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REVIEWING THE ADMINISTRATION'S FY 2015 BUDGET REQUEST FOR EUROPE AND EURASIA

HEARING

BEFORE THE

SUBCOMMITTEE ON EUROPE, EURASIA, AND EMERGING THREATS

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

JUNE 25, 2014

Serial No. 113–170

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/ or http://www.gpo.gov/fdsys/

U.S. GOVERNMENT PRINTING OFFICE

88–459PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
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REVIEWING THE ADMINISTRATION'S FY 2015 BUDGET REQUEST FOR EUROPE AND EURASIA

WEDNESDAY, JUNE 25, 2014

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE, EURASIA, AND EMERGING THREATS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2200, Rayburn House Office Building, Hon. Dana Rohrabacher (chairman of the subcommittee) presiding.

Mr. ROHRABACHER. I call this hearing of the Europe, Eurasia, and Emerging Threats subcommittee to order. This hearing is entitled, "Reviewing the Administration's Fiscal Year 2015 Budget Request for Europe and Eurasia.

Now, all members will have 5 legislative days to submit additional written questions or extraneous materials for the record.

The President has asked that Congress authorize over $50 billion for international affairs programs for the next fiscal year. Over $620 million of that is allotted for countries in the jurisdiction of this subcommittee. This request comes at a time when our Government's debt is over $16 trillion and rising, rising at $500 billion more in debt every year.

At a time when our own country's economy continues to struggle, Congress has a duty to scrutinize this administration's request, and the request to provide the development assistance, and foreign aid to other countries is certainly something that we need to look at closely. Western Europe is often cited as one of the greatest examples of U.S. foreign assistance success.

After World War II, the Marshall Plan delivered $13 billion to help rebuild a shattered Europe and prevent the advance of Communism. As much as American aid dollars helped to relieve suffering, it was implemented in a way that connected it to a larger U.S. grand strategy, so we were not only helping others but involved with our overall global strategy.

Furthermore, the German Government took upon itself to conduct reforms that removed extensive price controls and other restrictions on trade, production, and the distribution of goods, and those efforts on the part of the German Government did much to rebuild that economy. The success of the Marshall Plan highlights two key aspects for our international affairs efforts. First, any aid must be linked to a strategy and part of a coherent vision that

serves our country's national interest. Second, true and sustainable development grows not from foreign assistance but from systematic economic reform. Economies grow when the rule of law is established, corruption is reduced, taxes are low, markets are open, and trade is free.

I believe that our aid programs today fail to adequately appreciate these two attributes and too often resemble charitable handouts. Let me note, there is a grave distinction between humanitarian assistance and development aid.

Of course, we should be ready to respond to natural disasters, earthquakes, and the likes. However, development funds can't work if the recipient countries do not undertake sound economic reforms. The role of government assistance is not to replace private investment. I look forward to hearing from our witnesses about how more than $600 million has been requested and how this furthers America's strategic interest and is effectively encouraging countries to reform their own economies so that private capital can lift their people out of poverty.

With that, I turn to my ranking member, Congressman Keating, for his opening statement.

Mr. KEATING. Well, thank you, Mr. Chairman, for holding this important hearing today, and I want to welcome Mr. Rosenblum, Mr. Katz, and Ms. Rollins, who each have extensive experience in Europe and Eurasia.

Since the collapse of the Soviet Union over two decades ago, the United States has worked to promote stability, democracy, and prosperity in Europe, Eurasia, and Central Asia. Our assistance efforts have supported the growth of civil society and independent media and have worked to establish societies where rule of law, accountable governance, and fundamental human rights prevail.

Importantly, we have worked together with our European partners to help these countries on their self-determination path toward Westernvalues and institutions.

Today, Russia's efforts to destabilize Ukraine and other former Soviet states threaten to undermine our collective effort to build a Europe whole, free, and at peace. Russia's illegal occupation and annexation of Crimea and its subsequent covert support for separatists in Eastern Ukraine have inflamed tensions throughout the entire region. Regrettably, Russia's engagement in similar activities in Georgia, Moldova, and even the Baltics, in flagrant violation of Russia's own international commitments, have undermined the sovereignty of these countries and unnecessarily increased the risk of conflict. These actions must not be allowed to stand.

I am pleased that our partners, too, have shown they will not back down from aggression. This week, Ukraine, Georgia, and Moldova are signing association agreements with the European Union, and in doing so, they are making clear that their future lies in strong ties with the West. When these countries realize, as does the European Union, that the European integration is not a zero sum game, they realize the importance of close and productive ties with their regional neighbors, including Russia. In fact, I would argue that closer association with the EU is also in Russia's long-term interest.

Ironically, Russia's actions in Eastern Europe ultimately do the Russian people more harm than they do good. That is why today's hearing is so important. We need to support these countries as they work together to build prosperous European democracies. In that light, I look forward to discussing the administration's plans to reinvest the liquidation proceeds from the Western Newly Independent States Enterprise fund in Ukraine, also known as West NIS. Recent events in Ukraine show the population is no longer willing to tolerate corruption and crony capitalism that have permeated Ukraine's politics for the past two decades.

In the spirit of a fresh start, it makes sense to reinvest proceeds from the West NIS in Ukraine at zero cost to the American taxpayers, so we can help Ukraine's pro-reform government stabilize their financial sector, improve the business climate and attract foreign investment, all of which will increase prosperity and all of which will promote stability.

I also look forward to hearing from our experts about our strategies for continued engagement in the region, not just in Eastern Europe but also in the Balkans, Central Asia, and Ireland. No matter what country or region we are discussing, it is essential that the United States stands for the rule of law, democracy, and human rights. While we continue to have strong allies in Europe and Eurasia, we cannot take these important relationships for granted. I support a foreign affairs budget that is focused on continuing support for these relationships and ensuring that peace and democracy are allowed to flower.

With that, I thank you, Mr. Chairman.

Mr. ROHRABACHER. I thank you, and we have been joined by Congressman Lowenthal.

Do you have a 1-minute opening statement or anything you would like to say? But you have to push the button.

Mr. LOWENTHAL. I will do a 1-minute opening statement. First, I am pleased, thank you for holding this hearing, Chairman Rohrabacher and Ranking Member Keating. I just want to say that I, along with other—Chairman Royce and Ranking Member Engel, just before the May 25th election in early May, visited the Ukraine, and we are very glad to see the May 25th election.

One of the things I was struck with was things that were—a number of things that Ranking Member Keating mentioned, issues around corruption, issues around how you unite Eastern—and what conditions we place on our foreign aid and our resources.

Some of the issues that I was most concerned about was the disconnect between Eastern and Western Ukraine, some of the issues around reform that the government needed to do in terms of decentralization and more attention to the Russian heritage in folks from Eastern Ukraine, who felt that much of their—that they were being denied attention, and if there was going to be one Ukraine, the importance of bringing back all parts of that country.

Mr. Poroshenko made a commitment to doing that, and—but he also made a commitment to moving toward the EU, and I think that when we were there, anyway, there was a lack of Russian language broadcast by the Ukrainians, and into Eastern Ukraine what was coming in was only from Russia, and so the people were only hearing one side, and there was that disconnect. And to bring peo-

ple together, it is going to mean that all parts of the country, just as we see in Iraq and others, all segments have to be part of that government, and so I would just like to see how our foreign aid really advances democracy in Ukraine. Thank you.

Mr. ROHRABACHER. Thank you very much, Mr. Lowenthal.

And we have three witnesses today, and I will be reading their biographies and presenting that.

But I would request that as we move into the time of the testimony, that you would give us your summary in about 5 minutes, and the rest, of course, can go into the record.

We first have Daniel Rosenblum, who is the State Department coordinator for U.S. assistance to Europe and Eurasia. He oversees U.S. aid to over 30 countries, mostly in the former Soviet Union. His office coordinates those programs across more than a dozen U.S. Government agencies.

Previously, Mr. Rosenblum was—served as director of the FREEDOM Support Act Division and the deputy coordinator for that same office. Before coming to the State Department, Mr. Rosenblum spent 6 years as a senior program coordinator at the Free Trade Union Institute of the AFL/CIO. He has a BA in history from Yale and an MA in Soviet studies and international economics from Johns Hopkins School of Advanced International Studies.

And we have Mr. Jonathan Katz, who we have worked with over the years, and been on this side of the aisle—or this side of the table and that side of the table as he has worked as a USAID's deputy assistance administrator for Europe and Eurasia, was appointed to his current post in March of this year. Previously, he served as a senior advisor to the assistant secretary of state and the Bureau of International Organizations Affairs. Katz joined the State Department 2010 after working, as I say, here on Capitol Hill for 13 years as a staff director, minority staff director for this very same subcommittee, and he also served as legislative director for Congressman Robert Wexler, who we miss. He is a graduate of Syracuse University.

Finally, we have Ms. Denise Rollins, also from USAID. She is acting assistant administrator for the Asia Bureau. Before assuming her current role, she was a senior director—or deputy assistant administrator since 2011, that organization. Ms. Rollins has served as USAID's mission director in Bangladesh and deputy missions director in South Africa. Before joining USAID, she worked as a legislative assistant to two Members of Congress. Ms. Rollins received a master's of international public policy degree from Johns Hopkins University and a bachelor in arts degree in economics from Howard University. I would like to welcome our witnesses.

And Mr. Rosenblum, you may proceed, and we will then ask questions of the entire group after all the testimonies have been given.

STATEMENT OF MR. DANIEL ROSENBLUM, COORDINATOR OF U.S. ASSISTANCE TO EUROPE AND EURASIA, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. ROSENBLUM. Thank you, Mr. Chairman.

Thanks very much. Chairman Rohrabacher, Ranking Member Keating, Mr. Lowenthal, thank you all for inviting us to testify today on the Fiscal Year 2015 budget request for Europe, Eurasia, and Central Asia.

For more than two decades, the U.S. has been working to support political and economic reform in the formerly Communist states of Central and Eastern Europe and the Soviet Union. During that entire period, successive administrations have received strong bipartisan support for this effort, backed up by generous appropriations totalling $25.4 billion over that 25-year period under the SEED and FREEDOM Support Acts.

I want to start today by directly answering the question posed by the chairman in his statement that announced today's hearing. The question was, is our aid to this region being used in a fiscally responsible manner that helps to put nations on a path to where that aid is no longer needed? The answer, in my humble opinion, is yes. From the very beginning of our work in the post-Communist region, the basic philosophy has been, our job is to work ourselves out of a job. We want to help countries get to the point where they no longer require development aid, and if you look at the track record, it is pretty good. There are some real successes.

Eleven countries have graduated from development assistance. All of them are now aid donors themselves. All of them are members of the European Union and NATO. Other countries in the Western Balkans continue to make significant progress toward EU and NATO membership. A few countries in Eurasia and in Central Asia have also made substantial progress toward establishing free market economies and democratic political systems, and if we have time later in today's hearing, I would like to tell you more about how we measure these trends and how we determine when it is time to phase out assistance.

But my main message for the subcommittee today is that the goal of a Europe whole, free, and at peace isn't achieved and our work isn't done. I have outlined the remaining challenges in more detail in my written testimony, and Mr. Chairman, I ask permission that it appear in the hearing record.

Mr. ROHRABACHER. Without objection.

Mr. ROSENBLUM. Our requested budget for Europe, Eurasia, and Central Asia is $625.3 million, a decrease of nearly 17 percent, or $125 million as compared to Fiscal Year 2013, 2 fiscal years ago. I should note that this budget was finalized before the onset of the Ukraine crisis. Since that crisis began, the U.S. has provided Ukraine a $1-billion loan guarantee and has redirected approximately $131 million in crisis-related assistance to augment our regular bilateral budget. This was done by redirecting previously appropriated Fiscal Year 2013 and Fiscal Year 2014 funds from various other regional and global pots.

We have not requested any additional funds from Congress to date. In Fiscal Year 2015, our strong interest in bolstering stability, sovereignty, and reform in Ukraine and other countries in the region will likely require adjustments to what we proposed nearly 5 months ago in the budget request, potentially including adjustments to overall levels.

Based on Appropriations Committee action in both House and Senate this week, it appears that Congress agrees with this assessment and may provide enhanced funding for this region. We look forward to final congressional action on Fiscal Year 2015 funding measures, and at that time, of course, we will be consulting with this committee and other committees on any proposed adjustments from what we requested for Fiscal Year 2015.

So let me briefly, in the time remaining, outline five strategic objectives for our assistance to the region. First, we aim to enhance sovereignty, including the right of countries in the region to choose their own political and economic relationships. This is playing out today most dramatically in Ukraine, but it is an element in our assistant strategy throughout the region. In Central Asia, for example, we are helping countries in the region develop a diverse set of energy, trade, and transport linkages under the New Silk Road initiative.

Second, we are supporting greater European integration for countries that seek it. This Friday, in Brussels, Moldova and Georgia will sign association agreements and deep and comprehensive free trade agreements with the EU. Ukraine will sign the remaining economic chapters of its association agreement. Many of our programs are helping these countries meet the necessary standards to implement these agreements.

Third, we are working to help countries throughout the region take meaningful steps to root out corruption and shore up rule of law. We have seen that rampant corruption is like a cancer that drains economic vitality and undermines faith in democratic institutions. In the Western Balkans, we have seen some limited process in the context of the EU accession process, while in Eurasia and Central Asia serious challenges remain often due to a lack of the requisite political will to tackle the problem.

Fourth, we are working to reverse the worrying trend of democratic backsliding. Our assistance aims at empowering those who seek to preserve and expand democratic principles, whether in independent media, the justice sector, democratic political parties, or other parts of civil society. Where possible, we seek to engage with government institutions that are open to reform.

Fifth and finally, we are also supporting efforts to tackle broader security issues and transnational threats, ethnic tensions, protracted conflicts, infectious disease, organized crime, and weapons of mass destruction proliferation. The President's Fiscal Year 2015 request recognizes that even in a constrained budget environment, we can still utilize foreign assistance to advance U.S. national interests in Europe, Eurasia, and Central Asia.

Going forward, we plan to maintain our 25-year tradition of working with Congress in a bipartisan manner to ensure that the resources that the American people provide for this purpose are being used in the most efficient and effective way possible to support stability, prosperity, and democracy in the region. Thank you.

Mr. ROHRABACHER. Thank you very much.

[The prepared statement of Mr. Rosenblum follows:]

Daniel Rosenblum
Coordinator of U.S. Assistance to Europe and Eurasia
Bureau of European and Eurasian Affairs
June 25, 2014
Written Testimony

Chairman Rohrabacher, Ranking Member Keating, Members of the Subcommittee, thank you for inviting me to testify before you today on the President's FY 2015 budget request for Europe and Eurasia.

I would like to take this opportunity to express my appreciation for your leadership in the passage of the legislation that enabled us to provide a $1 billion loan guarantee to Ukraine at a critical time in that country's history. Additionally, the travel by members of this committee to Ukraine, Moldova, the South Caucasus, and throughout the region in recent months has demonstrated that our partnerships in Europe and Eurasia remain of vital importance to the United States.

For almost 25 years, the United States has been working to support political and economic reform in the post-Communist space of Europe and Eurasia. Since 1989, Congress has generously appropriated approximately $25.4 billion under the authorization provided by the Support for East European Democracy (SEED) and FREEDOM Support Acts (FSA).

Over those twenty-five years, we have seen enhanced freedom, security, and prosperity across the region, and have been able to phase out entirely our transition assistance to 11 countries in Central Europe as they have progressed along the path of democratic and economic development. All eleven of these "alumni" of SEED Act assistance are now assistance donors rather than consumers, and frequently partner with the U.S. to help countries in Europe and around the world that are attempting to follow their successful example. The road from aid recipient to strategic partner and fellow donor has been different for each country, and not always a smooth and easy one. But in every case, our Congressionally-funded assistance programs have played a crucial role in making the transformation possible and cementing the partnership.

That said, the region's transformation remains incomplete. And today, the democratic and economic trajectory across the region is not uniformly positive.

Corruption, democratic drift, fragile financial sectors, protracted conflicts, ethnic tension, and violence continue to be sources of concern in many states. EU aspirants in the Western Balkans need continued support to reinforce and advance EU accession-required reforms, some of which have stalled or are vulnerable to backsliding. The Central Asian countries are looking for increased balance in their economic futures and increased linkages to European and South Asian markets. Transnational threats like organized crime, WMD proliferation, trafficking in persons, weapons, and narcotics, and the spread of highly infectious diseases still pose direct challenges to regional and U.S. security. Resources are needed to bolster engagement with European partners on global security challenges that will promote military modernization and interoperability with U.S. and allied forces. U.S. assistance continues to play an important role in helping governments and societies to address all of these challenges.

And while the focus of my testimony is on our FY 2015 budget request for Europe, Eurasia, and Central Asia, it is difficult to address without touching on the broader geopolitical context in which our assistance priorities are framed. Recent events in Ukraine have brought many of these into sharp relief. In Brussels this week, Georgia and Moldova are slated to sign Association Agreements with the European Union, and Ukraine will sign the remaining economic portions of its agreement with the EU in Brussels –despite sustained Russian pressure to derail these efforts. All three states are important U.S. partners and will require help expediting the implementation of these agreements. Ukraine continues to face an existential security threat, potential bankruptcy, and economic instability, and tremendous challenges to implementing the reforms necessary for European integration. Our response will be a measure of U.S. credibility and resolve.

In light of the current crisis in Ukraine, we are redoubling our efforts in FY 2015 to fulfill the objectives that have been at the core of our mission since 1989: working toward the goal of a "Europe whole, free and at peace" and fostering stable, prosperous, free-market, and pluralistic democracies across the region. The requested budget for the Europe, Eurasia, and Central Asia region is $625.3 million – a decrease of nearly 17 percent or $125 million from FY 2013. Recent political upheaval and ongoing economic instability in Ukraine will likely require adjustments to planned uses -- and potentially overall levels -- of FY 2015 funding.

Any prospective adjustments will be accompanied by thorough consultation with Congress and, in particular, our committees of oversight.

My testimony today will outline five strategic objectives for U.S. assistance to Europe, Eurasia, and Central Asia reflected in our FY 2015 budget request: first, to bolster countries' ability to choose their own economic and political futures without external interference; second, to facilitate greater Euro-Atlantic integration for those countries that seek it; third, to combat corruption and improve adherence to the rule of law throughout the region; fourth, to support openness and pluralism throughout the region, primarily through support for civil society; and fifth, to combat transnational threats that undermine regional security. We recognize our resources are finite and cannot possibly respond to all the region's needs. With this in mind, these strategic objectives seek to optimize our impact on the region's central challenges in the context of a constrained budget environment. Let me discuss each of them briefly.

First, we aim to enhance the sovereignty of countries in the region, including the right to choose their own political and economic relationships. As President Obama said recently in Warsaw, "True democracy, real prosperity, lasting security -- these are neither simply given, nor imposed from the outside. They must be earned and built from within." The right of countries to determine their own future is a core principle of democratic governance.

Today, of course, the struggle to defend the core principle of national sovereignty is playing out most dramatically in Ukraine. And our assistance to Ukraine has been and will continue to be one of our most important policy tools as we respond to this challenge. As Assistant Secretary Nuland stated before this committee last month, "the United States is supporting Ukraine with financial, technical and non-lethal security assistance as it…works to protect a peaceful, secure, prosperous and unified future for its people." Since the crisis began, the U.S. has provided Ukraine a $1 billion loan guarantee and approximately $130 million in other forms of assistance to augment existing U.S. programs and address other pressing needs, including $33 million in non-lethal security and law enforcement assistance.

Following Ukraine's successful presidential and local elections on May 25th, the United States has been working with the international community to help the Ukrainian government address urgent needs in such areas as enhancing national

unity, furthering democratic reforms, strengthening the economy, addressing public grievances, and carrying out structural institutional reforms to prepare Ukraine for European integration, while resisting external pressure.

We have identified the following five priority baskets to focus our additional assistance:

- **Strengthen the Economy and Promote Growth:** The United States supports Ukraine's efforts to carry out the fiscal and financial-sector reforms needed to make its IMF and World Bank programs a success and place the country on a path towards growth. We are exploring ways U.S. assistance could help address issues such as government debt, tax policy, bank supervision, problem bank resolution, asset recovery and management, budget formulation, pension reform, currency risk management, local currency lending, adherence to international investment standards, access to finance, and anti-corruption measures. The United States also is looking at ways to help revitalize Ukraine's east and south.
- **Support Constitutional Reforms, National Unity, and Confidence-Building Measures, Particularly in the East and South**: The United States supports an inclusive, consultative, and transparent constitutional-reform process, efforts to decentralize power, and other institutional reform priorities of the Ukrainian Government.
- **Diversify Ukraine's Trade and Reduce its Energy Dependence on One Source:** The United States is helping Ukraine improve its trade policies and increase private sector competitiveness, and thereby take advantage of enhanced access to the EU and other markets. The U.S. also supports measures aimed at reducing Ukraine's energy dependence on Russia.
- **Fight Corruption:** U.S. assistance bolsters the Ukrainian Government's efforts to enact systemic changes to deter, detect, investigate, and prosecute corruption. Our assistance will also support civil society and the private sector as partners in the fight against corruption as well as government efforts to build mechanisms for collaboration and communication with civil society, the private sector, and the general public.

- **Reform and Build the Capacity of the Security Sector:** The United States helps Ukraine improve the capacity of law enforcement, border services and military forces to perform basic functions, both to address the immediate crisis and to build strategically for the long term.

As the United States and international community renew our investment in Ukraine, we are working with other donors to avoid duplication and ensure that U.S. assistance is targeted most effectively. We are consulting thoroughly with government leadership to guarantee that U.S. assistance supports the country's ambitious reform agenda and are reaching out to Ukraine's civil society, private sector, and public to ensure that their voices are heard.

In addition to its aggressive actions in Ukraine, Russia has ignored the basic principle of sovereign choice elsewhere. It has sought to derail the ability of Moldova and Georgia to sign and implement Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTAs) with the European Union. Just as we are supporting Ukraine in its sovereign choice to pursue European integration, our assistance efforts in Moldova and Georgia also serve as a force multiplier as they pursue their chosen paths toward greater Euro-Atlantic integration in the face of Russian obstruction.

In Central Asia, we are promoting access to regional markets as one prong of a multi-faceted effort to bolster these countries' sovereignty and ability to make their own choices. The New Silk Road initiative builds regional connectivity through energy, transport, trade, and people-to-people linkages from Central Asia through Afghanistan to South Asia as a means to build security, stability, and prosperity in the entire region. A modest increase in economic growth funding in Central Asia (a $3.4 million or 8 percent increase from FY 2013 to FY 2015) will help increase firms' competitiveness and improve trade policies in the region. While trade figures remain modest for now, greater economic dynamism across the region will provide future opportunities for international businesses, especially in key areas such as services, energy, mining, higher education, infrastructure, and aircraft sales. American firms are well positioned to promote this economic dynamism, introducing new technologies and management approaches while also strengthening ties with distant parts of the world in ways that benefit both the United States and Central Asia.

Second, we are supporting greater European integration for those countries that seek it. As Ukraine, Moldova, and Georgia seek to strengthen their ties with the EU through its Eastern Partnership and the historic signing of AA/DCFTAs, the United States strongly supports each of these countries in their sovereign choice to pursue agreements with the EU. All told, our requests for Georgia, Moldova, and Ukraine represent just over one third of the entire FY 2015 budget request for Europe and Eurasia. We have re-focused many of our assistance programs and instituted others to support Georgia, Moldova and Ukraine as they prepare to sign and then implement AA/DCFTAs.

The majority of our assistance to Georgia and Moldova is aimed at promoting democratic, economic, rule of law, and other reforms that are consistent with the EaP's objectives. Many programs, directly and indirectly, support EU integration: promoting standards and capacity-building that enabled Moldova to attain visa liberalization on April 28 and supporting Georgia's efforts towards this same goal; assisting Georgian and Moldovan businesses to meet EU safety standards and increase international competitiveness; convening high level dialogues on trade and investment; and exploring ways to use assistance to further enhance both countries' energy security through diversification and greater efficiency.

While Armenia will no longer sign an AA with the EU after announcing plans to join the Eurasian Economic Union last September, the United States will continue to provide assistance to Armenia that encourages the reforms necessary for greater trade and investment between our two countries. Azerbaijan is pursuing its own track of practical cooperation with the EU short of an AA, called the Strategic Modernization Partnership. We are supporting Azerbaijan's efforts to accede to the WTO. Through this process – along with democratic and other economic reforms – Azerbaijan can move toward an invigorated partnership with the EU.

In the Western Balkans, our FY 2015 resources will support EU accession-required reforms, including implementation of agreements between Serbia and Kosovo to normalize their relationship, and key governance reforms in Bosnia and Herzegovina. These include efforts to correct key inhibitors to Euro-Atlantic integration such as weak rule of law, corruption, and organized crime. The FY 2015 budget request takes into account progress made by some countries in the

Western Balkans, and reflects our constrained budget environment. Some of the sharpest reductions in the FY 2015 request for Europe and Eurasia will affect the Balkan countries of Albania, Macedonia, and Serbia, which together will sustain a cut of $25.3 million, or over 36 percent relative to FY 2013. The focus of our remaining programming in these three countries is narrowing to emphasize justice and security sector reform, civil society and independent media development, and improved governance – areas which are priorities for the United States as well as necessary for EU accession, and where progress has been uneven, fragile, or in some cases stalled. Smaller budgets require that we coordinate ever more closely with other major donors in the Balkans, especially the EU, to ensure we are leveraging their much larger funds to the maximum extent possible.

Third, we are working to help countries throughout the region take meaningful steps to root out corruption and shore up their adherence to the rule of law. Deeply rooted corruption inhibits economic growth and undermines countries' ability to achieve their full potential. In the wake of the crisis in Ukraine, it has become apparent that corruption also enables Russian influence throughout Europe and Eurasia.

Effectively combating corruption requires a mix of political will from governments to create a culture of enforcement and accountability as well as sustained effort across society—particularly civil society and the media—to stimulate public demand for transparency and integrity. We are assisting governments and civil society in their efforts to create an environment where laws are enforced fairly, transparently, and accountably.

In the Balkans, we have seen some limited progress in the context of the EU accession process, while in Eurasia and Central Asia serious challenges remain to the rule of law. Lack of political will, resistance to reform, poor governance, and rampant corruption throughout government institutions and society continue to hamper progress.

Fourth, we are working to reverse the worrying trend of democratic backsliding and to provide greater openness and freedom for populations across the region. Over the past several years, we have witnessed governments closing the space for activists, organizations, media, and ordinary citizens in order to silence criticism,

and to tip the scales of public support in their favor. In too many countries of the region, political leaders seem to be adopting global "worst practices" with respect to civil society, including the adoption of onerous bureaucratic hoops to register organizations and projects, requiring NGOs and journalists to register as foreign agents, and increasingly incarcerating activists and demonstrators. Often, this is done based on the false pretense that the country's security is somehow jeopardized by peaceful civic activity.

Our assistance aims at empowering those who seek to preserve and expand democratic principles, whether in independent media, the justice sector, democratic political parties, or other parts of civil society. Where possible, we seek to engage with government institutions that are open to reform. Where such openings do not exist, we concentrate on the non-governmental sector.

In the current budget climate, we will prioritize programs and activities within the Europe and Eurasia region to make the most of taxpayer dollars. Our FY 2015 request for democracy funding remains steady from FY 2014 level enacted and is $27.1 million or 12 percent below FY 2013. These reductions reflect difficult tradeoffs that we have had to make, requiring us to balance and prioritize competing foreign assistance initiatives in EUR countries and other parts of the world.

The budget for our Central Asia democracy programs has decreased only slightly, $1.3 million or 5 percent from FY 2013 to FY 2015. Despite economic growth in some Central Asian countries, many of these countries suffer from restrictive social policy and corrupt institutions. These challenges underscore the importance of long-term programming that captures nascent opportunities when they arise. We have seen some progress in the Kyrgyz Republic in this area, an example that has become important for the region in terms of potential further development.

Fifth and finally, we are also supporting the region in its effort to tackle broader security issues and transnational threats: simmering ethnic tensions; protracted conflicts in Nagorno-Karabakh, Transnistria, South Ossetia, and Abkhazia; infectious disease; organized crime; illicit trafficking and weapons of mass destruction proliferation all represent significant security risks for the region, but also directly bear on U.S. national security.

As noted earlier, the Administration's FY 2015 budget request was developed and finalized before the onset of the Ukraine crisis. As submitted, it sought to further defense reform, military modernization, understanding of U.S. doctrine and tactics, and interoperability with U.S. and NATO forces to ensure that our allies and partners can conduct overseas deployments and peacekeeping missions, lessening the burden on U.S. forces. Our largest strategic investment programs are in Poland, Romania, and Bulgaria. In light of events since the budget submission, especially Russia's illegal actions in Crimea and efforts to destabilize parts of Eastern Ukraine, we clearly need to address a broader set of security goals. Earlier this month, the President announced a new $1 billion European Reassurance Initiative which will include substantial programs to build partner capacity of close friends like Ukraine, Moldova, and Georgia, and a significant effort to reassure NATO allies.

In addition to the region's acute and growing "hard" security challenges, we are simultaneously providing assistance to prevent and mitigate other transnational threats. We seek to address these threats through training and targeted equipment provision for police and border protection services, technical assistance on legislation, improving regional and international law enforcement cooperation, and interventions to improve public health. Our security cooperation with Central Asia focuses on enhancing border security, strengthening regional counternarcotics efforts, countering violent extremism, promoting professional conduct by security forces, and working towards a stable, secure Afghanistan. We have developed the Central Asia Counternarcotics Initiative (CACI) in coordination with the Drug Enforcement Administration (DEA), to intensify efforts against drug trafficking in the region.

Peace and Security programs represent just over one third of the total FY 2015 request for Europe, Eurasia, and Central Asia. However, our Peace and Security request is down by approximately $44.7 million or 17 percent in FY 2014 and $73 million or 26 percent from FY 2013, translating into a $59 million reduction for EUR countries and a $14 million reduction for Central Asia.

As we address these five strategic areas within a constrained budget environment, we are looking at how best to maximize donor resources in order to stretch our

assistance. Throughout the region, we work with a very broad range of actors to further U.S. assistance priorities and multiply the effects. The EU in particular is playing a significant role as a donor from the Western Balkans to Ukraine. U.S. and EU assistance is complementary: we are faster, more flexible, and better able to direct aid to the NGO sector; EU budgets are multi-year, often larger, and generally more suitable for infrastructure investments or budget support.

Since 2011, the State Department has also conducted active outreach to the "emerging donor" countries of Central and Eastern Europe to explore partnering with them on providing aid to the Balkans and former Soviet Union region. We initiated an "Emerging Donors Challenge Program" (EDCP), to bring the transition experience of emerging donors to countries in Eastern Europe and Eurasia that are still struggling to democratize and advance economic growth. Round three of this initiative will result in the programming of a total of over $3 million in FY 2013 and FY 2014 Economic Support Funds to leverage roughly an equivalent contribution from the emerging donors.

As Secretary Kerry stated when he testified on the budget request in April, "On issue after issue, people depend on American leadership to make a difference." For over 20 years, our assistance in Europe, Eurasia, and Central Asia has been providing tangible proof of the role that our leadership can play in improving peoples' lives. The President's FY 2015 budget is a continuation of that mission. It is a recognition that even with difficult budget realities, there is a persistent need to advance the U.S. national interest in Europe, Eurasia, and Central Asia. Going forward, we will work with Congress in a bipartisan manner to ensure that the resources provided by the American people are used in the most efficient and effective way possible to support stability, prosperity, and democracy in the region.

I appreciate the opportunity to testify before you today and look forward to answering your questions.

Mr. ROHRABACHER. Mr. Katz.

STATEMENT OF MR. JONATHAN KATZ, DEPUTY ASSISTANT ADMINISTRATOR, BUREAU FOR EUROPE AND EURASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. KATZ. Mr. Chairman, it is especially—it is special for me to be here before the committee today, so we appreciate the opportunity. Mr. Chairman——

Mr. ROHRABACHER. You are in the hot seat now.

Mr. KATZ. Mr. Chairman, Ranking Member Keating, members of the subcommittee, thank you for inviting me to testify regarding the administration's Fiscal Year 2015 budget request for Europe and Eurasia. American foreign assistance is a vital tool in our effort to realize the U.S. foreign policy goal of a Europe whole, free, and at peace. To achieve this goal in an era of shrinking budgets, we are focused on strategic areas of U.S. Assistance to Europe and Eurasia.

The majority of assistance requested for the region will be targeted to support democratic, economic, justice sector, and other reforms, particularly those necessary for Euro-Atlantic integration. As the chairman and as the ranking member highlighted, over the past two decades, we have witnessed significant progress toward these goals, and many countries in Europe have embraced political and economic reform, leading to vibrant growth and inspired democratic transformations.

From USAID's 24 original partner countries in Europe and Eurasia, as Dan pointed out, 11 have graduated from our assistance, 17 have joined the WTO, 11 have acceded to the EU, and 12 have joined NATO. The 11 countries that have graduated from our assistance are some of our strongest allies and are now providing economic assistance to other countries in the region.

Despite these advances, the work is far from complete, gains are tenuous, and much remains to be done to make progress sustainable. We are working to assist those countries and people from Sarajevo to Tbilisi to Kiev, that seek to move forward on a path to an even greater Euro-Atlantic integration, democracy, and progress.

In Europe and Eurasia, serious challenges remain, including democratic backsliding, gradual financial sectors, high unemployment, infectious diseases, ethnic violence and tension, frozen conflicts, energy insecurity, and corruption, which was mentioned a number of times. Perhaps most notably, external pressures destabilize Ukraine and others in the region, threatening economic and political development across the former Soviet space.

Our Fiscal Year 2015 request for Europe and Eurasia addresses continuing and emergent U.S. policy objectives while also recognizing budget constraints here in Washington. Our assistance is focused on two main objectives, to continue to promote democracy and economic reform in Europe and Eurasia and to strengthen democracy, governance rule of law, and economic growth. One of our core objectives across the region is to promote civic—citizen engagement and strength in civil society to mitigate backsliding on democratic reforms and economic development.

Ukraine offers a prime example of how USAID support for civil society and media groups helps stop or limit government pressure and freedom of expression and association. Our media programs played a critical role in monitoring and reporting on attacks on journalists and on government actions throughout the Euromaidan protests.

Looking ahead, USAID will continue to play a pivotal role as we work to sustain and strengthen cooperation between Ukrainian civil society and Ukrainian Government. Already strong cooperation between civil society and the government has led to historic reforms over the past 4 months, but that progress needs to continue.

I want to further highlight our assistance to Ukraine. Since 1992, USAID has had a longstanding multifaceted engagement, focused on a more stable, democratic, and prosperous Ukraine, including on programs to promote economic reforms, support more democratic accountable governance, and combat HIV/AIDS and tuberculosis. Recent events in Ukraine, including the election of President Poroshenko and the response of the United States to them remain critical not only to Ukraine's future but the region's future as well.

The U.S. is working with our international partners today to maximize and leverage assistance, provide urgently need support to Ukraine's people and economy. Our approach in Ukraine is to support the goals and aspirations of all the people of Ukraine for piece, prosperity, freedom, and human dignity, what so many Ukrainians are demanding the Maidan.

Fiscal Year 2015 U.S. Bilateral assistance package is focused on meeting Ukraine's most pressing need and helping Ukraine make needed reforms. USAID's assistance will focus on four areas, which Dan mentioned, strengthen Ukraine's economy and promoting growth, support for constitutional reforms, national unity, confidence and confidence building measures, and help to diversify Ukraine's trade and reduce its energy dependence, as well as to support a fight against corruption. Just last week, I joined USAID administrator Dr. Rashad in Kiev to announce an additional $10 million in USAID funding that will be largely used to help Ukraine fight corruption.

Mr. Chairman, Congressman Keating, members of the subcommittee, thank you again for this opportunity. The U.S. has a long track record of successful assistance to countries in Europe and Eurasia, but as the events of the last several months have demonstrated, there is much work to be done in this region. The Fiscal Year 2015 request will enable us to remain engaged in providing U.S. assistance in Europe and Eurasia at this critical moment. I will end there and look forward to answer any questions that you have. Thank you.

Mr. ROHRABACHER. Thank you.

[The prepared statement of Mr. Katz follows:]

Statement of Jonathan Katz
Deputy Assistant Administrator, Bureau for Europe and Eurasia
U.S. Agency for International Development
Before the
Subcommittee on Europe, Eurasia, and Emerging Threats,
House Committee on Foreign Affairs
"Fiscal Year 2015 Budget Request for Europe and Eurasia"
June 25, 2014

Mr. Chairman, Ranking Member Keating, distinguished Members of the Subcommittee, thank you for inviting me to testify before you today regarding the Administration's Fiscal Year 2015 budget request for the Europe and Eurasia region.

As members of the Subcommittee well understand, the mission of the U.S. Agency for International Development (USAID) is to partner to end extreme poverty and promote resilient, democratic societies while advancing our security and prosperity. Foreign assistance is a vital tool in the effort to realize the U.S. foreign policy goal of a Europe whole, free, and at peace. In accordance with the Department of State-USAID Joint Regional Strategy for Europe and Eurasia, the President's $492.3 million budget request for assistance to the region will be targeted to support democratic, economic, security, justice-sector, and other reforms – particularly those necessary for Euro-Atlantic integration. Of this total, $316.1 million is Economic Support Funds (ESF) and $7.5 million is for USAID's Global Health Program. USAID manages the majority of the ESF funds, and the Department of State manages the rest.

Over the past two decades we have witnessed significant progress toward these goals including in many countries in Europe that have embraced political and economic reform, leading to vibrant growth and inspired democratic transformations.

From USAID's 24 original partner countries in Europe and Eurasia, 11 have graduated from our assistance, 17 have joined the World Trade Organization, 10 have acceded to the E.U., and 12 have joined NATO. The 11 countries that have graduated from our assistance are some of the U.S.'s strongest allies and are now providing their own economic assistance in the region.

In the countries in our region still receiving assistance, progress has been made toward these goals in some areas, but many of the gains are tenuous, and much remains to be done to sustain that progress. Serious concerns remain, including democratic backsliding, fragile financial sectors, high unemployment, infectious diseases, ethnic violence and tension, volatile conflicts, energy insecurity, and corruption. Perhaps most notably, we have seen Russia adopt a new, more aggressive posture that has destabilized Ukraine, led to their illegal occupation of Crimea, and threatens to undermine the basis for economic growth and political development across the former Soviet space.

The Fiscal Year 2015 request for Europe and Eurasia addresses continuing and emerging U.S. policy objectives, while also recognizing global budget constraints. From the very beginning of USAID's assistance programming in the Europe and Eurasia region, supporting the creation of strengthened, inclusive democratic institutions and vibrant, broad-based economic growth have been central objectives of our work. USAID data shows a strong correlation between threats to democracy and financial instability in Eurasia. USAID focuses on both sectors because experience teaches us that, over time, progress in one sphere supports progress in the other.

The U.S. Government continues to be concerned with increased backsliding on democratic freedoms in Russia, Azerbaijan, and Belarus. Closing space for civil society activity, however, has been a particular problem in a larger group of countries, as their governments have imposed restrictions on these groups and organizations. In Bosnia, for example, reforms have stalled, contributing to recent violent protests and popular demands for increased government accountability.

Ukraine offers a prime example of how USAID support for civil society and media groups helped limit government pressure on freedom of expression and association. Our media program implementers played a critical role in monitoring and reporting on attacks on journalists and on government actions throughout the EuroMaidan protests, as well as providing legal consultations to over 60 media professionals who were victims of these attacks.

Partnership with other donors, international and regional non-governmental organizations, and the private sector is crucial to achieving our goals and the sustainability of our programming. In response to the crisis in Ukraine, USAID continues to work in close coordination with our partners in the European

Union, especially the United Kingdom, and the EU's six Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova, and Ukraine). Throughout the region, our programs are closely aligned with the objectives of the Eastern Partnership, and we leverage extensively with bilateral donors, particularly the Swedish International Development Agency (SIDA). In Fiscal Year 2013 alone, USAID leveraged $27.4 million through public-private partnerships in the Europe and Eurasia region. The $27.4 million are funds provided by host nations or private entities in addition to appropriated funds obligated for specific projects or programs.

Before turning to the Ukraine crisis and our assistance response to it, it is worth keeping in mind that USAID has had a longstanding, multifaceted engagement with Ukraine since its independence in 1991. Over that time, USAID has contributed approximately $2 billion to promote a more stable, democratic, and prosperous Ukraine, including programs to encourage economic reforms; support more democratic, accountable governance; combat HIV/AIDS through PEPFAR; combat tuberculosis; support the multi-year U.S. pledge to clean up and secure the Chornobyl site; and promote clean energy. While political instability and corruption have been a problem, we have had successes. For example, we have helped Ukraine meet critical energy needs through our Municipal Heating Reform Project, which enhanced the capacity of nearly 40 Ukrainian municipalities to plan, manage, and fund the development of heating systems, while strengthening the national legal, regulatory, and institutional framework to improve heating services.

Recent events are momentous for Ukraine, and the response of the U.S. government will be critical not only to Ukraine's future, but to the region's future as well. The United States is working with our international partners to provide urgently needed support to Ukraine's people and economy as they face the current crisis. Our approach is to support the goals and aspirations of all of the people of Ukraine for peace, prosperity, freedom, and human dignity -- what so many Ukrainians were demanding on the Maidan.

Prior to the current conflict, the Administration requested $94.3 million for assistance to Ukraine for Fiscal Year 2015. Since the start of the crisis, the United States has targeted assistance to address Ukraine's most pressing needs. With FY 2015 funding, we will continue to do so and to help Ukraine to make needed reforms in the medium- and long-term. Years of economic mismanagement have left Ukraine with a heavy debt burden, weak regulatory

oversight of financial institutions, an indebted energy sector, and an uncompetitive business climate.

In addition, Russia's destabilizing actions in the eastern part of the country are impeding the trade and investment that a healthy economy requires. Moreover, Ukraine's inefficient and Russian natural gas imports-dependent energy sector continues to be a significant drain on Ukraine's financial resources.

U.S. assistance is focused on four areas: supporting inclusive economic reforms; supporting constitutional reform, decentralization, and parliamentary elections (expected by the end of this year); combatting corruption, including supporting improved rule of law and judicial reform; and helping Ukraine withstand politically motivated trade actions by Russia, including those in the energy sector.

While this hearing focuses on the Fiscal Year 2015 request, I want to take a moment in the context of the Ukraine crisis to summarize the Administration's efforts to provide additional assistance to Ukraine using existing resources.

Following Ukrainian President Petro Poroshenko's discussions with President Obama on June 4 in Warsaw, Vice President Biden announced on June 7 an additional $48 million in assistance to help the Ukrainian Government conduct key reforms, build its law enforcement capacity, and strengthen national unity.

In addition, the U.S. Government has provided the $1 billion loan guarantee, authorized by Congress -- and I want to thank this Committee for its support for that important legislation -- the agreement for which was signed on April 14. We have also provided a $50 million crisis-response package announced by Vice President Biden on April 21, and $33 million in security assistance. When added to previously budgeted funds, the United States is providing over $194 million in assistance to Ukraine this year, in addition to the loan guarantee. A portion of these funds still need to be notified to Congress. You will see details of our program plans in the coming weeks.

This $1 billion U.S. loan guarantee has enabled the Ukrainian Government to access affordable financing from international capital markets. This will support the country's financial stability, save hundreds of millions of dollars in interest payments, and strengthen its ability to protect its most vulnerable citizens from the impact of necessary economic adjustments by supporting expansion of the

social safety net. These targeted activities complement long-term U.S. assistance programs designed to support systemic reforms and build institutional capacity across a range of sectors.

Mr. Chairman, Ranking Member Keating, members of the Subcommittee, thank you again for this opportunity to testify on the Fiscal Year 2015 budget request for Europe and Eurasia. USAID has long track record of successful assistance to countries in this region, and we are fully engaged in providing further necessary assistance at this critical moment. This concludes my prepared testimony, and I welcome your questions.

Mr. ROHRABACHER. Ms. Rollins.

STATEMENT OF MS. DENISE ROLLINS, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Ms. ROLLINS. Thank you so much, Mr. Chairman.

Mr. Chairman, Ranking Member Keating, and Mr. Lowenthal, I am delighted to be here today to testify alongside my colleagues here on the administration's 2015 budget for Central Asia. This afternoon I wanted to share with you our perspective on the vital role of USAID's development programs in Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan in addressing regional challenges and advancing American interests.

More than 20 years after the region first opened its doors to international engagement, American involvement provides balance as well as choice for a disparate collection of countries that face ever more complex challenges in determining their own futures. These challenges will become even more formidable during the next 5 years or so against the backdrop of uncertainty in Afghanistan. Rising geopolitical interest of Russia, growing Chinese influence and looming political transition across the region where the Soviet legacy continues to have an important impact.

From the U.S. perspective, active engagement in Central Asia and especially the good will and cooperation that result from well designed and well implemented assistance programs can help to establish a lasting alternative to forces that would otherwise destabilize the region.

The President's Fiscal Year 2015 budget request for Central Asia is $133 million, which will enable both the State Department and USAID to continue to play an integral role in strengthening democratic systems of governance and diversifying economies. USAID's development assistance to the Central Asian republics also includes meeting urgent human needs through a focus on health, agriculture, and other issues, such as combatting human trafficking.

To help—this is to help ensure countries grow peacefully and sustainably with the wherewithal to determine their own futures.

So we are tackling complex regional challenges and advancing U.S. foreign policy through three development approaches. Number one, increasing regional economic cooperation and connectivity, which will help accelerate private-sector-led trade and yield greater prosperity and stability across the region as more cross-border ties are forged. Number two, we are addressing regional development challenges through the three Presidential initiatives: The Global Health Initiative, Feed the Future, and Global Clinate Change Initiative. Number three, we are leveraging our new business model, which is science, technology, innovation, and partnership, STIP, as we call it, which will extend our reach and maximize our impact while driving down cost and yielding a better return for the American taxpayer.

Regional economic connectivity matters because while trade figures remain modest for now, greater economic dynamism across the region can provide future opportunities for international businesses, especially in key areas, such as the services industry, energy, mining, higher education, and infrastructure. USAID contrib-

utes to U.S. Government efforts under the New Silk Road initiative to increase regional economic connectivity between the economies of the peoples of South and Central Asia and, ultimately, foster greater political and socioeconomic stability across the broader region.

While originally envisioned as a means to aid in Afghanistan's transition post-2014, our work toward regional connectivity in Central Asia is all the more critical in the current context of Russia's reassertion of influence in former Soviet spaces.

This regional focus continues through the implementation of the three Presidential initiatives.

Throughout our work in this constrained budget environment, USAID is utilizing a new model of development that promotes partnerships and harnesses science, technology, and innovation to enhance development outcomes and maximize impact.

Across Asia, we are leveraging new talent and resources wherever possible—from the growing private sector to expanded donor collaboration. A prime example of how we utilize this approach is in Turkmenistan, for example, where through an innovative public-private partnership with Junior Achievement and Chevron, USAID is equipping young people in that country with practical skills that better prepare them to find jobs upon graduation, and it makes schooling more relevant to the demands of the modern job market.

Finally, we are leveraging greater funding and support of development programs from emerging donors, and you heard my colleagues mention this, such as the Government of Kazakhstan. For the past several years, the Kazakh Government has provided two-thirds of the total funding for our economic development programming and is poised to provide an even larger share of funding over the next several years.

Mr. Chairman, in today's interconnected world, our success addressing development challenges in Central Asia matters more than ever. Continued USAID assistance is vital in order to sustain gains and contribute to increased stability and prosperity in a part of the world where progress can pay dividends across the border region. I appreciate the opportunity to share what USAID is doing in Central Asia and look forward to your guidance. Thank you.

[The prepared statement of Ms. Rollins follows:]

STATEMENT OF DENISE ROLLINS
Acting Assistant Administrator for Asia
United States Agency for International Development
Before the
House Committee on Foreign Affairs; Subcommittee on Europe, Eurasia and Emerging Threats
Reviewing the Administration's FY 2015 Budget Request for Europe and Eurasia
Wednesday, June 25, 2014; 2:00pm

Chairman Rohrabacher, Ranking Member Keating and distinguished Members of the Subcommittee:

Thank you for the invitation to testify today on the role of the United States Agency for International Development (USAID) in addressing U.S. foreign policy priorities and development assistance needs in Central Asia. I am pleased to be testifying alongside my colleagues from USAID and the U.S. Department of State: Jonathan Katz, Deputy Assistant Administrator for the Bureau for Europe and Eurasia, and Daniel Rosenblum, Coordinator of U.S. Assistance to Europe and Eurasia.

This afternoon, I want to share with you our perspective on the vital role of U.S. foreign assistance in Central Asia. I will briefly describe how USAID's development programs in Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan address regional challenges and advance American interests.

Bounded by Russia, China, Afghanistan and Iran, Central Asia is not only physically at the core of the Asian continent but it is also strategically central to key U.S. foreign policy priorities. Our ability to succeed in Afghanistan and Pakistan is impacted by stability in Central Asia. Increasing connectivity between Central and South Asia in areas such as trade and energy could hold tremendous promise in helping the region stand firmly on its own and substantially contribute to the political and economic stability of neighboring countries, however there is substantial resistance to regional integration by the leaders of several of the region's nations. While we are already seeing some promising results from regionally-led efforts to reduce barriers to trade, invest in each other's economies and create new North-South transit and trade routes that complement vibrant East-West connections across Eurasia, there is much work left to be done to help this region grow economically and politically. The region's importance to the United States demands that we find ways to engage the Central Asian republics and work to expand any openings for political and economic reform.

American involvement in the region—along with that of its friends and allies—provides balance as well as choices for a disparate collection of countries that face ever-more complex challenges in determining their own futures. These challenges will become even more formidable during the next five years against a backdrop of uncertainty in Afghanistan, rising geo-political interests of Russia, growing Chinese influence and looming political transitions across a region where the Soviet legacy continues to have an important impact. From the U.S. perspective, active engagement in Central Asia, and especially the goodwill and cooperation that result from well-

designed and well-implemented assistance programs, can help to establish a lasting alternative to forces that would otherwise destabilize the region.

By promoting economic growth and democratic opportunity; investing in people and institutions; and strengthening physical and human security for all ethnic groups, women and other marginalized populations, we advance USAID's mission to end extreme poverty and promote resilient, democratic societies in a region of the world critical to stability and prosperity in broader Eurasia. One example of this is the Kyrgyz Republic—a bright spot for democracy in Central Asia that stands as a positive model among its neighbors. The Kyrgyz Republic is moving through a democratic transition. Throughout, USAID has engaged the legislative, executive and judicial sectors as well as launched new programs in an attempt to strengthen independent media, support human rights for all citizens of the Kyrgyz Republic, and build the role of the country's active civil society in both policy advocacy and service delivery. USAID is also prioritizing the diversification of the economy to contribute to broad-based economic growth and poverty reduction that helps cement democratic gains. While challenges remain, USAID continues to prioritize efforts to strengthen democracy in the Kyrgyz Republic as the country moves through landmark Parliamentary elections in 2015 and Presidential elections in 2016.

The President's Fiscal Year 2015 budget request of $133 million for Department of State and USAID assistance in Central Asia enables both organizations to continue to play an integral role in strengthening democratic systems of governance and diversifying economies—as well as meeting urgent human needs through a focus on health, agriculture and other issues such as combating human trafficking—to help ensure countries grow peacefully and sustainably with the wherewithal to determine their own futures. We are tackling complex regional challenges and advancing U.S. foreign policy through three development approaches:

1) Increasing regional economic connectivity that accelerates trade and yields greater prosperity and stability across the broader region as more cross-border ties are forged.
2) Addressing regional development challenges through the three Presidential Initiatives: the Global Health Initiative, with an increased focus on advancing the President's Emergency Plan for AIDS Relief (PEPFAR); Feed the Future; and the Global Climate Change Initiative.
3) Leveraging science, technology, innovation and partnerships to extend our reach and maximize our impact, while driving down costs and yielding a better return for the American taxpayer.

Increasing Regional Economic Connectivity

Widely regarded as the least economically integrated region in the world, intraregional trade in Central Asia as a percentage of total trade is well below the global standard at less than 5 percent. The low level of intraregional trade reflects the lack of action to integrate trade corridors or customs procedures. While trade figures remain modest, greater economic dynamism across the region can provide future opportunities for international businesses, especially in key areas such as energy, mining, higher education, infrastructure and aircraft sales. American businesses

are well positioned to both benefit from and help promote this economic dynamism, for example through the introduction of new technologies and management approaches.

USAID contributes to U.S. Government efforts under the New Silk Road Initiative to increase regional connectivity between the economies and peoples of South and Central Asia, and ultimately foster greater political and socioeconomic stability across the broader region. While originally envisioned as a means to aid in Afghanistan's transition post-2014, our work toward regional connectivity in Central Asia is all the more critical in the current context of Russia's reassertion of influence in former Soviet spaces. USAID programming has had a significant impact on promoting regional energy transmission, building regional trade linkages, facilitating trade and transport agreements, and expanding people-to-people connections.

For example, in the energy sector, with USAID technical assistance, Pakistan, Afghanistan, Tajikistan and the Kyrgyz Republic signed the Intergovernmental Council Resolution for the Central Asia-South Asia regional electricity grid (CASA-1000) in September 2013 that is already leveraging significant resources against our investment. In addition to a U.S. contribution of $15 million to the project, the World Bank committed $526 million—a major milestone in enhancing economic interdependence between Afghanistan and its neighbors. When completed, CASA-1000 will facilitate electricity trade of 1,300 megawatts (MW) of existing summertime hydropower surplus from Kyrgyzstan and Tajikistan to Afghanistan (300 MW) and Pakistan (1,000 MW)—transmitting electricity for the first time from Central Asia to Pakistan. CASA-1000 will alleviate power supply shortages in South Asia, open up future supply sources, and enhance revenues and economic prospects in Central Asia.

USAID assistance is also building regional trade linkages. Within the past year, the United States has organized a series of trade delegations and business-to-business events in Almaty, Islamabad, Kabul, Mazar-i-Sharif and Termez to bring businesses together to improve import-export opportunities. Nearly $10 million in trade deals have been reached as a result of these events, which have also helped expand long-term Central and South Asian business ties.

Finally, USAID assistance is facilitating trade and transport agreements that provide benefits to the region and beyond. For instance, USAID has been instrumental in supporting Tajikistan's successful World Trade Organization (WTO) accession and continues to work with all five Central Asian countries on WTO membership and compliance issues to facilitate trade on the global stage.

Addressing Regional Development Challenges through the Presidential Initiatives

USAID works through the three Presidential Initiatives in Central Asia to address regional development challenges and continue helping to lay the foundations for lasting progress in the region. For example, through Feed the Future in Tajikistan, where 75 percent of workers earn their living in agriculture, USAID helps farmers increase production of profitable, nutritious crops and teaches families to change dietary habits that will reduce stunting and improve nutrition outcomes. The program targets small-holder farmers living in southwestern Khatlon, an area bordering Afghanistan where the largest concentration of poor, at-risk populations live. Additionally, USAID has been instrumental in strengthening land tenure rights in Tajikistan,

contributing to increased economic independence for small farmers. Due to a long legacy of government control over farmers' agricultural choices, the continued existence of large and inefficient collective-style farms, and the lack of clear land use rights, farmers have been forced to grow unprofitable non-food crops such as cotton that contribute to a perpetual state of economic despair. USAID support trained land activists on their rights and how to break the cycle of dependency. Those activists are now educating their peers. Our support has helped hundreds of women establish their own independent family farms, enabling them to achieve financial independence and grow more profitable, nutritious food crops for their families, and it has led to the passage of a set of amendments to the land code that strengthen the security of land tenure.

Through the Global Climate Change Initiative, USAID is helping Kazakhstan achieve the country's aggressive and voluntary reductions in greenhouse gas emissions. Kazakhstan is one of the world's highest ranking countries in terms of greenhouse gas emissions both on a per capita basis as well as in relation to its gross domestic product. Currently, 87 percent of its steadily rising greenhouse gas emissions come from the energy and transport sectors. USAID is helping the Kazakhstani government implement two pieces of legislation that will begin to reverse this trend: one that promotes energy savings and efficiency, and another that establishes a system for trade in emissions credits between and among industries. Our clean energy program is strengthening the Kazakhstani government's regulatory framework, assisting the private sector on energy audits and energy savings technologies, and building technical skills on climate change topics among the country's energy professionals.

Leveraging Science, Technology, Innovation and Partnerships to Maximize Impact

In this constrained budget environment, USAID is utilizing a new model of development that harnesses science, technology and innovation and promotes partnerships to enhance development outcomes and maximize impact. Across Kazakhstan, the Kyrgyz Republic, Tajikistan and Uzbekistan, for example, USAID is introducing rapid-testing technology that diagnoses drug-resistant strains of tuberculosis in hours instead of weeks, helping to prevent transmission. Some of the highest rates of multidrug-resistant tuberculosis in the world are in Central Asia, where residents are highly migratory due to lack of employment opportunities at home. The state-of-the-art technology, called GeneXpert—which is manufactured in California and was developed in partnership with the University of Medicine and Dentistry of New Jersey—is crucial in the fight against this deadly form of the airborne disease. USAID assisted the Government of Kazakhstan in making this technology part of a national strategy that prioritizes detection of multidrug-resistant tuberculosis. With USAID's support, including the use of GeneXpert machines, treatment centers in Kazakhstan cured nearly 55,000 people of tuberculosis between 2003 and 2012. The recently launched U.S. Global Development Lab will crowdsource scientific and technological research and open innovation to identify new solutions that increase the reach, speed and cost-effectiveness of development assistance, bolstering USAID's work in this and other areas.

We are also bringing U.S. scientific and technological expertise to the table to help address water security. Central Asia's economies rely heavily on water flowing out of the high mountains of the Karakoram, Pamir and Tien Shan ranges to provide hydropower, irrigation, industries and

household needs. As the impacts of climate change become more strongly evident, security of water supplies from these mountains is a growing concern for all of the region's countries. Our work with the National Snow and Ice Data Center at the University of Colorado at Boulder is establishing a cooperative research program to better understand how glaciers, snows, and rains are changing. We are supporting universities and government meteorological services to collect field data using standardized equipment and techniques. This allows the comparison of data from high mountain areas in eight countries as part of gaining a better "big picture" of long-range river flows into at least five major river basins, including those that flow south into India, Pakistan and Bangladesh as well as north into the Central Asian wheat belt that is the breadbasket of the region.

Throughout Asia, we are leveraging new talent and resources wherever possible—from the growing private sector to expanded donor collaboration. A prime example of how we utilize this approach is in Turkmenistan, where through an innovative public-private partnership with Junior Achievement and Chevron, USAID is equipping young people with practical skills that better prepare them to find jobs upon graduation and making education more relevant to the demands of the modern job market. While Turkmenistan is still primarily a centrally-planned economy, reforms are underway to privatize key sectors and to introduce market-based practices and internationally accepted economic norms. In support of this, USAID helped develop and incorporate compulsory market economics curriculum across the entire public, secondary school system just this past school year (2013-2014). As a result, thousands of young people will be much better prepared for their careers and will contribute to critically needed change for the future as the former Soviet Republic emerges from decades of isolation.

Finally, we are leveraging greater funding in support of development programs from emerging donors, such as the Government of Kazakhstan. For the past several years, the Kazakhstani government has provided two-thirds of total funding for economic development programming. These efforts have yielded direct returns for the American economy. For example, USAID assistance helped Kazakhstani entrepreneurs from small- and medium-sized enterprises find new partners in the United States. Already, more than 15 business deals with U.S. businesses have been signed in eight states, resulting in more than $15 million in transactions. USAID is also helping Kazakhstan set up its own development agency, called KazAID, which would provide assistance in Central Asia and Afghanistan.

Conclusion

Mr. Chairman, in today's interconnected world, our success addressing development challenges in Central Asia matters more than ever. Continued USAID assistance is vital in order to sustain gains and contribute to economic and political development in a part of the world where progress can pay dividends across the broader region.

I appreciate the opportunity to share what USAID is doing in the countries of Central Asia and look forward to hearing your advice and counsel. I welcome any questions you may have.

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Mr. ROHRABACHER. I thank all of our witnesses for your concise and very to the point testimony today.

And the chairman intends to yield to the ranking member as well as to Congressman Lowenthal so that they will have their time to ask questions first, and then I will take advantage of my opportunity after they are done.

You may proceed, Mr. Keating.

Mr. KEATING. Well, thank you, Mr. Chairman, and I look forward to working together with all of you for the type of assistance you describe in your testimony to Georgia, Moldova, and Ukraine, and despite the constraints we have on our budget during this very difficult fiscal time, I am convinced that in the right situations, Congress will continue to do the right thing.

However, I just want to make clear, and I think I speak for many members, that it is essential that the administration help us make the case to our constituents here at home, that this money is spent wisely, and two of you have mentioned specifically the pervasive nature of corruption in Ukraine and through some of the countries in this region. I just wanted you to comment on what kind of safeguards the administration has put in place on U.S. assistance on the funds to Ukraine Government, those funds being raised through the U.S. loan guarantees in particular, and also comment on any assurances that these funds won't be used to pay debts to Russia.

Mr. ROSENBLUM. So thank you for that question, Mr. Keating. It is obviously something that is of great concern to us as well, and we know we have to make the case to the American taxpayer that their money is being well spent. On the—specifically on the loan guarantee, we provided that on the basis of a written agreement with the Ukrainian Government in which they undertook certain—they made certain commitments, one of which was that the money would be used for the purposes that we agreed on, which were to contribute to their ability to meet obligations to the population and social spending.

The adjustments that Ukraine has had to made as a result of the IMF program have created and potentially will create more hardship for the population because they are dealing with a legacy of many, many years of inefficient and poorly targeted subsidies through their social safety net system. That is being changed now with help from the World Bank, but in the meantime, there is going—there is going to be some short-term dislocation and pain, so we felt it was important for our funds to go in that direction.

The funds, as you know, are—were raised by the Ukrainian Government itself through a bond issuance that our guarantee helped to make possible and then went into their general treasury to be spent for the purpose of these—the social payments. I will just make a general—more general point about the risk of corruption and diversion of funds, and that is that this mechanism for support that we provided in the case of Ukraine in May was very unusual for us, and I can only think, in the years that I have been doing this, of maybe two other occasions in 17 years or so where we have—where we have essentially provided budget support to countries. One was with Georgia after the 2008 conflict and one was in Kosovo, right after Kosovo's independence, where we provided debt

relief. In general, our assistance is provided through technical assistance, advisors, grants to civil societies, support to private business, et cetera, so—and in this those cases, you know, we are not as exposed to that risk.

Mr. KATZ. The only thing I would add, too, is that I think on the issue of corruption, at least what we have seen so far since March is a real effort to pass reform legislation, anticorruption legislation, a lot of it which was gathering dust previously. And I will just read you the past four really important pieces of legislation recently, and these are working—and this is Ukrainian civil society working with the government that passed a new public procurement law which was recently adopt. New amendments were adopted to the criminal law and framework law in preventing and countering corruption. Legislation was adopted on access to public information, legislation adopted on access to information of budgetary expenditures of government.

Mr. KEATING. Can I interrupt just because our time is getting——

Mr. KATZ. Sure.

Mr. KEATING [continuing]. Short. And I want to see if I can get one—at least the beginning of another question here. What recourse is there if they are not doing this and then not adhering to these guidelines, just quickly? What do we have as a mechanism or safeguard to enforce that they are?

Mr. ROSENBLUM. So, well, one recourse we have is to withhold further aid, and you know, we—our support is assuming a commitment to reform. I think that the chairman made this point in his opening about, you know, the success of these programs only is ensured if governments have that commitment, have that in the policies in place.

Mr. KEATING. We can maybe follow up on that. I just wanted to get one other topic in.

Mr. ROSENBLUM. Sure.

Mr. KEATING. I am running a little bit over in time but——

Mr. ROHRABACHER. I will give you one more.

Mr. KEATING. Thank you, Mr. Chairman. And this is something we had a committee hearing on.

Mr. ROHRABACHER. We will have second round if you want.

Mr. KEATING. A committee hearing on this previously as well, and that is the issue that we take a lot of pride in our country and I think in terms of peacekeeping and have another example of where our country's intervention clearly made a difference, whether it was political and religious turmoil in the past, and that is in Northern Ireland, and particularly given the rise in Euro skepticism and the continuing communal violence that has been spiking up there from time to time. I just wanted you to comment on not having the administration fund moneys, any moneys, zero summing international fund for Ireland.

Mr. ROSENBLUM. Mr. Keating, the U.S. committed in 2012 to provide $7.5 million to the IFI in support of a action plan that was agreed on by all the contributors to it, and the funding that we provided between 2011 and 2014, so this current fiscal year, we will have met that commitment. As we looked at the 2015 budget and given the significant budget constraints that we faced and the need

to focus on the highest priorities, we didn't request additional funding, as you noted, for IFI, but that does not bear at all on our strong commitment to provide diplomatic support for the efforts of our partners in Ireland, United Kingdom to move forward on the peace process to work with the Haass proposals that are on the table now. I think there was just a meeting yesterday where those were discussed with all the parties, and our assistant secretary actually in my bureau, Victoria Nuland, is on her way to Northern Ireland as we speak. I think she is there tomorrow to continue that engagement, so we are very committed to it.

As things go forward, we are always open to reconsidering programming and things that we can do to help the process. At this point, though, again, you know, in our request, we didn't include the funding for that for those reasons.

Mr. KEATING. I hope in part because of our hearing that we had earlier this year that the House will be engaged and has been engaged, frankly, in trying to get some of those fundings because part of the response we had from that hearing was the necessity to take it that final step, and we are so close to the process. It had some obstacles that that was particularly noted that the U.S.—we have been such a strong supporter, had not come through with that, so that is my comment, and I yield back, Mr. Chairman.

Mr. ROHRABACHER. Thank you very much.

Mr. Lowenthal.

Mr. LOWENTHAL. Thank you, Mr. Chairman.

First, I would like to associate myself with many of the questions that Mr. Keating asked, especially wanting some of the specifics in terms of you mentioned rooting out corruption and eliminating corruption, especially in the Ukraine, which as I mentioned, I just recently visited, which even as up to the May 25th election, even though reforms had been put into place, everyone acknowledged that there still was rampant, rampant corruption going on.

But as I also pointed out, I would like to know, you know, us to acknowledge or at least to talk about our funding. There is a real clear difference—not that it is not one country between Eastern and Western Ukraine, there were some really critical differences, and when we were there, we heard lots of talk about, well, there will be greater decentralization of power, that is part of the reforms, there will be more control over some of the budgetary things, there will be more responsiveness to many of the Russian—Ukrainians of Russian heritage. Are these measurable objectives that we look at also? And how are we going to look at to see whether this occurs so that regardless of the outside Russian coming in, there were some really legitimate concerns that were going on in this country? And are we aware of that, and how are we going to at least condition some of our resources and foreign aid to their making changes to really bring—have a more unified government?

And then the third question is where does our funding and what do you see in terms of energy independence for the Ukraine in the sense of U.S. funding, where are we, and are they going to need additional resources?

Mr. ROSENBLUM. Okay. Thank you for three very excellent core questions for us, and I will look to Jonathan to help provide some of the answers.

So, corruption, first of all. I can talk specifically about Ukraine, but what I say applies more broadly which is that it is—and I think I said in in my opening statement. It really is like a cancer that eats away at the very, you know, vital force of the society, and we—and addressing it and dealing with it is very complex, and we haven't, to be honest, seen a lot of great success stories around the world and in our region. Where it has been more successful, you need a combination of high level commitment, and as we, you know, use the phrase "political will," really willing to do some risks and do prosecutions and pursue cases against people, but you also need the demand coming from civil society that is organized and it is pushing. That has to be there, too.

I think right at the moment, in Ukraine, you do have both of those elements. You know, the proof is in the pudding as they say, and we still need to wait to see, you know, Jonathan referred to these new laws being adopted. They have to be implemented, and that is one of the areas where our assistance can help by having—we talked with the government about having advisors that would actually be in ministries and help with the implementation. Other donors are committed to that as well. So, it is a long-term and complicated task, but it is essential and especially in Ukraine.

On the second question was about the unity of the country, the east/west divide, and so on. We think it is absolutely essential that that be agenda item number one. I guess maybe it is obvious it has to be, given the violence and separatist activities in Eastern Ukraine. President Poroshenko has made a very strong commitment, which he is now following through on, to open negotiations. There is a ceasefire that has been in effect for—a unilateral ceasefire, I should add—for the past 5 days, and negotiations have begun, discussions have begun. That is going to have to be in the context of a broader move toward reforming the constitution, which again, he is also very strongly committed to, to provide for more decentralization, more authority, as you were alluding to, to local government.

But the one other element that you didn't mention, which I think is also critical, is the economic growth in the east especially. That region, as you know, it is sort of the rust belt of Ukraine and has lagged behind much of the rest of the country in growth and has a lot of industrial enterprises that are not particularly efficient anymore, and grappling with that has been a challenge for every Ukrainian Government. It is going to remain one here. We and other donors are right now thinking about and planning activities that can help jump start growth in the east in terms of especially small business growth, more credit access for small businesses, providing support basically to grow the economy in the east, and that will, over time, also affect the split, the divide in the country.

And then the third, the third issue was——

Mr. KATZ. Energy.

Mr. ROSENBLUM. The energy, right. Energy, like corruption at large, very complex, lots of elements to it. Just in terms of what we are specifically doing on energy in Ukraine, together with the EBRD, the European Bank for Reconstruction and Development, and the EU, we are developing a plan to help restructure the gas supply system, and the company that is in charge of that,

Naftogaz, this is something that, again, the government has asked us for help with. That company and that system is a source of a lot of, you know, the inefficiencies, the losses, and the corruption that plagues the energy system in Ukraine.

We also have been helpful more in a diplomatic way, not so much through assistance, on the issue of reverse flows of gas so that more gas can be coming from Europe back into Ukraine from especially Slovakia. The EU sort of has the lead on that, but that is another critical issue.

And then the other area, which is something Jonathan's—that USAID is deeply involved in is energy efficiency.

Mr. ROHRABACHER. Which is not heard of at this moment in Ukraine.

Mr. ROSENBLUM. Yes, it is nascent.

Mr. ROHRABACHER. It is already——

Mr. KATZ. Inefficient, one of the worst in the—globally.

Mr. ROSENBLUM. Yeah. So we have got a program already that USAID has been doing for years in Ukraine. We are going to expand that and get more financing for local infrastructure improvements that will make the efficiency work. So that is—I don't know if, Jonathan, you wanted to add.

Mr. KATZ. Yeah. No. I sort of associate on all of your remarks as well. I think what you—what Dan was saying about this being the right moment, a moment I think the—Congressman Keating mentioned that as well, that Maidan had such an impact both on the current government but also in the population of Ukraine, that this is really the right opportunity, and you see it through the legislation that they are passing, you see it through the effort, you mentioned the constitutional effort right now, I think, even today. President Poroshenko laid out his decentralization amendments to the constitution. This is what was reported today. I haven't seen what that entails, but we see as—there is a sense of seriousness within the government to move forward.

And I wanted to just say, too, just in terms of general of anticorruption measures, all of our programs, USAID's programs in the region have a anticorruption measures embedded in our programs, and so I think this is particularly important. We recognize that this—because of endemic corruption in the regions, that we need to have it as part of our programs.

Mr. LOWENTHAL. Mr. Chair, if I just may follow up on that. Just to add to one——

Mr. ROHRABACHER. Go right ahead.

Mr. LOWENTHAL. If you will, again, the next time we have this hearing next year on this, if we could see some of the results of these measures because, you know, we make decisions without knowing any measurable results, and I would like to hear some of these measures that have been put into place

Mr. KATZ. Yeah.

Mr. LOWENTHAL. Thank you, and I yield back.

Mr. ROHRABACHER. Would you like to—you have something to add?

Ms. ROLLINS. My bailiwick happens to be Central Asia, so I really don't have anything to comment on Ukraine.

Mr. ROHRABACHER. Thank you very much.

The chair now will take his allotted time. There was mention in the beginning of the testimony that there was a $1-billion loan guarantee for Ukraine. Seeing that we have discussed Ukraine, I guess I might as well ask some of the details about that. What bank provided the loan that we have guaranteed to Ukraine?

Mr. ROSENBLUM. The loan wasn't provided by a bank. It was a bond issuance that the Ukrainian Government did, and so the bonds were purchased by people from institutions, individual investors.

Mr. ROHRABACHER. Was there any major investor that bought those bonds like, Western European investors maybe?

Mr. ROSENBLUM. I will have to get back to you on that, Mr. Chairman. I don't have the details on who purchased.

Mr. ROHRABACHER. I would like to get a rundown as to who bought the bonds that we are not guaranteeing because the fact is, whoever makes the loan is the real recipient of our largesse. Ukraine is not the recipient. Whoever loaned the money to Ukraine is making a guaranteed profit via the United States taxpayers. That is true of all of these guaranteed loans that we talk about here, and we have to realize that it is a big issue coming up on the Export-Import Bank. And who is the real recipient of all of this—all of these billions of dollars that the Export-Import Bank guarantees. It is not the companies that they are talking about. It is the banks who are in the middle who make that money because they have now a guaranteed profit. And I don't understand how we can—I don't have a way right now how we can get away from that system, but it seems that we are paying—that there is a lot of middlemen making a lot of money off benevolent programs like this.

So it is possible that those bonds that you are talking about were actually purchased by some financial institutions in Western Europe; isn't that true?

Mr. ROSENBLUM. It may—it is possible. It is possible. And we will——

Mr. ROHRABACHER. It is possible.

Mr. ROSENBLUM. We can get back to you with a more detailed answer to your question.

Mr. ROHRABACHER. Now, how were you getting involved with the Ukrainian problem in the first place? They had their first real free election, I remember, about 10 years ago, and in came with the Orange Revolution—and I visited there during the Orange Revolution in support of the Orange Revolution, and they had a corrupt government, and they then brought in a government, and there was an election, and they were elected, and that government turned out to be corrupt even though they were pro-Western, and that is why you in a very free election that was verified by the OSCE that you had Mr. Yanukovych, who was elected, right, democratically elected President, who was overthrown by the people who we now are pouring our resources into, and he was overthrown before the election process, not as a result of the election process.

I don't think that is a good precedent for us to set. I don't think that when an elected government is overthrown, that we necessarily have to come in. We should do some really soul searching because I believe there were powerful forces at play, maybe even European financial interests that didn't want Ukraine to be associ-

ated with a Russian common market as compared with a Western European common market that may have been at play here. I don't know. It just seems that that may well be the root of this problem, and here we end up pumping a billion dollars' worth of guarantee into some financial supporters who may be those same Western Europeans. It is a very murky situation, and it is not, as some of my colleagues believe to be, as simple and as easily definable as, who is the good guys and who is the bad guys, as you might assume.

Let's get back to your request; $625 billion—does the billion-dollar that we have a loan guarantee, that doesn't come off the $625 million request. So for all of your jurisdiction, you are asking for $625 million, the administration is, and yet we have just provided one country, Ukraine, with a $1-billion loan guarantee. Okay. I guess that is resulting because there is a crisis going on and we need to—because there is a crisis, we need to get involved in it. I would suggest that we don't need to get involved in all of these crises. I would suggest that perhaps it would be better for us not to be doing that, and unless it is an emergency, as I mentioned in my opening statement, that we should focus on if there is an emergency humanitarian situation, that is far different than having us come into other societies like Ukraine and trying to restructure the way they have their government and their society functions, which it seems like we are trying to do. And our ridding—ridding Ukraine and some of these other countries like Ukraine of corruption would be the equivalent, I guess, of ridding Ireland of beer, and it is part—beer is their culture up there, and you don't try to tell people in Ireland not to drink beer.

Well, corruption is a way of life with some of the people that we know, and for us to placate all of our policies on changing the basic way of life does not make sense to me because I don't think it is going to happen. I think we tried that in Iraq, and it didn't work.

We can try—we can try to make—we can try to say to other people that they shouldn't have religious faith, but it may be really part of their culture that they have a religious faith, and maybe even they include it in their government, and our theory of government is that the church and state should be totally separate. I think it would be wrong to go into another country and say to them I am sorry that we are going to try to put pressure on you to make sure that church and state are never allowed to be together. And I would hope that our limited funds that we have are not—I mean, not you—all the goals that you have outlined today are lofty goals. I mean, certainly ridding their country of corruption is a lofty goal. It just seems to me that—I am not confident that we are going to achieve that goal, and I am also confident that when we try to get too deeply involved, there are international forces that are at play that can manipulate our largesse and our benevolence.

With that said, I will certainly go through another round, so Mr. Keating can chastise me for using the expression of beer in Ireland.

Mr. KEATING. Well, thank you, Mr. Chairman.

I must tell you that the issues that we are dealing with are ones of violence. In Ireland, for instance, it was a climate of a terrible violence, civil rights issues that would have continued much further if it wasn't for the U.S. intervention. It is a sterling example

of how our country—and that is not just an American speaking. That is what I hear universally from both the north and the south of Ireland. If it wasn't for U.S. intervention into that era of terrible violence, the peace that is there, the success we made wouldn't be there, and certainly I believe we can take it to the finish line, given Mr. Haass' testimony to this committee and the progress we have made, I think we are so close

And the issue in Ukraine, from my way of thinking, is not what Western Europe wants. It is not what the United States wants. It is not what Russia wants. I think our administration's position is to allow Ukraine to have what it wants and the people and its administration, and that is the kind of assistance we are giving to them now. We tried it in Poland. We tried it in Estonia. We tried it in Latvia. We tried it in the Czech Republic, and you know—we tried it in Ireland, and you know, that kind of assistance did work in those instances. And we have had the success that our panelists have spoken about in terms of the progress of those countries.

So I think given that is the way I view it, and I think it shared with many of the people that have testified, I think it is important, though, that there are metrics, as Mr. Lowenthal has said. It is important there is accountability, not because it is the U.S. making the decisions about Ukraine, but because it is U.S. guarantees involved. The decisions with Ukraine, if we are going to be successful, and we will fail to be successful if we don't, must come from Ukrainians themselves, and that is why this election, this past election was so important, and I think it was the fundamental step that we had to take going forward, so I see some progress.

I did want to, in a second round, just touch base on another area, Turkey, which is a strategically important partner for the U.S., and I am concerned about the government's treatment of political opponents, independent journalists, and members of the political opposition. What are State and USAID doing to support civil society and independent media in Turkey? The strength of our strategic partnership in Turkey should be based on shared respect for democratic values and institution, not just regional interests, so I just wanted to touch for a second on that if we could.

Mr. ROSENBLUM. I will let Jonathan begin.

Mr. KATZ. Yeah. Thank you for that question. You know, USAID is not present in Turkey. We don't have a mission there, and so I don't want to speak out of turn. However, you know, as we, the United States, know from our own experience, strengthening due process, fighting corruption, encouraging civic participation, including the media, and political decision making not only make countries freer but also help them grow more quickly.

And while the United States is not, and I want to repeat, will not become involved in Turkey's internal politics, we will continue to express, as we do around the world, our strong support for transparent and accountable government.

Mr. ROHRABACHER. So we have no money going into Turkey? There is no aid programs there.

Mr. ROSENBLUM. We don't have any aid programs there now——

Mr. KATZ. That is correct.

Mr. ROSENBLUM [continuing]. Related to civil society. The money that is going to Turkey, the small amounts are for—we have an

IMET program, the military, education and training, and we also have a small amount for a counterterrorism program related to terrorist financing, so that is—that is——

Mr. KEATING. How has that counterterrorism funding been received by Turkey? Not physically received. How have they reacted to that? There is an increase in that.

Mr. ROSENBLUM. Well, actually, it is a little misleading, and I have to explain the way our budget was presented this year. It looks like a big increase. Apparently, and as we learned as we were preparing for this hearing, the same program that we are going to be continuing in Fiscal Year 2015 is ongoing, and it was funded previously from a global counterterrorism fund, and for the 2015 budget, it was decided to put it into the bilateral line for Turkey in the interest of the transparency, essentially, to show exactly where the money is, and it is essentially, it is supporting a resident legal advisor who works on counterterrorism financing activities and facilitates interagency capacity building related to that financing. And I think we—you know, our understanding is that we are working closely with Turkish counterparts in the government, and they are supporting their reforms. These are reforms that they want to make.

Mr. KEATING. Working closely, but do they accept the premise that there is a counterterrorism threat there?

Mr. ROSENBLUM. Well, they accept the value of our assistance, so I can't speak to the broader question, but they must—I think it has to do with their qualification for the FATF, or the Financial Action Task Force, this international body, and meeting those standards, which they want to be part of.

Mr. ROHRABACHER. They may have too much to be thinking about when they are dealing because they spend so much time helping the groups that are trying to take over Syria now, those benevolent groups that are trying to take over Syria.

Mr. Lowenthal.

Mr. LOWENTHAL. I am really enjoying this hearing. But I don't think the analogy of beer drinking in Ireland and corruption in the Ukraine is quite accurate. I think—I think that most people in Ireland enjoy their beer and most people that you speak to in Ukraine abhor the corruption, abhor it. But it may be difficult, and I do agree with the chair, to have it imposed and those changes from the outside does not seem to be a successful way of dealing with it.

I would like to turn to Central Asia. You are on the panel. We have not forgotten about you. And talk a little bit about human trafficking in Central Asia and what kind of challenge that is and what is really—what can we, and you know, and realistically do and what we can't. I think—I think one country, I am not sure it is in Central Asia, but it is now a Tier 3 country, according to the recently released Trafficking in Persons Report, and how is our assistance tied in any way to the reduction in human trafficking?

Ms. ROLLINS. Thank you very much for that question.

So we are also very concerned about the human trafficking situation in Central Asia, and it is pervasive. We do have a program that we work through IOM to help set up centers for women and men. We also have a center in Tajikistan that is specifically for

men who are brought back across the borders. But we work on prevention, so we have media campaigns to help deter families from sending their men or women out.

We have centers when they come back so that they are provided psychosocial support and health facilities, et cetera, testing and treatment for infectious diseases, and set up kind of small and medium type enterprise livelihood activities so that they can go back into their communities.

So it is a very serious concern in that part of world. I will let my colleague Dan talk about the tier ranking. It is Uzbekistan that is now on Tier 3. The others, though, have made some progress throughout the years.

Mr. ROSENBLUM. It is a serious challenge in the region. All five countries have, to varying degrees, have shown commitment to tackling it and have welcomed our assistance in the areas that Denise mentioned. We actually, in addition to having centers for victims of trafficking and doing prevention work on, you know, sort of public announcement, service announcement type work, there has also been an element on the prosecution side, where we are actually helping countries in Central Asia develop the capacity to prosecute those cases under their laws.

Uzbekistan is Tier 3 in a recently released trafficking report. They are now Tier 3 for the second year. In the case of Uzbekistan, it really has to do with labor, and you know, compelled labor for the cotton harvest. That is really the key issue. There is still—that is still occurring. And now the positive development is that the Government of Uzbekistan is allowing the ILO to come in and send observers, and they have also signed on to a new ILO—to an ILO program that is called the—what is it called, the Decent Work Country Programme, so we think—we view these as positive steps. It wasn't enough to get them to the higher tier this year, but they are moving in the right direction, we think.

Also, just programmatically, overall in Central Asia, it is about $3 million that is going toward this whole group of programs that we have been talking about. So, again, you know, problems remain, some progress, and we could—you know, if we had more time, we could go into more detail on that progress, but it is—you know, it is one area where we actually have good engagement between civil society and the governments of the region. There seems to be, you know, the governments have actually not have welcomed the involvement of NGOs and mostly through this IOM, International Organization for Migration.

Mr. LOWENTHAL. Thank you.

I yield back.

Mr. ROHRABACHER. I want to thank our witnesses. I always appreciate a good discussion, and I also, as is noted, I don't gavel people down until all the points have been made, and I certainly appreciate you folks doing your part in this and keeping us informed.

I would like to have a list of those people who purchased the Ukrainian bonds. Obviously, there is a disagreement on the issue of Ukraine. I voted against that billion-dollar program, and my colleagues, of course, supported it and people can honestly disagree, and I respect them for their position.

Mr. LOWENTHAL. We respect you, too

Mr. ROHRABACHER. And we are very pleased that you are here to give us the information we need to know, and we are making those type of decisions, and then they go out and do a good job in implementing them, so thank you for the good work that you are doing, for your service to your country, and we are all trying to make this a better world, and with that said, this hearing is adjourned.

[Whereupon, at 3:15 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Europe, Eurasia, and Emerging Threats
Dana Rohrabacher (R-CA), Chairman

June 18, 2014

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2200 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Wednesday, June 25, 2014

TIME: 2:00 p.m.

SUBJECT: Securing U.S. Interests Abroad: The FY 2015 Foreign Affairs Budget

WITNESS: Mr. Dan Rosenblum
Coordinator of U.S. Assistance to Europe and Eurasia
Bureau of European and Eurasian Affairs
U.S. Department of State

Mr. Jonathan Katz
Deputy Assistant Administrator for Europe and Eurasia
U.S. Agency for International Development

Ms. Denise Rollins
Acting Assistant Secretary
Bureau for Asia
U.S. Agency for International Development

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *EE&ET* HEARING

Day *Wednesday* **Date** *6/25/14* **Room** *2200*

Starting Time *2:04* **Ending Time** *3:12*

Recesses [ ] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Rep. Rohrabacher

Check all of the following that apply:

Open Session [ ]
Executive (closed) Session [ ]
Televised [ ]
Electronically Recorded (taped) [✓]
Stenographic Record [ ]

TITLE OF HEARING:

Reviewing the Administration's FY 2015 Budget Request for Europe and Eurasia

SUBCOMMITTEE MEMBERS PRESENT:

Rep. Keating, Rep. Lowenthal

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Statement for the record from Mr. Jonathan Katz Deputy Assistant Administrator, Bureau for Europe and Eurasia, U.S. Agency for International Development

Statement for the record from Ms. Denise Rollins Acting Assistant Administrator, Bureau for Asia, U.S. Agency for International Development

Statement for the record from Mr. Daniel Rosenblum Coordinator of U.S. Assistance to Europe and Eurasia, Bureau of European and Eurasian Affairs, U.S. Department of Stat

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:12*

Subcommittee Staff Director