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Written Testimony

Chairman Menendez, Ranking Member Corker and members of this committee—thank you for the opportunity to speak to you today on the situation in Ukraine and for your personal investment in the country's future. As many of you know from your travels, Ukrainians deeply appreciate this committee's bipartisan engagement on behalf of their country's security, democracy and sovereignty.

In previous testimony before this committee, I have outlined four pillars of U.S. policy: support for Ukraine as it tackles urgent political, economic and security challenges; diplomatic efforts to de-escalate the crisis and to encourage Russia to end support for separatists; readiness to impose further costs—including targeted sectoral sanctions—on Russia and separatists for fomenting violence and unrest in Ukraine; and reassurance of frontline NATO allies and friends like Georgia and Moldova. Today, I will focus on the first two lines of effort. A/S Chollet will talk about our security support for Ukraine and our NATO and partner reassurance measures. A/S Glaser will discuss sanctions policy.

Since I last appeared before you, voters from across Ukraine took to the polls on May 25 and elected President Poroshenko with 54.7 percent of the vote. Just weeks and days earlier, many doubted the elections would take place, let alone result in such a strong democratic mandate for change. It was the determination and courage of millions of Ukrainians to choose their own future that made free, fair elections possible, along with the steadfast support of the international community, including intensive electoral monitoring. In the weeks since, President Poroshenko has launched a 15-point peace plan, reached out to the east with offers of dialogue and reconciliation, and signed the final economic chapters of Ukraine's historic Association Agreement/Deep and Comprehensive Free Trade Area with the European Union. But Ukraine's security remains under threat: despite regaining control of Slovyansk and Kramatorsk, fierce fighting continues to rage in parts of eastern Ukraine; heavy weapons, materiel and support have flown across the Russian border; Russia has thousand troops deployed on Ukraine's eastern border, and Crimea remains under occupation.

Against this backdrop, the United States is supporting Ukraine in its hour of need. We have stepped up our security assistance, which A/S Chollet will discuss. However, the most lasting antidote to separatism and outside interference over the medium term is for Ukraine to succeed as a democratic, free market state, and to beat the back the corruption, dependence and external pressure that have thwarted Ukrainians' aspirations for decades. Since the onset of the crisis, with your support, we have provided Ukraine with a \$1 billion loan guarantee specifically targeted to soften the impact of economic reforms on the country's most vulnerable. We are also providing approximately \$196 million in other assistance to Ukraine this year. Of this, we have already authorized nearly \$75 million in support for economic reforms and anti-corruption measures; non-partisan

electoral assistance including the OSCE's special monitoring mission and other election observers; non-lethal security assistance; and humanitarian aid for Ukrainians internally displaced from Crimea or the East.

We are now working with President Poroshenko, Prime Minister Yatsenyuk and their team to direct \$59 million to efforts in four target areas: support for economic growth and reform; counter corruption; energy diversification and efficiency; and constitutional reform and national unity. We will send up a congressional notification very shortly, but let me share some highlights.

In the area of economic reform and growth, we will complement World Bank and IMF-led fiscal and financial sector reforms with programs to strengthen the banking sector; to make the business climate more competitive and attractive to investors, including in the agriculture sector; and to help Ukraine diversify its export markets. We are also looking at how we can support President Poroshenko's plan for economic revitalization of the country's east and south.

Our anti-corruption support will help the government implement its recently announced three-year anti-corruption strategy and six-month action plan by bolstering Ukraine's ability to deter, detect, investigate and prosecute corruption wherever it festers; and by supporting citizens, civil society, media, business and the government as they work together to confront this scourge.

U.S. support in the energy area will include expertise and advice to the government as it seeks to restructure and reform the sector, and deploy new technologies to increase energy yields and promote efficiency. And we will assist Ukraine in developing national plans for sustainable use and management of natural resources.

And we will help the government with the constitutional reform and broad decentralization of power that President Poroshenko has pledged as an integral part of his peace plan and his effort to rebuild national unity. This will include support and advice at the federal, regional and local level to implement political reform and decentralization, and support for free and fair parliamentary elections when they are called.

As we support Ukraine economically, we have also worked in lock-step with the Ukrainian government and our European allies and partners to try to de-escalate tensions with Russia and Russian-backed separatists. In successive settings, from Secretary Kerry's bilateral meetings with Russian Foreign Minister Lavrov in March to the April 17th Geneva Joint Statement of U.S.-Ukrainian-Russian and EU foreign ministers to the June 5th G7 declaration, we have supported the Ukrainian government's offers to address the legitimate concerns of eastern Ukrainians and Russian speakers by political means, and to offer an off-ramp to separatists and their Russian backers. These efforts culminated in President Poroshenko's peace plan, which offers amnesty to separatists who lay down their arms, political dialogue, broad decentralization of power to Ukraine's regions and localities -- including over finances, language and culture-- and local elections -- in short, virtually all the things that the separatists and Moscow had

demanded for months. President Poroshenko also initiated a ten-day unilateral ceasefire from June 20-30th to provide the space for dialogue with the separatists. But as you know, the ceasefire was instead met with 10 days of violence, bloodshed and land grabs by Russian-backed separatists. Three Ukrainian border posts fell into their hands during this period. Russia allowed tanks, heavy artillery and fighters to flow across the border, and continued to build up its forces and weapons on Ukraine's border.

On June 27th, EU leaders again called on Russia to end all support for separatists; to control the border; to help establish an effective OSCE monitoring regime; and use its influence with separatists to return the three border checkpoints to Ukrainian authorities, release the hostages they hold and launch substantial negotiations on the implementation of President Poroshenko's peace plan. These are the same criteria that the U.S. will continue to use to measure Russia's willingness to de-escalate tensions in Ukraine. As the President has said, we will judge Russia by its actions, not its words. Russia has made too many commitments at the diplomatic table over the past four months that have been rendered hollow by the weapons, cash and fighters that continue to flow across the border to fuel the fight in eastern Ukraine. In response, the U.S. and Europe have imposed repeated rounds of sanctions to increase the cost Russia pays for its choices. And we are ready to impose more costs -- including targeted sector-specific sanctions -- very soon if Russia does not decisively change course and break its ties with separatists.

As Russia's economy teeters on the brink of recession in part from the cost of its intervention in Ukraine and the impact of U.S. and international sanctions as noted in last week's IMF report, Russians need to ask themselves what their government's policy has really delivered for them or the people of Ukraine except economic hardship, violence, kidnapping, and death. In Crimea, inflation has risen to 16.8 percent, tourism down 35 percent, and exports are plummeting. In Donetsk and Luhansk, separatists have engaged looting and bank robbery, prevented the payment of pensions and wages, and held much of the civilian population hostage in their homes. Now that separatists are on the run, their tactics have become even more brutal as they set up landmines and roadside bombs and destroy bridges and other critical infrastructure.

Today, in Slovyansk, Kramatorsk and the surrounding towns that Ukrainian forces have recently taken back from separatists' control, the government is focused on delivering humanitarian aid, water, food and supplies and reestablishing services from railway service to pension payments. They are working to restore Ukrainian citizens' faith in their democracy, their government and its ability to serve people who have been abused for too long.

Ukraine's success or failure in its struggle for peace, reconciliation and human dignity will impact the future of the whole region, and with it, the prospect of achieving America's 20-year objective of a Europe whole, free and at peace. We therefore continue to have a profound national interest in supporting the people of Ukraine in their quest for a more stable, democratic and prosperous future. In this effort, we deeply appreciate Congress' bipartisan attention and support.

Thank you and I look forward to your questions.