

**Opening Statement of the Honorable Ed Royce (R-CA), Chairman  
House Foreign Affairs Committee Hearing on  
“Russia’s Destabilization of Ukraine”  
May 8, 2014**

Despite the warnings issued and sanctions imposed by the U.S. and our allies, Russia continues its aggression against Ukraine. This is a crisis, with violence intensifying. The presence of heavy weapons and the downing of Ukrainian helicopters betray the Russian claim that it is not behind the unrest. Unfortunately, Vladimir Putin appears to have calculated that the price will be bearable. This has to change.

The Ranking Member and I led a delegation to Ukraine last month, where we heard, loud and clear, the desire for strong American leadership.

Fortunately, we have something to work with. The Russian economy is weakening due to the Ukraine crisis:

- Russia's own central bank has said that \$63.7 billion in capital fled the country in the first quarter, a figure that the IMF predicts will reach \$100 billion by the end of the year.
- the Russian stock market has lost 25 percent of its value, and the ruble has also lost much of its value as interest rates have risen;
- the World Bank has warned that Russia’s growth rate could become *negative*.

Much of this economic weakness is driven by the political risk of doing business in Russia. Investors hate risk. We should do more to increase their risk perception.

We must stop reacting to Putin’s moves, while waiting patiently for the Europeans to join us. Instead, we must adopt a proactive strategy that will convince Putin that his aggression will have a significant and lasting cost to the Russian economy, and ultimately, his rule.

We must also undermine Russia’s ability to use its oil and gas exports to offset its economic weakness. Oil and gas make up over half of Russia’s national budget. Putin understands that he is vulnerable to even small reductions in energy revenues.

To accomplish this longer-term goal we must enhance energy efficiency in Ukraine and other countries that have traditionally depended on subsidized Russian energy exports, assist European countries in developing their own energy resources, such as shale in Ukraine, and bring new sources of energy to the European market—including through expediting the approval of LNG export facilities and ending the U.S. ban on crude oil exports.

By allowing abundant U.S. energy resources to flow to Europe, we can help end energy dependencies on Russia, helping to weaken Moscow’s economic and political grip of its neighbors.

We must also expand and sharpen our international broadcasting to Russia, Ukraine, and others in the region in order to counter the propaganda that Moscow is peddling to spread instability and fear that it can then exploit. This Committee just passed, and the President signed, legislation to improve broadcasting to Ukraine. We are in an information war, and are looking to see what else is needed.

It is essential that the U.S. reinforce our defense commitment to our NATO allies, such as Poland, Lithuania, Latvia, and Estonia, to ensure that Putin does not miscalculate and initiate a far more serious confrontation. But our NATO allies must take long overdue steps to increase their defense spending.

I fear that our failure to match our warnings with equally strong action has undermined our credibility. It is my hope that we can restore our credibility by convincing Putin that he is indeed risking his future in pursuit of objectives that are unworthy of a great nation.