

NATO Warns Russia Force on Ukraine Border Building Up for Action  
2014-04-02 22:33:00.408 GMT

(For more on the Ukraine conflict, see EXT2.)

By James G. Neuger, Gopal Ratnam and Henry Meyer

April 3 (Bloomberg) -- With Russian forces massed near the country's border with Ukraine in a high state of readiness, NATO leaders warned that any incursion across the frontier would be a "historic mistake."

The presence of as many as 40,000 soldiers along Ukraine's eastern border is fueling concern that Russia is poised to invade on the pretext of protecting Russian-speaking inhabitants of eastern and southern Ukraine. Backed by state-run media, President Vladimir Putin says the Kiev-based government is influenced by anti-Russian extremists and hasn't done enough to stop them from persecuting Russian-language speakers.

"We have seen a very massive Russian military buildup along the Ukrainian borders," North Atlantic Treaty Organization Secretary General Anders Fogh Rasmussen said yesterday after a two-day meeting of alliance foreign ministers in Brussels. "We also know that these Russian military armed forces are at very high readiness."

Ukraine acting President Oleksandr Turchynov said on state-run TV channel UT-1 that Russian aggression is pushing Ukraine toward affiliation with NATO. He said he doesn't "rule out" joining NATO if Russia continues to act in the same way. The border situation remains "tense," he said, calling Russian pledges to pull back troops "a lie."

Russia pressed Ukraine to disarm nationalists it says are oppressing its compatriots there, echoing comments it made in the run-up to its military occupation of Crimea and its annexation last month following a Kremlin-backed referendum.

Ukraine's government denies that Russian speakers are at risk.

### "Sham Statements"

"We urge the Ukrainian authorities not to limit themselves to sham statements about the fight against radical forces in Ukraine and to take decisive measures to disarm the militants,"

Russia's Foreign Ministry said in a web statement.

Russia's standoff with the U.S. and European Union over Ukraine poses a threat to a global economy already "too weak for comfort," International Monetary Fund Managing Director Christine Lagarde said yesterday.

"The situation in Ukraine is one which, if not well managed, could have broader spillover implications," she said in a speech in Washington. Resolving the tensions there and elsewhere "requires not only good policies, but good politics," she said. "Both are essential to enable the global economy to move into a higher gear."

### NATO Assurances

NATO ministers vowed yesterday to boost support for eastern nations unnerved by Russia's actions. Rasmussen restated that the alliance hasn't seen signs of a significant reduction in Russian military forces along Ukraine's border.

"This is really a matter of grave concern," he said. "If Russia were to intervene further in Ukraine, I wouldn't hesitate to call it a historic mistake."

The alliance's top military commander, U.S. Air Force General Philip Breedlove, echoed Rasmussen's concerns in an interview with Reuters and the Wall Street Journal.

Russia's military is "ready to go and we think it could accomplish its objectives in between three and five days if directed," Breedlove said in the interview. "This is a very large and very capable and very ready force."

Potential Russian objectives include an incursion into southern Ukraine to establish a land corridor to Crimea, pushing beyond the Ukrainian port of Odessa or moving toward Transnistria, a breakaway pro-Russian region of Moldova, the general was reported as saying.

### Advance Teams

The Organization for Security and Cooperation in Europe appointed Ambassador Ertogrül Apakan of Turkey as chief monitor of the situation, with Mark Etherington of the U.K. and Alexander Hug of Switzerland as deputy chief monitors in the OSCE's Monitoring Mission to Ukraine. Ten advance teams were deployed in Chernivtsi, Dnepropetrovsk, Donetsk, Ivano-Frankivsk, Kharkiv, Kherson, Kiev, Luhansk, Lviv and Odessa.

The worst confrontation between the U.S. and European states and Russia since the collapse of the Soviet Union has rattled markets.

The Micex stock index fell 0.2 percent to 1,373.33 in Moscow, extending to 4.9 percent its decline since March 1, when Putin's intervention sparked the standoff between Russia and the U.S. The ruble has depreciated 7 percent against the dollar this year, making it the second-worst performer of 24 emerging-market currencies tracked by Bloomberg.

Ukraine, whose hryvnia has lost 27 percent against the dollar this year, may return to international markets with a Eurobond sale in the second half of this year, Finance Minister Oleksandr Shlapak said yesterday in Kiev. He said the government was willing to pay 6 percent to 7 percent, versus the 8.574 percent yield on its 2023 dollar bond as of 6:15 p.m. yesterday.

### Putin's Reason

Shrugging off U.S. and European sanctions, Putin has justified the annexation of Crimea, a region with a majority of Russian speakers with historic ties to Moscow, away from Ukraine as righting a historical wrong that split the province from Russia when the Soviet Union collapsed.

NATO has decided to halt "all practical cooperation" with Russia, Rasmussen said. Russia condemned the NATO decision, saying this would hurt joint efforts to fight terrorism, piracy and other global problems.

"It's not hard to guess who will benefit from halting the joint work of Russia and NATO in countering modern threats,"

the Foreign Ministry said on its website. "In any case, it certainly won't be Russia and the members of NATO."

### Syrian Support

Ukraine isn't the only NATO concern.

Putin is now defying the U.S. in Syria by sending more and deadlier arms to help Bashar al-Assad score advances against insurgents, military experts say.

Assad's army, seeking to end a three-year civil war that's killed 150,000 people and displaced 9 million, started using longer-range Russian Smerch and Uragan rockets for the first time in February, according to Jane's Defense Weekly and Stratfor, a U.S. geopolitical research company. Syria has also intensified the use of MiG-29 fighter jets with ground-attack capabilities, Stratfor said, citing analyses of video footage.

As Russian forces dig in along the Ukraine border, the U.S. said it will send a warship to the Black Sea in the next few days to conduct exercises with allies. The deployment would be in "direct response to the circumstances in Ukraine," Pentagon spokesman Army Colonel Steve Warren told reporters.

Other options being considered by Breedlove include beefing up previously scheduled NATO drills and improving the readiness of the alliance's 13,000-member rapid-response force, according to an American defense official, who spoke on condition of anonymity to discuss military planning.

### 'Different Languages'

Russia is pressuring Ukraine to change its constitution to cede more autonomy to its regions and enshrine Russian as a second official language. After a deadly clash between Ukrainian police and activists as well as confrontations between pro-Russian and pro-Kiev protesters last month, Ukraine's parliament voted for a resolution backing the immediate disarmament of illegal military groups.

"The two sides are talking totally different languages," Timothy Ash, a London-based economist for emerging markets at Standard Bank Group Ltd., said in e-mailed comments yesterday. "While the battle for Crimea may have been lost, the stealth war for Ukraine is only just beginning."

For Related News and Information:

Ruble Gains on Troop Pullback From Border: Russia Reality Check NSN N3CGCN6TTDS0 <GO> Crimea Cooling Down Lures Ministry Back to Market: Russia Credit NSN N3D44D6TTDT3 <GO> NATO news: NI NATO BN <GO> Government news: TOP GOV <GO> European economic statistics: EUST <GO>

--With assistance from Bryan Bradley in Vilnius, Patrick Donahue in Weimar, Germany, Volodymyr Verbyany and Daryna Krasnolutska in Kiev, Konrad Krasuski in Warsaw, David Lerman, Tony Capaccio, Sandrine Rastello and Mark Silva in Washington and James Kraus in Geneva.

To contact the reporters on this story:

James G. Neuger in Brussels at +32-2-285-4301 or [jneuger@bloomberg.net](mailto:jneuger@bloomberg.net);

Gopal Ratnam in En Route to Honolulu at +1-202-654-1225 or

[gratnam1@bloomberg.net](mailto:gratnam1@bloomberg.net); Henry Meyer in Moscow at +7-495-771-7703 or

[hmeyer4@bloomberg.net](mailto:hmeyer4@bloomberg.net) To contact the editors responsible for this story:

Alan Crawford at +49-30-70010-6237 or

[acrawford6@bloomberg.net](mailto:acrawford6@bloomberg.net);

John Walcott at +1-202-654-7312 or

[jwalcott9@bloomberg.net](mailto:jwalcott9@bloomberg.net)

Craig Gordon, Mark McQuillan.

BBG\_