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Written Testimony

Thank you for inviting me to testify today before this subcommittee on European energy security. I would particularly like to thank Chairman Murphy and Ranking Member Johnson for the personal interest you have taken in this issue. The visits to key European capitals by members of this committee reaffirm that the United States is as committed as ever to security, sovereignty, and dignity of the people of the region. And your most recent visit to Poland, Romania, Bulgaria, and Ukraine demonstrated that bipartisan engagement on the ground can help focus the attention of our Allies on strategic issues, like adequate defense spending and energy diversification.

Just over a week ago in Brussels, the world witnessed two important milestones on the road to a Europe “whole, free and at peace.” Moldova and Georgia signed the Association Agreements/Deep and Comprehensive Free Trade Areas with the European Union. Ukraine signed the remaining economic chapters of its AA. All three countries did this in the face of Russia’s persistent attempts to derail the process. The same day, Albania was granted EU candidate status—recognition of the hard work and determination by successive governments to make tough choices including economic and political reform. These achievements demonstrate that European capitals from Kyiv to Chisinau, from Tirana to Tbilisi see greater European integration as the best path to security, prosperity, and a better future for their people.

Yet Russia’s occupation and attempted annexation of Crimea, its continued destabilizing actions in Donetsk and Luhansk, and Gazprom’s gas delivery cut-off to Ukraine are reminders of the acute security risks that the region faces. Europe’s energy security must be seen against the geopolitical backdrop. The Ukraine crisis has demonstrated that security has multiple dimensions. Vulnerabilities can come in many forms: the threat of military intervention; the danger of overdependence on energy from an unreliable and, at times, hostile neighbor; or the cancer of corruption that weakens institutions and undermines security and sovereignty.

My testimony today will examine each of these challenges and how United States policy is moving to bolster our Allies in their efforts to tackle them. First, I will address how we are providing Allied reassurance to frontline states from the Baltic to the Black Sea at this critical time. Second, I will briefly touch on the current European energy security landscape— particularly in Central and Eastern Europe— as awareness of the region’s reliance on Russian gas has increased precipitously. DAS Hochstein has addressed this area in greater detail in his remarks. Finally, I will focus on how corruption is infusing so many elements of political and economic life in the region—including the energy sector—and how the United States is mounting new efforts to help countries in the region root it out.

First, the situation in Ukraine has been a wake-up call for the transatlantic community and NATO. Russia's provocative actions in Ukraine and across the region have reaffirmed the continued importance of our solemn commitments to collective territorial defense enshrined in Article 5. In response, all NATO members have reaffirmed our collective commitment to preserve security and territorial integrity in the NATO space.

The United States has led in this effort, deploying a persistent, rotational military presence on land, sea, and air in Central and Eastern Europe. We have deployed approximately 600 troops to Estonia, Latvia, Lithuania, and Poland; stepped up our fighter jet deployment to Poland and the Baltic region; and increased our naval presence in the Black Sea. And as the President announced in Poland last month, we are ready to do more. The administration requested Congressional approval for a \$1 billion European Reassurance Initiative to build on our current efforts. This initiative will allow us to increase exercises, training, and our rotational presence on the territory of our Central and Eastern European Allies; enhance prepositioned equipment and improve infrastructure; and elevate our participation in NATO naval force deployments in the Baltic and Black seas. We also intend to build up the capacity of friends like Georgia, Moldova, and Ukraine so that they can work effectively alongside the NATO Allies and the United States as well as provide for their own defense.

Just as the United States strengthens its presence in the region, each of the other 27 NATO Allies has committed personnel and resources to NATO's reassurance effort. In May, Poland, with augmentation from France, the UK, and Denmark, took over responsibility for the Baltic Air Policing (BAP) mission from the United States. The BAP mission has tripled the number of planes patrolling the Baltic States and NATO is now flying the mission from two additional locations. In addition, NATO has been flying two of its own AWACS surveillance planes over Alliance territory since the beginning of the crisis. At sea, one of NATO's Standing Naval Forces, with ships from Germany, Poland, Lithuania, Estonia, and Denmark are patrolling the Baltic Sea.

In the run-up to the NATO Summit in Wales, we are encouraging all members to sustain this demonstration of Alliance solidarity and reverse the worrying slide in defense budgets. All NATO members must set themselves on the path to meet the 2 percent national defense-spending goal that we, as an Alliance, collectively established. Eleven Allies have committed to meet this target and four have already done so. We urge other NATO members to join in this effort. As President Obama stated in Warsaw in June, "Just as the United States is increasing our commitment, so must others. Every NATO member is protected by our Alliance, and every NATO member must carry its share in our Alliance."

Second, the United States is working hard with Central and Eastern European countries and the EU to shore up energy security by increasing energy efficiency, improving regulation, promoting nuclear safety and strengthening regional coordination. The U.S.-EU Energy Council meeting in April, chaired by Secretary Kerry, High Representative Ashton and Commissioner Oettinger, reiterated our joint commitment to these objectives.

Since the onset of the Ukraine/Russia crisis, the U.S. has provided Ukraine with a Congressionally-authorized \$1 billion loan guarantee as well as \$133 million in assistance to address the country's most urgent needs. The loan guarantee was targeted at financial support to soften the impact of Ukraine's painful but necessary economic reforms—including gas price liberalization and increased energy efficiency—on the country's most vulnerable. Reducing Ukraine's energy dependence on Russia is one of five top priority areas for U.S. assistance to Ukraine. The United States is working to help Ukraine reform its gas sector, increase energy efficiency, develop domestic sources including shale gas production, and integrate more fully into European energy markets. We are also working with our European Allies to increase Ukraine's access to gas through reverse flows from countries like Slovakia.

At the same time, the Ukraine crisis has given new impetus for countries across Europe to step up efforts to diversify their energy sources and supplies, boost storage, develop robust networks of interconnectors and reverse flow capacity. The EU is intensifying its work to create an integrated energy market that increases energy security and competition and lowers prices for its citizens. Countries are committed to building a nuclear power industry, like Poland, or developing greater nuclear capacity, like Bulgaria and Romania. Poland, the Baltic countries and Croatia have Liquefied Natural Gas (LNG) import terminals in development. DAS Hochstein just visited Croatia and Hungary to advance our interests in these areas; he has spoken to our efforts in Ukraine and Europe in greater detail.

Third, as we work with our European allies to shore up a secure, reliable, and competitive supply of energy, the United States is devoting greater resources to fight corruption in the region. As Vice President Biden said in Romania, corruption eats away at society, prosperity, and security of many young democracies across Europe and Eurasia. Across the region, corrupt officials abuse their power to line their pockets, rig procurement contracts, give political favors for cronies, apply justice selectively, and siphon off their countries' economic potential to secret off-shore bank accounts and pet projects. The energy sector is one of the most highly vulnerable to the corrosive effects of this corruption.

From Bosnia and Herzegovina to Romania to the Caucasus, many ordinary people feel cheated by a crooked elite and are expressing their frustration from the ballot box to the public square. In the Czech Republic, a new political party focused on anti-corruption surprised observers by coming in second in parliamentary elections, and is now part of the governing coalition. In 2013, corruption drove tens of thousands of Bulgarians to the streets to demand transparency and accountability; similar grievances led to wide protests in major Bosnian cities in February. In Slovenia, corruption contributed to the downfall of the government. And anger at Yanukovich regime's corruption helped drive a million Ukrainians of all stripes into the streets in the dead of winter.

In the wake of the situation in Ukraine and Russia, it is time that we treat corruption as more than a threat to economic prosperity or democratic legitimacy. Corruption doesn't

just rot countries from the inside; it is also a threat to national security and sovereignty. Corruption-riddled political systems can play right into the hands of destructive outside influences. Corrupt elites and oligarchic interests are reaching across national boundaries to support each other and manipulate decision-making in strategic sectors. They hollow out border security and military services, leaving countries vulnerable and exposed to outside interference.

That is why we are empowering our embassies to work with governments, civil society, and the business community across Central and Eastern Europe and the Balkans to develop tailored action plans best suited to local conditions. We are convening stakeholders, raising public awareness, building networks, and providing training. We are providing legal advice, technical assistance, and peer-review mechanisms that enable like-minded governments to share anti-corruption solutions with each other, support for greater use of e-governance tools, and backing for civil society organizations that place the fight of corruption at the heart of their work. Through coalition building and technology, we can more effectively expose corruption where it festers and make better use of data in pursuing accountability for corruption. And our embassies will work to empower multi-stakeholder processes to improve transparency and accountability, supporting initiatives like the Open Government Partnership and the Extractive Industries Transparency Initiative.

Multilaterally, we have worked to address these issues in the G8, the G20, and the OECD. We are using reviews by the OECD Working Group on Bribery, its Anti-Corruption Network for Eastern Europe and Central Asia, and the Council of Europe's Group of States Against Corruption (GRECO) to raise awareness of egregious practices; supporting regional law enforcement and anti-corruption training centers in Prague and Budapest; and encouraging all of our European partners to ratify and implement the UN's Convention against Corruption.

The United States and the EU are intensifying our joint efforts to tackle this challenge across the region. Both sides of the Atlantic have passed legislation to compel companies to publicly disclose the payments they make to governments in extractive industries such as oil, gas, and minerals-- sectors that are particularly vulnerable to corruption. Our aid and technical assistance complements the European Union's work with Ukraine, Moldova, and Georgia as well as the Balkans, which help to chart a path toward stronger rule of law and greater public accountability, key elements in the fight against corruption.

We are also looking at how to use the Transatlantic Trade and Investment Partnership (TTIP) and other trade agreements to confront this challenge. TTIP aims to set a new global gold standard for free trade. In the past, the United States has included specific commitments on anti-corruption in other bilateral trade agreements. We should explore fully what might be possible in the context of a comprehensive and ambitious TTIP agreement.

Europe is our largest trading partner and home to some of our longest standing and most important Allies. Our national interest is vested in a Europe in which countries are

confident that their borders are respected and secure; their access to energy is reliable and ready; and their government is transparent and accountable to the people. We remain committed to working with this subcommittee and Congress in a bipartisan manner toward achieving these objectives. Thank you.