

WRITTEN STATEMENT  
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STATE FOR NEAR EASTERN AFFAIRS

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HOUSE FOREIGN AFFAIRS COMMITTEE  
SUBCOMMITTEE ON THE MIDDLE EAST AND NORTH AFRICA  
*"2014 Budget Request"*  
May 22, 2013

Chairwoman Ros-Lehtinen, Ranking Member Deutch, distinguished members of the Subcommittee, thank you for inviting me and Acting Assistant Administrator Romanowski to appear before you today to discuss our FY2014 Budget request.

Countries in the Middle East and North Africa are experiencing tectonic political, social and economic changes, and we are at the crossroads of a possibly dangerous transformation that could last for generations. Citizens of these countries are participating in new political processes and driving the future of their countries in an unprecedented way. Tension between democratic values of human rights, tolerance and pluralism and threats to those principles including extremism and persecution of minorities is growing. These dynamics present new challenges and opportunities for U.S. engagement, and we must be equipped with the tools to capitalize on these opportunities to ensure our interests, goals and values are secure. At this critical juncture, the United States must increase our engagement in the region to ensure the balance tips in favor of our priorities. We want to move beyond responding to crises to encouraging the change we believe secures our interests. This budget allows us to say to people in the region: "If you are willing to take on the deep-rooted challenges and make the tough choices, we are here for you."

Although the region has undergone monumental and extraordinary changes in the past two years, our fundamental interests remain the same: to protect Israel's security and advance Middle East Peace; to curtail Iran's destabilizing influence in the region and ensure that it upholds its international obligations; to combat extremism and terrorism; to protect the free flow of commerce and global energy security. These are among our highest national security priorities, and we must continue vociferous engagement to protect our interests and support those who champion our values and principles. The stability and security on which they rely

can be achieved, in the long term, only through political and economic reforms that form the strongest basis for lasting growth, prosperity, and peace. As we pursue these vital interests, we will continue to support, protect and defend our diplomats and development professionals, our facilities, and the capabilities we need to pursue our objectives. Our budget is an illustration of our priorities.

We are still calibrating our relationships with new governments, as these new leaders themselves navigate demands and expectations of populations emboldened by democratic revolutions but increasingly frustrated by the pace of reform. Citizens of these countries in transition must and are leading the way. It is in our interest to support them, and to support the work of these partner governments as they pursue peaceful transitions and democratic reforms.

Over the past two years we have allocated \$1.8 billion to respond to rapidly changing dynamics and new opportunities for engagement. We have supported new political processes, including elections and broader civil society engagement. We have bolstered weakened economies with critical budget support and loan guarantees. We have supported economic reforms and entrepreneurship through technical assistance and enterprise funds to promote small and medium-sized businesses. We have helped address critical security gaps. We have been a global leader in responding to the humanitarian crisis brought on by unrelenting violence in Syria, and in strengthening and supporting opposition groups that share our values and our interests. Few of these needs were anticipated; all of them remain significant challenges. The governments of the region must respond to the legitimate demands of their people—and especially their tremendous youth populations—for more inclusive, participatory governance; responsive institutions that operate under the rule of law; and greater, more equitable economic opportunity that assures dignity and justice for all.

These new realities require ever greater promotion of our principles. We must hold actors in developing political systems accountable to basic tenets of democratic politics: rejection of violence; commitment to inclusivity and to foster the growth of a strong civil society and free media; and protection of fundamental freedoms and human rights -- particularly those of traditionally disenfranchised groups including women and religious minorities.

I will not tell you that this is easy. A transition from decades of autocracy to fully representational democracy does not happen overnight. More than two years after the initial Arab Spring uprisings swept through the region, we continue to

assess how we can best use our assistance to shape the development of democratic governments and open economies in the region.

Ultimately, our budget request reflects what we know to be true: to advance and protect our interests, we must engage in the region. Our Near Eastern Affairs (NEA) foreign assistance request this year seeks necessary resources for the challenges ahead. The FY14 request of \$7.36 billion, is 10 percent below the FY 2012 final allocations, which include Arab Spring response funding and a large Iraq program in the immediate transition from the military. Our request for NEA State Operations funding is \$1.15 billion and represents a 41.6 percent decrease from the FY 2012 budget, again primarily due to normalization of the Embassy in Iraq. This reflects our commitment to protecting our personnel and our embassies overseas and evaluating and prioritizing our strategic assistance as dynamics in the region continue to shift and as we face a constrained budget environment at home.

### Shifts in requests

Let me highlight where you will see the most important changes from our previous budget request. The largest increase from our FY 2012 request is our request for \$580 million to create the Middle East and North Africa Incentive Fund. This account would address the momentous challenges I have mentioned—the need for significant additional resources to address emerging and evolving challenges and opportunities, and the need for new tools and methodologies to promote political, institutional, economic, and security sector reform. The resource demands of the last two years tell us significant new resources are necessary. Over \$1 billion of the funding provided in response to the Arab Spring was reallocated from other programs globally and in the region. But the fiscal constraints and reform imperative for the region demand a new approach. We have therefore requested authorities for loan guarantees and debt relief that allow us to strategically invest our foreign assistance dollars and get the greatest return; and for the flexibility to respond across the economic, political, and security spectrum. Our intent is to support reform plans in these areas proposed by governments and negotiated with us, with clear, public commitments for reforms that will be undertaken and benchmarks to assess progress. As the Secretary said in his testimony before the full committee, the MENA Incentive Fund will help give reformers the tools and resources they need to make the right decisions on behalf of their citizens. It allows us to say to people in the region: “If you are willing to take on the deep-rooted challenges and make the tough choices, we are here for you.”

The largest decrease in our budget is in Iraq: the FY 2014 request reflects programmatic and personnel adjustments by the State Department and USAID, and represents a \$641.39 million (52.81 percent) reduction from FY 2012. In the context of the glide path, and adjusting U.S. diplomatic presence and programs in Iraq, the State Department and USAID have aggressively reviewed priorities to ensure that our assistance is invested to build a productive and successful bilateral relationship with this strategically important partner to ensure our national security interests. Our bilateral assistance portfolio has been fashioned to narrow the focus of our programs and adjust the associated staffing levels and program sizes, while allowing for continued oversight of essential programs. We continue to encourage Iraqi counterparts to address the key development needs of their citizens directly.

### Israel and Middle East Peace

Ensuring Israel's security and achieving a negotiated and sustained solution to the Israeli-Palestinian conflict are core of interests reflected in our budget request. Our proposed \$3.1 billion in Foreign Military Financing (FMF) for Israel reflects our unshakeable commitment to Israel's security as it faces significant threats, consistent with our \$30 billion memorandum of understanding with Israel. This commitment is also a critical piece of our efforts to help promote and broker a sustainable two-state solution.

Our assistance to the Palestinian people is aimed at ensuring that a capable Palestinian partner and government, committed to peace and a two-state solution, is prepared to assume the full functions of statehood as a consequence of a peace agreement. To that end, our foreign assistance supports the institutional capacity of the Palestinian Authority to improve security while respecting the rule of law, and to deliver constituent services including quality health and education services and infrastructure programming as well as direct budget support to preserve the PA's fiscal viability. Our economic initiatives promote strong, private sector growth. Supporting the development of security and law enforcement professionals, local governance systems and the development of public and private institutions contributes to the overall stability and security of Palestinians and Israelis alike. As of 2011, terror attacks have dropped 96% over the previous five years, and last year was the first year since 1973 without an Israeli fatality in the West Bank or Jerusalem due to a terror attack.

I know this subcommittee and others have expressed concern about Prime Minister Salam Fayyad's departure, particularly as it relates to the progress the Palestinian Authority has made in building institutions in the West Bank. It is

important to remember that the aspirations of the Palestinian people and the work of the Palestinian Authority are bigger than any one individual. We are committed to moving forward with economic and institution-building efforts in the West Bank – not as a substitute for, but rather in parallel with our diplomatic efforts.

## Egypt

As an underpinning of the Peace Treaty between Israel and Egypt, our FMF program for Egypt promotes key U.S. security interests. These include access to the Suez Canal, and the Egyptian Armed Forces's continuing role as a lynchpin of Egypt-Israel peace. Our military assistance continues to advance shared security interests such as border security, countering terrorism and weapons smuggling, and creating more professional Egyptian forces. This assistance helps ensure over-flight privileges for military aircraft and allows Egyptian forces to provide secure transit of the Suez Canal. In response to emerging needs, we are partnering with Egypt to increasingly target our assistance to further enhance border security, prevent the smuggling of weapons across Egyptian territory and to advance our ongoing counter-terrorism cooperation.

Non-military assistance across a range of sectors will support the Egyptian people and encourage their government to follow the path of democratization and economic reform. We will support a landmark Higher Education Initiative that will invest in Egypt's youth by helping thousands of Egyptians to develop the skills needed for a global economy. Our assistance will also promote inclusive and democratic governance, support economic rejuvenation and modernization in priority sectors, such as agriculture and tourism, promote increased trade and investment, improve the quality of Egyptian education, increase technical and vocational skills, strengthen health systems, and extend science and technology.

## Jordan

Jordan continues to play a vital role in regional stability, as a reliable partner and regional interlocutor on shared security concerns and shared interests in Middle East Peace. Recognizing the inflow of refugees from Syria has compounded Jordan's ongoing economic and political pressures, in addition to our humanitarian efforts, U.S. assistance will help address this fiscal crisis, strengthen service delivery, support initiatives to improve the country's competitiveness, create jobs, and provide workforce training to give youths skills needs to find employment. As this committee knows, Congress has been an integral partner as we mobilized an additional \$300 million in budget support over the last year to

help Jordan navigate unprecedented economic challenges brought on by Syrian refugees, an energy crisis, and long-delayed economic reforms. In support of Jordan's IMF agreement and slow but continued political reforms, we appreciate Congress granting us the authority to support a loan guarantee for Jordan that we plan to use later this year.

## Libya

Libya's democratically elected government faces daunting security challenges to completing the country's democratic transition. Libya is rich in oil, and is capable of funding its development needs. At the same time, we have valuable expertise to help the new Libyan government strengthen its governance and national security institutions. This is a top policy priority for the United States, as a strong, democratic, and stable Libyan state will be a valuable partner in a strategically-significant region. Given the Libyan government's capacity constraints and the weakness of its institutions after decades of Qadhafi's corrupt mismanagement, Libya is not able to push forward these reforms alone. Our focus is on providing help in areas that most bolster our own national security. Thus our assistance in Libya focuses on building niche counterterrorism capabilities, security and justice sector institutions, border security, capacity to secure the massive stockpiles of loose, Qadhafi-era conventional weapons, and its nascent civil society. We are also prepared to support Libya during future elections, and in the drafting of the first inclusive and transparent, post-Qadhafi constitution.

## Tunisia

While we provided significant assistance to Tunisia to fund urgent requirements in its period of transition, the Department's FY 2014 non-Overseas Contingency Operations (OCO) request represents a normalization of the assistance in the base bilateral budget. Tunisia has made great strides in the two years since the revolution—electing an interim parliament, drafting a constitution that enshrines civil liberties for all Tunisians, and setting an election timeline. However, it faces significant challenges. It is not blessed with the same natural resource wealth of its neighbors. Its economy is strongly affected by nearby Southern Europe its neighbors, whose current economic challenges are well known. Tunisia's weak economy is matched by weak security forces that have had difficulty dealing with public demonstrations and violent extremist groups. It is in our national interest to continue to support Tunisia's successful transition, which will set a clear example for other countries in the region.

## Yemen

Supporting a peaceful transition in Yemen that will influence regional peace and security in the Gulf continues to be important for U.S. funding in the FY 2014 budget. Yemen's transitional government has made substantial gains in extending security in the country, both through military operations against Al Qaida Arabian Peninsula and its affiliates and through a challenging process of reorganization in both the Ministries of Defense and Interior. U.S. support for the military and security sectors will support Yemen's growing ability to deny territory to terrorists; to modernize its security forces in concert with American goals, to sustain critical equipment; and to extend the rule of law. Furthermore, in support of the national dialogue process, ESF funds will support programs that will promote good governance, democratic principles and and strengthen civil society's ability to engage in public policy formulation and implementation.

## Region/MEPI

Complimentary to our efforts in the MENA Incentive Funding is our continued support for activists, business leaders, and organizations who are calling for reform across the region. The Middle East Partnership Initiative (MEPI) continues to be the Department's principal tool for promoting political and economic reform across the region and is a critical contributor to post-Arab Spring transitions and our current work in Syria. Its unique regional platform and bottom up approach allow us to be engaged at the grassroots and local levels and work with a range of reformers in the civil society, political and economic spheres. For example, in the initial phases of the Arab Spring because of MEPI's responsive programming structure, they were one of the first actors on the ground in places like Tunisia, launching new projects in support of democratic transitions within a matter of weeks.

## Syria

The Asad regime's brutal repression of the Syrian people and refusal to cooperate with the Arab League's plan has created tremendous regional instability. We must be ready in FY 2014 for the transition in Syria to a post-Assad government deserving of our support. Transition in Syria holds the potential to weaken Iranian influence through the region, remove a key state sponsor of terrorism, and enhance regional peace and stability, while at the same time, continued violence and instability in Syria could increase the potential for weapons proliferation and the spread of terrorism. We will need to invest new resources to

counter these threats and shape this strategic transformation. The potential of an extremely challenging transition in Syria has also informed our MENA Incentive Fund request level. We will continue to work with the Syrian opposition and regional partners to find a constructive path toward transition.

In the meantime, we are increasing our support to the opposition. We are currently providing \$514 million in humanitarian assistance to those in need, across all 14 governorates in Syria and in neighboring countries. At President Obama's direction, we are broadening our non-lethal support to the Supreme Military Council beyond the military food rations and medical kits they have already received. We have committed \$250 million in civilian transition assistance which is bolstering the capacity of local opposition councils and civil society groups to provide essential services to their communities and to extend the rule of law and enhance stability inside liberated areas, all of which helps lay the foundations for a future secure, stable, democratic and prosperous Syria.

Our interests and goals in the region remain the same: to expand democratic, political, and economic reforms and strengthen civil society; advance Middle East peace; counter threats and advance civilian security; hold Iran to international standards; strengthen democratic systems, and support security and promote economic growth in Iraq; advance U.S. interests and universal rights and freedoms through effective messages and public diplomacy programs; and enhance our infrastructure to effectively support robust engagement. We will continue to fund the long-standing priorities in the region, namely our commitments to our security interests in the region and our support for Middle East peace. We are also seeking your support for new initiatives that will help people of the region capitalize on the profound political and social shifts there, and ensure that lasting reform and stability take root. I would like to thank the subcommittee for holding this hearing and I look forward to answering your questions.