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U.S. POLICY IN UKRAINE: COUNTERING RUSSIA AND DRIVING REFORM

UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS

ONE HUNDRED FOURTEENTH CONGRESS, FIRST SESSION

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**United States Senate Committee on Foreign Relations
Hearing: U.S. Policy In Ukraine: Countering Russia and Driving Reform**

Tuesday, March 10, 2015

**U.S. Senator Bob Corker (R-Tenn.), Chairman
Opening Statement**

I want to begin this hearing by expressing my condolences to the family of Boris Nemtsov and the people of Russia.

The murder of Russian opposition leader Boris Nemtsov just outside the Kremlin appears to be an attempt to silence those in Russia who want to see their country move away from the authoritarianism, corruption, and lawlessness of today's Russia.

Boris Nemtsov sought a better future for his people, and we must remain committed to his vision for a democratic Russia at peace with itself and its neighbors.

He was especially critical of Putin's aggression in Ukraine, where for over a year now Russia has continued its occupation of Crimea and destabilization of the country's eastern regions.

Our country made a commitment in 1994 to defend Ukraine's sovereignty and territorial integrity, which has been under a near constant assault by Russia for more than a year. More recently, we lured Ukraine West by supporting their desire for closer association with Europe.

Now with Ukraine's future in the balance, the refusal of the administration to step up with more robust support for Ukraine and further pressure on Russia is a blight on U.S. policy and 70 years of defending a Europe that is whole, democratic, and free.

The conflict in eastern Ukraine that was started by Russian-backed mercenaries and now directly involves thousands of Russian military personnel has resulted in over 6,000 deaths and generated 1.5 million refugees and internally displaced persons.

For roughly two weeks after the second Minsk ceasefire agreement was signed on February 12, the Russian-backed rebels continued their offensive activities, ultimately acquiring the strategic railway hub of Debaltsevo.

The determination of the rebels to secure Debaltsevo, despite the fact that the Minsk ceasefire agreement requires them to withdraw to a demarcation line established last September, shows that Putin has no intention of honoring the ceasefire.

While the violence has subsided since the rebels achieved their short-term objective and acquired Debaltsevo, the Minsk ceasefire is far from being a success.

In addition to the ambiguous constitutional and electoral conditions required of Ukraine to regain control of its borders, the second Minsk agreement is burdened by the failure of the first Minsk agreement as it stands.

In fact, administration officials have repeatedly referred to the most recent Minsk accord as an “implementation agreement” of the first Minsk accord.

But jumping from ceasefire to ceasefire in hope of convincing the Russian-backed rebels to fulfill the same commitments they continually renege on is not a strategy and it’s certainly not a strategy for success.

In my view, any strategy will not be effective unless the United States begins to provide Ukraine with the ability to inflict serious military costs using defensive weapons on the thousands of Russian troops operating in its eastern regions.

The Ukraine Freedom Support Act, which originated in this Committee, passed unanimously by Congress, and signed into law by the president, authorizes \$350 million in lethal military assistance to Ukraine.

But yesterday we heard Germany’s ambassador to the United States say that President Obama privately pledged to Chancellor Merkel in February that the United States will not deliver lethal military assistance to Ukraine, despite the fact that he and other administration officials continue to tell the American public that they are seriously considering this policy.

Deputy Secretary of State Tony Blinken argued last week in Berlin that no amount of lethal military assistance for Ukraine would be sufficient to defeat the rebels and their Russian sponsors.

But our objective is not to provide Ukraine with enough weapons to overwhelm the Russian military in a direct confrontation.

Rather, the provision of lethal assistance aims to increase Ukraine’s defense capabilities in a way that will give Kyiv the ability to produce conditions on the ground favorable to a genuine peace process.

By equipping Ukraine with the means to impose a greater military cost on Russia, the United States will be contributing to a quicker, fairer, and more stable settlement of the conflict.

But our support for Ukraine must go beyond simply imposing costs on Russia.

Ukraine’s foreign currency reserves have diminished to a month’s worth of imports, the Ukrainian currency has lost 80 percent of its value since April 2014, and its economy continues to teeter on the brink of collapse.

At the same time, while I believe the government in Kyiv is genuinely committed to reform, more needs to be done by the Ukrainian authorities to move forward with these reforms,

especially in the energy sector, where corruption siphons billions of dollars away from the budget each year.

Even if the United States does more to help Ukraine and Kyiv defeats the Russian-backed rebels, but the Ukrainian economy implodes in the process, we have failed and Putin has succeeded. As a matter of fact, he has had an even greater success if that occurs.

This is why the United States must have a comprehensive strategy that will both counter Russian aggression but also drive political, economic, and anti-corruption reforms in Ukraine.

During this hearing, I hope to have a detailed discussion that explores the situation in eastern Ukraine since the Minsk ceasefire agreement was signed, examines why the United States has failed to provide Ukraine with lethal military assistance, and considers additional ways to support Ukraine with its ongoing economic challenges.

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Victoria Nuland
Assistant Secretary
Bureau of European and Eurasian Affairs
March 10th, 2015
Written Testimony

Chairman Corker, Ranking Member Menendez and members of this committee—thank you for the opportunity to speak to you today on the situation in Ukraine and for your personal investment in that country’s future. As many of you know from your travels, your meetings and the establishment of the bipartisan Senate Ukraine Caucus last month, Ukrainians deeply appreciate this committee’s support for their country’s security, democracy, sovereignty and future prosperity.

Today Ukraine is central to our 25 year Transatlantic quest for a “Europe whole, free and at peace.” My interagency colleagues and I are pleased to update you today on US efforts to support Ukraine as it works to liberate the country from its corrupt, oligarchic past, chart a more democratic, European future, and bring an end to Russian-fueled violence. In my remarks, I’ll focus on two areas: first, the work Ukraine is doing—with U.S. and international support—to reform the country, tackle corruption and strengthen democratic institutions; second, I will give an update on our efforts to support implementation of the February and September Minsk Agreements, including our readiness to impose further costs on Russia if the commitments Moscow made are further violated. My colleagues from DoD – Principal Deputy Under Secretary McKeon and Vice Admiral Pandolfe – will address our security relationship in greater detail. A/S Toloui will speak more to our macroeconomic assistance in coordination with our international partners.

First – a quick reminder of why we’re here. Sixteen months ago, the Kyiv Maidan and towns across Ukraine erupted in peaceful protest by ordinary Ukrainians fed up with a sleazy, corrupt regime bent on cheating the people of their sovereign choice to associate with Europe. They braved frigid temperatures, brutal beatings and sniper bullets. The leader of that rotten regime fled the country, and he was voted out by the parliament—including most members of his own party. Then, Ukraine began to forge a new nation on its own terms –signing an Association Agreement with the European Union; holding free and fair elections—twice—even as fighting raged in the east; and undertaking deep and comprehensive economic and political reforms.

Against the backdrop of Russia’s aggression, the situation in the country remains precarious. Ukraine’s leaders, in the executive branch and the parliament, know they are in a race against time to clean up the country and enact the difficult and socially painful reforms required to kick start the economy, and meet their commitments to their people, the IMF and the international community. The package of reforms already put forward by the government, and enacted by the Rada, is impressive in its scope and political courage.

Just last week:

- They passed budget reform expected to slash the deficit this year, and strengthen decentralization by giving more fiscal control to local communities;
- They made tough choices to reduce and cap pension benefits, increase work requirements and phase in a higher retirement age;
- They created a new banking provision to stiffen penalties for financiers for stripping assets from banks at the public's expense, a common practice among oligarchs;
- And, they passed laws cutting wasteful gas subsidies and closing the space for corrupt middlemen that buy low, sell high and rip off the Ukrainian people. These laws will also enhance corporate efficiency, incentivize domestic production, and use \$400 million in increased revenue from state-owned gas companies to help care for the poor including some of the 1.7 million people driven from their homes by the conflict;

With U.S. support – including a \$1 billion loan guarantee last year and \$355 million in foreign assistance and technical advisors – the Ukrainian government is:

- helping insulate vulnerable Ukrainians from the impact of necessary economic reforms;
- improving energy efficiency in homes and factories with metering, consumer incentives and infrastructure improvement;
- building e-governance platforms to make procurement transparent and basic government services cleaner and publicly accessible;
- putting a newly trained force of beat cops on the streets of Kyiv who will protect, not shake down, the citizens;
- reforming the Prosecutor General's Office (PGO) – supported by U.S. law enforcement and criminal justice advisors—and helping energize law enforcement and just prosecutions;
- moving to bring economic activity out of the shadows;
- supporting new agriculture laws—with the help of USAID experts—to deregulate the sector and allow family farms to sell their produce in local, regional and wholesale markets, and;
- helping those forced to flee Donetsk and Luhansk with USAID jobs and skills training programs in places like Kharkiv.

And there's more support on the way. The President's budget includes an FY16 request of \$513.5 million – almost six times more than our FY14 request – to build on these efforts.

To turn the page, Ukraine's hard work must continue. Between now and the summer, we must see budget discipline maintained and tax collection enforced across the country – notably including on some of Ukraine's richest citizens who have enjoyed impunity for too long. We need to see continued reforms at Naftogaz and across the energy sector; final passage of agriculture legislation; full and impartial implementation of anti-corruption measures, including a commitment to break the oligarchic, kleptocratic culture that has decimated the country.

As I said in my last appearance before this committee, the most lasting antidote to Russian aggression and malign influence in the medium term is for Ukraine to succeed as a democratic, free market state and to beat back the corruption, dependence and external pressure that have thwarted Ukrainians' aspirations for decades. For this to happen, we must ensure that the government lives up to its promises to the Ukrainian people, and keeps the trust of the international financial community. And, at the same time, the United States, Europe and the international community must keep faith with Ukraine, and help insure that Russia's aggression and meddling can't crash Ukraine's spirit, its will or its economy before reforms take hold.

Which brings me to my **second** point –even as Ukraine is building a peaceful, democratic, independent nation across 93% of its territory, Crimea and parts of eastern Ukraine are suffering a reign of terror. Today Crimea remains under illegal occupation and human rights abuses are the norm, not the exception, for many at-risk groups there – Crimean Tatars, Ukrainians who won't surrender their passports, journalists, LGBT citizens and others.

In eastern Ukraine, Russia and its separatist puppets unleashed unspeakable violence and pillage. This manufactured conflict – controlled by the Kremlin; fueled by Russian tanks and heavy weapons; financed at Russian taxpayers' expense—has cost the lives of more than 6000 Ukrainians, but also of hundreds of young Russians sent to fight and die there by the Kremlin, in a war their government denies. When they come home in zinc coffins -- “Cargo 200,” the Russian euphemism for war dead -- their mothers, wives and children are told not to ask too many questions or raise a fuss if they want to see any death benefits.

Throughout this conflict, the United States and the EU have worked in lock-step to impose successive rounds of tough sanctions—including sectoral sanctions—on Russia and its separatist cronies as the costs for their actions. In Crimea, we have shown through our investment sanctions that if you bite off a piece of another country, it will dry up in your mouth. Our unity with Europe remains the cornerstone of our policy toward this crisis.

And it is in that spirit that we salute the efforts of German Chancellor Merkel and French President Hollande in Minsk on February 12th to try again to end the fighting in Ukraine's East. The Minsk Package of Agreements—September 5th, September 19th and the February 12th implementing agreement—offer a real opportunity for peace, disarmament, political normalization and decentralization in eastern Ukraine, and the return of Ukrainian state sovereignty and control of its territory and borders. Russia agreed to it; Ukraine agreed to it; the separatists agreed to it. And the international community stands behind it.

For some eastern Ukrainians, conditions have begun to improve. Along long areas of the line of contact, particularly in Luhansk Oblast, the ceasefire has taken hold; the guns have quieted in some towns and villages; some weapons have been withdrawn; some hostages have been released.

But the picture is very mixed. Since the February 15th ceasefire, the OSCE Special Monitoring Mission has recorded hundreds of violations. Debaltseve, a key rail hub beyond the ceasefire lines, fell to the separatists and Russian forces six days **after** Minsk was signed and three days **after** the ceasefire was to come into effect. In Shchastya, in villages near the Donetsk Airport, in Shyrokyne and other towns around Mariupol the shelling continues, as verified by OSCE Special Monitor Authority.

In the coming days, not weeks or months – here is what we need to see:

- A complete ceasefire in all parts of eastern Ukraine.
- Full, unfettered access to the whole conflict zone including all separatist-held territory, for OSCE monitors, and;
- A full pull-back of all heavy weapons—Ukrainian, Russian and separatist—as stipulated in the agreements, under OSCE monitoring and verification;

If fully implemented, this will bring greater peace and security in eastern Ukraine for the first time in almost a year. And with it, Ukraine will once again have unfettered access to its own people in the East, and the opportunity for dialogue and political normalization with them. That's what Minsk promises. Peace, then political normalization, then a return of the border. But first, there must be peace.

Russia's commitments under the Minsk agreements are crystal clear and again the choice is Russia's. As the President has said, we'll judge Russia by its actions, not its words. The United States will start rolling back sanctions on Russia only when the Minsk agreements are fully implemented.

But the reverse is also true. We have already begun consultations with our European partners on further sanctions pressure should Russia continue fueling the fire in the east or other parts of Ukraine, fail to implement Minsk or grab more land as we saw in Debaltseve.

Mr. Chairman, members of this committee, America's investment in Ukraine is about far more than protecting the choice of a single European country. It's about protecting the rules-based system across Europe and globally. It's about saying "no" to borders changed by force, and to big countries intimidating their neighbors or demanding spheres of influence. It's about protecting our 25 year American investment in the prospect of a Europe whole, free and at peace and the example that sets for nations and people around the world who want more democratic, prosperous futures.

I thank this committee for its bipartisan support and commitment.

**Testimony of
Principal Deputy Under Secretary of Defense Brian P. McKeon
Senate Committee on Foreign Relations
“U.S. Policy on Ukraine”
March 10, 2014**

Chairman Corker, Senator Menendez, Members of the Committee, I appreciate the opportunity to appear before you today.

The crisis in Ukraine continues. After more than a year of aggressive Russian action, the situation in Ukraine remains unstable. As the Committee is aware, last year Russia occupied the Crimean peninsula and subsequently has attempted to annex it. Today, Russia continues its participation and active support to separatists engaged in violence in eastern Ukraine. As Assistant Secretary Nuland informed you, the ceasefire under the terms of the Minsk Implementation Plan may be holding in many areas of eastern Ukraine, and we have seen some progress on withdrawals of weapons. However, ceasefire violations continue, almost all of them on the Russian and separatist side; this is not an “immediate and comprehensive ceasefire” as called for by the plan. We remain concerned that this may be a period of strategic pause -- a stalling tactic as a precursor to more violence as occurred before the most recent Russian and separatist assault in January. We call on Russia to stop "moving the goalposts", to uphold the ceasefire, and to allow Ukraine the freedom to choose its own path.

As you heard from Assistant Secretary Nuland, since the beginning of the crisis the United States has vigorously pursued a multi-pronged approach in response to Russia’s aggression in Ukraine. We have raised the costs to Russia for its actions, re-assured Allies of our unwavering support to their security, and provided tangible support to Ukraine to help it through the crisis. I wish to highlight the measures taken in each of these three areas, including actions taken by the Department of Defense.

Raising costs to Russia

First, working closely with Europe and other partners and Allies, the Administration has imposed real costs on Russia for its aggressive actions. We have worked diligently to isolate

Russia at the United Nations Security Council, we and our partners have suspended Russia's participation in the G-8. The Department of Defense halted defense and military cooperation with Russia. The Administration has also prohibited exports of sensitive technologies that could be used in Russia's military modernization and has imposed blocking sanctions on 18 Russian defense technology firms. Most important, the United States and its European allies have imposed a series of sanctions to raise the costs for Russia and Ukrainian separatists for their aggressive actions, including targeted sectoral sanctions in the Russian finance, energy, and defense sectors, which have had a substantial impact on Russia's economy.

Re-assuring Allies

Second, we are taking visible, concrete measures to reassure our Allies and partners in Europe and to deter further Russian aggression. Thanks to Congress, the European Reassurance Initiative, or ERI, is helping the Department to increase and sustain an enhanced U.S. air, sea, and ground presence in Europe and to improve facilities needed to reinforce Allies along the border with Russia. Additionally, ERI funds will be used to bolster our assistance to Ukraine and to the Baltic Allies.

As part of our reassurance measures, we have maintained a persistent presence of U.S. military forces in each of the Baltic States, Poland, and the Black Sea since April 2014. We tripled the number of U.S. aircraft taking part in our Baltic Air Policing rotation, provided refueling aircraft for NATO Airborne Warning and Control System missions, deployed U.S. Navy ships to the Black and Baltic Seas 14 times, and increased training flights in Poland.

In 2015, using ERI funds, the United States will increase its reassurance and deterrence efforts with additional measures, including:

- rotating an armored brigade to Europe for several months;
- prepositioning in Europe a second battalion-sized set of tanks and Bradley fighting vehicles;

- conducting additional bilateral and multilateral exercises and training with Allies and partners;
- deploying a squadron of U.S. Air Force A-10s to Europe for nearly six months;
- making infrastructure improvements to eight airfields;
- prepositioning fuel and ammunition; and,
- building the capacity of close partners such as Georgia, Moldova, and Ukraine to enhance interoperability to work alongside U.S. and NATO forces, as well as to provide for their own defense.

Similarly, NATO has taken concrete steps to reassure Allies and deter Russia. These measures are defensive, proportionate, and fully in line with the obligations under the North Atlantic Treaty to provide for Allied defense. NATO's deterrence measures have included:

- increasing the number of aircraft on air-policing patrols over the Baltics and the number of bases used for Baltic Air Policing;
- deploying aircraft to Bulgaria, Poland, and Romania for training and exercises;
- commencing AWACS surveillance flights over the territory of our eastern Allies;
- sending more ships to patrol the Baltic Sea, the Black Sea and the Mediterranean;
- deploying ground troops to the eastern parts of the Alliance for training and exercises, on a rotational basis; and,
- conducting over 200 NATO and national exercises in Europe in 2014.

Allies have also agreed to measures as part of NATO's Readiness Action Plan that will improve the Alliance's long-term military posture and capabilities, and ensure it is ready to respond swiftly and firmly to new security challenges. NATO Defense Ministers in February decided to enhance the NATO Response Force by creating a "spearhead force," known as a Very High Readiness Joint Task Force (VJTF), that will be able to deploy at very short notice. The VJTF consists of a land component of around 5,000 troops with an appropriate mix air, maritime and SOF units. It aims to strengthen the Alliance's collective defense and ensure that NATO has the right forces in the right place at the right time.

Efforts to support Ukraine

Third, we are providing substantial support to Ukraine as it deals with simultaneous economic and military crises. Ukraine has been a strong partner to the United States and NATO since its independence, and our security cooperation with Ukraine dates back to 1992. Such cooperation over the past two decades has paid dividends, as Ukraine has been a steadfast coalition partner in Afghanistan, Iraq, Kosovo, and Bosnia, as well as in counter-piracy operations off the Horn of Africa. During this time, the United States provided Ukraine with military training, professional education, communications equipment, and support for border control and counter-proliferation efforts. Unfortunately, the corruption of the Yanukovich regime starved Ukraine's Armed Forces of resources. But the neglect of the Armed Forces by the regime did not strip the military of its professionalism or its determination to fight.

Since the start of the crisis the United States has increased its security-related assistance to Ukraine. We have committed \$118 million in material and training assistance to Ukraine's military, National Guard, and Border Guard service. Under ERI, in FY 2015 we will dedicate at least another \$120 million including \$45 million for State Department security assistance programs. Our assistance has been consistent with identified Ukrainian needs and priorities, and it is vetted by our country team in Ukraine and by a flag-level U.S.-Ukraine Joint Commission that continuously assesses how to maximize the effect and impact of our security assistance. Key areas of material assistance include sustainment items, medical support, personal protective gear, secure communications, and perimeter security. We have also provided counter-mortar radar capabilities, which the Ukrainians tell us they have used to good effect.

Similarly, we also continue to conduct longstanding exercises such as Rapid Trident to increase interoperability among Ukraine, U.S., NATO, and Partnership for Peace member nations. The most recent Rapid Trident iteration in September 2014 included a multinational field training exercise and saw the participation of 15 countries and approximately 1,300 personnel.

Other measures remain under active consideration in the Administration, including the provision of additional security assistance. As the President has said, we are looking at all our

options, including the possibility of lethal defensive weapons. At the same time, we have made clear that we do not believe there is a military solution to the conflict in Ukraine, and are working actively to support the diplomatic track.

Conclusion

Russia's aggressive actions in Ukraine are a threat to a bipartisan objective of American policy since the end of the Cold War of seeking a Europe whole, free, and at peace. The United States will continue to work closely with our Ukrainian and European partners to counter these actions and to provide reassurance and support to our partners and NATO allies.

Thank you for the opportunity to be here today, and look forward to your questions.

*****EMBARGOED FOR DELIVERY*****

**Written Testimony of Treasury Assistant Secretary for International Finance
Ramin Toloui before the Senate Committee on Foreign Relations on
“U.S. Policy in Ukraine: Countering Russia and Driving Reform”
March 10, 2015**

Chairman Corker, Ranking Member Menendez, and members of the committee, thank you for the opportunity to testify today on the U.S. government’s actions to support Ukraine’s economy.

The objective of the U.S. and international economic assistance strategy toward Ukraine has been to support the efforts of President Poroshenko’s government to stabilize, revitalize, and restructure Ukraine’s economy. My remarks today will elaborate upon this economic and financial strategy, and its evolution over the past year in response to the conflict in eastern Ukraine. I would note at the outset that our efforts to mobilize the international effort to support Ukraine financially have been complemented by the work of others at the Treasury Department to impose costs on Russia for its aggressive actions in Crimea and eastern Ukraine that have exacerbated the challenges facing Ukraine’s economy.

ECONOMIC ASSISTANCE STRATEGY

Last spring, the United States, together with international partners, supported an international assistance package totaling \$27 billion. This assistance centered on a two-year \$17 billion International Monetary Fund (IMF) program, and also included a \$1 billion U.S. loan guarantee and \$2.2 billion from the European Union. In exchange for this support, the Ukrainian authorities committed to an ambitious economic reform agenda to reduce vulnerabilities and increase economic growth potential.

The IMF and other donors agree that Ukraine has lived up to its economic reform commitments. Over the last year, the Ukrainian government has initiated difficult and urgently needed steps to: reduce the general government deficit; reduce distortionary natural gas subsidies; improve targeting of social assistance to protect the most vulnerable; strengthen the rule of law and reduce corruption; increase transparency within the inefficient state-owned energy company; and initiate financial sector repair. In support of these efforts, Treasury technical advisors are providing the Ukrainian government with expert assistance in the areas of bank supervision and bank resolution, and government debt and liability management.

This was always going to be a challenging program of reform and adjustment. Unfortunately, the intensification of Russian aggression has created significant additional pressure on Ukraine’s economy and necessitated further international support to bolster the government’s reform efforts. The fragile security situation has eroded confidence, increased capital outflows, weakened the currency, and depleted foreign exchange reserves. The destruction of economic capacity in eastern Ukraine has driven a deeper and longer economic recession than previously estimated. As such, during the past few months, we have mobilized the international community to increase Ukraine’s support package by at least \$10 billion. As part of the international effort, the United States intends to provide a new \$1 billion loan guarantee in the first half of 2015,

provided Ukraine remains on-track with the reform program it has agreed with the IMF. If Ukraine continues making concrete progress on its economic reform agenda and conditions warrant, the U.S. Administration will also be willing, working with Congress, to consider providing an additional up to \$1 billion loan guarantee in late 2015. As part of this up-sized economic assistance package, the IMF now plans to support Ukraine through end-2018 with a larger gross financing package, allowing more time for the economy to adjust and for economic reforms to bear fruit. Also as part of this package, Ukraine has indicated that it will seek to work with creditors to adjust the profile of its debt to provide additional financial breathing room.

The next step in further driving this augmented international assistance effort is to secure IMF Board approval on March 11 for the new IMF program, which will unlock a large disbursement of IMF financing. Based on international support pledged to date, Ukraine's foreign exchange reserves are set to increase significantly over the next few weeks, which will bolster confidence and provide the authorities with space to further execute their ambitious reform agenda. To meet its reform requirements in advance of the IMF Board meeting, the Ukrainian government passed meaningful and difficult reform measures to improve public finances and reduce inefficient energy subsidies. Since these measures were taken, Ukraine's currency and capital markets have rebounded significantly. Provided that the authorities adhere to the reform program and the security situation does not deteriorate further, the IMF projects that Ukraine's economy will expand next year and foreign exchange reserves will rise substantially.

In view of the inherent uncertainties in the security situation, there continue to be risks. This year's intensification of the conflict has imposed severe damage on an already fragile economy — particularly the export-oriented regions of eastern Ukraine. Currency depreciation and deposit flight have put a strain on the banking sector, and significant structural damage has occurred within the Ukrainian economy. Overcoming these impacts and restoring market confidence will be challenging.

Amid these challenges, the Ukrainian government continues to demonstrate a strong commitment to an ambitious reform agenda, and deserves our continued support. Core U.S. and global security interests are at stake in Ukraine, and providing economic support to the Ukrainian government is an essential part of our strategy to respond to Russian aggression. As long as Ukraine's government continues to undertake the difficult reforms required to restore economic and financial stability, the international community must do all it can to help Ukraine succeed and be prepared to adapt its assistance strategy as required. And at the same time, the international community must continue to ensure that as long as Russia disregards its commitments and fuels violence and instability in Ukraine, the costs for Russia will continue to rise.

CONCLUSION

Chairman Corker, Ranking Member Menendez, and members of the committee, as with all emerging market crises, our assistance strategy is not without risk and the path to success is not without obstacles, particularly amid the current security backdrop. However, critical elements needed for success — an ambitious reform plan, a government and country committed to change, and a sizable international support package — are currently in place. To that end, we will

continue to work closely with the international financial institutions and our partners around the world to provide Ukraine the support it needs and enable Ukraine's people to achieve their economic aspirations. The strong backing of Congress has been a critical foundation to these efforts to support Ukraine, and we look forward to working closely together in the months ahead. I look forward to answering your questions.

Testimony SFRC March 10, 2015

John Kornblum

Senator Corker, Members of the Committee

I am honored to have been invited to join your hearing on the crisis in Ukraine. I was a frequent guest of this Committee and its members during the 1990's in my role as Assistant Secretary of State and Special Envoy to the Balkans. I look forward to our discussion of ways in which Russian strategy can be countered.

In those years, we cooperated to establish conditions for a peaceful, democratic transition for nations of the former Warsaw Pact. Congressional support for economic and humanitarian aid to Russia, the economic support funds extended to Eastern Europe and the tireless efforts of Senators Nunn, Lugar and many others to reduce the threat of nuclear weapons in the former Soviet Union, including in Ukraine, were essential to our success.

In the London Summit Declaration of July 6, 1990 NATO promised to "reach out to the countries of the East which were our adversaries in the Cold War and extend to them the hand of friendship." The London document also presented ideas for an important strengthening of the OSCE, which were agreed at the Helsinki Summit two years later.

First assessments of conditions in the former Warsaw Pact in 1990 were pessimistic to say the least. These countries had been stripped of their talent and identity and left with few of the structures of modern political or economic life.

But Western assistance and the dedication of their own peoples worked a near miracle. One-by-one the nations of Central Europe departed intensive care. Today, we can be proud of the secure and

prosperous democratic community of nearly one billion inhabitants which stretches from the East of Europe to the tip of Alaska.

Membership of both NATO and the European Union gave these countries the stability and the technical assistance necessary to succeed. It was in no way aimed at isolating Russia.

Many of the Russian leaders with whom we dealt in those years welcomed these efforts. They viewed the collapse of the Soviet Union as liberation rather than defeat. They embraced hopes for Western democracy as the best path to both security and freedom for their country.

I repeat this history, because it so contradicts the version of post-Cold War events we now often hear. Today it is our economic and political success which threatens Russia's authoritarian rulers, not our soldiers. Those who find logic in Russian criticism of Western behavior 20 years ago have perhaps not asked residents of Estonia or Slovakia how they feel about NATO expansion.

This is why the Russian counter attack, military and digital, has been so vicious. Current Russia leaders appear to view the growing encroachment of the Western way of life as an existential challenge.

I am one who favors military assistance to help Ukraine regain its footing. But I believe that a substantially expanded public presentation of the facts could be equally as important.

Why? Because at the moment, Putin's ability to control public perceptions is severely hindering efforts to stop the fighting and restore order in Ukraine. And, for the moment at least, the West is losing the rhetorical battle.

Russia has invested immense resources into applying the tools of globalization to a massive program of disinformation. It has combined nationalism within Russia, with the legend of a proud nation humbled by the evil West and added an extra dose of old fashioned anti-Americanism to shoot an unbroken stream of invective around the world.

Putin is also using the same methods to influence the self-styled Western “realists” who seem not to understand that Russia’s anger has little to do with NATO or European security structures. Bowing to Putin’s imperial pretensions will do nothing to redress the falling oil price, Russia’s failure to invest in new technology or the flow of talented scientists and technicians to the West.

In other words, the Russian attack on Ukraine has already expanded into what is probably the world’s first digitally managed diplomatic confrontation. Normal people, rich and poor are increasingly worried that they are losing control of their destinies to something called globalization. Putin has been able to harness these fears in a desperate effort to return the narrative to issues of the past.

He wants us to believe that the crisis is really about the way in which the West suppresses countries like Russia which don’t follow the American lead. However far-fetched it may seem, this image of Western betrayal is attractive to many non-European and even some European countries who also feel put upon by the West. The echo has helped Putin justify his unbroken flow of troops and materiel into Ukraine. At the same time, Russian aggression has provided Ukraine one thing which was so far lacking – national purpose. .

Unless the U.S. and its allies wrest the rhetorical high ground from Russia, Mr. Putin will be likely to become more arrogant and thus more dangerous. His sense of media control could ultimately make him over-confident and prone to disastrous mistakes. Senator Corker I congratulate you for your efforts to strengthen our information activities in the region.

Championing the need to ensure a democratic operating system for digital society is today the equivalent of our support for political democracy during the Cold War. The radical integration of the world through high speed information networks and modern logistics is redrawing the global geostrategic map before our very eyes.

Everyone, including Russia, will profit if we ensure that the principles of Western democracy are firmly established as the basis for global integration. If, however, we allow the debate to lend credence to those who reject the openness of Western values, it won't stop at Russia or Ukraine, or even in Europe. China is already mounting a counter attack. We could see the digital world rapidly deconstructing into competing cultural fiefdoms.

Above all this crisis demonstrates that in a networked world, there are no longer any unimportant far away countries. Every place on earth can become central to our concerns if the factors line up correctly. One of the main jobs of a new generation of digital diplomats will be to learn how to judge the factors which influence such network behavior better than we have done so far.

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US Senate Committee on Foreign Relations

Hearing on

U.S. Policy in Ukraine: Countering Russia and Driving Reform

March 10, 2015

Testimony by

Ambassador (Ret.) John E. Herbst

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Atlantic Council

Chairman Corker, Ranking Member Menendez, Members of the Committee, thank you for the invitation to speak this morning. It is an honor.

I have been asked to speak about the Kremlin's aggression in Ukraine and how the United States should counter this. In order to take on this subject properly, we need a wider focus. I will try to provide that wider focus here.

Over one year has passed since Moscow began its invasion of Ukraine, introducing to the world a new term: "little green men." Using these troops over 11 months ago, the Kremlin began its hybrid war in Ukraine's east. The political class in Washington, policy makers, and influence wielders are slowly coming to understand what is going on. In the most powerful capitals in Europe, the process is even slower. Only in the eastern reaches of Europe – Poland, the Baltic States, Romania, Moldova, Georgia — is the crisis in Ukraine properly understood. That is no surprise. Proper understanding of the crisis and an adequate response is essential for the very survival of these states.

Ukraine, the states of the former Soviet Union, NATO, and the EU face the problem of Kremlin revisionism. President Putin has stated on numerous occasions his dissatisfaction with the peace in Europe and Eurasia established at the end of the Cold War. He has at his disposal substantial means for acting on his dissatisfaction and most important of all, he has used those means. It is time policymakers in major capitals understood this.

The Post Cold War Order

What is the post-Cold War order that Mr. Putin finds so objectionable? It is the peace that emerged just before and after the dissolution of the Soviet Union with the following traits:

- the countries that were subservient to Moscow in the Warsaw Pact pursued independent internal and foreign policies;

- due to an agreement accepted by the leaders of Russia, Ukraine, Belarus, and Kazakhstan, the Soviet Union dissolved and its constituent republics became independent states. (It is important to note that this decision was taken exclusively by Russian and other leaders in the Soviet Union. The West played no part in this and then President George H.W. Bush even advised against it.);
- it was understood that disputes in Europe would be resolved only by negotiations and other peaceful means;
- the tensions and geopolitical competition that characterized 20th century Europe and made it history's bloodiest were a thing of the past;
- to reduce political tensions and to promote prosperity, European integration would continue, including the countries of the former Soviet bloc; and
- Russia and the West were now partners, and ever closer relations were in prospect.

The Putin Doctrine

Mr. Putin, senior Russian officials, and commentators have made their views of the post-Cold War order clear. In numerous statements Mr. Putin and other senior Russia officials have:

- called for a Russian sphere of influence in the former Soviet space;
- described Georgia, Ukraine, and now Kazakhstan as failed or artificial states;
- asserted Moscow's right and even duty to protect not just ethnic Russians, but Russian speakers wherever they happen to reside. (Russian speakers make up 25 percent of the population of Kazakhstan; as well as our NATO allies Estonia and Latvia. There are also significant Russian populations in countries that used to be part of the Soviet Union.); and
- called for new rules for the post-Cold War order, or "there will be no rules."

The Kremlin Tool Box for Undermining the Peace of Europe and Eurasia

To understand the challenges posed by a country, it is necessary to understand not only its intention, but also its potential. To his credit, Mr. Putin has overseen the rebirth of a strong Russia. He has accomplished this by establishing some stability in the political system; instituting sound fiscal policies; permitting, within certain limits, entrepreneurs to make business decisions; and inviting Western investors. He was also a major beneficiary of the rise of gas and oil prices.

Mr. Putin presides over the world's sixth-largest economy. He controls one of the world's two largest nuclear arsenals, the strongest conventional military in Europe, and the world's second-largest arms industry. In short, Mr. Putin's revisionist intentions are supported by a substantial economy—albeit one under pressure due to falling hydrocarbon prices—and one of the world's three most powerful militaries.

Were Moscow's attack on the post-Cold War order purely rhetorical, it would be problematic, but manageable. Unfortunately, this assault has been comprehensive. It involves Russia's information apparatus, intelligence services, criminal networks, business community, and military.

The heavily subsidized Russian media has been conducting a virulent anti-Western and particularly anti-American campaign for years. Mr. Putin's media have fanned xenophobia and intolerance throughout Russia. This campaign has been part of Mr. Putin's effort to 1) reduce the chance that the Russian people are attracted to democratic ideas, and 2) mobilize the Russian people to support his aggression in neighboring countries.

Russian intelligence services and connected criminal networks play an important part in Mr. Putin's efforts to undermine the post-Cold War order. First, we should note that the very organization of Moscow's intelligence agencies provides a clue to its intentions. The Soviet Union's intelligence service (the KGB) was split in half. The FSB was given responsibility for domestic security. The SVR was given responsibility for foreign intelligence. The fact that the independent states of the former Soviet Union were the responsibility of the FSB tells us what Moscow thinks of their independence.

A main purpose of the FSB—and the GRU, Russian military intelligence—is to penetrate the security organs of the neighboring states to ensure that they will promote Russian interests as defined by the Kremlin. That includes, as we have seen in Ukraine, making sure that the military, police, and intelligence will not mobilize against Russian-led insurrection or invasion.

Corruption, a major feature of Mr. Putin's Russia, is an important tool for the Kremlin in promoting its influence in the Near Abroad. The Kremlin understands that corrupt foreign officials are more pliant. Cooperation between Russian intelligence services and criminal organizations figures here. For instance, the siphoning off of vast resources from the gas sector into private hands has created a huge scandal in Russia and Ukraine. Shadowy companies—Eural Trans Gas, RosUkrEnergo—were set up as operators in a scheme put together by Semion Mogilevich, a major Russian crime boss.

As he consolidated power in Moscow, Mr. Putin established that Russian companies were subject to Kremlin control to promote objectives abroad. Gas and oil production is the heart of Russia's economy. Mr. Putin has used these assets to promote his foreign policy in a number of ways. He has built gas pipelines to Western Europe around Ukraine and even ally Belarus so that he can use gas as a weapon against these countries, while maintaining access to his wealthy customers in the West. He has hired shameless senior European officials to work as front men in his companies.

Gazprom has established business practices regarding the carrying of Central Asian gas in its pipelines and the delivery of gas to European customers that violate EU energy policy and maximizes Russian leverage in dealing with individual countries. For instance, Gazprom practices have made it harder for European countries to supply gas to Ukraine. This is done so that the Kremlin can punish Kyiv by cutting off the supply of gas. Lucrative arrangements with specific companies in select EU countries also build constituencies that will support Kremlin foreign policies.

As a last resort, of course, Mr. Putin has modernized and rebuilt the Russian military; and he has not hesitated to use it in pursuit of his revisionist objectives in Georgia and Ukraine.

The Kremlin Record Before the Ukraine Crisis

The crisis in Ukraine originated not in Ukraine, but in the minds of Mr. Putin and the Russian security elite that find the post-Cold War order unacceptable. While the broad extent of today's crisis is Mr. Putin's responsibility, its roots go back to imperialist thinking in Russian security circles since the dissolution of the Soviet Union.

In this respect, I commend to the committee Serhii Ploky's excellent work, "The Last Empire: The Final Days of the Soviet Union." Dr. Ploky describes how even Mikhail Gorbachev and Boris Yeltsin objected to Ukraine's 1991 referendum, in which 91 percent of the Ukrainians, including 54 percent in Crimea, voted for independence from the Soviet Union (and Russia). It is worth noting, too, that when the results of the Ukrainian referendum became clear, these two relatively liberal Russian politicians began to assert Moscow's right to protect Russians in Ukraine—the same "principle" that Mr. Putin has been using to justify his aggression.

From the very first days of the post-Soviet world, Moscow's security services developed the "frozen conflict" tactic to limit the sovereignty of its neighbors. It supported Armenian separatists in the Azerbaijan region of Nagorno-Karabakh in order to exert pressure on Azeris, South Ossetians, Ajarians, and the Abkhaz in Georgia to pressure Tbilisi, and the Slavs in Transnistria to keep Chisinau in check. For those who mistakenly blame current tensions with Moscow on the West, it is worth noting that Moscow had its frozen conflicts policy in place before discussions of NATO enlargement.

Russian activity in the Near Abroad in the 1990s was just a prelude to Mr. Putin's policies. He unleashed a massive cyber attack on Estonia in 2007 to express his unhappiness with a decision to take down a memorial to the Red Army in Tallinn. This attack took full advantage of the security service-criminal nexus in Russia described above. (Due to corruption, Russia, a nation rich in mathematicians, has not produced a world-class cyber company, but it does have the world's best hackers.). While it was clear that the attack in Estonia originated in Moscow, the West chose not to state this clearly or to make it an issue in its relationship with Mr. Putin.

In 2008, Moscow provoked a conflict with Georgian President Mikheil Saakashvili and used its army to defeat the Georgian military. In that same year, Moscow recognized Georgia's breakaway regions as independent. Moscow's aggression was condemned in the West, albeit to varying degrees. It is both amusing and sad to note in retrospect that then French President Nicolas Sarkozy agreed to sell Moscow the Mistral aircraft carrier as a reward for observing the ceasefire that he had negotiated.

This episode revealed a weakness of Western diplomacy toward Russia that Mr. Putin has been exploiting regularly in the current Ukrainian crisis. Mr. Putin commits an act of aggression, threatens further aggression, and then graciously accepts Western gifts in exchange for not escalating the violence. While the American response to Mr. Putin's aggression was not craven, President Obama launched his naive reset with Mr. Putin only a year after the Georgian war.

Mr. Putin's Ukraine Adventure and the West's Reaction

Mr. Putin's adventure in Ukraine began when he decided at some point in 2013 that it would be unacceptable for Ukraine to sign a trade agreement with the EU. This prospect had not

disturbed him in the past. When I served as Ambassador in Ukraine, it was clear that Moscow strongly opposed NATO membership for Ukraine, but it had not taken a position against EU membership for the country. And of course, the prospective trade agreement was a good deal short of membership. It is important to remember this when reading the arguments of those who claim that this crisis is actually due to NATO enlargement.

Most Ukrainians, including then President Yanukovich, who was often described as pro-Kremlin (a simplification), wanted the EU deal. Partly due to Kremlin pressure — Moscow had been banning Ukrainian exports — Mr. Yanukovich backed away from the trade deal in late November 2013. The next day, there were tens of thousands of demonstrators on the streets of Kyiv protesting this decision. When Mr. Yanukovich tried to clear the streets with strong-arm policing, he roused hundreds of thousands of demonstrators, tired of his corrupt and increasingly authoritarian rule. Mr. Putin's offers of lower gas prices and a loan of \$15 billion did not satisfy the demonstrators. For two months Mr. Yanukovich alternated between police methods and inadequate concessions to persuade the protestors to go home. He failed. Sergei Glaziyev, Mr. Putin's principal adviser on Ukraine, was publicly urging Mr. Yanukovich to use force to deal with the protesters.

Finally in late February 2014, Mr. Yanukovich either permitted or ordered the use of sniper fire to terrorize the protesters into leaving the streets. A hundred people died as a result. But the demonstrators did not leave the streets; they were enraged and Mr. Yanukovich's political support collapsed. He fled the country a few days later for Russia.

In response, the Kremlin launched its invasion of Crimea with "little green men," who looked like and were equipped like Russian soldiers, but without the insignias and flags of the Russian military. The U.S. and Europe placed some mild economic sanctions on Russia in response. They were also making every effort in private diplomacy and public statements to offer Mr. Putin an "off ramp" for the crisis. That the West had such a tender regard for Mr. Putin's dignity was not unnoticed in the Kremlin and certainly made Mr. Putin's decision to launch his hybrid war in the Donbass easier. The Sarkozy model was holding and has yet to be broken.

Since Mr. Putin launched his decreasingly covert war in Ukraine's East, he has escalated his intervention several times. It began last April with Russian leadership, arms, and money. When Ukraine launched its counteroffensive under newly elected President Poroshenko last June, the Kremlin sent in increasingly sophisticated weapons (including the missile system that shot down the Malaysian airliner in July), more mercenaries (including the Vostok Battalion of Chechens), and finally the Russian army itself in August. Only the use of regular Russian forces stopped the Ukrainian counteroffensive. Throughout this period, the West was slow and weak in confronting the Kremlin. For instance, the G-7 leaders had warned Mr. Putin in early June that if he did not cease his intervention in Ukraine by the end of the month, Russia would face sectoral sanctions. Yet by the end of June, despite the introduction of major Russian weapons systems into Ukraine, there was no more talk of sectoral sanctions. Only the downing of the Malaysian passenger jet in July and the invasion by Russian troops persuaded the Europeans to put those sanctions in place.

After the regular Russian forces defeated the Ukrainian army in early September, Germany and France helped negotiate the Minsk I ceasefire. However, Russia repeatedly violated its agreement by introducing more military equipment and supplies into Ukraine and taking an

additional 500 square kilometers of Ukrainian territory. This escalated aggression did not lead to any additional sanctions last year.

Despite the Russian offensive that greeted the New Year, EU foreign policy chief Mogherini was floating the idea of easing sanctions. As the violence increased, Ms. Mogherini dropped the subject. But in February, Germany and France helped negotiate a new ceasefire, Minsk II, with terms far worse for Ukraine. Mr. Putin certainly enjoyed this process. The Sarkozy pattern was unbroken. For violating Minsk I, Mr. Putin received a much more favorable ceasefire, which he promptly violated by seizing the strategic town of Debaltseve. And why not? While Western leaders huff and puff at each new Kremlin aggression, they hope out loud that this is the last one. And then, occasionally they levy additional sanctions on Russia.

What the West Should Expect Next From the Kremlin

Nowhere has Mr. Putin stated clearly what he needs to stop his war against Ukraine. Western leaders have fallen all over themselves offering solutions publicly and privately to assuage the Russian strongman, but to no avail. There is a simple reason for this. Mr. Putin's objective in Ukraine is, at a maximum, to establish a compliant regime in Kyiv. This is something that he cannot achieve, because a large majority of Ukrainian citizens despise him for the bloody war that he unleashed. His minimum objective is to destabilize the country, so that it cannot effectively reform itself and orient its policy toward Europe.

Mr. Putin has not stated these objectives formally, because they are things he cannot admit in polite society. But destabilizing Ukraine means that he cannot sit still in the territories that have already been conquered by his proxies. He has to continually stir the pot by military action and/or terrorism/subversion. A good example of terror was the bombs set off in Kharkiv that killed demonstrators at last month's rally honoring those killed by snipers on Kyiv's Maidan Square.

Leaders in Washington, London, Berlin, and Paris need to understand what their counterparts in Warsaw, Riga, Tallinn, and Vilnius understand: that Kremlin ambitions go beyond Ukraine. If the West does not stop Mr. Putin now, they will find him revising the post-Cold War order elsewhere. It is time to break the Sarkozy pattern.

Mr. Putin is not hiding his ambitions. While we do not know precisely where he may move next, we know the candidates. The Kremlin has proclaimed its right to a sphere of influence throughout the post-Soviet space, as well as its right to protect ethnic Russians and Russian-speakers wherever they reside. This just happens to include the entire post-Soviet space, including some countries that were never part of the Soviet Union, but were members of the Warsaw Pact. Kazakhstan's Russian-speaking Slavic community is 25 percent of its population. The same is true in Estonia and Latvia.

Last August, Mr. Putin called Kazakhstan an artificial country created by the genius of President Nazarbayev. Mr. Putin noted that Russians in Kazakhstan faced no ill treatment under President Nazarbayev, but speculated that problems could arise once he passes the scene. Kazakhstan's Slavs are located along the border with Russia, in areas that contain a good percentage of the country's oil resources. Just as the West's weak reaction to Moscow's Georgian invasion emboldened Mr. Putin to strike in Ukraine, so too will a Western-tolerated Kremlin victory

in Ukraine endanger the former states of the Soviet Union. Is that an acceptable outcome for Western statesmen?

The danger goes beyond the grey zone, to states that enjoy membership in the EU and NATO. While never recognized by the United States, Estonia, Latvia, and Lithuania were incorporated into the Soviet Union; and two of those states have large Slavic communities. A good number of serious thinkers and statesmen say that Mr. Putin's reach will not extend to the Baltic States, because they are members of NATO and have Article 5 protection under the NATO Charter. That is, of course, a critical deterrent, but does Mr. Putin understand this?

Mr. Putin has wondered publicly, as have other senior Russian officials, why NATO is still in existence. After all, they opine, it was created to stop the Soviet Union, which dissolved 25 years ago. It is no secret that the Kremlin would like to weaken the alliance. Mr. Putin has been playing games in the Baltics to probe for weaknesses and to challenge the applicability of Article 5. The list is not small. In 2007, he unleashed the devastating cyber-attack on Estonia. Last September, on the day that the NATO summit ended (two days after the visit of President Obama to Tallinn), the Kremlin seized an Estonian counter-intelligence officer from Estonia. A few weeks later, Russia seized a Lithuanian ship from international waters in the Baltic Sea.

What the United States and the West Must Do

First, Western leaders need to understand the nature of Mr. Putin's threat. In charge of one of the world's most formidable militaries and a large economy, he is intent on upsetting the post-Cold War order. He represents a threat to global order far larger than ISIL, and notably larger than a radical-Mullah-run Iran seeking nuclear weapons. NATO statesmen who labeled ISIL and not Russia an existential threat to the alliance will be figures of fun for future historians.

Recognizing this means that we will cease to take seriously the argument that we must let Mr. Putin violate the sovereignty of multiple neighbors in order to get his help with Iran and ISIL. It would also mean that we would spend more resources dealing with the Kremlin menace than we devote to ISIL.

This last point is especially important in the intelligence area. The intelligence resources that we devote to an aggressive nuclear superpower is significantly less than what we use to monitor a rag tag bunch of terrorists numbering no more than 20,000. It also matters when looking at financial and military support for Ukraine, as we will discuss below.

If we understand that Mr. Putin's ambitions extend to the entire post-Soviet space, including perhaps our Baltic NATO allies, we recognize that we have significant interest in stopping Mr. Putin's aggression in Ukraine. We do not want Mr. Putin's grasping hand extending to additional countries, and we have a vital interest in stopping him if he moves against Estonia, Latvia or Lithuania. It is very much in our interest to make his life so uncomfortable in Ukraine that the Kremlin thinks twice about additional aggression.

First, on Ukraine.

Sanctions

In Ukraine, our short and middle term objectives should be to prevent further Russian aggression, which will allow President Poroshenko to reform and develop Ukraine in peace. That is not easy to do, since Mr. Putin's plan is precisely the opposite, to keep the pot boiling. Our policy should not be to refrain from taking any "provocative" action, in the hopes that this time the Kremlin will actually observe the Minsk II ceasefire. This approach has failed multiple times for over a year. It guarantees that the crisis will escalate, because the only world leader who believes that there is a military solution to the Ukraine crisis has an office in Red Square.

To increase the odds that Mr. Putin does not move beyond the current ceasefire line, we must address his vulnerabilities. He has at least two. First of all, his implicit deal with the Russian people is that he delivers prosperity and they let him rule the country. The Russian economy is under serious pressure today because of the sectoral sanctions levied last summer by the U.S. and EU, in addition to the sharp fall of hydrocarbon prices. The sanctions will bite harder with time, especially if oil prices remain low.

The last serious sanctions were put in place last September. Since then, Moscow has taken over 500 square kilometers of additional Ukrainian territory and violated both the Minsk I and II ceasefires. For that, both the U.S. and the EU should either level additional sectoral sanctions or extend last year's sectoral sanctions. In response to the latest Kremlin aggression, the EU renewed some sanctions imposed last spring early. That was not enough. Besides additional major sanctions for the substantial aggression over the past six months, it is time for the U.S. and Europe to take the initiative. Specifically, they should reach agreement on new sanctions that will be imposed if the Kremlin's proxies seize Mariupol or any additional territory in Ukraine. This might serve as a deterrent for the Kremlin.

Part of this deterrent could include a public discussion of removing Russia from the SWIFT system of financial payments. Actually barring Russia from SWIFT would have a devastating impact on Moscow's economy; it would also be controversial globally. But an effort by the U.S. to put it on the agenda would create substantial pressure on Moscow and encourage the Europeans to be less cautious in applying additional sectoral sanctions.

It is important to note here that the Obama Administration has done a good job in regards to sanctions. It understands that the key to success is to make sure that both the U.S. and the EU sanction Russia. I fully understand that there is reluctance in corners of the EU to do so. The administration has worked hard, and largely with success, to impose sanctions in tandem with Europe. But as described above, the process has been too slow.

Military Assistance

Mr. Putin's second vulnerability concerns the use of his army in Ukraine. While his media have spread a sea of vitriol among the people of Russia, it has not been able to persuade them that Russian troops should be used in Ukraine. Since last summer, numerous polls by Moscow's Levada Center have shown that a large majority of the Russian people oppose using troops in Ukraine. Since his people do not want Russian troops in Ukraine, he is telling them that no troops are there. He is lying to his people. Thousands of regular Russian troops were used in August and September to stop Ukraine's counter-offensive. Our intelligence now estimates that there are anywhere from 250 to 1,000 Russian officers in Ukraine. Ukrainian intelligence claims that there are as many as

9,000 or 10,000 Russian troops in Ukraine. I am not endorsing the higher figures. I do believe, however, that since we are not devoting enough intelligence assets to the Russia menace, our numbers are far from certain; and if they err, it is likely on the low side.

In any case, Russian casualties are a vulnerability for Mr. Putin. He is burying his dead in secret. More casualties make this harder to do. What this amounts to, is that we should give Ukraine defensive, lethal aid, so that it may defend itself.

I was one of a group of eight former U.S. officials who issued a report urging the Obama Administration to provide \$1 billion in defensive arms, including lethal equipment, to Ukraine for the next three years (<http://www.atlanticcouncil.org/publications/reports/preserving-ukraine-s-independence-resisting-russian-aggression-what-the-united-states-and-nato-must-do>). For a major national security priority, \$1 billion a year is not a great deal of money. In the first six months of Operation Inherent Resolve against ISIL, the U.S. spent \$1.5 billion.

The purpose is to deter further aggression — and to stabilize the situation in the rest of Ukraine. Opponents of this idea argue that this would not deter the Mr. Putin, because the Kremlin has escalation advantage, and Ukraine is more important to Russia than the U.S. It may be true that Ukraine is more important to Moscow than Washington, but it is not more important to Moscow than to Kyiv. Kyiv and the Ukrainian people will continue to fight the aggressors. Why do we want to disadvantage the victim of aggression by denying them arms?

Some opponents of providing weapons argue that Kremlin military strength means that it can defeat any weapons system we provide. And if that happens, it would be geopolitical defeat for the U.S. This is simply false. We can pursue a policy of weapons supply without taking responsibility for securing Moscow's defeat. We can provide weapons while making clear that we have no intention of using American troops. This was the successful rationale behind the Reagan Doctrine, which challenged Soviet overreach in Third World conflicts around the globe by providing weapons.

The last point is this. If we understand that Mr. Putin's aim of revising the post-Cold War order may mean aggression in countries beyond Ukraine, it is very much in our interest to make his experience in Ukraine as painful as possible. That will make him more vulnerable at home and will leave him with fewer resources for mischief elsewhere.

The Obama Administration is reviewing its position on weapons for Ukraine. Many senior figures in the Administration support this. It is time for the White House to make the decision to send weapons to Ukraine. Chancellor Merkel made clear during her visit to Washington last month, that while she opposes the supply of weapons to Ukraine, she would work to ensure that such a decision by the US did not undermine transatlantic unity.

Such military equipment must include light anti-armor weapons — the massing of Russian tanks was critical as Moscow's proxies seized Debaltseve in violation of Minsk II — and counter battery-radar for long range missiles. 70 percent of Ukrainian casualties come from missile and artillery fire. The report also recommends sending armored Humvees, secure communications equipment, equipment to jam Russian unmanned aerial vehicles, and medical supplies.

Within the U.S. Government, Congress has taken the lead on the supply of weapons for Ukraine, when it passed the Ukraine Freedom Support Act. That bill authorized the expenditure of USD 340M for weapons. Congress may need to act once again. But this time it is essential to pass

legislation that both authorizes and appropriates USD 3B over three years. This is the most pressing national security danger at the moment. Congress needs to appropriate resources.

There is also a critical economic element in the Ukraine crisis. This involves both comprehensive reform in Ukraine and Western assistance to help Ukraine pay its short term international debt. I have not dwelt on this here because this testimony focusses on the broader Kremlin danger. But it is important to note that the West needs strongly encourage the Poroshenko/Yatsenyuk team to implement reform and provide the necessary financing on the debt problem.

In addition, while focusing on stabilizing the security situation in Ukraine's East, the West must not recognize in any way Moscow's annexation of Crimea. The U.S. and Europe can support the people of Crimea by:

- maintaining the sanctions already passed in response to the Kremlin's taking of Crimea;
- refusing to confer legitimacy on Moscow's control of Crimea, just as the U.S. refused accept the to recognize the Soviet Union's "incorporation" of the Baltic States after the signing of the Molotov-Ribbentrop Pact;
- passing legislation forbidding its citizens and companies from conducting business with Russian authorities and companies in Crimea, except when the government of Ukraine agrees;
- making sure that their courts are open to suits by the government, companies, and citizens of Ukraine for the use of Crimean assets and resources by the Russian government and others not authorized by the government of Ukraine.

Countering Revisionism Beyond Ukraine

The U.S. must act in two different geo-political areas beyond Ukraine to deal with Moscow's revanchist tendencies. Most importantly, we must act decisively to strengthen NATO and deterrence in the new members of the Alliance, especially the Baltic States. Since the Kremlin offensive in Ukraine's East began last spring, NATO has taken a number of positive steps in this direction. Last April, the Pentagon deployed infantry units of 150 troops to Poland, Estonia, Latvia, and Lithuania. This is a "persistent," but rotating deployment. Washington is also planning on deploying 150 Abrams tanks and Bradley fighting vehicles to Poland. Air patrols in the Baltic States have tripled in the past year. And more NATO ships are entering the Black Sea than in the past.

These are all good measures. So too was the decision at the Wales summit to create a rapid response force that could deploy 5,000 soldiers within 48 hours; and the decision by NATO defense ministers last month to place some headquarters' functions in Bulgaria, Romania, Poland, and the Baltic States.

Still, two more steps are needed in the short term. First the deployment thus far is too small. During the Cold War, our "trip wire" force in Germany was 200,000 troops. We should put forward in the Baltics at least a fully equipped battalion. Of even more importance, we need a quickly but carefully worked contingency plan for the appearance of Kremlin provocateurs among the Slavic population of Estonia or Latvia. This plan should include elements for small provocations, such as the kidnapping of the Estonian intelligence official. We should also work

within the Alliance to achieve agreement to formally review the NATO-Russia Founding Act if Moscow's proxies seize significant territory in Ukraine.

The second area that requires a new policy is that grey zone in Eastern Europe, the Caucasus, and Central Asia where Moscow claims a sphere of influence. Do Western policymakers believe that Moscow has a right to order things in this area as it chooses – never mind the preferences of the other states? If not, the U.S., NATO, and the EU need to consider measures that will strengthen these countries. Some are relatively simple. Countries interested in a stronger U.S. and/or NATO security connection would certainly welcome more American or NATO military visits. For Georgia that might mean more port visits by a more proactive NATO presence in the Black Sea. In Central Asia, that might mean more CENTCOM visits for Uzbekistan. We might enhance cooperation with all interested Central Asian states in offsetting the potential destabilizing impact of our withdrawal from Afghanistan. While this may seem counterintuitive, this last initiative need not exclude the Kremlin. Indeed we can also help strengthen some nations on Russia's periphery by projects that include the Kremlin. This would also demonstrate that our policies are designed not just to discourage Kremlin aggression, but also to seek cooperation on matters of mutual interest.

Policy in the grey zone should also focus on state weaknesses that Moscow exploits in order to exert its control. As discussed above, the Kremlin uses its intelligence services to recruit agents in the power ministries of the post-Soviet states; and it uses its firms to acquire key sectors' of these countries' economies and to buy political influence. With interested countries, the U.S. and NATO should offer programs to help vet the security services and military in order to establish that they are under the full control of the political leaders in these states. At the same time, the U.S. and the EU offer programs to uncover corruption in the financial and other sectors' of these countries' economies.

A Final Policy Recommendation

There is one more element of Mr. Putin's aggressive policy that needs to be addressed: the weaponization of information. An admitted admirer of Nazi propagandist Joseph Goebbels, Mr. Putin has gained nearly complete control over the Russian media and turned it into an instrument promoting extreme nationalism. Its disinformation has been successful especially at home, but also in neighboring countries. The budget for broadcasts by Radio Free Europe and Radio Liberty in Russian and other languages of the former Soviet Empire was sharply curtailed after the dissolution of the Soviet Union. At the time, that made sense. It no longer does.

In response to the crisis in Ukraine, the Broadcasting Board of Governors (BBG) in FY15 increased its budget for Russian-language programming by 49 percent to USD 23.2M. It will be asking for an additional USD 15.4M for FY2016. I would certainly endorse this request for additional funds, but would also suggest that Congress reach out to the BBG to see if, in fact, more resources are not required.

A Kremlin Problem, Not a Russia Problem

The challenge that we face is rooted in Mr. Putin's style of leadership, a style which privileges the security services, with their neo-imperial policy preferences, criminal connections,

and disdain for civil society and democracy. None of the policies recommended in this paper are directed against the people of Russia. The assassination of Boris Nemtsov last month is a reminder of a truth uttered by the great Russian historian, Vasily Klyuchevskiy, in his lectures on Russian history. He observed that the expansion of the Russian state abroad is inversely proportional to the development of freedom for the Russian people. In other words, expansion abroad means repression at home. That is certainly the pattern that Mr. Putin has established. Opposing Mr. Putin's aggressive policies is not only vital to our national security, but a service for the Russian people as well.