

Written Testimony

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Chairman Rohrabacher, Ranking Member Meeks and members of this subcommittee, thank you for inviting me here today to testify on the President's FY16 budget request for Europe and Eurasia. I'd also like to express my deep appreciation for your strong bipartisan support for our efforts to expand and deepen a "Europe, whole, free and at peace."

Today, against the backdrop of Russia's aggression in Ukraine, that vision is more under threat than at any time since the end of the Cold War. Over the past year, your support for our assistance efforts; Member and staff-level consultations with our offices; and increased Congressional visits to Ukraine, Moldova, the South Caucasus, the Balkans, and across Europe have helped assure Allies and partners of the United States' commitment to sovereignty, democracy, peace and prosperity as cornerstones of our national interest and national security. Bipartisan support at home has been a source of strength in our efforts and we are committed to build on this spirit of cooperation.

Through the Support for Eastern European Democracy (SEED) Act of 1989 and FREEDOM Support Act (FSA) of 1992, Congress has generously appropriated over \$27.5 billion under those and successor accounts since FY 1990. Last fall marked the 25th anniversary of the start of SEED-funded assistance to support democracy, political pluralism and economic reform in the post-Communist space of Europe, and the 22nd anniversary of our FSA-funded assistance to Eurasia and Central Asia.

The results have demonstrated the transformational power of U.S. assistance to help unleash freedom, security, and prosperity across a region once shackled by totalitarianism, hostility, and economic stagnation. Since 1990, 12 former assistance countries have joined NATO; 11 have joined the EU. In Central Europe, 11 former SEED assistance countries have graduated to

donor-country status. Today those former consumers—beneficiaries—of our assistance are paying it forward. They have become full-fledged partners in opening the way for their eastern neighbors and those globally who strive for democracy, rule of law, open markets, and human dignity—whether in Ukraine; in Afghanistan; in efforts to degrade and ultimately destroy ISIL; in confronting violent extremism; or in combating Ebola.

While the success of our assistance has been significant, the map of a free, democratic, market-based Europe, Eurasia, and Central Asia remains incomplete. Progress is worryingly uneven. Corruption, chronically high unemployment, democratic backsliding, suppression of media and civil society, ethnic tension, and protracted conflicts still afflict many states across the region. Georgia and Moldova need help in their quest to implement their Association Agreements with the EU, move closer to Europe, and counter Russian pressures. Malign Russian influence, inter-ethnic tension, and backsliding on democracy are exposing new vulnerabilities of EU and NATO aspirants in the Western Balkans as we have seen with the unfolding political crisis in Macedonia. Transnational threats from organized crime to foreign fighters plague our partners, undermine their security and inhibit their growth potential. And, of course, the fate of our 23-year assistance effort is being tested in Ukraine. As Assistant Secretary Nuland said in January, “Ukraine’s frontline for freedom is ours as well.”

In light of the current crisis in Ukraine and Russia’s attempt to shred the values on which the post-Cold War order is based, we are redoubling our focus and assistance objectives in FY16 that have been at the core of our mission since my office’s creation: working toward the goal of a “Europe whole, free, and at peace” and fostering stable, prosperous, free-market, and pluralistic democracies across the region.

Our request reflects the tough budget environment we are in and competing global challenges we face. The FY16 request for the Europe and Eurasia region is \$953.3 million. For Central Asia, our FY16 request is \$155.7 million. My testimony today will first focus on Europe and Eurasia, after which I’ll cover Central Asia.

First on Europe: U.S. assistance will focus on five broad strategic objectives reflected in our FY16 budget request: first, keeping faith with countries as they chart their political and economic futures in the face of bullying from

outside actors; second, supporting countries in their pursuit of Euro-Atlantic integration when they seek it; third, bolstering countries' efforts to combat corruption, build rule of law, and foster clean, transparent, accountable governance that delivers for their people; fourth, deepening and expanding democracy, political openness, civil society, and free, independent media; and fifth, rolling back transnational threats that rob the region of its prosperity and undermine its security. Of course, today's budgetary climate limits our ability to respond effectively to all the region's needs but we are committed to addressing the region's most pressing challenges as effectively as possible within our means.

Let me address each of these five objectives.

First, we are committed to supporting the sovereign choice of countries to determine their own political and economic destinies. That right is a core principle of democratic governance. Today that struggle is most dramatically seen in Ukraine. In the past year, Ukraine began to forge a new nation on its own terms—signing an Association Agreement with the EU, holding free and fair elections—twice—even as violence raged in the east, and undertaking deep and comprehensive economic and political reforms.

As Secretary Kerry said in Kyiv in February, the United States will “be steadfast in standing with the Ukrainian people who have not for a moment forgotten the better future that they're fighting for.” We are working with the EU and international community to support Ukraine as it fights to right its economy, secure its borders against Russian and separatist aggressors, and deliver better public services and opportunity for its citizens. Since the crisis began, the U.S. government has committed approximately \$471 million in assistance for Ukraine. In addition, the United States provided the Ukrainian Government with a \$1 billion loan guarantee in May 2014 and a second \$1 billion U.S. loan guarantee last month. If Ukraine continues making concrete progress on its reform agenda and if conditions warrant, the U.S. Administration will work with Congress to consider providing an additional \$1 billion loan guarantee in late 2015.

Our assistance to Ukraine targets three broad reform areas:

- **Advancing and consolidating economic, anti-corruption and energy reforms:** The United States supports Ukraine's efforts to carry out the economic reforms needed to make its IMF and World

Bank programs a success and place the country on a path toward growth. We are helping Ukraine address issues such as gas market and Naftogaz reform, government debt, tax policy, banking sector reform, agriculture reform, pension reform, adherence to international investment standards, access to finance and anti-corruption measures, local economic development, export promotion and trade policy, and other measures that increase economic opportunities for citizens. Additionally, our support measures are aimed at reducing Ukraine's energy dependence on Russia.

- **Supporting national unity, political confidence-building and special status in the east:** The United States supports an inclusive, consultative, and transparent constitutional-reform process, combating corruption, decentralization efforts, reforming judiciary, elections in the east, and other institutional reform priorities of the Ukrainian Government, which will lead to the full implementation of the Minsk package and Ukraine's ultimate political restoration. We will continue to support the OSCE's Special Monitoring Mission as well as targeted, value-added OSCE extra-budgetary initiatives.
- **Reforming and building the capacity of the security sector:** The United States is helping Ukraine deepen the capacity of its law enforcement—including an expansion of a patrol-policing program piloted in Kyiv—border services, and military forces to perform their duties effectively and efficiently. In response to Russia's aggressive actions, we committed about \$199 million in State and DoD funding since the start of the crisis to provide training and equipment to help Ukrainian forces better monitor and secure their borders, operate more safely and effectively, and preserve Ukraine's territorial integrity. In addition, we have committed over \$61 million in humanitarian assistance to help meet the needs of Ukrainians displaced by Russia's occupation and purported annexation of Crimea and the conflict in eastern Ukraine. We also have committed over \$13 million to mitigate deepened social tensions and provide other transition support to conflict-affected individuals.

As the United States and international community renew our investment in Ukraine, we are engaging all stakeholders to ensure that U.S. assistance is targeted most effectively using the right mix of resources and authorities. This includes working closely with the Ukrainian government to ensure that

U.S. assistance supports their reform agenda, and we have deployed expert technical advisors to key ministries to help them implement reforms. We also continue to reach out to Ukraine’s civil society, private sector, and public to ensure that their voices are heard. Together with the Defense Department, we have stood up a European Command-led joint defense commission with Ukraine to better understand Ukraine’s defense needs and build a strong foundation for sustainable reform to help Ukraine’s forces better address today’s challenges and prepare for tomorrow’s. Finally, in Kyiv and capitals throughout Europe and Eurasia, we are working closely with other international donors to avoid duplication and ensure complementary efforts.

Today the EU is strengthening its ties with some of the countries of the former Soviet Union through its Eastern Partnership Program. The United States strongly supports the right of these countries to move closer to the EU through the signing of EU Association Agreements and Deep and Comprehensive Free Trade Agreements. Ukraine, Georgia, and Moldova have signed Association Agreements and Deep and Comprehensive Free Trade Agreements.

And just as we are supporting Ukraine in its efforts to pursue clean, democratic accountable governance and closer ties with the EU, we are assisting Georgia and Moldova to do the same. As Georgia, Moldova, and Ukraine grow closer to the EU, get visa-free travel, and increase exports of their goods, services, and ideas into the world’s largest market, we are by their side, strengthening their sovereign defense and helping them reform.

Our assistance is based on a core principle that all countries have the right to determine their own future and to realize that future free of external pressure. Russia has chosen to ignore this basic principle, insisting on an outdated notion of spheres of influence and its right to interfere—including through military means—in the affairs of the countries it calls its “near abroad.”

Russia’s occupation and purported annexation of Crimea and other aggressive acts in Ukraine represent the most serious challenge facing the United States and its Allies in Europe since the end of the Cold War. Russia has sought to derail the European integration of Moldova and Georgia. Russia has introduced trade barriers and threatened to cut off gas supplies to Moldova. It has deported some Moldovan migrant workers and threatened

to expel others en masse. Russia also has undermined Georgian and Moldovan sovereignty and territorial integrity by expanding its purported “borderization” of, and signing so-called “treaties” with, the Georgian regions of Abkhazia and South Ossetia, signaling support for Transnistrian independence, and stoking ethnic and cultural divisions in Moldova and Georgia by issuing Russian passports throughout the region. Assistance will further our goals to increase economic resilience, energy independence, and media independence throughout the region.

Second, our support serves as a force multiplier in service of greater Euro-Atlantic integration for all countries in the region that seek it. As mentioned previously, U.S. assistance programs strongly support Ukraine’s, Moldova’s, and Georgia’s European choice—our requests for Georgia, Moldova, and Ukraine represent two thirds of the entire request for the EUR Bureau.

But our assistance objective is not limited to the post-Soviet space. We continue to champion Euro-Atlantic integration –whether the normalization of relations between Serbia and Kosovo; pushing ahead with progress in Serbia and Albania in meeting EU standards; or encouraging Macedonia and Greece to work to resolve the name issue so that Macedonia can take its place in NATO. We must continue to offer all those who aspire to Euro-Atlantic standards a political, economic and moral hand in their efforts.

Our FY16 resources in the Western Balkans will help these countries integrate into European and Euro-Atlantic institutions and reduce these countries’ vulnerabilities to external pressures. U.S. assistance will continue to support critical rule-of-law reforms, counter corruption and support a business-enabling environment, all of which are central to stabilization and integration efforts. We support initiatives that tackle regional challenges relating to trade and integration with European energy frameworks, transnational crime—including through information sharing and investigative journalism —and corruption, amplifying civil society’s counter-corruption campaigns.

U.S. assistance is focused on the reforms needed to advance accession to the EU, implementation of the normalization agreements between Serbia and Kosovo, and the new EU reform initiative for Bosnia and Herzegovina, which is intended to revive the EU accession process and lead to progress on socioeconomic and government-functionality reforms. In Kosovo, our assistance represents a continued investment in the development of a truly

multi-ethnic democracy, where all citizens can have faith in their government and where energy security is assured.

Third, we are working to help countries, civil society, and the private sector in Eastern Europe and the Balkans at all levels—local, regional, national, and international—strengthen rule of law and combat the scourge of corruption. The reason is simple. As Vice President Biden said at the Munich Security Conference earlier this year, “Corruption is a cancer... it is like kryptonite to the functioning of democracy. It siphons away resources. It destroys trust in government. It hollows out military readiness. And it affronts the dignity of [our] people.”

Our FY16 budget request will build up justice-sector projects, support clean reforms emphasizing accountability and empower civil society across the region, all aimed at rooting out corruption. In this, we will build on recent progress. For instance, in Albania, we are supporting a justice sector project that is increasing transparency and accountability by introducing audio recording of all court sessions in every courtroom of all district and appellate level courts; in Bosnia-Herzegovina, we are supporting a network of civil society organizations in their push to implement a new Whistleblower Protection Law; and, in Ukraine, we are providing technical assistance and mentorship as Ukrainians stand up a new Anti-Corruption Bureau and reform the Prosecutor General’s Office.

Combating corruption requires action from the top – working with the international organizations such as the EU, UN, OSCE, and Council of Europe, through the justice sector and commitment at the political level to hold the corrupt accountable. But it also requires grassroots efforts from the bottom to stimulate public demand for transparency and integrity through the media and civil society. It will require engagement by multiple donors in the sectors in which corruption is prevalent such as public administration, education, health care, and law enforcement, among others. But such a campaign cannot be successful without political support—in governments, in civil society, and among citizens— within the host countries. Where those conditions exist, the United States will work with partners at all levels to enhance their work.

Fourth, we are working to reverse the worrying trend of democratic-backsliding and attempts to close the space for political pluralism, public discourse and democratic dissent. While we have seen citizens across the

region stand up and demand legitimacy and accountability from their governments, we have also seen peaceful demonstrations quashed by brazen leaders grasping to maintain power. In a growing number of countries, leaders are placing restrictions on the space for civil society and media in order to silence their critics, and to tip the scales of public support in their favor.

Over the last year, we have witnessed the disturbing trend of leaders learning from one another and adopting global “worst practices” for restrictive civil space. These worst practices include: requiring NGOs to jump through bureaucratic hoops to register their organizations and projects, the creation of blacklists of NGOs and journalists who are branded as “foreign agents” without their approval or consent; and, increasingly, incarcerating activists and demonstrators. Often, this is done on the false pretense that the country’s security is being jeopardized by the civic activity by its own citizens. Reversing these trends requires innovative thinking to ensure that countries in Eurasia, the Balkans and Central Europe continue on the path to democracy. Our FY16 request for democracy funding is \$221.9 million, an increase of \$81 million above FY15.

Our assistance is aimed at empowering citizens to engage with their governments, whether through civil society, independent media, the justice sector, or through democratic political party activities. Where possible, we engage with government institutions that are open to reform. Where such openings do not exist, we concentrate on the non-governmental sector.

We are supporting civil society and independent media as they shine a light on democratic and good governance challenges in the Balkans, such as NGO monitoring of public spending and fact-checking; focus on countering democratic backsliding, particularly in Macedonia and Bosnia and Herzegovina, reinforcing efforts to build democratic institutions, and strengthening justice sector capacity; and support those brave activists, journalists, and ordinary citizens in countries such as Russia, Azerbaijan, and Belarus, in line with the President’s Stand with Civil Society initiative, who wish to hold governments accountable to their international obligations and live up to the democratic principles often enshrined in their constitutions.

Fifth and finally, U.S. assistance also has an important role to play in addressing serious challenges that threaten the region’s security as well as our own—including Russian aggression along its broader periphery, ongoing

disputes in Nagorno-Karabakh, Transnistria, South Ossetia, and Abkhazia, simmering ethnic tensions and organized crime and illicit trafficking, violent extremism and the tide of foreign fighters traveling from Europe to Syria and Iraq, and weapons of mass destruction proliferation. Peace and Security programs represent 27 percent of the total FY16 request for Europe and Eurasia and Central Asia, and are up by \$48.6 million or 20% over FY14 levels.

In response to the crisis in Ukraine, the President announced, and Congress funded, a \$1 billion European Reassurance Initiative to enhance our defense posture in Europe and bolster the defense capacities of Allies and partners, such as Ukraine, Moldova, and Georgia. We also are working in all three states on training and targeted equipment provision for police and border protection services, technical assistance on legislation, and improving regional and international law enforcement cooperation.

More broadly, U.S. security assistance in the region is contributing to defense reform, military modernization, understanding of U.S. doctrine and tactics, and interoperability with U.S. and NATO forces. The United States will continue to make strategic investments in defense reform with our Allies and partners, notably Poland, Romania, Bulgaria, Kosovo, and the Baltic states. NADR-supported programs will help destroy conventional weapons stockpiles in the Western Balkans and Ukraine, and strengthen export controls throughout the region.

As we address these five strategic areas within today's tough budget climate, we look at how best we can leverage donor resources in order to stretch our assistance dollar. Throughout the region, we work with a very broad range of actors to further assistance priorities and multiply the effects of non-governmental efforts. The EU, in particular, is playing a significant role as a donor. U.S. and EU assistance programs are complementary. And, today, we are working with "emerging donors" of Central and Eastern Europe to bring their transition experience, best practices and economic support to the Balkans and post-Soviet space.

Turning to Central Asia, the region and its challenges have grown in importance. The region is critical in creating connectivity for the transition in Afghanistan; the countries remain an important front in the fight against terrorism and extremism, as well as transnational organized crime and narco-trafficking. And Russia's actions in Ukraine underscore the need to

continue our support for the sovereignty and territorial integrity of all the Central Asian countries, advocate for greater regional economic cooperation and push for progress on a range of human rights issues across the entire region.

Toward these ends, our goals in Central Asia are:

- a more secure and stable region that is not a safehaven for extremist or terrorist activity;
- greater regional economic cooperation that promotes greater prosperity and stability across the region, including creating a constituency for peace and economic progress in Afghanistan;
- more democratic, accountable and inclusive governance.

In pursuing these goals, we face some similar challenges to those in Europe—such as pressure from Russia, attempts to close the space for political pluralism, public discourse and democratic dissent, and corruption—but we also face a different set of challenges, which include declining remittances from migrant laborers in Russia, the transition in Afghanistan, and the rise of threats from extremist groups like ISIL. While the Kyrgyz Republic continues to work to consolidate its democratic gains since the 2010 revolution, we face backsliding there and in several countries. Human rights records remain flawed. And access to objective information and Internet freedom remains limited in many of the countries. Censorship has intensified as countries pass new laws and restrictions on online speech. Inter-ethnic tensions, lack of sufficient economic opportunities, and impending leadership transitions pose challenges to stability in the Central Asian states.

Given these dynamics, the President's FY 2016 budget request for Central Asia is more critical than ever before. The request of \$155.7 million, \$6.3 million higher than 2014, recognizes the important strategic role the United States continues to play in supporting sovereignty and independence, security and stability, governance and human rights, and economic development across the five Central Asian countries, and the potentially transformational effects of regional economic cooperation.

U.S. assistance will create economic growth programs, particularly in Tajikistan and the Kyrgyz Republic, to increase job opportunities and expand trade. In the Kyrgyz Republic we also will continue efforts to

consolidate its democracy and border programs to counter transnational crime, narco-trafficking, terrorism and extremism. Our assistance throughout the region will also support increased access to objective information and the development of independent media. Regional assistance programs will continue to promote a regional energy market, facilitate trade and transport, ease border and customs procedures, and connect businesses and people.

We support and complement these assistance programs with high-level bilateral dialogues with each of the Central Asian states. To maximize the effectiveness of our limited resources, we coordinate our assistance with the European Union and other donors, and partner with the private sector. Without internal economic and political reform, including better governance and increased respect for human rights, these countries cannot achieve long-term stability and prosperity.

As Secretary Kerry said when he testified before this committee a little over a month ago, "...our budget proposals aren't just a collection of numbers—they're the embodiment of our values..." For 25 years, our assistance in Europe, Eurasia, and Central Asia has extended those values—the root of our strength—toward our ultimate goal of completing a "Europe whole, free, and at peace" and a safer, more open and more democratic Central Asia.

Along the way, our assistance has improved the lives of millions. This budget request is a continuation of that mission. We are aware of the very real resource constraints affecting foreign assistance. And we are committed to working diligently, effectively, and imaginatively with the resources provided by the American people in the service of our values and our national interests to increase democracy, stability and prosperity throughout the region.

Thank you for this opportunity and your bipartisan support. I look forward to your questions.