

UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS

Hearing: Tuesday, March 15, 2016

Ukrainian Reforms Two Years After the Maidan Revolution and the Russian Invasion

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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 that Russia has moved over 1000 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 agents¹. 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.

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

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 US has done well in mobilizing international financial support needed to mitigate the costs of Russia’s military 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.

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

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.