JOHN WALTERS: Good afternoon, everybody. I'm John Walters. I'm chief operating officer here at Hudson. I'd like to welcome you to Hudson and the Betsy and Walter Stern Conference Center. We are very pleased and honored to have today a series of distinguished guests that are going to talk about this new report on sanctions on Russia. This is part of the ongoing work that Hudson has done not only in foreign policy in Europe, Russia and other regions of the world, but also particularly on issues of kleptocracy and the ability to contain it around the world.

So we could not be happier to have our distinguished guests here. I'm going to let my colleague, Hudson fellow, Peter Rough introduce the panel and kick off the program. I want to thank him for the work he's done here on this and other issues. He's one of our young colleagues who has done an outstanding job here. And I could not be happier that he's with us at Hudson. So thank you Peter, and I'll let you introduce the panel.

PETER ROUGH: Thank you, John. And thank you all for being here today. It's a great honor to moderate this distinguished panel. And I thought I would just start with February - March of 2014, three years ago, almost to the month when Russia began its campaign of destabilizing operations in the Ukraine, including of course, the land-grab and eventual annexation of Crimea and its destabilizing activities in the Donbass region. At the time, the secretary general of NATO rallied all 28 member states at Wales as one of his last acts in September - initiated a readiness action plan. That secretary general, of course, was Anders Fogh Rasmussen. It's a great pleasure to have you here today.

He got his start in politics very early, at the ripe old age of 25 when he was the youngest member of Parliament in 1978 in the Kingdom of Denmark. Thereafter, he became minister of economics in 1990. And two months after September 11, he became prime minister of Denmark. And I know I speak for all of my colleagues here at Hudson when I say how thankful we are for your leadership as prime minister. You were a great and staunch ally and committed to our common security and defense, and I thank you for that. In April of 2009, he became secretary general of the North Atlantic Treaty Organization. And he stayed in that post until September of 2014.

One month later, he founded Rasmussen Global, a consultancy, which he still runs today. And consistent with my opening - his commitment to European security and defense and the inviolability of Ukraine - he has as part of this Rasmussen Global consultancy an initiative on Ukraine, including an advisory capacity to President Poroshenko, which brings us to today's event, U.S. sanctions on Russia, evaluating impacts and costs and the point being, a new report - sanctions on Russia, impacts and economic costs in the United States - which was prepared by the Graduate Institute in Geneva and commissioned by
Rasmussen Global. So we look forward to discussing this report with Mr. Rasmussen and two distinguished panelists respondents and discussants, great American diplomats in their own right.

We have here Sandy - Alexander Sandy Vershbow who is a distinguished fellow in the Brent Scowcroft Center on International Security at the Atlantic Council. Before that, from February 2012 until October 2016, he was deputy secretary general of NATO. And before that, he was assistant secretary of defense for International Security Affairs for three years. But his first love must be the State Department because he was a longtime foreign service officer from 1977 until 2008, including such prominent postings as ambassador to NATO, to Russia and, last but not least, to Seoul, to South Korea. He's also served in the Clinton White House on the NSC as senior director for European affairs and in the State Department as a senior director on Soviet and Russian affairs. And last but certainly not least, is Paula Dobriansky. Ambassador Dobriansky is a senior fellow on the Future on Diplomacy Project at the Belfer Center for Science and International Affairs at the JFK School at Harvard, which also happens to be her alma mater of sorts. She did her Ph.D. at Harvard.

Ambassador Dobriansky, from 2001 until 2009, was the undersecretary of state at the State Department for democracy and global affairs. She also has been, more recently, distinguished national security chair at the U.S. Naval Academy and is currently vice chair of the National Executive Committee of the U.S. Water Partnership. Two points I wanted to highlight with her was, for one, she was - during the Reagan administration - director of European and Soviet affairs on the NSC at the White House. And then, she was also the first George F. Kennan Senior Fellow for Russian and Eurasian Studies at the Council on Foreign Relations, whose Washington office she led for several years. So with that set of introductions over, I hope you all have gotten a copy of the report as you made your way in today.

For those of you watching on simulcast online or pulling this up later online, it's sanctions on Russia, impacts and economic costs on the United States. And it's free to download online. So I thought we would begin with some opening remarks from Mr. Rasmussen. And then, we can proceed to the other panelists responding to the reports and U.S. policy towards Russia writ large. So thank you for being here.

ANDERS FOGH RASMUSSEN: Thank you very much for that kind introduction. And let me also take this opportunity to thank the Hudson Institute for organizing this important event. And I would also like to thank Hudson Institute for the dialogue we've had since I met with Ken in December. We appreciate it very much. And you've been a great inspiration. I hope to continue that cooperation. And it is not least because of that dialogue that we have engaged in commissioning this report on the sanctions on Russia. And let's not forget why we introduced the sanctions in the first place, namely because Russia, for the first time since the Second World War, has grabbed land by force from its neighbor Ukraine. So this is the reason why we introduced the sanctions. And based on the report, I would like to make three points this morning. Firstly, that the sanctions have had an impact.

And I would - here I would mention three elements that have had an impact. Firstly, the sanctions have prevented Russia from going further - no doubt that the sanctions have prevented that Russia from taken more land. Secondly, the sanctions have kept Russia at the negotiating table. Within the so-called Minsk framework we have forced the Russians into a dialogue. It hasn't been successful so far, but at least we have a forum for discussions with Russia. And certainly, the sanctions have also had a significant economic impact on Russia. According to the survey in the report, the economic impacts on the Russian economy has been equivalent to minus 1.5 percent in the Russian output GDP. So in all these aspects, the sanctions have had an impact. So that's my first point.

The second point is the impact hasn't been at the expense of the economic progress in the United States. This report focuses on the economic impact of sanctions on the United States. And it is very clear that the sanctions haven't impacted on the economy at-large here in this country. And the main reason is that's less than 1 percent of the U.S. total trade with the world is trade with Russia, less than 1 percent. In comparison with that, Europe is much more impacted. As far as the European Union is concerned, the trade volume of goods is tenfold that of the U.S. and the trade of services is fivefold that of the U.S. So speaking about the economic impact or negative economic impact, it's much, much more severe in Europe than in the U.S. The U.S., it's - you barely - can't feel it.

Let me here add that in Europe the resistance against, or the opposition to sanctions, is strongest in those countries less affected by the sanctions, like in Italy and France and the southern European countries, while the support for the sanctions is strongest in those who are hardest hit - who are hardest hit, like the Baltic countries, for instance. So I would say the main effect of the U.S. participation in the sanctions is that the U.S. participation has contributed to keeping the transatlantic unity and keeping Europe together. So if the U.S. is just thinking about moderating or lifting the sanctions then the transatlantic unity would be undermined. And in Europe you will have a very, very strong discussion about the continuation of the sanctions. So the U.S. isn't impacted economically, but politically U.S. continued participation in the sanctions is of utmost importance. That was my second remark.
And then, finally, my third remark, I think time has come to positively consider a strengthening of the sanctions. The reason is that we can see that Russia has no intentions to withdraw from eastern Ukraine. On the contrary, we have seen how Russia has recognized separatist legal documents, how Russia has allowed that their proxies in eastern Ukraine seized Ukrainian businesses. They have also established a commission on Donbass integration. It's not clear what it is, but at least it indicates they have no intention to leave. And they have banned all international money transfer from Russia to Ukraine and from Russian banks to Ukrainian banks, which of course is disturbing for Ukrainians working in Russia, for instance. So we don't see any signals that Russia has any intention to implement the Minsk deal and leave eastern Ukraine. On the contrary, I think they're digging in.

So this is the reason why I do believe we should strengthen the sanctions. How could we do that? There are many ideas, but one of them being that companies involved in appropriation of Ukrainian enterprises in the east should be on the sanctions list. Of course, we shouldn't do business with those companies. We have also seen how Russia has built up militarily in Crimea. And in Crimea we have seen human rights abuses, not least when it comes to the treatment of the Tatar population. I also think that leads into a direction of strengthening the sanctions. And furthermore, I think we should consider the provision of lethal defensive weapons to Ukraine. That would make the Ukrainians more capable of defending themselves. I think that would be an appropriate response to the Russian military buildup in Crimea. I acknowledge this is not an easy question. It's not easy to decide whether you will, in a way, reinforce the military aspect of all this. But the fact is that the Russians are doing this. And I think it could have a deterrent effect if we made the Ukrainians more capable of defending themselves.

We have seen already how effectful the American training of Ukrainian - the Ukrainian army has been. During the last two years, the Ukrainians have really improved their military capability. That could be reinforced and serve as a deterrent effect because, I think, if Putin realizes that the price of further aggression will be too high he will be reluctant to go further. But finally, I would also add, that I think the U.S. at least has a moral-political obligation to do so. Because in 1994, Ukraine gave up her nuclear weapons and in exchange Ukraine received certain guarantees, including a guarantee of a system borders, which of course including Crimea as part of Ukraine. And those guarantees were provided by three nuclear powers - the U.S., the U.K. and Russia. Russia has violated those commitments. But I think the U.S. has a political-moral obligation to live up to those promises.

So in conclusion, I think any easing of the sanctions would lead to a loss of leverage we do have vis-a-vis the Russians. That's why we should at least maintain the sanctions. And I would argue we should also strengthen the sanctions. And I think the U.S. administration should realize that all efforts to change the relations between America and Russia go through Ukraine. If you want to change your relationship with Russia, the Russians should change their behavior in Ukraine first. Thank you.

ROUGH: Wonderful, thanks. Sandy, if you want to pick up...

SANDY VERSHBOW: Yes, thanks very much. It's a great pleasure to be sitting - this time to the left of Anders. I've had the honor as serving two years sitting to your right as deputy secretary general - not politically. It's hard to get to your right.

RASMUSSEN: (Laughter).

 Vershbow: But I am very pleased to participate in this event because I think at a time when this town is completely seized with Russia's interference in our elections and all the assorted political dramas that have been generated by that, it's important to remind ourselves that the even bigger challenge from Russia, and its challenge to the international order, was their aggression against Ukraine exactly three years ago this month. What Russia did to Ukraine, both the illegal annexation of Crimea and the ongoing hybrid war in eastern Ukraine, is really the original sin. It's the demon that has to be exorcised in any effort to reset relations with Russia, as Anders just said. We've been dealing with the consequences of Russia's aggression in several ways, of course, by strengthening NATO's defense and deterrence posture, including the arrival of the multinational battalions along the eastern flank, by boosting our support for Ukraine and its reform efforts - politically, economically and, to some extent, militarily - and by imposing costs on Russia for its continued violations of Ukrainian sovereignty and its failure to implement the provisions of the Minsk agreement.

The sanctions, of course, have been our main tool for imposing costs. And as the - as the report being released today says, they have been reasonably effective, not necessarily to get the Russians to reverse their course. But by holding firm on sanctions we have been able, as Anders said, to deter the Russians from going any further. We've signaled our resolve - that we're not going to tolerate or acquiesce in Russian violation of international norms. They have kept NATO united. And I would add one point that Anders didn't mention, I think the solidarity represented by our maintenance of the sanctions has given kind of motivation to the Ukrainian people and the Ukrainian government to keep up the momentum of reforms, to
understand that the world is with them and not to lose hope. Now the Russians, while they have suffered economically, may be able to endure the sanctions. The people have a high degree of tolerance or patience although that may not be unlimited, judging by the protests that erupted over the weekend in response to the corruption of the Putin regime. But the sanctions weren't aimed to make life difficult for the average Russian citizen.

The sanctions were targeted on Putin's cronies, on the strategic sectors of the economy, on those directly responsible for the aggression against Ukraine. And in this respect, the sanctions have worked in limiting the ability of those targeted to travel, to do business, to gain financing on the international market, to pursue difficult Arctic and offshore energy projects. And they've certainly limited Russia's ability to borrow in the international market. And the bank that's been in the news this week, Vnesheconombank, whose head met with Jared Kushner late last year, has been struggling under the sanctions unable to access international capital markets, apparently saddled with a $20 billion debt. And so it's no surprise that that bank might want to get some inroads into the new administration. But I think if there's larger success for the sanctions it's been in demonstrating to President Putin that the West - the U.S. and the European Union, the U.S. and its NATO allies - can't be so easily divided, that we have more staying power in defending our principles than Putin may have calculated when he launched his adventure three years ago.

Indeed, as Anders said, the strength of this - of the sanctions has been through the close U.S.-EU coordination. While the regimes aren't identical, we've targeted the same sectors, denying the Russians any ability to exploit loopholes or to play us off against each other. But most importantly, our perseverance - our American perseverance in keeping up the sanctions has enabled us and the EU to fine-tune and broaden the regime. It's helped - as we maintain the sanctions each renewal has been able to go forward in the EU. Chancellor Merkel, I think, has been greatly helped by U.S. firmness on the sanctions. And as Anders just said, with the signs that the Russians may be escalating, both militarily and in terms of de facto integration of the Donbass into the Russian economy, the time may have arrived for tightening the sanctions even further. I'm not ready to kind of give up hope completely on getting the Russians to implement their obligations under Minsk, although the odds are quite formidable. But I think if we're going to have more luck in succeeding where the previous efforts have failed, we definitely have to generate more leverage on top of the sanctions.

And I would strongly agree that providing lethal defensive assistance, such as anti-tank weapons, surface-to-air rockets, unmanned aerial vehicles, would be one way to do that. And I think that a stronger approach to defense assistance should be integrated with a more proactive U.S. diplomatic strategy in coordination with the Germans, the French and the Ukrainians to push the Russians to live up to their Minsk obligations and restore Ukrainian sovereignty over the Donbass. We can't really wait much longer. The more the situation gets frozen on the ground, the harder it will be ever to achieve the reintegration of the Donbass in Ukraine. So I think it would be a good idea, in fact, for the Trump administration to appoint a high-level special envoy for Russia-Ukraine diplomacy as a first priority. Put Putin to the test - try to fix the problem that caused the deterioration in relations between the West and Russia as the prerequisite for any bargain, grand or otherwise, with Moscow.

So adding more leverage, more carrots, more sticks for the special envoy will be important. But maintaining the sanctions, as Anders emphasized, is absolutely indispensable. Any easing of the sanctions would only embolden Putin to go further. And I think eliminate any chance of implementing the Minsk agreements. If there's any further hints of consideration of easing those sanctions, I'm pleased to see signals from the Congress that they would be quick to enact the sanctions into law if there were an effort to ease them through executive order. The report does show that there's no compelling economic reason to ease the sanctions, as Anders explained. Since U.S. trade with Russia is exceedingly small, less than 1 percent of our total trade, the sanctions have had very little impact on U.S. economic growth or trade opportunities.

The impact has been greater on the Europeans than on us. But those who have been affected the most - countries like the Baltic states, Poland, Finland - are actually the most enthusiastic about keeping those sanctions in place. So we shouldn't pull out the rug under those countries who are paying a price, but understand that sometimes defending principle is more important than profits.

ROUGH: Great. Paula.

PAULA DOBRIANSKY: Thank you. First, let me congratulate the Hudson Institute for holding this forum today and also the prime minister for a superb report - very thoughtful, very, very timely. Let me add a number of other points and - from the U.S. side - and also mixing in commentary on some of the core recommendations of the report. First, I'd start with where are we on the sanctions and stated positions? The new administration, the U.S. administration, has stated that it is supporting the sanctions policy. And as Sandy just indicated, as for Congress, they also have indicated that there's legislation, both Republicans and Democrats have rallied around, underscoring very staunch support for these sanctions and wanting to see no change in that policy unless it's warranted. So I start with first that premise, which I think is important. And especially, if I may,
underscore the piece about our Congress because there have been, as you know, lots of pieces of legislation which they have not come around in a bipartisan way. And this one is very, very - there's very solid support.

Secondly, I think it's significant given one of the recommendations, which is not only to have these sanctions but to go beyond, at least every hearing I've been at there have been, in particular on the Senate side, recommendations for looking at and considering new sanctions, that although there is the impact that has existed that there are reasons - and many of the reasons that have already been mentioned - for going further. The fact that although there has been - hasn't been an aggressive action, per se, of the nature of the aggression into Ukraine, there have been provocations by Moscow in and throughout the region. Many of the Nordic countries, your neighbors, certainly have been very outspoken about a number of the provocations and the concerns, some of the actions that have also taken place by Russia - military actions in the Arctic, for example.

And then, not only that, but also the deterrent value and one going forward for how one deals with actually a cessation of the kind of - of the conflict, ensuing conflict, and of the violence that has taken place on Ukraine's eastern front. So interestingly enough I wanted to mention that actually in our Congress they're already thinking along these very lines. There's been discussion in fact about that going further. I'd also like to mention another element in this and - which is highlighted and that is in the recommendations that the impact of U.S. sanctions on Russia is mostly political. Here too, at this juncture, one of the issues that I think is before decision-makers is the role of the United States in this process. You have recommended an envoy.

I'll put it in a different way. I think there is a very strong feeling that the United States should be engaged in this process. The last administration, meaning American administration, opted not to have a seat at the table in dealing with Ukraine. And there were the four countries - Germany, France, Ukraine and Russia discussing the Minsk accords. The United States is not formally at the table. So in line with that, I'll also add that I think I hear many in the foreign policy community and no less in the executive branch and the legislative branch looking at where we've been and where we are and where we should be going relative to these discussions. Because as has been pointed out, even though there have been these discussions around Minsk, there just hasn't been a cessation of the violence. There's been no respect for the ceasefire. And you have a sizable number, not only of soldiers and individuals who have died in this, but you also have 2.5 million Ukrainians who are displaced from the region, which I think, not just only for Ukraine, but for the region at large, causes concern about stability.

Let me mention a few other points and then close. I do want to put this conversation also with the backdrop of what's playing out in Europe. There were the Dutch elections. We know how they turned out. But we also have before us the French elections and also the German elections. And many of us have been following it - also have been following, as has been reported by European press, the Russian interference in these elections. So here I think also that has to be factored into our discussion in terms of what is the political calculation? And what does that mean when these elections are concluded? What will be the ramifications for sanctions policy for a resolution of the very tragic situation that has played out on Ukraine's eastern front, no less the illegal annexation of Crimea?

I'd also just finally add that in the report you also talk about the importance of adding or looking at new sectoral and individual sanctions. I will only mention one, but we can embellish further. One of the areas, separate from the financial area, is the energy area, which Russia depends upon greatly. And there have been some very tangible ideas that have been put forward in this regard. And as have been debated and discussed particularly in the legislative branch, this is an area that I hear many speak to. And then, finally is a point at the end about not only enhancing the sanctions, but also the importance of coordination with Europe. I think here this is a crucial point. I also think that this underscores the - not only economic dimension here, but particularly the political dimension. We know that here, as very well said in the report, if lifted prematurely they might embolden other actors such as China or Iran to pursue expansionist policies. Why I just pick this out is because what is playing out only doesn't have ramifications for Europe. This is not just a European regional issue. It is an issue that has ramifications globally not only in terms of how one deals with it, but also, as was mentioned by the prime minister, the Budapest Memorandum.

Interestingly enough on that particular point, to give a graphic example of the global relevance of it, it's not only about Ukraine having given up its nuclear weapons in return for its territorial integrity and sovereignty, but countries in Asia will raise the question of what about extended nuclear deterrence? What does all of this mean for us in our region? So I also wanted to inject in this because here we are - the three of us - we're very much focused on Europe. But this - what plays out here does have also global ramifications.

ROUGH: Oh, that's very interesting. Thanks. Let me open the question and answer portion with, as usual, moderator's privilege and ask the first question that tries to tie together some of these points. Paula mentioned the Normandy format. Sandy mentioned the idea of a special envoy. And Mr. Rasmussen mentioned plunged-up sanctions. All three of you have negotiated at the highest levels with the Europeans or, in one case, were one of those Europeans being negotiated with.
And I'm wondering, I mean, the report argues that sanctions thus far have not had a signaling effect, perhaps in part a coercive effect, a deterrent effect, for sure. And it's relied heavily on the intertwining of European and American actions on the sanctions front. So if the American administration were to move in a direction, as you recommend, to plus up sanctions against Ukraine, how much juice would it have with the Europeans? How much persuasive powers do you think American leadership could have to convince Chancellor Merkel or Chancellor Schulz or whoever it might be to help rally Europe towards a more robust sanctions regime going forward?

**RASMUSSEN:** I think it would have a significant impact. First, if the U.S. administration were to ease the sanctions or lift the sanctions it would definitely lead to a complete abolition of the whole sanction regime.

**ROUGH:** Right.

**RASMUSSEN:** Because in that case you couldn't keep Europe together. Then, the Europeans would use the new signals from Washington as an excuse for getting rid of this because there is no doubt, of course, that European companies are affected by this, contrary to what is the case here. So the Europeans will say, OK, if the Americans will do business with Russia, then we will have to do exactly the same. So that could lead to an abolition of all the sanctions. Now if the U.S. were to strengthen - to enhance the sanctions I also think it would have a very positive effect on Europe. Well, I don't think we can foresee a strengthening of sanctions in 2017. I think we can hope for maintaining the sanctions when they're up for renewal in Europe in June. And this is due to the German elections in the autumn and the, at that time, recent French elections. I don't think there's any appetite this year for changing the sanctions, unless of course something drastically happens in eastern Ukraine. So I would foresee that in 2017 there will be no changes. The interesting thing will be what will happen in 2018. And if the U.S. says, OK, we see that the Russians continue to destabilize eastern Ukraine, so we suggest to strengthen our sanctions and we will provide lethal defensive weapons to Ukraine. It will definitely have an effect in Europe. By the way, we have met with several members of Congress yesterday and today. And we have suggested that in addition to providing lethal defensive weapons, the U.S. should also grant Ukraine a special status in a special defense agreement. It's called a major non-NATO ally status. The U.S. has already granted that status to 16 other countries in the world. So why not grant exactly the same privileged status to Ukraine? It won't provide security guarantees to Ukraine, but it would be a very important signal. And it would provide special privileged treatment in a number of areas.

**ROUGH:** Great. Would anyone else like to comment on that?

**VERSHBOW:** Yeah. I think the Europeans would respond very positively to an effort by the Trump administration to take the lead in a new diplomatic effort backed by both sanctions and other forms of leverage to try to actually solve the Ukrainian crisis, to get the Russians out of the Donbass. First of all, there's a general anxiety about U.S. disengagement or at least withdrawing from its strong leadership position in recent years and focusing on America first and all that, but also tremendous frustration that relations in Europe with Russia are going to be increasingly contentious for years to come if we don't find a way to get to the fundamental problem, which is what the Russians did to Ukraine. So I think an effort to work with Europe to forge such a unified strategy would be strongly supported. I think they would be prepared to tighten some of the sanctions and threaten even further tightening as part of a calibrated diplomatic effort. It might make them more amenable to supporting lethal defense assistance, particularly if the Russians don't respond initially to the diplomatic opening that we might offer them to actually deliver what they promised in the Minsk agreements. I draw as a parallel my own experience working on the Balkans in the mid-'90s, when after trying a lot of different alternatives, the Clinton administration kind of stepped up in the summer of 1995 and took the lead on a diplomatic initiative and found the Europeans both, you know, excited and relieved that the U.S. was ready to perform its traditional role and to work with them to forge what became the Dayton Accords and ended the violence in the western Balkans. It's still unfinished business, that's a subject for another conference. But I think that we would see the same positive response if the Trump administration took that same kind of initiative, hopefully not wait - and not two years (laughter).

**ROUGH:** Go ahead, ambassador.

**DOBRIANSKY:** Two quick points - I agree, the prime minister had mentioned about this year that there wouldn't be an appetite in Europe. And I myself mentioned the - and wanted to especially mention - the upcoming French and then later the German elections. Because it's true - the attitude, the appetite. But it's also looking at what the precise outcome will be of these elections, which will have direct ramifications one way or another for this very issue and I think even taking into account what position that the United States takes. I do want to point out the fact that I noted that the foreign minister of Germany, Sigmar Gabriel, recently reaffirmed the sanctions and that they must be maintained in place and that there's no reason whatsoever, given what's playing out in Ukraine, to lift them. And I thought that was significant that he took that step. The other point I would want to make is one I didn't make earlier. But I think the report - and it relates to the question - the report is excellent in terms of talking about the impact. But I would add a footnote to it. I think the impact of these have to be combined in your hearing. It's stated they have to be combined with other policies that reinforce them, that also hit other sectors
because this has political ramifications, economic ramifications. But we're also talking about the question about the lethal weapons to Ukraine. Let me note that already our Senate has - again in a spirit of bipartisanship - they did this under the previous administration, the Obama administration, where they in fact came and said we support such action of rendering such assistance to Ukraine. The executive branch under President Obama opted not to take the action and support the action by Congress. That is still on the table. And I think that this very topic is one that has to be reviewed and looked at by the executive branch, the new administration.

ROUGH: And with that, let me open up the floor to questions. If you could, one, please wait for the microphone, two, identify yourself and, three, really try to be disciplined and ask an actual question rather than opine another topic at hand. Gentleman here in the front, if you can wait one moment the mic's coming your way.

REX WEMPEN: Thank you, all. Rex Wempen, Northern Resources, question is for the secretary. Yes, this may be a long and ongoing crisis in Ukraine, but might it not also be an opportunity to correct what many see as one of the greatest mistakes that the U.S. and the U.K. made at the end of World War II? Why not try to extract some value from this situation - if Russia put so much value on this tiny, strategically unimportant Crimean Peninsula might we not remove the threat that the Russian dagger in the heart of Europe, in Kaliningrad, poses by simply asking for a swap of territory - Kaliningrad for Crimea? Thank you.

RASMUSSEN: (Laughter) But who should then rule Kaliningrad?

WEMPEN: Well, it could be, honestly, Germany if not Poland, or perhaps a neutral country, Denmark (unintelligible)...

(RAHTHER)

RASMUSSEN: Yeah, we lost a lot of land to Sweden, so why not?

(RAHTHER)

RASMUSSEN: No - yeah, well, I see your point. But I don't find it realistic. I think as regards Crimea, that we should pursue exactly the same policies as we did after the illegal annexation of the three Baltic states into the Soviet Union. We never ever recognized that Estonia, Latvia and Lithuania were just republics in the Soviet Union. So eventually, circumstances gave them a chance to regain independence. And immediately, we could recognize their new freedom and their new independence. I wouldn't exclude the possibility that one day in the future circumstances will allow us to welcome Crimea as a free entity, whether it will be an integrated part of Ukraine or whatever. I don't know how. But I wouldn't exclude the possibility that a new situation could arise. So we should never ever recognize the illegal annexation of Crimea. Also - I mean, it's a matter of principle. If we did that and if we even consider this swap you suggested, I'm concerned that other autocrats in the world would be inspired by that and also grab land by force and suggest some swaps afterwards. I don't think we should go down that road.

ROUGH: Maybe just reframing that slightly, I know the gentleman mentioned - I think he put it, the strategically unimportant peninsula of Crimea. Can you talk a little bit about the Black Sea, how important it is to the West, to NATO, to our strategic position and obviously Crimea jutting out into the Black Sea prominently? Any of the panelists would like to take that?

VERSCHBOW: Yeah, well, I wouldn't agree with the premise that Crimea is strategically unimportant. I mean, the Black Sea is a very strategic region. And the Russians are now turning Crimea into a huge base for military forces or even boldly saying that we reserve the right to reintroduce nuclear weapons into Crimea. This is one of their hubs for limiting - potentially limiting NATO's ability to move its own forces - the so-called A2AD, anti-access area denial capability. Kaliningrad is the other A2AD hub that also is a challenge. So we do need to come up with a more effective strategy for countering the shift and the balance of power that has occurred in the Black Sea as a result of the illegal annexation. But I would agree with everything that Anders said in terms of the longer term. We should never recognize, we should never even acquiesce, in a formal sense, to the illegal annexation. But I think we - as far as your swap idea, I think we should stay away from further undermining the most fundamental norm that underpins the whole international order in Europe is, you know, that you don't change borders by force and that, you know, indirectly you'd be ratifying what the Russians did in Crimea by going down the road of a swap. Plus, they're going to - they're not going to give up Kaliningrad...

RASMUSSEN: (Laughter).

VERSCHBOW: ...Voluntarily anyway. But let's see over the next few decades how the people of Kaliningrad choose to pursue their own future peacefully.
DOBRIANSKY: I think it's been well said.

ROUGH: Great. Lady in the third row here, just wait on the mic - thank you.

RACHEL OSWALD: Hi, Rachel Oswald, reporter with Congressional Quarterly, I have a devil's advocate question. The unintended consequences that come from western actions to Putin's repugnant actions in Ukraine - we could tighten new sanctions further, but what if that leads to greater corruption in Russia as the plutocrats find that their legitimate avenues for wealth accrual have been cut off so they pilage more from the state coffers? And by showing a firm united stand against the annexation of Ukraine by not lifting sanctions, what if Putin took away the message - that he needs to get different European governments in power, hence, you know, the funding of the far-right fringe parties, you know, in France, the Netherlands and uncertain prospects about what that will all mean. Could you talk a little bit about that?

ROUGH: Go ahead if you'd like to take that one.

RASMUSSEN: (Laughter) Yeah. Of course there's a risk. There's always a risk. I have no doubt that - actually the sanctions, the economic sanctions, against Russia have in a way strengthened Putin because the elite in Russia has become even more dependent on the Kremlin and on Putin. We have cut off their external - their possibilities of external financing of business activities. So now they're very much dependent on internal financing in Russia. And who controls the internal financing? Putin and his cronies. They do. So we have unintentionally made Putin stronger and made the elite even more dependent on Putin and the Kremlin. That's a consequence. But still - I would argue still the sanctions are necessary because obviously it must have a consequence to grab land by force from your neighbors. And as we don't want to go to war with Russia, what else could we do than to introduce the sanctions? And we did that with open eyes, knowing that there might be negative consequences. But still I think the negative consequences of no action would be much more severe than the consequences of action.

ROUGH: Go ahead, Paula.

DOBRIANSKY: That last statement was what I want to underscore and is very well said because in these - making these decisions, there are always pros and cons. And you also look at, what is the impact? And I think you said it well, that's what it really is about when you weigh the choices before you, that the consequences of taking no action are worse than the opposite. But let me go back to my earlier point and underscore it. And I would say that when you look at Russia's economy today, Russia's economy has not been doing well. And there are severe pressures built within.

If you look at many Russian experts who are writing about this situation, many have urged modernization, have urged for reforms. I think that one can also deduce that it will have political pressures that are building up within that we not only witnessed earlier this week but also I think going forward. So I think you have to take that into account as well here, what's happening inside Russia itself in terms of everyone. And finally, in any kind of policy like this, sanctions - the effectiveness of sanctions, most cases they have a certain impact in isolation. But they are stronger when they are amplified by other complementary actions. And I think that's what the three of us have said in different ways here and have articulated.

VERSBOW: Just to add on the latter part of your worst case scenario, the possibility that the Russians might get even more aggressive in trying to destabilize our own countries or support extremist parties. And there the answer is we have to get better at defense, both in terms of countering disinformation, addressing the internal vulnerabilities that allow the Russians to play these sorts of games and appeal to disaffected parts of our own populations. But the key is our own resilience, our own - standing up for our own values and, you know, making sure that we are able to debunk the propaganda and prevent some sort of organized hacking attack as we saw in our own election. But Putin's playing this game pretty aggressively even now, so I'm not sure how much more he could be doing. But defense is the way to deal with that part of your scenario.

ROUGH: Well, I'm not sure that the undermining of Western political systems is really an outgrowth of the Ukraine issue. I think it probably preceded that to a certain degree as well. Yes, ma'am, here in the third row? Actually, right up front, thanks.

NALA SAJEYA: Hi. I'm Nala Sajeya (ph) from Voice of America. The question is to Mr. Rasmussen. You mentioned that in 2014, it was the first time since the World War that Russia militarily grabbed territories from its neighbor. Well, 2000 to 2008, Russia occupied territories of Georgia, and 20 percent of it is still occupied. Is Georgia getting forgotten after Ukraine, after Crimea? And how do you see conflict resolution in nearest future, if you see it at all? Thank you.

RASMUSSEN: Well, of course, you might argue that difference isn't big, but formally there is a big difference because Russia has illegally annexed Crimea into the Russian Federation. They didn't do that when it comes to a case in South
Ossetia. They have de facto occupied the two territories. And they have installed friendly governments in Abkhazia and South Ossetia. I agree. So the difference might in the practical life and world not be that big. But according to international law, there is a great difference between annexing Crimea into the Russian Federation and having de facto occupied Abkhazia and South Ossetia apart from the fact that they will never ever admit that they have occupied Abkhazia and South Ossetia. I think we should look at this not in isolation or look at this as a Ukrainian question or a Georgian question. But we should realize that President Putin has a grand ambition. And the grand ambition is to restore Russian greatness in the territory of the former Soviet Union. And to that end, he needs to keep his neighbors weak, divided, dependent on the Kremlin. And he wants to prevent them from seeking Euro-Atlantic integration in NATO and the EU. Therefore, the Russian interest is to keep conflict simmering or frozen in the near neighborhood. So this goes far beyond Ukraine.

This goes far beyond Georgia. It's also about Transnistria and Moldova. It's about Nagorno-Karabakh between Azerbaijan and Armenia. And if you have a look at the map, you'll see why. It's clear it's part of his grand strategy. So it's not in our interest to see these conflicts simmering or frozen. And this is the reason why we should push for a full implementation of the Minsk deal. And I would say full implementation on the Minsk deal would imply full restoration of Ukrainian control with their eastern border. This is not in the Minsk deal, how and when that should happen. But this should be a focal point because you cannot be a sovereign country; you cannot organize elections on your own territory if you do not control your own border. So that's why this should be the main point in the full implementation of the Minsk deal.

ROUGH: This gentleman on the right.

RAPHAEL DANZIGER: Thank you. I am Raphael Danziger, an adviser to AIPAC. I've seen some unconfirmed media stories according to which somebody is thinking about a deal between the United States and Russia of Syria for Ukraine. Now, I know that all of you think it's a terrible idea. But have you also heard that this is - anybody serious is really thinking along those lines? Thank you.

RASMUSSEN: Yes, we have heard it. We have addressed it. And without being too naive or too optimistic, I think - based on our conversations, not least yesterday and today, I don't think it's an imminent risk to trade the two against each other.

DOBRIANSKY: I'll just add a footnote. I don't believe that's at all an issue. But let me highlight the fact that you, with two of your former secretary general colleagues, wrote a letter. I believe it was last year. And the letter was more broadly stated, but it was a very superb letter basically saying that Ukraine should not be used as a bargaining chip in any scenario. So I'm not aware that this is an issue.

VERSCHBOW: I think - it seems that that kind of thinking has faded from any serious consideration, and it makes no sense. If the Russians want to work with us to fight ISIS, they should do it for their own reasons. We shouldn't have to pay them for it. No reason to throw Ukraine under the bus to get cooperation on ISIS. At the same time, we have to really be sure the Russians are prepared to fight ISIS because we - it's clear that we've been pursuing different agendas in Syria. The same may be coming to pass in Libya, where they're playing with General Haftar, which may be to the detriment of efforts to both stabilize Libya and deal with the spread of ISIS in that direction. So we have to be very clear-eyed about what the Russians are up to, but certainly not sacrifice 45 million people of Ukraine for the sake of what may end up being the illusion of cooperation against ISIS.

ROUGH: Yes, sir.

JAVIER RUPEREZ: Thank you. My name is Javier Ruperez. I'm the former Spanish ambassador to Washington. I was extremely glad to listen from Prime Minister Rasmussen and Ambassador Dobriansky the reference to the Budapest Memorandum in 1994, which seems to be a practically forgotten document in all these stories. And I think that's a very good reminder because in the last few years, especially the previous American administration, there was some sort of shyness in trying to realize what the guarantees offered to Ukraine because of the giving up of the nuclear weapons. Which is the role to be expected from the memorandum, from the Budapest Memorandum right now?

VERSCHBOW: Well, I think, you know, the Budapest Memorandum clearly, with hindsight, could have been strengthened by the incorporation of some enforcement mechanism. All it offered were what are called in the business
negative security assurances. And clearly the Russians have basically, you know, ignored their obligations under the Budapest Memorandum. But I think it’s incumbent upon us as the instigators of this effort and the British and indirectly the French, who have signed up for it, to continue to honor its principle. And I think it is, as Anders said, at least part of the justification for continuing to support the Ukraine’s ability to defend itself. That’s sort of the least we can do to honor the commitment that we’ve made under the Budapest Memorandum.

But it also has implications, as Paula mentioned, for the broader efforts to maintain the nonproliferation regime. It has implications for U.S. allies in other parts of the world who depend on extended deterrence. But I think we need to continue to hold this as the standard. And it will be part of a long term non-recognition policy vis-a-vis Crimea, making clear that one of the reasons why we’re not going to acquiesce is that Russia violated its obligations under the Budapest Memorandum. We have to see that reversed, whether it takes five, 10, 20 years. But we should maintain that as a fundamental principle.

**DOBRIANSKY:** I think it does matter. And I think you’re hearing the three of us certainly underscoring that. Sandy indicated, you know, the terms of it, which did not precisely document or detail, as you said, enforcement, for lack of a better term. But regardless, the fact is it was a very significant move made by Ukraine in giving up these nuclear weapons and in return for that protection. And in that sense, it does affect all of those countries, not just only in Europe but, more broadly, in terms of alliances, partnerships and what actions will or will not be taken defensively. So your point is well taken.

I think that certainly our - if I could say that collective recommendation here is - that’s important in the crafting of our policies in this new period, that that has to be taken into account because it does affect, bluntly speaking, one’s political credibility.

**RASMUSSEN:** I’m concerned that the lack of action will send a very unfortunate and negative signal to other countries in the world with nuclear aspirations because they have discovered that it’s a bit dangerous maybe to give up your nuclear weapons or give up your programs to develop nuclear weapons because no one will take action. If - so better pursue your goals and try to acquire a nuclear weapon just in case. So that’s a very unfortunate signal. But overall, whether we have written anything or not in the Budapest Memorandum or in any other international agreement, this just demonstrates that when the U.S. doesn’t take leadership, the U.S. will leave behind a vacuum, a void that will be filled by the bad guys. And that’s exactly what we saw in Syria.

When Obama hesitated to act when Assad crossed the red lines, Putin stepped in and tried to establish facts on the ground that has limited our options right now. And, I mean, the world hasn’t become a more peaceful place after eight years of hesitation to engage. On the contrary, the world is on fire in the Middle East, Europe’s sinking under the burden - almost sinking under the burden of refugees. North Africa - Libya’s a failed state. In eastern Ukraine, Putin is demonstrating his aggressive behavior - the Chinese flexing their muscles in the South China Sea. Kim Jong Un is testing the new administration, threatening not only his neighbors, but also the United States. This is a state of affairs today after eight years of public statements that the U.S. is hesitant to act. So I think it’s important to see some determined American global leadership. That’s why I wrote a book called “The Will To Lead.” It was published just before the elections. I sent it to Hillary, to Obama, to Trump. I received - I have to tell you, I received positive thank you letters from Hillary and Obama, but I never heard from Trump.

(LAUGHTER)

**ROUGH:** I’m sure he’s read it carefully, though.

**RASMUSSEN:** But this is the reason why, today and tomorrow, we will distribute my book to all members of Congress because we think they deserve, at least, this message from a European who has been a prime minister in a small European country. We need the U.S. to be the world’s policemen. We need someone to restore international law and order, and I don’t see any other to do that than the United States.

**ROUGH:** Spoken after my own heart there. The gentleman second from the back.

**HENRY HEDGAR:** Henry Hedgar, retired government. I thought I’d just mention that 1907, a critical year, an agreement was reached between Great Britain and Russia, regarding Afghanistan. They called it the Convention of 1907. And they reluctantly, perhaps, became allies completing, basically, what some said was an encirclement of the Central Powers. Now, I wondered if they were able to reach an agreement after facing one another in that country since 1876, after so many years, isn’t it possible to reach an agreement on the situation now with Russia and the Ukraine? There must be some way out of this situation that is peaceful. I merely mention it because it’s something that so many people hoped for on all sides. Perhaps, there’s still a possibility that something can be worked out to use that term. I don’t know exactly what, but I think people should always remember that when they’re ready to increase sanctions - and sanctions, of course, is nothing like
starting a war, but, I mean, it could lead to war. So why not always look at it in some way where even if sanctions are in place, stronger ones, we're still offering the olive branch? Do you have any comments on what else could be done?

(CROSSTALK)

DOBRIANSKY: I'd first start with, I think that when you look at, historically, the relationship between Ukraine and Russia - and I think back when Ukraine, starting with recent times, the first recent elected president, Kravchuk. And then it went to Kuchma. And then it went to Yushchenko. Let me mention at the time when Yushchenko won the election, you may or may not recall, but you know where his first visit was? His first visit after he got elected was to go to Moscow, by the way. And the intent was to engage and to indicate that Ukraine has an economic relationship, you know, a political relationship. And at the same time, he set forth an agenda. I say that because then, you know, Yanukovych, when he came in, his first trip was to Brussels. And then there was the discussion about Ukraine's association with the EU. I mention these things only because diplomatically, in both - with both different relationships, Yushchenko was someone who was perceived as having a more tense relationship with Russia. But yet he - that was his first trip.

So diplomatically, I think there are things that have been done and can be done even in the context, by the way, thinking of NATO and both - where both of you have sat. They are for that strive to produce that kind of peaceful action. But, you know, the fact of the matter is that the aggression that took place in this day and age for the aggression and the annexation of Crimea and then of Ukraine - I mean, let me put it this way. I want to flip your question and pose, well, why, if there were issues that Russia was concerned about - let's say relative to the ethnic population, Russian ethnic population - why not use a body like the OSCE or other kinds of institutions? So my answer is yes, there can always be those avenues if there's political will and a real desire to choose that path. But at this particular stage, I don't see that that is the actual intent or objector of the leader in - sitting in Moscow.

VERSIBOW: I would say yes, it's possible. It's not easy, but it's certainly possible to try to pursue and even achieve a diplomatic solution. And we should certainly try. I strongly believe the Trump administration working with our allies, working with the Ukrainians, who are the victims of aggression, should make as its very first priority and the centerpiece of any effort to re-engage with Russia solving the problem in Eastern Ukraine. It's the - as I said, it's the original sin that's completely spoiled any chance of having a constructive relationship with Russia. So you need to go to the - you know, to the fundamental source of the problem. But diplomacy requires leverage. I don't think increasing sanctions is going to increase the chance of war.

I mean, let's remember there's an undeclared war going on now in Eastern Ukraine. The Russians have people without their insignias from their regular army. They've armed these so-called separatists and various mercenaries to the teeth. There's more tanks in the separatists' control, the latest-model Russian tanks, than the entire German Bundeswehr has. So it's not going to be easy. We have to create more leverage. Sanctions is part of it. Military support from the Ukrainians is another part. But we should also figure out what kind of carrots - how can we incentivize the Russians to go down the path of solving this problem? They did sign the Minsk agreements, which do provide a blueprint. It's not perfect. It has some gaps. The sequencing may be less favorable to the Ukrainians than it is to the Russians. They don't get control of their border until the very end. I think maybe some international involvement on the ground, such as a U.N. peacekeeping force, may be sort of the missing piece of any agreement to ensure that the Russians really do withdraw but the Ukrainians don't rush in. You could have a transition period under international supervision which would then allow you to hold elections and achieve what Minsk lays out.

But if we don't act as the U.S., as Anders said, with our allies at our side, it's only likely to get worse. Putin will interpret this as either a loss of will or a loss of interest in the whole European rules-based order. And Putin will seize any additional opening that he can find. The big problem is that Putin wants his neighbors to be weak. He wants to discredit any success stories in the so-called near abroad that could provide a positive example that could undermine his rule at home. So this is not an easy one to sell to the Russians. But I think if we're firm, if we put more leverage behind it, strong U.S. leadership could make a difference in actually leading to a political solution.

DOBRIANSKY: By the way, I'll just - forgive me. I'll just add - I didn't say that, but the last statement that Sandy made, that does matter. And although in the Minsk discussion and Normandy discussions Germany certainly had taken a very strong position and led the way and I think should be commended for all of its efforts, I think that, again, the point about the United States involvement - I think it was read during the last administration of really not attaching importance to it. And I think that that sent a - not a good signal. I think U.S. leadership does matter to this.

But as I've also said, I think there has to be political will because, also, let me add one other - Sandy really well articulated sort of the scenario of leverage. There's another one of just a reality. The Organization for Security Co-operation in Europe, OSCE, has not been able to bring food in. I mean, think about that. You're asking this question, and they have been prevented from bringing in supplies and food into eastern Ukraine. That's a really, I'd say, a very sad state of affairs, indeed. So
where's the incentive for taking it further? If you could see, the scenario and the situation has not been very conducive for, really, talks that achieve concrete results that really protect the original issue, which is the sovereignty of Ukraine.

ROUGH: All right. Final question, sir here in the bottom right.

STAN SINCAGE: Stan Sincavage (ph). Just a footnote, I'd forgotten about the major non-NATO ally option, and I like it (laughter). I remember when somebody cooked it up. What about - would you comment, any of you, on sort of the next possibility either as an instrument now or as a long-run real prospect, what's the thinking in Europe on NATO membership?

RASMUSSEN: Well, actually, in 2008, at the NATO summit in Bucharest, we decided that Ukraine and Georgia will become members of NATO. So that's a really clear statement. Of course, provided they fulfill the necessary criteria, provided that they shall wish. And we fully respect their inherent right to decide their alliance affiliation themselves. Actually, Russia should do exactly the same. In 1999, all OECD countries, including Russia, signed an OECD charter on European security. And you will read in that charter that all the signatures agree that all countries have an inherent right to decide their alliance affiliation themselves. That's why I use that formulation. So it's not for Putin to decide, it's for Kiev and Tbilisi to decide whether they want to join NATO. And we will respect their choice. Well, that said, of course, there's a long road ahead of us because they would have to fulfill the necessary criteria. We don't want to undermine security but enhance European security, et cetera, et cetera. But I think we should keep the goal we decided in Bucharest, that they will become members of NATO. And then, let's see - but I think, as a stepping stone, this status as a major non-NATO ally could be useful for Ukraine if they shall wish.

VERSHBOW: I endorse all of that. I would just add that, a factual point under President Yanukovych, in 2010, Ukraine withdrew its application and passed legislation, establishing what they called non-block status for Ukraine. Because Yanukovych is gone, clearly, the current leadership is - looks more favorably at eventual NATO membership, but they have not actually formally reactivated their application. I think they've, wisely, looking at the challenges that they face, to focus on sort of doing the hard preparatory work through defense reforms, where NATO is playing a big role in assisting them, and the U.S. is doing a lot bilaterally, carrying out the broader agenda of reforms, which is something that allies look at. It's not just about your military capabilities but your broader success with the comprehensive reforms. So I think they see this as a multi-year process that they will get to the point in, you know, two, three, four years when they could reactivate that application. But in the meantime, just focus on meeting NATO's standards and improving interoperability. I think NATO, now, has a lot that we can learn from the Ukrainians. They've been directly engaged in very difficult military clashes with the Russians, they've been the victims of this vaunted hybrid warfare strategy that everybody talks about. And I think NATO can benefit from learning from the Ukrainian experience as we try to develop our own defenses and deterrence posture, as we think through how we can counter the potential use of these hybrid methods against allies, particularly in the Baltic States. So there's, I think, a shared interest, but the NATO membership issue is sort of technically not on today's agenda, but it may be on tomorrow's.

DOBRIANSKY: I'll just say, I thought it was an excellent suggestion. And admittedly, I, myself - I had forgotten that, and I wrote it down just like you. But I thought to add to the recommendations - very solid, very thoughtful recommendations - and I think at a crucial time here, certainly, in the United States, no less in Europe, in considering these issues. It's just very timely. Congratulations.

ROUGH: On closing, let me just reiterate again, the report is Sanctions on Russia: Impacts and economic Costs on the United States. If you're watching this online, it's just a short Google away. Congratulations, Mr. Prime Minister, on the report. Thank you, Ambassadors, for joining us as panelists. And please join me.

(APPLAUSE)