

**UKRAINIAN REFORMS TWO YEARS
AFTER THE MAIDAN REVOLUTION
AND THE RUSSIAN INVASION**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

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CONTENTS

	Page
Corker, Hon. Bob, U.S. Senator From Tennessee	1
Cardin, Hon. Benjamin L., U.S. Senator From Maryland	2
Nuland, Hon. Victoria, Assistant Secretary, Bureau of European and Eur- asian Affairs, U.S. Department of State, Washington, DC	4
Prepared statement	7
Response to a Question for the Record Submitted to Assistant Secretary of State Victoria Nuland by Senator Edward Markey	52
Ian J. Brzezinski, Senior Fellow, Brent Scowcroft Center on International Security, Atlantic Council, Washington, DC	29
Prepared statement	31
Herbst, Hon. John E., former U.S. Ambassador to Ukraine, Director, Dinu Patriciu Eurasia Center, Atlantic Council, Washington, DC	35
Prepared statement	37

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TUESDAY, MARCH 15, 2016

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:03 a.m. in Room SD-419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Flake, Perdue, Gardner, Isakson, Barrasso, Cardin, Menendez, Shaheen, and Kaine.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order.

I want to thank our distinguished witness for being here and our panel that is coming after this. We appreciate all of the input on Ukraine we can get.

And to our Secretary, you have been here on a number of occasions, and I think you know that Congress has tried to support Ukraine in their efforts. We have passed several pieces of legislation that have become law. All of them have been focused, at different levels with the lack of support for Ukraine, some of which has emanated from the administration. We know that you have been a strong voice. Sometimes your rhetoric has been beyond what the administration is actually doing, and we have had conversations about that. But we know that you are a career servant, and we appreciate the role that you certainly play in the region and throughout Europe.

But again, our focus in the past has been to make sure that we are doing the things that we need to be doing to support Ukraine.

Today's hearing is a little different because there are some things that Ukraine needs to be doing itself. And let us face it, 20 years ago, if Ukraine tried to focus on some of the same issues the rest of Europe had focused on then, it would be in a very different place. And so we have a country that needs to put tremendous reforms into place. The Minsk II agreement has been negotiated, and although there are a lot of concerns about Russia's adherence to this agreement, parts of it require the country of Ukraine to be taking steps on its own.

So we are at a point again where I think Congress has been heavily pushing the administration to be more involved in helping Ukraine. We are now seeking a balance where Russia is still doing those things to create a frozen conflict, if you will, in eastern Ukraine. At the same time, there are things that Ukraine needs to do for its own good.

As an advertisement, I do want to say that we had IMF reform as a part of one of our bills, and we were unable to pass a bill that dealt with IMF reform. But through the omnibus process, our office was able to work with the Treasury Department to put into place IMF reforms that have caused us to live up to our obligations. And let us face it, the IMF is playing one of the biggest roles in causing Ukraine to be able to move ahead with reforms by the carrot and stick approach.

But again, we appreciate you being here today.

I think there are concerns about Ukraine's own ability to fight corruption, to deal with the economic and fiscal issues inside the country. Certainly there have been some bold but isolated steps that have been taken. At the same time, we have had some resignations from people who feel like that those steps are not enough or feel like they are being marginalized.

Simultaneously Russia continues to aid some of the corruption and, does things on the eastern border that keeps the Ukrainian Government sort of off step and not able to fully focus on their own internal issues.

This hearing today, hopefully, will give us a much better sense of what type of pressure the United States should be placing, where we should be as it relates to Ukraine today.

We thank you very much for being here, and with that, I will turn it over to our distinguished ranking member, my friend, Ben Cardin.

**STATEMENT OF HON. BENJAMIN L. CARDIN,
U.S. SENATOR FROM MARYLAND**

Senator CARDIN. Well, thank you very much, Mr. Chairman, and thank you for the way that you got our committee engaged in what is happening in Ukraine and Russia. It has truly been, I think, the appropriate oversight by the United States Senate. So I thank you very much, particularly for this hearing.

Secretary Nuland, I thank you for your incredible service to our country. It is an interesting day for you to be here with the Chief of Missions in town. I do not know if that is good or bad that you can escape them for a little bit. But anyway, I know that you are very busy, and we very much appreciate you taking time to be with us today to go over the critical next step as it relates to Ukraine and U.S. policy in Ukraine.

Since the Maidan demonstrations in 2013, the United States supported the people of Ukraine and reformers in the government as they withstood Russia's illegal annexation of Crimea and Russia's supported violence in the eastern Ukraine. Russia continues to wage war in the east.

The popular sentiment in the West is that the Minsk ceasefire is holding, but I see reports of Ukrainian soldiers being killed and the overall level of violent attacks increasing. Tanks in the region

circulate without restraint, while observers from the OSCE are severely limited in their movements.

I understand that the Ukrainian friends must implement political elements of Minsk, constitutional reforms and elections. But we also must see commensurate progress from the Russians on the security and political fronts. The United States and the EU should maintain and even consider strengthening robust sanctions on Russia until it fully implements the Minsk agreements.

Despite the persistent threat from the east, events over the course of the last few months have demonstrated that Ukraine's central struggle lies within. Earlier this year, Ukraine's reformist economy minister resigned due to the government's inability to root out entrenched corruption. The deputy prosecutor also resigned, citing similar concerns. There has been progress in the reform movement. There is no question about that, but it has been too slow.

This committee has held several hearings on Ukraine since the start of the crisis that have sought to identify the security, economic, and technical assistance the United States can provide to help support Ukraine's internal reforms, as well as fight against Russia. Over the course of this time, the United States has committed \$760 million of assistance to Ukraine, including security assistance.

Ukraine's parliamentarians responded by passing critical pieces of reform legislation and have dramatically improved Ukraine's microeconomic situation. The government should be commended for reducing public expenditures by 9 percent, cutting the budget deficit to just 2 percent of GDP from 10 percent, undertaking reforms in the energy sector to eliminate energy subsidies, and floating an exchange rate to eliminate Ukraine's current account deficit. Earlier this year, parliament passed broad-based tax reform, and the government adopted a budget for 2016 that is in line with the IMF requirements. So while Ukraine has made progress on the economic reforms, it has been hampered by entrenched interests that wish to maintain the corrupt system upon which they have built massive fortunes.

I again call on Ukraine's leaders to show courage and resolve in pursuing progress against corrupt individuals who wield influence in the country. I believe the United States can play a role as well as exposing and pursuing corrupt Ukrainian officials who use U.S. financial institutions to direct their ill-gotten gains.

An important step was taken when General Prosecutor Shokin resigned earlier this year, but parliament must now accept his resignation. And this must be followed by a commitment to take concrete steps towards judicial reform, civil service reform, law enforcement reform, and a transparent and open privatization process of Ukraine's 1,800 state-owned enterprises.

The Ukrainian people have suffered under multiple corrupt regimes and took to the streets to demand good governance, democracy, respect for human rights, and rule of law. The current government, while having made substantial strides on the path to reform, is struggling with corruption. Simply put, the government is moving far too slow on the reform process. It is imperative that the government reenergize the reform process or it will lose the sup-

port of the international community, and more importantly, it will lose the support of the Ukrainian people.

Mr. Chairman, I look forward to hearing from the Secretary and from our distinguished guests on the second panel.

The CHAIRMAN. Well, thank you for those comments, and I think that if I could get to the essence of many of our concerns - and we expressed these directly to leaders who come here from Ukraine and those that we visit there - I think we are concerned about these sanctions in Europe being discontinued. We want them to be continued. Obviously, we consider Russia to be the villain in this process, but we are worried that without Ukraine taking steps forward, Europe will view them as the reason the Minsk II agreement is not being put in place. I believe that will fracture Europe's ability to continue working together to keep those sanctions in place.

So, again, thank you for being here today. Our first panel witness is the Honorable Victoria Nuland, commonly called Toria, who serves as the Assistant Secretary for the Bureau of European and Eurasian Affairs, U.S. Department of State. We thank you for your distinguished service to our country and for being here today. And with that, if you would summarize your comments in about 5 minutes or so, without objection, your written testimony will become part of the record. Thank you.

STATEMENT OF HON. VICTORIA NULAND, ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ms. NULAND. Well, thank you very much, Chairman Corker, Ranking Member Cardin, members of this committee. Your bipartisan support, your visits to Ukraine, the assistance you have provided have been absolutely essential to the American goal of supporting Ukraine's democratic European future.

Before I begin today, let us just take a moment, if we may, to honor the sacrifice of Ukrainian pilot and Rada Deputy Nadiya Savchenko, who was seized in Ukraine in 2014, dragged across the Russian border, and unjustly held and tried in Russia. Today, her hunger strike continues as the court in Rostov again delays an announcement of its verdict. Nadiya's struggle is a stark reminder of the pressures Ukraine continues to face, even as it works to build a stronger, more resilient country for its citizens.

I want to thank this committee for its continued focus on Nadiya Savchenko and all Ukraine's hostages and for the passage of Senate Resolution 52. We call on Russia to release her immediately and return her to Ukraine and to her family before it is too late.

Like Nadiya, all across Ukraine, citizens are standing up and sacrificing for the universal values that bind us as a transatlantic community: for sovereignty, for territorial integrity, for human rights and dignity, for clean and accountable government, and for justice for all.

The United States has stood by Ukraine as Russia has sought to stymie its democratic rebirth at every turn. Today, however, as you both mentioned, Ukraine's European future is put at risk as much by enemies within as by external forces. The oligarchs and kleptocrats who controlled Ukraine for decades know that their business model will be broken if Maidan reformers succeed in 2016.

So they are fighting back with a vengeance, using all the levers of the old system: their control of the media, state-owned enterprises, Rada deputies, the courts and the political machinery, while holding old loyalties and threats over the heads of decision-makers to block change.

Against this backdrop, Ukraine's own leaders have been locked for months in a cycle of political infighting and indecision about how to restore unity, trust, and effectiveness in the reform coalition, and how to reboot the government and its program. Every week that Ukraine drifts internally, that reform is stalled, IMF and international support goes undispensed, and those inside and outside the country who preferred the old Ukraine grow more confident.

The ability of the United States and the international community to continue to support Ukraine depends upon the commitment of its leaders to put their country and their people first. So all those who call themselves reformers in Ukraine have to work harder now to rebuild consensus behind a leadership team and an IMF- and EU-compliant program of aggressive measures to clean up corruption, restore justice, and liberalize the economy. We continue to believe that 2016 can and should be the year that Ukraine breaks free from the unholy alliance of dirty money and dirty politics, which has ripped off Ukrainians for far too long. But without that, Ukraine risks sliding backwards once again into corruption, into lawlessness, into vassal statehood.

But here is the good news. Since I last testified before this committee about 5 months ago, Ukraine has stabilized its currency. It is rebuilding its reserves. It passed its first winter without relying on Gazprom gas. It approved a 2016 budget that is in line with IMF requirements. It passed civil service reform. It broke its own record for wheat exports. It stood up an anti-corruption bureau and a special prosecutor. And it began to decentralize power and budget authority to local communities.

The very week in February that the current government survived a non-confidence vote, Rada deputies also approved five critical pieces of legislation to stay on track with IMF conditions and EU requirements for their bid for visa-free travel, and they passed another piece of legislation just today.

U.S. assistance has been critical to all of these efforts. As you said, Mr. Ranking Member, we have committed over \$760 million in assistance so far, plus two \$1 billion loan guarantees. And U.S. advisors serve in almost a dozen Ukrainian ministries and localities helping to deliver services, eliminate fraud and abuse, improve tax collection, and modernize Ukrainian institutions.

With U.S. help, newly vetted and trained police officers are patrolling the streets of 18 Ukrainian cities.

In courtrooms across Ukraine, free legal aid attorneys, funded by the U.S., have won two-thirds of all the acquittals in the country.

Treasury and State Department advisors have helped Ukraine shutter over 60 failed banks and protected the assets of depositors.

And since there can be no reform in Ukraine without security, over \$266 million of our support has been in the security sector, training 1,200 soldiers and 750 Ukrainian national guard personnel, and supplying lifesaving gear. In fiscal year 2016, we are

continuing that training and equipment of more of Ukraine's border guards, military, and coast guard.

But it is urgent that Ukrainian President Poroshenko, Prime Minister Yatsenyuk, and the leaders of the Rada come together now behind a government and a reform program that deliver what the Maidan demanded: clean leadership, justice, an end to zero-sum politics and backroom deals, and public institutions that serve Ukraine's citizens rather than impoverishing them or exploiting them.

In 2016, our U.S. assistance program, with your generous support, is designed to support all of these priorities. Specifically, we will support Ukraine as it takes further steps to clean up its energy sector; to appoint and confirm a clean and new prosecutor general who is committed to rebuilding the integrity of the PGO and indicting and prosecuting the corrupt; as it takes steps to improve the business climate and move ahead with privatization of state-owned enterprises and strengthen the banking system and strengthen judicial independence; and to improve services and eliminate graft in areas that affect every Ukrainian, including health care, education, and transportation; and also to modernize the ministry of defense.

Of course, Ukraine's greatest challenge remains the ongoing occupation of its territory in Crimea and Donbas and its efforts to restore sovereignty in the east through the full implementation of the Minsk agreements. These agreements we believe remain the best hope for peace.

The last time I came before this committee, Ukraine was in a better place. The September 1st ceasefire had largely silenced the guns, and some Ukrainians were even beginning to go back to Donbas. But as you both have said, today things are heating up again. We have seen a spike in ceasefire violations taking the lives of 68 Ukrainian military personnel and injuring 317. In February alone, the OSCE monitors reported 15,000 violations, the vast majority of which originated from the separatist-controlled side of the line of contact. And despite President Putin's commitment to the other Normandy leaders, Russia and separatist forces continue to deny OSCE monitors access to large swaths of the Donbas.

At the early March meeting of Normandy foreign ministers, Ukraine supported concrete steps to pull back forces from the line of contact, to increase OSCE monitors and equipment in key hotspots, and to establish more OSCE bases deeper in the Donbas and on the border. Taking these steps now and releasing hostages would greatly improve the environment for compromising Kyiv on election modalities and political rights for Donbas.

In the meantime, though, neither Moscow nor the self-appointed Donbas authorities should expect the Ukrainian Rada take up key outstanding political provisions of Minsk, including election modalities and constitutional amendments, before the Kremlin and its proxies meet their basic security obligations under Minsk.

Here again, with will and effort on all sides, 2016 could be a turning point year for Ukraine. If security can improve in the coming weeks, if more hostages can be returned, if the parties can finalize the negotiations on the political issues of Minsk, we could see legitimate leaders elected in free, fair elections in Donbas by

the fall and the withdrawal of Russian forces and equipment and the return of Ukraine's sovereignty over its border before the end of the year. We will keep working with Ukraine to do its part to implement Minsk and working with our European partners to ensure that Russia stays under sanctions until it does its part—all of it. And of course, Crimea sanctions must remain in place so long as the Kremlin imposes its will on that piece of Ukrainian land.

Mr. Chairman, Mr. Ranking Member, members of this committee, we always knew that Ukraine's road to peace and sovereignty, to clean and accountable government, and to Europe would not be easy. Today the stakes are as high as ever. With strong leadership in Kyiv, 2016 can and should be a turning point year for Ukraine's sovereignty and its European future. If and as Ukraine's leaders recommit to drive the country forward, the United States must be there to support them. At the same time, we must be no less rigorous than the Ukrainian people themselves in demanding that Kyiv's leaders take their own responsibility now and deliver a truly clean, strong, just Ukraine while they still have the chance.

I thank this committee for its support for Ukraine and for a Europe whole, free, and at peace.

I look forward to answering your questions.

[Ms. Nuland's prepared statement follows:]

PREPARED STATEMENT OF HON. VICTORIA NULAND

Thank you Chairman Corker, Ranking Member Cardin, members of this committee for the opportunity to join you today and for the personal investment so many of you have made in Ukraine's democratic, European future. Ukraine still has a long way to go to meet the aspirations of its people, but your bipartisan support, your visits to Ukraine, and the assistance you and your fellow members have provided have been essential to our policy.

Before I begin, let us take a moment to honor the sacrifice of Ukrainian pilot and Rada Deputy Nadiya Savchenko, who was seized in Ukraine in 2014, dragged across the Russian border and unjustly held and tried in Russia. Today, her hunger strike continues as the court in Rostov again delays announcement of its verdict. Nadiya's struggle is a stark reminder of the severe pressures and violence Ukraine continues to face even as it works to build a stronger, more resilient country for its citizens. I thank this committee for its continued focus on Nadiya Savchenko and all Ukraine's hostages, and for the passage of Senate Resolution 52. We call on Russia to release her immediately, and return her to Ukraine and to her family before it's too late.

Like Nadiya, all across Ukraine, citizens are standing up and sacrificing for the universal values that bind us as a transatlantic community: for sovereignty, territorial integrity, human rights, dignity, clean and accountable government, and justice for all. The United States has a profound national interest in Ukraine's success, and with it, a more democratic, prosperous, stable Europe.

We have stood by Ukraine for more than two years as Russia has sought to stymie its democratic rebirth at every turn—with political pressure, economic pressure, and with unprecedented military aggression and violation of international law. Any set of leaders would be challenged to lead their country in this environment. Today, however, Ukraine's European future is put at risk as much by enemies within as by external forces. The oligarchs and kleptocrats who controlled Ukraine for decades know their business model will be broken if Maidan reformers succeed in 2016. They are fighting back with a vengeance, using all the levers of the old system: their control of the media, state owned enterprises, Rada deputies, the courts and the political machinery, while holding old loyalties and threats over the heads of decision-makers to block change.

Against this backdrop, Ukraine's leaders have been locked for months in a cycle of political infighting and indecision about how to restore unity, trust and effectiveness in the reform coalition, and reboot the government and its program. Every week that Ukraine drifts, reform is stalled, IMF and international support goes

undisbursed, and those inside and outside the country who preferred the old Ukraine grow more confident. More than 3 months ago, Vice President Biden spoke before Ukraine's Rada, its President and its Prime Minister and called on all of Ukraine's leaders to set aside their parochial interests, reminding them: "Each of you has an obligation to seize the opportunity of the sacrifices made in the Maidan, the sacrifices of the Heavenly Hundred. Each of you has an obligation to answer the call of history and finally build a united, democratic Ukrainian nation that can stand the test of time."

The ability of the United States and the international community to continue to support Ukraine depends upon the commitment of its leaders to put their people and country first. All those who call themselves reformers must rebuild consensus behind a leadership team and an IMF- and EU-compliant program of aggressive measures to clean up corruption, restore justice, and liberalize the economy. With more unity and leadership, 2016 can and should be the year Ukraine breaks free from the unholy alliance of dirty money and dirty politics which has ripped off the Ukrainian people for too long. Without it, Ukraine will slide backwards once again into corruption, lawlessness, and vassal statehood.

It is precisely because Ukrainians have worked so hard, and come so far already, that their leaders must stay united and stay the course now. And it is because the reforms already taken are cutting into ill-gotten fortunes and cutting off avenues for corruption that the forces of revanche are fighting back. Here's the good news: since I last testified before this committee five months ago, Ukraine has largely stabilized its currency and is rebuilding its reserves; seen some modest growth in the economy; passed its first winter without relying on gas from Gazprom; approved a 2016 budget in line with IMF requirements; passed civil service reform to create competition and transparency; recruited a new corporate board for Naftogaz; broke its own record for greatest wheat exports; stood up an independent Anti-Corruption Bureau and Special Prosecutor; and, begun to decentralize power and budget authority to local communities to improve services and policing for citizens.

The very week in February that the current government survived a no-confidence vote, Rada deputies also approved five critical pieces of reform legislation to stay on track with IMF conditions and advance Ukraine's bid for visa-free travel with the EU, including laws on:

- Privatization of state owned enterprises;
- Improvements in corporate governance of state owned enterprises;
- Asset seizure and recovery;
- The appointment process for anti-corruption prosecutors; and,
- Mandatory asset disclosure for public officials, which the President just sent back to the Rada with several fixes.

U.S. assistance has been critical to these efforts. Since the start of the crisis, the United States has committed over \$760 million in assistance to Ukraine, in addition to two \$1 billion loan guarantees. U.S. advisors serve in almost a dozen Ukrainian ministries and localities and help deliver services, eliminate fraud and abuse, improve tax collection, and modernize Ukraine's institutions.

- With U.S. help, newly-vetted and trained police officers are patrolling the streets of 18 cities;
- In court rooms across Ukraine, Free Legal Aid attorneys, funded by the U.S., have regained their credibility and won 2/3 of all acquittals in Ukraine in 2015.
- Treasury and State Department advisors embedded in Ukraine's National Bank and related institutions helped Ukraine shutter over 60 failed banks out of 180 and protect assets.
- The U.S. and our EU partners are supporting privatization, freeing up about \$5 billion in Ukraine's coffers and pushing the largest state-owned enterprise, Naftogaz, to form an independent supervisory board that operates without interference.
- And, since there can be no reform in Ukraine without security, over \$266 million of our support has been in the security sector, training nearly 1200 soldiers and 750 Ukrainian National Guard personnel and providing: 130 HMMWVs, 150 thermal goggles and 585 night vision devices, over 300 secure radios, 5 Explosive Ordnance Disposal robots, 20 counter-mortar radars, and over 100 up-armored civilian SUVs. In FY16, we plan to train and equip more of Ukraine's border guards, military, and coast guard to help Ukraine secure its border, defend against and deter future attacks, and respond to illicit smuggling.

But first, Ukraine, President Poroshenko, Prime Minister Yatsenyuk, and the Rada must come together behind a government and reform program that delivers what the Maidan demanded: clean leadership; justice; an end to zero-sum politics and backroom deals; and public institutions that serve Ukraine's citizens rather than impoverishing or exploiting them.

What Ukraine Must Do

The 2016 U.S. assistance program is designed to support all these priorities. Specifically, we will support Ukraine as it takes steps to:

1. Clean up its energy sector by passing legislation to establish an Independent Energy Regulator, reduce unsustainable energy subsidies, and accelerate de-monopolization of the gas market, efficiency of procurement and revenue management, and the unbundling of services;
2. Appoint and confirm a new, clean Prosecutor General, who is committed to rebuilding the integrity of the PGO, and investigate, indict and successfully prosecute corruption and asset recovery cases—including locking up dirty personnel in the PGO itself;
3. Improve the business climate by streamlining the bureaucracy, moving ahead with the privatization of the largest state-owned enterprises in a manner that meets international standards, and further recapitalizing and strengthening the banking system;
4. Strengthen judicial independence, including the certification, dismissal, and recruitment of judges;
5. Improve services and eliminate graft in key service areas that affect every Ukrainian: healthcare, education, and transportation; and
6. Modernize the Ministry of Defense, squeeze out corruption in logistics and supply chains, and move toward western standards of command and control and parliamentary oversight.

Minsk Agreements

Of course, Ukraine's greatest challenge remains the ongoing occupation of its territory in Crimea and Donbas, and its efforts to restore sovereignty in the East through full implementation of the September 2014 and February 2015 Minsk agreements. These agreements remain the best hope for peace, and we continue to work in close coordination with the "Normandy Powers"—Ukraine, Russia, Germany, and France—to see them fully implemented.

The last time I came before this committee, Ukraine was in a better place. The September 1 ceasefire had largely silenced the guns, and some Ukrainians were even returning home to Donbas. But today, things are heating up again. In recent weeks, we have seen a spike in ceasefire violations, taking the lives of 68 Ukrainian military personnel and injuring 317. In February alone, OSCE monitors reported 15,000 violations, the vast majority of which originated on the separatist-controlled side of the line of contact. And, there were more recorded ceasefire violations in the first week of March than at any time since August 2015. And despite President Putin's commitments to the Normandy powers last October, combined Russian-separatist forces continue to deny OSCE monitors access to large portions of Donbas and to harass and intimidate those who do have access.

At the last meeting of Normandy Foreign Ministers in early March, Ukraine supported concrete steps to pull back forces on the line of contact, increase OSCE monitors and equipment in key hotspots, and establish more OSCE bases deeper into Donbas and on the border. Taking these steps now and releasing hostages will greatly improve the environment for compromise in Kyiv on election modalities and political rights for Donbas. In the meantime, neither Moscow nor the self-appointed Donbas authorities should expect the Ukrainian Rada to take up key outstanding political provisions of the Minsk agreement, including election modalities and constitutional amendments, before the Kremlin and its proxies meet their basic security obligations under Minsk. Although the U.S. is not a party to the Normandy process, we maintain a very active pace of diplomatic engagement at all levels with Kyiv, Moscow, Paris and Berlin to facilitate implementation of both the security and political aspects of Minsk, and to help the parties brainstorm solutions.

Here again, with will and effort on all sides, 2016 can be a turning point for Ukraine. If security can improve in coming weeks, if hostages are returned, if the parties can finalize negotiations on election modalities and other political issues, we could see legitimate leaders elected in Donbas by fall, the withdrawal of Russian forces and equipment, and the return of Ukraine's sovereignty over its border before the end of the year. We will keep working with Ukraine to do its part to implement

Minsk, and working with our European partners to ensure Russia stays under sanctions until it does its part—all of it. And of course, Crimea sanctions must remain in place so long as the Kremlin imposes its will on that piece of Ukrainian land.

Mr. Chairman, Mr. Ranking Member, members of this committee, we knew Ukraine's road to peace, sovereignty, clean, accountable government and Europe would be difficult and rocky.

Today, the stakes are as high as ever. With strong, unified leadership in Kyiv, 2016 can and should be a turning-point year for Ukraine's sovereignty and European future. If and as Ukraine's leaders recommit to drive the country forward, the United States must be there to support them, in our own national interest. At the same time, we must be no less rigorous than the Ukrainian people themselves in demanding Kyiv's leaders take their responsibility now to deliver a truly clean, strong, just Ukraine while they still have the chance. I thank this committee for its bipartisan support and commitment to the sovereignty and territorial integrity of Ukraine and to a Europe whole, free and at peace. I look forward to your questions.

The CHAIRMAN. Thank you very much for that testimony and for your efforts on our behalf.

I am going to focus on one issue and then save the rest of my time for interjections along the way.

On the issue of the sanctions we, along with the European Union, have put in place against Russia, there is no question—is there—that Putin is sewing some degree of discord there and that keeping those in place beyond June is something that is very important to see this through. Is that correct?

Ms. NULAND. Absolutely.

The CHAIRMAN. My observation is that the announcements yesterday in Syria by Putin, relative to their withdrawal is intended to somehow influence that. Is that correct?

Ms. NULAND. We continue to look at the Syria theater and the Ukraine theater as two separate places. We will judge the Ukraine action based on what is done in Ukraine. And as you know, the sanctions are linked to Ukraine. So from our perspective, what is done in Syria should not impact choices with regard to Ukraine.

The CHAIRMAN. Do you agree that Putin is trying to be perceived as someone who is working well with the international community and that some of his actions are intended to, over time, break the resolve of the European Union in regard to the sanctions?

Ms. NULAND. I think there is no question that he is lobbying hard inside Europe to come out from under sanctions.

The CHAIRMAN. So if you could give us guidance as we meet and talk with Ukrainian officials because I think everyone on this committee certainly understands what happened on the Maidan. We understand what took place in Ukraine and herald that, but at the same time, there are concerns about the progress. That is what this hearing is about.

If you were to look at the Minsk II agreement, what are the pieces of the agreement that are in Ukraine's hands that southern Europe or other components of Europe might look at and say, well, Ukraine is not fully doing the things that it needs to do and therefore, maybe we ought to consider lightening up Ukraine? What are the things that worry you the most?

Ms. NULAND. I think what is worrying me the most are the comments that we hear from some parts of Europe that as, week after week, Ukraine's leaders are unable to come together behind a refreshed government, that the country is drifting, that there is not the will to drive forward with Ukraine and therefore, there prob-

ably will not be the will to implement Minsk. We do not agree with that, but it causing doubt in Europe about whether continued support for Ukraine is warranted.

The CHAIRMAN. We've had many interactions with Ukraine. We obviously have passed legislation. I know that the administration is working to support efforts, and the IMF is doing the same. Is the formation and stabilization of the Ukrainian government itself, in essence, the most important thing that we can push for? Is that correct?

Ms. NULAND. Absolutely, but not just coming together in terms of reloading the government, but reloading the government and the leadership coalition in the Rada behind an aggressive program of IMF-compliant reform. There is, as I said, a lot still to do. So it is not just about the people. It is about the program.

The CHAIRMAN. Thank you.

I will reserve my time.

Senator Cardin?

Senator CARDIN. Well, again, thank you very much for your testimony.

I want to follow up on what Senator Corker is referring to because it seems to me if Europe does not extend the sanctions and if Minsk is not implemented and if Europe is not willing to extend the sanctions in June, it has a profound impact on Europe, let alone Ukraine. Here we are seeing Russia's influence in Europe for its national sentiments growing. We have seen that in some of the recent elections in some of the European countries. So I am deeply concerned that our strategies during the next couple months need to be focused on European unity and focused on the culprit in Ukraine, which is Russia. They are the ones who caused the current violent activities that are taking place in that country.

So I want to focus on how we can be more effective in getting Ukraine to implement the critical reforms that they have not been able to do. I agree with you. The economic reforms, the budget, the monetary—they have been on schedule doing a lot of the important changes. And this winter, without the reliance on the energy issue, that is a huge change in behavior in the country at incredible cost politically. It is not an easy thing to implement these changes.

But the oligarchs still control the political process. And when a country is coming towards reform, you always have the problems within the civil service that you need to root out the corruption there by adequate budgets and paying civil servants adequate salaries. But in Ukraine, the problem stems from the top, and that is the relationship between the business interests and the political system to preserve a corrupt system which the elitists benefit from and want to continue to benefit from.

How does the United States be more effective in rooting out that type of corruption and supporting leaders in that country that take the brave stands and the right stand that the people of Ukraine want? How specifically can 2016—you say it could be a great year. What can the United States do to make 2016 that type of a year?

Ms. NULAND. Well, the first thing that we do is what we have done throughout this, which is to peg our assistance to those things that the IMF and the EU need to see for reform. So in particular, we have pegged our next \$1 billion loan guarantee, first and fore-

most, to having a rebooting of the reform coalition so that we know who we are working with, but secondarily, to ensuring that the prosecutor general's office gets cleaned up, as I said. The current prosecutor general, as you mentioned, has resigned. We need to see a clean model citizen who is really going to take justice forward in Ukraine appointed there and confirmed. We need to see the next stage in de-oligarching the economy, if that is a word, and by that, it is some of the things that I mentioned, including privatization of these state-owned enterprises that are used to siphon off money. It is cleaning up the tax service, the customs service, all of these places where money is siphoned off. It is creating transparency in media holdings and these kinds of things. It is shoring up the banking system further so that it cannot be used to rip people off. It is strengthening private agriculture so that agriculture cannot persist as an oligarchic haven and more unbundling in the energy sector. And all of our assistance programs are designed to support those concrete steps, as Ukraine takes them, but if they do not take them, then we will not be able to disburse in those areas.

Senator CARDIN. Let me ask you specifically about judicial reform. The judiciary historically in Ukraine has not only been a facilitator of corruption, it has been a source of corruption.

Ms. NULAND. Right.

Senator CARDIN. So what do we do to specifically hold Ukraine accountable on judicial reform?

Ms. NULAND. Well, as I said, the first thing is to see that the prosecutor general's office gets cleaned up. We had advisors in that office, which have helped us to better understand what needs to happen. It will start with new leadership. It will start with a review of all the justices.

We are also supporting the constitutional amendments to the judicial aspects of Ukraine's leadership. It has passed the Rada in the first reading and needs to pass in a second reading. That will help create more accountability for justices, more transparency in terms of their own ownership, et cetera. And we are doing a lot of judicial retraining and would like to do more.

Senator CARDIN. As I also understand, in Ukraine there is a history of loyalty of judges to particular political interests rather than to an independence. Are the reforms aimed at giving judges the independence they need to make independent choices rather than just following the will of the political elite?

Ms. NULAND. Well, as you know, Senator Cardin, because you have been a champion of this across Europe, it is a long process but absolutely, and it starts with transparency in their own financial holdings. It also goes to stress-testing the qualifications of all justices. It goes to breaking the link between politics and their appointments, all of those kinds of things that we have had to support in other parts of Europe. And we are really just at the beginning in Ukraine.

Senator CARDIN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Perdue?

Senator PERDUE. Well, it is good to see you again. Thank you for being here. And your testimony is always very direct and enlightening.

I also appreciate your recent trip to the European defense conference in Munich, and some of your off-the-record comments were very helpful.

But I want to talk about two things that I did not hear talked about there, and I know you have a heart for both of these. But I would like to get just an update for the committee. One is Crimea and the other is Georgia.

You know, it is hard to believe it has been 2 years since Russia went in and illegally annexed, in my opinion, Crimea and have basically cut them off from their Ukrainian news and also Internet providers and so forth. Russia submitted their control of Sevastopol, their warm water port there, in connection with what they are doing in Tartus and Latakia in Syria, as well as Kaliningrad in Murmansk. It is easy to see what Russia is doing and why Crimea is so important to them militarily.

My question is very simple. Can you give us an update about where we are with Crimea? Is there an active conversation about returning Crimea to Ukraine, and what other pressures can we put on Russia to actually entertain a conversation about returning Crimea to Ukraine?

Ms. NULAND. Well, thank you, Senator. We obviously share your concerns not only about what is happening inside Crimea and human rights for citizens and particularly minority populations, but also the militarization of Crimea which has an impact.

So the primary lever that we have are the continuing U.S. and European Union sanctions that preclude any investment by any of us in Crimea and put under sanctions any entities that would try to trade. So, again, the theory of the case here is that if you bite off a piece of another country's territory, that it dries up in your mouth.

Senator PERDUE. Is it the position of the administration, though, that Crimea and the occupied portions of eastern Ukraine are all one and the same in the conversation with regard to the sanctions in Russia?

Ms. NULAND. Well, we are pursuing them in parallel but separately. The Minsk accords govern how the Donbas conflict could be settled and sovereignty could be returned to Ukraine. We have made clear that we will never recognize Crimea's occupation and incorporation into Russia and that sanctions will stay in place until that is resolved.

Senator PERDUE. Good. Thank you. That clears that up.

Let us talk about Russia just a minute—or Georgia just a minute. You know, it is, I guess, technically a frozen conflict, as some people term it, and Russia has a history of creating these frozen conflicts. It is hard also to believe it has been 8 years since Russia invaded Georgia. And now today, 8 years on, one-fifth of Georgia's territory and about a third of the population resides in Russian controlled territory within Georgia.

Our own State of Georgia has a National Guard relationship and a partnership with the country there. And I know there are some forward-moving activities this spring in Georgia. And I spoke recently with our own adjutant general about their efforts there.

Can you give us an update? You know, Georgia's defense minister, Tina Khidasheli—and she is talking about ongoing concern.

This is the former chief I guess—the recent occupation of the territory and what efforts we can make there to bring that back into an active conversation. I understand these are part of the sanctions, but can you give us an update on that frozen conflict?

Ms. NULAND. Well, thank you, Senator, and thanks for what Georgia does for Georgia. It is a great partnership, and the people of Georgia very much appreciate it.

I think you know that in the early days of the U.S. and the NATO partnership with Georgia, our security assistance was primarily directed towards helping Georgia to deploy with us to Afghanistan and other places, make them interoperable, able to go a distance, et cetera.

We have in the recent period both in U.S. assistance to Georgia and in NATO assistance to Georgia, as we head towards our NATO summit in Warsaw, reoriented that assistance on the security side at Georgia's request to help strengthen resilience, self-defense, address their concerns about not only the continuing Abkhaz issues, but the fact that there may be efforts to move the lines, et cetera. So we are very much focused on the self-defense aspects of that relationship.

Senator PERDUE. Sorry. Do we oppose the Russian effort to put that rail line down to Armenia through occupied Georgia?

Ms. NULAND. The Georgians are trying to work with the Russians now on a more appropriate rail link that can be of positive benefit to everybody and not exploit the situation.

One thing I would say, though, is that we have encouraged the government in Tbilisi to continue to reach out particularly to the people of Abkhazia and to help them to benefit from the new arrangements that they have with Europe and ensure that they increasingly see benefits from those kinds of arrangements, which stand the chance to make Abkhazia far more prosperous than anything Russia has to offer.

Senator PERDUE. Well, in meeting with the Defense Minister from Georgia, Khidasheli—she is the current, not the former, but the current Defense Minister—she is very concerned about that rail line, as I am sure you guys are aware.

Ms. NULAND. Yes.

Senator PERDUE. One last question with the time remaining. Let us go back to Russia. Last year, the administration had Ambassador Paula Dobriansky, former Under Secretary of State for Democracy and Global Affairs, actually propose to this committee that the West impose an embargo on spare parts for Russian oil refineries.

I know this is getting in the weeds a bit, but as we look at having these sanctions have more bite in Russia and to actually get them to moderate their activity, Russia is heavily dependent on western spare parts for their refining industry. Is this something that we are thinking about? Is this a possibility for things like pumps, compressors, catalytic agents, and so forth within their refining industry?

Ms. NULAND. Senator, as you know, we have maintained an active list of the kinds of future sanctions we might need if Russia were to go further in Ukraine, et cetera. I will talk to, if I may, in a separate setting about those kinds of things.

Senator PERDUE. Okay. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Shaheen?

Senator SHAHEEN. Good morning. Thank you for all of your work on a daily basis and for being here this morning, Secretary Nuland.

I wanted to pick up on Senator Corker's question about the impact of Russia's actions in Syria and how that affects Ukraine. I was in Ukraine with several other Senators back in October, and it was shortly after Russia made its move into Syria. And the Ukrainians that we talked to were convinced that that was a diversion and that once they decided to leave Syria, they were going to be refocused back on Ukraine and heat up the conflict in Ukraine again.

So do we not have to assume that whatever Russia is doing is going to have some impact on what happens in Ukraine?

Ms. NULAND. Well, I would argue, Senator, as I said in my opening, that in recent weeks and months, we have seen a good level of low-level violence perpetuated primarily by Russia and the separatists they support on the line of conflict. So it never really calmed down in Ukraine. I think the world's attention has been more focused on what Russia has been up to in Syria. So I think the question becomes whether there will be more bandwidth now to pay attention as well to what is happening in Ukraine.

Senator SHAHEEN. You talked about a number of things that need to happen in Ukraine, the kinds of things that you mentioned, judicial reform, reducing the influence of the oligarchs in the economy, agriculture reform, the whole list of things. Those are things that take time. And as I am watching what is happening in Ukraine, people want to see something happen now.

So as you assess where things are, what is the most important change that you think would have an impact on the public so that they would feel like there is positive momentum there to address their concerns?

Ms. NULAND. Improvement across the board in the justice system so that individual people feel like justice is served, locking up some big, corrupt fish, including some folks from the Yanukovich era. Improving services. You know, people are still ripped off when they go to the hospital, when they try to get education, et cetera, things that impact human beings. That is why the police reform has been so impactful because everybody sees it on the street.

But also cleaning up graft in the tax system, in the customs service because everybody trying to do business gets ripped off at every stage.

And then really beginning, as could happen in 2016 and 2017, to first create transparent boards for all of these state-owned enterprises and then to privatize them.

Senator SHAHEEN. So are we concerned by the IMF's decision to delay their planned disbursement of debt assistance to Ukraine, that that will have a negative impact on some of these initiatives?

Ms. NULAND. I think the IMF, like the U.S. Government, does not have a choice right now so long as we are not sure who our partner will be on the other side of the table.

Senator SHAHEEN. And how aware do you think President Poroshenko is of these realities? And let me just preface that with when we were there in October and we met with him, he was all about we have got to address corruption. But when we said to him, you know, that starts with you, he did not seem to have any—he did not acknowledge any awareness that that was important to setting a model for the public.

Ms. NULAND. I would commend to you the speech that Vice President Biden gave on the floor of the Rada in the middle of December. He could have been clearer or more public about what our support depends on. I also joined his meeting with President Poroshenko in Davos where the same points were made, and he has made the same points in repeated phone calls over the last couple of weeks with both President Poroshenko and Prime Minister Yatsenyuk, as has Secretary Kerry in his meeting with President Poroshenko at Munich.

Senator SHAHEEN. Again, I also want to explore some of the issues that have been raised relative to Russia's continued narrative that Ukraine is the problem with resolving Minsk II, it is not Russia, and what more we can do to support Ukraine, assuming they can take the steps that we are interested in, but to try and change that narrative in Europe. And let me just ask as part of that, obviously, the challenges that Europe is facing with the migrant crisis and certainly the impact that that has had in Germany on Chancellor Merkel—how does that affect her focus on what is happening in Ukraine and resolving Minsk II?

Ms. NULAND. Well, just to start with the last part first, we have been very gratified by the Chancellor's incredible resolve with regard to Ukraine and her willingness to call it out honestly in terms of who is at fault and to support real negotiations on how to implement Minsk.

As I said in my opening, the number one thing here is to stop the violence on the line, get OSCE access all the way to the border like they are supposed to have. We have been encouraging the Ukrainians to listen to some of the ideas that the OSCE has had because the forces are too close in certain hotspots to pull them back, get more OSCE in there, so that it is more obvious when the firing starts, where it initiates from, make it harder for separatists with Russian support to mask the initiation of violence. That is one thing.

Second, to continue to support the negotiations that France and Germany are doing on election modalities under Ukrainian law and compliant with OSCE standards that include things like elections security, that include free access to media, et cetera because without those things and without a clear obvious evidence to the Rada that these are going to be Ukrainian elections, not some fake elections, they will not be ready to support the underlying legislation. So we are working on all of those things.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I want to thank Senator Shaheen for her line of questioning and go back to the comment you made about how we look at Syria as one issue and Ukraine as another.

While in Munich—and I know Senator Perdue and several other people were there—General Breedlove reiterated the point that he has made to me on multiple occasions, and that is that the problem with U.S. policy right now, is that Russia looks at what is happening. They look at the entire blanket. We tend to look at little patches and deal with them as if they are independent and not connected to the other. And that is why Putin, with the small amount of resources that he has, a country—let us face it, whose economy is in shambles—has been able to have the impact that they are having right now on Europe. And I would just say that Europe is probably at the lowest level of self-confidence seen in modern times. And Putin has a huge effect on that.

So, again, I appreciate your comments about Syria and Ukraine being different. Russia does not view it that way because they are looking at the entire portfolio in a way that has been very successful, and they have undermined our interests in the region by doing so. So I would just ask that instead of looking at them separately, we look at them as a continuum. With our NATO policy and everything else we are doing in Europe, we have to look at the entire blanket and not look at these as isolated issues, as General Breedlove says so forthrightly.

With that, Senator Barrasso.

Ms. NULAND. Senator, may I just quickly say that I did not mean to imply that we do not look at the totality of Russian actions and intentions. Of course, we do and how the things interact. My point was simply because they are withdrawing or have said they are withdrawing troops in Syria, it should not mean that we let them off the hook in terms of sanctions vis-a-vis their activity in Ukraine. That was my point.

The CHAIRMAN. I understand that is us. I am just saying that when he has used refugees as a weapon of war, when he has done the things that he has done with energy and other assets that gives him leverage over Europe, all of these things are playing a role and weakening Europe's resolve relative to these sanctions. With us doing \$50 billion a year in trade with Russia and Europe doing \$450 billion to \$500 billion a year in trade with Russia, obviously the U.S. helping them keep that resolve in place is very, very important. And again, I think Putin is looking at the entire blanket as he looks at these issues and hoping that somehow in June he is going to be able to break down Europe's resolve in combination with the other things that he is doing in the region.

With that, Senator Barrasso.

Senator BARRASSO. Thank you, Mr. Chairman.

Great to see you again, Madam Secretary.

I agree with Senator Corker. Putin has been very obvious. His objective is to restore the former Soviet Union and show his strength. Everything else, as Senator Corker just pointed out, are just tactics to do that. And it is very aggressive and opportunistic, and no matter where he is playing that game, that is, I think, based on his objective and everything else is a tactic. And we ought to take a look at the overall objective.

With regard to Vice President Biden's statements in December with regard to Crimea, he made the speech, and he said let me be

crystal clear. He said the United States does not, will not, never will recognize Russia's attempt to annex the Crimea.

So what additional sanctions should we put in place? What actions is the administration taking right now to press for the return of Crimea?

Ms. NULAND. Well, Senator, just to say that our sanction regime vis-a-vis Crimea with the European Union is pretty much complete. We do not allow any investment, any trade by any of our people. We do not allow tourist travel or any of that in Crimea. So it really is an investment-free zone for all of us, and we will continue to maintain that strong regime.

We also try to speak out as we learn about what is happening inside and particularly human rights abuses against minority populations, expropriation of libraries, those kinds of things.

Senator BARRASSO. It does not seem to be having the intended effect. So we are just looking to see what additionally can be done.

Ms. NULAND. I think we will continue to look at what else we can do.

Senator BARRASSO. With regard to energy security, I wanted to visit about we have seen Russia. They continue to demonstrate over and over again willingness to use energy resources as a weapon. And Putin has used Russia's natural gas to extort, to threaten, to coerce our allies, as well as our partners. The international community saw Putin use natural gas as a political weapon against Ukraine in 2006, 2009.

Talk a little bit about support the United States could have in assisting Ukraine to advance its energy independence, to support energy diversification, and reforming in the energy sector because it continues to be a problem in my trips there visiting with folks on the ground. And the ability of Russia to control and command has a huge impact.

Ms. NULAND. Well, first just to say that Ukraine has made really terrific progress on the energy front. As I said in my opening, this was the first winter that they did not have to depend on Gazprom gas which, for those of us who follow Ukraine, is pretty miraculous.

There is obviously much more work to be done. Just to go through some of the things they have already done, they have taken the first steps towards unbundling the state-owned company, separating it into two entities. By linking our assistance to their willingness to take energy steps, we have now encouraged the establishment of an independent board of Naftogaz. They have begun to increase gas tariffs to market levels if they need to. They are improving the corporate governance of Naftogaz.

Next, they have to fully unbundled the market. They have to liberalize it. They have to privatize more of it. They have to establish an independent regulator, which is one of our main reform requests at this next stage. They need a separate electricity market law. They have to do more to harmonize with EU regulations.

So we have assistance in the 2016 budget to help them do all of those things. But again, it is going to depend on having a strong government committed to those things that is unified behind them.

Senator BARRASSO. You know, when I was there, they were asking about us exporting some of our——

Ms. NULAND. LNG?

Senator BARRASSO.—LNG. We have certainly an abundance in this country, and we should be using this as the master resource that it is. Do you agree that natural gas exports from the United States can serve as an important diplomatic tool for us to strengthen our national security and assist our allies and helping them alleviate some of the manipulation and the threats from Russia?

Ms. NULAND. I absolutely do. And now that we have reverse flow gas back into Ukraine, it is very important. We have folks all over Europe hoping some of that gas that is now available will make it, whether it is to Lithuania or Poland or other parts.

Senator BARRASSO. Well, they built that regasifier with the independents that has been not built but brought into the waters to be able to—they are just waiting for us to be able to export.

Ms. NULAND. And I think you know that we have for the last 2 years worked really aggressively. I have as have Secretary Kerry and Secretary Moniz and Amos Hochstein, our special advisor, on all kinds of projects to help diversify European energy markets and make them more open to other forms of gas than Russian gas.

Senator BARRASSO. Bring us up to date, if you could. I was just thinking in the middle of December, Ambassador to the United Nations Samantha Power said Russia continues to violate ceasefires daily. And in October, General Breedlove told reporters that what we have not seen is Russia removing any of its forces from the Ukraine. And he said you have not heard me report at this podium before command and control air defense, artillery spotting support, artillery support, personnel supplies, all still supplied to Donbas by Russia.

Are these assessments still true today as they were in October and they were in December? And is Russia continuing to send its mercenaries, its troops, its tanks into Ukraine?

Ms. NULAND. Absolutely. We still have hundreds and hundreds of pieces of Russian heavy equipment in Ukraine. We still have thousands of Russian forces and support in Ukraine.

Senator BARRASSO. So Russia is currently in violation of its political agreements since ceasefire commitments to Ukraine.

Ms. NULAND. So those forces and that equipment will have to be withdrawn before Minsk is fully implemented, yes.

Senator BARRASSO. So are there additional things we should be doing to, again—I asked the question regarding Crimea. I ask the same question with regard to Ukraine. Are there additional things we should be doing? You said we have done everything we can with Crimea to stop—you know, with the sanctions, but it does not seem to have the impact that we would like. Anything additionally we should be doing with Ukraine?

Ms. NULAND. On the security side, I think the training that we have now been doing for more than a year with Ukrainian forces has helped to give them confidence, has helped to give them better understanding of how to defend their territory, how to handle the line of contact to the best of their ability. I think what we need to do now, as I said in answer to Senator Shaheen, is help to get forces separated enough so that we can get more OSCE in there and we can truly demonstrate who is starting it when these flares happen. But we also have to push for more OSCE all the way up

to the border because there are large parts of Donbas where we have no eyes and ears still.

Senator BARRASSO. And then in terms of prepare to provide lethal aid?

Ms. NULAND. So, as you know, no decision has been made on that, but we are continuing to train and we will have a big training budget for 2016 as well.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. It is my understanding—thank you for those questions. It is sad to me that we have not made a decision yet. It has been several years now.

But it is my understanding our training also is not really helping them in any offensive way. It is all about defensive issues. Is that correct?

Ms. NULAND. Well, again, we have not provided lethal assistance, but we have—

The CHAIRMAN. But they have some lethal capabilities themselves.

Ms. NULAND. They do.

The CHAIRMAN. It is my understanding that one of the big complaints in the region is they have assets, but we are not really helping them relative to any kind of offensive training that might need to take place, again being concerned that Russia might view us as being proactive more so than they would like to see.

But with that, Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Madam Secretary, thank you for your service.

You know, I want to explore a bit of a different set of questions here. And they are premised on the fact that I have strongly supported and have said in my visits to Ukraine, as well as those who have visited from Ukraine to the United States, that there is a need to continue vigorously on the path to reform and not only to pass laws but to implement them. And I totally believe in that.

However, I also understand the realities. If I was sitting in the equivalent of our Congress, their Rada, and seeing what the Russians are still doing and talking about doing all of these things, including the decentralization legislation, I do not know how far in that process, without reciprocity, that I am going to be able to succeed at the end of the day.

So I look at the eve of the second anniversary of Russia's invasion of Crimea, which is March 16th, and I believe that Russia maintains control by one means or another over the autonomous regions, which it seeks to fortify in one way or another. Ceasefire violations are on the rise. I look at your own written testimony, and you talk about OSCE monitors reporting 15,000 violations in February alone, the vast majority of which have originated on the separatist-controlled side of the line of contact is your testimony. And I wonder, while we are focused, and rightfully so, in getting the Ukrainians to do what is necessary to reform, that the other side of the equation is lacking.

And so the administration and you have often here talked about four pillars: support financial, technical, nonlethal security assistance, support other frontline states from Russian aggression, raising economic costs for Russian behavior, and leaving the door open

for diplomatic de-escalation, should Russia commit to its commitments.

And so in that regard, on the third pillar, raising economic costs for Russia's behavior, it still seems to me that our efforts are not creating the conditions where Minsk can be successful. And we have heard from many Ukrainian officials who have circulated through the Senate about their challenges with this. And I think one of the reasons we saw a vote of no confidence take place, although it was ultimately beaten back, but thinly, that we have a great challenge there.

How can we expect Ukrainians, with all the obstacles they face, not the least of which is occupation by hostile and violent foreign forces, to muscle the political capacity and capability to meet their Minsk obligation when Russia still controls parts of Ukraine and holds military superiority and is not meeting, from my perspective, their elements of Minsk?

And secondly, as a corollary to that, I am concerned to read in Jeffrey Goldberg's recent "Atlantic" article entitled "The Obama Doctrine," where the President said, quote, the fact is that Ukraine, which is a non-NATO country, is going to be vulnerable to military domination by Russia no matter what we do.

Now, I am not sure how well that was received in Kyiv, and I certainly hope that we have not resigned ourselves to that that is going to be the reality at the end of the day. When we train but we train in a way that does not provide lethal assistance for the ability to self-defense, because nobody believes that Ukrainians are going to go invade Russia—right—so but for self-defense, to give night vision goggles to be able to see the enemy but not be able to do anything to stop them, well, that is pretty challenging.

So I am really concerned that on that one pillar, between the President's comments and our actions, that we are undermining the rest of the pillars at the end of the day. So speak to me about that.

Ms. NULAND. Well, first, on Ukraine's ability to meet its obligations, as I tried to set out clearly in the testimony, before the Ukrainian Rada can be asked to pass the next stage of political agreements for Donbas, whether it is election modalities, whether it is the last reading on the constitution, we have got to see Russia and the separatists meet their obligations in terms of security. So we clearly see a sequence here for Minsk.

It is in that context that we are, as I said, trying to encourage the Ukrainians to work with the OSCE to put forward these ideas of pull-back so that we can continue to help them demonstrate where the security problems lie. But you know, for months and months and months now, the Russians have been saying that they will ensure that their proxies give full access to the territory to the OSCE, and that still has not happened.

So this has to happen in the sequence that it was agreed at Minsk, and that is what we expect of the Ukrainians.

At the same time, we are working with them to ensure that as they negotiate the terms of what an election might look like, that it also truly meets the Minsk obligations that it be under Ukrainian law, that it be OSCE-compliant, and that we not be having some kind of fake election out there.

With regard to the security assistance that we are providing, our assessment is that the training that we are offering first to the national guard, now to the regular army and to the special forces have manifestly improved their self-defense capability, their unity of command, et cetera.

Senator MENENDEZ. Let me stop you because I have less than a minute left.

You have not satisfied me about what we are doing to get Russia to move on its obligations. And I know I hear that you say we expect that the sequencing will happen in the manner in which Minsk envisions, but the reality is I hear a lot about the Ukrainians and what we expect the Ukrainians to do.

Ms. NULAND. Right.

Senator MENENDEZ. What I do not hear virtually anything about is about getting the Russians to live up to their obligations. And it just seems to me that if we saw progress on the Russians living up to their obligations, that we would see greater political will in the Ukrainian congress, the Rada, to achieve the things we want them to do. But largely, I get the sense this is a pretty unilateral pressure. Get the Ukrainians to do—which I agree they should do some of these things, but there is no question that doing them, with the countervailing reality of Russia as it exists today, is an enormous challenge. And I get a sense we have sort of like, you know, moved on. And that is a problem. And that is a problem.

Ms. NULAND. Senator, I have to just disagree with that premise. The President raised these issues, including the importance of ending violations and allowing full OSCE access with President Putin yesterday. We raise this in every single conversation with the Russians, and of course, the number one issue is maintaining unity of sanctions with the European Union, which we have been able to do, and making it clear who is at fault on the security side, which we will continue to do.

Senator MENENDEZ. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Risch?

Senator RISCH. Ms. Nuland, that article that Senator Menendez referred to by the Atlantic Council painted a pretty bleak picture of the situation. Are you familiar with that article? Did you read that?

Ms. NULAND. I am.

Senator RISCH. Are you in general agreement that that is an appropriate assessment of where things stand today?

Ms. NULAND. Senator, I am not sure that it is appropriate for me to comment on a journalist's interpretation of where the President stands or does not stand. I think the testimony that I gave today speaks to where the administration is on our policy towards Ukraine.

Senator RISCH. Well, let me set the journalist issue aside. Is the article generally accurate as far as the current situation in the Ukraine?

Ms. NULAND. I am not sure what aspect you are referring to. But I would simply say that the President has led on the issue of maintaining sanctions until Minsk is fully implemented, and that is

going to continue to be the administration's policy until we see all aspects of Minsk, including return of sovereignty.

Senator RISCH. I wanted to change subjects for a minute. I want to talk about the Open Skies Treaty. Starting February 22nd, the administration has 120 days to make a decision on this upgrade that the Russians have asked for for infrared and some other things that will greatly enhance their ability when they do overflights in the United States. You are familiar with that I assume.

Ms. NULAND. I am.

Senator RISCH. Where are you in that process?

Ms. NULAND. There are still interagency discussions going on. We can brief you in a classified setting, if you would like.

Senator RISCH. I suppose it is not surprising to you that there is a lot of angst here in this body and in your own administration regarding allowing that enhancement. You are aware of that, I assume.

Ms. NULAND. I think we would have settled it if it were an easy question.

Senator RISCH. Correct.

And I can tell you that in the very near future, you are going to be getting some input from members of this body, and it is going to be not just one-sided. That is going to be very bipartisan, stating real concerns about it.

Are you familiar with the testimony that General Stewart gave in the House Armed Services Committee, the Defense Intelligence Agency Director? Are you familiar with his testimony?

Ms. NULAND. Forgive me, Senator. I am not.

Senator RISCH. Well, he was pretty tough on it. He thought that this is a really bad idea. Are you getting that from anywhere else? Have you heard that from anyone else within the administration?

Ms. NULAND. Well, again, interagency discussions are continuing on how to manage this.

Senator RISCH. I think most Americans would be surprised to hear that there is such a treaty and that we allow actually Russian spy planes to fly over the United States and do the kind of intelligence gathering that they do.

To be fair, the door swings both ways. That is, we are supposed to be able to do the same. But the Russians routinely prohibit flights over the Russian territories in the Caucasus, around Moscow, in Kaliningrad, and some other places. Do we deny them any access here in the United States?

Ms. NULAND. Senator, I am going to have to take that question. I have not looked in a while at whether we have had denials of those flights.

[The information referred to above was not received in time to be included in this transcript.]

Senator RISCH. In your assessment as to whether or not you are going to allow this, are there discussions going on about the fact that they are routinely prohibiting us from doing what they are doing here? Do you know whether that is the case?

Ms. NULAND. We do try to maintain reciprocity. In general, that is what the treaty is about, as you said. So when we have concerns about constraints, we look at how we can ensure that there is a reciprocal response.

Senator RISCH. Who is the lead person in your agency handling this issue?

Ms. NULAND. It would be Under Secretary for Security Affairs, Rose Gottemoeller.

Senator RISCH. Thank you very much.

Thank you, Mr. Chair.

The CHAIRMAN. Thank you.

Senator Murphy?

Senator MURPHY. Thank you very much, Mr. Chairman. Thank you for all your work.

Madam Secretary, thanks for coming back again.

Just to try to square the circle on this question of the Syria-Ukraine connection, because I think it is important to underscore what you said, I think there is no doubt that there is a connection in Russia's mind between their policy in Syria and their policy in Ukraine. If you ask our friends on the ground in Ukraine, they will tell that when Russia started to move on Syria, it was like a clicker. It was switched in eastern Ukraine for a period of time. Russia was very focused on Syria, and that did mean a diminution of offensive activity in eastern Ukraine.

But to underscore what you said, that does not mean that we should start blending the boxes together. The worst mistake we could make is to concede that Russia's policy in Syria is tied to our sanctions regime in Ukraine. If you do blend those boxes together, you start to let Europe off the hook.

And so I do not think there is really a distinction, at least as I see it, between some of the feelings being articulated by members of the committee and what you are suggesting. We all acknowledge the connection that Russia is trying to make. That does not mean that we allow for the Europeans, those that are in the sanctions regime with us, to look at it that way as well.

My question is on this continuing conversation of conditionality of IMF and U.S. support. And let me be slightly contrarian on this fact.

I worry that onerous conditions upon our aid and the IMF's decision to do the same thing in some way plays into the hands of Russia. You know, let us take, for example, the reforms that we require and that Minsk requires to devolve power to the contested regions. That becomes politically unpalatable the more that Russia inflames tensions along that border. The more people that are killed by Russian snipers, the less willing the Ukrainians are to come together on those necessary reforms. The more news there is about Savchenko and her captivity, which of course is controlled by the Russians—her future is controlled by the Russians—the less willing that Ukrainians are to come together to make some of these reforms.

So I guess I put this question to you before, but do you worry that by placing all these conditions upon U.S. aid, that we essentially put the Russians in charge of whether it is released or not because their ability to sort of play politics inside Ukraine is maybe most determinative or at least substantially determinative on whether the Ukrainians can actually come together and make these reforms?

Ms. NULAND. Well, Senator, here again I think we need to split the apples and the oranges. So on the one side, there is implementation of Minsk, as you said, where Russia has the ability with their proxies in Donbas to heat up the line and make it politically harder for Ukraine to meet the political obligations it has to Donbas, which is why we have to maintain the integrity of the sequence of Minsk as it was negotiated, that there has to be real quiet on the line. There has to be real access before Ukraine can be expected to take the next steps in the political package on Minsk.

That is a different matter than whether we have a strong, unified governing coalition of unity between President, Prime Minister, and the key Rada factions on the next step of reform for Ukraine internally, the breaking of corruption, the cleaning up of institutions, all of those things.

So frankly, the IMF program is conditioned on Ukraine staying the course on reform, and our assistance is conditioned on them being inside their IMF program. So I think we have to stay rigorous because otherwise we are just funding the continued oligarchic capture of the country, and those folks are certainly not interested in Minsk either.

Senator MURPHY. We are just playing a dangerous game of chicken here, which is at some point their reserves run out, and we will be faced—of course, this is the game that Russia is playing. They are hoping to undermine unity inside Ukraine so long as is necessary to prevent this assistance from becoming real. And so at some point, we may just have to reconcile our desire to keep Ukraine economically afloat and our desire to push them at the speed that we would like on reforms that are admittedly very difficult, if not impossible, to make while your country is being occupied.

And my last question is on our committee's path forward here and Congress' path forward as to how we can be most useful in support for Ukraine. There is always a feeling of paranoia inside Kyiv that the U.S. Congress and the U.S. Government is going to focus its attention somewhere else. And I hope that we have answered most of those concerns.

But what I hear is that the most important thing that we can do is to pass a multiyear assistance commitment to Ukraine so that they know that we are partners with them, not just on the military side but on the economic and anti-corruption program.

And so I know there are discussions here about what a new Ukraine support bill could look like, but is some sort of multiyear commitment not some signal that we are, as a Congress, still willing to put money into this endeavor, whether it be in IECA or some other source, an incredibly important message to send?

Ms. NULAND. Well, we very much appreciate the plus-up of IECA and the reestablishment of IECA that we have now. There is some hope in the Department at large that it would be flexible enough for all kinds of global contingencies. You know, we do budget on a year-by-year basis, but we always welcome multiyear commitments by the Congress to the projects that we share an interest in, including Ukraine.

Senator MURPHY. Thank you as always for your service, an advertisement again for our great staff inside Kyiv who are continually working 24/7. Ambassador Pyatt got to visit with some of us this week. We are very lucky to have you and to have your team on the ground there.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Murphy.

Senator Gardner?

Senator GARDNER. Thank you, Mr. Chairman.

Thank you, Secretary Nuland, for being here and your testimony today.

In September of 2014, President Poroshenko was addressing a joint session of Congress, and I believe he had made this statement urging lawmakers to provide more political support, as well as military equipment, both lethal and nonlethal, to Ukrainian soldiers. And the quote that was so memorable from that speech was blankets and night vision goggles are important, he said, but one cannot win a war with blankets.

I know the conversation that we have had before this committee, you have talked about a decision on military equipment and lethal equipment not being made yet. Could you talk a little bit—that decision to do that has not been made yet. If you were to decide to allow lethal weapons—well, first of all, do we have a time frame for that decision?

Ms. NULAND. Well, first of all, Senator, let me just say that since the appearance by President Poroshenko before the joint session, we really have, with all of your support, plused up what we are doing in Ukraine and not just in terms of the 1,200 soldiers and 750 national guard. We have already trained in the next stage going into the army and the special forces, but also in terms of the kind of equipment that we have provided, including HUMVEEs and UAVs and two counter-artillery radars and mortar radars and all kinds of thermal vision devices and secure radios and exploded ordnance, robots, and all these kinds of things. So we are rally giving a lot more than we were at that time.

I do not have a timetable for you on a lethal decision.

Senator GARDNER. If a decision was made to allow lethal weapons, what would that allow? What would Ukraine forces be able to accomplish with those lethal weapons?

Ms. NULAND. Well, again, I do not want to speculate on what we would actually go for if that decision were made, but there are a range of things that they have asked for in the past.

Senator GARDNER. Again, I am not saying you would do it, but I mean, if some of those were allowed, what the Ukraine forces be able to accomplish?

Ms. NULAND. I think the original proposals that they made, at a time when the separatist forces and Russia were still taking additional territory quite aggressively, were things that would deal with the weapons superiority in terms of dealing with GrADS, dealing with tanks advancing, et cetera. They also have always wanted more on the ISR side.

Senator GARDNER. And if this assistance were granted, they would be able to push back on those territorial gains, as well as the equipment advantage you are talking about?

Ms. NULAND. Conceivably, but as you know, we do not have offensive combat now. We have skirmishing on the line, but the hope both on the Ukrainian side and in the international community is that we can settle this through implementation of Minsk and the withdrawal of Russian forces.

Senator GARDNER. And I believe you may have had this conversation with Senator Perdue in relation to his questions. But what has sort of our position and our inability to really effect change in Crimea—what has that done to our allies in the region from their perspective when it comes to U.S. assistance or aid like Georgia and others?

Ms. NULAND. Well, I think we are, as I said earlier, trying to change the way we approach Georgia. So our security assistance is less about preparing them to deploy elsewhere and now more about hardening their self-defenses, their resilience, their ability to ensure that they do not lose further territory. So that is very much in keeping with what they want. I think there is concern in the region with the increased militarization that we are seeing in Crimea, and that is something that we are concerned about and allies and partners are raising with Russia as well.

Senator GARDNER. I guess this past January I had the opportunity to visit NATO headquarters in Brussels, visited directly with General Breedlove and talked about sort of the Russian situation both in Ukraine and beyond, threats to Estonia, the Baltics, and others. How well prepared do you believe NATO is to counter the Russian threat if it does, indeed, lead to aggression in the Baltics or Poland?

Ms. NULAND. Well, Senator, I think this is one thing we can all be proud of, is the work we have done through the European Reassurance Initiative with your terrific support. And as you know, the administration has put forward a fourfold increase for \$3.4 billion this year for European Reassurance. We now, as compared to just 2 years ago, have U.S. forces and other NATO forces, land, sea, and air, in all of those countries. We have prepositioned equipment. We have a much more aggressive training schedule. We have worked with each of those countries bilaterally on the continuum of security from border security, civilian security, to military security. We now have NATO headquarters elements in each one of those six countries. So it is a much tougher and harder target for Russia, and we have made clear that that deterrent will continue.

Senator GARDNER. With that being said, though, do you agree or disagree with the assessment? I believe it was a RAND study just a few months ago that said if Russia decides to move on Europe, that it would just take a matter of days before they could overpower NATO. Is that an inaccurate assessment then?

Ms. NULAND. Again, I have not read the—I have read the summary, but not the details of the RAND study that you saw.

I think a Russia that challenged NATO would ultimately come to grief over that.

Senator GARDNER. But, I mean, the assessment said it would take 3 days. There is going to be grief over that. I agree. I mean, it would be disastrous.

Ms. NULAND. I mean, I have seen various studies that say that Russia would take some territory in the initial phases, but I have every confidence that NATO would be able to restore sovereignty.

Senator GARDNER. Do our allies in the Baltics share that confidence?

Ms. NULAND. What they want from us is continued presence, particularly presence of American forces. So these rotational elements that we have been able to maintain through the ERI are extremely important where we have had 700 young Americans out there in these countries on a regular rotational basis. So it is on that basis that we ask you to continue to support ERI and particularly the very big increase that we have asked for in 2017.

Senator GARDNER. And what do you anticipate in terms of the agreements to fulfill their 2 percent requirement in Europe that will be ultimately achieved?

Ms. NULAND. It remains a problem. We are doing better at reversing the slide. We have very few allies now, just a handful, who are still cutting, and we are now starting to see—I think we have 12, 13 allies who have started to grow their defense budgets again. But this is very much a focus of all of our bilateral/multilateral work, as we head to the Warsaw Summit, to be able to say that we have definitively started to grow back to 2 percent all across the alliance.

Senator GARDNER. I am running out of time here, but I would like to ask you this. If you could get back to me on this point. With the RAND assessment, I would like to know whether or not you agree, at this point in time, whether or not that is an accurate assessment of NATO's capabilities in Europe.

Ms. NULAND. We will take a look at that and get back to you.

Senator GARDNER. Thank you.

The CHAIRMAN. Well, thank you, Madam Secretary. We appreciate you being here today and your service to our country. I think, you know, obviously, the topic today was the reforms inside Ukraine that need to occur. And we want to see those happen but on the other hand understand the constraints.

I think you heard from people on both sides of the aisle that a concern exists relative to our pushback against Russia and their ability to punch way beyond their weight. No doubt some of this—a lot of this is right in their neighborhood and causes them to have greater influence than they would otherwise.

But I think again the balance here is that, yes, we need to continue to encourage and work with Ukraine to create the necessary reforms inside the country. But I think there is still dissatisfaction, generally speaking, with the pushback that has taken place relative to Russia, and we still want to push the administration to assist Ukraine as much as possible.

I am very disappointed with the outcome in Syria and Russia's ability to take advantage of a vacuum that we allowed to exist. They have played an outsized role there in a way that has put us in a very difficult situation.

So, anyway, we thank you for your service. We appreciate your comments. We look forward to working with you.

And with that, we will call on panel two.

Ms. NULAND. Thank you very much.

The CHAIRMAN. We thank you for sitting through that and hopefully it will be somewhat helpful with your questions in a moment.

We want to thank our second panel for being here. Our first witness is Mr. Ian Brzezinski, Brent Scowcroft Center on International Security at the Atlantic Council in Washington, D.C. Mr. Brzezinski served as Deputy Assistant Secretary of Defense for Europe and NATO policy from 2001 to 2005. We thank you for your continued involvements in helping us with this topic.

The second witness is the Honorable John E. Herbst, Director of the Dinu Patriciu Eurasia Center also at the Atlantic Council from 2003 to 2006. He served as our Ambassador to Ukraine. We thank you for the knowledge you are going to share with us today.

If you could, summarize your comments in about 5 minutes, and without objection, your written testimony will be a part of the record. And if we could begin in the order you were introduced, we would appreciate. Again, thank you both.

STATEMENT OF IAN BRZEZINSKI, SENIOR FELLOW, BRENT SCOWCROFT CENTER ON INTERNATIONAL SECURITY, ATLANTIC COUNCIL, WASHINGTON, DC

Mr. BRZEZINSKI. Chairman Corker, Ranking Member Cardin, members of the committee, I am honored to participate in this hearing addressing the progress of reform in Ukraine after the Maidan Revolution and the launch of Russia's invasion of that country.

Those two events transformed the course of history in Ukraine.

The Maidan Revolution was a powerful demonstration of popular demand for democracy and good governance and also the nation's desire to be a fully integrated member of the West.

The second event, Russia's unprovoked military invasion of Crimea and eastern Ukraine, stands among the most dramatic actions in President Putin's campaign to reestablish Moscow's control over the space of the former Soviet union.

What is at stake is of critical interest to the United States. If allowed to succeed, Putin's ambitions will lead to a new confrontational divide in Europe between a community defined by self-determination, democracy, and rule of law and one burdened by authoritarianism, corruption, hegemony, and occupation.

It is in this context that Ukraine launched its most aggressive effort at comprehensive economic and political reform since attaining independence. This undertaking has been only made more challenging by the tragedies caused by Russia's invasion: 9,000 Ukrainian deaths, countless wounded, 1.6 million internally displaced persons, and the loss of economically valuable territory.

Ukraine's reform efforts have also been undermined by Russia's decades-old campaign of subversion, one that includes information warfare, energy embargoes, economic sanctions, and terrorist and cyber attacks.

Despite these challenges, Ukraine has made progress. Its tax collection, pension, government procurement systems have improved. New vetted and trained police forces operate in Kyiv, Lviv, Odesa, Kharkiv, and elsewhere. Anti-corruption laws have been passed, and a government austerity program is being implemented.

With that said, and as was pointed out by Assistant Secretary Nuland, the process of reform is far from complete. It moves too slowly and remains too easily reversible.

A strategy to assist Ukraine must integrate initiatives to: 1) impose greater costs on Russia for its aggression; 2) enhance Ukraine's capacity for self-defense; 3) assist Ukraine's efforts at reform; and 4) further its integration into the Euro-Atlantic community.

Towards these ends, current targeted sanctions against Russian individuals and firms should be escalated toward broader and more comprehensive sectoral sanctions, including against the Russian financial and energy sectors. Today's sanctions may be hurting the Russian economy in the context of low oil prices, but if their intended outcome has been to deter Russian aggression, they have failed.

One specific step that was mentioned earlier today is to embargo the sale of spare parts to Russia's vulnerable oil refinery industry. This step, first proposed to this committee by former Under Secretary of State Paula Dobriansky, would degrade an important source of revenues that help sustain Russian military operations.

Second, NATO should significantly reinforce its presence in Central Europe. Larger and more responsive exercises and operations and the establishment of bases in Poland and the Baltic States equipped with brigade and battalion-level capacities, respectively, are in order. These are reasonable steps in light of Russia's military buildup and the magnitude of its aggression in the region.

Third, western assistance has been helpful to Ukraine's armed forces, but the time is long overdue to grant Ukraine the lethal defensive equipment it has requested. The provision of anti-tank, anti-aircraft, and other systems would complicate, add risk, and increase the cost of operations against Ukraine. In light of Moscow's rhetoric and its belligerent force posture, this requirement has not lost its urgency.

We must do more to counter Russia's significant information campaigns. This is not just a media battle. It is also a matter of physical presence. U.S. consulates should be established in key cities such as Odesa and Kharkiv. This would expand economic ties between these cities in the West and provide us greater situational awareness of the surrounding regions.

Fifth, we should work to link Ukraine's energy sector to an emerging north-south corridor of gas and oil pipelines in Central Europe. This corridor linking the Baltic, Black, and Aegean Seas promises to unify Central European energy markets and bind them into the broader European energy market. A robust Ukrainian link to the North-South corridor would further diversify Ukraine's energy supplies, facilitate Ukraine's integration into an emergent single European energy market, and actually strengthen Europe's energy resiliency—Europe as a whole—by enabling it to leverage Ukraine's significant gas storage facilities.

Sixth, we should assist Ukraine to design a national strategy to restructure its defense industry, a very significant element of its economy, so that it can become better aligned with western business practices and western market structures.

Finally, assistance to Ukraine and its reform efforts should rest upon a firm embrace of Ukraine's transatlantic aspirations. Those aspirations are powerful drivers of reform.

Mr. Chairman, the recommendations I listed are prudent, defensive, mutually reinforcing, and consistent with the desires of the Ukrainian people to live in peace, freedom, and under the rule of law and to see their nation become a fully integrated member of the West. They, thus, also enhance the prospects of peace in Europe.

Thank you.

[Mr. Brzezinski's prepared statement follows:]

PREPARED STATEMENT OF IAN J. BRZEZINSKI

Chairman Corker, Ranking Member Cardin, members of the committee, I am honored to participate in this hearing addressing the progress of reform in Ukraine following the Maidan Revolution and Russia's invasion of that country.

Two years ago, the course of history in Ukraine was transformed by those two events. The Maidan Revolution, also known as the Revolution of Dignity, was a powerful demonstration of popular demand for governance defined by democracy, transparency, and rule of law. That demand's articulation also underscored Ukraine's desire for full integration into the Western community of democracies.

The second event, Russia's unprovoked military invasion of Crimea and eastern Ukraine, stands among the most dramatic actions in Russian President Vladimir Putin's sustained campaign to reestablish Moscow's control over the space of the former Soviet Union. A central objective of this campaign has been to reverse Ukraine's western orientation and re-subordinate the country to Moscow's dominion.

We should have no doubt that this aggression has profound implications for the security interests of the transatlantic community, including the United States.

President Putin's seizure and continued occupation of Crimea and eastern Ukraine violates the principles of sovereignty that have sustained peace in Europe since World War II.

Second, this invasion shattered the 1994 Budapest Memorandum in which the United States, the United Kingdom, and Russia committed to respect and protect the territorial integrity of Ukraine in return for Kyiv giving up the significant nuclear arsenal it inherited from the USSR. Moscow's aggression, thus, is a serious blow to the efforts to curb the proliferation of nuclear weapons via international accords.

Third, President Putin has justified the invasion of Ukraine on his assertion of a unilateral right to redraw borders to protect ethnic Russians. This reintroduces to Europe the principle of ethnic sovereignty, a dangerous principle that provoked wars and resulted in countless deaths in earlier centuries. We had all hoped it had been relegated to the past.

Fourth, Russia's incursion into Ukraine is a direct threat to the vision of an Europe, whole, free, secure and at peace. For the second time in a decade, Putin has invaded a country simply because it wanted to join the West. If allowed to succeed, his ambitions will create a new confrontational divide in Europe between a community defined by self-determination, democracy, and rule of law and one burdened by authoritarianism, corruption, hegemony and occupation.

It is in this context that that Ukraine launched its most aggressive effort at comprehensive economic, political and legal reform since attaining independence. This undertaking has been made both more challenging and more urgent by Russia's military aggression. The invasion of eastern Ukraine caused over 9,000 Ukrainian deaths, left countless wounded and traumatized, and generated 1.6 million internally displaced persons. Russia today occupies some 9% of Ukraine's territory, including some of the latter's most important industrial and tourist zones. These tragedies, needless to say, impose significant burdens upon the nation's struggling economy.

In recent weeks, the military standoff in eastern Ukraine—which despite the Minsk agreements has one been of sustained low intensity warfare—has deteriorated. We are once again seeing an increase in active combat featuring sniper, mortar and artillery fire and other aggressive Russian operations along the line of contact. EUCOM Commander General Phillip Breedlove recently testified that Russia has moved over 1,000 pieces of military equipment into the occupied areas over the last twelve months.

Since its occupation, Crimea has experienced a steady and significant build-up of Russian military forces. It is being steadily transformed into the hub of an anti-area/access denial zone extending deep into Ukraine-proper and much of the Black Sea region. Large-scale Russian snap “exercises” in its Western Military District and the Black Sea remind Ukrainians that their country remains at risk to deeper aggression.

Ukraine’s reform efforts are not only challenged by these military incursions, they are undermined by Russia’s decades old campaign of subversion, one that has only intensified over the last two years. Moscow has conducted an aggressive disinformation effort intended to disillusion Ukrainians with their own government, independence, and their aspirations to become part of the West. This “full spectrum” campaign includes: energy embargoes and gas price escalations; economic and trade sanctions; and terrorist and cyber-attacks, among other elements.

Despite these challenges, Ukraine has made progress in reform since the Maidan revolution. Its government has taken measures to improve tax collection, its pension systems and the transparency and fairness of its procurement systems. New, vetted, and trained police forces have been introduced in major cities, including Kyiv, Lviv, Odesa, and Kharkiv. Anti-corruption and public asset disclosure laws have been passed, and a government austerity program is being implemented that features a significant reduction in energy subsidies and social benefits.

With that said, the process of reform is far from complete, is not moving fast enough, and remains easily reversible. Significant challenges remain, including systemic corruption, oversized state-owned enterprises, powerful oligarchs, and a weak judicial system lacking robust prosecutorial institutions. Political dysfunction, as evidenced in recent weeks, reflects the endemic character of these impediments.

However, as we assess Ukraine’s progress it is useful to compare how its situation today differs from that of Poland, one of Central Europe’s post-Cold War success stories. When Poland emerged from Soviet domination, it was warmly received by Europe and the United States. Its aspirations to join NATO and the European Union were robustly embraced, encouraged, and supported. Its aggressive “big bang” reforms were undertaken in a geopolitical environment that was by and large benign. It faced no real force that was capable of actively undercutting its independence and integration into the West.

Ukraine has faced a different context. Its initial pursuit of independence generated warnings of caution against national extremism. After attaining independence in 1991, its expressions of interest in NATO and the EU membership were largely dismissed. And, it was confronted by a Russia that refused to recognize Ukraine as an enduring reality. From day one of Ukraine’s reemergence as an independent nation, Moscow worked to undermine its government, its sovereignty, and its ties to the West. These efforts increased as Russia’s economy and military became more robust, particularly over the last decade and a half, the period corresponding with President Putin’s rule.

The transatlantic community, including the United States, has a significant stake in assuring Ukraine’s trajectory as a modern, democratic and prosperous European state. A strategy to assist Ukraine in accomplishing that objective must integrate a set of immediate and longer term initiatives that will impose greater economic and geopolitical costs on Russia for its aggression, enhance Ukraine’s capacity for self-defense, and assist Kyiv’s efforts to reform its political and economic institutions, and integrate the nation into the Euro-Atlantic community. These initiatives should include:

Increased economic sanctions against Russia: Current economic sanctions imposed on Russia have proven insufficient. For two years, Moscow has refused to withdraw from Crimea and eastern Ukraine. In fact, it has used that time to consolidate its control over those regions and has sustained, if not increased, its other coercive activities against Ukraine and other nations, including Georgia and Moldova. Today’s sanctions may be hurting the Russian economy in the context of low oil prices, but if their intended outcome has been to deter Russian aggression, they have failed by that measure.

Instead of debating whether or not to sustain sanctions against Russia, the West should move to escalate those measures from targeted sanctions aimed against specific Russian individuals and firms to broader and more comprehensive sectoral sanctions against the Russian financial and energy sectors.

One step in that direction that should be taken is to target Russia’s vulnerable refinery industry. While Russia is a top producer of oil, its refining capacities are antiquated, have little spare capacity and are dependent upon Western, particularly U.S., spare parts. Former Under Secretary of State for Global Affairs Paula Dobriansky proposed to this committee that the West impose an embargo of exports

to Russia of such equipment, including pumps, compressors, and catalytic agents.¹ Such an embargo would significantly impair a key sector of the Russian economy from which Moscow derives revenues to sustain its military operations, including those conducted against Ukraine.

A more robust NATO posture in Central and Eastern Europe: Today, NATO's response—including that of the United States—to Russia's assertive military actions across Central and Eastern Europe remains underwhelming. When Moscow invaded Crimea, it deployed 20-30,000 troops and mobilized over 100,000 on its western frontier. Since then Russia has conducted "snap" exercises in Europe involving 50,000 and more personnel. Western counter-deployments to Central Europe have involved primarily rotational deployments of company level units. Their limited character been unnerving to our Central European allies and have yielded no constructive change in the operational conduct of Russian forces.

NATO should increase its military presence on its eastern frontiers, including through the establishment of bases in Poland and the Baltic states that feature permanently positioned brigade and battalion level capacities, respectively.

These steps, some of which may be under consideration for approval at NATO's upcoming summit meeting in Warsaw this July, would build a context of greater security and confidence to Ukraine's immediate West. They are reasonable in light of Russia's long-term military build-up in the region and the magnitude of its aggression against Ukraine. They would constitute a geopolitical setback for Moscow's regional aspirations, at least those defined by President Putin.

Military Assistance to Ukraine: Since the 2014 invasion of Crimea and eastern Ukraine, the Ukrainian military has evolved into a more effective fighting force. This has been particularly evident at the tactical or field levels where Ukrainian units have learned at great human cost how to innovatively and effectively counter Russian tactics and operations.

Training and equipment provided by the United States and other nations have clearly been helpful, used effectively by the Ukrainians, and should be expanded. At the institutional and strategic levels, particular emphasis should be directed to assisting the Ukrainian defense establishment improve its personnel structures, logistics systems, medical capacities, intelligence organizations, and command and control systems.

The time is long overdue for the United States and others to grant Ukraine the "lethal defensive equipment" it has requested. Russia's large-scale "snap" exercises underscore the challenges the Ukrainian military would face should Putin decide to drive deeper into Ukraine, a possibility that cannot be discounted in light of Moscow's rhetoric and belligerent military posture.

The provision to Kyiv of anti-tank, anti-aircraft and other weapons would complicate Russian military planning by adding risk and costs to operations against Ukraine. Moreover, the failure of Washington to provide such equipment is not only disillusioning to Ukrainians, it signals a lack of determination by the United States to counter this Russian aggression—particularly when such equipment is shared with U.S. state and non-state partners elsewhere in the world.

Reinforced Public Diplomacy/Information Warfare: A key priority must be to counter Russia's significant information campaign aimed to foster dissension, fractionalization, and turmoil. Russia's propaganda and disinformation war against Ukraine (and other nations in Europe) is being waged at levels not seen since the Cold War.

Left unaddressed, the campaign threatens political unity in Ukraine, including that necessary to undertake essential and painful economic reforms. There is an urgent need to expand Ukrainian, U.S., and international dissemination of accurate, credible information and news in local languages via all forms of media throughout the country.

Information and public diplomacy operations are also a matter of presence. The international community should increase its physical presence throughout Ukraine, particularly in those regions where Russia's subversive operations are most active and concentrated. Toward this end, the United States should establish consulates in key cities, including Odesa and Kharkiv. Such a presence would communicate U.S. resolve to support Ukraine's sovereignty, would help expand this region's economic ties to the West, and provide greater situational awareness in these regions.

Ukraine's Economic Integration into the West: The U.S. has done well in mobilizing international financial support needed to mitigate the costs of Russia's mili-

¹Dobriansky, Paula. Testimony before the Senate Foreign Relations Committee: The Economic and Political Future of Ukraine. October 8, 2015.

tary and economic aggression against Ukraine and to assist that the latter undertake challenging and painful economic reforms.

A fundamental objective of this assistance and these reforms should be to facilitate Ukraine's full integration into the European economy. Toward this end, two dimensions of Ukraine's economy warrant focused attention: the energy and defense industrial sectors.

Ukraine has made real progress in reducing its dependency upon Russian energy supplies, particularly gas. Last year, Kyiv began to import natural gas through Poland, Hungary, and Slovakia via pipelines that had been reconfigured for "reverse flow." These imports underscore the powerful potential of linking Ukraine to an emerging Central European North-South Corridor of gas and oil pipelines that will traverse the energy markets that lie between the Baltic, Black and Aegean seas. This network promises to unify what are still-today divided Central European energy markets and integrate them into the broader European energy market.²

Establishing a more robust Ukrainian link to the North-South Corridor would further diversify Ukraine's energy supplies, facilitate the integration of Ukraine into the emergent single European energy market, and strengthen Europe's energy resiliency by enabling it to leverage Ukraine's significant gas storage capacities.

A second important dimension of Ukraine's economy is its defense industry. As recently as 2012, Ukraine was the fourth largest arms exporter in the world with total deals valuing \$1.3 billion. Originally built to supply and sustain the Soviet military, Ukraine's defense industry remained after independence heavily focused on the Russian market. Today, the industry, even with the loss of the Russian market and manufacturing facilities seized in eastern Ukraine and Crimea, continues to be a significant element of the Ukrainian economy. With its sophisticated rocket works and heavy equipment and aviation design and production centers, Ukraine's defense industry ranks in the top ten of global arms exporters.

Like the rest of the economy, Ukraine's defense industry suffers from cronyism and corruption, aging, megalithic assets and near total state ownership. A central objective of Western assistance should be to help Kyiv design, promulgate and execute a comprehensive national strategy to restructure that industry so that it becomes more oriented toward the West and better aligned with Western business practices and market structures.

Supporting Ukraine's Euro-Atlantic Integration: Finally, assistance to Ukraine and its reform efforts must reflect an embrace of Ukraine's transatlantic aspirations. Those who protested and sacrificed themselves on the Maidan were very much motivated by their nation's aspiration to become a fully integrated member of Europe and its key institutions. Indeed, it is this aspiration that Moscow today is trying to crush.

That vision serves as a powerful driver of Ukraine's reform efforts. Both NATO and the EU should use their respective summit meetings this Spring and Summer to underscore their support the eventual integration of Ukraine in to their respective communities. The Alliance, for example, should use its Warsaw Summit meeting in July to reiterate its vision that Ukraine and Georgia "will become members of NATO."

CONCLUSION

The Maidan was a powerful demonstration of the Ukrainian peoples' commitment to democracy and its sovereignty as a European state. That commitment has been challenged by Russian aggression, including the occupations of Crimea and portions of Eastern Ukraine. From this conflict, Ukraine has emerged more unified and more determined to become a full member of the Western community of democracies. They deserve our full support.

The recommendations outlined above are prudent, defensive, mutually reinforcing, and consistent with the aspirations of the Ukrainian people to live in peace, freedom, and under the rule of law and to see their nation become a fully integrated member of the transatlantic community. They, thus, also enhance the prospects of peace in Europe.

The CHAIRMAN. Thank you very much.
Ambassador Herbst?

²Completing Europe: From the North-South Corridor to Energy, Transportation, and Telecommunications Union. The Atlantic Council and Central Europe Energy Partners, November 2014.

STATEMENT OF HON. JOHN E. HERBST, FORMER U.S. AMBASSADOR TO UKRAINE, DIRECTOR, DINU PATRICIU EURASIA CENTER, ATLANTIC COUNCIL, WASHINGTON, DC

Ambassador HERBST Chairman Corker, Ranking Member Cardin, members of the committee, thank you for the invitation.

For more than 2 years, Ukraine has faced a double challenge: Kremlin aggression and the crisis of reform.

In May of 2014, newly elected President Poroshenko faced economic catastrophe and in advancing Russian led finance and supplied offensive of the Donbas.

Ukraine's sharp economic decline bottomed out in the third quarter of last year, which was a year of substantial reform and economic stabilization.

Today there is a largely stabilized line of contact in the east between Russian forces and their proxies in the occupied territories and Ukraine's troops to the west. In short, Ukraine has pulled back from the brink of disaster, but its circumstances remain difficult.

For a year and a half, the Minsk process has been a key factor in the effort to bring peace to the east. Ceasefires have been in effect officially since September of 2014, but both the Minsk I and Minsk II ceasefires have been violated regularly with most violations coming from the Russian side.

The terms of the Minsk II agreement were similar to Minsk I but worse for Ukraine. Under the Minsk II ceasefire, 375 Ukrainian soldiers have died, 1,500 have been injured. Since the Minsk I ceasefire went into place, Russia has seized over 700 additional square kilometers of Ukrainian territory. This has not been a real ceasefire.

Minsk II's terms are worse than Minsk I, but they are adequate as long as the EU insists that sanctions imposed on Moscow remain in place until Minsk II is fully implemented. Thus far, sanctions have been the most effective tool that the West has used to encourage Moscow to end its war in the Donbas. They are responsible for a 1 to 1.5 percent drop in the Russian GDP. Last year, Russia's GDP dropped 3.7 percent, wages dropped up to 10 percent, and the IMF expects Russian GDP to fall again this year.

It is essential that sanctions stay in place. Chancellor Merkel has been key in this. She says that Russia's operations in Syria will not affect sanctions policy, but Chancellor Merkel's political standing is weaker as a result of the immigration crisis. If she becomes substantially weaker, the EU sanctions on Russia are in jeopardy. Her drubbing in Sunday's provincial elections was not a good sign.

President Poroshenko and Prime Minister Yatsenyuk are the best senior team in Ukraine's history, but they must make the right decisions for reforms to succeed. Ukraine's vibrant civil society, an impressive cohort of young reformers in the Rada and in minister and deputy minister slots have been encouraging the president and the prime minister to make those decisions.

Ongoing advice and assistance from the EU, the United States, and especially the IMF are critical in helping Ukraine's leadership to make the right choices.

2015 was ultimately a successful year for reform. The budget passed in 2015 reduced public expenditures by 9 percent of GDP and cut the budget deficit from 10 to 2 percent. Parliament passed

a host of laws that were also very reform-minded. Ukraine's GDP dropped 11 percent, but most of that was in the first half of the year. In the fourth quarter, there was no decline in GDP, and the IMF projects modest growth for Ukraine this year.

While reform was substantial in 2015, it was not enough for many Ukrainians. Critics focused on the absence of any change in the prosecutor general's office and the judiciary and claimed that the president and the prime minister were not interested in going after these major sources of corruption.

Early this year, three reform ministers resigned quietly. Then Economic Minister Abramavicius resigned complaining that he could not do his job because of corruption, and that corruption went all the way to the top. Reformers in civil society spoke up for Mr. Abramavicius, so did the U.S., the EU, and the IMF. In response, President Poroshenko called for the removal of Prosecutor General Viktor Shokin, and the Rada passed reform legislation that had been blocked for months.

In February, two parties resigned from the coalition. Since then, President Poroshenko's party has been negotiating with other parties to ensure that it retains the majority. Those negotiations continue. The president has to name a prime minister who can gain a majority of votes in the Rada and who is acceptable to the West and especially the IMF.

This whole affair, starting with the resignation of the economic minister, has damaged Ukraine's reform credentials. Many observers read the headlines and assume that reform in Ukraine has not made progress, but that is not true. Progress has been made consistently since 2014, and even during this crisis, the Rada passed reform legislation.

Under the current lineup in the Ukrainian Government and in the Rada, there will always be one step backwards before you get to two steps forward for reform. This is the way that progress will take place in Ukraine, and we need to understand that.

The Obama administration has a mixed record regarding Moscow's aggression and its support for Ukraine. It has been a strong and effective advocate for imposing and maintaining sanctions on Russia. Dan Fried and Tioria Nuland should get credit for that.

The Obama administration has also provided important military training and some hardware to Ukraine, as Tioria outlined. And the administration also understands the way reform will move in Ukraine. Vice President Biden has been a great advocate for reform in Ukraine.

But the Obama administration has failed to recognize the magnitude of this crisis. President Obama has said that the crisis in Ukraine is a regional crisis. This is false. When a nuclear super power changes borders in Europe by military force, this is a global crisis requiring strong American leadership.

Mr. Putin has not hidden his goal of changing the post-Cold War order in Europe, which is a vital threat to American interests. To increase the odds that Mr. Putin does not commit aggression elsewhere in Europe, we must help Ukraine defeat Moscow's war in the Donbas. At an absolute minimum, we should make the war on Ukraine by Russia as painful as possible for the Kremlin.

With these goals in mind, we should provide Ukraine with robust military support, at least \$1 billion a year for 3 years. Ukraine needs four to six more units of counter-battery radar for long-range missiles. Ukraine needs lethal defensive weapons to defeat Russia. If the U.S. had provided 25 Javelins to Ukraine in January of 2015, Ukraine forces would have defeated Moscow's Debaltseve Offensive. If we gave Ukraine 50 Javelins today, we would make it very, very painful for Russia to continue its territorial aggression in Ukraine.

There is another reason for thwarting the Kremlin aggression. Moscow's war against Ukraine, the seizure of Crimea is the single greatest blow to the nuclear nonproliferation movement ever. Ukraine gave up its nuclear weapons in return for assurances from Russia, from Great Britain, from the United States, and from France, and we have ignored those assurances.

Our economic assistance should also be much greater. It should be seen as an investment in our security, a point that former Treasury Secretary Larry Summers has made in advocating \$10 billion of western aid for Ukraine. The U.S. should shoulder up to \$5 billion of this package. It should consist of loan guarantees, direct budget support, debt swaps, as well as assistance to support reforms in key sectors such as banking.

Coupled with strong military assistance and the maintenance of sanctions on Moscow, a large aid package would help Ukraine defeat the Kremlin's aggression and transform itself into a prosperous democracy with close links to the West.

Thank you. I am sorry for going over my time.

[Ambassador Herbst's prepared statement follows:]

PREPARED STATEMENT OF AMBASSADOR (RET.) JOHN E. HERBST

Chairman Corker, Ranking Member Cardin, members of the committee, thank you for the invitation to speak this morning. It is an honor.

For over two years, Ukraine has faced a double crisis. The first concerns the war of aggression waged by the Kremlin; the second is the crisis of reform. The two are related because it was the determination of the Ukrainian people, in the face of the corrupt and increasingly authoritarian Yanukovich government, to pursue reform that ultimately led Viktor Yanukovich to flee Ukraine in February of 2014. This, in turn, prompted the Kremlin to annex Crimea in March of 2014 and to launch an increasingly open hybrid war in the Donbas.

In late May of 2014, newly elected reform President, Petro Poroshenko, faced an advancing Russian-led/financed/supplied offensive in the east and economic catastrophe throughout the country. Ukraine's international reserves dropped steadily through 2014 and reached a low of \$5 billion in February of 2015. Today, there is a largely stabilized line of contact in the east between Russian forces and their proxies in the occupied territories and Ukrainian troops to their west.

Ukraine's economic decline of nearly 10 percent in 2015 bottomed out in the third quarter, with zero growth in the fourth quarter and actual growth projected for 2016. And thanks to a raft of reform legislation that passed the Rada, Ukraine's parliament, in early 2015, the International Monetary Fund, the European Union, the United States and other countries provided \$5 billion in economic assistance to buttress Ukraine's foreign reserves. As of today, Ukraine's reserves are \$13 billion. The IMF is expected to release the next tranche of its \$17.5 billion package in the coming months.

In short, whether looking at the war, the economic condition of the country, or the state of reform, Ukraine has pulled back from the brink of disaster, but its circumstances remain difficult. Still, the understanding of Ukraine's circumstances and the West's interests in Ukraine remain rudimentary—although much better in Congress than in many European capitals.

THE MILITARY SITUATION AND MINSK

For a year and a half, the Minsk process has been a key factor in the military situation in the east. To understand the present situation in the Donbas, it is useful to review briefly the origins and evolution of the war.

The problem starts, of course, with the Kremlin's decision first to seize Crimea and then to launch a covert war in Ukraine's east in April of 2014. The Kremlin believed that it would be able to turn much of the east and—from Luhansk in the north to Donetsk and Kharkiv to its south and all the way to Odesa in the southwest—into a zone of influence by providing leadership, money, and arms for an uprising against the reform government that took office after Mr. Yanukovich fled Kyiv. This ambitious effort to create a “Novorossiia” failed as the residents of the area were not interested in fighting against the government in Kyiv. Indeed, polls taken in the Donbas in January of 2014 showed that no more than 25 percent of the population favored either independence from Ukraine or joining Russia (similar polls in Crimea at that time showed that no more than 40–43 percent of the population there favored those options).

While this ersatz rebellion failed in most of Ukraine's east and south, with the help of Russian “political tourists” and “volunteers,” it enjoyed some success in the Donetsk and Luhansk Oblasts. For six weeks, with little and ineffective Ukrainian resistance, this rebellion marched westward taking the cities of Kramatorsk and Slovyansk. The Kremlin's objective in conducting this covert war was to produce political changes in Kyiv that would lead to the installation of a government beholden to Moscow; or, if that was too difficult, to destabilize the reform government that replaced Mr. Yanukovich.

Shortly after taking office in late May of 2014, Mr. Poroshenko launched a counteroffensive to halt the advance of Russian forces in the Donbas and to retake lost territory. For two months the counteroffensive went from victory to victory, despite the Kremlin taking increasingly hostile measures to thwart it. These measures included the introduction of T-64 and then T-72 tanks, the dispatch of the “volunteer” Vostok battalion of Chechens, the firing of long-range artillery by Russian forces in Russia, and the deployment of increasingly sophisticated anti-aircraft batteries, including the BUK missile that shot down the Malaysian airliner in mid-July of 2014.

In mid-August of 2014, with Ukrainian troops on the verge of encircling the Moscow-supported forces in Donetsk and Luhansk, several thousand regular Russian troops invaded and defeated the Ukrainian troops within three weeks. The shoot-down of the Malaysian plane and the Russian invasion prompted the European Union to join the United States in imposing sectoral sanctions on Russia—serious measures that the Kremlin had hoped to avoid by keeping hidden its role in Ukraine's war.

Under OSCE auspices, Ukraine and Russia negotiated the Minsk I ceasefire in September of 2014. The agreement called for an immediate ceasefire, an end to offensive operations, the withdrawal of heavy weapons 15,000 kilometers behind the line of contact, the withdrawal of all foreign fighters and equipment from the occupied areas, the passage of decentralization legislation in Ukraine and the holding of elections in the occupied areas, freedom from prosecution for those involved in the fighting in the Donbas, OSCE monitoring of the ceasefire and the border between Russia and Ukraine, and the return of the border to Ukrainian control.

The senior group for negotiations on the Kremlin's hybrid war in Ukraine is the so-called Normandy format, consisting of German Chancellor Angela Merkel, French President François Hollande, Russian President Vladimir Putin, and Mr. Poroshenko. This format was established in June of 2014, when the four leaders met in Normandy to celebrate the 70th anniversary of the Allied invasion of Nazi-occupied France. This setup suits France, Germany, and Russia. Ukraine would prefer to include the United States. But Washington has never insisted on joining the talks.

Violations of Minsk I Lead to Minsk II

The Minsk I ceasefire was violated from the very beginning. While both sides committed violations, it was the Russian-backed side that conquered an additional 500 square kilometers between September of 2014 and February of 2015, when the Minsk II protocol was signed. Indeed, negotiations on Minsk II began as result of the Russian offensive to take Debaltseve in southeast Ukraine, which began in early January of 2015.

The terms of the Minsk II agreement were similar to Minsk I, but worse for Ukraine. Specifically, Minsk II gives the authorities in the occupied areas the right to organize and control their own militia. Mr. Poroshenko's motivation for signing Minsk II may have been to save the Ukrainian army that was defending Debaltseve.

It was nearly encircled by Russian forces. German and French officials claim that they put no pressure on Mr. Poroshenko to sign these unfavorable terms, and that Chancellor Merkel even asked him if he wanted to accept these onerous conditions. Ukrainian officials state that the French and the Germans were anxious for Mr. Poroshenko to sign.

It is noteworthy that while Minsk II was signed on February 12, the Russian side insisted that the ceasefire only go into effect February 15. Moscow wanted to use the additional three days to capture Debaltseve. This tactic did not work. On February 15, Debaltseve was still in the hands of Ukrainian forces. So Moscow and its proxies violated the Minsk II ceasefire from its first hours as they continued the offensive to take the town, which required a few more days.

After the Kremlin's minions took Debaltseve, violations of the Minsk II ceasefire continued, averaging 70 to 80 incidents a day. The majority of these violations were committed by the forces in the occupied territories. In September of 2015, Moscow decided to dial down the violence in the Donbas as it turned its military attention to Syria. But even that did not lead to a true ceasefire. Daily firing incidents averaged 30 to 40. Moscow was hoping that by reducing the violence, it might persuade the EU to lift, or at least ease, the painful sectoral sanctions that would be reviewed in December. Moscow's hopes were not fulfilled as the sanctions were renewed for an additional six months.

In January, Moscow chose to up the pressure in the Donbas and the number of daily violations jumped again to over 70. The authorities in the Luhansk and Donetsk Peoples' Republics have continued to hinder the work of the OSCE's Special Monitoring Mission (SMM) in verifying the removal of heavy weapons and in observing the Ukrainian/Russian border. Since the Minsk II ceasefire went into effect, Moscow's forces have taken hundreds of square kilometers of Ukrainian territory, and killed over 375 and wounded over 1,500 Ukrainian soldiers.

The number of Russian troops in the Donbas is a matter of dispute. Ukrainian intelligence has regularly reported that number as between 8,000 and 12,000. In late 2014, Western sources were putting that number at 400-800. But in March of last year, LTG Ben Hodges, Commanding General of U.S. Army Forces Europe, put that number at 12,000. Earlier this month, Assistant Secretary of State for European and Eurasian Affairs, Victoria Nuland, spoke of "thousands" of Russian soldiers in Ukraine.

The Kremlin has devoted much attention and energy to hiding its aggression in the Donbas—just as it did in Crimea until Putin decided to boast about his success in a triumphal documentary on the "return" of Crimea to Russia in March of 2015. At a press conference last December, Putin also publicly acknowledged that the Russian military was in Ukraine. "We never said there were not people there who carried out certain tasks including in the military sphere," Putin said. But, he asserted without elaboration, this was not the same as regular Russian troops.

In their military operations, the Kremlin was surprised first by the unwillingness of the people in the east, including ethnic Russians, to join the rebellion against Kyiv and then the stubbornness of Ukraine's defense. That defense has been a source of pride to the armed forces and people of Ukraine. Moscow now has no expectations that it can somehow engineer a sympathetic government in Kyiv. It also understands that it would take a large, conventional offensive involving hundreds of tanks and/or airpower to make a major breakthrough Ukraine's well dug in lines. That option is inexpedient for domestic and international reasons. But Moscow is still seeking to wear out Mr. Poroshenko's government by constant military pressure, including small seizures of territory.

Minsk and Sanctions

The terms of Minsk II are weak and unfavorable for Ukraine, but they are adequate as long as the EU insists that the sectoral sanctions imposed on Moscow will remain in place until the terms of Minsk are fully implemented, including the withdrawal of all foreign equipment and fighters, the restoration of Kyiv's sovereignty over the entire Donbas, and Ukraine's control of its border with Russia.

Thus far, sanctions have been the most effective tool that the West has used to encourage Moscow to end its war in the Donbas. According to Russian economic officials, the sanctions are responsible for a 1–1.5 percent drop in Russia's GDP. Sanctions have proved a particular problem for Russian firms turning over debt or seeking new credit. Russian GDP dropped 3.7 percent and Russian wages dropped 9.5–10 percent in 2015. Sanctions were an important reason for this, although the drop in hydrocarbon prices played a larger role. The IMF expects Russian GDP to fall another 1–1.5 percent this year, but other observers think that GDP contraction this year may be the same as in 2015.

It is essential that the sanctions continue. To the Kremlin's unpleasant surprise, sanctions have been renewed three times. But some EU nations are growing restive with the sanctions regime. When Moscow intervened in the Middle East last September, some prominent European voices spoke of the need to remove sanctions in order to secure the Kremlin's support for dealing with issues like Syria.

It quickly became clear, however, that Moscow's military campaign was directed almost exclusively against the weak and moderate opposition supported by the West, not against the Islamic State of Iraq and the Levant (ISIL) or other extremist groups. And by the end of the year, even that intervention had not achieved much—it only enabled Bashar al-Assad's regime to recover .004 percent of Syrian territory.

In January, however, the Kremlin took a page from Putin's war in Chechnya in the late 1990s. It began a massive bombing campaign against the secular opposition and the civilian population among whom it lived in the small cities and towns in northwest Syria. This operation has produced large civilian casualties and prompted major movements of people out of these locations. This has had two consequences: It has enabled Assad's forces to take back territory leading to Aleppo, and it has greatly exacerbated the refugee crisis in Europe.

Without a doubt, the refugee crisis is the greatest political issue in Europe today. There is some understanding on the continent that Kremlin policies are contributing to the crisis. For those who do not like sanctions on Russia, this is another reason to lift them—to somehow “trade” this for an end to Moscow's migration-inducing bombing campaign. (Of course, Moscow denies it is conducting such a campaign, so it is not clear that such a deal is possible.)

But for the German Chancellor and others who insist that the sanctions must remain in place until Russia implements its Minsk obligations, Moscow's Syria operation will not, in and of itself, lead to a weakening of sanctions policy. It is true, however, that the Chancellor's political standing is weaker as a result of her policy of accepting migrants from Syria and other hot spots to the south. If she becomes substantially weaker, it could threaten the sanctions policy. The provincial elections in Germany March 13 were a clear set-back for the Chancellor. The impact of the election on her political fortunes and, possibly, sanctions policy will play out in the months ahead.

If this danger appears, it will come in the form of the pseudo-sophisticated argument that neither Russia nor Ukraine are meeting their Minsk commitments; therefore, why should only one side (Russia) be punished with sanctions? Those who dislike sanctions are already pointing out that Ukraine's Rada has yet to pass a local election law for the occupied areas or constitutional reform on decentralization, which would give autonomy to those areas. This argument overlooks the fact that the Russian side is:

- currently occupying Ukrainian territory;
- responsible for the most immediate and important violation of the Minsk agreement—the ongoing fighting in which they continue to advance into Ukrainian territory; and
- hindering the essential monitoring activities of the OSCE.

U.S. Policy and Minsk

The Obama administration has a mixed record in this crisis. On the one hand, it has been a strong and effective advocate for imposing and maintaining sanctions on Russia for its aggression in Ukraine. In encouraging the EU to impose and maintain sanctions, the administration has demonstrated leadership and skill.

At the same time, U.S. President Barack Obama has said famously, and incorrectly, that the crisis in Ukraine is a regional crisis; when a nuclear superpower changes borders in Europe by military force, it is a crisis of global import.

Mr. Putin has not hidden his goal of changing the post-Cold War order in Europe—a vital threat to American interests. As part of his revanchist agenda, Mr. Putin has invoked his right and duty to protect ethnic Russians and even Russian speakers wherever they live—a principle he used to justify aggression in Georgia and then Ukraine. If emboldened, he could use that principle to intervene in Estonia or Latvia, where ethnic Russians total 25 percent of the population. We have an Article 5 obligation to protect our Baltic NATO allies in the face of Kremlin aggression. Therefore, it is in our interests that Moscow's aggression in Ukraine fails. At an absolute minimum, we should make it as painful as possible for the Kremlin.

With this in mind, we should be providing Ukraine with robust military support to the tune of at least \$1 billion a year. We are providing some military training and some equipment and hardware, but more needs to be done. Most importantly, Ukraine needs more units of counter battery radar for long-range missiles. Last

September, the Obama administration sent two such units to Ukraine. Washington should send an additional four to six units.

It is also long past time for the Obama administration to send lethal defensive equipment to Ukraine. Russia has seized over 700 square kilometers of additional Ukrainian territory since the Minsk I ceasefire. Their most effective tactic for these offensive actions is the massing of tanks. According to military experts, if we had provided 25 Javelins to Ukraine by January of 2015, Ukrainian forces would have defeated Moscow's Debaltsevo offensive.

Providing defensive lethal weapons would either persuade the Kremlin to stop seizing more Ukrainian territory or it would force Moscow to accept more casualties and to greatly escalate to secure territorial gains. But that would be politically risky for Mr. Putin because his public does not want its soldiers fighting in Ukraine and the Russian president has been hiding this fact from them. The bottom line is that providing such weaponry to Ukraine raises the cost of Moscow's aggression and reduces the odds of Kremlin provocations against our Baltic allies.

To help ensure that the Minsk negotiating framework does not disadvantage Ukraine, the Obama administration should be seeking to join as a full partner. It is true that our diplomats keep a close watch on Minsk, but that is not the same as being part of the process. Assistant Secretary Nuland met Vladislav Surkov, a senior Kremlin official responsible for policy in the Donbas, in January. But there was no clear outcome to those talks or announced plans for follow-up meetings.

There is one more reason for a robust American role in thwarting Kremlin aggression in Ukraine. It is especially appropriate to broach this reason now, with a nuclear summit looming in Washington. Moscow's war against Ukraine and seizure of Crimea is perhaps the single-largest blow to the nuclear nonproliferation movement ever.

In 1994, Ukraine, along with Belarus and Kazakhstan, voluntarily gave up its nuclear weapons. In exchange, Russia, the United States, and the United Kingdom provided assurances for Ukraine's sovereignty and territorial integrity. Russia's aggressions violated this memorandum, and various international treaties. Washington's insufficiently resolute response to that aggression demonstrated, I am sorry to say, the hollowness of our assurances. This whole episode provides a clear and negative lesson to nations on the dangers of denuclearization.

REFORM AND THE ECONOMY

Petro Poroshenko is a Ukrainian businessman and politician who has been successful financially and politically under every government in Ukraine since President Leonid Kuchma. He was a member of the Rada in the Social Democratic Party, which supported Mr. Kuchma. He was a founding member of the Party of the Regions—the party later headed by Viktor Yanukovich. He then became part of President Viktor Yushchenko's political team and had a number of responsible positions in Mr. Yushchenko's government. And he had enough political agility to serve in the government of Mr. Yanukovich after that.

When the political crisis began in November of 2013, with the demonstrations against Mr. Yanukovich's rejection of the Deep and Comprehensive Free Trade Agreement with the EU, Poroshenko busied himself maintaining ties with the EU. He was not involved in the day-to-day demonstrations. This was a plus for Poroshenko because the mainstream politicians supporting the demonstrators did not burnish their reform credentials. Their instincts were always more cautious than the crowd's. This was particularly evident at the climax of the crisis in mid-February of 2014, when snipers murdered scores of demonstrators. At that point, politicians like Arseniy Yatsenyuk and Vitali Klitschko were willing to accept the compromise suggested by the EU that Yanukovich would stay in office until the end of 2014, when there would be new elections. A week earlier, that deal would have been acceptable to the protesters. After the bloodshed, it was not.

So Poroshenko's distance from the Maidan turned into an advantage, as did his work with the EU. He became the near-consensus candidate for the presidential elections planned for late May; and he won a stunning victory, receiving over 50 percent of the vote on the first ballot, which had never happened before in Ukraine's history. Moreover, he won over 30 percent of the ballot in every oblast in Ukraine, including in the east. He was truly a president of the entire nation, something that Yanukovich or Yushchenko or Kuchma were not. (Yanukovich had very small support in Ukraine's west, and Yushchenko very little in the east.) Poroshenko ran on a reform, pro-European agenda.

Poroshenko announced, shortly after assuming office, that he would not be able to proceed with a strong reform agenda as long as the old Rada remained in place. Plans were accepted for parliamentary elections in October. Those elections proved

to be a stunning referendum for reform. Six parties made it into the Rada, of which four ran as pro-Western reformers. The Poroshenko Bloc won 132 seats; Mr. Yatsenyuk's People's Front 82; the Self Reliance (Samopomich) Party 33; and Yulia Tymoshenko's Fatherland Party 19—a total of 266 out of 450 seats in the Ukrainian parliament.

While Poroshenko's party won a large plurality of seats, Mr. Yatsenyuk's party won the plurality of votes (22.12 percent to 21.82 percent). A large number of Poroshenko's seats were won in one-man constituencies without party voting. Mr. Yatsenyuk's strong showing made him the clear favorite to become prime minister, even though the president would have preferred a prime minister from his own team. With political rival Mr. Yatsenyuk in office, tensions between the prime minister and the president were inevitable. This proved a complicating factor in reform. Like the President, Mr. Yatsenyuk was a very successful politician prior to his becoming prime minister. While only 41, he was Minister of Economy and Minister of Foreign Affairs under Mr. Yushchenko, and Speaker of the Rada.

Both the President and Prime Minister are intelligent and worldly. They know the language of reform that the West values. They campaigned and won office as reformers; but were successful too in the old Ukraine, too. In short, they are classic transitional figures in the move from the old Ukraine to the new, reform Ukraine.

The Dynamic of Reform in Ukraine

Poroshenko and Yatsenyuk represent the best president-prime minister team in Ukraine's 25-year history. They must make the right decisions for reform to succeed. They are encouraged to do so by Ukrainian civil society, by the impressive cohort of young reformers who became ministers and deputy ministers, and by the approximately 40 young reformers who became Rada deputies. These are the core drivers of reform.

There is also a critical foreign element in the reform process. It consists of those providing assistance and advice for reform in the EU, the United States, other Western governments, and the IMF and other international financial institutions. Given the pressures of the old system on Ukraine's top leadership, it was inevitable that young reformers in the Ukrainian government and the Rada, and the country's outside partners would have to be active to keep reform on track. That is how the reform process has played out over the last 15 months.

Overall Progress in 2015

After the October 2014 Rada elections and the formation of a government in December, the reform process began in earnest. The decision to appoint Aivaras Abromavicius as Minister of Economy, Natalie Jaresko as Minister of Finance, Oleksiy Pavlenko as Minister of Agriculture, Andriy Pyvovarskiy as Minister of Infrastructure, and Alexander Kvitashvili as Minister of Health put a solid core of reformers in key spots. Another key appointment had taken place six months earlier—the naming of Andriy Kobolev, a known reformer, as the head of Naftogaz, the national gas company and ground zero for major corruption in Ukraine.

The government budget presented to the Rada in December of 2014 was a major vehicle for change; it was also essential to demonstrate to the IMF that Ukraine was not just pursuing reform, but taking control of its current account and budget deficits. Without that control, the IMF would not likely approve the \$5 billion loan that Ukraine needed instantly to service its international debt obligations. As a result of years of financial mismanagement and the domestic crisis, Ukraine's reserves had shrunk throughout 2014 and fell to \$5 billion by February of 2015.

Efforts to pass a reform budget ran into problems in the Rada both from old, vested interests and from populist politicians, who saw the political value in opposing the cuts in social expenditures and, in some instances, the increased taxes needed to meet IMF requirements. Mr. Yatsenyuk and his reform ministers lobbied hard for the budget and the various reforms, but it was perhaps the IMF that provided the essential push by simply holding off providing the financial assistance until the budget passed. In March of 2015, the IMF transferred \$5 billion to Ukraine.

The budget that finally passed in February was a large victory for reform. It reduced public expenditures by 9 percent of GDP—almost all of its subsidies -- and cut the budget deficit from 10 to 2 percent. An astonishing achievement. It passed along with legislation moving toward market pricing for natural gas. The law calls for the move to market pricing to take place in tranches over two years; but the important first step went into effect in April. This legislation was one reason for the sharp drop in gas usage in 2015 of 20 percent and the much-reduced dependence on imports of Russian gas. (Ukraine had been the most energy inefficient consumer of natural gas in the world. The destruction of Ukraine's industry in the east because of Moscow's war was another reason for the drop in gas consumption.)

March of last year witnessed another a political development with significant, positive reform implications: the firing of oligarch Ihor Kolomoisky as governor of Dnipropetrovsk Oblast. Mr. Kolomoisky was named governor in the spring of 2014 after Mr. Putin began the war in the Donbas. One of Ukraine's richest men with substantial assets in Dnipropetrovsk, Mr. Kolomoisky was seen as someone who could effectively prevent Moscow's minions from taking over in Dnipropetrovsk. And the expectations were met as he formed and funded his own battalions that kept his oblast secure. Between his wealth and (battalion-backed) political power, he was widely seen as the most powerful oligarch in the country.

When the Rada passed legislation enabling a simple majority of shareholders to make changes in the management of state owned companies—another reform measure—Mr. Kolomoisky decided to test his power. He controlled 42 percent of the shares of Ukrnafta. Under the old rules, which required 60 percent of shareholders to make management changes, Mr. Kolomoisky controlled the company, even though the state owned the majority of shares. When the new legislation opened the way to changes threatening his control, he sent armed and camouflaged young men to seize Ukrnafta. In the political storm that followed, Mr. Poroshenko sacked Mr. Kolomoisky as governor and affirmed the government's new control over Ukrnafta. Ukraine's most powerful oligarch was taken down two pegs.

Other important reform measures were introduced in 2015. The Ministry of Economy greatly simplified procedures for opening a business—and thereby reducing the number of hands looking for a handout from new businesses. The government also introduced a system for government e-procurement known as ProZorro. This transparency is a major impediment to corruption. In 2015, the cleanup of the banking system that had begun in the spring of 2014 continued. This cleanup had led to the closing of 67 insolvent or non-transparent banks out of a total of 180 banks.

Another reform gathering interest and support was the introduction of new traffic police in Kyiv, Odesa, Lviv and other major cities. The new police refrained from the habit of their predecessors and did not seek bribes from motorists.

The year 2015 was a difficult, but ultimately successful one for reform in Ukraine and for Ukraine's economy. While Ukrainian GDP dropped 11 percent, most of that was in the first half of the year and in the fourth quarter there was no decline in GDP. Despite the expenditures for defense and the destruction caused by Moscow's aggression, the IMF projects a modest 1-2 percent growth for Ukraine in 2016.

The improvement by the end of 2015 was significant enough to give at least some politicians the thought that they could take a populist approach to the 2016 budget and increase government expenditures and reduce taxes. Once again, the IMF proved an invaluable ally to Ukraine's reformers, letting Kyiv know that only a responsible budget would lead the institution to release the next round of financial aid. A responsible budget passed in January.

The Storms Hit, And Yet More Progress

While reform progress was substantial in 2015, it was not enough for many in civil society and at least some reformers in the Rada and the government. Critics focused on the absence of any real changes in the Procurator General's Office and in the judiciary and claimed that the president and prime minister were not interested in going after these major sources of corruption. Both institutions were known to facilitate corruption. They pointed to the failure of the government—through the Procurator General—to indict any major figures from the Yanukovych administration for corruption. They complained, too, that Procurator General Viktor Shokin was a compromised figure who had served as Procurator General in the Yanukovych administration.

By late fall of 2015, the EU and the United States joined the chorus of those seeking Mr. Shokin's removal as the start of an overall reform of the Procurator General's Office. U.S. Vice President Joe Biden spoke publicly about this before and during his December visit to Kyiv; but Mr. Shokin remained in place.

Early in the new year Mr. Pavlenko, the Minister of Agriculture; Mr. Pyvovarskiy, the Minister of Infrastructure; and Mr. Kvitashvili, the Minister of Health, quietly resigned. This had little impact on the reform debate. But in early February Mr. Abromavicius, the Minister of Economy, resigned and complained that he was tired of fighting corruption. He said that the immediate cause for his decision was an effort by close presidential aide Ihor Kononenko to install a crony as Deputy Minister of Economy with responsibility for the newly-cleaned up Naftogaz. Mr. Kononenko denied the charge, but civil society and other reformers took Mr. Abromavicius' side.

So did the West. The United States, the EU, and eight Ambassadors of other countries expressed regret at Mr. Abromavicius' resignation. So did IMF Managing Director Christine Lagarde. In response to the controversy, Mr. Poroshenko called for Mr. Shokin's removal and for an investigation into the charges against Mr.

Kononenko. The efforts to place someone as Deputy Minister of Economy to oversee Naftogaz died. The Rada passed reform legislation that had been blocked for months. This legislation was required by the EU for the implementation of the Deep and Comprehensive Free Trade Agreement.

What is more, Mr. Yatsenyuk engaged with all the reform ministers to bring them back into the government. Kvitashvili, Pavlenko and Pyvovarskiy agreed; Abromavicius did not. Pro-reform Deputy Prosecutor-General Vitaliy Kasko also resigned.

The Political Crisis

The crisis engendered by Mr. Abromavicius' resignation soon became a political crisis when the Fatherland Party and then the Self Reliance Party resigned from the ruling coalition. Both are polling well and believe that they would profit from new elections for the Rada. Mr. Yatsenyuk's poll numbers are in low single digits and he would like to avoid new elections. Mr. Poroshenko's numbers are much better, but he too does not want the distraction of new elections. Mr. Poroshenko's party has been negotiating with some success with the Radical Party and with independents to make sure that it has a majority. But negotiations have not been finalized as of this writing (March 13) because all concerned want to know who will be the prime minister.

The president has to name a prime minister who can gain 226 votes in the Rada AND who is acceptable to the West and in particular the IMF as the head of a reform government. The IMF has been withholding the next tranche of aid pending the outcome of this crisis. That is where we are now.

This whole affair, starting with Mr. Abromavicius' resignation, has been a public relations nightmare for Ukraine. Many observers, including some in responsible positions in the West, read the headlines and assume that reform in Ukraine has not made much progress and is currently moribund. That is simply false. Much progress has been made since Mr. Poroshenko assumed office and even the unseemly tale of the past few weeks has led to the net reform gain discussed above.

Given Ukraine's stage of development, the continuing (but weaker) influence of oligarchs, the ongoing dependency on oligarchs for political funding, and the transitional nature of the country's top leadership, progress towards reform is bound to be uneven, confusing, and ugly. None of this should be surprising nor a reason to say that nothing has changed in Ukraine. The problems of this government are serious, but this is not a repeat of the failures of the Orange Revolution. There is a solid core of reformers in the Rada, at the ministerial and deputy ministerial level in the government, and a sophisticated civil society.

U.S. Policy: Plus and Minus

Washington's approach to reform and the Ukrainian economy is also mixed. On the plus side, the Obama administration understands well the nuances of Ukrainian reform. It recognizes that the government in Kyiv needs outside encouragement and, at times, tough love, to make the right reform choice. Mr. Biden, in particular, has devoted a great deal of time to promoting reform in Ukraine, and he has not been reluctant to tell Mr. Poroshenko and Mr. Yatsenyuk when they have shirked the hard choices that need to be made. This was evident in the conversations regarding Mr. Shokin and the Office of the Procurator General.

The United States has also provided substantial, but insufficient, economic support for Ukraine. In FY 2015, we provided \$361.8 million in economic assistance. The budget that has been approved for FY 2017 reduces that to \$294.9 million. Both are substantial sums, but not sufficient to help in the present crisis and not consistent with our interests.

As Gen. Joseph F. Dunford, Jr., Chairman of the Joint Chiefs of Staff, has stated, Mr. Putin's revisionist policies make Russia the greatest national security danger to the United States. We need to blunt this danger, and the first place to do that is in Ukraine. Moscow's aggression against Ukraine has greatly increased the burden on that country's economy. We should consider economic assistance to Ukraine as an investment in our security, a point that former Treasury Secretary Larry Summers has made in advocating a Western aid package of \$10 billion.

The United States should shoulder up to \$5 billion of this package. It should consist of loan guarantees, direct budget support grants, and debt swaps, as well as assistance to support reforms in key sectors, such as banking, energy, and the judiciary. It could also be used to encourage investment in Ukraine. Loan guarantees, which have been the preferred method of support approved by Congress to date, should only constitute part of the package. There is a limit to how much debt Ukraine can take on before default. Loans could be paired with direct budgetary support to assist with balance of payments and debt swaps, which have a proven

track record of helping sustain young democracies: The United States granted them to Poland in the 1990s.

This aid package is quite large, but not when seen as an investment in our security or a step to meet our obligations to Ukraine under the Budapest Memorandum. Coupled with strong military assistance and the maintenance of sanctions on Moscow, this aid would help Ukraine defeat the Kremlin's aggression and transform itself into a prosperous democracy.

The CHAIRMAN. No. Thank you very much for your testimony.

Obviously, the title of this hearing has been more about reforms in Ukraine and concerns that Europe may utilize the lack of some of those reforms occurring as a reason to loosen sanctions, which we do not want to see happen.

But could you follow up, Mr. Herbst? It appears that in your testimony—and I want to ask Mr. Brzezinski the same thing—that right now you feel that our push towards Ukraine's reformation process is not balanced, and that we are not doing enough on the other side of the equation to push Russia. Is that correct?

Ambassador HERBST Absolutely. Our military support for Ukraine has been growing, and it is much better today than it was a year ago, but it is still inadequate. And we still worry far too much about, quote/unquote, annoying or provoking Russia than about defending our interests in Ukraine because Mr. Putin is vulnerable in Ukraine. His people do not want the Russian army fighting in Ukraine. And there are thousands and thousands of Russian soldiers right now.

The lethal defensive equipment we would provide would make it much more painful for Russia to commit its next offensive action. And while I am not expecting a major offensive, the Russians are grabbing land every week or trying to grab land every week. They have taken at least 700 additional square kilometers under the Minsk ceasefires. We want to make it much more painful for them to do that.

The CHAIRMAN. You heard Secretary Nuland speak to the fact they have not made decisions yet relative to lethal defense weaponry. What do you think is stalling the administration's process? It is evident it is not going to happen. But what is the reasoning for that?

Ambassador HERBST I think the administration and the President do not want to provide defensive lethal equipment to Ukraine because, quote/unquote, it will provoke Moscow. And I think there is a fundamental geopolitical misunderstanding at the top. If you understand that changing borders in Europe by aggression is a major crisis, then you will take steps to deal with that major crisis.

We have taken good steps, although not enough, to strengthen the position of NATO, especially the Baltic States and Poland and Romania. But the point is the Kremlin has been emboldened, first, by our weak reaction to its aggression in Georgia, then our weak reaction to the seizure of Crimea. If we provide Javelins to Ukraine, if we provide, as Ian suggests, serious anti-aircraft capacity to Ukraine, it would make it much more painful for the Kremlin to continue its aggression in Ukraine.

If you believe the article that Jeff Goldberg did in the "Atlantic" that Senator Menendez referred to, the President believes that that will lead to war with Russia. That is simply false. If we permit the Kremlin to succeed in Ukraine, they will be embolden to commit

provocations in the Baltics where we have an Article 5 obligation to defend them. And that is more likely to lead to war, giving the Russians a free hand in Ukraine, than a policy of helping Ukraine defend itself.

The CHAIRMAN. To coin a phrase one of my colleagues used, it appears that Russia's appetite is growing by eating. In other words, as they continue to do what they are doing, their appetite grows for just that.

Mr. Brzezinski, do want to respond to the balance issue and the lack of lethal defensive weaponry?

Mr. BRZEZINSKI. Yes, sir.

If you look at our current posture and our policies towards Russia, they have not succeeded in achieving their stated objectives with regards to Ukraine. After 2 years, Russia still occupys eastern Ukraine, still occupys Crimea. It has used the last 2 years to consolidate its position in both. In eastern Ukraine, over the last year, General Breedlove, the SACEUR Commander, reported that Russia has moved in over 1,000 additional pieces of heavy equipment. Moscow has tightened its command and control capacities. Coordination remains deep. Resupply continues. They have continued to amass forces on Ukraine's eastern frontier. In Crimea, Moscow has used the time to transform Sevastopol and the other bases on Crimea into basically the hub of an A2/AD zone, anti-area/area denial access zone, that reaches deep into Ukraine and much of the Black Sea region. So our policies have not had the desired effect.

And on lethal assistance, while the U.S. military assistance to Ukraine has been useful at the institutional level, helping the Ukrainian ministry of defense and general staff further develop their doctrines, their personnel structures, their logistical capabilities and such, there is a real need, an urgent need, for lethal assistance at the tactical level.

Why? Just look at Russia's force posture. It has massed forces on Ukraine's eastern frontier and increased its forces in Crimea. The Russian military regularly conduct snap exercises involving tens of thousands of forces to demonstrate the capability to rapidly mobilize and deploy and conduct offensive operations into a neighboring country like Ukraine. And Ukraine right now does not really have the capacity, as John pointed out, to really impose significant costs on an aggressor. And through the provision of lethal assistance including anti-tank weapons, anti-aircraft weapons, advanced forms of artillery, better UAVs, and targeting systems, the West would enable Ukraine to place itself in a better position to deter such aggression. It is long overdue.

The CHAIRMAN. Both of you talk to officials inside the country, as we do, but from your own perspective. Obviously, we want to see reforms take place inside Ukraine. They have been their own worst enemy. They would be in a very different place had they moved along with reforms like much of Eastern Europe did years ago. We understand it is a problem. I mean, it is endemic in their society. It is a holdover from the Soviet Union in many ways.

So they have issues that they have to deal with. We want to push them along. We want their country to be better. We want the things that happened on the Maidan to be realized through a coun-

try that is certainly western-oriented and it has those types of values.

And at the same time, we are concerned about Europe responding to the lack of progress by shifting blame, to Ukraine away from Russia.

On the other hand, you just listed a host of things that we are not doing to help Ukraine with the frozen conflict. Actually after listening to your testimony, it seems to me not that frozen, as Russia takes additional land.

What are the conversations that you hear within as we push for needed reform on one hand and on the other hand, we do not fully support their efforts to push back against Russia? What does that generate internally in Ukraine?

Mr. BRZEZINSKI. I think it sends a mixed message. When we ask Ukrainian leaders to undertake aggressive, systemic, political and economic reform, we are asking them, we are encouraging them, to undertake changes that involve a certain amount of risk. Change creates opportunities and vulnerabilities, even as you are pursuing higher ends. And if we do not complement our efforts to support and pressure reform in Ukraine with a stronger position against Russia, I think we are actually creating risk to the reform process.

Russia's actions are not just designed to seize territory. They are designed also to undercut the prospects of reform. And so we have to impose a higher penalty on Russia.

It is stunning to me that after 2 years in which Russia has not only been occupying territory of Ukraine, but also sustaining a campaign of information warfare, economic embargoes, cyber attacks, even terrorism, we have not increased the pressure on Russia. We have not escalated our sanctions from targeted sanctions that basically hit a limited number of individuals and entities, including entities that have very little relationships with the West such as their arms industry, to broader, harder hitting sectoral sanctions. We have not really leveraged the full weight of our economic power against Russia. That resonates in Ukraine and I think makes them less confident to take the steps that are inherently risky, albeit necessary.

The CHAIRMAN. Mr. Herbst? Ambassador. Excuse me.

Ambassador HERBST I would endorse Ian's points on the impact of our reluctance to provide more military assistance and our less, not as aggressive as it could be sanctions policy.

But I would add one more dimension. We provide Ukraine substantial economic assistance, but just not nearly enough. We are asking them to make reforms that are politically dangerous, although in their interest. And if we provided greater assistance, it would make the risk of those reforms less.

And again, the justification for greatly increasing our already substantial assistance is this of direct interest to our security because, again, if the Kremlin succeeds in Ukraine, the odds go up that they will do something nasty vis-a-vis a NATO country. And we want to defeat them or stop them in Ukraine.

The CHAIRMAN. Thank you, both.

Senator Cardin?

Senator CARDIN. Well, thank you both for your testimony. It is very interesting.

Both of you have a common theme here that we have to be more aggressive in supporting Ukraine and isolating Russia's influence. You point out, Mr. Brzezinski, that the existing sanctions, although they have certainly had an impact and they have not had the desired results, therefore, we should look at more targeted sanctions in addition to the current sanctions and be more aggressive in regards to isolating Russia.

You also point out I thought a very good suggestion about public diplomacy by setting up consulate offices in different parts of Ukraine to counter the public relations battle that Russia has been waging within Ukraine. I thought that was a good suggestion.

And, Ambassador Herbst, you have been pretty aggressive. \$5 billion. That is a pretty big number of additional aid. And of course, the military assistance, which is something our committee has looked at in the past and have been very sympathetic to military assistance for Ukraine.

When we look at this realistically, it looks like it is moving in the other direction, that the budget funds are tight and the chances of getting that type of support from the United States is not likely. And we are confronting a June deadline in Europe as to whether they will continue the sanctions, the existing sanctions, let alone strengthening those sanctions. So it looks like we are moving in the opposite direction.

So I would welcome your observations of what the impact would be on Ukraine if Europe does not extend its sanctions in June and the current status quo remains, that is, that Minsk II has not been implemented.

Ambassador HERBST That would be a disaster. That would remove the one substantial reason that the West has given to Russia to back off its aggression. It would also greatly dishearten the whole political class in Ukraine, whether dealing with the war in the east or dealing with reform.

While I think that we should increase sanctions and we should tie that to specific Russian actions, I suspect, if we can retain sanctions—or keep them in place, that may be enough on that front. And while it would be a disaster if they are removed, I would say as long as Chancellor Merkel's position remains solid, they will stay in place. But, again, we have just seen regional elections in Germany which weakened her. How much? We will wait and see. But this is something very important.

There is one other element, though, that could keep sanctions in place. The United States holds a trump card. It is a very controversial trump card, and that is the SWIFT option. We run the international payment system. We could suspend Russia from SWIFT. I suspect that if Europe were to truly weaken in its resolve to maintain sanctions, America putting into play the notion that in that case, we might have to use SWIFT would help strengthen the European spine.

Senator CARDIN. Thank you.

Mr. Brzezinski?

Mr. BRZEZINSKI. Sir, if Europe were to abandon the sanctions that it currently has imposed on Russia for its aggression against Ukraine and its occupation of part of Ukraine, it would amount to a de facto acceptance of a new partition of Europe. The West will

have communicated to Russia that it is willing to live with a Russia that occupying and trying to assert hegemony over its neighbors. And that would return us back to an era we thought had long passed.

If the West shows the will necessary to sustain those sanctions, I am not convinced that is a satisfactory situation because I think what we should then expect is continuation of the status quo, with Russia using its proximity and its geopolitical leverage, its economic leverage, its energy leverage, its military power to further eat away at Ukraine, to further weaken Ukraine, to destabilize Ukraine, and not just Ukraine, but Georgia and maybe other states along its periphery.

That is why I think we need to move to a new stage in our engagement with Russia on this issue, which means imposing harsher penalties for Russian aggression. I think moving to SWIFT—I mean, that is long overdue. I think sectoral sanctions on the energy and the financial sectors are long overdue. We have an economic advantage, almost 15 to 1. If you tally up the GNP of Europe and the United States, it is higher than that against Russia. We should be leveraging that.

Senator CARDIN. So I do not disagree with your assessment of the impact if the sanctions in Europe were removed under current circumstances and that we should be more strategic and stronger in our messaging.

But let me get to the second part of this. The concern that we have on the extension of sanctions in Europe is that there will be justification given that Ukraine has not implemented its aspects of Minsk as it relates to decentralization, but also its dealing with good governance reforms that have yet to be fully implemented, as we have already pointed out with Secretary Nuland.

Russia has been systematic in marginalizing civil societies, the classification of civil societies, its foreign agents or undesirables cutting off the opportunity for civil society activities within their own country. But we have seen over the last couple decades a weakening of the transatlantic ties between civil societies and our support. In Ukraine, it would be helpful if we had stronger community connections between the United States and civil societies, recognizing that historically we are going to be judged by how aggressive we were in the reforms in Ukraine.

I just would like to know your comments as to whether there should not be greater efforts made to help civil societies in Ukraine and in Europe, I might say, as well, of course, as our connections within Russia.

Mr. BRZEZINSKI. Let me address two points that you raised: the one on civil society and then one on the Minsk.

I think it is important to remember that the failure of Minsk has not been because of Ukraine. It has been a failure of Russia to live up to the very agreements it signed.

Senator CARDIN. I do not disagree with that. I just say it could be used as justification by Europe because there has not been full compliance by Ukraine. I agree with you that Russia is the aggressor. Russia is the one that invaded Crimea and took it over and invaded eastern Ukraine. I recognize that. I am concerned about what might be happening in Europe.

Mr. BRZEZINSKI. I think your fear is justified, and we actually see that happening. We see Europeans placing more pressure on Ukraine to, quote/unquote, live up to its dimensions of Minsk and not applying equal pressure on Russia to live up to its side of Minsk.

But to counter that dialogue requires, I think, stronger American leadership. We need to make clear to the Europeans the pressure needs to be directed in the sequence that Tonia Nuland articulated—should be first on Russia fulfilling its dimensions of the Minsk agreement, withdrawal of forces, release of prisoners and hostages, allowing the OSCE to get full access, allowing Ukraine to control its borders. Then the other steps will come into play.

Regarding civil society, I think that is an area that really needs deeper exploration and perhaps direct support. If we are going to fight corruption in Ukraine, it is a very useful course to work with existing authorities. But the key to fighting corruption in a democracy, an emergent democracy, I think really is to build up civil society, its NGOs, its press to facilitate greater transparency so that the people themselves feel that they have a greater grip on how money is being used, how decisions are being made, and can then leverage that knowledge to force more effective change. So I think you are spot-on. If more assistance can be directed to NGOs, we should do that.

Senator CARDIN. Thank you.

Ambassador HERBST. My view is, not surprisingly, rather similar to Ian's.

On Minsk, the most important thing to remember is that the immediate commitments that Russia has undertaken have not been fulfilled. They are shooting every day, most of it coming from the Russian side. There has been no real pullback of Russian military equipment. It is Russia and the separatists who do not permit the OSCE to move around the occupied territories. There is no way you can expect to hold an election under those circumstances. So Ukraine's commitment logically comes second. And this is a point which simply needs to be reiterated forcefully and clearly to our European friends.

Regarding reform, you are absolutely right, Senator, that civil society is critical. I believe the U.S. has done a pretty good job in terms of promoting civil society in Ukraine, and I think that the administration understands that to ensure that there is reform in Ukraine, you need to have regular contact with civil society and with reformers in the government. And I think Vice President Biden has done a very good job on this account.

Regarding reform and implementation of Minsk, you are absolutely right that those in Europe who do not want sanctions will point to the ugly headlines in Ukraine and say, look, they are not reformers. Why should we be doing sanctions? But, again, if you understand the stage of history that Ukraine is in right now where you have senior levels in the government, senior members of the society, especially the oligarchs not so keen on fast reform, but reform is necessary, then you will see steps backwards, steps to the side before there is progress. And again, the crisis of the past 6 weeks has been very ugly, but in this crisis, serious reform legisla-

tion has been passed and there has been progress. We simply need to repeat this to our friends in Europe so they understand it.

Senator CARDIN. Thank you. I appreciate your comments.

The CHAIRMAN. Ambassador, we thank you for being here. Mr. Brzezinski, thank you.

Look, I do want to correct one thing for the record. The SWIFT system is a European system, not an American system. So just for what it is worth, as we have in the past, we would need to work with Europe on that if we are ever to utilize it.

I think the essence of today's hearing is to look to the reforms in Ukraine that need to take place. I do want to say the context of almost all of our hearings have been about pushing back against Russia and the kind of things we can do to support Ukraine. I think the hearing should not be misunderstood. We are concerned about the issue that Senator Cardin brought up, myself, and others, and that is that we are concerned about Europe looking to the lack of reforms in Ukraine as a reason to back away from some of the sanctions that are in place against Russia. We are only speaking to what we are seeing happen right now in Europe as they probably have the lowest self-confidence they have had in 50 years. And there are concerns about what is happening in the region to them, you know, what is happening with Chancellor Merkel, what is happening with Brexit, what is happening with refugees, what is happening with their economic and fiscal issues, and we are looking for ways to encourage Ukraine to continue on.

At the same time, we understand that the pressure by the administration on Russia has not been what most of us would have liked to have seen.

So we thank you again for adding context and adding a bookend to the earlier testimony. We hope that you will answer questions promptly. I know you will.

We are going to keep the record open until the close of business Thursday.

Thank you again, both, for being here. You have been a valuable addition to this hearing, and we look forward to seeing you again.

With that, the committee is adjourned.

[Whereupon, at 12:03 p.m., the hearing was adjourned.]

Additional Material Submitted for the Record

RESPONSE TO A QUESTION FOR THE RECORD SUBMITTED TO ASSISTANT
SECRETARY OF STATE VICTORIA NULAND BY SENATOR EDWARD MARKEY

Question. What kind of progress has there been in implementing the following requirements in the Ukrainian Independence from Russia Energy Act?:

1. The Secretary of State and the Secretary of Energy, in collaboration with the Administrator of the United States Agency for International Development and the Administrator of the Federal Emergency Management Agency, shall work with officials of the Government of Ukraine to develop a short-term emergency energy assistance plan designed to help Ukraine address the potentially severe short-term heating fuel and electricity shortages facing Ukraine in 2014 and 2015.
2. Assistance—The Secretary of State, the Secretary of Energy, and the Administrator of the United States Agency for International Development are authorized to provide assistance in support of, and to invest in short-term solutions for, enabling Ukraine to secure the energy safety of the people of Ukraine during 2014 and 2015.
3. The Secretary of State, in collaboration with the Secretary of Energy and the Administrator of the United States Agency for International Development, shall work with officials of the Government of Ukraine to develop medium- and long-term plans to increase energy production and efficiency to increase energy security by helping Ukraine reduce its dependence on natural gas imported from the Russian Federation.
4. Prioritization—The Secretary of State, the Administrator of the United States Agency for International Development, and the Secretary of Energy should, during fiscal years 2015 through 2018, work with other donors, including multilateral agencies and nongovernmental organizations, to prioritize, to the extent practicable and as appropriate, the provision of assistance from such donors to help Ukraine to improve energy efficiency, increase energy supplies produced in Ukraine, and reduce reliance on energy imports from the Russian Federation, including natural gas.
5. The Overseas Private Investment Corporation shall (A) prioritize, to the extent practicable, support for investments to help increase energy efficiency, develop domestic oil and natural gas reserves, improve and repair electricity infrastructure, and develop renewable and other sources of energy in Ukraine; and (B) implement procedures for expedited review and, as appropriate, approval, of applications by eligible investors (as defined in section 238 of the Foreign Assistance Act of 1961 (22 U.S.C. 2198)) for loans, loan guarantees, and insurance for such investments.
6. The President shall, to the extent practicable and as appropriate, direct the United States Executive Directors of the World Bank Group and the European Bank for Reconstruction and Development to use the voice, vote, and influence of the United States to encourage the World Bank Group and the European Bank for Reconstruction and Development and other international financial institutions (A) to invest in, and increase their efforts to promote investment in, projects to improve energy efficiency, improve and repair electricity infrastructure, develop domestic oil and natural gas reserves, and develop renewable and other sources of energy in Ukraine; and (B) to stimulate private investment in such projects.

Please provide an update on each of these requirements, and provide additional information on reasons in cases when the requirement was not met.

Answer. The United States, led by the Department of State in coordination with the Department of Energy (DOE) and the U.S. Agency for International Development (USAID) has strengthened diplomatic and assistance efforts aimed to address short term concerns and develop long-term solutions. These efforts are designed to improve Ukraine's energy safety and security, establish competitive markets and fair regulations, and bring Ukraine closer to European Union (EU) integration. While Ukraine has made significant progress in reform and diversification, the country's energy sector remains vulnerable to corruption, inefficiencies, and dependence on Russia. Therefore the United States remains committed to enhancing Ukraine's energy security.

As an example, U.S. assistance funded a Department of Energy (DOE) program to support emergency management and contingency planning, bringing in expertise

from the Federal Emergency Management Agency (FEMA) and national laboratories, as well as experts from Canada. The program provided technical expertise to the Government of Ukraine (GOU) that led to the development of a Winter Action Plan, a roadmap of steps which needed to be taken in preparation for possible fuel shortages during the winter of 2015-2016. DOE also provided technical expertise to the GOU's Anti-Crisis Cell, a cabinet-level entity in charge of managing the GOU's contingency planning efforts and supervising energy sector reform. A USAID program also supported strategic communications and public messaging to educate Ukrainians on energy efficiency practices and to inform citizens of social benefits to help offset increased energy prices due to tariff adjustments needed to meet EU requirements. These efforts greatly increased the GOU's capacity to handle potential emergencies.

Similarly, the Department of State's Bureau of Energy Resources (ENR) continues to provide assistance to Naftogaz (Ukraine's national oil and gas company) and its upstream gas production subsidiary, UkrGazVydobuvannya (UGV), in order to increase domestic gas production by improving field and technical operations, reforming the company's operating practices, and improving corporate governance. These efforts will help reduce dependence on Russian natural gas.

We are also implementing other medium- and long-term programs through USAID, State, and DOE. These efforts are closely coordinated with other United States government entities including the Overseas Private Investment Corporation, international donor partners including the European Union, World Bank, International Monetary Fund, and the European Bank for Reconstruction and Development, and the Ukrainian government. We are finalizing our FY 2016 budget allocations and expect to increase our support for these activities. Programs support energy efficiency, EU-compliant regulatory reform, diversification of resources, corporate governance reform, privatization of state-owned enterprises, and cybersecurity improvements.

We are very concerned about the Nord Stream II pipeline, which would undermine European energy security, divert gas shipments from Ukraine, and eliminate Ukraine's transit revenue. This is not a commercial project to Moscow, but a way to enhance Russia's leverage over Europe. We have encouraged the European Commission to scrutinize Nord Stream II thoroughly on legal, environmental, and competition grounds.