

Victoria Nuland
Assistant Secretary
Bureau of European and Eurasian Affairs
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Written Testimony

Chairman Royce, Ranking Member Engel 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 your bipartisan engagement, Ukrainians deeply appreciate this committee’s support on behalf of their country’s security, democracy, sovereignty and future prosperity.

We also share your sadness and outrage over the murder of freedom fighter, Russian patriot, and friend, Boris Nemtsov, who was senselessly gunned down in central Moscow last week. The outpouring of concern from Congress, including this Committee, again demonstrates bipartisan U.S. respect for those in Russia and across the region who are working for reform, clean government, justice and dignity.

Today Ukraine is central to our 25 year Transatlantic quest for a “Europe whole, free and at peace.” With your permission, I’d like to focus on three challenges. First, I’ll focus on the work Ukraine is doing—with U.S. and international community support—to build a more democratic, independent, European country. Second, I will address both the opportunity Russia has to implement the February and September 2014 Minsk Agreements as well as the further costs the United States and our European allies and partners will have to impose if Minsk is further violated. Finally, I will talk about other new threats to European security –energy vulnerability, corruption and propaganda –that the Ukraine conflict brings into high relief and what we’re doing to address them.

First – a quick reminder of why we’re here. Fourteen months ago, the 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—while under siege; and undertaking deep and comprehensive economic and political reforms.

In the four months since the new Rada was sworn in, it has been a hive of activity, passing important but difficult economic reforms just two days ago which will help to stabilize the economy and support the swift disbursement of additional support by the IMF and other international donors. The parliament has passed laws to enhance transparency in public procurement; reduce government inefficiency and corruption; make the banking system more transparent; and measures to improve the climate for business and attract foreign investment. New laws passed recently by the Rada will clean

up Ukraine's energy sector while bringing parity between state-owned and private energy companies to enhance competitiveness. The Rada is also moving forward on political decentralization to give Ukraine's regions more authority in advance of local elections this October. Previous action by the Rada and the Cabinet includes: the creation of a new anti-corruption agency, steps to strengthen the Prosecutor General's Office to go after more offenders; making strides on judicial reform; and standing up a new police service in Kyiv.

As Ukraine has stood up, the United States and our European allies and partners have stood with her – supporting programs to keep homes warm, secure more of the border, protect citizens' rights and to meet urgent defensive, non-lethal needs of the Ukrainian military and security forces. Since the crisis began, the United States provided almost \$355 million in foreign assistance—in addition to the May 2014 \$1 billion loan guarantee—to strengthen energy security; insulate Ukraine's poorest citizens from the impact of rising gas costs; help fight corruption; strengthen the Ukrainian border guard and military—\$118 million in security support alone—and to support political reforms, elections and cleaner government.

And there's more 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. Today we are working with Europe, the Ukrainians, and the IMF to strengthen the country's economy and support implementing the government's reform plan, including a new \$1 billion U.S. loan guarantee. 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 loan guarantee of up to \$1 billion in late 2015 .

Which brings me to my **second** point –even as Ukraine began building a peaceful, democratic, independent nation across 93% of its territory, Crimea and parts of eastern Ukraine suffered 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, LGBT citizens and others. In eastern Ukraine, Russia and its separatist puppets unleashed unspeakable violence and pillage; MH17 was shot down; hundreds of Russian heavy weapons and troops poured across the border, fueling the conflict; 16 Russian uninspected “humanitarian convoys” entered Ukraine in violation of agreements with the Ukrainian government, the ICRC and the international community; Donetsk airport was obliterated; Nadiya Savchenko languishes in a Moscow jail on day 82 of her hunger strike; Debaltseve, a key rail hub beyond the ceasefire lines, fell to the separatists and Russian forces six days **after** Minsk was signed, following a vicious assault that resulted in over 500 deaths, according to the UN; overall, 1.7 million Ukrainians have been forced to flee their homes; and over 6000 have lost their lives.

This is a manufactured conflict – controlled by the Kremlin; fueled by Russian tanks and heavy weapons; financed at Russian taxpayers' expense and costing the lives of young

Russians whose mothers, wives and children are told not to investigate their deaths too closely if they want to receive benefits.

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 sanctions on investment that, if you bite off a piece of another country, it will dry up in your mouth. Our unity with Europe remains the core 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 12 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 the promise of peace, disarmament, political normalization and decentralization in eastern Ukraine and the return of Ukrainian state sovereignty and control of its territory and borders. The package—if implemented—represents a fair deal brokered and agreed to by all sides. 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; 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. Progress is fragile.

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. They are getting this access in Ukrainian government controlled territory, but the separatists to date have allowed only sporadic access at agreed times on major roads, 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, these steps will bring peace, true quiet to eastern Ukraine for the first time in almost a year. And it will allow Ukraine access and the opportunity for dialogue and political normalization with its own people.

Russia's commitments under the Minsk agreements are crystal clear and again the choice is Russia's. The United States will start rolling back sanctions on Russia only when the Minsk agreements are fully implemented.

As the president has said, we'll judge Russia by its actions, not its words. 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've seen in Debaltseve.

Finally, as this committee knows, traditional military force is only one of the threats to European security. There are others: the danger of overdependence on energy from an unreliable and, at times, hostile neighbor; the cancer of corruption that weakens institutions and undermines security and sovereignty; and the Kremlin's pervasive propaganda campaign poisoning minds across Russia, on Russia's periphery and across Europe. We are working across all fronts to harden European resilience to these vulnerabilities.

On energy security—project by project—we are working with the EU and key countries to change Europe's energy landscape to make it more secure, resilient and diverse; first, by working with European Allies to increase reverse flow capacity from Slovakia, Poland and Hungary to Ukraine; then, by building out LNG infrastructure in Northern Europe and the Baltic states; and now working to establish interconnectors, new pipelines and LNG networks in Southern Europe to provide energy options to Bulgaria, Croatia, Hungary, Serbia and other countries in Central Europe and the Balkans.

On corruption—we are working with governments, civil society, and the business community across Central and Eastern Europe and the Balkans to close the space for dirty money to undercut democratic institutions and pervert the business environment. And with these efforts, we're also helping to protect these nations' sovereignty from malign outside influence.

And on Russia's propaganda, we're working with the Broadcasting Board of Governors to ramp up efforts to counter lies with truth. This year, the BBG is committing \$23.2 million to Russian-language programming, a 49 percent increase over FY14, and is requesting an additional \$15.4 million for FY16. We are also requesting more than \$20 million in foreign assistance and public diplomacy funds to counter Russian propaganda through training for Russian-speaking journalists; support for civil society watchdogs and independent media; exchange programs for students and entrepreneurs; and access to fact-based news on the air, on front pages and online.

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.