

**US Senate Committee on Foreign Relations**

**Subcommittee on Europe and Regional Security Cooperation Hearing on Ukraine:  
Five Years After the Revolution of Dignity: Ukraine's Progress and Russia's Malign Activities**

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Chairman Johnson, Ranking Member Shaheen, Members of the Subcommittee, thank you for the invitation to speak this afternoon. It is an honor.

Ukraine emerged as a new independent state following the fall of the Soviet Union and into a new security order in Europe and Eurasia. This order, based on the principles of the Helsinki Final Act and the Paris Charter, ushered in an unprecedented period of peace and prosperity.

The foundations of this security system include: the territorial integrity of nations; the sovereign right of nations to choose their own political and economic systems and rulers; the right of nations to choose their own external partners and allies; and the commitment of nations to resolve differences by diplomacy and international law.

Sadly, Ukraine has not been able to exercise these internationally agreed rights in peace. For well over a decade, the Kremlin has been pursuing an openly revisionist policy, one explicitly designed to overturn the rules established in the Helsinki and Paris documents.

In 2013, Moscow sparked the current crisis when it insisted that Ukraine not sign the Deep and Comprehensive Free Trade Agreement with the European Union. Then-President Yanukovich decided to abandon the agreement. A violent crackdown against Ukrainian demonstrators resulted in a successful revolution, forcing Yanukovich to flee to Russia. In the wake of these events, Moscow began military operations against Ukraine. It first seized the Crimean Peninsula by force, and then launched its not-so-covert, hybrid war in Donbas.

This war is of critical importance to the United States for one simple reason: Moscow's revisionist ambitions go well beyond Ukraine. The Kremlin's aims include weakening the European Union, NATO, and the Transatlantic relationship. Its efforts to achieve these objectives have led it to interfere in elections in France, Germany, the UK, and the United States.

Moscow has claimed the right, and even the duty, to intervene on behalf of ethnic Russians and even Russian speakers in other countries; it has proclaimed a right to a sphere of privileged influence on the territory of the former Soviet Union; and it has proclaimed that there will be new rules or no rules in the international system.

More immediately, and perhaps more dangerously, Moscow has continued to put tremendous pressure on the three Baltic states for their alleged mistreatment of ethnic Russians, which comprise approximately 25 percent of the population in Estonia and Latvia. To reduce the risk of Russian provocations against

NATO allies, it is in the vital interest of the United States to help Ukraine stop Kremlin aggression in Donbas. The cost of doing it there is much smaller than, for instance, doing it in Narva, Estonia.

We — the United States, NATO, and the European Union — have a great advantage here. Russia is weak. While it has a very talented and educated people, and extraordinary natural resources, its economy is frail, lacking diversity and innovation. It relies heavily on the export of natural resources because its corrupt government and feeble, compliant legal system make it hard for entrepreneurs to benefit from their own ingenuity and hard work. The absence of the rule of law means the insecurity of wealth, which explains the outflow of tens of billions of dollars every year. For the Russian economy to prosper, its own money must be invested at home and it must attract foreign direct investment.

While between its nuclear and conventional forces Russia has the second most powerful military in the world, its stuttering economy means that its military position vis-à-vis the United States and NATO, and China separately, will diminish with time. This means that prudent, strong policies by the United States, NATO, and the European Union will eventually persuade the Kremlin to cease its aggression in Ukraine, and, more broadly, move away from its current revisionist course.

### **Moscow's War on Ukraine**

Ukraine is ground zero of Kremlin revisionism. The government is currently fighting the Kremlin to a standstill in Donbas. Kyiv has established strong defensive lines and there has been little acquisition of territory on either side over the last three years. Despite the four-year-old Minsk II “ceasefire,” the normal day in Donbas averages over one hundred exchanges of fire with the majority originating in Russian-controlled territory. Moscow's current aim is to destabilize Ukraine by a low intensity war of attrition. It is not succeeding.

Two factors restrain Moscow from sending a large conventional force into Ukraine. Such an operation might aim either to seize Mariupol, establish a land supply corridor to Crimea, or take control of the water canal north of Crimea to ease the difficult problem of supplying water to the peninsula.

First, such an offensive would reveal the entire charade propagated by the Kremlin, and repeated by the timid in Europe, that Ukraine is experiencing a civil war. Despite its bravado, the Kremlin does not want more punishing sanctions. Russian economic officials have at times acknowledged that the sanctions cost Moscow's already sluggish economy 1 to 1.5 percent of its growth per year. The major Russian offensive required to achieve any of these objectives would likely provoke major new sanctions.

Second, this is a Kremlin war against Ukraine, not a Russian war. Polls by Moscow's Levada Center repeatedly show that a large majority of the Russian people do not want their soldiers fighting Ukrainians and dying in the process. Casualties are thus a political problem for Mr. Putin, meaning that he must do everything possible to conceal them. There are currently over 1,500 and maybe as many as 3,000 regular Russian officers leading the fighting in Donbas.

### **Strangling the Economy of Donbas**

The Kremlin has been searching for low-cost ways to further pressure Ukraine while avoiding more serious sanctions and major Russian casualties. Unfortunately, Moscow seems to have found one. Starting last spring, the Kremlin began to harass Ukrainian and international shipping in the Sea of Azov. Russian naval

vessels are stopping and inspecting ships stopping at Ukraine's ports of Mariupol and Berdyansk. Shipping delays and rising insurance costs have reduced commercial sea traffic from Donbas between 33 and 50 percent, at major new cost to Ukraine's economy. Despite a few denunciations, the United States and European Union have done nothing to respond to Moscow's aggression in the Sea of Azov. The same was true when the Russians illegally completed the bridge over the Straits of Kerch last summer, connecting Russia proper with its conquest in Crimea.

In late November, Moscow's war in Ukraine took an ominous turn. When Ukrainian naval vessels tried to exercise their sovereign right to transit the Kerch Straits, Russian naval units attacked, detaining twenty-four Ukrainian sailors and impounding their ships. Unlike in the Donbas land war, Moscow did not try to hide the use of its conventional military forces against Ukraine. This May, the International Tribunal for the Law of the Sea ruled, with near unanimity, that Russia should "immediately" release all 24 Ukrainian sailors and three vessels.

Western reaction to this Kremlin escalation has been slow. In mid-March, nearly four months after this provocation, the United States and European Union announced sanctions. Even worse, the sanctions were weak, targeting mid-level Russian officials involved in the Kerch military action and a few Russian firms involved in maritime production. This frail Western response makes the Kerch escalation look like a tactical victory for Putin.

The Kremlin conducted interesting, and at times constructive, negotiations with the United States on ending the war in Donbas. US Special Envoy Kurt Volker had two meetings with Vladislav Surkov in September 2017 and January 2018. But after that Moscow stopped negotiating seriously. Putin decided to wait for the outcome of the Ukrainian 2019 presidential and then Rada elections. His hope was that the new president and Rada would be more pliable.

The presidential elections did not turn out the way the Kremlin had hoped. While glad to see the defeat of former President Petro Poroshenko, Putin is not sure what to make of the new president. Although a political neophyte, Volodymyr Zelenskyy has expressed national security views similar to that of his predecessor Poroshenko; and his first trip abroad was to Brussels, where he reiterated Ukraine's interest in much closer alignment with the EU and NATO.

Mr. Putin expressed his dissatisfaction with the new president by failing to congratulate him on his election victory. Moreover, the Kremlin strongman tested Mr. Zelenskyy before he took the oath of office by offering Russian passports and citizenship to Ukrainian citizens in Moscow-controlled Donbas, a violation of international law and a long-practiced Kremlin tactic used to exert influence and justify aggression abroad. President Zelenskyy's response, dismissing a Russian passport as a ticket to a life without human rights and the right to choose your own leaders, put Mr. Putin on the rhetorical defensive.

President Putin is now hoping that the Rada elections, which are expected to take place on July 21, will lead to the creation of a strong political bloc in the parliament that will try to steer Kyiv away from a pro-Western foreign policy. Although we do not know how the Rada election will turn out, it is unlikely that a party or bloc of parties with such views would gain even 20 percent of the Rada seats. In other words, the new Rada, like the new president, is unlikely to reverse Kyiv's westward course.

Once Putin realizes this, he faces an important choice. Does he resume real negotiations designed to allow him to save face and end his aggression in Eastern Ukraine, or does he escalate? We know that the

technocrats and commercial elites understand the need to end Kremlin aggression in Donbas. This may also be true of some of Putin's allies within the military, security services, and the police. If Putin clearly understands that a Kremlin escalation will lead quickly to strong Western sanctions, the odds of his choosing negotiations go up substantially.

### **The Need for a Stronger Policy in Washington and Brussels**

That is why it is critical for the United States and the European Union to impose additional, serious sanctions on Moscow for its aggression at Kerch. Serious Western measures would turn Putin's current tactical victory into a strategic defeat. My first recommendation would be for sanctioning a major Russian bank, either Gazprom Bank, Vnesheconombank, Promsvyazbank, or a combination of these.

It also makes sense to add a new twist to our personal sanctions policy, placing sanctions on the family members of those high Kremlin officials and Putin cronies. Some may argue that placing sanctions on family members unfairly tars them with the misdeeds of their parent or spouse. But it is well known that sanctioned individuals often “transfer” their assets to their relatives. Moreover, there is a need to tie these family sanctions to Kremlin repression of individual Ukrainians. For instance, the Kremlin has unjustly imprisoned twenty-four Ukrainian sailors during the Kerch aggression and Ukrainian filmmaker Oleg Sentsov. Sanctions should be levied against the family members of twenty-five Kremlin officials and cronies and last until these Ukrainians are released.

The United States should also consider allocating additional military aid to Ukraine that would reduce Moscow's naval advantage in the Sea of Azov. We should supply anti-ship missiles like Harpoons, which we have in surplus, coupled with a radar system that would enable Ukraine to chart the presence of Russian ships and direct fire. We should also provide Mark V patrol boats to Ukraine. These would provide Kyiv with an asymmetric capacity against the scores of Russian naval vessels in the Sea of Azov. Finally, an excellent training program has been established for the Ukrainian army and special forces, and this program should be expanded to increase the overall capability of Ukraine's armed forces.

Finally, NATO should increase its presence in the Black Sea. British and U.S. ships have visited the Black Sea nearly 10 times since the Kremlin's November 25 attack on Ukraine's ships. This is in addition to April's Romanian-led naval exercise, Sea Shield 2019, that included more than 20 ships from Romania, Bulgaria, Canada, Greece, the Netherlands, and Turkey, along with five ships from the NATO maritime group. We should keep up this pace of naval visits, but NATO ships should also cruise regularly in the eastern Black Sea. The idea is to complicate the planning of the Russian General staff and demonstrate that Kremlin aggression in Ukraine has not enhanced Russian security.

Congress took the lead on sanctions policy in 2017 when it passed the Countering America's Adversaries through Sanctions Act – CAATSA. This led to sharp sectoral and individual sanctions with serious repercussions. The Senate has introduced new legislation, the Defending American Security from Kremlin Aggression Act of 2019, which would impose major sanctions on Moscow for its aggression in Ukraine and provocations elsewhere, including in the United States. Passing this act with, for instance, its prohibition on American participation in any new issuance of Russian debt, or adding to the draft bill some of the measures that I offered above, would be a major blow to Kremlin aggression and give Putin reason to opt for negotiations designed to end his war on Ukraine.

The Administration and Congress should also consider action to stop Moscow's Nord Stream 2 project, which is designed, like Moscow's shipping inspection regime, to deliver a blow to Ukraine's economy. Not only would building Nord Stream 2 deprive Ukraine of \$2 billion a year in transit revenues, but it would enable Moscow to supply Europe with gas while suspending shipments to Ukraine.

This project is geopolitical, not commercial. Even Russia's Sberbank produced a report noting that the project was not in the country's economic interests - it was an expensive way to deliver the Russian gas currently flowing through the Ukrainian pipeline - but it was in the interest of President Putin's intimates, who were building the pipeline.

Chancellor Merkel, unfortunately, has doubled down in her support for the project in recent months, even though there are serious qualms about it in her party. Recognizing the damage that this project could do to the Ukrainian economy, the Chancellor has said that Moscow should continue to send a significant amount of gas through the Ukrainian pipeline. But several statements by Russian Prime Minister Dmitry Medvedev and Energy Minister Alexander Novak impose intolerable conditions on Ukraine for doing just that. And Moscow has told gas consuming countries in Europe that it will cease sending gas to them through Ukraine's pipeline at the end of 2019.

In light of all these factors, American sanctions against the firms providing the high-tech elements for the pipeline are warranted. It is not easy to make this recommendation. Chancellor Merkel has been the key European leader on sanctions; and U.S.-EU cooperation on sanctions has been a key factor in imposing costs on Moscow for its aggression in Ukraine. We want to continue to work with the Chancellor on sanctions.

But a large number of EU countries also oppose Nord Stream 2, which they see as a German imposition. And Germany has not reacted to the Kremlin's provocations against Chancellor Merkel's own suggested safeguards for gas transit through Ukraine. Deft diplomacy that utilizes these factors should enable us to maintain cooperation on sanctions as we use sanctions to stop Nord Stream 2. Better yet, the threat of sanctions, Kremlin provocations, and deft American diplomacy persuade the EU or Germany to drop Nord Stream 2.

If Germany truly sought to mitigate the strategic risks of Nord Stream 2 and perhaps attenuate the pressure for sanctions, it might consider putting even more of its weight behind EU efforts to diversify gas sources. Germany could back more LNG terminals, including in Poland and the Baltics as well as Germany; support thickening the web of gas pipelines to undercut the Russian near-monopoly of gas; press for rigorous, rapid implementation of the anti-gas monopoly provisions of the EU's Third Energy Package; bring Ukraine into an emerging European gas network outside of Moscow's control; and guarantee Ukraine the revenues from a substantial minimum of Russian natural gas flows through its pipeline system.

The Three Seas Initiative which brings together Poland, Croatia, Romania and other countries of Central Europe; the EU, US, Germany and other stake holders; and private business, could prove a useful political umbrella to get past the current political acrimony and work out the details of a common approach. As I learned in my diplomatic career, when faced with a stand-off, enlarge your ambitions.

My remarks thus far have focused on Moscow's military aggression against Ukraine and the dangers of our weak response to the Kerch provocation. But it is important to understand that the Kremlin is pursuing a full spectrum aggression that includes disinformation and cyber operations, economic sanctions and

blockade, subversion, and assassinations. One particular object of Kremlin attention has been Ukraine's 2019 presidential and parliamentary elections.

Failing to achieve a favorable result during Ukraine's presidential election, Putin has ceased serious negotiations. He now waits for the outcome of the upcoming Rada elections, trying to create the conditions for a more malleable leadership in Kyiv. Recognizing the Kremlin's well-established capacity to interfere in foreign elections, and its intention to do so in Ukraine, the Atlantic Council has partnered with the Victor Pinchuk Foundation in Ukraine and the Transatlantic Commission on Election Integrity to establish an Elections Task Force under the direction of David Kramer, a former Assistant Secretary of State and former Director of Freedom House. The task force has been operating since early December. Kremlin activities designed to shape the election's outcome include massive disinformation mischaracterizing the major candidates and seeking to call into question the legitimacy of the election process, cyber operations particularly against the Central Election Commission, and the raising and lowering of military operations in Donbas to encourage Ukrainians to seek peace on Moscow's terms.

### **Some Observations on Reform**

While this statement has been devoted to Ukraine's security challenges, it would be a mistake to close without briefly addressing the other great issue facing Ukraine: socioeconomic reform and transformation. There is much debate on this topic, both in Ukraine and abroad.

The first point is the most important. There has been substantial progress in transforming Ukraine over the past five years. These achievements include: stabilizing the economy after Ukraine lost 17 percent of its GDP in 2014-15 because of Russian military aggression and severe trade sanctions; reducing the budget deficit from over 10 percent of GDP to 2.5 percent of GDP; and reducing public debt. Inflation has been slashed from 61 percent to 9 percent. Economic growth has returned but stays low at 3 percent. Major changes have also taken place in the banking sector; more than eighty insolvent banks have been shut down and the nation's largest private bank, Privat, nationalized.

In the course of these economic reforms, the government has eliminated major sources of corruption. Most important has been the equalization of gas prices, which has eliminated government subsidies as much as 6 percent of GDP per year. Another major reform has been the introduction of the electronic state procurement system ProZorro, which has eliminated 1 percent of GDP per year in excessive public expenditures.

The second point, however, is that one area has seen little reform. That is the judicial sector: the prosecutors' offices and the courts. Yes, the anti-corruption bureau (NABU) was established, but its good work has been hindered by rivalry with the Prosecutor General's Office. The corruption in this area was one of the reasons for the surprise victory of President Zelenskyy.

Candidate Zelenskyy ran as the anti-corruption candidate. We will now see if he takes on this huge challenge. Certainly, he has been saying the right things. While slow in handing out positions, several of his picks have been reformers, and only one selection raises questions.

Senior US and European officials have had the chance to talk with the new president. He has assured all interlocutors of his reform intentions. The reformers on his team are also optimistic.

The Ukrainian leadership and people have done a commendable job defending their country against aggression by the world's second leading military power and introducing serious reforms. Western and especially American help has been essential to address both challenges. Greater assistance, in the form of additional sanctions on the Kremlin, more arms and military assistance to Ukraine, and more economic aid with tight conditionality, is called for. Such increased aid by the United States would protect our interests by hastening an end to Kremlin aggression and revitalizing the process of reform in Ukraine. This would greatly enhance stability in Europe and add to both its and our prosperity.