

**A PIVOTAL MOMENT FOR THE EASTERN PART-
NERSHIP: OUTLOOK FOR UKRAINE, MOLDOVA,
GEORGIA, BELARUS, ARMENIA, AND AZER-
BAIJAN**

HEARING
BEFORE THE
SUBCOMMITTEE ON EUROPEAN AFFAIRS
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
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FIRST SESSION

NOVEMBER 14, 2013

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CONTENTS

	Page
Aslund, Anders, senior fellow, Peterson Institute for International Economics, Washington, DC	16
Prepared statement	18
Cohen, Dr. Ariel, senior research fellow, Heritage Foundation, Washington, DC	22
Prepared statement	24
Johnson, Hon. Ron, U.S. Senator from Wisconsin, opening statement	2
Murphy, Hon. Christopher, U.S. Senator from Connecticut, opening statement	1
Nuland, Hon. Victoria, Assistant Secretary for European and Eurasian Affairs, U.S. Department of State, Washington, DC	2
Prepared statement	5
Responses to questions submitted for the record by Senator Edward J. Markey	44
Wilson, Damon, executive vice president, Atlantic Council, Washington, DC ...	30
Prepared statement	32

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Ardouny, Bryan, Executive Director, Armenian Assembly of America, submitted statement	48
Gegeshidze, His Excellency Archil, Ambassador of Georgia to the United States, submitted statement	50
Munteanu, Igor, Ambassador of Moldova to the United States, submitted statement	51
Suleymanov, H.E. Elin, Ambassador of the Republic of Azerbaijan to the United States, submitted statement	46

**A PIVOTAL MOMENT FOR THE EASTERN
PARTNERSHIP: OUTLOOK FOR UKRAINE,
MOLDOVA, GEORGIA, BELARUS, ARMENIA,
AND AZERBAIJAN**

THURSDAY, NOVEMBER 14, 2013

U.S. SENATE,
SUBCOMMITTEE ON EUROPEAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

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

Present: Senators Murphy, Shaheen, Johnson, and Risch.

**OPENING STATEMENT OF HON. CHRISTOPHER MURPHY,
U.S. SENATOR FROM CONNECTICUT**

Senator MURPHY. This hearing of the Subcommittee on European Affairs will now come to order.

Pleased to be joined today on our first panel by Assistant Secretary Victoria Nuland. We will hear from her shortly. First, we will have some brief opening remarks from myself and Senator Johnson.

Today's hearing is entitled "A Pivotal Moment for the Eastern Partnership: The Outlook for Ukraine, Moldova, Georgia, Belarus, Armenia, and Azerbaijan. I am very thankful that Ms. Nuland has made the time to be here. We are also looking forward to our second panel, in which we will have Damon Wilson, Dr. Ariel Cohen, and Dr. Anders Aslund present.

On November 28 to the 29th, which is about 2 weeks from today, European leaders are going to gather in Vilnius, Lithuania, for an important summit on the Eastern Partnership. Since its inception in 2009, the Partnership has provided an important framework for countries that seek a closer partnership with the European Union. Nearly 5 years later, the concept of "more for more" will be tested, and several partner states who have made significant progress on the reform agendas will have the opportunity to sign or initial an Association Agreement and Deep and Comprehensive Free Trade Agreement. The sentiment I hope we will convey today is that the United States strongly supports the institution of the Eastern Partnership, and we will remain deeply involved, as appropriate, to support the vision of Europe "whole, free, and at peace."

Now, while these agreements are exclusively between the EU and the Eastern Partnership countries, the United States does

have an interest in furthering democracy and stability throughout Europe and Eurasia. We believe, just like the EU, that integration of these nations only can happen when key conditions are met by applicant nations, particularly around issues related to the rule of law, government transparency, and open economic policies.

And, as we begin negotiations around a new free trade agreement with the EU, both America and these Eurasian nations have a lot to gain through the expansion of the EU. Americans will gain access to new markets and businesses, and places like Ukraine, Georgia, and Moldova will enter an economic community of nations representing the most robust consumer economies in the world.

It is important to note, though, as we talk about this today, that the Eastern Partnership does not preclude a relationship with Russia. Indeed, by dint of geography, it makes sense for each of these countries to maintain a healthy relationship with the Russian Federation, as well as with the European Union. Unfortunately, it seems as though Russia sees this whole contest as a zero-sum game and has put considerable pressure on each of the partnership countries to discourage them from strengthening relations with the EU. We have seen a ban on wine imports from Moldova, chocolate from the Ukraine, fertilizer from Belarus, and the list just goes on and on and on. This is both unnecessary and counterproductive for Russia, because, just as the EU is interested in stable, prosperous governments on their border, so, too, should Russia. Ukraine, Moldova, Armenia, Azerbaijan, Georgia, and Belarus should be free to chart their own future. Our message should be that the door to Euro-Atlantic institutions is open, and if you are prepared to meet reasonable conditions, we will support you.

So, we look forward to this discussion on the outlook, on the eve of the Vilnius summit. We look forward to talking about the pressures that these countries are facing, our current United States strategy toward the eastern states, and what more, if anything, we can be doing to help them make progress on their reform agenda.

With that, let me turn it over to Senator Johnson for opening remarks.

**OPENING STATEMENT OF HON. RON JOHNSON,
U.S. SENATOR FROM WISCONSIN**

Senator JOHNSON. Well, thank you, Mr. Chairman.

I have little to add, other than to welcome Secretary Nuland. We look forward to your testimony.

Senator MURPHY. Great.

Let me welcome Secretary Nuland, who is the Assistant Secretary of State for European and Eurasian Affairs. Assistant Secretary Nuland has been on the job since September. I know that she has been working very hard and doing a fantastic job in this brief amount of time representing the United States.

I now invite you, Assistant Secretary, to give your testimony.

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

Ms. NULAND. Well, thank you, Chairman Murphy, Ranking Member Johnson, and distinguished members of the Senate For-

eign Relations Committee. It is my honor to appear before you today to discuss the EU's upcoming Eastern Partnership summit and to highlight the opportunities and the challenges we face in this part of Europe.

While the six Eastern Partnership countries have responded in different ways to the EU's offer to integrate into Europe's common structures, the United States strongly supports the process as a key ingredient in our effort to cement a Europe "whole, free, and at peace," a shared policy goal of the United States and EU member states since the Berlin Wall fell, almost 25 years ago.

At the November 28-29 summit in Vilnius, as you said, Chairman, EU members will make decisions whether to sign an Association Agreement and a Deep and Comprehensive Free Trade Agreement with Ukraine and whether to initial these same agreements with Moldova and Georgia. This is a historic moment for all three of these countries and a key step toward their dream of one day being fully integrated into Europe. All three have worked very hard to bring their judicial and law enforcement structures closer to the EU standard and to prepare their political systems and their economic and energy markets for greater integration with Europe.

Ukraine has passed over 18 pieces of implementing legislation harmonizing with EU standards to prepare for Vilnius. Georgia and Moldova have met the requirements for initialing their AAs and completed their respective DCFTA negotiations and embarked on key judicial sector reforms. In each case, these reforms have required a national political consensus that these countries' futures lie with Europe.

The United States supports the sovereign right of these countries to choose their own future, and we welcome their closer relationship with the EU. We have been working in lockstep with our European allies and partners to help Ukraine, Moldova, and Georgia meet the tough conditions for a "yes" vote at Vilnius. We have also been aligning future U.S. assistance with that of the EU to ensure that these countries can continue on the politically difficult but necessary path of reform and economic adjustment, including after Vilnius, where there will still be plenty of work to do.

At the same time, we have been working with the EU and each candidate country to anticipate, and to prepare them for, any negative reaction to their choice, whether it comes from inside or outside their countries. I would note, in this regard, that any form of pressure to prevent sovereign states from pursuing greater integration with the EU or any organization of their choosing would contravene obligations under the OSCE Helsinki principles and the Charter of Paris. The message we are sending in the neighborhood is that all countries benefit when their neighbors open their markets and become more stable and prosperous, as you said, Mr. Chairman.

The breadth and depth of U.S. assistance to the Eastern Partnership countries over the past 25 years is well known to this committee and to the Senate as a whole. You have been our indispensable partners in shaping our policies and our programs in support of a more democratic and prosperous Europe and Eurasia. We ask for that support to continue.

In recent months, as Vilnius approaches, we have kicked our political, economic, and technical assistance into higher gear. The President gave vital political support to the Eastern Partnership Project during the Baltic summit in Washington last August and again when he met with his Nordic colleagues in Stockholm in September.

The Vice President has discussed Eastern Partnership in all of his bilateral meetings with European leaders over the last months.

Secretary Kerry underscored the strategic importance of the Eastern Partnership when he met with all of the EU Foreign Ministers in Vilnius in August and again at the transatlantic dinner that he hosted in New York in September.

And in the months since then, our Interagency Team on Europe has worked with all the parties to build consensus for the most forward-leaning outcome in Vilnius. We have met with decision-makers in all of the candidate countries to drive home the need to make the tough choices and lock in the reforms before Vilnius and to show that they are serious about their commitments. We have also been in and out of Brussels and key EU capitals, on a weekly basis, to fine tune our assistance programs to ensure that they are effectively coordinated with those of the EU and that they are supportive of the needs of the countries.

I would like to briefly outline where we stand on Ukraine, Moldova, and Georgia. I have submitted a longer statement, for the record, which covers all six countries, and those three in more depth.

As you know, Ukraine still needs to take three important reform steps in order to meet the EU's conditions for signature at Vilnius. It needs to pass justice reform legislation, it needs to pass electoral reform legislation, and it needs to take action to release jailed former Prime Minister Yulia Tymoshenko for medical treatment.

In the past few months, Ukraine has come under pressure from Russia, including bans on chocolate, stoppage of refrigerated goods at the border, and reductions in other key imports. We are working with the EU on options to help Ukraine make difficult trade adjustments and weather the EU implementation period if Ukraine makes the political decisions necessary to sign its Association Agreement at Vilnius. We are also discussing ways to broaden and deepen the United States-Ukrainian bilateral relationship after Ukraine meets the Vilnius conditions.

Moldova's initialing of an Association Agreement at Vilnius has already been approved by the EU, and it is poised to attain visa liberalization from the EU as early as this spring and to sign its AA by September 2014, in advance of their next elections. We and the EU are working together to try to mitigate the impact of recent Russian decisions to block the import of Moldovan wine and other agricultural exports. We are also looking at steps to increase Moldova's energy security and to expand its exports to the EU and to the United States.

In 2012 and 2013, Georgia took important steps forward with truly competitive national elections resulting in the first peaceful democratic transfers of power since it regained independence. But, considerable political and economic challenges remain, such as the unresolved conflicts in the two Russian-occupied regions of Georgia,

protracted displacement of people, fragile democratic institutions, and the need for further strengthening of the rule of law. With U.S. assistance, Georgia has reoriented its trade toward Western markets and increased its energy efficiency and diversity, and we are working with the EU to strengthen Georgia's ability to resist external pressure.

Finally, as you mentioned, Chairman, in our discussions with Russia about the Eastern Partnership, we are encouraging Moscow to abide by its commitments in the OSCE and elsewhere regarding the rights of its neighbors to pursue any political and economic arrangements that they choose. We have also encouraged Moscow to see the benefits of deeper integration between its neighbors' economies and the EU's 500 million customers, including the likelihood that more prosperous neighbors will buy more Russian exports. Both the EU and the United States are also interested in increasing trade with Russia, and we're open to further consultations on what might be possible.

The Eastern Partnership is ultimately about far more than closer relations between the EU and several countries in Eastern Europe and the Caucasus. It is also a step toward the longstanding vision of a more integrated economic and political space stretching from Lisbon to Donetsk, animated by market-oriented reforms, growing prosperity, and deepening democracy. We strongly support it, and I look forward to your questions.

[The prepared statement of Ms. Nuland follows:]

PREPARED STATEMENT OF ASSISTANT SECRETARY VICTORIA NULAND

Thank you, Chairman Murphy, Ranking Member Johnson, and the distinguished members of the Senate Foreign Relations Committee. It is my honor to appear before you today to discuss the EU's upcoming Eastern Partnership Summit and highlight the opportunities and challenges we face in this part of Europe. While the six Eastern Partnership countries have responded in various ways to the EU's offer to integrate into Europe's common structures, the United States strongly supports the process as a key ingredient in our effort to cement a "Europe whole and free and at peace"—a shared policy goal of the United States and EU member states since the Berlin Wall fell almost 25 years ago.

At the November 28–29 summit in Vilnius, EU Members will make decisions whether to sign an Association Agreement (AA) and a Deep and Comprehensive Free Trade Area Agreement (DCFTA) with Ukraine, and whether to initial these agreements with Moldova and Georgia. This is a historic moment for all three of these countries, and a key step toward their dream of one day being fully integrated into Europe. All three have worked hard to bring their judicial and law enforcement structures closer to EU standards and to prepare their political systems and economic and energy markets for greater integration with Europe. Ukraine has passed over 18 pieces of implementing legislation harmonizing with EU standards to prepare for Vilnius. Georgia and Moldova have met the requirements for initialing their Association Agreements, completed their respective DCFTA negotiations and embarked on key judicial sector reforms. In each case, these reforms have required a national political consensus that these countries' futures lie with Europe.

The United States supports the sovereign right of these countries to choose their own future, and we welcome their closer relationship with the EU. We have been working in lock-step with our European allies and partners to help Ukraine, Moldova, and Georgia meet the tough conditions for a "yes" vote at Vilnius. We've also been aligning future U.S. assistance with that of the EU to ensure that these countries can continue on the politically difficult, but necessary, path of reform and economic adjustment, including after Vilnius. At the same time, we have been working with the EU and each candidate country to anticipate and prepare them for any negative reaction to their choice, whether it comes from inside or outside their countries. I would note in this regard that any form of pressure to prevent sovereign states from pursuing greater integration with the EU, or any organization of their choosing, would contravene obligations under the OSCE Helsinki Principles and the

Charter of Paris. The message we are sending in the neighborhood is that all countries benefit when their neighbors open their markets and become more stable and prosperous.

The breadth and depth of U.S. assistance to the Eastern Partnership countries over the past 25 years is well known to the Senate and to this committee. You have been indispensable partners in shaping our policies and programs in support of a more democratic and prosperous Europe and Eurasia. From the Freedom Support Act to the Partnership for Peace, the members of this committee have been critical players in providing the support these nations have enjoyed from the United States. This committee has also participated in our dialogue with our EU partners on the importance of keeping the door open to the European and transatlantic aspirations and identities of these emerging and sometimes vulnerable states. We ask for your continued strong support.

In recent months, as Vilnius approaches, we have kicked our political, economic, and technical assistance into high gear. The President gave vital political support to the Eastern Partnership project during the Baltic summit in Washington in late August, and again when he met with his Nordic colleagues in Stockholm in September. The Vice President has discussed developments in Eastern Partnership countries repeatedly in his bilateral meetings with European leaders. Secretary Kerry underscored the strategic importance of the Eastern Partnership when he met with all the EU Foreign Ministers in Vilnius in August. At the annual Transatlantic Dinner in New York in September, Secretary Kerry again focused his comments on the Eastern Partnership, and urged his European counterparts to make bold decisions at Vilnius.

In the months since, our interagency team on Europe has worked with all parties to build consensus for the most forward leaning outcome in Vilnius. We've met with decisionmakers in all the candidate countries to drive home the need to make tough choices and lock in real reforms before Vilnius and to show they are serious about their commitments. We've also been in and out of Brussels and key EU capitals on a weekly basis to coordinate our efforts, and fine-tune our assistance programs to ensure they are effectively coordinated with EU programs and supportive of the countries involved.

Now, let me turn to the prospects for each of the EaP countries, their challenges and our support.

Ukraine still needs to take three important reform steps to meet the EU's conditions for signature at Vilnius including: passage of legislation reforming its Prosecutor General's Office; passage of legislation reforming its parliamentary election code; and the release of jailed former Prime Minister Yuliya Tymoshenko for medical treatment. Since its independence in 1991, the American people have supported Ukraine's transition to democracy and a free market economy with over \$5 billion in assistance. In FY 2013, our assistance topped \$100 million, and much of it went to help Ukraine meet European standards in law enforcement, electoral reform, business climate and the judicial sector, including key support for Ukraine's newly adopted Criminal Procedure Code. If Ukraine meets the EU's conditions and signs in Vilnius, it will be able to export its goods to the largest single market in the world, tariff-free, by early 2014. This should provide a great stimulus to an economy which has been in a difficult recession for over a year. In the past few months, Ukraine has come under pressure from Russia, including bans on chocolate, stoppage of refrigerated goods at the border, and reductions in other key imports. We are working with the EU on options to help Ukraine make difficult trade adjustments and weather the EU implementation period if Ukraine makes the political decisions necessary to sign its AA at Vilnius.

Moldova's initialing of an Association Agreement at the Vilnius summit has already been approved by the EU, and it is poised to attain visa liberalization from the EU this spring and sign by September 2014. The United States has provided over \$1.1 billion in assistance since Moldova's independence in 1991, with approximately \$22 million in FY 2013 dedicated toward improving governance, combating corruption, increasing transparency and accountability, strengthening the rule of law and the NGO sector, reducing bureaucratic barriers to trade, and improving the business environment. The 5-year, \$262 million Millennium Challenge Compact with Moldova, launched in 2010, supports Moldova's economy by rehabilitating roads and irrigation systems, and providing technical assistance and access to finance to Moldovan farmers and agribusinesses. Many of these programs are directly aligned with the reforms needed for Moldova to initial the Association Agreement in November. Recent Russian actions against the import of Moldova's wine and other agricultural exports have a disproportionate impact on its small economy, and could potentially expand into other sectors as the country deepens its EU integration. We are exploring ways we can help mitigate vulnerabilities includ-

ing by increasing Moldova's energy independence and promoting trade with the EU and the United States.

In 2012 and 2013, Georgia took important steps forward with truly competitive national elections, resulting in the first peaceful, democratic transfers of power since it regained independence; but considerable political and economic challenges remain, such as the unresolved conflicts in the two Russian-occupied regions of Georgia; protracted displacement of people; fragile democratic institutions, the need for further strengthening of the rule of law, and an economy that requires additional focus. In recent years, Georgia has received \$1 billion in post-conflict funds, a second Millennium Challenge Corporation (MCC) compact, and it is one of the largest annual U.S. bilateral assistance budgets in the region. The United States is concentrating efforts on democratic institution-building, and the use of innovation, both economic and technological, as a way to build institutional and human capacity that further strengthens Georgia's push toward Euro-Atlantic integration. We have also joined the EU and NATO in protesting new fences and physical barriers that Russian security forces have built along the Administrative Boundary Lines of the occupied territories in Georgia; this is inconsistent with Russia's international commitments and Georgia's sovereignty and territorial integrity within its internationally recognized borders. With U.S. assistance, Georgia has reoriented its trade toward Western markets and increased its energy efficiency and diversity, and we are working with the EU to strengthen Georgia's ability to resist external pressure.

On September 3, Armenian President Serzh Sargsian announced that Armenia would join the Eurasian Customs Union of Russia, Kazakhstan, and Belarus, which is incompatible with signing an Association Agreement and a DCFTA. However, both the EU and Armenia remain committed to pursuing a deeper relationship, and they are examining ways to continue this partnership. The United States will also continue broad engagement with Armenia on Euro-Atlantic integration, including in the economic sphere.

Azerbaijan is currently negotiating the contours of its own partnership track with the EU, and the United States continues to encourage Azerbaijan to build the democratic and economic institutions and conduct the reforms necessary for a deeper relationship with the Euro-Atlantic community. We recognize that a democratic, prosperous, and secure Azerbaijan will benefit not only the Azerbaijani people but also its neighbors.

Belarus has not pursued any agreements within the Eastern Partnership and is a founding member of the Eurasian Customs Union with Russia and Kazakhstan. Nonetheless, we have worked closely with the EU to promote the emergence of a democratic and prosperous society in Belarus that shares common values, norms and standards with the United States and Europe. The United States will continue to provide assistance that promotes the open expression of political views, supports civil society, and promotes media freedom.

Finally, in our discussions with Russia about the Eastern Partnership, we are encouraging Moscow to abide by its commitments in the OSCE and elsewhere regarding sovereign neighbors' rights to pursue any political and economic arrangements they choose. We have also encouraged Moscow to see the benefits of deeper integration between its neighbors' economies and the EU's 500 million consumers, as well as the significant prospects for economic reform and sustainable growth that integration will bring to these countries. For one thing, more prosperous neighbors will buy more Russian exports. Both the EU and the United States are interested in increasing trade with Russia, and we are open to further consultations on what might be possible.

The Eastern Partnership is, ultimately, about far more than a closer relationship between the EU and several countries in Eastern Europe and the Caucasus. It is also a step toward the longstanding vision of a more integrated economic space, stretching from Lisbon to Donetsk animated by market-oriented reforms, growing prosperity and deepening democracy. To this end, the EU and the United States are negotiating the Transatlantic Trade and Investment Partnership—which promises to support growth, investment, and jobs on both sides of the Atlantic as well as establish a high-standards, rules-based global trading regime. That broader vision of Europe's integrated economic space is becoming increasingly real and attractive and could ultimately encompass not only Europe, but the entire Transatlantic space. We and the EU believe that investing in the Eastern Partnership is thus in everyone's long-term interest.

Senator MURPHY. Thank you very much.
We will now begin a round of 7-minute questions.

As you know, a number of members of this subcommittee have sponsored a resolution on the issue of Tymoshenko's release as a condition of entering the Eastern Partnership. And you certainly touched upon what has been the position of the EU nations, as well as the United States. But, this is obviously not just about Tymoshenko, this is about a broader commitment on behalf of the Ukrainians to end a practice of selective political prosecutions. And what maybe has been most worrying in the last week is not necessarily just the lack of progress on the release of Tymoshenko, but new news reports about the detainment of one of Tymoshenko's lawyers for questioning that suggests that this trend is not necessarily abating, notwithstanding the earlier release, this year, of several other prisoners that we believe were detained on political grounds.

So, can you talk a little bit—and I would love to have a little bit deeper update on where you believe the negotiations stand with respect to Tymoshenko's release, but to talk a little bit about whether—even if she is released, are we confident that the Ukrainians have made the commitment to changing the way in which they prosecute within their judicial system?

Ms. NULAND. Well, thank you for that question, Senator.

First, I would say that a number of the steps that the Ukrainians have taken in the past 6 months—I mentioned 18 pieces of legislation—are designed to improve the justice system, improve the quality of democracy in Ukraine. This last piece that is still pending in the Rada and which the major parties are committed to passing is the final piece, in terms of judicial reform, which needs to be passed, and it is designed to ensure that the circumstances that led to the judgment that there had been politics in the judicial process cannot happen again in the Ukrainian system.

So, this is one of the great strengths of the EU Association Agreement offer, that it allows Western democracies to get in and mentor partnership countries in how to strengthen the legal and judicial basis in the country to prevent these kinds of things from happening in the future.

But, you are right, we have to stay vigilant in watching what happens, including the recent calling in for questioning of Mrs. Tymoshenko's lawyer.

Senator MURPHY. President Yanukovich has made it pretty clear for a long time that he sees his legacy as making Ukraine permanently independent, of orienting it toward much bigger, broader, and more prosperous markets to its west. And we hope that they will initial, or begin the process of initialing, an Association Agreement.

And you mentioned that, at that moment, there will still be a lot of work to do. No matter what happens at the Eastern Partnership, Ukraine's economy is still in rough shape. And, of course, the worry is that it could be made rougher by increased sanctions from Russia, at the top of the list. Their worry always is the cutting off of access to gas.

So, you mentioned that there are things that we can do, in concert with the Europeans, to perhaps abate or address existing sanctions or future sanctions. I wonder if you might talk a little bit

more about what those steps could be and what steps are being taken today.

But, then the second piece is going to be our communal effort to try to have real IMF outreach to the Ukrainians, and that involves a whole different set of economic reforms that are tough and painful related to the price of gas and the size of their budget deficit.

So, what can we do to try to push back on potential Russian sanctions and existing Russian sanctions? And then, what can we do to try to help Ukraine—what is our proper role in trying to help the Ukraine get in a position so that it can qualify for the international support that they ultimately are going to need in order to support their weakening economy?

Ms. NULAND. Well, thank you, Senator. You are right that the number one thing that Ukraine needs to do to strengthen its economic position is to work with the IMF on a standby agreement. The IMF wants to see a number of significant and difficult reforms inside the Ukrainian economy.

As you probably know, they began discussions in March. Those discussions were broken off. They have now resumed discussions. We have been encouraging the Ukrainians to improve their offer to the IMF, in terms of some of the things that the IMF is looking for, which are, frankly, in the long-term and medium-term economic interest of Ukraine—as you said, cutting energy subsidies, reducing tariffs, dealing with some of their budget issues. We have also been in close consultations with the IMF about the importance of this moment and working on a plan that could conceivably match action for action.

If, in fact, there is a successful negotiation between Ukraine and the IMF, it will unlock considerable amount of funding from the EU and from the EBRD. It will also strengthen our position to continue loaning, through Ex-Im and OPIC, which has been challenging because of the current economic rating of Ukraine.

And, more broadly, one of our messages to the Ukrainian Government has been that, when they sign their Association Agreement, when they take these hard last steps, including releasing the former Prime Minister for medical treatment, we believe—and they sign their AA—we believe that the commercial markets will react positively to Ukraine.

As you know, we have a number of U.S. businesses who want to do more. They are looking for a signal of confidence. That said, we also have a number of major U.S. energy companies who are quite close on shale gas deals in Ukraine and a number of other investments. So, that would be the direction we would hope to support them on the commercial side.

We also, as you may know, have not had the strongest of political relationships in the last couple of years because of the problems, and we have made clear that if Ukraine can get over these hurdles, we can really broaden and deepen and get back to good business with Ukraine, bilaterally.

Senator MURPHY. Just—actually, at this point, let me end my questioning. I will ask, maybe, a couple more in a second round and turn it over to Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

Secretary Nuland, you mentioned the benefits to, not only those countries—to the EU, to America—but also to Russia. Can you expand a little bit more, in terms of the win-win-win-type situation that you are thinking of there?

Ms. NULAND. Well, as you know, Senator, we are—even as we talk about the Eastern Partnership today, we are also in discussions—the United States is—with the 28 members of the EU on the Transatlantic Trade and Investment Partnership, which is designed to reduce tariff and nontariff barriers to trade, to increase trade between our countries, to grow our economies. If we are successful in the TTIP context, and if the Eastern Partnership countries are able to begin to gain the benefits of the free-trade offering that the EU has, then you could see this greater free-trade space, as I said—perhaps all the way from Los Angeles to Donetsk. The EU has offered the same kinds of trade benefits to Russia if Russia will take the internal reform steps and open its market reciprocally to the EU. So, there is an offer on the table to Russia to have the same kind of relationship as Ukraine and Georgia and Moldova hope to have with the EU.

We, on the United States side, are also very interested in increasing bilateral trade with Russia and reducing barriers. I do not have the numbers in front of me, but, given the size of our respective economies, the trade two ways is pretty pathetic, and we can do a lot better, but there are a lot of built-in barriers to trade. One of the things we have proposed to the Russian Government is a bilateral investment treaty, and we are waiting for a response on that.

So, you could see a scenario, if everybody began moving in a more free-trade direction, where our market really sets a global example for low tariffs, low barriers, and jobs grow everywhere.

Senator JOHNSON. So, how receptive have the Russians been to those, you know, really, words of wisdom?

Ms. NULAND. It is a work in progress.

Senator JOHNSON. Are you prepared really to talk about the state of the economies of Ukraine, Georgia, and Moldova? Have they been pretty flat? Have they been declining?—what the potentials would be?

Ms. NULAND. Senator, I do not have statistics in front of me. We can get those to your staff.

Ms. NULAND. The Georgian economy has done better than expected. As you know, after the difficulties of 2008 and the Russia-Georgia war and the cutoff of most of Georgia's exports to Russia, Georgia has worked very hard to diversify its economy, to diversify its markets, and now it does most of its trading to the West. So, that not only helped it weather that difficult period, it also helped it significantly during the larger economic recession that we have all been going through.

That said, the Georgian economy is now not growing at the rate that it was, and the next, sort of, tranche of reform, et cetera, and market opening, is necessary.

On the Moldovan side, it is a tiny, tiny market. It is not well known, even to Europeans, let alone to Americans. So, I think some of you had a chance to meet Foreign Minister Gehrman when she was here trying to put her country on the map, in terms of Amer-

ican political leaders and American business supporting Moldova. We believe that there is quite a bit more that can be done, in terms of spurring trade and investment from the EU, but also from the United States, in Moldova, and not just in the traditional wine sector, but in other aspects of agriculture and high technology. They have got a very educated population. So, we are working with the EU on that. But, they definitely need, now, growth West, and they need to link their market more tightly to the EU.

On the Ukrainian side, I do not have the numbers in front of me, but it is a pretty perilous situation right now, in terms of their ability to borrow on investment markets, in terms of the expenses primarily in the energy sector. When I was there, about 10 days ago, they were speaking in terms of very, very ambitious projects to have energy efficiency programs in their major cities. It was already, you know, 20 degrees, but yet you could see government buildings with the windows open because the heating and cooling does not work properly and they lose a huge amount of money every year out the windows. So, a culmination of that, anticorruption, and more markets West so that they are not as dependent on one market, will help the Ukrainian economy, plus the IMF deal.

Senator JOHNSON. You mentioned corruption in Ukraine. When I was there a couple of years ago, I certainly saw the potential, in terms of agriculture, in terms of wheat production, but something really holding them back really was the cronyism, the—

Ms. NULAND. Yes.

Senator JOHNSON [continuing]. The corruption within those—you know, those markets, if you want to call them that. Has any progress been made, or has it been backsliding?

Ms. NULAND. Well, again, some of the legislative changes and market changes that they have had to make to be ready for the EU Association Agreement go to greater transparency in government, those kinds of things, but there is more work to be done, and we would like to do more with Ukraine on countering corruption.

The Georgians, I would say, have taken a great leap in countering corruption, largely through efforts to do things like put all government contracting on the Internet, those kinds of things that could be done in other Eastern Partnership countries.

Senator JOHNSON. There continues to be a big problem—this is just true of fledgling democracies—is a smooth transition of power from one government to the other—you know, where you are not witnessing political prosecutions. We talked a little bit about Ukraine. What about in Georgia?

Ms. NULAND. Well, Senator, as I said in my opening, I think one of the great news stories of the last couple of months is that we have had a smooth and democratic transition of power in Georgia, for the first time since independence, through the ballot box, and the elections were good. So, that is a step in the right direction.

Senator JOHNSON. OK.

Thank you, Mr. Chairman.

Senator MURPHY. Senator Risch.

Senator RISCH. Ms. Nuland, as you probably know, Senator Shaheen and I had the honor of going to the—overseeing the first elections, just a year and a month ago, I think, in Georgia, and we

were impressed with the way the elections went and what happened.

Since then, I have to say that—at least I—and I think Senator Shaheen would agree with this; we compare notes relatively frequently—that we are getting mixed reports on exactly how smooth this transition is. There is a lot of at least internal dissension, it seems to me, in Georgia, and there is still some angst as they move forward. And some of that has to do, of course, with the political prosecutions, which we have underscored as being not the appropriate way to do business. What are your thoughts on that? What are your observations on that?

Ms. NULAND. Well, first of all, thanks to both of you for your commitment to Georgia's democracy. It was very much appreciated by the Georgians, as you know, that you made the effort, in a bipartisan way, to go and observe, and it, I think, made a significant difference.

We share your concern about the way former leaders are dealt with. We have stressed to the Georgian Government the importance of conducting investigations and prosecutions with full respect for due process, in a transparent manner, avoiding any political influence on prosecutorial actions.

I would say that, in the context of this period that we are in now, where Georgia wants to have its Association Agreement and its DCFTA initialed, it has been a powerful lever in that conversation to remind them that it is not only the EU that is watching, but the United States is also watching the way political opponents are dealt with.

Senator RISCH. Thank you.

Thank you, Mr. Chairman.

Senator MURPHY. Senator Shaheen.

Senator SHAHEEN. Thank you.

Thank you very much for being here.

And let me pick up on what Senator Risch raised about Georgia. As you talk about the ability of us to use the trade agreements to help encourage Georgia's positive forward movement, what kind of ongoing efforts can we also look at that would help encourage emphasis on rule of law, addressing some of the issues around imprisonment of opposition figures that you mentioned, and concerns that have been raised about continued—let me rephrase that—as the structure of government and the role of the President and Prime Minister transition, to continue to encourage that to transition in a positive way? Are there other things that we should be doing in the United States to—and with the EU—to help support continued positive movement in Georgia?

Ms. NULAND. Well, thank you, Senator.

In fiscal year 2013, we have, as you know, allocated about \$70 million in assistance to Georgia. About a third of that goes to programs that strengthen good governance, the justice sector, et cetera, rule of law. We have worked with them on some of these pieces of legislation that they have had to also implement to be ready for the Association Agreement. So, we will stay with them as they implement those things.

They have also got—particularly in order to be eligible for visa-free travel, they have got more work to do on transparency on their judicial system. So, we will stay with them in that regard.

I think, you know, the fact that we have been in this intensive conversation with them, the fact that they know that you are watching how they deal with political opponents, that we are and that the EU is, I think has had a profound effect. And we have seen some of these concerns begin to abate in recent months.

Senator SHAHEEN. And is there any progress at all on Russia's continued occupation of Abkhazia and South Ossetia? And any ability to help move the continued challenge that Georgia is facing with respect to the Russian occupation of those territories?

Ms. NULAND. Senator, I think, on the contrary, we have now seen, as you know, in recent months, an effort to erect fences around the administrative border line, in contravention of international obligations and Russia's own commitments after the Georgia war in 2008.

The one bright light, I would say, here is that, when Georgia has completed all of the work for its Association Agreement, it will be eligible for visa-free travel for Georgians to Europe, it will be eligible for these trade benefits and incentives from Europe. As I think about the choice that young people in Abkhazia, young people in South Ossetia, have to make individually about their future, it is going to look a whole lot more attractive to be carrying a Georgian passport, whether you are trying to travel to Paris or whether you are trying to attract investment to your neighborhood. So, I think the EU is playing a potent role in the strengthening of Georgian sovereignty with this agreement.

Senator SHAHEEN. That certainly makes sense, and I would agree with that. I think one of the concerns that I have is, How do we keep this from becoming another one of those frozen conflicts that exists in perpetuity without any movement, and that those regions never continue in this sort of in-between status and never really rejoin Georgia?

Ms. NULAND. Again, I think—you know that we have the Geneva process, where we sit down with the Georgian Government, we sit down with representatives from Abkhazia, and we talk about a way forward. Again, I think the most potent force for changing the status quo is going to be the people of those territories themselves and the choices that they are going to make. And our hope and expectation is that this association with the EU is going to change the prospects for them, it is going to change the outlook for them, they are going to see real benefits as citizens of Georgia, and they are going to be pushing for change, themselves. But, we will obviously stay with this and work as hard as we can to protect the sovereignty and territorial integrity of Georgia.

Senator SHAHEEN. Thank you.

You may have already addressed this, but obviously—or at least the reports are that Russia is dead-set against the European partnership. And as we think about how this partnership agreement moves forward, are there ways in which we can help the countries that are looking at their association with the EU and the West so that they can resist the pressure that they are going to get from Russia?

Ms. NULAND. Senator, we have a number of measures we are taking, depending upon the country. In Moldova, we are working with them on expanding export markets into the EU and into the United States. We are also working with them on energy independence—in the short term, more support from their neighbors; in the longer term, interconnector with Romania.

In the Georgian context, as we talked about, it is about strengthening rule of law, it is about strengthening the economy so we can get more direct foreign investment into Georgia, and continuing to make it clear that we support their sovereignty and territorial integrity.

In Ukraine, we actually have quite a vibrant U.S. business community that would like to do more. We have got some U.S. majors in the energy sector working on shale gas. If that plays out, Ukraine will be a very rich country in the not-too-distant future. So, we are working on all of those things, as well as encouraging the EU to buy some of these Ukrainian exports that have also been blocked now at the border.

Senator SHAHEEN. I know that—or, at least I think you have already addressed the imprisonment of Yulia Tymoshenko, and that we are sending a very strong message about the importance of releasing her from prison so that they can send a message that they are changing the way they are looking at their opposition as they move toward democracy.

Ms. NULAND. We are, absolutely. As you know, Senator, it is a condition for their signing of the association agreement, that former Prime Minister Tymoshenko be released for medical treatment outside of Ukraine.

The EU has made clear, and we have reinforced in our bilateral conversations, that they will not have consensus to sign with Ukraine if Mrs. Tymoshenko is not released for medical treatment.

Senator SHAHEEN. And do we have any sense of how they expect to respond to that? I understand that Parliament is about to go out of session and that they have not passed legislation to address that. So, what other options are there, and what do we expect to happen?

Ms. NULAND. There are two routes currently before the Ukrainian leadership to address this issue. One would be Executive action by the President. It is in his hands to have that option. I think the preference of the Ukrainian Government would be to have broad national consensus for it via a bill passed in the Parliament, in the Rada. There are currently four or five drafts floating around. As you know, the EU's negotiators, former Presidents Cox and Kwasniewski, really went and rolled up their sleeves last week or earlier this week with parliamentary factions to try to draft a common bill. Those negotiations, our understanding is, will resume now, on Monday. The Parliament will come back into session on Monday, and they are going to endeavor to have a clean bill by Tuesday. Then we will see whether it gains the support that it will need.

Senator SHAHEEN. Thank you very much.

Thank you, Mr. Chairman, for letting me go over my time.

Senator MURPHY. Thank you, Senator Shaheen.

It strikes me that, you know, Yanukovich may think that he can have it all, here, that he can keep Tymoshenko in jail, that he can open up a relationship with the EU and that he can also keep a deep political and economic relationship with Russia. And two of those three are true, that there is no reason that he cannot orient himself toward a relationship with the EU and maintain a relationship with Russia. He cannot keep Tymoshenko in jail. And I know you have made that perfectly clear, as we have; we and the Europeans. But, it brings me to just one additional question from me, and I know we have a second panel, and I will ask others if they have a second round. Is an Association Agreement, initialing or signing with the EU, mutually exclusive from joining the Customs Union? For instance, we, you know, obviously were surprised by Armenia's decision to do an about-face and join the Customs Union. Does that mean that we give up on Armenia as a potential partner down the road with the EU?

Ms. NULAND. There is nothing in the Association Agreement that precludes any of the Eastern Partnership states from continuing to have strong trade relations with Russia or any of the Customs Union countries. There are provisions in the Customs Union that preclude Customs Union members from associating with anybody else.

So, you know, the Armenians had a difficult choice to make. They have made it. It does not change the fact that both the EU and the United States will continue to try to build our economic and trade relationship with Armenia. We think that there is more that we can do together. But, they are not going to be able to have the benefits of an Association Agreement, under Customs Union rules.

Senator MURPHY. I just think that is important to point out, is that a decision to join yourselves with the European Union not only opens yourself up to the benefit of that association, but does not foreclose your ability to continue to negotiate trade agreements with a multitude of other nations. Once you are in the Customs Union, you are locked in, and you have essentially sealed your fate as to essentially tie your economy to one country, and one country only.

Let me just ask one additional question with respect to Armenia. Given the fact that this was, to some people, a surprise, that they chose to abandon efforts to join the EU, what lessons are there to potentially be learned from Armenia's decision to reorient itself toward the Customs Union with respect to the tools that Russia used that worked, with respect to the offers that the EU made—that worked or, in this case, did not work? What lessons are there from the Armenian experience, if any?

Ms. NULAND. You know, I think we are still going to be learning the lessons over time. But, for reasons of geography, political choice, economics, history, Armenia has, for quite a long time, been significantly more dependent, in economic terms, in security terms, on its big neighbor, and, frankly, did not—well, I will not speak for the Government of Armenia, but, as we have spoken to them, they found it a very difficult choice, given how knitted together they are with Russia.

We, as you know, for 25 years since the fall of the Berlin Wall, have been seeking to provide all of the countries of Central Europe, Eastern Europe, the former Soviet space, with a broad cross-section of economic and partner options, and to diversify the way they think about their economies, the way they think about their energy future, and to provide them the security, if they want it, to make independent choices.

So, I think that is the most important trajectory as we continue to work with these countries in the future.

Senator MURPHY. Senator Johnson? Senator Risch? Senator Shaheen?

Thank you, Secretary Nuland. We appreciate your time. We know you are busy, a lot on your plate. Thank you for being here. We will excuse you and now have our second panel join us.

Ms. NULAND. Thanks, to all of you.

Senator MURPHY. Thank you.

As our second panel is seated, let me just welcome to the committee and the audience—I know we have—the Ambassadors from Georgia, Moldova, and the Ukraine are with us in the audience today—welcome them. If there are any other ambassadors that are here, let the staff know and we will recognize you, as well. But, we appreciate you being here.

All right, let me welcome our second panel of witnesses. I am not going to do long introductions, because we want to get to your testimony and questions, as well.

We have with us, from my left to right, Dr. Anders Aslund, senior fellow at the Peterson Institute for International Economics; Dr. Ariel Cohen, no stranger to the subcommittee this year, a senior research fellow for Russian and Eurasian Studies in International Energy Policy at the Heritage Foundation; and then another good friend, Damon Wilson, who is the executive vice president of the Atlantic Council.

Why don't we start with you, Mr. Aslund, and go down the table. Welcome.

STATEMENT OF ANDERS ASLUND, SENIOR FELLOW, PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS, WASHINGTON, DC

Mr. ASLUND. Thank you very much, Mr. Chairman, Ranking Member Johnson, and members of the subcommittee. I would like to thank you for this opportunity to speak on what I consider the most important political event in Europe this year, the European Union Eastern Partnership Vilnius—in Vilnius.

And, as you know, the EU has planned to sign the long-concluded Association Agreement with Ukraine and initial Deep and Comprehensive Free Trade Agreement with Moldova and Georgia. It would indicate a substantial European integration of Ukraine, Moldova, and Georgia.

The key question, of course, is whether Ukraine will fulfill the European demands for political freedom and rule of law. It is doubtful. Ukraine's President Viktor Yanukovich is reluctant, especially, to pardon former Prime Minister Yulia Tymoshenko. He defeated her narrowly in the Presidential elections in February 2010 and had her sentenced to 7 years in prison for no legal

reason. If the EU does not accept to sign in Vilnius, the Association Agreement remains, and it could be signed after renewed Ukrainian Presidential elections in March 2015.

My specialty here is economics and Ukraine and Moldova, and I will focus on this.

Russia has reacted strongly against Ukraine's intention to sign the Association Agreement, and, instead, demands that Ukraine joins its Customs Union with Belarus and Kazakhstan. Moscow has already launched, or threatened with, three forms of sanctions. First, trade sanctions, and is threatening with more. It is likely to block most imports from Ukraine, to break both financial finances and specific pro-European businessmen in Ukraine. The EU has responded by offering to give Ukraine increased market access, but that remedy will take some time to be effective.

Because of poor economic policies, the Ukrainian economy is currently vulnerable. The Kremlin has publicly threatened to drive Ukraine into default. I was in Yalta in September, and there heard how President Putin's advisor, Sergei Glazyev, publicly threatened to drive Ukraine into default.

And Ukraine's public finances are so shaky that the country, as you have already heard, might need a new agreement with the International Monetary Fund. But, so far, the government refuses to comply with sensible IMF demands, which are essentially more flexible exchange rate, prior gas prices which are now highly subsidized, and a cut in a large budget deficit. And, once again, as in January 2006 and January 2009, the Russian state-dominated gas company, Gazprom, has threatened to cut its supplies to Ukraine. The Government of Ukraine has already responded by stopping its gas purchases from Russia. And the country has sufficient gas reserves to manage through the winter.

The United States is well-liked and highly influential in Ukraine. It can do a great deal to influence that country's choice simply by speaking out. And I am very happy to see that you are doing that here today.

The main objectives for United States policy on Ukraine should be to support democracy. If democracy is secured, Ukraine is likely to choose a Western geopolitical orientation. If the United States wants to be important, it is important.

For the European Union, the Moldovan case is much simpler. Moldova is more democratic and less corrupt than Ukraine. The current Moldovan Government is pro-Western and supports European integration wholeheartedly. The country is poor, but pursues a sound economic policy leading to, actually, a high economic growth, even today, and no longer requires any IMF support. Yet, Moldova is more vulnerable to Russian threats than Ukraine, because it is much smaller, poorer, and a part of Moldova as territory Transnistria is controlled by Russian so-called peacekeepers.

The role of the United States is even more important here than in Ukraine. An obvious danger is that Russia would recognize Transnistria as an independent state, as it did with the Georgian territories, Abkhazia and South Ossetia in 2008. Moreover, Moldova is completely dependent on Gazprom for its supply of natural gas, and it could once again face a cut in the Russian gas supply, which would hit Moldova much worse than Ukraine.

Finally, Moscow can also cause major financial trouble, but the IMF could arrange new financing for Moldova since it has been a successful client before.

Thank you.

[The prepared statement of Mr. Aslund follows:]

PREPARED STATEMENT OF ANDERS ÅSLUND

EXECUTIVE SUMMARY

On November 28–29, the European Union has planned to sign the long-concluded Association Agreement with Ukraine and initial deep and comprehensive free trade agreements with Moldova and Georgia at its Eastern Partnership summit in Vilnius. No political event in Europe this year is more important than this summit. It would indicate a substantial European integration of Ukraine, Moldova, and Georgia.

Yet, it is doubtful whether the EU will agree to sign the Association Agreement with Ukraine. Its President Viktor Yanukovich is reluctant to fulfill the European demands for political freedom and rule of law. In particular, he does not want to pardon former Prime Minister Yulia Tymoshenko, whom he narrowly defeated in the Presidential elections in February 2010. He had her sentenced to 7 years in prison without any serious legal grounds. If the EU does not accept to sign in Vilnius, the Association Agreement could be signed after renewed Ukrainian Presidential elections in March 2015.

Russia has reacted sharply against Ukraine's intention to sign the Association Agreement with the EU and demands that Ukraine instead joins its Customs Union with Belarus and Kazakhstan. Moscow has already launched some trade sanctions and is threatening with more. It is likely to block most imports from Ukraine to break both the national finances and specific pro-European businessmen. The Kremlin has publicly threatened to drive Ukraine into default. Once again, as in January 2006 and January 2009, the notoriously unreliable Russian state-dominated gas company Gazprom may cut its supplies to Ukraine. It has already made loud complaints about Ukrainian arrears.

Because of poor economic policies, Ukraine is economically highly vulnerable. The EU has offered to give Ukraine more early market access, but that remedy will take some time. In the short term, Ukraine has sufficient gas reserves to manage through the winter. Ukraine's public finances are so shaky that the country might need a new IMF agreement.

For the EU, the Moldovan case is much simpler. Moldova is more democratic, freer, and less corrupt than Ukraine. The current Moldovan Government is pro-European and supports European integration whole-heartedly. The country is poor but pursues a sound economic policy leading to a high growth rate and no longer requires any IMF support.

Yet, Moldova is more vulnerable to Russian threats than Ukraine because it is much smaller, poorer and a part of Moldova's territory, Transnistria, is controlled by Russian "peacekeepers." An obvious danger is that Russia recognize Transnistria as an independent state as it did with the Georgian territories Abkhazia and South Ossetia in 2008. Moreover, Moldova is completely dependent on Gazprom for its supply of natural gas, and it could once again face a cut in the Russian gas supply. Finally, Gazprom has large claims on Moldova for unpaid gas that has been delivered to Transnistria beyond the control of the Moldovan Government. Moscow could utilize this large debt to put Moldova into default. If this would happen, the IMF could arrange new financing for Moldova, since it has been a successful client.

Mr. Chairman and Ranking Member Johnson, I would like to thank you for this opportunity to speak on an important topic. No political event in Europe this year is more important than the European Union Eastern Partnership summit in Vilnius November 28–29. The key question is whether Ukraine and the European Union will sign the long-concluded Association Agreement. The Ukrainian Government is reluctant to fulfill all conditions, leaving the signing in doubt. The Ukrainian economy is in poor shape and most vulnerable, and the Russian Government is threatening Ukraine with draconian sanctions if the country does sign the EU agreement.

The United States is well liked and highly influential in Ukraine and can do a great deal to influence that country's choice simply by speaking up. The main objectives for U.S. policy on Ukraine should be to support democracy. If democracy is secured, Ukraine is likely to choose a Western geopolitical orientation. If the United

States wants to be important, it is important, and in few places is the United States more appreciated than in Eastern Europe.

I first visited Ukraine in 1985 and have kept in close touch with the country ever since. I worked as an economic advisor to the Ukrainian Government from 1994 to 1997. I have continued to follow its economic and political development. I have written extensively on Ukraine, including one book of my own and two edited volumes.

THE IMPORTANCE OF THE EUROPEAN ASSOCIATION AGREEMENT

After Ukraine had become a member of the World Trade Organization in 2008 under the government of Prime Minister Yulia Tymoshenko, the European Union started negotiating a very substantial Association Agreement, which includes a deep and comprehensive free trade agreement. President Viktor Yanukovich has maintained a pro-European line and his administration completed the negotiations in November 2011, but its signature has been delayed because of European concerns about the Ukrainian Government's poor observation of rule of law, human rights, and political freedom.

This free trade agreement would abolish nearly all customs tariffs between the European Union and Ukraine as well as lead to regulatory convergence in technical standards, food standards, competition policy, state aid and energy policy. It would have a considerable positive impact on the Ukrainian economy. The economists Veronika Movchan and Ricardo Giucci have concluded that it would add 12 percent to Ukraine's GDP in the long term, and Oleksandr Shepotylo has assisted that it would expand Ukraine's exports by 46 percent in the long term.

It is not only a trade agreement but also a far-reaching reform plan for the Ukrainian state. The EU has committed itself to considerable technical assistance. Sixty state agencies in various EU countries have committed themselves to reform their Ukrainian counterparts. This could amount to a cleansing of Ukraine's pervasive corruption and the state-building that Ukraine itself so far has failed to accomplish. The EU state agencies have already a successful record from the previous enlargements of the Union.

The European Union and Ukraine are supposed to sign the Association Agreement at the EU summit in Lithuania's capital Vilnius on November 28–29. The problem, however, is that the first declared aim of this agreement is "to promote gradual rapprochement between the Parties based on common values . . ." and European values is not Yanukovich's comparative strength. He exercises full control over courts and law enforcement, utilizing them at will, not least for jailing opposition leaders. In August 2011, Yulia Tymoshenko was arrested and later sentenced to 7 years in prison for abuse of power in a blatantly flawed court proceeding.

Yanukovich has all reasons to sign the Association Agreement. A pro-European policy enjoys solid majority support in Ukraine, so he cannot be reelected in March 2015, if he fails to sign this month. All the leading businessmen are eyeing the European market for their future expansion. Russia's President Vladimir Putin seems to keep Yanukovich in such low regard that Yanukovich has concluded that they cannot work together.

For long the EU representatives had in unison demanded that Yanukovich carry out several major legal and political reforms, but the President just stonewalled them. But evidently Putin really scared Yanukovich's, and at the end of August Yanukovich did not only reconfirm his long-lasting pro-European stance but he completely changed his tune on EU conditions. Suddenly, he promised to adopt all the legislation that the EU demanded. This involved constitutional amendments on the judicial system and the constitutional court, laws on all arms of law enforcement, a new electoral law, and renewed elections where parliamentarians had wrongly been deprived of their seats. A slew of laws have been going through the Parliament.

The main stumbling block has been the treatment of Tymoshenko. The EU and Yanukovich agreed that she needed medical treatment abroad. The EU has demanded that Yanukovich pardon her, which he does not want to do. Yanukovich desires to keep her out of the country or in prison without political rights. The Ukrainian Parliament, where Yanukovich has complete control over the majority, is currently adopting a law that will not be acceptable to the EU. Will Yanukovich pardon Tymoshenko or gamble? The EU is not likely to give in. Ukraine is a pervasively corrupt country, and the EU experience is that its main failures have been caused by excessive softness.

POOR ECONOMIC POLICY AND GREAT VULNERABILITY

For years, the Ukrainian Government has pursued a miserable economic policy, rendering a serious financial crisis possible or even likely. As most former Soviet

states, Ukraine is subject to predatory rule. Its masters have one clear objective: To enrich themselves.

In February 2010, Viktor Yanukovich won free and reasonably fair Presidential elections with a narrow margin over then-Prime Minister Yulia Tymoshenko. He represented the Russian-speaking electorate in eastern and southern Ukraine, while Tymoshenko found most of her support in the Ukrainian-speaking west and center of the country. This balance between west and east has kept Ukraine more open and pluralist than Russia.

Most of all Yanukovich represented the interests of a limited number of big businessmen in Donetsk, his eastern home region and its metallurgical industry. President Yanukovich started off with full control of parliament, government, and courts. His first government represented nine big business groups, but he quickly reduced their number to three. Instead, friends of his son, Oleksandr, have come to, dominate the government since December 2012. These young businessmen from Donetsk hold all key economic posts in the government.

Yanukovich started his Presidency by adopting an ambitious structural reform program and on that basis he concluded a stand-by agreement with the IMF of \$15 billion for 2½ years. Yet, by November 2010 reform came to an end, and Ukraine received only the first two tranches of this loan of a total of \$3 billion.

Yanukovich's economic policies have stayed off track. An IMF mission visited Ukraine in February 2011, and it set three key conditions that the government has not fulfilled. The IMF continues to insist upon them. An additional demand is that some sense into the tax system.

The most important IMF condition is to hike the domestically gas prices. Incredibly, Ukraine imports natural gas from Russia for over \$400 per 1,000 cubic meters, but the Ukrainian Government insists on purchasing natural gas produced in Ukraine at the ridiculously low price of \$53 per 1,000 cubic meters and it sells gas to consumers and utilities at such low prices. The purchased and sold quantities at these low prices do not add up. Apparently, somebody is buying gas at the low regulated price and sells it at the higher, making fortunes on this arbitrage. We do not know who benefits, but Yanukovich has adamantly opposed raising these prices. To sell gas at lower than the purchasing prices causes the state oil and gas company Naftogaz losses amounting to 2 percent of GDP each year, which eventually are financed by the state budget, that is, the taxpayers.

The second IMF condition is to reduce the budget deficit. Instead, Yanukovich has let it expand because of a variety of populist social expenditures. Competitive public procurement has basically ended. Large public contracts are distributed among cronies, and the kickbacks or overpricing reported by the independent media that still exist is often 50 percent of the contract. Yet, no legal measures are undertaken against the senior officials, who have been singled out for large-scale embezzlement.

This year, the budget deficit is likely to reach almost 6 percent of GDP, and the public debt is set to exceed 40 percent of GDP, which might be more than Ukraine can bear. The Ukrainian Government could ignore IMF demands for the last 2 years because it could borrow on the international Eurobond market at 10-year yields of 7.5–9.5 percent, but now these yields have risen to 12–13 percent, depriving the Ukrainian Government of access to the international capital market.

The third IMF condition is that Ukraine introduces a more flexible exchange rate, which is a code word for depreciation. The exchange rate of the Ukrainian hryvnia is pegged at too high a level. As a consequence, last year Ukraine's current account deficit was 8.2 percent of GDP, though this year it might decline toward 6 percent of GDP because of a contraction of imports. As a consequence of the overvalued exchange rate, Ukraine's international reserves have shrunk steadily since September 2011, when they peaked at \$38 billion. In October, they fell to \$20.6 billion, corresponding to only 2.6 months of imports, and they are set to contract further. The general market expectation is a depreciation of the hryvnia, which is reflected in the low and falling ratings of outstanding Ukrainian credits.

Rather than following the IMF suggestions, the Ukrainian Government has imposed strict currency regulations, to make it exceedingly difficult to take money out of the country. It has also pursued very high interest rates. Last year, posters with the picture of Gerard Depardieu promised 19.5 percent interest on 1-year time deposits in a Ukrainian savings bank. The high interest rates have kept inflation at zero, but they have also killed investment and thus liquidated economic growth. Output has fallen for the last five quarters. The expected contraction for 2013 is now 1 percent, but it might become 1.5 percent.

This is a truly poor economic policy. The IMF mission just inspected the situation October 17–29 and issued a press release that is more scathing than the IMF ever is. The only positive observation was some improvements in the still awful business

environment. Yet, all relevant top officials from the Prime Minister down met with the IMF mission, showing that the Ukrainian Government is anxious to keep the doors to the IMF open, so that they call for IMF support on short notice.

Ukraine is quite likely to end up with a financial crisis at the end of this year. The most likely process would be a run on Ukrainian bank deposits and on currency exchanges, leading to such a decline in reserves that the country becomes forced to a disorderly devaluation, which would be accompanied with plenty of bank and company defaults.

RUSSIAN THREATS OF SANCTIONS

Since 2009, President Vladimir Putin's policy toward Ukraine has had one aim: to compel Ukraine to join his Customs Union with Belarus and Kazakhstan, which is supposed to evolve into a more political Eurasian Union from 2015. Ukraine, however, has persistently opposed such Russian proposals because it would preclude its European ambitions.

For long, the Kremlin did not pay much attention to Ukraine's dealings with Europe, possibly thinking that the EU could not accept Yanukovich's behavior. But in the middle of the summer Moscow started with a trade war with Ukraine. To begin with, it blocked exports to the Russian market from a couple of big pro-European Ukrainian businessmen producing steel pipes and chocolate. In August, Russia blocked most Ukrainian exports for 2 weeks through redtape at the border. Russia has hardly eased up but imposed new trade barriers on for example rail cars, to drive Ukraine into default, and to cut gas deliveries once again. Yanukovich and his government have pleaded by all means, but President Putin has offered no concessions, only persistent threats.

Russia is already sanctioning Ukraine and it is threatening with more sanctions. They are essentially of three kinds. First, Russia is likely to block all kinds of imports from Ukraine with the clear intent on breaking both the national finances and specific pro-European businessmen. In 2012, Russia accounted for 26 percent of Ukraine's exports, about as much as the EU. Some of these sanctions are already in place.

Second, President Putin's Advisor Sergey Glaziev has threatened that Russia will drive Ukraine into default. Russia accounts for only 6.5 percent of Ukraine's external debt, but Russian banks in Ukraine account for 12 percent of Ukrainian banking assets.

Third, once again as in January 2006 and January 2009, the notoriously unreliable Russian state-dominated gas company Gazprom may cut its supplies to Ukraine. It has already made loud complaints about Ukrainian arrears.

Both Russia and Ukraine are members of the World Trade Organization, Ukraine since 2008 and Russia since August 2012, but neither country complies with its WTO commitments. For Ukraine, WTO complaints against Russia would take too long time to be useful, since the country is in a rampant crisis. The EU can offer immediate additional market access as compensation for Russian trade sanctions, but Russia and the EU are equally large importers of Ukrainian goods and services, each taking one quarter of Ukraine's exports.

Rather than complying with the clear and transparent EU conditions, Yanukovich went to see Putin at his summer residence in Sochi on October 27. The two men reportedly met for 4-5 hours, but came out without agreement.

NO HAPPY END IS LIKELY

Yanukovich is walking on eggshells as a bull in a china shop. The economic situation is precarious. The risk for a run by ordinary Ukrainians both on banks and the Ukrainian currency is apparent. The rating agencies mercilessly downgrade Ukraine ever lower, and corporate defaults are all too common.

In order to survive this winter without major economic disruption, Yanukovich needs to pardon Tymoshenko, sign the Association Agreement, and then quickly conclude an IMF stand-by agreement. Russia is all too likely to block Ukrainian exports to Russia, cut various forms of bank financing, and probably also gas supplies. Yet, there is no sign of him doing what it takes with regard to the EU, the IMF, or Russia.

On November 8, Yanukovich signed a law amending the Tax Code that would make it possible to deny Vitaly Klichko, the opposition leader, the right to run as a Presidential candidate. Meanwhile, the Parliament is about to adopt a law on Tymoshenko that will not be satisfactory to the EU. Just in case, Yanukovich also stated that he would not allow any increase in the gas price for consumers.

As long as Ukraine does not join the Russian-sponsored Customs Union, Russia is likely to deliver a triple-whammy to Ukraine, blocking its exports to Russia

through trade sanctions, cutting gas exports, and imposing various financial sanctions. The United States can and should protest against such actions. Trade sanctions, as those already deployed, appear to violate Russia's commitment to the WTO. The EU can offer expedited market access. Cuts in exports would mainly harm Russia's gas company Gazprom. Ukraine has sufficient volumes of gas stored for the winter, and Europe can manage by other means. Financial sanctions are best countered through a renewed IMF agreement with Ukraine, which presupposes that Ukraine carries out necessary financial reforms.

MOLDOVA DESERVES ALL SUPPORT

In Vilnius, the Republic of Moldova is supposed to initial the deep and comprehensive free trade agreement it has concluded with the European Union. This agreement is of great economic importance for Moldova. It also opens novel perspectives of European integration and government reform. The current Moldovan Government is pro-European and supports the agreement whole-heartedly, so that the complications that prevail in Ukraine are not at hand in Moldova. The country has currently quite a good economic policy with an expected growth rate this year of 5.5 percent and it no longer requires any IMF support.

Yet, Moldova is subject to a greater threat from Russia than Ukraine because it is much smaller, poorer, and a part of Moldova's territory, Transnistria, is effectively controlled by Russian "peacekeepers." President Putin has appointed Deputy Prime Minister Dmitri Rogozin his envoy for Moldova.

First, Rogozin has demanded that Russia is allowed to open a consulate in Transnistria, which the Government of Moldova has refuted. There is a clear danger that Russia will recognize Transnistria as an independent state as it did with the Georgian territories Abkhazia and South Ossetia in 2008. The United States can and should tell the Russian authorities that such a step would be impermissible.

Second, Moldova is completely dependent on Gazprom for its supply of natural gas, and it could once again face a cut in the Russian gas supply. Moldova has agreed with Romania to build an alternative gas pipeline, but it will be completed only next year.

Third, Gazprom has large claims on Moldova for unpaid gas that has been delivered to Transnistria beyond the control of the Moldovan Government. Moscow could utilize this large debt to put Moldova into default. If this would happen, the IMF could arrange new financing for Moldova, since it has been a successful client.

Senator MURPHY. Dr. Cohen.

STATEMENT OF DR. ARIEL COHEN, SENIOR RESEARCH FELLOW, HERITAGE FOUNDATION, WASHINGTON, DC

Dr. COHEN. Thank you, Mr. Chairman, Senator Johnson. It is a great pleasure to testify.

For centuries, the territory between Germany and Poland between the Baltic Sea and the Black Sea were the scene of competition, and at times confrontation, between Western European and Russian interests and influences. The South Caucasus was a battlefield between the Ottoman Empire, the Persian Empire, and the Russian Empire. But, the West and the United States recognized our interests in those parts of the world since World War I, and definitely during the cold war and after the end of the cold war in support of forces of democracy and independence in Eastern Europe and South Caucasus. Ukraine, of course, is the key. This is a historic opportunity to turn Ukraine from Russian domination that lasted over 300 years to equal interaction between Russia and Western Europe. And, in the long term, Ukraine integrated in Europe will be a good model for Russia to pursue more European integration, more markets, and more democracy.

Unfortunately for us, we, the United States, has somewhat been low key in pursuing the strategic goal of Ukraine's integration with Western Europe—with the European Union. The Russians, on the other hand, went full bore and pulled President Yanukovich to two

meetings with President Putin at the end of October and on November 9, both meetings lasting many hours.

Putin's advisor, Sergei Glazyev, and the former Chief of Staff of Ukrainian President, Mr. Medvedchuk, have designed a program to force Ukraine to join the Eurasian Union led by Russia. That program was leaked. We, at the Heritage Foundation, published a backgrounder analyzing it, and this was a multitool effort to force Ukraine, through economic blackmail, through soft power, and through, if you wish, blackmail, to abandon the Western path. In the last several days, there are more and more indications that Ukraine will not sign the Association Agreement with EU and the Free Trade Area.

The Russians are also threatening to impose trade sanctions. They had a dry run, or had a run, in the summer, when they blocked imports from Ukraine. Russia is the largest export market for the Ukrainians. And this implacable position gives Mr. Yanukovich, the President, second thoughts, as well as his fear of release of Yulia Tymoshenko from jail, which, of course, both the Europeans and the United States justly demand.

We do have a national interest that Ukraine anchors its future in Europe, develops the rule of law and appropriate rights and becomes a fully democratic country and leads the way for Eastern Partnership countries in integration with Europe.

Moldova has come, also, to severe threats from Russia, including Vice Premier Dmitri Rogozin, who threatened that the Moldovans will freeze in winter if Russia stops gas supplies. And he said, "Moldova's train en route to Europe would lose its railcars in Transnistria," the enclave that Russia supports its claim to independence. Rogozin, in Moldova, said, "I hope you won't freeze." Chilling language. Pun intended.

Georgia has achieved many successes in the last 8 years on the road to economic reform and democracy. The current leadership of Georgia is trying to balance the country's position between Moscow and the West, but the Georgian public, the Georgian elites, are committed to NATO membership and to EU integration. So, we hope that Georgia, as Moldova sign, initial the Association Agreement in Vilnius. We also hope that Ukraine signs, but, as I said, the chances are not as high.

To wrap it up, I do believe that Eastern and Central Europe have been a national interest priority area for the United States for a long time. Since the end of the cold war, we helped the Baltic States—Poland, Czech Republic, and others—to accomplish institutional development in the democratic way, and transition to markets quite successfully. And Eastern Europe and South Caucasus should not be an exception.

U.S. overarching interest is expanding participatory government, the rule of law, free-market economies. And a weakened leadership in the past 5 years, and Russia's expanding meddling in economic and foreign affairs of Western European states, with these post-Soviet countries are facing an increased foreign policy conundrum.

It is wise for the Europeans to take a lead. After all, these countries are their "near abroad." But, we, too, should support efforts to expand economic stability, freedom, and sovereignty of our Eastern European and South Eastern European friends and allies,

continuing the bipartisan policy that Bush 1, Clinton, and Bush 2 administrations continued for a long time. And this administration, in our view, should not be an exception. And I hope that we will achieve these goals.

Thank you very much.

[The prepared statement of Dr. Cohen follows:]

PREPARED STATEMENT OF ARIEL COHEN, PH.D.

My name is Ariel Cohen. I am the Senior Research Fellow in Russian and Eurasian Studies and International Energy Policy at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

Thank you for inviting me to testify before you today on the Association Agreement and the Deep and Comprehensive Free Trade Area (DCFTA) between the Eastern Partnership (EaP) members (Ukraine, Moldova, Georgia, Belarus, Armenia, and Azerbaijan).

For centuries, the territory between Germany and Poland and between the Baltic Sea and the Black Sea was a scene of competition, and at times, confrontation, between Western European and Russian influences and interests. The South Caucasus was a battlefield between the Ottoman Empire, the Persian Empire, and the Russian Empire. Western powers also viewed South Caucasus as a crucial geopolitical nexus between Central Asia, Europe, Russia, Turkey, and Iran. In Eastern Europe and in the Caucasus, indeed geography was the destiny. Today, there may be a chance to break this ancient dynamic by signing the Association Agreement (AA) and DCFTA between the Eastern Partnership members and the EU. The U.S. has national interests in the region, as it supports integration of the EuP members into the greater Euro-Atlantic area. Washington has not provided sufficient support to the Vilnius process and needs to do so in the remaining 2 weeks. Ukraine is the key country in this process.

Ukraine

Since the implementation of the Partnership and Cooperation Agreement (PCA), the EU has continued to reach out to Ukraine, requesting Ukrainian political and legal reforms in exchange for trade expansion and economic integration with the EU, which would bring distinct benefits for Ukraine. However, mounting Russian pressure threatens to derail the EU's decade-long integration efforts.

At the end of October and on November 9, President Yanukovich met with Russian President Vladimir Putin. Both sides published minimal information about these meetings, but a number of signs suggest that Russia's vehement opposition to Ukraine's AA and DCFTA membership is the key dynamic in the relationships between Kyiv and Moscow, and European capitals and Russia.

The future of the jailed former Prime Minister Yulia Tymoshenko and President Yanukovich's resistance to European pressure to pardon and release her seem to be playing a key role in the drama. First, the Ukrainian authorities launched new proceedings against Tymoshenko, which may lead to a jail term of up to 10 years. Second, a senior representative of the ruling Party of Regions announced in Kyiv that Ukraine may forgo the Association Agreement with the EU. The ruling Party of Regions refused to consider the new legislation allowing prisoners to leave abroad for medical treatment. It also pushed through legislation aimed at blocking world heavyweight champion Vitaly Klichko from running for presidency in 2014. Finally, Tymoshenko's attorney has been detained on criminal charges. All this suggests that Russia's pressure may have worked, and there will be no deal with the EU. Economic factors play a key role.

Currently, Russia is Ukraine's largest market for exports ranging from foodstuffs to metal pipes. Millions of Ukrainian migrant workers are employed in Russia, with families dependent on their revenue. In addition, Ukraine is in debt to its northern neighbor for \$880 million, mostly to the state-owned natural gas supplier Gazprom, which would like to gain control over the Ukrainian gas distribution network Naftohaz Ukrainy. Russia's soft power is dominating Ukraine through pro-Moscow politicians; popular TV channels and other media; and Russian speakers in the east and south of the country, especially in the Crimea.

This situation offers Russia significant leverage.¹ The creation of the Russia-dominated Customs Union, and formation of the Eurasian Union, allow Russia to place intense pressure on Ukraine. This is happening not just since the beginnings of the trade war we witnessed this summer,² but also with the earlier promises of economic and political gains.

Moscow does not demand reforms, including the rule of law and anticorruption measures, which the EU does. These demands may annoy some Ukrainian elites and high-ranking officials, making domination by Moscow more palatable than European integration in the eyes of a myopic few.³

However, Ukraine's hesitancy to enter the Customs Union with Russia is warranted, as in the long term Moscow envisages subjugation, not cooperation. Its ultimate goals are geopolitical, not just economic. Recent events have made this clear. When negotiating over observer status as part of the Eurasian Economic Commission, Ukraine made several requests, including the right to attend all commission meetings, to have the texts translated into Ukrainian, and other reasonable safeguards of Ukrainian interests. All of Ukraine's requests were summarily rejected.⁴

The implacability of the Russian position and the potential loss of economic and eventually state sovereignty defeated Ukrainian elite's desire, if any existed, to join the Customs Union and the Eurasian Union. Yet, Kyiv is understandably apprehensive: if Moscow imposes high import tariffs (up to 10 percent allowed by WTO) and nontariff barriers, economic sanctions, as it were, could come into damaging effect immediately; while EU and potentially World Trade Organization (WTO) response would be painfully—and prohibitively—slow.

Additionally, many EU members are hesitant to reach out to Ukraine until actual, measurable reforms are enacted. This, too, is understandable. The EU places political and legal conditions that are key to the signing of the Association Agreement, including the release of imprisoned former Prime Minister Tymoshenko.

Expert recommendations vary greatly in regards to the EU's response. Some argue that "the sooner the EU signs the agreements with Ukraine, Moldova, and Georgia, the stronger the insurance will be against the vagaries of the East European political weather."⁵

Ukraine's signature on an Association Agreement is crucial to EaP goals, as Ukraine is expected to demonstrate the benefits of the EU's association agreements to other EaP countries. However, the signature on an agreement would not immediately resolve the longstanding problems in Ukraine. Whether or not Ukraine signs the Association Agreement in Vilnius, "Ukraine is likely to find itself in uncharted waters after November 2013."⁶ One possible outcome may be that Kyiv remains sitting between the two chairs: neither signing the DCFTA, nor joining the Customs Union. Such an outcome makes the quickly deteriorating economic situation of Ukraine particularly bitter.

Russia has already threatened to respond. Russian Presidential adviser Sergei Glazeyev publicly stated that numerous articles of the EU-Ukrainian Association Agreement would violate several clauses of the Ukrainian-Russian treaty of friendship and cooperation and "will do serious, irreversible, and long-term harm to us."⁷

Russia's economic and political pressure through high tariffs and import delays, the possible implementation of a visa regime, and increased energy costs in the middle of a cold winter are the threats Moscow has held out in trying to prevent Kyiv from signing the agreement with the EU. Moscow experts reiterate that if Ukraine signs the EU Association Agreement, Ukraine would become a truly "foreign" country to Russia, estranged economically and politically. As I warned in a recent Heritage Foundation Backgrounder, Russia is threatening to retaliate, making the EU-driven process as painful as possible.⁸

It is in the U.S. national interest that Ukraine anchors its future in Europe; develops the rule of law and property rights; and becomes a fully democratic country. Unfortunately, the administration did not view the future of Ukraine with due seriousness. It eschewed senior-level state visits; economic deal-making; and high-impact public diplomacy. Once again, in Eastern Europe and Eurasia, the U.S. punched below its weight.

Instead of benign neglect, the administration should have encouraged the Ukrainian leadership to sign the Association Agreement and DCFTA at the Vilnius summit in November. The White House should reaffirm the guarantees of Ukrainian sovereignty and independence pledged by the U.S. in 1994, at the highest level, including protection from economic pressure. After all, while Presidents Putin and Yanukovich met many times, American officials made their trips to Ukraine scarce, and the level of U.S. visitors in the country lower than necessary. Nor was the U.S. willing to coordinate its policies toward Ukraine with the EU in order to link the IMF economic relief package with European integration.

The Obama administration should have publicly denounced Moscow's illegal economic pressure on Ukraine to force it to join the Customs Union. The U.S. can and should provide technical advice on measures Kyiv can take to oppose such pressure in the WTO and other international frameworks. The U.S. should also promote the release of former Prime Minister Tymoshenko from prison—a step that would further encourage the Europeans to sign the Association Agreement.

Provided Ukraine signs the Association Agreement and DCFTA, Congress and the Obama administration should expand U.S. and international technical assistance to Ukraine, if requested, including steps Kyiv may take in the WTO to defend its trade from discriminatory Russian trade practices. The U.S. should offer advice to: facilitate Ukraine's economic reforms, combat corruption, increase transparency of government decisionmaking, make the civil service smaller and more efficient, privatize government services where possible, improve law enforcement practices, enhance the work of the courts, assist with the training of judges and prosecutors, deepen legal reform, and improve banking practices. The U.S. may lower tariffs on imports from Ukraine to compensate partially for the imposition of Russian tariffs on Ukrainian goods.

Finally, the administration should boost public and diplomatic support of Ukraine's Association Agreement and DCFTA with European capitals, signaling high-level U.S. attention to this matter, and dispatch senior American officials to Kyiv to articulate support through talks with the Ukrainian leadership and public appearances.

Other countries are also under pressure not to join the AA and DCFTA. Moldova, too, has been a target of Russian threats.

Moldova

Moldova was effectively dismembered by Russia, which supported Transnistria, the secessionist Russian-speaking enclave since 1992. Europe's poorest country, Moldova has become the latest victim of Russia's bullying.⁹ Nevertheless, it is planning to initial the Association Agreement in Vilnius and sign it in 2014.

In September 2013, Dmitri Rogozin, Russia's Deputy Prime Minister in charge of the military-industrial complex and special envoy to the breakaway region of Transnistria, visited the country. A senior Moldovan diplomat who requested anonymity disclosed that Rogozin has applied pressure and threats during his talks with Moldovan officials. "He said it would be a serious and costly mistake if we concluded an agreement with the EU," the diplomat stated.¹⁰

Rogozin threatened to cut Moldova's trade with Russia, while Moldova's migrant workers could face restrictions on entering Russia. He also said that by moving closer to Europe, Moldova would have to give up the secessionist Transnistria, which is backed by Russia.

"Moldova's train en route to Europe would lose its rail cars in Transnistria," Rogozin said during a press conference in the capital, Chişnău, effectively threatening to dismember the country. As a parting shot, Rogozin, a former ambassador to NATO, told a closed meeting that European Union integration was linked to integration with NATO, which is entirely untrue. Then he reminded his audience about how Moldova is completely dependent on Russia for its energy. "Energy supplies are important during the runup to winter," Rogozin said. "I hope you won't freeze."¹¹

Most recently, in September 2013, Russia implemented a ban on Moldovan fruits, vegetables, wines, and spirits, blaming Chişnău, for a "lack of quality control at its wineries."¹² This pattern is similar to the earlier economic sanctions against Ukraine. As Moldovan produce, wines, and spirits are very popular in Russia, accounting for over 10 percent of the Russian market, and comprising over 50 percent of Moldovan exports, the Russian import ban has a significant impact on Moldova's economy.¹³ The EU promised to lift quotas on Moldovan wine before the end of 2013.

However, Moldova continues to move ahead with EU integration, although Russia's efforts may still dissuade Chişnău.¹⁴ The dispute with the secessionist Russian-speaking enclave of Transnistria remains unresolved and can be used a foil against the country's sovereignty, while the EU demands that more needs to be accomplished in terms of the rule of law and improvement of the business climate.

SOUTH CAUCASUS COUNTRIES

Georgia

Of all the Eastern Partnership countries, Georgia is historically the most firmly set on engaging and integrating with the West. Like Moldova, it is planning to initial the Association Agreement with Europe in Vilnius.

Russia never fully accepted Georgian independence in internationally recognized borders. In 1992, Russia provoked a civil war in Georgia that led to the secession of Abkhazia and South Ossetia. The Five Day War in 2008 completed the breakup, leaving over 25 percent of Georgian territory (Abkhazia and South Ossetia) occupied.

The process of subjugating Georgia may have been further advanced in the election cycle of 2012–2013, when Bidzina Ivanishvili, a former Russian billionaire

businessman, captured the majority in the Parliament. On October 27, 2013, Georgians elected Giorgi Margvelashvili, Ivanishvili's handpicked Presidential candidate, as mostly ceremonial President,¹⁵ and on November 4, 2013, the Parliament elected a close Ivanishvili ally, 31-year-old Irakli Garibashvili, as a powerful Prime Minister.¹⁶

Moscow seeks to undermine Georgia's role as an energy transit hub that links neighboring Azerbaijan to Turkey and Europe, thereby bypassing Russia and its energy monopoly in Eurasia. Almost 5 years after the Russian invasion of Georgia in August 2008, Russia has recognized the independence of the Georgian provinces of Abkhazia and South Ossetia while approximately 10,000 Russian troops continue to occupy them.¹⁷ The future of Georgian independence, territorial integrity, and sovereignty is severely challenged.

Just as Joseph Stalin, himself a Georgian, drew Georgian borders in order to exploit and exacerbate ethnic differences, Russia's current occupation of South Ossetia and Abkhazia reflects Moscow's desire to divide and conquer Georgia, as it supports Abkhazia's and South Ossetia's resistance to Tbilisi's offer to join Georgia as full autonomies.

Former President Mikheil Saakashvili during his two terms intensified the efforts of his predecessor and former U.S.S.R. Foreign Minister Eduard Shevardnadze, seeking to counter Russian influence by cooperating militarily with NATO and economically with the U.S. and the EU.

Marène Laruelle notes that "in Georgia, Moscow has soft power instruments that it could activate,"¹⁸ including pro-Russian politicians, economic ties, and the popular Russian TV channels. The Georgian Dream Party of Bidzina Ivanishvili, the Conservative Party of Zviad Dzidzighouri, the Worker's Party of Shalva Natelashvili, the New Right, the Democratic Movement—United Georgia of Nino Burjanadze, and the Georgian Party of Irakli Okruashvili all call for a rapprochement with Russia in one way or another.

Moscow has been deeply uneasy with Georgia's market reforms, democratic elections, and Western orientation. That being the case, Georgia's strategy has been to move toward the EU and NATO, which will inevitably bring Russian ire on Tbilisi. Georgia's strategic dilemma is that while the relations with Moscow improved only marginally, the relations with Washington chilled down a lot since 2009. The EU was cautious not to anger Russia, its principal gas supplier.

Georgia's dogged campaign for NATO integration also played a key role in developing and affirming the country's desire to join in Western alliance. Apart from its ties with the West, Georgia stands alone, shadowed by Russia's looming threat to its national security and sovereignty.¹⁹ If allied with and protected by the West, Georgia stands a much improved chance of maintaining territorial integrity in the long term.

Trade with Russia represents a significant portion of Georgia's small economy and raises concerns of Georgia potentially falling squarely again under the aegis of Russia. The return to the Russian sphere of influence and economic frameworks would be a step backward for Georgian independence.²⁰

Azerbaijan

Azerbaijan has been caught between Russia and the West for almost 100 years, since its short-lived independence in 1918–1920. Strengthening ties between Azerbaijan and Russia has become a top priority for Putin, who visited Baku in August 2013.²¹ Azerbaijan and Russia signed a protocol in July 2013 for the reconstruction of the existing bridge at their border and to construct a new bridge across the Samur River.²² In June 2013 Azerbaijan agreed to a \$1 billion weapons purchase from Russia, equipping Azerbaijani military with updated tanks and armored vehicles.²³

In addition, SOCAR and Rosneft—Azerbaijan's and Russia's respective leading oil-producing companies—have begun negotiations on increasing energy cooperation. The two companies are considering resuming and expanding oil supplies to Europe via the Baku—Novorossiysk pipeline.²⁴

Yet, Russia's primary interests in the South Caucasus focus on Armenia, its historic ally as discussed above. Moscow wants to dominate the region militarily and strategically and to prevent or control the export of hydrocarbons to the West from the Caspian region through the Transcaucasian energy corridor,²⁵ which rests outside of Russian control. Moscow is particularly concerned by the 2012 agreement between Turkey and Azerbaijan to build the Trans-Anatolian Natural Gas Pipeline (TANAP)—and its extensions, the Trans Adriatic Pipeline (TAP), which would connect Turkey, Greece, Albania, and Italy, and Nabucco West, connecting Turkey, Bulgaria, Romania, Hungary, and Austria respectively. This pipeline system would ease Europe's dependence on Russian gas.²⁶

Under the two Azerbaijani Presidents, Heydar Aliyev, who died in 2003, and his son, Ilham, Azerbaijan has pursued a mostly pro-Western policy to date. The country was instrumental in the transit of U.S. military materiel and personnel through the Northern Distribution Network—a vital railroad and sea-lane link from the Caucasus across the Caspian Sea and Turkmenistan into Afghanistan. Azerbaijan is also a unique example of a secular regime in a state with a majority Shia Moslem population, which treats its Russian Orthodox, Jewish, and Sunni Moslem minorities quite well.

With U.S. support, Azerbaijan fiercely protected its sovereignty. In 2012, Aydin Aliyev—head of the Azerbaijani State Customs Committee—joined the Georgian Government in declining to enter the Eurasian Customs Union. Aliyev announced that Azerbaijan is in the process of implementing its own customs code and refused to sign the Treaty on the Free Trade Area, signed in October 2011 by the Presidents of eight CIS countries.²⁷

Since President Aliyev has not shown interest in EAU membership, Putin has attempted to create a counterweight to Aliyev's internal political and economic dominance in Azerbaijan. So far, he has failed.

The Union of Azerbaijani Organizations of Russia (UAOR)—also known as the Billionaires' Union—has been cited as a new tool that allows Putin to meddle in Azerbaijan's internal affairs. Georgian ex-president Saakashvili believes the UAOR was created for the purpose of overthrowing the Aliyev government, while Vafa Guluzade, a former senior foreign policy aide to the late President Heydar Aliyev, claims to “see it as one of the forms of pressure against, and intimidation of, the Azerbaijani Government, which could be used when Putin needs it.”²⁸ However, the Billionaires' Union failed to launch a viable political alternative to Aliyev, and Putin paid a friendly visit to Baku in August 2013. Yet, there is a strong lobby in Baku, including in the corridors of power, which advocates abandonment of the Western orientation and cozying up to Moscow. Baku is concerned about the refusal of the EU to include language about territorial integrity and occupation in the Associate Membership Agreement. Some in Baku may be also upset over European critique of the levels of democracy, human rights violations, and high levels of corruption. Over the past years, Azerbaijan has expressed interest in the EaP because of its desire to expand energy exports, including strategic TANAP and TAP gas pipelines to Turkey and Europe respectively, as well as a desire to ally with the West, but on its own terms.

As Azerbaijan is not a World Trade Organization member, it does not meet DCFTA requirements, but an Association Agreement can still be initialed. This would be a positive development that would speak volumes to neighbors north and south. With Azerbaijan's energy resources exported to the European markets, some of Eastern Europe's reliance on Russian energy—and consequent susceptibility to Russian pressure—would be diminished. Thus, Europe has a direct interest in negotiating such an agreement with Baku.

Armenia

Armenia's recent capitulation to Russia's demands²⁹ illustrates Russia's willingness to threaten severe retaliation against any former Soviet nation's attempted reorientation toward the West. Armenia needed but a limited push to abandon its European path and join the Custom Union. Eventually, Russia would like to see Georgia follow suit. If that occurs, Azerbaijan would be isolated by Armenia and Iran in the south, and its egress to the Black Sea corked by Georgia.

Erevan recently entered the Russian-led Customs Union, believing that its alliance with the Kremlin best guarantees its security. However, trading sovereignty for security came at a price. In September 2013, European Commissioner for Enlargement and European Neighborhood Policy Stefan Füle stated that it was “difficult to imagine” the initialing by Armenia of the Association Agreement at Vilnius in November. “Based on the information we presently have, the compatibility of obligations to the Customs Union with those under an Association Agreement/DCFTA with the EU looks problematic.”³⁰ EU President and Lithuanian Foreign Minister Linas Linkevicius echoed similar concern: “We respect any choice of countries but they cannot enter both organizations at the same time because of different tariff requirements.”³¹

Many analysts see Armenia's reversal after 3 years of negotiations and a successful completion of talks with the EU a prime example of Russia's powerful sway over the other four members of the Eastern Partnership.

Armenia was scheduled to sign the formal Association Agreement in November 2013 at the Vilnius conference. However, due to intense Russian pressures, Armenia was forced to abandon EU negotiations and seek entrance in the Russian-led Customs Union, which is likely to lead to membership in the newly formed Eurasian

Union.³² Russia's threats to curb security cooperation and arms supply, in addition to "interfering with gas supplies, pressuring Armenian migrants in Russia . . . or reducing Russian support in Armenia's conflict with Azerbaijan over Nagorno-Karabakh," have led Armenia to shift its position.³³

Though the prospect of Armenia's integration with the EU suffered a large setback, the EU invitations to Armenia and Azerbaijan to participate in the Vilnius summit suggest that Armenia-EU negotiations are by no means closed. Instead, Moscow may force the EU to develop a "two-tier" Eastern Partnership, wherein the countries that are fully integrated receive full benefits, while those that only partially comply receive benefits that are more modest.³⁴

Regardless, such a radical and sudden volte-face in Armenia's position on EU involvement demonstrates the dangers that lie ahead in the EU negotiations with the other member states of the Neighborhood.

U.S. INTERESTS IN THE EASTERN EUROPEAN NEIGHBORHOOD

Eastern and Central Europe have been a national interest priority area for the United States since World War I. After all, some of Europe's most pro-American countries are located there. The U.S. fought and won the cold war on their behalf. The region was also a major battleground in both world wars and before.

Since the end of the cold war the U.S. has actively assisted democratic forces in that part of the world. Democracy triumphed in the Baltic States, Poland, Czech Republic, Slovakia, and elsewhere in the region. There is no reason it will not succeed in the European Neighborhood countries. The U.S. is also interested in developing the East-West ("The New Silk Road") corridor for trade, transportation, energy pipelines, and communications from China to Europe, in keeping the region free from outside domination, and for penetration of the ideas of freedom to a part of the world which had little experience with it.

The U.S.'s overarching interest in expanding participatory government, the rule of law, and free-market economies in Eastern Europe is well demonstrated. However, due to weakened American leadership in the past 5 years, and because of Russia's expanding meddling into the economic and foreign affairs of the Eastern European states, these post-Soviet countries represent an increasing foreign policy conundrum.

It is wise for the Europeans to take a lead in addressing these challenges. After all, it is their neighborhood, their "near abroad." The U.S. should support efforts to expand the economic stability, freedom, and sovereignty of our Eastern and South East European friends and allies, continuing the bipartisan policy of the both Bush and Clinton administrations since 1992.

End Notes

¹"West or East?" *The Economist*, October 5, 2013, <http://www.economist.com/news/leaders/21587228-european-union-should-sign-deal-ukraine-but-only-if-yulia-tymoshenko-freed-west-or> (accessed November 4, 2013).

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Senator MURPHY. Thank you.

Mr. Wilson.

**STATEMENT OF DAMON WILSON, EXECUTIVE VICE
PRESIDENT, ATLANTIC COUNCIL, WASHINGTON, DC**

Mr. WILSON. Thank you, Chairman Murphy, Ranking Member Johnson.

In 2 weeks, European leaders will meet in Vilnius to chart what is effectively the next wave of European immigration. The United States will not have a seat at the summit, of course; however, its

results will have strategic consequences for U.S. interests. The outcome of the Vilnius summit will help determine whether the nations of the Eastern Partnership will have the option of ultimately joining a Europe “whole, free, prosperous, and at peace.” Therefore, I am here to urge Senate backing for a clear U.S. strategy toward Europe’s East and to thank you for your leadership on this issue.

The Eastern Partnership began as a modest means to strengthen the ties of Europe’s East to the European Union without offering membership. It has now become the leading instrument to foster the transformation of post-Soviet nations from Eurasian authoritarian kleptocracy to European democratic prosperity. The Eastern Partnership offers political affiliation with the European Union, economic integration, and the elimination of barriers to travel. These are the ingredients necessary to accelerate the adoption of European norms and values in post-Soviet nations. Its powerful unspoken premise is that true sovereignty requires greater democracy.

So, at issue in Vilnius is whether Ukraine itself will join Moldova and Georgia in making major advances in their integration with Europe, but the Eastern Partnership’s future itself is also in play. The issue is whether European leaders will evolve the partnership to become a pathway for successful reformers to pursue membership in the union while keeping open the long-term European option for the others.

And this is where the United States becomes relevant. U.S. leadership has driven each wave of European integration, using NATO as the lead and often paving the way for European Union enlargement. The United States has stepped back from this leadership role driving this historic process. If the United States sits on the sidelines, this next wave of European integration, and ultimately enlargement, will fail. Building a Europe “whole, free, prosperous, and at peace” remains in the American national interest as much as previous phases of this process have. Indeed, the United States remains a European power with enormous influence over this process.

The task today is to develop U.S. strategy to complement and indeed support the European Union efforts to integrate its neighbors in Europe’s East. The United States should be an enabler of European integration and a driver of future NATO enlargement.

The EU’s Eastern Partnership Initiative and future NATO enlargement do not necessarily overlap, but they can be mutually reinforcing. The Eastern Partnership is the latest instrument of a common transatlantic strategy. We nearly achieved our post-war goals of a Europe “whole, free, and at peace” with the post-cold-war enlargement of NATO and the European Unions, the twin instruments of the strategy. But, even as we celebrate that success, we must recognize that our work is not yet done. Our renewed U.S. strategy for Europe’s East should, therefore, consist of consolidating our gains, preventing rollback of freedoms, and setting the stage for this next advance of integration. In this context, the U.S. strategy toward Europe’s East could include five elements.

First, Washington can be clear, help articulate a clear goal to complete Europe. Such a vision gives strategic impetus to indi-

vidual decisions that can at times seem small in impact when considered in isolation.

Second, U.S. policy can back the EU's Eastern Partnership Initiative unequivocally in order to mitigate ambivalence with inside the European Union while strengthen the hands of its advocates. A divided EU will fail in integrating Europe's East.

Third, the United States should assume a leading role in addressing the security concerns afflicting the eastern partners, because security is left unaddressed by the Eastern Partnership process. This means, in Moldova, for example, the United States should create a Strategic Partnership Council to parallel the structures we have with Ukraine and Georgia, and we should move from being observers in the negotiations over Transnistria to being full participants.

Regarding Georgia, Washington should take the lead in restoring a strategy for Georgia to join NATO, as long as that country's leaderships pursue reforms and as long as they do not pursue witch hunts, including, particularly, against President Saakashvili.

Fourth, the United States should be working with the EU now to support those nations to take decisive steps toward Europe in Vilnius. This means, for example, making clear that the Transatlantic Trade and Investment Partnership would be open to the countries of the Eastern Partnership that successfully reach agreements with the European Union, and, at the same time, the United States and the EU should be anticipating and countering Russian moves to derail these nations' move toward Europe.

Finally, the United States should restore a sense of momentum to the broader integration process by leading the effort to welcome Macedonia and Montenegro into NATO, and Bosnia, Herzegovina, and Georgia into NATO's Membership Action Plan.

Ukraine presents a particular challenge. President Yanukovich is not acting decisively to end selective justice and to release former Prime Minister Yulia Tymoshenko from prison. If he fails to do so, he should face consequences. Therefore, the challenge in Vilnius is to lock in Ukraine's European choice while gaining leverage to more effectively check antidemocratic behavior and to ensure the Ukrainians have a genuinely free choice in their 2015 presidential elections.

The Eastern Partnership is not meant to create a new dividing line in Europe. It can help anchor a vulnerable and insecure zone and the certainty of a stable and prosperous Europe. Over the long term, the vision of a Europe "whole, free, and at peace" also includes a democratic Russia, but the pathway to reform in Russia might begin with choices in Kyiv, Chisinau, and Tbilisi, in favor of a European future.

Thank you.

[The prepared statement of Mr. Wilson follows:]

PREPARED STATEMENT OF DAMON M. WILSON

Chairman Murphy, Ranking Member Johnson, members of the subcommittee, in exactly 2 weeks, European Union (EU) leaders will meet in Vilnius, Lithuania, with their counterparts from Europe's East to chart the next wave of European integration. While most EU summits do not merit the attention of the U.S. Senate, this Eastern Partnership summit is different. The sovereignty of the nations between the European Union and Russia is at stake. The outcome of the Vilnius summit will

help determine whether the nations of Ukraine, Moldova, Georgia, Armenia, Azerbaijan, and Belarus will have the option of ultimately joining a Europe whole, free, prosperous, and at peace.

The United States will not have a seat at the table at this summit. However, its results will have enormous strategic consequences for U.S. interests. Therefore, I am here to urge your backing for a clear U.S. strategy in support of the EU's Eastern Partnership. In short, we need a U.S. strategy for Europe's East.

Launched in 2008 as a Polish-Swedish initiative prior to the Russian invasion of Georgia, European leaders envisioned the Eastern Partnership as a modest means to begin to strengthen the ties of the peoples of Europe's East to the EU, but without offering the goal of membership. At its inception, the Eastern Partnership was very much underestimated by the Eastern Partners themselves, as well as many inside the EU and indeed in both Washington and Moscow. Within 5 years, the Eastern Partnership has become the leading instrument to help foster the transformation of post-Soviet nations away from a future of Eurasian authoritarian kleptocracy to one of European democratic prosperity.

The Eastern Partnership holds the potential to be a driver of reform as it offers six post-Soviet nations three enticing elements: political affiliation with the EU through Association Agreements, economic integration through deep and comprehensive free trade agreements, and elimination of barriers to travel through liberalization of visa policies. In essence, these are the ingredients to accelerate the adoption of European norms and values in post-Soviet nations, creating facts on the ground in which individual choices shape a country's strategic orientation. The enduring strength of the Eastern Partnership is that its success is driven by attraction, not coercion. Its powerful unspoken premise is that true sovereignty requires greater democracy.

There are two key issues facing the Eastern Partnership. First, will the Vilnius summit mark a major advance in the integration of Ukraine, Moldova, and Georgia, the three Eastern Partnership nations that aspire to closer integration with the EU and have made the most progress in their negotiations? Second, will European leaders evolve the Eastern Partnership to become a pathway for successful reformers to pursue membership in the Union, while keeping open the long-term European option for the others.

This is where the United States becomes relevant.

U.S. leadership has driven each wave of European integration, using NATO as a lead instrument and often paving the way for EU enlargement. With the failure of NATO allies to reach consensus on the path forward for Georgia and Ukraine at the 2008 Bucharest summit, and in the context of the Russo-Georgian War shortly afterward, the United States in essence stepped back from its traditional leadership role of driving this historic process.

While European leaders are not considering offering Eastern Partners a membership option, make no mistake that ultimately the process underway at Vilnius is about integration. If the United States sits on the sidelines, this next wave of European integration and ultimately enlargement will fail. It could fail because Europe remains divided on its objectives, the Russians have chosen to challenge this process, and the most significant obstacles to integration of Europe's East remain security issues that are beyond the purview of the Eastern Partnership.

There is no doubt that this next chapter of integration will be more difficult than in the past. The bar is higher for today's aspiring nations as the EU has become more integrated and intrusive into the once-domestic affairs of its members. The base is also lower as the nations of the Eastern Partnership start further behind in reforms than their neighbors in Central Europe. Furthermore, as membership is not on offer as of now, the cost of reforms at home can be high in the short-term while the long-term reward remains abstract. Furthermore, the Eastern Partnership nations are an extraordinarily diverse group of nations, united only by their post-Soviet heritage and their European geography. Some indeed do not aspire to greater integration with Europe. Finally, there is great reluctance within the EU even to broach the topic of future enlargement as the Union struggles with its own economic crisis and vacuum in political leadership.

This is why the so-called "European project"—building a Europe whole, free, prosperous, and at peace—remains in the American national interest, as much as previous phases of this process have. Indeed, the United States remains a European power with enormous influence over this process.

In recent years, there has been a perception among many in Europe's East that the United States was leading on Russia policy while deferring to the EU on policy toward the neighbors. This is overly simplistic of course, but the United States has invested more energy and creativity in forging a relationship with Russia than its

neighbors. This is a recipe for failure. We must do both. Thankfully, the United States Government is beginning to do just that.

The task today is to develop U.S. strategy to complement and indeed support EU efforts to integrate its neighbors in Europe's East. Yes, the United States wants to avoid its efforts in Europe's East sliding into a U.S.-Russia conflict. But we also do not want that fear to lead to U.S. ambivalence or absence in Europe's East.

The objective of U.S. policy should be to serve as an enabler of European integration and a driver of future NATO enlargement. The EU's Eastern Partnership initiative and future NATO enlargement do not necessarily overlap, but they can be mutually reinforcing just as NATO and EU enlargements have been in the post-cold-war period.

Indeed, the Eastern Partnership is the latest instrument of a common transatlantic grand strategy. The United States fought in World War II not only to defeat the Nazi menace, but to help Europe emerge from war in a way that would never force the United States to fight again in Europe. After 45 years of cold war, we forged a bipartisan U.S. policy to fulfill our original national aims of 1945. We nearly achieved our goal, with NATO and EU enlargement, the twin instruments of this strategy to secure a Europe whole, free, and at peace.

Even as we celebrate that success, we must also recognize that our work is not done. With NATO enlargement having reached a temporary pause, at least looking East, and EU enlargement in a slower phase, the Eastern Partnership represents the best instrument to keep this vision viable. A renewed U.S. strategy for Europe's East, therefore, should consist of consolidating our gains, preventing rollback of freedoms, and setting the stage for the next advance of integration. The Eastern Partnership is the key instrument for this strategy.

In this context, effective U.S. strategy toward Europe's East in the short-term could include five elements.

First, Washington can help articulate a clear vision and goal: to continue to forge a Europe, whole, free, prosperous, and at peace. That is, to complete Europe. The power of this simple message can be to restore the prospect of integration and ultimate membership in either NATO or the EU as an engine of reform in aspiring nations. Such a vision gives strategic impetus to individual decisions that can seem small in impact when considered in isolation.

Second, U.S. policy can back the EU's Eastern Partnership initiative unequivocally in order to mitigate ambivalence among many EU member states while strengthening the hands of its advocates. Enthusiasm for a coherent EU strategy toward Europe's East varies greatly depending whether you are in Paris and Madrid, or Warsaw and Stockholm. The Bucharest summit experience suggests that a divided EU, much like a divided NATO, will ultimately fail in integrating Europe's East.

Third, the United States should assume a leading role in addressing the security concerns afflicting the Eastern Partners and which are left unaddressed by the Eastern Partnership process.

In Ukraine, this means intensifying mil-to-mil cooperation, deepening intelligence ties, and laying the groundwork for long-term influence with security structures which could either advance or undermine Ukraine's European future. It also means supporting Ukraine's efforts to ensure its energy security and buttress its sovereignty and territorial integrity, including in Crimea.

In Moldova, the United States should build a security relationship where very little currently exists. While officially neutral, Moldova is keen to forge closer ties with the United States and NATO. The United States should target some of its limited assistance on security sector reform, as this sector remains an Achilles' heel for the nation's long-term security. Specifically, the United States could create a Strategic Partnership Council with Moldova to parallel the structures the United States has with Ukraine and Georgia. Such a move would demonstrate consistent support for the three leading nations of the Eastern Partnership. Furthermore, the United States with the EU should engage more seriously and creatively in the "5+2 talks" on Transnistria, a breakaway region, which Moscow seeks to maintain as a lever to complicate Moldova's aspirations. This would entail the United States (and the EU) changing from observer status to full participant in these negotiations and supporting a demilitarization of the conflict.

Regarding Georgia, Washington will need to support the new leadership if and as it pursues democratic and economic reforms, as it asserts it seeks to do. At the same time, we must hold the country's new leadership accountable not to pursue witch hunts or politically motivated justice. The new government must understand that if it seeks to imprison former President Mikheil Saakashvili, it is freezing its path toward the EU and NATO. If Tbilisi focuses on advancing a European future without litigating its past, Washington should take the lead in restoring a strategy for

Georgia to integrate with and eventually join NATO, giving credibility to the Bucharest summit decision that Georgia will become a member of the alliance.

Fourth, the United States should be working with the EU now to support those nations that take a decisive step toward Europe in Vilnius. For example, the United States should be explicit that as it negotiates a comprehensive Transatlantic Trade and Investment Partnership with the EU, Washington aims to extend this landmark agreement to any Eastern Partnership nation that concludes a deep and comprehensive free trade agreement with the EU. Similarly, as leaders in Moldova, Ukraine, and Georgia take the right reform decisions and create level electoral playing fields, they should expect to be welcomed in Washington and to receive high-level visits in their capitals.

At the same time, the United States and the EU should anticipate and counter possible Russian efforts to derail these nations' move toward Europe. Moscow has been vocal and specific in threatening these nations with retaliation ranging from bans on imports and mass deportation of labor migrants to energy cutoffs this winter. We know the pressures the Eastern Partners already face and we should be preparing now to assist or counteract such measures where we can. The United States and Europe should work hand in hand with governments and societies in the region to prevent Russian rollback of freedom's gains.

Finally, the United States should restore a sense of momentum to the broader integration process by leading the effort to welcome Macedonia and Montenegro into NATO and Bosnia and Herzegovina and Georgia into NATO's Membership Action Plan (MAP). These steps can help reinforce the EU's resolve to continue extending its hand to the East.

Many argue that the United States does not need a strategy toward Europe's East—or rather that the best U.S. strategy is to leave the EU in the lead and remain silent. There is a cost to having no strategy. Some leaders in Moscow will conclude that they can maximize their efforts to disrupt Eastern Partners' moves toward Europe without consequences. Therefore, inaction increases the chance of greater instability in Europe's East leading to even greater challenges in the future for U.S. policy. A clear U.S. strategy in support of Europe now will help advance our interests in advancing a free, democratic East and mitigate opportunities for mischief-making in the short-term while laying the groundwork for long-term security, stability, and prosperity.

While Ukrainian President Yanukovich is all but guaranteeing last-minute drama at the Vilnius summit, what happens beyond Vilnius is as, if not more, important. The Vilnius agreements will begin a process of transforming economies and societies in Europe's East; they do not offer the prospect of EU membership.

By their next Eastern Partnership summit in Riga, Latvia, in 2015, EU members states should aim to offer two tracks to their partners: the prospect of beginning the long path to membership for those who make the most progress on reforms, while keeping long-term options open for those partners who either do not aspire to membership or fail to deliver on reforms necessary to start to the process.

Moscow's reaction to the Eastern Partnership provides clarity on the broader strategic perspective of what will play out in Vilnius. While the EU has been clear that the Eastern Partnership is not aimed against Russia, President Putin has decided to treat it as a challenge. Putin is clear that his objective is in essence the restoration of a sphere of domination through the creation of a Eurasian Union and an accompanying Customs Union (which is incompatible with a deep and comprehensive free trade agreement with the EU). These instruments are not premised on equality and respect for sovereignty; rather they would enable Moscow to dominate the post-Soviet space. Russia's strategy, as so clearly illustrated in Armenia's decision to drop its bid for an agreement with the EU in Vilnius, is based on coercion and disruption. Such a strategy may result in tactical wins, but ultimately it is not sustainable, as it will not engender the support of individuals in these nations who recognize the opportunities lost. Nor is it a formula for long-term stability, as it rests on intimidation in the short run and deprivation of the sovereign rights of other nations to choose their own future in the long run.

Ukraine presents a particular challenge in Vilnius. Strategically, Ukraine is by far the most important of the Eastern Partners. However, the Yanukovich administration's perception of Ukraine's importance is leading it to do the bare minimum, if that, to meet EU conditions. Specifically, President Yanukovich is not acting decisively to end selective justice and to release former Prime Minister Yulia Tymoshenko from prison. President Yanukovich has the unique ability to unify Ukraine around its European choice—that is to deliver the eastern Ukraine electorate in a way a politician from western Ukraine could not. But in the end, Yanukovich is a transitional figure; he is not committed to the values of a democratic Europe. Even as he negotiates in favor of Ukraine's European future, he is

manipulating Ukrainian legislation and institutions to help ensure he secures a second term. Therefore, the challenge in Vilnius is to lock in Ukraine's European choice while gaining leverage to more effectively check antidemocratic behavior and ensure that Ukrainians have a genuinely free choice in their 2015 Presidential elections.

The Eastern Partnership is not meant to create a new dividing line in Europe. It can help anchor a vulnerable and insecure zone in the certainty of a stable and prosperous Europe. Over the long-term, the vision of a Europe whole, free, prosperous, and at peace also includes a democratic Russia.

But the pathway to reform in Moscow might begin with choices in Kyiv, Chisinau, and Tbilisi in favor of their European future.

Senator MURPHY. Thank you.

Senator JOHNSON.

Senator JOHNSON. Thank you, Mr. Chairman.

Dr. Cohen, I believe what you said was, the United States has been way too low key in our support for the Eastern Partnership. Mr. Wilson laid out, kind of, a five-point plan. I was going to ask you, similarly, What can and should the United States do to be not quite so low key so we can be more forthright in our support?

Dr. COHEN. Thank you, Senator.

First of all, the visibility matters. Diplomacy is perception and symbols as well as actual action. We were lagging behind in visibility. I challenged an administration official to name one senior official—Vice Presidential level, Secretary of State level, Deputy Secretary of State level—to visit any of these countries to actively promote Vilnius process. And I was left lacking. We did not put boots on the ground, in terms of high levels of diplomacy. We did not link economic assistance with membership. And, in case of Ukraine, as we heard from our learned colleague, Dr. Aslund, the IMF bailout, the economic help, is absolute vital for the Yanukovych administration not to collapse, not to have popular discontent overflowing if they mismanage the economy even further beyond the way they mismanage it already. So, I think, linkage of economic measures and economic assistance, including the IMF pipeline, as well as visibility. Talking to the Russians to dial it down, and explaining to the Russians what kind of consequences they may have if they do not—not to threaten the neighbors, in the worst traditions of the 20th-century European politics—all of these avenues were either not explored or explored insufficiently by the current administration.

Senator JOHNSON. So, leadership strategy, more visibility. Is there a danger, if we get too aggressive with our support, that it might stiffen Russian spine to resist even further or more aggressively?

Mr. Wilson.

Mr. WILSON. You know, I think that there are many that the argument, "We can't let this slip into a U.S.-Russian confrontation, and so, we should take a backseat, let the EU lead." I understand that, to some degree, on tactics, but it cannot be an excuse for absence.

Russia is trying to prevent this from happening, regardless of U.S. policy. So, I think it is incumbent upon us—this is the game in town, we are at the center of it, and our interests are at stake here. So, if you look at the record of Russian behavior in trying to undermine these nations, it is actually pretty outrageous, the steps that they have taken—explicit blackmail and coercion. And I think we should call a spade a spade, and speak clearly about that. At

the same time, we need to make the point—we did not choose—this is not about trying to confront Russia. Unfortunately, President Putin has taken that decision.

When you talk to educated folks in Moscow today, many of them realize that this is an extremely counterproductive policy on the part of Russia. President Putin has done more to stiffen the spine of the European Union, and probably has done more to stiffen the spine of some of those that were uncertain in the Eastern Partnership, because who wants to be dominated by a neighbor, a ruler that treats them in thuggish tactics.

So, there is a role to be savvy about our diplomacy, I understand that. But, at the same time, we cannot use that to be quiet or absence.

Senator JOHNSON. For whoever really wants to answer this, What does Yanukovych fear in releasing Tymoshenko? Or, why is he so reluctant?

Mr. ASLUND. Well, you can say that President Yanukovych is driven by two fears. One is Mr. Putin and one is Tymoshenko. Why? Clearly, there is an enormous personal animosity between them. According to the opinion polls, Vitali Klitschko is now the most popular position leader in Ukraine, and President Yanukovych has now lost stride, signed into law an amendment to the Ukrainian tax code that means that Klitschko perhaps may not fulfill the residence requirement to stand in the next Presidential election.

Yulia Tymoshenko lost by 3½ percent in the Presidential elections, to Yanukovych in February 2010. Elections were deemed free and fair. But, of course, President Yanukovych had far larger financial resources in that election, and much more media support than Prime Minister Tymoshenko. So, he is afraid of her as somebody who could win free elections against him. And President Yanukovych popularity rating is likely over 20 percent.

Senator JOHNSON. OK.

Mr. Wilson, you want to chime in?

Mr. WILSON. If I could just add to that. I agree with much of what Dr. Aslund just said. I had an opportunity to be the first American to visit Yulia Tymoshenko in prison when she was in Kharkiv. President Yanukovych let us visit as part of a Freedom House delegation. It was clear, her determination from her prison bed, to manage the opposition to President Yanukovych. It was clear in conversations with him, this is extraordinarily personal. And Dr. Aslund is right—he does fear her more than he values what he is planning for Ukraine's future. It is a very personal element of this. He is behind in the polls. He is vulnerable headed into the elections.

The point that I wanted to make is, even as we focus on the release of Tymoshenko from prison today, what we really need to be focused on is also how he is setting the stage for the 2015 Presidential election, whether it is Tymoshenko in prison trying to disqualify Klitschko because of foreign residency—resident—the way he defines “residency requirements,” or pursuing—open a new corruption case against the former speaker of the Rada to disqualify him, or to consider other constitutional means. The choice to join

Europe is not a technical process that they negotiate in a document. The Ukrainians have done that well.

It is, at the end of the day, a fundamental choice about values and principles. President Yanukovich has not demonstrated that he has made that strategic choice yet. And I think we want to lock Ukraine in this path, but we have to continue to hold the leadership accountable, not just what happens at Vilnius, but certainly the pathway to the 2015 election.

Senator JOHNSON. Dr. Cohen.

Dr. COHEN. Briefly, I am appalled that there is no recognition of the historic value and historic significance of this choice. In 1654, a quasi-democratic meeting of then-Ukrainian Cossacks and such voted to join the Russian Empire. It was called the Council of Peryaslav, 1654. And Ukraine lost its independence as a result, and we did not see Ukrainian independence then until 1918, for over 300 years. This should not be another Council of Peryaslav, Mr. Senator.

Senator JOHNSON. Thank you all for your testimony.

And thank you, Mr. Chairman, for letting me go out of order.

Senator MURPHY. Thank you, Senator Johnson.

So, I mean, let me push back a bit on the contention that the United States has been absent. We have been very clear with respect to what Yanukovich needs to do with respect to Tymoshenko. Our Assistant Secretary, who just testified, was just recently in the region. And so, I certainly understand your desire for more U.S. action. I would draw a little bit of issue with the contention that we have been absent.

But, what do we do when we have a fundamentally uneven playing field with respect to tactics? Dr. Cohen, you talked about the outright blackmail that is happening right now with respect to the conversations between the Ukraine and Russia. We talked a little bit about the borderization that is occurring right now in South Ossetia and Abkhazia. And part of my worry about tactics, such as telling the Georgians, for instance, we are going to withdraw our aid if they do not join, that we are not going to provide IMF support to the Ukraine if they do not sign an agreement, is that then, at some level, our tactics start to look somewhat similar to the tactics that the Russians are using.

And so, how do we counter tactics, that are clearly way below the belt with respect to the Russians, with ones that are true to our values and the norms that conventionally underlie the carrot-and-stick approach that we give to countries when our national interests are at stake?

I will ask the panel, and start with you, Mr. Wilson.

Mr. WILSON. Senator Murphy, thank you very much.

Just to be clear, I would not make the case that the United States has been absent at all. If you look at the diplomacy that is played out in Kyiv, the United States has been at the heart of that. This was one of the first trips that Assistant Secretary Nuland made; indeed, expressly for this purpose. In part, getting her in office was a key issue at a key time during the summer. But, I think she has very clearly laid out an important strategy for the U.S. Government, and, more importantly, led that strategy by providing the overall vision, reestablishing the sense of what we are

trying to accomplish here. And the messaging matters, the presence matters in this.

You are absolutely right, there is a fundamental difference between the option looking to a Customs Union or to the Eastern Partnership, because it is based on their choice. And we have to respect that. Our tactics, our strategies are fundamentally different, because it is based on the sovereignty of the country, the decision of the people. And I think what is of concern in a country like Georgia or Ukraine is—it is quite clear, at times, where the population, where the elites are going, in terms of wanting to see their countries join Europe. And it is the influence, because of the still lack of maturity of the democratic institutions, but that does not always translate to the decision that is playing out today.

Our strategy has to lead with the offer of what we are—the prospect of what we are offering these countries by moving closer to Europe, integrating through long-term economic growth and prosperity. The reality is, a short-term framework, there will be some pain for these economies to adjust to European competition. This is about long-term benefits, long-term anchoring their countries in a society of common values and interests.

We actually cannot compete with the short-term approach that the Russians would pay, whether it is a carrot of putting money on the table today or a stick of bribing them. So, I think our tactics and methodology are fundamentally different. It has to be premised on the choice these countries make, and that is why you see some of them—they are not moving in this direction. And we, in the end, have to accept that. We just need to make the choice clear that, I think, faces them.

Senator MURPHY. Dr. Cohen, you—maybe I got you wrong, but I thought I heard you suggesting that we should threaten to withdraw supports if they do not sign the agreement.

Dr. COHEN. No, I would put it differently. I would say that we would be more positively inclined to provide support if they sign the agreement. And I think, Mr. Chairman, in this town, the art of realpolitik and the recognition of the realities how this world operates, including Eastern Europe, including the Middle East and other parts of the world, is sometimes lacking. And I do believe that wrapping our inaction in the rhetoric of values or in the rhetoric of defense of abstract ideas which result, eventually, in loss of significant geopolitical assets to this country and to our European allies, is misguided and came to bear in this administration more than before.

Senator MURPHY. Mr. Aslund.

Mr. ASLUND. Yes. There are several legal instruments that the United States can use. Russia has now joined the World Trade Organization, August last year, and the United States has granted PNTR, but Russia is not obeying the rules at all. The United States can help various countries bring out these issues in the WTO. It will not get fast results. The WTO works very slowly. But, it is an important instrument to use.

Secretary Nuland, previously today, mentioned TTIP, which is a very attractive development. And if Ukraine would get the Association Agreement, the assessment is that this would increase Ukrainian GDP in the long term by 12 percent, increase exports in total

by almost 50 percent, while, if it joined the Customs Union, GDP will decline. And Russia does not have a viable trade alternative. The Customs Union is a small and protectionist trade association, and the Russian economy is only one-tenth of the EU economy. So, the point is that Russia is taking two large costs upon itself, and if Ukraine does not join the Customs Union, it does not look viable or even sustainable.

So, I think that Russia is in a corner, where it has put itself. And therefore, the United States have a lot of leverage through the various international initiatives and organization.

Thank you.

Senator MURPHY. Thank you.

The Partnership summit in Vilnius represents a very important and convenient decision point for these three nations. And, Dr. Cohen, at least you expressed some growing skepticism that Ukraine may sign there. Do we risk overhyping the summit itself, in the sense that, if there is a decision perhaps by Yanukovich to continue negotiations, that this process is a little bit more linear than we may point out? What happens if we do not get everything we want and the Europeans want at the Vilnius summit? How dire should we read a failure for all three countries to initial or sign?

Dr. COHEN. The evaluations I reviewed yesterday are talking of a quick decline of probability of signature in Vilnius, from about 50 percent to 20 percent in a couple of days.

Senator MURPHY. With respect to Ukraine.

Dr. COHEN. With respect to Ukraine.

Senator MURPHY. Right.

Dr. COHEN. It is a worrisome process. I do not think it is the end of the world. But, as I said before, (a) Mr. Yanukovich is going to shoot himself and his country and his people in the foot if he does not sign; (b) we will need to continue to engage our European allies, and the Europeans will have to take a leadership position on that, as they have been until now, and bridge their own differences, let us say, between the Polish position that they should sign the Association Agreement, no matter what, with Ukraine, and the German position that human rights are important. They have to work it out. We have to work with them on that issue.

And yes, of course we should continue working past Vilnius if there is no signature with Ukraine. However, the chances of that process not coming to fruition will continue to decrease if Vilnius brings no resolution, because the Russians will feel strong and will continue doing what they are doing with the results that they are gaining.

And I agree with Dr. Aslund, that, without Ukraine, the Customs Union loses its viability; but, even without Ukraine, if you will look at the Russian plans right now to bring in Kyrgyzstan, Tajikistan—small countries, granted—but continue to expend—Armenia—continue to expend that, and then move to the Eurasian Union in 2015 as a fully operational bloc—I think the Russians are playing that game.

And, if I may, sir, I would like my full testimony—

Senator MURPHY. Certainly.

Dr. COHEN [continuing]. To be included for the record.

Senator MURPHY. Yes. And I should have said that. We will have all of your full testimony included into the record.

Building on that point, Mr. Wilson, when Secretary Nuland was in Kyiv, she likely saw the proliferation of little European flags all around that city, representative of a longstanding belief that Yanukovich, as his legacy, was going to deliver on a promise of a fully independent Ukraine with an orientation toward the much broader, more open market of Europe. If Yanukovich walks away from this summit without an agreement, how does he explain this to the people of the Ukraine, who, for the most part, have been of the belief that this was Yanukovich's mission, to bring an Association Agreement to fruition with the European Union?

Mr. WILSON. I think you have hit one of the most important points. Ukraine is not a dictatorship. President Yanukovich will face retribution from his own electorate and from his own supporters, whether they be oligarchs and the economic structure or they be an average voter on the street in a village. First and foremost, would be a missed opportunity for Ukraine, a failure for Ukraine—not as much a failure for the United States or the European Union, which have handled this right, have put the right offer on the table. But, it does speak to—we have been there before with Ukraine. We have experienced missed opportunities, unfortunately, on a cycle of repetition that is a little bit too frequent. We saw that in the wake of the Orange Revolution. We have seen it on numerous times in Ukraine's recent history.

We have to be in this for the long term. President Yanukovich is “a” President of Ukraine. He will be a transitional figure. Whether he is a transitional figure that demonstrably leads Ukraine to Europe or not, I think, is at issue in Vilnius. If not, I think that he will have a political challenge on his hands to explain that to his own population. And that is, frankly, a good sign of the health of the emerging civil society, the emerging, sort of, taste of democracy that the Ukrainians are beginning to expect.

Senator MURPHY. Dr. Cohen.

Dr. COHEN. Having studied the Russian sources on this subject for the last 3 months, I would suggest that Mr. Wilson's scenario holds, provided there is no massive Russian intervention and there is no strong pro-Russian leader. If, however, what the Russians want is launched and successfully funded and accomplished, they may get, either in the person of Yanukovich or in the person of somebody else, a strong pro-Russian faction that then starts to put the squeeze on the same civil society that both Damon and myself admire in Ukraine, and leading to a different Ukraine, a Ukraine that would look more like Belarus, for example, the neighboring country, with a strong, basically, pro-Russian leader and with declining democratic institutions and practices.

Senator MURPHY. Thank you.

Go ahead. Mr. Aslund.

Mr. ASLUND. Yes. Let me pull up on the same line as my colleagues, here. Something that is very important is that there is a solid and steady pro-European majority in Ukraine. And, of course, the Ukraine now is less free than it was 3 years ago, but it is still quite a free country. So, President Yanukovich needs some other pro-European votes in order to win the elections in March 2015. So,

the main victim, if the Ukraine fails to sign in Vilnius, might probably be President Yanukovich himself, because he has deprived himself of the possibility of winning a reasonably free and fair election in 2015 and perhaps even a not very free election.

Senator MURPHY. The title of this hearing includes Belarus, which you referenced, Dr. Cohen, and Azerbaijan. We have not spent much time on either, so let me just finish with a rather open question on U.S. policy toward those two nations. Obviously, Belarus is in a very different position, a member of the Customs Union. What are the changes for any increased orientation toward Europe in the future, a pro-Russian leader, yet some rocky times currently with respect to the fertilizer issue and others?

And then, in Azerbaijan, maybe I will frame the question this way. What does Armenia's decision to join the Customs Union mean for the prospect, in 2015 or sometime thereafter, for Azerbaijan to initial an agreement with the EU? Clearly, they have a long way to go, especially with recent reports on the quality of these last elections, but a country, especially with their energy resources, that would be an important—very important partner, in a lot of ways, more important than some of the nations that may be at Vilnius, for the European Union.

So, let me open that up for final comments on the future of United States relations and European relations with Belarus and Azerbaijan.

Go ahead. We will go down the line. Mr. Aslund—

Mr. ASLUND. Yes.

Senator MURPHY [continuing]. First.

Mr. ASLUND. Let me start with Belarus. Belarus is, today, in an awful financial crisis. Belarus gets about \$10 billion of subsidies from Russia each year, and, even so, as you have mentioned, Mr. Chairman, it has a trade war with Russia. Russia prohibits its dairy exports. They are fighting over the ownership and all the Belaruskali, the, by far, biggest and most valuable company in Belarus. And they are also fighting over all the export duties.

So, President Alexander Lukashenko is very skillful on fighting the Russians and get money out of them and staying in power at home. But, if Russia would say that, "You can't get more than \$10 billion a year from us," it is not clear how Belarus will be sustainable. The reserves are now down to 2 months of imports, which is far too little for any country. And President Lukashenko pursues a quite capricious economic policy; in particular, increasing salaries far too much. So, Belarus should not be considered stable, and the problem there is likely to come from the economy rather than from the outside.

Senator MURPHY. OK.

Mr. ASLUND. Thank you.

Senator MURPHY. Dr. Cohen.

Dr. COHEN. I agree with what my colleague said about Belarus. I would just add that Russia put that albatross on its own neck, and it is stuck with it. And in order to accomplish the number one geopolitical goal for Mr. Putin, which is to have the Eurasian Union up and running by 2015, they need Belarus, and they need Belarus in good enough shape to be there and not fall apart.

On Azerbaijan, it is complicated, because Azerbaijan is pro-Western, it is culturally Shia, but it is a secular state, and it has a lot of oil and gas, and it is supplying Europe, through an alternative path, not the path that is controlled by Russia. Both the so-called Contract of the Century, which is oil, and the new TANAP Pipeline that will be built by 2017 through Turkey, which is gas, with two spurs, one called TAP and one called Nabucco West, all going to Europe, a gas source outside of Russia.

What the underwater reef—the problem with the initialing of the Association Agreement between Azerbaijan and the EU—AZ was, I was told, the reluctance of Europe to recognize the problems of territorial integrity of Azerbaijan and occupation, and concerns about the Presidential elections. If Azerbaijan and the Europeans are willing to work these differences out, if there is a progress, in terms of the rule of law, in terms of democracy, and the two sides can resolve that, I think it will be in the interest of Europe, in the interest of Azerbaijan, and in the interest of the United States that the Association Agreement will be moving forward. And, as a non-member of the WTO, the Free Trade Area is not on the agenda right now.

Senator MURPHY. OK.

Mr. Wilson.

Mr. WILSON. Senator, I would just add that—I would go back to first principles—that what we are talking about here, of a Europe “whole and free,” has, frankly, been our strategy since the end of World War II. We are in this for the long term. In Vilnius, we are talking about the next chapter of European integration. That is not going to include Belarus and Azerbaijan, in this particular chapter.

So, it goes back to your question about tactics. We do not force countries into Euro-Atlantic institutions. That is not, obviously, the approach of our—it does not reflect our principles. Those decisions reflect the societies, they reflect the countries, they reflect the leaders. And it is clear, in Belarus today, while we are interested in an independent and sovereign Belarus, this is not—Lukashenko is not a leader that will take his country to Europe. And I think we need to be just very up front and aware of that, and do what we can to help support democratic opposition in a very difficult circumstance.

And Azerbaijan, as Dr. Cohen said, is quite a different case, in that there is quite a strong interest in a relationship with the West, and I think it is important that we figure out how to be able to engage the right way without doing so—without sacrificing or muzzling our own values and concerns about the development of democracy there.

But, we are in this for the long term, and I think we need to think about Belarus and Azerbaijan, not as being left out, in Vilnius, but as a longer term strategy of forging relationships with, frankly, the peoples of those countries. I spend a lot of time with students from Belarus at the European Humanities University in Vilnius, with students from Azerbaijan. They think about their country in a way that is not very different from Ukrainians today. And I think we have to keep that perspective.

Senator MURPHY. I will just note that, in the wake of a lot of questions with respect to the elections in Azerbaijan, one very posi-

tive step that the Azerbaijan Government could make is the release of a list of prisoners, both held by the State Department and human rights groups, that are being detained currently.

Thank you, to our panel.

Let me just finish by including into the record statements that we have from the Ambassadors of Moldova and Azerbaijan on their countries' participation in the Eastern Partnership.

Senator MURPHY. We will keep the record open until 5 p.m. tomorrow, and, if we get any additional questions, hopefully you will respond as quickly as possible.

With that, this hearing is concluded.

[Whereupon, at 4:40 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF ASSISTANT SECRETARY VICTORIA NULAND TO QUESTIONS SUBMITTED BY SENATOR EDWARD J. MARKEY

Question. After Armenia and the EU concluded negotiations for an Association Agreement (AA) in July, it was widely expected that the deal would be initiated at the Vilnius summit. However, President Sargsyan announced in September that Armenia planned to join the Russian-led Customs Union—a step the EU warned would be incompatible with an AA. What factors led to Armenia's change of course? What economic or other forms of pressure is Russia exerting on Armenia or other nations in the region to pull them away from establishing closer ties to the EU?

Answer. While the United States cannot speak for Armenia or the rationale behind its decision to join the Eurasian Customs Union, we do know that Armenia depends upon Russia for a significant amount of security and economic assistance. We have regularly reminded Russia that any form of pressure to prevent sovereign states from pursuing greater integration with the EU, or other organizations of their choosing, contravenes Russia's obligations under the Helsinki Principles of the OSCE and the Charter of Paris, as well as its obligations under the WTO, which includes a commitment to a nondiscriminatory trading system. We will continue to work with Armenia on its Euro-Atlantic integration to preserve the progress made in the Eastern Partnership over the past 3½ years. The United States continues to support Armenia's democratic, economic, and social reforms designed to promote regional stability and a peaceful resolution to the long-running Nagorno-Karabakh conflict. These efforts will also help foster rapprochement with Turkey and Azerbaijan.

Question. In announcing Armenia's decision to join the Customs Union, President Sargsyan stated on September 3 that the move would not necessarily "preclude our dialogue with the European structures."¹ EU Enlargement Commissioner Stefan Fuele also suggested that although Armenia would not be able to sign an AA with the EU if it joined the Customs Union, Brussels would be prepared to engage with Armenia under a different framework.² What are the prospects for further cooperation or followup agreements between the Armenian Government and the EU, and what forms could such cooperation or agreements take?

Answer. Although Armenia is no longer a candidate for an Association Agreement, both the EU and Armenia have stated their desire to preserve the progress and reforms made over the past 3½ years. The EU and Armenia are examining ways to demonstrate continued cooperation short of an Association Agreement, in areas such as visa facilitation, readmission, education, and transport. EU officials have publicly stated they are seeking to sign a document to highlight areas of continued cooperation, but it is not clear whether such a document locking in this future partnership will be ready in time for the Vilnius summit. The United States will continue to promote Armenia's Euro-Atlantic integration by supporting its democratic, economic, and social reform efforts.

Question. Russia has reportedly increased its arms trade with Azerbaijan to a total of around \$4 billion.³ This past summer, Russia delivered a package of tanks, artillery, and rocket launchers to Azerbaijan worth around \$1 billion.⁴ What are the implications of enhanced Russia-Azerbaijan defense relations for Armenia's security? What are the implications for the conflict over the Nagorno-Karabakh region?

Answer. As a cochair of the OSCE Minsk Group, we remain committed to helping the sides find a peaceful resolution to the Nagorno-Karabakh conflict. The United States has continued to make clear to Azerbaijan and Armenia, both bilaterally and through the Minsk Group, that there is no military solution to the conflict.

The arms race between these countries decreases trust and leads to increased instability on the ground. Russia has a close military relationship with Armenia as a fellow Collective Security Treaty Organization (CSTO) member, but sells weapons to Azerbaijan as well. In selling arms to both sides Russia has not fundamentally changed the military balance, but the arms race it is fueling underscores why a peaceful settlement is urgently needed.

Question. There is reason for concern that Russia could take retaliatory measures against the countries that plan to complete Association Agreements with the EU—including the Ukraine, Moldova, and Georgia. Do you expect Russia to impose economic sanctions, cut off natural gas supplies, or take other retaliatory actions against any of these countries? What steps can the United States and European Union take to assist these states in withstanding Russian pressure?

Answer. The Department of State fully shares your concerns about Russian pressure on several Eastern Partnership countries, including Ukraine, Moldova, and Georgia. We have been working with the EU and each candidate country to help them in their efforts to anticipate and prepare for any negative reaction to their choice, whether it comes from inside or outside their countries. We cannot speculate on what steps the Government of Russia might, or might not, take if certain countries completed Association Agreements with the EU.

The United States strongly believes every country has a sovereign right to choose its international relations. We have made this publicly clear, as well as in our private discussions with EaP and EU countries at the highest level. Through our assistance and actions, we have supported EaP countries in exercising their choice to move closer to Europe and assist them as they implement the reforms they need to sign and initial Association Agreements. We will continue to work with the EU to strengthen these countries' ability to resist external pressure.

Any form of pressure to prevent sovereign states from pursuing greater integration with the EU, or any organization of their choosing, contravenes obligations under the OSCE Helsinki Principles and the Charter of Paris.

The U.S. Government provided over \$260 million in assistance to the Eastern Partnership region in FY 2013, the majority of which is used to promote democratic, economic, rule of law, and other reforms that are consistent with the Eastern Partnership's objectives.

We are continuing to consider ways to target our assistance to EaP countries to strengthen their ability to resist external pressure aimed at discouraging their European trajectory. For example, we are exploring ways to help Moldova become more energy independent, and we are coordinating with the Georgian Government as it identifies how the international community can best assist those affected by Russia's "borderization" of the Administrative Boundary Lines of the occupied territories in Georgia. Also, with the support of U.S. assistance, Georgia has reoriented its trade toward Western markets and increased its energy efficiency and diversity.

Our assistance to the region will also be targeted to help speed up the implementation of the EU's Association Agreement and the Visa Liberalization Action Plan, so that the EaP countries, and most importantly their citizens, will sooner see tangible outcomes and enjoy the benefits of living in a democracy.

Question. In the State Department's latest human rights report, I was concerned by the judgment that Ukraine has seen a "marked increase in discrimination, social stigma, and violence against LGBT individuals."⁵ The Ukrainian Parliament seems torn on this issue: one bill under consideration would amend the Labor Code to ban workplace discrimination based on sexual orientation⁶; yet another would prohibit "dissemination of any positive information about same-sex sexual relations."⁷ The EU has demanded progress on LGBT rights before allowing Ukrainians visa-free travel around Europe.

- ◆ What are the prospects for legal reform measures to improve conditions for Ukraine's LGBT community? How can the United States and European Union support such reform efforts?

Answer. Lesbian, gay, bisexual, and transgender (LGBT) individuals are stigmatized in Ukrainian society. Although in May 2013 Ukraine allowed its first LGBT "Equality March" (Pride), LGBT individuals continue to face discrimination in education, the workplace, and in medical treatment, including impeded access to information on the prevention of HIV/AIDS. LGBT individuals have been the targets of violence and abuse by police and members of the public.

During the last year, the Ukrainian Parliament continued deliberations on four conflicting draft laws relating to LGBT rights: Two bills propose to criminalize the publication, broadcast, or distribution of so-called “homosexual propaganda.” A third bill would ban international adoptions of Ukrainian children by couples in same-sex marriages. The fourth, which is required to fulfill a visa liberalization agreement with the European Union, proposes to prohibit employment discrimination based on sexual orientation. Since May 2013, none of the draft bills has passed the first reading in the Parliament; i.e., they have only been introduced, and not yet voted out of committee.

In 2013, Embassy Kyiv used a multifaceted approach to promote the human rights of LGBT people, including providing organizational support to civil society activists, engaging the Ukrainian public with cultural programming, and the targeted use of grants and exchange programs to build LGBT NGO capacity in Ukraine. In advance of the first successful national Pride March in Kyiv in May 2013, then-Ambassador Tefft released a statement of support for those choosing to march.

We continue to work publicly and behind the scenes to encourage the Ukrainian Government to protect the civil and human rights of all its citizens, including LGBT persons. The EU, for its part, will continue to engage Ukraine through the European Parliament’s Intergroup on LGBT rights. Ukraine’s proposed legislation is both incompatible with the European Convention on Human Rights and an obstacle for Ukraine achieving visa-free travel to the EU.

End Notes

¹ <http://www.eurasianet.org/node/67482>.

² <http://www.rferl.org/content/eu-armenia-fueled-russia-/25105412.html>.

³ <http://www.bloomberg.com/news/2013-08-13/azeri-russian-arms-trade-4-billion-amid-tension-with-armenia.html>.

⁴ <http://www.reuters.com/article/2013/06/18/us-russia-azerbaijan-arms-idUSBRE95H0KM20130618>.

⁵ <http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2012&dclid=204349#wrapper>.

⁶ <http://www.hrw.org/news/2013/11/04/dispatches-be-or-not-be-anti-discrimination-and-lgbt-rights-ukraine>.

⁷ <http://www.hrw.org/news/2013/04/16/ukraine-reject-discriminatory-lgbt-laws>.

PREPARED STATEMENT BY H.E. ELIN SULEYMANOV, AMBASSADOR OF THE REPUBLIC OF AZERBAIJAN TO THE UNITED STATES

Thank you for this opportunity to present the perspective of Azerbaijan on this pivotal moment for many of the nations of Eastern Europe and the South Caucasus.

Relations between the European Union (EU) and Azerbaijan, which were established shortly after our independence, have been steadily progressing toward closer partnership during the last two decades. The Partnership and Cooperation Agreement between our nation and the EU, which entered into force in 1999, established a firm legal ground for these relations and identified a wide range of areas for mutually beneficial cooperation.

These relations deepened with Azerbaijan’s participation, first, at the EU’s European Neighborhood Policy (ENP), which has been ongoing since 2004, and then, through the Eastern Partnership initiative (EaP), launched in 2009. Meanwhile, in 2006, Azerbaijan and the EU signed a Memorandum of Understanding on a Strategic Partnership in the field of energy. This agreement paved the way for, among other developments, the adoption of a Joint Declaration on the Southern Gas Corridor during the visit of the President of the European Commission José Manuel Barroso to Baku in January, 2011.

The development and strengthening of a long-term partnership with the EU in political and economic fields, as well as in people-to-people contacts, bears particular importance for Azerbaijan. We see these relations as close cooperation, coordination and interaction between equal partners, based on the principles of mutual recognition and respect. Azerbaijan’s approach to European integration stems mainly from our aspiration to raise the level of development in all spheres of our country and society in accordance with European standards, rules and legislations.

Anticipating the next Eastern Partnership Summit in Vilnius, Azerbaijan assesses its relations with the EU quite positively. This view was highlighted during the visit of President Ilham Aliyev to Brussels on June 21, 2013, where he met with the European Council President Herman van Rompuy and the European Commission President José Manuel Barroso.

Speaking more specifically on our cooperation agenda during the runup to the Vilnius Summit, let me briefly stress the following points:

- The negotiations on the Association Agreement between Azerbaijan and the EU are continuing, and progress is being made gradually. We view these negotiations as a very serious and continuous learning curve in our dialogue with the EU. We believe that the document on the table should be as comprehensive and viable for our bilateral relations as possible. There is no lack of desire on our part to conclude the agreement with the EU. However, the Azerbaijani government and Azerbaijani society have reasonably ambitious expectations. More definite and clear language from the EU and its member states on a few crucial issues may result in a substantial breakthrough in negotiations of this legally binding document. From this perspective the EU's commitment to the principles of Azerbaijan's sovereignty, territorial integrity and inviolability of borders is of key significance for the future of our relations.
- Azerbaijan is pleased to have completed negotiations on the Visa facilitation and Readmission Agreements with the EU, which have been already initiated on July 30. We hope very much that everything will be done in order to sign at least the Visa facilitation agreement at the Vilnius Summit. These agreements, especially the understanding on visa facilitation, will have a tangible impact on the life of Azerbaijani citizens, allowing them to travel to EU countries with fewer difficulties. Once entered into force, these arrangements will provide valuable contributions to the development of people-to-people contacts and, ultimately, will prompt a faster integration of Azerbaijan into the European family of nations. It should also be noted that the Readmission agreement with the EU will be the first-ever legal document of this kind signed by Azerbaijan. This testifies to the trust that my country puts in its relations with the EU.
- We have three additional documents that have been discussed with the EU. The first is the Mobility Partnership between Azerbaijan and the EU, which will foster bilateral cooperation in the field of migration and migration-related issues through several projects. We expect that these activities, combined with the implementation of the visa facilitation and readmission agreements, will pave the way for complete visa liberalization between the EU and Azerbaijan. Hopefully, this document will also be signed during the Vilnius Summit. If not, then we would expect its signature during the first quarter of the next year.

The second document is the Strategic Partnership Program for Modernization, which intends, among other things, to extend the existing strategic partnership in the energy field to other spheres that are important for ensuring a holistic approach to the development of the country. This matrix document is not legally binding, but rather encompasses a set of guidelines for programs for meeting some of Azerbaijan's immediate needs and addressing our priorities.

The third document is the Framework Protocol on Azerbaijan's participation in EU programs and agencies. Azerbaijan has already joined FRONTEX (European Agency for the Management of Operational Cooperation at the External Borders), and the necessary work is being undertaken to facilitate our participation in EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) within the coming months. Based on this protocol, we expect that Azerbaijan will join the activities of more EU programs and agencies, with education programs among the very first objectives.

Meanwhile, our strategic partnership on energy is developing quite well. Azerbaijan continues to demonstrate our interest in contributing to European energy security by offering diversified sources of supply.

The birth of the TANAP (Trans Anatolian Pipeline) project demonstrated Azerbaijan's dedication to the development of the Southern Gas Corridor, providing a vital link between the EU countries and the Caspian basin. This means that Azerbaijani natural gas will have a direct export route toward Europe and that Azerbaijan will remain politically committed to further explore opportunities to increase its role in European energy security.

Finally, the decision of the Shah Deniz Consortium to select the Trans Adriatic Pipeline (TAP) in late June was also of particular importance for the opening-up of the Corridor, through which Azerbaijan will gradually and substantially increase its presence in the European energy market. The decision was based on the previously announced selection criteria: commerciality, project deliverability, financial deliverability, engineering design, alignment and transparency, safe and efficient operability, scalability and public policy considerations. Azerbaijan is grateful to the EU Commission for its support during the entire selection process. Azerbaijan and its partners are investing in a 50 billion Euro mega-project.

We do so not only with our share of capital, but also with politically sensitive responsibilities. Hence, our cooperation embraces all areas of common interest. In this regard, the EU should take into account Azerbaijan's priorities and needs in areas such as agriculture, tourism, information and communications technology (ICT) and others. Azerbaijan is also very interested in working more closely with the EU in the field of human capacity-building, including education, research and youth development, as a foundation for our future development.

Azerbaijan considers the comprehensive and viable resolution and settlement of the conflicts within the EaP geography as an essential part of the political association with the EU. When protracted conflicts in the EaP area are discussed in various international fora, we expect the EU to demonstrate firm support for the territorial integrity and inviolability of the internationally recognized borders of all partner countries. In the same vein, the EU should vigorously reject any occupation and ethnic cleansing, and actively work for the peaceful solution of conflicts where they exist.

In the case of the Armenia-Azerbaijan conflict, it is important that the EU goes beyond simply supporting the activities of the OSCE Minsk Group, and expresses a clear position based on the norms and principles of international law and relevant international documents adopted in this regard.

In conclusion, I wish to stress our belief that the 3rd EaP Summit in Vilnius (28–29 November 2013) should accomplish several important deliverables, paving the way for further progressive development of the EU's engagement in the region of Eastern Europe and South Caucasus. Among others, it should provide adequate, fair and just mechanisms of response to the existing stability, security and development challenges in the European neighborhood and reiterate the credibility of the EaP agenda of the EU.

These goals are important to the United States, as well as Azerbaijan and the EU, and I appreciate the opportunity to present this perspective to the Senate Foreign Relations Committee.

PREPARED STATEMENT OF BRYAN ARDOUNY, EXECUTIVE DIRECTOR,
ARMENIAN ASSEMBLY OF AMERICA

Chairman Murphy, Ranking Member Johnson, and distinguished members of the subcommittee, the Armenian Assembly of America welcomes the opportunity to express its views regarding this important and timely hearing.

Established in 1972, the Armenian Assembly is the largest Washington-based organization promoting public understanding and awareness of Armenian issues. Working closely with key government agencies, officials, and charitable organizations, the Assembly appreciates the opportunity to share its perspective on how to advance, not only EU goals, but also U.S. policy objectives in the South Caucasus.

We believe that it is now more critical than ever to deepen the ties between Armenia and the United States, as there is no Russian-U.S. competition in Armenia, and the ties between America and Armenia are historic and permanent. In fact, I would like to express our appreciation for the ongoing assistance the United States provides to Armenia and Nagorno Karabakh. Armenian-Americans remember well the response of the United States and its relief effort to help Armenia after the devastating 1988 earthquake that struck its second-largest city leaving 25,000 dead. America's humanitarianism and core values are also reflected in our support for Nagorno Karabakh's fledgling democracy, the passage of Section 907 of the FREEDOM Support Act, which requires Azerbaijan to cease its aggressive actions against Armenia, as well as America's proud record and ground-breaking intervention during the Armenian Genocide of 1915.

The enduring and natural bonds that exist between the U.S. and Armenia are readily apparent in Armenia's ongoing support for America. Armenians in Armenia and Nagorno Karabakh consider the United States a close friend and ally. Today, this relationship is underscored by Armenia's continued strategic partnership with the United States in extending its full support for U.S.-led peace-keeping deployments in Afghanistan, Iraq, and Kosovo. In addition, Armenia has tripled its deployment of troops to the NATO International Security Assistance Force in Afghanistan.

Given its central location, Christian heritage, entrepreneurial spirit and western value system, Armenia can play a pivotal role in helping the United States achieve its stated policy objectives in the region, including a "Europe whole and free and at peace." Thus, the Assembly remains concerned that the shared objectives of the U.S. and EU in terms of regional cooperation and economic integration in the South Caucasus continues to be undermined by Azerbaijani and Turkish policies against Armenia. For example, the ongoing blockade of Armenia (the last closed border of

Europe), Azerbaijan's interference with the 2009 protocols between Armenia and Turkey, Azerbaijan's ongoing war rhetoric and repeated cease-fire violations in the Nagorno Karabakh conflict, and Azerbaijan's pardon of an Azeri soldier, Ramil Safarov, who was convicted of brutally murdering an Armenian officer, Gurgun Margaryan, with an axe while the latter was sleeping during a NATO Partnership for Peace training program in Hungary in 2004 represent counterproductive actions taken by Turkey and Azerbaijan in particular against Armenia. In the case of Safarov, he was not only pardoned, but was promoted, received back pay for time spent in jail, given a new condo residence in Baku and heralded as a national hero for his crime.

The Assembly remains deeply troubled by Azerbaijan's egregious violation of international norms with respect to the Safarov pardon, its continued move away from democracy and growing authoritarianism, its excessive military buildup, including a recently concluded \$1 billion weapons purchase from Russia with arms trade between the two countries for 2013 totaling \$4 billion, and the resulting impact on the region, particularly on America's ally Armenia. Striving for stability in the region, Armenia's President Serzh Sargsian in September of this year announced that Armenia would join the Eurasian Customs Union led by Russia.

With the ongoing developments in the Caucasus, the Armenian Assembly believes that now more than ever the United States and the European Union should continue to pursue—and moreover—redouble their engagement and deepen their relationships with Armenia on a broad range of issues, especially in the economic sphere.

As a leader on the world stage, the United States can and must do more to ensure Armenia's Euro-Atlantic integration and that the last closed border of Europe is finally open. We, therefore, urge the United States to work with its European counterparts to: secure an end to Turkey's and Azerbaijan's blockade of Armenia; increase trade opportunities, including through the Transatlantic Trade and Investment Partnership; as well as press for stronger democratic reforms, respect for human rights and protection for minorities within the framework of the Europe's Eastern Partnership initiative.

In conclusion, we commend you for holding this hearing and look forward to working with you and members of the subcommittee on these important objectives, as well as the challenges that confront us in the runup to the Vilnius Summit, including its continued implementation in the months that follow. As Armenia expands its relations with Europe, it is incumbent upon the United States to further strengthen and expand its relationship with Armenia. We stand ready to assist you in any way.



STATEMENT
OF HIS EXCELLENCY ARCHIL GEGESHIDZE
AMBASSADOR OF GEORGIA TO THE UNITED STATES

FOR THE CONGRESSIONAL RECORD FOLLOWING THE
HEARING AT THE EUROPE AND EURASIA SUBCOMMITTEE, COMMITTEE ON FOREIGN RELATIONS,
UNITED STATES SENATE
“A Pivotal Moment for the Eastern Partnership: Outlook for Ukraine, Moldova, Georgia, Belarus,
Armenia, and Azerbaijan”
Thursday, 14 November 2013

We are grateful to the Subcommittee leadership for convening the hearing at this important time for Georgia as the country prepares to initial Association Agreement with the European Union at the Eastern Partnership Summit in Vilnius, 28-29 November 2013. This hearing marks yet another step in a long-lasting support that the U.S. Congress has been providing to Georgia’s exercising her sovereign right to define her future.

Georgia firmly upholds her path toward integration in European and Euro-Atlantic institutions. This has been also manifested in the country’s successful implementation of all prerequisites for prompt and effective completion of the process that leads to initialing an Association Agreement.

Georgia remains committed to further democratic consolidation. The context and outcome of the parliamentary and presidential elections conducted over last two years demonstrated that the country has been successful in establishing a peaceful and democratic practice of transfer of power.

We are thankful for the unwavering support of the United States being expressed in many statements by the U.S. Congress members, The White House and US State Department officials. Through Georgia’s further integration into European family of nations we hope that the country will become part of a larger Transatlantic Alliance and contribute to advancing a Europe whole, free and at peace.

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EMBASSY OF THE REPUBLIC OF MOLDOVA
WASHINGTON, D.C.

The Honorable Christopher Murphy
Chairman of Subcommittee on European Affairs
U.S. Senate Committee on Foreign Relations

The Honorable Ron Johnson
Ranking Member of Subcommittee on European Affairs
U.S. Senate Committee on Foreign Relations

Dear Senator Murphy and Senator Johnson:

On behalf of Moldovan Government and Moldovan people, I would like to express my sincerely gratitude for organizing today the first round of Hearings on Eastern Partnership in the U.S. Senate Committee on Foreign Relations and bringing the needed attention to the latest developments back in the region.

First of all, let me reiterate to the audience that an ambitious agenda of domestic structural reforms is being implemented in Moldova aiming to accelerate the harmonization of the national legislation and practices with the European Union standards and build up on a truly democratic state. With fully completed negotiations on the DCFTA (Deep and Comprehensive Free Trade Area) and positive monitoring reports on the implementation of Visa Liberalization conditions, Moldova is closer today than ever to initial and sign its Association Agreement with the EU.

We are positive that an Association Agreement with EU will definitely set up for us the so called 'irreversibility line' of integration with EU, in deepening political dialogue, ensuring a functional market economy, based on the rule of law and respect for the basic civil and political freedoms. As you know, Moldova people share a genuine European identity, which makes our path towards EU a natural choice. We recognize a long European history, based on common cultural markers reflected in our language, faith and aspirations, but also in our strive for freedom, which explains our current objective to build up a more stable, secure and prosperous European continent. We hope that the EU Vilnius Summit, to be held on November 28-29, 2013, will be a historical moment, which will pave the way towards an explicit recognition of our European perspective. We are firm in believing that both the DCFTA and Visa Liberalization Agreements will represent the most essential bricks in building up a larger and more hospitable EU.

Finally and most significantly, I would like to emphasize the essential role that the USA may want to play in supporting Moldova and the entire region of the Eastern Europe during this crucial time. A stronger voice of the USA support for the ongoing democratic transition can further strengthen the irreversibility of the political reforms, ensure regional stability and guarantee that Moldova, and other countries in Eastern Europe, may freely associate with the EU, in spite of the existing hurdles or other factors proclivity to derail this trajectory. With your support, we'll succeed.

Sincerely,

Igor Munteanu
Ambassador of Moldova to US