 3 weeks alone, anti-Kiev forces abducted more than 50 people—Ukrainian and foreign journalists, activists, local officials, and members of Ukraine security forces. Some have been released, but the fate and whereabouts of at least two dozen people remain unknown. Most are believed to be held in the office of the Ukrainian security service, SBU, in Slavyansk, which the anti-Kiev forces turned into their headquarters.

- ◆ What are Ukrainian authorities, Russian authorities, and the Europeans who managed to get the OSCE observers out now doing to pursue the release of other illegally held captives?

Answer. Pro-Russia militants are holding more than 40 people hostage in the Donetsk and Luhansk regions. These include a number of local politicians, several journalists, police officers, civil society activists, and international monitors. Dozens of others have been kidnapped and released after several days, often after being beaten. For example, separatists briefly took hostage seven Red Cross volunteers and members of the OSCE Special Monitoring Mission but later released them on May 9. Eleven more OSCE monitors were detained and released on May 28. Separatists kidnapped another four OSCE monitors on May 26, as well as four more, along with their Ukrainian translator, on May 29. These two groups remain hostage. Others among the kidnapped have been murdered—including Horlivka City Councilman, Volodymyr Rybak; Maidan activists, Yury Popravko and Valeriy Salo; and a Ukrainian Orthodox Church-Moscow Patriarchy priest. Most are held in Slavyansk, where bodies of the murdered were found. This is also where militants kidnapped the OSCE Vienna Document observers and their Ukrainian escorts, and an American journalist, all of whom were subsequently released.

The United States, Ukraine, and our European partners condemn hostage-taking as illegal and destabilizing, and call on Russia to use its influence to release all hostages. Secretary Kerry has underscored this message in multiple interactions with Russia's Foreign Minister Lavrov. The United States closely monitors reports of hostage taking and routinely raises this in its Senior-level discussions with European leaders as one of many illegal and destabilizing actions that must cease in order to de-escalate the situation in Ukraine.

Question. Russia's intervention in Ukraine has been preceded by a systematic campaign to bring newspapers, television and radio stations, and social networks under Russia control, to silence dissenting voices and control the information that the Russian people receive. By creating a closed information space within Russia, the Kremlin has thus been free to act without fear of domestic opposition or constraint. We have seen armed men taking over TV stations and towers, journalists kidnapped and brutally attacked.

- ◆ What are we and our partners doing to counter this dangerous narrative in Russia and Ukraine? What direct assistance and training are we providing journalists operating now in this space?

Answer. Long before the current crisis, the Department of State and USAID were providing assistance to help Ukrainian media outlets (in both the Ukrainian and Russian languages) and journalists develop high standards of professionalism and journalistic independence.

In December, the Department and USAID increased assistance to journalists and independent media and news reporting—especially in the Russian language—in the east and south of Ukraine to ensure that citizens in those regions had access to objective information about rapidly changing political and economic events. This assistance strengthened independent media through grants and legal assistance, fostered Ukrainian ties to U.S. counterparts, enhanced programs working with journalism students, and trained journalists on issues such as professionalism, ethics, and the use of new information and communications technologies. We also continue to support local Ukrainian media organizations to generate unbiased, facts-based reporting for Russian and Ukrainian language content delivered through TV, radio, print, and online media, including coverage of the upcoming Ukrainian Presidential elections and the critical period after the elections.

State and USAID efforts are complemented by Radio Free Europe/Radio Liberty (RFE/RL) and Voice of America programming. The RFE/RL's multimedia Web pages are “go to” sources of up-to-date and accurate information in Ukraine, Russia, and internationally, and VOA provides timely and accurate television coverage of U.S. policies, statements, and actions to audiences in Ukraine, Russia, and other countries in the region. RFE/RL has launched a Crimea-focused Web site, krymr.org (“Crimea Realities”) with content in Russian, Ukrainian, and Crimean Tatar, which is attracting a significant audience in Crimea and elsewhere.

From both Washington and our Embassy in Moscow, we routinely engage with and advocate on behalf of journalists and bloggers who have been attacked, arrested, imprisoned, or otherwise harassed for doing their work in Russia. For example, on April 25, in the context of the Department's global “Free the Press” Campaign in honor of World Press Freedom Day, we spoke out to call attention to the little-known case of Sergei Reznik, a Russian journalist who is serving an 18-month jail sentence after uncovering local corruption and abuse.

The Department of State has taken a series of steps to highlight and confront Russian distortions and falsehoods, including the creation of our Ukraine Communications Task Force, which uses social media and other tools to aggressively counter Russian propaganda, both in Russian and in English.

Question. With the recent outbreak of violence in Odessa and the threats against journalists and activists growing in eastern Ukraine, it is clear the situation is deteriorating rapidly beyond just geopolitical concerns. Once again Russia and Ukraine are launching allegations at each other without presenting any evidence, which raises tensions and encourages violence in an already divided region.

- ◆ While the administration continues its diplomatic efforts, what steps are underway to help ensure the OSCE and U.N. human rights monitors on the ground carry out an urgent, independent investigation into recent clashes in Odessa and, more generally, press for criminal prosecutions for those most responsible for violence?
- ◆ In addition, what is the likelihood that both the OSCE and U.N. monitors will present their findings publicly, and is this something the administration is calling for?

Answer. The United States has emphasized the importance of conducting a full, credible investigation into the events of May 2 in Odessa. The Government of Ukraine has launched an investigation into the violence in order to establish culpability and bring those responsible to justice. The United States has raised with the Government of Ukraine the possibility of providing international assistance with the investigation, and has urged the Government of Ukraine to involve the OSCE Special Monitoring Mission in the investigation and to publicize the facts and results of a preliminary investigation as soon as possible. The OSCE Special Monitoring Mission team visited the site on May 6 and was informed that a total of 46 bodies had been transferred to the morgue of the Regional Bureau of Forensics.

More generally, in its May 12, 2014, report on the Office for Democratic Institutions and Human Rights (ODIHR) Human Rights Assessment Mission in Ukraine, the OSCE recommended that the Ukrainian authorities cooperate with international human rights monitoring and judicial bodies in matters related to allegations of human rights violations and criminal responsibility. The report noted a significant number of serious abuses and infringements of human rights, including murder and physical assaults, as well as cases of intimidation and enforced disappearance. The victims were primarily pro-Maidan activists and journalists. The report also highlights instances of violence and intimidation against persons in Crimea, including Ukrainian military personnel and members of the Tatar community.

The United Nations Office of the High Commissioner for Human Rights' (OHCHR) Human Rights Monitoring Mission in Ukraine is scheduled to release its next monthly report on or around May 15. The United States has expressed its sup-

port for the mission as an impartial mechanism to shed light on the human rights situation throughout Ukraine. At the same time, however, the United States has also expressed to the OHCHR its concern about the mission's current reporting schedule, noting that the mission is one of the only sources of neutral reporting on human rights and that, given the rapid pace of events, monthly reporting could be irrelevant by the time it becomes available.

RESPONSES OF DANIEL L. GLASER TO QUESTIONS
SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. Potential for Sectoral Sanctions.—Last Friday President Obama and Chancellor Merkel suggested that sectoral sanctions might be in the offing if Russia continues to support actions making Ukrainian elections on May 25 impossible. What authorities might the President invoke and what precedents could be used for the implementation of sanctions?

Answer. The President can invoke a wide range of authorities, including those of the Treasury Department, to respond flexibly to events in Ukraine. The Treasury Department has a range of authorities to respond flexibly to events in Ukraine. As President Obama has stated, we are prepared to impose further sanctions against Russia if necessary, in particular if Russia does not work in good faith with new Ukrainian President and does not cease its support for separatists and the flow of weapons and irregular forces across the border.

The Treasury Department's primary authority in this regard is based on three Executive orders issued to respond to the situation in Ukraine—E.O.s 13660, 13661, and 13662. These provide broad authority to impose costs on Russia for its actions in Ukraine. E.O.s 13660 and 13661 give the Secretary of the Treasury the authority to target Ukrainian separatists, Russian officials, and Putin's inner circle, as well as the companies they own or control. E.O. 13662 authorizes the Treasury Secretary to identify sectors of the Russian economy and impose sanctions on individuals and companies within those sectors.

Question. Impact of Sanctions.—Can you describe to us what negative repercussions Russian officials and firms have had to confront as a result of our existing sanctions? In what ways has the Russian economy been affected adversely?

Answer. Sanctions, and the uncertainty they have created in the market, are affecting the Russian economy through both direct and indirect channels. Sanctioned Russian individuals and entities have had their assets blocked and are prohibited from dealing with U.S. persons. Some individuals targeted by our sanctions have sold their shares in their companies, in an effort to avoid the negative impacts of our measures. We assess these decisions were made hastily and with a substantial cost for the sanctioned individuals.

More broadly, market analysts are forecasting significant continued outflows of both foreign and domestic capital and a further weakening of growth prospects for the year. Economic activity contracted on a quarterly basis in the first quarter of the 2014, and many analysts predict that the Russian economy will fall into recession this year. Overall, the IMF has downgraded Russia's growth outlook to 0.2 percent this year and has suggested that recession is already happening. This stands in stark contrast to previous IMF forecasts, which as recently as February were projecting 2 percent growth. The IMF also expects as much as \$100 billion in capital flight from Russia this year, although that number could be closer to the World Bank's estimate of \$130 billion. Combined with the fact that the Central Bank of Russia has spent \$30 billion, or 7 percent of its total foreign exchange reserves, in an effort to defend the value of the ruble, it is clear that our sanctions policy is having an impact on the Russian economy.

Question. Asset Recovery.—It was reported that Yanukovich and his associates stole as much as \$70 billion from the Ukrainian state. What have we done to assist the Ukrainian authorities in the recovery of their money? Have we made any progress?

Answer. The United States has been a leader, along with the United Kingdom, in helping Ukraine recover the state assets stolen by the Yanukovich regime. These efforts have been led by the Department of Justice, with the Treasury contributing through technical assistance and by sending Treasury advisors to Ukraine to assist their Financial Intelligence Unit to identify, track, and recover assets. Efforts are ongoing. Ukrainian officials have noted that over 100 investigations have been opened, including those involving at least 17 former high-ranking officials.

In addition to direct assistance to Ukrainian investigations, the United States is working with partners throughout the world to be of additional assistance. Treasury joined the Department of Justice at the Ukraine Forum on Asset Recovery April 29–30, 2014, hosted by the U.K. Government in London. The meeting brought together Ukrainian officials and representatives from over 30 governments around the world, as well as from the Stolen Asset Recovery Initiative (StAR) of the World Bank and U.N. Office on Drugs and Crime. During the conference, Attorney General Holder announced the formation of a dedicated kleptocracy squad within the FBI, which, with the assistance of the Treasury's Financial Crimes Enforcement Network (FinCEN) and the U.S. Marshalls Service, will aggressively investigate and prosecute corruption cases in Ukraine and around the world.

RESPONSES OF DR. EVELYN FARKAS TO QUESTIONS
SUBMITTED BY SENATOR ROBERT MENENDEZ

REQUESTS FOR LETHAL ASSISTANCE

Question. What lethal military equipment has Ukraine requested from the United States? What, in the opinion of the Department of Defense, are the biggest equipment and training deficiencies that exist in Ukraine's military forces to adequately defend itself from a Russian military incursion, as well as domestic insurrection?

Answer. Ukraine has requested a wide range and large quantities of a variety of both lethal and nonlethal equipment from the United States and other NATO member countries. Ukraine's requests for lethal equipment include: small arms (e.g., assault rifles, grenade launchers, and sniper rifles), ammunition, and aiming devices, such as laser target pointers. Ukraine's requests for nonlethal equipment include: Meals Ready-to-Eat (MREs), medical equipment, aviation fuel, armored vests and helmets, wheeled vehicles, communications gear, digital thermal binoculars, and basic soldier gear (e.g., uniforms, tents, etc.).

The United States Government has approved procurement and delivery of nonlethal assistance valued at approximately \$18M, using current authorities such as Foreign Military Financing, and the Emergency and Extraordinary Expenses. Such assistance includes MREs, medical equipment, basic soldier kit, radios, and robots for explosive ordnance disposal. In addition, DOD's Cooperative Threat Reduction Proliferation Prevention Program has provided assistance to Ukraine's State Border Guard Service for border security and nonproliferation activities.

Ukraine's military has multiple deficiencies as the result of years of underfunding, poor management, and force structure that is too large to be adequately trained and equipped within the country's resource constraints. Almost all major combat equipment is more than 20 years old, and Russian-origin spare parts are in short supply. Key deficiencies exist for communications gear, Navy force structure (as a result of Russia's seizure of Ukrainian naval installations in Crimea), armored vehicles, and personal soldiering equipment.

Defense institutions also need reform. The United States Government is currently working with the Government of Ukraine to develop a multiyear effort to address some of these deficiencies bilaterally and also working within NATO to encourage NATO member countries to offer advice and assistance.

STATIONING NATO IN EASTERN ALLIES TERRITORY

Question. In 1997 NATO-Russia signed the Founding Act to establish a working relationship in the post-cold-war era. In this agreement NATO pledged not to permanently station forces in new NATO members in Central Europe and not to make changes to NATO's nuclear posture or basing. The United States and NATO have carried out these pledges. Russia, on the other hand, suspended its participation in the Conventional Forces in Europe treaty in 2007, increased the number of tactical nuclear weapons on NATO's borders, conducted a series of missile tests which may be a violation of the INF treaty, and of course is using military and paramilitary forces to destabilize Ukraine.

- ◆ In light of the changed security environment in Europe, isn't it time for NATO to revisit the decision not to permanently station forces in our Baltic allies, Poland, Romania, and Bulgaria?

Answer. Since the end of the cold war, Euro-Atlantic security has been based on a number of assumptions that we and our allies believe need to be reassessed in light of recent Russian behavior. Although this reassessment does not necessarily require stationing substantial combat forces permanently on the territory of the aforementioned allies, or changes NATO's nuclear posture or basing that are incon-

sistent with the Founding Act, it is clear that all of our NATO allies must also take concrete steps to strengthen deterrence in Europe. We cannot depend upon good will alone to guarantee allied security.

As emphasized by President Obama in Brussels in March and then by Secretary of State Kerry at the NATO Foreign Ministerial, the United States wants to make sure there is a regular presence, at least through the end of the year, of NATO air, land, and sea forces to reassure those allies that feel most vulnerable of our commitment to collective defense. To maintain a persistent presence of U.S. forces in Europe, especially on the territory of the Central and Eastern allies, the United States will commit to a rotation of a significantly greater number of U.S. forces to Europe for training and exercises focused on readiness and reinforcement. We are also looking at our collective defense planning so we are prepared for any contingency to meet our Article 5 obligations to our NATO allies.

THREAT TO BALTICS

Question. Could Russia utilize the same military and paramilitary tactics it is using in Ukraine against the Baltic States? What steps is the United States taking to bolster the Baltic States' ability to resist Russian aggression?

Answer. Russia's unlawful military intervention in Ukraine and use of nontraditional military methods are a challenge to international order. It is critical that the United States and its NATO allies are properly postured to meet short-notice challenges such as we have seen in Crimea.

As emphasized by President Obama in Brussels in March 2014, and then by Secretary of State Kerry at the NATO Foreign Ministerial conference in April 2014, the United States has taken steps to ensure a continuing presence, at least through the end of the year, of U.S. air, land, and sea forces on the territories of, on the seas near, and in the skies above our Central and Eastern European allies for training and exercises that are focused on readiness and reinforcement. We are also updating our collective defense planning with our allies so that we are prepared for any contingency requiring us to meet our obligations under Article 5 of the NATO Charter.

