

It is an honor to appear before this committee in the Canadian Parliament and to be part of a group that includes Anders Aslund, Dan Fried, and Adrian Karatnycky. Anders is one of the world's leading experts on the economies of Ukraine, Russia, and other countries that have transitioned from the command economies of the Soviet Bloc. Dan, a former Assistant Secretary of State for European and Eurasian Affairs, has been one of Washington's leading experts on Transatlantic relations and sanctions as a policy tool. Adrian, a former president of Freedom House, is one of the West's great experts on Ukrainian politics.

We are part of a greater Atlantic Council team devoted to 1) supporting Ukraine as it fights Russian aggression and moves forward on reform, and more broadly, 2) encouraging the West to push back against Kremlin revisionism designed to upend the security system that emerged in Europe and Eurasia at the end of the Cold War. That is what we have come to discuss with you today.

General Joseph Dunford was right when he said, in his testimony in Congress in July 2015 on the way to becoming the Chairman of the Joint Chiefs of Staff, that the greatest short-term security danger to the U.S. was coming from the Kremlin. But this danger was not and is not limited to the U.S. It includes NATO, the EU and, most immediately, Russia's neighbors that do not wish to be dominated by Moscow.

The West has been slow to understand this. Indeed President Obama's White House distanced itself from General Dunford's sober assessment the day that it was issued. But gradually, over the past several years, the U.S., NATO, and even the EU have come to a more realistic understanding of the dangers posed by Kremlin policies and have taken steps to mitigate those dangers. Despite President's Trump's peculiar insistence on the need to improve relations with Moscow, American policy in the past year and a-half has properly toughened. This is likely to continue until the Kremlin itself backs off its provocative policies. But we are here today to explain why Canada and other members of NATO should pursue policies that are tougher toward Russian adventurism and more supportive of Ukraine.

I arrived at the Atlantic Council in May of 2014 to work on a major new program, the Ukraine in Europe Initiative. While that initiative focused on a Ukraine in crisis, it forced us to focus on a major source of that crisis: Kremlin aggression. This is a very important point, understood in Ottawa, but still not understood in some capitals in Western Europe.

What some call the crisis in Ukraine is actually a crisis caused by Kremlin aggression. Moscow seized Crimea by military force in February 2014 and launched a not so covert hybrid war in the Donbas two months later. Despite two ceasefires agreements, there are daily firings across the line of contact, and Ukraine suffers casualties every week. Over 10,000 people have died as a result of Moscow's ongoing aggression and that number is not static. And since the first ceasefire, Ukraine has lost hundreds of square kilometers of additional territory to Kremlin control.

Moscow's war on Ukraine is not simply a matter of vital concern for Kyiv. It is also critical to the West because it is our front line of defense against Kremlin revisionism. Moscow has not hidden its destabilizing objectives. President Putin has said multiple times that there must be new rules for the international order or that there will be no rules. The "old rules" that Mr. Putin would like to overturn were established by the Helsinki Final Act (1975) and the Paris Charter (1990), both signed by Moscow. The core principles of this order are:

- The sovereignty and territorial integrity of all states;

- The right of states to choose their own internal political and economic systems and their alliances; and
- The commitment to resolve disputes by negotiations and international law rather than military force.

As part of the demanded “new rules,” Mr. Putin insists on a sphere of influence in the areas that once constituted part of the Soviet Union, if not the Warsaw Pact. What is more, he claims the right (and duty) to intervene abroad when ethnic Russians and even Russian speakers are “threatened.” He burnished this bogeyman to justify his aggression in Ukraine. He can use this same pretext to intervene in Latvia and Estonia, NATO allies with substantial ethnic Russian communities.

Moscow’s objectives include weakening NATO and the EU. General Gerasimov, Russia’s top soldier, laid out a doctrine of hybrid war in a famous article in 2013 that provides insight into Kremlin tactics. It stresses subterfuge, the use of disinformation to confuse and disorient, hard-to-trace cyber operations, subversion, covert military operations and, when advantageous, conventional military strikes.

We have witnessed all of this in the past dozen years:

- The cyberattack on Estonia in 2007.
- The war on Georgia that was preceded by years of military provocations.
- The ongoing war on Ukraine, which includes all mentioned hybrid war activities.
- Interference in U.S., French, German, and other elections, and in the British vote on Brexit.
- Provocations against the Baltic states such as kidnapping an intelligence official from Estonia the day the 2014 NATO Summit ended and seizing Latvian ships in international waters of the Baltic Sea.

And Kremlin misbehavior is not limited to the hybrid war tactics. Indeed, Moscow

- Has violated the Intermediate Range Nuclear Forces Treaty (INF) for years.
- Attacked Sergei Skrypal in the United Kingdom, which may have violated the Chemical Weapons Convention.
- Flown Russian military planes dangerously close to NATO ships and planes in and over international waters.
- Sent Russian “mercenaries” in Syria to attack the positions of U.S. troops and their local allies in Syria last February.

The point of this is simple. The greatest, immediate strategic danger that the West faces right now emanates from Moscow. And we need to take the necessary measures to defend ourselves and protect our interests. Over the past two years, NATO has taken important steps to address this problem. At the Warsaw Summit in 2016, the Alliance took the important decision to bolster its military capacity in the Baltic States, Poland, and Romania.

And this brings us back to Ukraine. The West has a great interest in helping Ukraine withstand the Kremlin’s aggression. If Moscow loses in the Donbas, its appetite for adventurism in the Baltics and elsewhere will disappear. Increasing our support for Ukraine is therefore the smart way to protect our NATO allies and the post-Cold War security structure.

Ukraine surprised the Russian General Staff by fighting Russia to a standstill in the Donbas. Of course, Moscow chose to launch a war with limits, a covert, hybrid war intended to mobilize the local population

to fight against its own government. This effort and the broader plan to carve out a large Novorossiia simply failed. There was not nearly enough local support to sustain this project. So Russian officers and, at times, regular Russian forces had to take over the war.

Even with this enhanced Russian involvement, Moscow chose to fight this war within limits: no use of air power or sea power in the fighting and, with the exception of Ilovaïsk in the summer of 2014 (when Ukraine was on the verge of taking back the entire Donbas), no use of large-scale regular units. For Moscow it has been very important to maintain the fiction that this is a Ukrainian civil war, not a war launched, led, financed, equipped, and officered by Russia.

Moscow's growing inability to maintain this fiction is tied to its two vulnerabilities: which are 1) the stated opposition of the Russian people to fighting a war against Ukraine and 2) the weak Russian economy.

Regular polls by the Levada Center, one of Moscow's premier think tanks, show that the Russian people do not want their soldiers fighting in Ukraine. That is one reason why Putin claims that only Russian volunteers are in the fight. That is why the Kremlin hides its war dead and penalizes relatives of soldiers killed in action who speak publicly about their loved ones' death. The West needs to help Ukraine take advantage of this vulnerability by providing weapons that will raise the cost to Moscow of its ongoing aggression. Last December, President Trump authorized the transfer of Javelin anti-tank missiles to Ukraine. This important step, which President Obama refused to take, would greatly increase the dangers to Russian-led forces of using the massed tanks that served them well in prior offensives in Donbas. But Ukrainian defense needs go well beyond Javelins. Russia has been ramping up the activity of its navy this year, especially in the Sea of Azov, where it has stopped over 150 cargo ships going to and from the Ukrainian ports of Mariupol and Berdyansk. We will discuss the economic impact of this below, but here we must point out the vulnerability of Ukraine to amphibious operations along both its Sea of Azov and Black Sea coasts. To offset this vulnerability and to give Moscow pause, the U.S. and its NATO allies should transfer some anti-ship missiles to Ukraine. NATO countries should also provide surface-to-air missiles to Ukraine to encourage the Kremlin to keep its air force out of the war.

The West also needs to take stronger economic measures against Russia. Moscow sought to hide its hand for a second reason: to avoid possible sanctions by the West and, once they were imposed, to seek their lifting or easing. The U.S. and then the EU resisted issuing tough sanctions in the first few months of Moscow's war. But with the introduction of regular Russian units into Ukraine in the summer of 2014 and the shoot down of the Malaysian aircraft with a Russian BUK missile, the U.S. and the EU then issued tough measures on both Putin's cronies and on the financial and energy sectors of the Russian economy. These sanctions have been renewed regularly ever since. And the U.S. has imposed additional sanctions on Russia since the summer of 2014, partly because of legislations passed by Congress: the Countering America's Adversaries by Sanctions Act (CAATSA).

These sanctions have been essential. According to the IMF and to senior Russian economic officials, in 2015, these sanctions cost the Russian economy 1-1.25% of GNP. While the cratering of hydrocarbon prices in 2014 and 2015 had a greater negative impact on the Russian economy, the maintenance of sanctions remains a considerable cost for the Kremlin – evident by its persistent, if unsuccessful efforts to persuade key EU nations to lift or at least ease the sanctions.

Opponents argue that sanctions do not work because Russian forces are still occupying the Donbas. Such arguments are simplistic and do not understand the way sanctions work. Sanctions build support in Moscow, especially among the financial elite, for peace in the Donbas. They also warn Putin against

further escalation. Finally, the sanctions do reduce the growth of the Russian economy. Over time, that will make Russia a less formidable adversary. Given Moscow's clear aims, this is a sensible but not sufficient course.

Thus far the sanctions have been reactive. They have served as a punishment for bad behavior; and, as part of the Minsk ceasefire arrangements, as an inducement for Moscow to meet its commitments and withdraw its troops and military hardware completely from the Donbas.

But the U.S., its NATO Allies, and the EU should impose proactive sanctions. For instance, Ukrainian soldiers and civilians continue to die from the multiple Kremlin ceasefire violations. The West should announce in advance the additional sanctions that would be levied each time 10 more Ukrainians die as the result of military activity in Donbas; or each time Russian-led forces seize an additional 25 square kilometer of Ukrainian territory.

The West should also respond to Moscow's harassment of shipping to and from Ukrainian ports in the Sea of Azov. The U.S., Canada, and EU nations should consider banning entry into their ports of any ships sailing to or from Rostov-on-Don, Russia's major port in the Sea of Azov as long as the Russian navy continues to top ships stopping in Mariupol and Berdyansk.

It is not well understood that Mr. Putin's aggression in Ukraine rests on very thin ice. At some point, Russian troops and weapons will depart the Donbas and Ukraine will reclaim this Russian-occupied territory. If the West provides more support for Kyiv in this just, defensive war, which also protects NATO interests, this happy day will come sooner.

While this statement deals mainly with the challenge posed by an aggressive Kremlin policy for the West and especially Ukraine, it is important to devote at least a bit of time to the question of Ukrainian reform. This is a critical subject for Ukraine and important one for its friends in the West.

The summary judgment is that there has been substantial reform in Ukraine over the past four and a-half, but less than many would like. The achievements are substantial:

- The clean-up of the gas sector, the most lucrative source of corruption, which removed \$7 billion from the yearly budget deficit of Ukraine and ended Ukraine's dependence on Russian gas.
- The introduction of the Pro-Zorro government procurement system, ending sweetheart contracting.
- The closing of over 80 insolvent banks, including the government takeover of the nation's largest bank, Privat, through which billions of dollars disappeared.

But headlines in Ukraine, and especially the West, focus on what has not been done and the still major problem of corruption, including in the prosecution of crimes and the courts. Reform in Ukraine has come from an alliance of reformers in civil society, the parliament (Rada), Western financial institutions, and interested governments such as Canada, the U.S., and the EU.

This commitment from the West – in time, advice, and resources – is essential for this process to advance with greater speed. And successful reform is critical to stabilize Ukraine and its neighborhood. A fully transformed democratic and market-oriented Ukraine will serve as a model for all its neighbors to emulate. This will further enhance the security and prosperity of the West.