

CENTRAL AND EASTERN EUROPE: ASSESSING THE DEMOCRATIC TRANSITION

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WEDNESDAY, JULY 25, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10 o'clock a.m. in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. As the last decade of the 20th century dawned, the weight of Soviet domination slipped from the shoulders of weary Central and Eastern Europeans. The people of the region celebrated their release from the shackles of repression, but their euphoria quickly fostered dramatically exaggerated expectations for economic improvement. They obviously could not reach these unrealistic goals.

Over the past two decades living conditions have become infinitely superior for tens of millions of people in these countries, but the majority still have standards of living significantly behind those of Western Europe. With this gap between expectation and reality, old political, ideological and religious divisions have re-emerged.

What should have been an ebullient golden era of growth and hope has become a time of discontent, divisiveness and recriminations for many. There are nongovernments in Central and Eastern Europe which are battling against antidemocratic, corrupt and extremist tendencies. Anti-Semitism is on the rise. Over the past few years there has been resistance to introducing necessary political and economic reforms in the Czech Republic, in Poland, in Slovakia and in Hungary.

The governments in Romania and Bulgaria are still grappling with severe corruption. In short, the region has come a long way, but it has been a rough road, and there is still considerable distance to go. NATO and the European Union have expanded to include 10 Central and Eastern European countries. These are historic, unprecedented, undreamed of achievements, but to be fully realized, the benefits of this expansions must be accompanied by continuing domestic reform in these countries.

If I may digress for a moment from my official statement, I traveled with then Secretary of State Albright and the Foreign Ministers of Poland, the Czech Republic and Hungary to Independence, Missouri when these countries became officially members of NATO. It was a moment of unprecedented, undreamed of triumph. For 1,000 years, these countries have been trying to become part of the

West, and with the signing of the NATO document at the Truman Library, the dream became a reality. But that moment of euphoria has been somewhat sullied by recent political and to some extent economic developments.

A leadership vacuum in Western Europe, coupled with our own country's preoccupation with Iraq, left neither neighboring powers like Germany or France nor the United States willing or able to exert positive influences. Western European leaders, such as Jacques Chirac and Gerhard Schroeder, were more interested in using anti-Americanism and nationalism to consolidate their own political support at home and in European institutions than in joining us in building open, democratic and tolerant societies in Central and Eastern Europe.

Unsurprisingly, it was not long before Russia under Putin began to work to regain its influence in the region. The explosion of oil prices gave the Putin regime the opportunity to assert itself, not by military might but by strong-arm economic tactics. Putin holds Central and Eastern Europe hostage with the sustenance it desperately needs, energy. If you look at Ukraine, Georgia and Estonia, no one in the international community can doubt that Putin will take every opportunity to reestablish political and economic power in the region.

Russia is using anti-Americanism and anti-Westernism to wreak havoc. Putin's shameful rhetoric on the United States administration's proposed anti-missile defense system, including his recently announced suspension of Russia's obligations under the Treaty of Conventional Forces in Europe that protects these nations, does not help anyone. No one is more aware than the Kremlin that the proposed missile defense system has nothing to do with Russia, but his claims fit neatly into the spiteful rhetoric emanating from Moscow these days.

Russia is also hindering the development of peace in the Balkans by refusing to work with the international community on resolving the final status of Kosova. By threatening to veto a realistic and pragmatic resolution in the U.N. Security Council that would allow for the long deserved independence of Kosova, Russia is being obstructionist and obstinate. Internal disagreements within the European Union are further preventing an important and urgently needed resolution to this war-torn corner of Europe.

Nearly two decades ago, we envisioned that by now Central and Eastern Europe would have created enlightened governments and enlightened economic policies. Many of them have done so—but not consistently. And others are still struggling to elect progressive and serious and forward looking leaders. To move them in the right direction we need to revitalize the trans-Atlantic alliance.

Western European leaders and United States diplomats working together should remind the people of Central and Eastern Europe that they have never had it so good, that there is no need to latch onto divisive and dangerous rhetoric. And we should work together to help create conditions in the region that lay the foundations for long-term hope. Only with governments that are fully democratic and tolerant, working to establish markets that are fully open and uncorrupt, can we eventually recapture the buoyant spirit that swept Central and Eastern Europe two decades ago. And only

through total European cooperation on basic economic and political principles of democracy from Ireland to Estonia, from Finland to Bulgaria can we ensure the whole continent enjoys a peaceful and prosperous 21st century.

I now turn to my good friend and distinguished colleague, the ranking Republican member of the committee to make any remarks she may have.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. Well said. I would like to join you in welcoming our witnesses to the committee, including Dr. Sletzinger, who used to work in our professional committee staff for many years, and I thank all of you for your testimony today.

It has been almost two decades since Eastern Europe broke free from Communist rule and Soviet domination. It is easy for us to forget that just under 20 years ago the United States and its Western allies faced Communist dictatorship and a Warsaw pact, military alliance in East Europe, and that the Soviet controlled militaries of those East Europe countries stood poised to invade the west. Today it is a radically better situation.

While we can rightfully be proud of the democratic trends across Eastern Europe, Belarus remains a dictatorship in which protest is squashed and political opponents are jailed or disappeared. The political future of Ukraine, unclear, and the highest officials of the Russian Government appear intent on taking personal control of Russia's wealth and controlling the political process.

Some countries in the region have fared better than others in developing free democracies and strong market-based economic systems. While Poland and other East European countries are moving forward economically, Moldova is the poorest country in Europe, Albania the second poorest, they continue to struggle. Corruption remains a significant problem across the region, serious in countries like Romania and Bulgaria and further to the east in Russia, and some countries in the region are centers or transport routes for human trafficking, a problem of enormous and growing proportions.

As has been the case for almost two centuries, we cannot assess political and economic trends in Central and Eastern Europe without considering developments in Russia, and with that in mind our confidence in the future of positive political and economic trends in Central and Eastern Europe does not come as easily. The Russian leadership has taken significant steps toward establishing an authoritative form of government and emboldened by its windfall energy profits used its massive energy supplies to East, Central and West Europe as its tools of manipulation across the continent.

Major issues in Central and Eastern Europe such as our efforts to resolve the status of Kosova and establish missile defense facilities in the Czech Republic and in Poland all involve Russia. In the case of Kosova, Russia has been strongly opposing the United Nation's envoys plan to have an independent Kosova under international supervision, and has threatened to veto any U.N. resolution that would call for Kosova's independence.

Rather than withdraw its troops from Moldova stationed there against the Moldovan government's wishes for 16 years, Russian President Putin would prefer to threaten the Treaty on Conven-

tional Forces in Europe. He wants to compel the United States and NATO to stop the construction of the limited missile defense facilities in Poland and the Czech Republic.

Russia's recent history of cutting off energy supplies to its neighbors such as Ukraine and Belarus demonstrates what the future of Eastern Europe will be if all of Europe does not find a way to work together successfully to prevent Russia with its growing economic energy dominance. The future of democracy in Eastern Europe, the ability of the United States and our European allies to stop the spread of corruption throughout the region and the ability to solidify a united Europe that includes the democracies of Eastern Europe and the former Soviet region, all of that depends greatly on how the United States and our European allies address the Russian Government's current strategy to dominate Europe's energy industries.

It all depends as well on whether we ensure that Russia's foreign policy is not allowed to drive wedges between European states on issues like the future status of Kosova, missile defense, the right of democracies of Eastern Europe to build their future, free from the sphere of influence by a large neighboring bully state. Thank you, Mr. Chairman, and I regret that I have to go to the floor to help with a bill.

Chairman LANTOS. Sure.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much. Mr. Boozman, do you have an opening statement?

Mr. BOOZMAN. I have one I would like to put in the record, sir.

Chairman LANTOS. Without objection.

[The prepared statement of Mr. Boozman follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN BOOZMAN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF ARKANSAS

Mr. Chairman I want to thank you for your leadership and direction to schedule this hearing today. It's imperative that we discuss the issue of advancing democracy in Central and Eastern Europe. As a member of the House Democracy Assistance Commission I have had the opportunity to travel to many countries that are just starting down that road of "democratic rule" like Liberia, Lebanon, Kenya, and others. One of the most common threads I have noticed when visiting with these political leaders is the sincere desire to grow and prosper in democracy. However, as the Commission has learned, there are many areas where we can help these countries grow and improve on the government already in place.

Now, Central and Eastern Europe are further along regarding their transitions to democratic governments than most of the countries that we deal with in the Democracy Assistance Commission, and the principles of diplomacy and communication are unwavering. Central and Eastern Europe has come a long way since breaking free from the influence of the Soviet Union. Many of the countries are now members of the EU and NATO. However, many problems still remain, including corruption, dependence on Russia as an energy supplier and further integration of economic and democratic institutions.

Missile Defense programs are another issue that is of a large interest on our part here in the United States. The Parliaments of Poland and Czech Republic will soon decide whether they will participate in hosting U.S. missile defense (radars and interceptors) on their territory. As the battle against terrorist will continue beyond its current state, it's vital for international security that we work with our NATO allies and countries of Central and Eastern Europe to communicate extensively on these matters of defense and logistics when it comes to terrorists.

Mr. Chairman, I again thank you for scheduling this hearing on such an important topic and look forward to hearing the testimonies of our witnesses.

Chairman LANTOS. We are fortunate today to have with us three individuals with extensive knowledge of the region, its politics and its progress.

Professor Charles Gati is our Nation's foremost expert on former Soviet bloc countries. He has written several very important books on the issue, particularly related to Hungary. In 1993 and 1994, Dr. Gati was senior advisor on European and Russian affairs at the Department of State where he was a consultant from 1989 to 1992. He directed the geopolitical risk assessment program at the money management firm Interinvest from 1994 to 2000. He is currently a professor at the highly respected Johns Hopkins School of Advanced International Studies.

Dr. Martin Sletzinger is director of East European Studies at the Woodrow Wilson Center for Scholars. He served as a staff consultant for our committee and we are happy to have him back today. His research interests are informed by significant time spent in the Balkans and studying the region for many years. He was a Fulbright Fellow to Yugoslavia in 1972 and 1973, the height of Marshal Tito's regime. Dr. Sletzinger's area of expertise also extends to Russian and NATO enlargement issues.

Zeyno Baran is the director of the Hudson Institute Center for Eurasian Policy. Her areas of expertise include the geopolitics of energy, Turkey, the Black Sea region, the South Caucasus and Central Asia and the Islamist ideology. She previously directed the International Security and Energy Program at the Nixon Center as well as the Caucasus Project at the Center for Strategic and International Studies.

We are delighted to have all three of you, and we will begin with you, Professor Gati.

STATEMENT OF CHARLES GATI, PH.D., SENIOR ADJUNCT PROFESSOR IN EUROPEAN STUDIES, JOHNS HOPKINS UNIVERSITY, SCHOOL OF ADVANCED INTERNATIONAL STUDIES (SAIS)

Mr. GATI. Thank you very much, Mr. Chairman, distinguished members of the committee. I believe that this is the first time in several years that a hearing has been held either here or in the Senate on Central and Eastern Europe. I welcome your decision to hold such a hearing. This is the region after all where World War I, World War II and the Cold War began. It remains a region that can never be regarded as fully secure, and this despite the fact that all 10 countries in Central and Eastern Europe are now members of both the European Union and NATO as you mentioned. So I thank you, Mr. Chairman, for recognizing this and holding this hearing.

I will both highlight a few points from my written testimony that I believe will be part of the record.

Chairman LANTOS. Without objection it will be placed in the record.

Mr. GATI. Thank you. And make a few additional comments. Although the title of my statement is Backsliding in Central and Eastern Europe, I would like to stress that these countries hold now regular elections and more importantly pluralism and the free market are for everyone to see and experience. The changes, as you

mentioned in your introductory comments, the changes since 1989 have been impressive.

Compared to say Russia, the Central and Eastern European 10 are leaders in the transition process, and yet I would like to make the point that the United States mission that began in 1989 is unfinished. These democracies still need cultivation.

At the Department of State, we are fortunate to have an Assistant Secretary of State in the person of Daniel Fried who knows not only Russia and the rest of Europe but is an experienced expert on Central and Eastern Europe as well, and he has a fine and energetic staff. But it is a sign of our declining seriousness about the Central and East European 10 that almost all of our Ambassadors sent to the region there are political appointees.

I think it would serve the national interest, Mr. Chairman, if we were represented in such key countries as Poland and Romania by professional diplomats who know these countries' history, know the key personalities, understand the culture, and preferably even know the language as well. Diplomacy requires knowledge and skill. It is a profession every bit as much as being an engineer or a dentist is a profession.

Let me use for me unusually strong language here. I believe it is a scandal that campaign contributions and various personal or political ties rather than professional standards determine who represents the United States in these still evolving democracies such as Poland, Romania and some of the others. Despite limited resources, we could still do so much better than we are doing to assist these 10 countries overcome the current phase of backsliding.

I see at least four disturbing regional trends that I developed in greater detail in my testimony.

First is the destabilizing condition of polarization. Too many politicians act according to a Leninist axiom. How strange that they follow Leninism after the collapse of Communism, and that axiom is those who are not with us are against us. This kind of polarization is very harmful. I would say that all but absent are such qualities of democratic political life as tolerance and civility toward diversity or differences of opinion, differences of ethnicity or even in some cases of religion.

A related second trend is the region's leadership deficit. Yesterday's great men still in the public memory are long gone. Havel, Geremek, Kwasniewski, Gones, Antall, Adamkus and many others who led these countries after the tremendous and so very hopeful changes that you mentioned, Mr. Chairman, in the early 1990s. Most of the new leaders, especially now that they are full members of NATO and the European Union, are far less frequently responsive to Western values.

The third trend that I want to mention is the public's resistance to new reforms. In fact, tired of reforms and experimentation, capitalism is accepted, but it is unpopular even though there is no real alternative to it. The main problem I would identify—though there are many others—is social envy which is to say that there is widespread dislike for income differentiation even though it is far less there than in the United States, but even by European standards Poland, Lithuania and Latvia now come right after Portugal in all

of Europe where the top 20 percent of income is so much greater than the bottom 20 percent of income. Poland is thus number two in that respect. The point I would like to make here is that this kind of income differentiation encourages populist politicians to mouth egalitarian rhetoric.

The fourth trend that I will identify briefly is a radical change in the region's international environment.

Of the three key international players let me say a few words about the United States. In the 1990s we could practically do no wrong in the region because we prevailed in the Cold War against the universally hated Soviet Union. Now 5 or 6 of the 10 countries we are talking about remain supportive of United States strategic goals, certainly the three Baltic States, Poland, Romania and perhaps the Czech Republic as well. These governments on the whole and most of the time are with us. Yet public support as the polls at the end of the—polls meaning P-O-L-L-S—as the polls cited at the end of my paper suggest, public support for U.S. policies has significantly dropped.

You were kind enough to mention that I go back as a student of the Soviet bloc who at that time and since then visited Poland many, many times. I have to tell you I have a hard time believing that in Poland in 1 year support for the United States could drop as it has from 62–38 percent. It is not as bad as in Turkey where it is 9 percent or so but that in Poland which I always considered the most pro American country in the world that it would be around in the 30s is absolutely mind boggling.

The predominant attitude now throughout the region is one of opposition to U.S. leadership in the world. Contrary to the received wisdom about the so-called New Europe being fundamentally different from so-called Old Europe, I believe that a more accurate formulation is that the United States has lost the high moral ground in every European country, from Great Britain to Turkey.

Now as to the second major player, the European Union, and I think we will hear a lot more about that in a minute, in the 1990s it was still just a promise, not yet a big factor. Today we have reached a point where Slovenia has moved from being on the periphery of Europe to the center of Europe. It has even adopted the Euro as its currency, and the benefits of European Union membership have become obvious to all.

Euro skepticism has significantly declined, and it is interesting for a scholar to look at statements made by let us say Dr. Klaus in the Czech Republic or some of the leaders of Poland a few years ago opposing the European Union and opposing European Union membership for their countries, but now they are welcoming it with great enthusiasm. Integration which is the best antidote to divisive nationalisms and populist demagoguery is becoming all of Europe's way of life. This is the best news I can convey to you today.

Now as to the third international player, Russia, in the 1990s as we all know it was not a serious player in the region. It was a humiliated country that had to turn inward and was not a factor in world affairs. Now primarily because of energy, about which we will also hear a lot more today, it does play a role in European affairs.

It is the main source of oil and gas, which is to say Russia is, to the Central European 10, and it also—something that is not mentioned very often—it also offers its vast market for Central and East European products that might not be sold elsewhere. Given the use of energy as a political tool, given Russia’s sense of humiliation for having lost its satellites and its desire to play a role, given Putin’s increasingly authoritarian regime, it is tempting to overstate the Russian threat. I am very concerned, Mr. Chairman, as I know you are, but I think Russia is an economic dwarf still that has little to offer Europe including Central and Eastern Europe in the longer run.

Let me conclude here by saying that our problem in Central and Eastern Europe is not only a shortage of means. That is a serious problem. Nor can one blame only this administration for the rise of anti-Americanism around the world including now Central and Eastern Europe. Equally harmful, I believe, is what I call the checkmark syndrome. We have put a checkmark next to Poland and the Czech Republic and Hungary and Lithuania saying in effect mission accomplished.

I do not believe this to be the case. The task, as you emphasized in your introductory comments, Mr. Chairman, our task is not done. Central and Eastern Europe need America’s constant attention by professionals. Let me emphasize this. By professionals who appreciate both the scope and the limits of our possibilities. Thank you very much.

[The prepared statement of Mr. Gati follows:]

PREPARED STATEMENT OF CHARLES GATI, PH.D., SENIOR ADJUNCT PROFESSOR IN EUROPEAN STUDIES, JOHNS HOPKINS UNIVERSITY, SCHOOL OF ADVANCED INTERNATIONAL STUDIES (SAIS)

BACKSLIDING IN CENTRAL AND EASTERN EUROPE¹

I.

Of the 29 ex-Communist countries in the former Soviet Union, Yugoslavia, and Eastern Europe, ten have navigated well the difficult passages of transition since the collapse of communism. These “leaders” are all in Central and Eastern Europe (CEE): Estonia, Latvia, and Lithuania in the Baltics; Poland, the Czech Republic, Slovakia, Hungary, and Slovenia in Central Europe; and Romania and Bulgaria in southeastern Europe. They have done well compared to such “laggards” as Croatia or Russia and especially well compared to such “losers” in the transition as Kazakhstan or Turkmenistan. Today, the Central European Ten are all members of both NATO and the European Union; they all hold free, periodic elections (and those who lose invariably step aside); and, with a few exceptions, their economies, sparked by private capital, both domestic and foreign, have been growing far faster than those of their Western neighbors in the European Union. Indeed, the changes made are so substantial that the basic achievements of pluralism and the free market are not going to be reversed. The Central European Ten will avoid the abyss of Vladimir Putin’s authoritarian Russia and muddle through, while such energetic countries as Slovenia and Estonia will continue to progress and catch up with their western neighbors in the European Union in the next decade or so.

II.

For the first time since the early 1990s, even the Central European Ten face growing and serious resistance to new and necessary political and economic reforms.

¹This statement draws on an article co-authored by Charles Gati and Heather Conley, “Mission Unaccomplished: Backsliding in Central Europe,” *International Herald Tribune*, April 4, 2007. I am grateful to Ms. Conley for allowing me to incorporate parts of our longer draft into this statement.

- In Poland, the new Polish government led by twin brothers Lech Kaczynski, the president, and Jaroslaw Kaczynski, the prime minister, concentrates less on deepening democratic reforms than on discrediting its opponents. Elected in late 2005, the government has shown immense hostility toward all political forces that have guided Poland's politics since 1989 and suspicion toward important parts of the outside world, notably Russia and Germany.
- In the Czech Republic, the atmosphere of hopeful optimism under President Vaclav Havel has given way to a political standoff that has prevented the rise of a workable parliamentary majority and more generally to skepticism toward politics, an attitude exemplified by the policies and personality of President Vaclav Klaus.
- In Slovakia, in June 2006 a coalition of three parties, of which two display the mentality of political authoritarianism, replaced Mikulas Dzurinda's government which had engineered Slovakia's economic miracle in the previous few years. What happened, as the Financial Times noted, was "a popular backlash against . . . Dzurinda's sweeping free-market reforms that [had] turned Slovakia from international pariah into a country championed by foreign investors."²
- In Hungary, the main right-wing opposition party, FIDESZ, having lost two consecutive elections, tried to seize power in the fall of 2006 via a series of demonstrations, some violent, some peaceful, while the country's socialist-led government resorted to the use of excessive force to protect its authority. Meanwhile, undue spending before the 2006 elections (which also entailed lying about economic conditions) seriously damaged the economy that was once the region's top performer. Probably in order to repair the damage, Hungary has sought to improve commercial ties with Russia, a process that could open the way not only to increased trade but to Russian investments even in strategic areas such as energy, electric works, and telecommunications.

Central Europe is thus experiencing a winter of discontent.³ Having joined NATO and the European Union, too, Bulgaria and especially Romania can ignore Brussels' advice without fearing a strong reaction. Elsewhere, populist or demagogic parties keep gaining adherents while other parties often feel compelled to compete with their empty rhetoric. *Bluntly put, the region that the United States has held up as a model for democracy—arguably the only region where democracy has taken root since the collapse of communism—is drifting away from the ambitious goals it set in 1989 and in the years that followed.* Most disturbingly, Poland—now as always the barometer of change in Central and Eastern Europe—appears bent to undo such major aspects of its post-Communist transformation as the compromises made by Solidarity-led anti-Communists in 1989 with the country's Communist authorities. Freedom House—in its 2007 study *Nations in Transit*, which, issued every year, includes a so-called "Democracy Score"—has downgraded Poland from its No. 1 position in 1999 to being No. 8 in 2007.⁴

III.

In Poland and elsewhere, four disturbing regional trends are in evidence:

- *First is a renewed, polarizing, at times vitriolic, and ultimately destabilizing campaign, particularly intense in Poland, against political opponents, notably ex-Communists and their liberal allies.*

For the past 20 months or so, the Kaczynski twins have unleashed a crusade against the "uklad" or "the arrangement." Better understood as a conspiracy, "uklad" refers to a corrupt coalition of Communists and ex-Communists, business-

²June 18, 2006.

³For more details, see F. Stephen Larrabee, "Danger and Opportunity in Eastern Europe," *Foreign Affairs*, Nov.-Dec., 2006 and Marian L. Tupy, *The Rise of Populist Parties in Central Europe: Big Government, Corruption, and the Threat to Liberalism* (Washington: CATO Institute; November 8, 2006). For an insightful perspective by a leading European scholar, see Jacques Rupnik, *Populism in East-Central Europe* (Vienna: Institute for Human Sciences, No. 94; Fall 2006). The case against Poland's current government of President Lech Kaczynski and his twin brother, Prime Minister Jaroslaw Kaczynski, notably its campaign of lustration or purification, is made by Adam Michnik in "The Polish Witch-Hunt," *The New York Review of Books*, Vol. 54, No. 11 (June 28, 2007). (An early statement on lustration is Jeri Laber, "Witch Hunt in Prague," *The New York Review of Books*, Vol. 39, No. 8 (April 23, 1992)). For a different view that questions the significance of negative trends, see Janusz Bugajski, "Populist Piffle," *The Wall Street Journal*, November 8, 2006.

⁴"Democracy Score" is identified in "Selected Data and Polls from Central and Eastern Europe," attached to this statement, below.

men, secular liberals, survivors or remnants of the old secret police, and Russians who have undermined Poland's moral authority and values. It is this coalition, real or imagined, that the Polish government seeks to expose and destroy.

The popular appeal of exposing "uklad" stems, in part, from the traditional place conspiracies have long had in the region's political cultures; for some, conspiracies still offer easy answers to difficult dilemmas about why things are not better than they are. More immediately, and perhaps more importantly, there is an almost universal and fully understandable revulsion in Poland (and elsewhere) against corruption, which has seriously damaged the reputation of both the economic and the political elites. Riding on the wave of widespread public indignation, the Kaczynski twins, who are not known to have engaged in shady practices, have made the fight against corruption the centerpiece of their administration.

Yet, after almost two years in power, no major arrests or convictions have taken place. The most celebrated "success" so far has been the dissolution of the Polish military intelligence service earlier this year, a process directed by a certain Antoni Macierewicz, a close friend of the Kaczynskis and a particularly agitated far-right radical. The problem with his case was not only weak evidence—some of those he accused of collaborating with the Communists were children or teenagers in 1989—but Macierewicz's own curious past that in his youth included admiration for Che Guevara and in the 1990s opposition to Poland's membership in the European Union. Moreover, he has been a leading light on Radio Maryja, known for its promotion of right-wing conspiracy theories and anti-Semitic innuendos.⁵ Someone with a more consistent past might have credibly pursued such a purge; after all, the basic idea of exposing economic and political corruption was fully justified and urgently needed.

There is an inner circle around the Kaczynski brothers who believe not only that the 1989 roundtable that set Poland on a peaceful rather than a violent path of transition was wrong and thus what Poland has experienced is an unfinished revolution; they also appear to believe that a permanent revolution is now needed to undo the damage.⁶ This is why the composition of the Polish government keeps changing. Few are trusted; almost everyone is suspect. During its less than 20 months in power, the government initially ruled as a minority government; then it made a deal with a demagogic left-wing party (Self-Defense) and a demagogic right-wing party (League of Polish Families); then it excluded the leftists but soon returned them to the coalition; and then, in mid-July of this year, as this statement is drafted, the leftists left again but could still return to assure the Kaczynskis' parliamentary majority. Some may argue, of course, that this is "Italian politics on the Vistula"; others may conclude, however, that, given Poland's relatively fragile democratic culture, the Kaczynski brothers' stubborn intolerance may damage the quality of Polish political life.

Meanwhile, the government has had no fewer than five finance ministers, two foreign ministers, two defense ministers, and even two prime ministers. The country's diplomatic service has been decimated. The personnel of the Office of National Remembrance, where many of the old files are, have been purged. The constant flux of leading personalities is as harmful as it is mystifying. Are the Kaczynski brothers, who concentrate so much power in their own hands, crusading radicals or are they only inexperienced or incompetent? The polls appear to suggest radicalism rather than inexperience as the primary reason for their political performance. The majority of the Polish people—some 70 percent—believe that the random opening of old Communist files is meant to distract attention from other issues facing their country.

True or not, the ongoing, desperate search for culprits (or scapegoats) has produced deep divisions in the region's politics, turning even family members against one another. In an atmosphere of "if you're not with us you're against us," these polarized polities feature sharp categories of good vs. evil, which harms such critical elements

⁵Macierewicz himself has written that Poland regained independence in 1989 "after 50 years (sic) of occupation directed by communists of Jewish origin supporting Russian Bolshevism." Antoni Macierewicz, "The Revolution of Nihilism," *Głos*, February 3, 2001; <http://wicz.free.ngo.pl/jedwabne/article/26.html>. In fact, while Jews played a prominent role in the Communist movement in Poland and elsewhere (notably in Romania and Hungary), none of the general secretaries or first secretaries of the Polish Communist Party after World War II is known to have been of "Jewish origin."

⁶This mentality is also present in other countries of the region, such as the Baltics, the Czech Republic, as well as in FIDESZ, the Hungarian opposition party. Proponents, as in Poland, usually call themselves conservatives (and in some respects they are) but they are radicals when they pursue what amounts to a "permanent revolution" against the compromises worked out in 1989.

of democratic political life as tolerance and civility and thus the ability to compromise.

- *The second trend that has become increasingly evident in recent months and years is the region's leadership deficit.*

The comparison with the 1990s is especially clear. In the Czech Republic, there was Vaclav Havel then. In Poland, there was Lech Walesa, Tadeusz Mazowiecki, and Bronislaw Geremek. In Hungary, there was Jozsef Antall and Arpad Goncz. In the Baltics, such dedicated men and women as Lithuania's Valdas Adamkus, Latvia's Vaira Vike-Freiberga, and Estonia's Lennart Meri paved the way to their countries' integration into Euro-Atlantic institutions. While they did not share the same political philosophy—some were conservative and some liberal, some religious and some secular, some fervently nationalist and some strongly integrationist—they all worked hard to ally their countries with the United States and Western Europe, and they showed a good deal of tolerance toward political opponents.

By contrast, such principled and visionary leaders articulating national needs, interests, and aspirations are now in short supply. Many, perhaps most, of those in prominent positions today are pragmatic politicians seemingly interested in gaining and holding power only. They are not necessarily worse than their counterparts in Western Europe or elsewhere in the world; it is only that, given their predecessors' reputation and commitment to cause, their negative qualities are now more evident.

As for the reasons for the region's leadership deficit, they are hard to identify. It may be that, having achieved membership in NATO and the European Union, it is more difficult now to pursue high-minded and ambitious goals. More likely, demagogic leaders find it politically advantageous to seek and obtain support from large minorities—in some cases, majorities—that have not benefited sufficiently from the post-1989 changes: these are the “losers” who see themselves as victims of still another political and economic order that has failed to meet their needs. Of course, such people and groups tend to favor politicians who offer easy solutions. This is why Robert Fico rather than Mikulas Dzurinda is Slovakia's prime minister. This is why even Vaclav Havel has lost his appeal to most of his countrymen.

In today's Central and Eastern Europe, the era of leaders asking for blood, sweat, and tears is over—and aspiring politicians know it.

- *The third trend is popular resistance to the next round of economic reforms.*

In retrospect, the extraordinary economic transformation achieved in the 1990s, which included privatization and currency stabilization, among others, was easy going compared to what several of the region's governments are now attempting to do or should be doing: i.e., privatize parts of health care and higher education so as to rationalize these services and limit government subsidization. The problem is that people who are used to “free” health care and “free” education oppose the introduction of such reforms. They are nostalgic for the meager benefits of the welfare state, preferring to listen to the siren song of populist politicians who promise a better life without additional taxes or fees and without pain. This is true even if populist politicians, such as Slovakia's Robert Fico, may not—once in power—reverse their predecessors' policies. The political axiom often prevails: where you sit is where you stand.

Bluntly put: After more than 15 years of reforms and experimentation, capitalism itself is not doing so well in Central and Eastern Europe. True, there is no alternative to the free market; it is, indeed, the worst economic system except for all the others that are worse. But, to repeat, too many people have yet to benefit economically from the new order. Shortages are gone—but who can afford all the expensive items displayed in elegant stores? Walking the beautiful downtown areas of Prague or Budapest, it is easy to believe that all is well, but there is a huge, and growing, gap throughout the region between city and countryside. This gap is one of the sources of social tension and polarization, for the region's dominant political parties have yet to find the proper balance between offering incentives to the entrepreneurial middle class and at the same time offering a meaningful social contract to wage-earners and the unemployed, too. To win elections, the region's political parties must appeal to the energetic, city-based middle class eager to favor public policies that create new opportunities. Yet the same political parties must also appeal to the entirely different mindset of the rural population interested in greater social spending and a vague return to traditional values. Alas, more often than not these interests and visions are incompatible.

Finally, there is a growing gap in some of the countries the Central European Ten between rich and poor that is an important source of pervasive skepticism about the merits of capitalism. According to a European Union survey of all of Europe, the gap between incomes of the top 20 percent of the population and the bottom 20 per-

cent is greatest in Portugal—but Poland, Latvia, and Lithuania are not far behind. (Such wealthy but more egalitarian countries as Germany and France *are* far behind.) The Polish income ratio between the rich and the poor is more than 40 percent higher than in the average European Union member state. For a striking comparison, Poland can be said to be 100 percent more unequal than Sweden and 60 percent more unequal than Germany. *The paradox that has come to prevail today is therefore this: Large segments of the region's populations know that pre-1989 "socialism" did not work, and they know it could not be resurrected anyway, but in their dislike for income differentiation under capitalism they favor populist politicians mouthing egalitarian rhetoric.*

IV.

- *The fourth trend is the ongoing radical transformation of Central and Eastern Europe's international environment.*

The historical comparison is striking: In 1989 and throughout the 1990s all of the countries of Central and Eastern Europe turned to Washington for guidance. They understood and appreciated the significance and benefits of the Atlantic Alliance. They all sought to join NATO, in part because it was a Western alliance and membership signified their return to "the West." They also wanted to join NATO in order to protect themselves against a possible revival of Russian ambitions. For these reasons and more, the United States (as NATO's leading power) was, for all of Central and Eastern Europe, the country of hope, the assurance that the single most important goal of their 1989 peaceful revolutions—*independence*—would be achieved and defended. Put another way, the United States, having won the cold war against the much-despised Soviet Union, could do no wrong at that time. It is only a slight exaggeration to suggest that when American diplomats made a request to a Central or Eastern European government in the 1990s, they did not have to ask twice.

The European Union also generated a good deal of interest in the 1990s. The hope that these former Communist countries could soon "return to Europe" after decades of enforced subservience to the Soviet Union was both widely and deeply held. If the US role was to protect the region's independence, the European Union's role was to help move Central and Eastern Europe from the continent's economic periphery to its center—and prosperity would follow. The slow pace of the admission process disappointed some, but by the end of the decade there was hope once again of membership in this exclusive European club.

Russia, for all practical purposes, was not a player in Central and Eastern Europe in the 1990s. It mourned the loss of its "external empire" as it focused, unsuccessfully, on protecting its real or imagined interests in the "internal empire" in the former Soviet Union itself. Beyond a few gestures under President Boris Yeltsin, Russia had little or nothing to offer to its former Warsaw Pact satellites. It was even too poor to buy Bulgarian tomatoes or Hungarian salami An occasional news item about mischief by Russian secret services, notably in the Baltic states with large Russian ethnic populations or in Poland, reminded the world of Moscow's old ways, but Russia had neither economic nor political means by which to influence in any significant fashion the course of events in Central and Eastern Europe.

In 2007, the region's international environment is different.

Despite dramatically declining public support for US policies in the Middle East and elsewhere, the Central European Ten still favor close relations with the United States. Of the ten, Estonia, Latvia, Lithuania, Poland, and to a lesser extent Romania and the Czech Republic have governments that continue to seek and value American protection against a revived Russia under President Vladimir Putin. To some extent the other four—Slovakia, Hungary, Slovenia, and Bulgaria—also cooperate with Washington on such issues as fighting terrorism (and, earlier, even on Iraq), drug interdiction, etc., but in these countries there is far less interest in maintaining strong ties with the US. A new generation there, and indeed throughout the region, does not seem to appreciate what the United States did to save Europe from the Nazis and from the Soviet Union. What they know is what Washington is doing in Iraq; what they know is Washington's unwillingness to pave the way to visa-free travel; and what they know is the gap between Washington's verbal promotion of democracy and the absence of deeds to back it up—that is, a genuine relationship between ends and means that used to enhance America's presence, credibility, and reputation in the region in the 1990s.

The polls attached to this statement speak for themselves. Particularly striking is the drop in Polish public approval of US policies—from 62 to 38 percent in one year—because Poland used to be the most pro-American country in the world. *The predominant attitude now is one of opposition to US leadership in the world. Contrary to the received wisdom about "New Europe" being fundamentally different from*

“Old Europe,” a more accurate formulation is that the United States has lost the high moral ground in every European country—from Great Britain to Turkey. All the same, those who fear Vladimir Putin’s Russia most—the three Baltic states, Poland, and to a lesser extent Romania and the Czech Republic—continue to court and count on the United States.

Meanwhile, the European Union is riding high in Central and Eastern Europe. For a variety of projects, it is expected to provide Poland some \$75 billion in the next seven years. Others may be benefiting less from membership, but they all have visa-free travel in the EU area, increasingly good access to institutions of higher learning, and significant employment opportunities. (Presently, 1.5 million Poles work in Ireland, England, and elsewhere.) Throughout the region, all can see a national flag and the EU flag flying high—together! *The best news from Central and Eastern Europe now is that integration has begun to work.* Nationalist resistance is much weaker than it was even a year or two ago. Some of the most vocal Euro skeptics have changed their spots and present themselves as supporters of their countries’ association with the European Union. While, after decades of foreign oppression, it is hard to give up even a modicum of independence to an international body—even when it is done voluntarily!—the successful integration of the Central European Ten is underway. Today, the European Union has certainly taken the upper hand in the competition between the EU and the US.

Compared to the 1990s, Russia has a presence in the region now and it is not a benevolent one—but its significance should not be overestimated. Russia offers energy—oil and especially gas—to the Europeans, and it has made as many as ten bilateral deals with individual countries rather than just one with the EU. The reasons for that approach are obvious. Moscow can make more money this way. And it can try to drive a wedge among European Union members by playing off one against the other. Gazprom and President Putin work hand in hand to spoil a common European energy “plan”—not common energy “policies” because such do not yet exist. This is why the Hungarian and Austrian dithering about the EU’s Nabucco Project—a competitor to Gazprom—was unfortunate but certainly not decisive. The issue of diversification is on the table, and all European governments would prefer not to have to rely on Russian energy alone.

Energy aside, Russia can offer its vast market for goods from the Central European Ten. How long, and how much, are important questions. Of all the stock markets in the world, only one—Russia’s—came down during the first half of 2007.

This is bad omen for an economy that has grown but has not been modernized. Could it be that Russia, after impressive growth for several years that has been based only on the exploitation of vast energy resources, is facing its own diversification problem? Will it continue to grow even if it proves unable to develop new industries and new technologies, or if the price of energy finally comes down? Ultimately an economic dwarf rather than an economic giant, Russia, in the long run, has little to offer to Europe, including the Central and Eastern Europeans.

V.

Thinking of policies that would strengthen America’s position in the region, it should be emphasized that for many years the United States will not recover the ground it has lost since the end of the 1990s. The time when American diplomats could always and easily get what they want is over.

True, the Czech Republic and Poland, despite significant and perhaps decisive parliamentary opposition, are apparently ready to offer hospitality to new American missile sites, which signals at least residual support for American strategic objectives. Yet as governments come and go, it is important to look ahead and pay attention to the region’s publics that have become increasingly critical of US policies abroad and violations of democratic norms at home, and therefore they no longer side automatically with the United States. In the longer run, *they are unlikely to support governments that favor protection of the United States (and, in Washington’s view, of Europe) by an untested American shield against a potential threat ten years or more from now over Russia’s direct and more immediate threat to their own security.* Indeed, Washington’s reportedly rather heavy-handed demands for Polish and Czech cooperation may eventually weaken rather than strengthen America’s position there. Thus, as these prospective missile sites actually make Poland and the Czech Republic more insecure, it would make good sense to delay their deployment, certainly not in order to appease Moscow but in order to dampen the fires of political polarization in these allied countries.

In the non-military realm, there are a few modest steps Washington could take:

- With help from Congress, the Department of State should reinstate some of the relatively inexpensive educational and cultural programs that until a few

years ago used to advance America's good name in the region. Relatedly, the State Department should encourage US businesses to offer seasonal summer jobs to young Central and Eastern Europeans. At various resorts, such as those at North Carolina's Outer Banks, many young Poles, Slovaks, Russians, and others now work for supermarkets, improving their knowledge of English and gaining insights into the American way of life—why not extend such programs so that more such young folks from the region could see the US as it really is? This is an area where the United States can compete with members of the European Union.

- Congress should urgently extend visa-free travel to citizens of the Central Eastern European Ten (as it presently does to older members of the European Union). If this had been done three or four years ago, America's image in the region would have been significantly advanced. As it is, with visa-free travel to the EU countries as well as increasing work and study opportunities there, the issue of entry to the US has lost some of its initial import. Still, this would be a desirable and long overdue measure for Congress to enact.
- At a time when Washington has few effective instruments of policy at its disposal to make a difference in Central and Eastern Europe, it would serve US interests well to send a larger number of professional diplomats to the region. True, politically well-connected ambassadors assigned to the capitals of the Central European Ten can and have made substantial contributions. Being familiar with key players in Washington is useful. On the other hand, only minimal understanding of the local political and economic scene and especially of the region's turbulent past is a serious handicap. Meanwhile, rotating well-trained experts of Central and Eastern Europe to faraway lands about which they know little or nothing, further complicates the increasingly difficult task of competent representation.

It may be that Washington's main problem is not only a shortage of means—that American libraries in the region are closed, that the Department of State cannot bring future leaders to the US, that there are no funds for making America known and respected. Nor can declining American influence be blamed only on this Administration's misplaced priorities and imprudent foreign policy. The additional problem is the tendency to take this region for granted—and to look for new "opportunities" on the assumption that "democracy promotion" will produce results around the globe. This is a mistaken assumption. Democracy does not fall on fertile soil everywhere. Even in Central and Eastern Europe it requires careful and generous cultivation.

SELECTED DATA AND POLLS FROM CENTRAL AND EASTERN EUROPE

I. CIA World Factbook, 2007

GDP/Capita (2006 estimates)

Slovenia	\$23,400
Czech Republic	\$21,900
Estonia	\$20,300
Slovakia	\$18,200
Hungary	\$17,600
Latvia	\$16,000
Lithuania	\$15,300
Poland	\$14,300

Average (countries, not population): \$18,375

Bulgaria	\$10,700
Romania	\$9,100

European Union (27): \$29,900

II. Freedom House, Nations in Transit, 2007 (2006 in parenthesis)

A) "Democracy Score" (represents an average of seven subcategory ratings for electoral process; civil society; independent media; national democratic governance; local democratic governance; judicial framework and independence; and corruption. On a scale of 1 to 7, 1 represents the highest level of democratic development and 7 the lowest)

	2007	2006
Slovenia	1.82	(1.75)
Estonia	1.96	(1.96)
Latvia	2.07	(2.07)
Slovakia	2.14	(1.96)
Hungary	2.14	(2.00)
Czech Republic	2.25	(2.25)
Lithuania	2.29	(2.21)
Poland	2.36	(2.14)

B) Corruption

	2007	2006	2005
Slovenia	2.25	2.25	2.00
Estonia	2.50	2.50	2.50
Hungary	3.00	3.00	2.75
Poland	3.00	3.25	3.00
Latvia	3.00	3.25	3.50
Slovakia	3.25	3.00	3.00
Czech Republic	3.50	3.50	3.50
Bulgaria	3.75	3.75	4.00
Lithuania	4.00	4.00	3.75
Romania	4.00	4.25	4.25

III. Transparency International, 2006 (TI Corruption Perception Index)

Least corrupt: Finland, Iceland, New Zealand – CPI Score: 9.6

Most corrupt: Haiti, 1.8

163 countries surveyed

20. Belgium, Chile, USA	7.3
24. Barbados, <u>Estonia</u>	6.7
28. Malta, <u>Slovenia</u> , Uruguay	6.4
41. <u>Hungary</u>	5.2
46. <u>Czech Republic</u> , Kuwait, <u>Lithuania</u>	4.8
49. <u>Latvia</u> , <u>Slovakia</u>	4.7
57. <u>Bulgaria</u> , El Salvador	4.0
61. Jamaica, <u>Poland</u>	3.7
84. <u>Romania</u> , Algeria, Madagascar, Mauritania, Sri Lanka	3.1

IV. Eurobarometer, 2007

A) How would you judge your country's economy?

"Very good & rather good"

Denmark	99%
European Union (27)	52%
Estonia	81%
Slovenia	72%
Slovakia	55%
Czech Republic	45%
Poland	45%
Lithuania	33%
Latvia	22%
Romania	18%
Bulgaria	10%
Hungary	9%

B) Is membership in the EU a good thing?

The Netherlands	77%
European Union (27)	57%
Poland	67%
Romania	67%
Estonia	66%
Slovakia	64%
Lithuania	63%
Slovenia	58%
Bulgaria	56%
Czech Republic	46%
Hungary	37%
Latvia	37%

C) Are you very optimistic/fairly optimistic about the EU?

European Union (27)	69%
Poland	82%
Slovenia	80%
Estonia	77%
Slovakia	75%
Romania	75%
Lithuania	74%
Czech Republic	66%
Bulgaria	66%
Latvia	60%
Hungary	58%

D) Comparison of polls taken within the Central European Ten comparing the opinion on the US with that on the EU regarding world peace

Adapted from Eurobarometer September 2005, with polling taking place between May and June 2005

	In your opinion, would you say that the US tends to play a positive role regarding peace in the world?	In your opinion, would you say that the EU tends to play a positive role regarding peace in the world?
Bulgaria	24%	74%
Czech Republic	43%	80%
Estonia	30%	76%
Hungary	30%	72%
Latvia	30%	70%
Lithuania	49%	78%
Poland	33%	63%
Romania	57%	81%
Slovakia	34%	79%
Slovenia	18%	73%
Central European Ten (average)	35%	75%

V. German Marshall Fund, Transatlantic Trends, 2006

A) How desirable is it that the US exerts strong leadership in world affairs?

“Very desirable & somewhat desirable”

Europe 12	35%
USA	84%
Poland	39%
Slovakia	19%
Bulgaria	21%
Romania	46%

B) How desirable is it that the EU exerts strong leadership in world affairs?

“Very desirable & somewhat desirable”

EU 12	70%
USA	76%
Poland	70%
Slovakia	50%
Bulgaria	55%
Romania	65%

C) Do you approve or disapprove of the way the President of the US is handling international politics?

“Approve very much & approve somewhat”

Europe 12	18%
USA	40%
Poland	41%*
Slovakia	23%
Bulgaria	20%
Romania	41%

*Poland: Approve very much: 3%; somewhat: 38%

VI. BBC Poll on US Role in the World, 2006-2007 (selected European countries)

A) “Views of US influence mainly positive”:

France	24%
Germany	16%
Great Britain	33%
Italy	35%
Portugal	38%
Russia	19%
Turkey	7%
<u>Poland</u>	38% (dropped from 62% in one year)
<u>Hungary</u>	29%

Average in 18 countries polled:

2005: 40%

2006: 36%

2007: 29%

B) Handling Iraq by US: “Strongly” or “somewhat approve”:

France	5%
Germany	11%
Great Britain	13%
Italy	15%
Portugal	16%
Russia	5%
Turkey	6%
<u>Poland</u>	22%
<u>Hungary</u>	12%

Chairman LANTOS. Thank you very much, Professor Gati. Dr. Sletzinger.

STATEMENT OF MARTIN SLETZINGER, PH.D., DIRECTOR, EAST EUROPEAN STUDIES, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

Mr. SLETZINGER. Thank you very much, Chairman Lantos.

Chairman LANTOS. Microphone.

Mr. SLETZINGER. I should know better. As you can see, I was much more comfortable sitting behind you than in front of you. This is a relatively new experience. Actually a new experience for Congress. I am very pleased that you have invited me to come, and I hope what I have to say will shed at least a little new light on what I know many of you already know very well, and having heard Dr. Gati's excellent introduction I must say that I was going to make several of those points. Really I was. So I will try not to overlap too much with him.

I also, like he, will basically summarize some of the key points of my submitted paper but will also hit on a few other issues. Over the past 18 years, the countries of Central and Eastern Europe have undergone profound changes. With their accession to the European Union and NATO, United States interest in the region, however, has dropped along with government funding of development programs.

Indeed, it is their membership in these international institutions that seems to justify the diminishing funding and attention paid to these countries by the United States. However, this assumption is based on flawed logic, and it is imperative that we get out of this conceptual trap. The EU accession process was never meant to build democracy per se in each of these East European countries but to bring each country's legal structure to European norms, not quite the same thing.

The fact that it has helped bring democratization along in post Communist countries is undeniable but precisely how those mechanisms work is still a subject of research, analysis and debate. There has been an unfortunate tendency in this country, other than experts like Chairman Lantos and Dr. Gati and others, to cast our eyes on Eastern Europe and see only what we want to see which is that successful transitions have been made.

In fact, these transitions are still very much in play. Great strides have been made, but much remains to be done as I am confident that this hearing will reveal. Despite their successes, the countries of Central and Eastern Europe are still contending with weak political systems, severe economic inequality and uncomfortable discord between politicians and civil society and institutions that are highly sensitive to corruption. There is no doubt that European Union and NATO enlargements have done much to push the political forces within these countries to put their differences aside in order to attend to the greater good of European and Transatlantic integration.

However, as these countries join the EU and NATO, huge challenges continue to confront them and will not disappear overnight. Real sustained change will take probably generations still.

Another factor that has already been well referred to here at this hearing that has come into view lately is the renewed and resurgent role of Russia in the region. As the United States has turned most of its attention elsewhere, Russia has taken opportunity to pursue its historic traditional interest in the region of Central and Eastern Europe, in its old backyard.

Russia's growing confidence due in part to its ability to control the energy market has meant that Russia is making renewed efforts to assert itself in Central and Eastern Europe and to become a more dominant player on the international stage. I might add this is being done not only officially but through unofficial let us say black market forces where you see the hand of Russia in such areas as the Czech Republic and even in the Balkans right now.

If history is any indication, a resurgent Russia does not bode well for the neighboring regions, and Central and Eastern European countries have already felt the impact, whether directly such as in Ukraine or Belarus where gas supplies from Russia have been cut off or indirectly as in Poland and the Baltic States which have been protesting the German/Russian deal to build an underground pipeline without their knowledge as well as the Baltic States and their constant battle—not battle—but their constant tug-of-war with the Russians over the rights of the Russian significant in some cases Russian minorities.

So to turn to the EU accession process which has been I think inarguably key in this area, much of the academic writings and discourse which we tend to follow at the Woodrow Wilson Center, a large departure from my congressional days, much of the well informed academic——

Chairman LANTOS. Some of us thought we were an academic institution.

Mr. SLETZINGER [continuing]. That basically that EU conditionality has basically been a very positive external influence on the democratically adopted domestic reforms in these countries. That is not going too far out on a limb. The reforms adopted by the post Communist member states in order to get into the EU were quite diverse and far reaching in terms of affecting that which traditionally is thought of under the purview of a sovereign state.

For instance, several countries had to make constitutional amendments or amend their naturalization procedures in order to comply with EU requirements. Moreover, the EU insists that solutions to problems and reforms must be conceived by the accession country itself not within the EU. So the process is decidedly hands-off. Has been decidedly hands-off, and solutions have been home-grown. The EU can point out what is wrong with a country's laws, but it cannot draft legislation to fix these problems.

Problems and solutions must come from the accession country. So we see that this process even within the EU is not complete and even if the issue of sovereignty is brought up in the end analysis it is up to those countries to come up with these fixes, not the EU or the EU commission. I might add while I am on the subject of what the EU has not done and cannot do. The EU has no mechanism for civil society building or other traditional democracy promotion efforts in which the United States and other bilateral actors

as well as independent philanthropists have been engaged in post Communist Eastern Europe.

The EU's preaccession funding and postaccession structural funds are not geared toward NGO development, election monitoring, government oversight or human rights and promotion. So this leaves large room for the continued action of other actors including the United States in this process as alluded to by Chairman Lantos and Dr. Gati.

Turning to the other institution of integration in this area, NATO membership I think has been let us say a slightly more mixed blessing for the countries of Central and Eastern Europe so far than the EU. This might be a surprise, but I think it is definitely so. Symbolically and politically NATO membership has reinforced in very strong terms the linkage between Central Europe to the Euro-Atlantic partnership region.

NATO membership has helped some of these countries modernize their forces, but it has also forced these countries to expend more previous capital and minimal capital on the military than perhaps they are really able to do so. In addition, being members of NATO has thrust real responsibilities on these countries whereas during the time of the Warsaw pact these countries were called upon relatively infrequently to make excursions into neighboring countries, within NATO these countries have been forced to see the world quite literally through their deployments in the Balkans, Iraq and Afghanistan, where they face actual warfare and they have suffered casualties.

I am not sure that this is what most of the Central and East European countries had in mind when they joined NATO in the first place, and as Dr. Gati has said, the populations of these countries are beginning to vocally oppose their government's unwavering support for these United States missions, and future elections in the region could certainly threaten future military cooperation within NATO and with us.

The expansion of NATO to Central and Eastern Europe has also brought new responsibilities to the United States, maybe future responsibilities but important ones. Now the United States has treaty obligations to defend these countries if they come under attack. In 1989 and later it did not look like this was much of a problem, but, however, with a resurgent Russia it is all of a sudden something that we need to take very seriously, although Russian military invasion of these countries is most unlikely. This is something that we really need to pay close attention to because as I say now it is no longer a matter of rhetoric and sponge throwing as it was in 1956 in Hungary and 1968 in Prague.

I will conclude just with a few words about U.S. involvement in the region. While this means that the European Union basically will have the most important role in integrating and stabilizing Central and Eastern Europe, the United States will continue to have an enormous role to make an enormous impression and to retain a key responsibility in this region. We cannot dismiss Central and Eastern Europe as a job well done, as someone here as already said, and devote all of our attention and resources elsewhere.

The United States needs to learn that the solutions to the region's problems are long-term, difficult and complex. In this regard,

the United States needs to continue not only its support for the countries of the region but its support for the continuation of knowledge and expertise on this region in the United States, something of strong interest to my program.

Many outside the U.S. Government would be surprised to know that as far as the United States Government is concerned Federal support for the furthering of knowledge and expertise on the Central and European region know extends only to the countries of the former Yugoslavia minus Croatia and Slovenia and Albania. All the rest have been graduated, to use our word, from U.S. assistance and hence from programs that support advance research and training on these countries.

Academic and philanthropic support has dried up a long time ago. So if the United States Government does not partake in this, we face a real danger that in another half generation to a generation we will be faced with a problem like we have in the Middle East now, a great shortage of people with real knowledge of the region both linguistically and culturally. So we need I think to stay the course and to continue to devote attention to this region which has a strong impact on our allies' security, our security and the history of the United States. Thank you, sir.

[The prepared statement of Mr. Sletzinger follows:]

PREPARED STATEMENT OF MARTIN SLETZINGER, PH.D., DIRECTOR, EAST EUROPEAN STUDIES, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS

CENTRAL AND EASTERN EUROPE: CAUGHT BETWEEN THE EU, US AND RUSSIA

I. OVERVIEW

Over the last 18 years, the countries of Central and Eastern Europe have undergone profound changes. With their accession to the European Union and NATO, US interest in the region has dropped, along with government funding of development programs. Indeed, it is their membership in these international institutions that seems to justify diminishing funding and attention paid to these countries by the United States.

However, this assumption is based on flawed logic, and it is imperative that we get out of this conceptual trap. The EU accession process was never meant to build democracy but to bring a country's legal structure to a European norm. The fact that it has helped democratization along in postcommunist countries seems undeniable, but precisely how those mechanisms work is still a subject of research, analysis and debate.

There has been an unfortunate tendency in this country to cast our eyes on Eastern Europe and see only what we want to see, which is that successful transitions have been made. In fact, these transitions are still very much in play. Great strides have been made but much remains to be done, as I am confident that this hearing will reveal. Despite their successes, the countries of Central and Eastern Europe are still contending with weak political systems, severe economic inequality, an uncomfortable discord between politicians and civil society and institutions that are highly susceptible to corruption. There is no doubt that European Union and NATO enlargements have done much to push the political forces within these countries to put their differences aside in order to attend to the greater good of European and transatlantic integration. However, as these countries join the EU and NATO, huge challenges continue to confront them and will not disappear overnight. Real change will take generations.

Another factor that has come to view recently is the renewed and resurgent role of Russia in this region. As the United States turns all of its attention elsewhere, and because it has partially abandoned the international principles of human rights and multi-lateralism in its fight against terrorism, Russia has taken the opportunity to pursue its interests. Russia's burgeoning confidence, due in part by its ability to control the energy market, has meant that Russia is making renewed efforts to assert itself in Central and Eastern Europe and to become a more dominant player on the international stage. If history is any indicator, a resurgent Russia does not

bode well for neighboring regions, and Central and Eastern European countries have already felt an impact, whether directly (as in Ukraine and Belarus, where gas supplies from Russia have been cut off) or indirectly (as in Poland and the Baltic States, which have been protesting the Russian-German deal to build an underground pipeline without their knowledge).

II. WHAT HAVE WE LEARNED FROM THE PROCESS OF EU ACCESSION?

The EU is a complex and often confounding international organization and is a relatively new actor in the international arena. Therefore it is not surprising that the EU—let alone the EU enlargement process—is poorly understood in this country. Yet, over the last few years, academic analysis of this important organization and the effects of EU accession has grown in the literature. Let me briefly summarize some of these findings.

1). EU conditionality is as good as it gets in terms of achieving positive external influence on democratically-adopted domestic reforms.¹ The reforms adopted by the postcommunist member states in order to get into the EU were quite diverse and far-reaching, in terms of affecting that which is traditionally thought of as the purview of the sovereign state. For instance several countries had to make constitutional amendments or amend their naturalization procedures in order to comply with EU requirements. Moreover, the EU insists that the solutions to problems and reforms must be conceived by the accession country, in accordance with that country's democratic institutional structure and legal culture, so the process is decidedly "hands off" and solutions are "home grown." The EU can point out what is wrong with a country's laws, but it cannot draft legislation to fix that problem: proposals and solutions must come from the accession country.² So, at the end of this process, not only is the reform adopted, but the state's institutions and political parties have proven that they can solve differences through democratic means, and that they have what it takes to be a fully-functioning member of the EU.

2). The reforms that the EU requires need to be based on hard law within the *acquis communautaire*, or on other international institutions' treaties to which countries have become parties. The *acquis* define European norms, which are decided upon by consensus of all EU member states. This means that these norms are not necessarily comprehensive or coherent, since they only cover those issues on which the member states were able to agree upon by consensus. For example, there are lots of norms when it comes to non-discrimination policies within labor codes, or consumer protection issues, but absolutely nothing that deals with minority rights. Moreover, they do not take into account the peculiarities of any individual country. While there is some wiggle room in adopting the *acquis* into the country's "legal culture" no opt-outs were allowed in the most recent enlargements. The EU has some flexibility to ask accession countries for more than what is in the *acquis*, by testing a country's compliance to the treaties of other international organizations to which it is a party. In that way, institutions (namely the Council of Europe) that do have jurisdiction on issues such as minority rights can be brought into the accession process. However, experience shows that these norms are less strongly applied by the EU during the enlargement process than norms that are in the *acquis*.³

3). EU accession requires that a state be able to assimilate and comprehend a huge system of laws and participate in a complex supra-state bureaucratic structure. Therefore, even if it is not a specific priority or goal, the effect of the EU acces-

¹ Many authors have noted the positive effects the EU enlargement process has had on democracy-building in Central and Eastern Europe. To understand how the process of conditionality works and why the EU was so successful, see Milada Anna Vachudova, *Europe Undivided: Democracy, Leverage and Integration after Communism* (Oxford: Oxford University Press, 2005). See also "Conclusions" by Frank Schimmelfennig and Ulrich Sedelmeier in *The Europeanization of Central and Eastern Europe*, Frank Schimmelfennig and Ulrich Sedelmeier eds. (Ithaca: Cornell University Press, 2005) p.210–228. In terms of raising the standard of human rights see "The Effects of EU Conditionality on Citizenship Policies and Protection of National Minorities in the Baltic States" in *The Road to the European Union—Lithuania, Latvia and Estonia* ed. Jan Zielonka and Vello Pettai (Manchester University Press, 2003) also published as a Working Paper of the Robert Schuman Centre for Advanced Studies, No. 2000/68.

² See the discussion of the "lack of templates" in Heather Grabbe "How does Europeanization affect CEE governance? Conditionality, diffusion and diversity" *Journal of European Public Policy* 8:6 December, p. 1014.

³ For specific evaluations of the application of minority rights criteria in the enlargement process see Nida Gelazis, "Statelessness in the Baltic States: Ramifications for European Citizenship and Social Stratification after EU Enlargement," in the *European Journal of Migration and Law* 6: 225–242, 2004. See also, James Hughs and Gwendolyn Sasse, "Monitoring the Monitors: EU Enlargement Conditionality and Minority Protection in the CEECs" in the *Journal on Ethnopolitics and Minority Issues in Europe* 1/2003.

sion process is to centralize state power in the executive branch order to improve the state's institutional capacity.⁴

4). The EU has no mechanism for civil society building or other traditional democracy-promotion efforts in which the United States and other bilateral actors as well as independent philanthropists have been engaged in postcommunist Eastern Europe. The EU's pre-accession funding and post-accession structural funds are not geared towards NGO development, election monitoring, government oversight, or human rights promotion.⁵

5). The final contention that has been presented in academic work is that for the EU accession to work, a country already has had to achieve a certain level of democratization.⁶ This is because the EU has no mechanism for transmitting "democratic sensibilities" to other countries.

Therefore, although the EU accession process certainly has many positive attributes, it should by no means serve as the only test for determining the stability of democracy. Democratic principles take time to be absorbed. Over the last year, troubling developments have been reported in the region: in Poland the separation of powers has come into question as the nationalist-leaning Kaczynski brothers control both positions of the President and Prime Minister; in Hungary, after information surfaced that Prime Minister Ferenc Gyurcsany lied about the country's economic condition, he continues to hold office with impunity despite civil protests there; in Slovakia, populist leader Robert Fico's party won elections and formed a coalition government with the party of former authoritarian president Vladimir Meciar. These are certainly disturbing trends that should attract American attention. Given the fact that through EU and NATO accession we have lost the largest "carrots" with which to tempt the region's populations into compliance, the question we should be asking ourselves isn't whether we should continue to be interested in the region but what tools we have to continue a positive influence on the region.

III. THE EFFECTS OF NATO MEMBERSHIP

Unlike the European Union integration, NATO membership for the countries of Central and Eastern Europe has been a mixed blessing. Symbolically and politically, NATO membership has reinforced in very strong terms the linkage between Central Europe to the Euro-Atlantic partnership region. NATO membership has helped some of these countries modernize their forces, but has also forced these countries to expend more precious capital on the military than perhaps they are able to do. In addition, being members of NATO has thrust real responsibilities upon these countries: whereas during the time of the Warsaw pact, these states were called upon relatively infrequently to make excursions into neighboring countries, within NATO these countries have been forced to "see the world," through their deployments to the Balkans, Iraq and Afghanistan where they face actual warfare and have suffered casualties. I'm not sure that this is what most of the central and East European countries had in mind when they joined NATO in the first place. Indeed, the populations of these countries are beginning to vocally oppose their govern-

⁴Grabbe describes how the enlargement process empowers the executive: "Although the applicants have found different solutions to the organizational challenges of conducting negotiations, the EU's demands for managerial competence and central co-ordination favour a concentration of efforts on a small team. This further encourages the trend towards a 'core executive', which was already emerging owing to other domestic factors." Op. cit. Grabbe, pp. 1018. Moreover, Jan Zielonka similarly argues that "the traditional parliamentary form of democracy is likely to suffer as a consequence of joining the union" in his article "The Quality of Democracy after Joining the European Union" *East European Politics and Societies*, Vol. 21, No. 1, Winter 2007 p. 163. Zielonka concedes that the EU accession process also requires states to devolve power to regional units that can administer structural funds (p. 164). However, a separate study concludes that the EU's ability to influence regional policy was actually quite limited: see *Europeanization and Regionalization in EU Enlargement* by James Hughes, Gwendolyn Sasse and Claire Gordon (Hampshire: Palgrave Macmillan 2004).

⁵See Andrew Green's data comparing civil society development in Eastern Europe through 2004 at <<http://www.dgmetrics.net/DGMetrics/Funding%20for%20Civil%20Society.pdf>>

⁶"The evidence discussed in this book suggests that the prospect of EU membership helped to reinforce processes of democratization that were already well under way in most of the CEECs. EU conditionality for membership, on the other hand, was in practice so generic and had such diffused institutional and attitudinal impact in the policy area analysed here [regional policy] during enlargement, that it fits well within the definition of international conditionality more broadly as being in essence 'declaratory policy'." from *Europeanization and regionalization in EU Enlargement* by James Hughes, Gwendolyn Sasse and Claire Gordon (Hampshire: Palgrave Macmillan 2004) p. 166. These conclusions are echoed in Frank Schimmelfennig and Ulrich Sedelmeier eds. *The Europeanization of Central and Eastern Europe* (Ithaca: Cornell University Press, 2005).

ments' unwavering support of US missions. Future elections in the region could certainly threaten future military cooperation with the US.

The expansion of NATO to include the Central and Eastern Europe has also brought new responsibilities and obligations for the United States. In 1956 in Hungary; in 1968 in Czechoslovakia, and in 1990 in the Baltic States, the United States and the West contented themselves with throwing sponges and rhetoric at the Soviet invasions. Now, the United States has treaty obligations to defend these countries if they come under attack. Although Russian military invasion of these countries is unlikely, given the resurgent Russian meddling in this area means that we need to pay close attention.

Membership in NATO has also had the inadvertent effect of placing several of the key Central and East European countries in a bind between links to the US and obligations to fellow EU member states. Poland in particular has found itself caught in this dilemma, particularly over its decision to join the US-led coalition in Iraq. NATO membership has also, not unexpectedly, begun to create tensions with Russia, as witnessed by Poland and the Czech Republic's commitment to the building of a missile defense system on their territories, to which the Russians are vigorously opposed.

IV. US INVOLVEMENT IN THE REGION

What this all means is that while the European Union will have the most important role in integrating and stabilizing Central and Eastern Europe, the United States will continue to make an enormous impression on and retain a key role in the region. We cannot dismiss Central and Eastern Europe as a "job well done" and devote all of our attention and resources elsewhere. The United States needs to learn that the solutions to the region's problems are long-term, difficult and complex.

In this regard, the United States needs to continue, not only its support for the countries of the region, but its support for the continuation of knowledge and expertise on this region in the United States. Many outside the US government would be surprised to realize that as far as the US government is concerned, federal support for the furthering of knowledge and expertise in the Central European region now extends only to the countries of the former Yugoslavia and Albania. All the rest have been "graduated" from US assistance and hence from programs that support advanced research and training on these countries. At the same time, other academic and philanthropic sources for such funding have also disappeared. What this portends, unfortunately, is that in another generation, we will again have a shortage of experts with deep knowledge of these critical allies. A situation could develop not unlike what we are facing in the Middle East, where we have very few Americans who are conversant in the languages and societies of the region. The US government needs to find a way to renew its support for the so-called "Title VIII" (the Research and Training Act for Eastern Europe and the Independent States of the Former Soviet Union of 1983 of the Foreign Assistance Bill) which has funded research and analysis for more than 20 years. Failure to do so could one day, once again, leave this region at the mercy of its large neighbor to the East or self-destructive forces of nationalism and populism within the countries themselves.

Chairman LANTOS. Thank you very much, Mr. Sletzinger. Ms. Baran.

STATEMENT OF MS. ZEYNO BARAN, DIRECTOR, CENTER FOR EURASIAN POLICY, SENIOR FELLOW, HUDSON INSTITUTE

Ms. BARAN. Thank you, Mr. Chairman Lantos, distinguished members of the committee. Thank you for calling this important hearing today, and I greatly appreciate the opportunity to testify. I will also present a brief summary of my views and ask that my prepared statement be put in the record in full please.

Chairman LANTOS. Without objection.

Ms. BARAN. I believe it is not possible to have a meaningful discussion of political and economic reform in Central and Eastern Europe without also looking at the region's energy situation, as we have heard before as well, especially because Russia is currently using its position as the primary supplier for many countries to influence their political and economic developments.

I am grateful, Mr. Chairman, that you have already raised this issue before Congress. At a hearing in March, you declared, "As long as Russia uses its energy sector as a foreign policy instrument, it will continue to enjoy the upper hand." Accordingly, my testimony will focus on the vitally important question of energy security.

In many Eastern and Central European countries the energy sector occupies the dominant position in the economy. Ties between the energy sector and state tend to be very strong. More often than not there is a single state owned or partially state owned oil and gas vehicle which is the largest and most profitable company in the country. Corruption and a lack of transparency in the energy sector actively retard development in other sectors of the economy and in society as a whole.

The task of reforming the energy sector and therefore of securing the democratic transition in such countries is made all the more challenging because of their overwhelming dependence on Russian oil and gas supplies. Let me just give two figures here. Seven countries in Eastern and Central Europe rely on Russia for more than 90 percent of their total oil import. Five countries in the region depend on Russia for their entire natural gas imports. This dependence is of course a huge concern for these countries, as often they are not able to resist leverage applied by Russia.

As you know, during the Soviet period, maintaining control over satellite states was a clear objective for Moscow, and most of the existing infrastructure was deliberately designed with this goal in mind. The Soviet Union is no more, but this powerful instrument of control still stands, and as we have seen increasingly Moscow is not shy about using it.

Broadly speaking, Russia uses this leverage to accomplish two related objectives: Raising revenues and suppressing democratization and economic liberalization. First, Moscow is able to parlay increased energy dependence into greater revenues, much of which is believed to end up in the bank accounts of Russian energy company executives, many of whom also occupy key positions in the Russian Government. At the same time, greater energy dependence also increases Moscow's political and economic influence over importing countries.

The Kremlin seeks the suppression of democracy and liberalism for similar reasons. In an environment where transparency and the rule of law are lacking, Russian energy companies, and therefore the Russian Government, can exert a much stronger influence on foreign government's policy. Shady deals and corrupt business practices are far easier to carry out in such an environment, and while those that participate profit immeasurably from this corruption, their profit inevitably comes at the expense of the state and its citizens; and this creates a self-sustaining cycle, since greater reliance on Russian energy and low levels of transparency or rule of law serve to increase Moscow's leverage.

In my written testimony I describe several cases of Ukraine and Baltic States, but here I would like to spend a minute on Hungary because so much is at stake there right now. Hungary received 77 percent of its natural gas imports and 97 percent of its oil imports from Russia. Moscow, and specifically Gazprom, has been trying to

gain even greater control of the Hungarian energy industry and thereby shape government policy, and I would say it has been succeeding to some degree.

As the *International Herald Tribune's* March 12 article so clearly stated, "Hungary Chooses Gazprom Over EU," the story described:

"As the European Union struggles to achieve a common energy security policy, the socialist led government in Hungary has broken with the bloc by joining forces with Gazprom, the Russian energy giant, to extend a pipeline from Turkey to Hungary. The joint project would compete directly with an EU plan to construct its own pipeline to reduce dependence on Russian energy supplies."

Indeed as the EU and the United States are actively working to diversify European gas away from Russia by supporting a pipeline project called Nabucco to transport gas from the Caspian region via Turkey, Bulgaria, Romania and Hungary, ending in Austria, Moscow has used its economic relations with Hungary to try to pull Budapest away from its EU and NATO allies.

As in other Central and Eastern European countries, we see that energy has played a key role in this effort. After the EU and the United States reacted strongly to Hungary's decision to choose a potential partnership with Gazprom over its existing commitment to Nabucco, and after it became clear that the Hungarian opposition would not allow a direct takeover of MOL, the country's largest company, the Kremlin may now have shifted its strategy in using another approach: Using Austria as a Trojan horse to gain control of the Hungarian company.

Currently the Austrian energy giant, OMV, is believed to be pursuing a hostile takeover of MOL. If successful, this would give OMV control over nearly all of Hungary's oil and gas infrastructure. It is a particular concern as there is speculation that Russia could be ultimately behind this takeover bid. Given the dominant position that a company like MOL has in the Hungarian economy, along with the political influence that its position entails, the implications of it being controlled by Russian interests are very serious.

Via MOL Moscow could easily work to increase Hungarian dependence on Russian energy, which would ultimately undermine the last two decades of democratic reforms in that country; and based on past behavior we can also assume that if Hungary does not cooperative it is likely to face reprisals from Russia. Disputes between Russia and the uncooperative Baltic States, for example, have led, on multiple occasions, to the halt of pipeline deliveries of oil. We have seen examples in Latvia in 2003 and most recently Lithuania in 2006.

And what we have seen is Lithuania and Poland have been particularly outspoken on this issue, and that they made clear that they will do all they can to reduce their dependence on Russia, and have pushed the other EU members to come up with a united position, as it is not merely gas molecules but also the unity of the EU and of its foreign and security policy that is at stake.

This issue, as you know, became clear during the dispute between Poland and Germany ahead of the June EU summit. The

diplomatic role was ostensibly over Russia's failure to remove its embargo on Polish meat products but more broadly involved the perceived reluctance of Berlin to stand up to Moscow on a whole set of issues, not the least of which was energy.

Poland was particularly disturbed by the Russian/German/Baltic gas pipeline that will bypass Poland, as it recalled similar agreements between Moscow and Berlin in the past. This time, as an EU and a NATO member, Poland and many other Central and East European countries want Western Europe to remain committed to their EU partners and not work exclusively with Russia.

In closing, let me quote from a July 12 *Economist* article describing Europe's inability to come up with a united and coherent policy in dealing with Russia's energy strategy, and the article concludes:

"The striking oddity is that just as in the last Cold War Europe's security still depends so much on the Americans."

Thankfully the United States is accomplishing a great deal. However, most of the engagement the United States has on energy issues in Europe and Eurasia is taking place at the Deputy Assistant Secretary level. We also need cabinet level engagement to send a more effective political signal. After all, President Putin himself is directly involved on the Russian side.

Diversification away from Russian energy sources is not only important for the European and Euro-Atlantic communities' safety and security but also because of the essential role it plays in democracy promotion efforts in Central and Eastern Europe as well as in other parts of the former Soviet states such as the Caucasus and Central Asia. Once we recognize that it is impossible to achieve political, economic reform in Eastern and Central Europe without decreasing their reliance on Russian energy, we will be able to work more effectively with these countries to help them complete their democratic transformation. Thank you very much.

[The prepared statement of Ms. Baran follows:]

Zeyno Baran
Senior Fellow and Director of the Center for Eurasian Policy, Hudson Institute
United States House of Representatives Committee on Foreign Affairs
“Central and Eastern Europe: Assessing the Democratic Transition”
July 25, 2007

Chairman Lantos, Ranking Member Ros-Lehtinen, members of the Committee:

Thank you for calling this important hearing today; I greatly appreciate the opportunity to testify.

I believe it is not possible to have a meaningful discussion of political and economic reform in Central and Eastern Europe without also looking at the region's energy situation—especially because Russia is currently using its position as the primary supplier for many countries to influence political and economic developments. I am grateful, Mr. Chairman, that you have already raised this issue before Congress: at a hearing in March, you declared that “[a]s long as Russia uses its energy sector as a foreign policy instrument, it will continue to enjoy the upper hand.”

Accordingly, my testimony will focus on the vitally important question of energy security. In many Eastern and Central European countries, the energy sector occupies a dominant position in the economy. Ties between the energy sector and state tend to be very strong. More often than not, there is a single state-owned (or partially state-owned) oil and gas vehicle, which is the largest and most profitable company in the country. Corruption and a lack of transparency in the energy sector actively retard development in other sectors of the economy and in society as a whole.

The task of reforming the energy sector—and therefore of securing the democratic transition—in such countries is made all the more challenging because of their overwhelming dependence on Russian oil and gas supplies. It is frequently argued—in Congress and elsewhere—that America's dependence on foreign energy must be reduced if not eliminated altogether. More specifically, there is considerable fear that such dependence leaves America beholden to countries that might not share our values. In

Eastern and Central Europe, the degree of dependence far outstretches our own. Oil from Saudi Arabia and Venezuela combined comprises 25 percent of American total imports. However, according to Eurostat, no fewer than 7 countries in Eastern and Central Europe rely on Russia for *more than 90 percent of their total oil imports*. Three more countries in the region receive more than 60 percent of imports from Russia—including Bulgaria, which is 89 percent dependent.

PERCENT OF EUROPEAN OIL IMPORTS PURCHASED FROM RUSSIA

Country	Dependence
United Kingdom	13%
Spain	15%
France	15%
Austria	15%
Italy	23%
Sweden	26%
Netherlands	27%
Greece	29%
Germany	34%
Belgium	41%
Romania	63%
Czech Republic	69%
Finland	78%
Bulgaria	89%
Lithuania	94%
Slovenia	95%
Latvia	95%
Estonia	95%
Poland	96%
Hungary	97%
Slovakia	99%

Source: Eurostat

The degree of dependence is just as significant, if not more so, for natural gas. Five countries in the region depend on Russia for their *entire* natural gas imports, while six others depend on Russia for over 60 percent of imported supplies. The natural gas aspect of energy dependency attracts little attention in the United States, since it is not really a concern for us—while over 90 percent of our natural gas supply comes from Canada, our northern neighbor does not represent a significant threat to American interests.

PERCENT OF EUROPEAN GAS IMPORTS PURCHASED FROM RUSSIA

Country	Dependence
Switzerland	13%
Netherlands	17%
France	23%
Italy	32%
Germany	40%
Slovenia	51%
Romania	63%
Poland	63%
Czech Republic	75%
Hungary	77%
Austria	78%
Greece	84%
Bulgaria	100%
Slovakia	100%
Finland	100%
Estonia	100%
Latvia	100%
Lithuania	100%

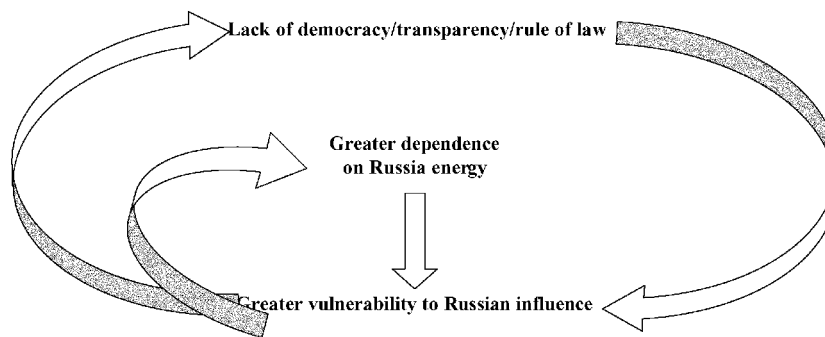
Source: Eni WOGR, 2006

So what does this say about the vulnerability of Eastern and Central European countries? In particular, what does this say about their ability to resist leverage applied by Russia?

During the Soviet period, maintaining control over satellite states was a clear objective for Moscow, and most of the existing energy infrastructure was deliberately designed with this goal in mind. The Soviet Union is no more, but this powerful instrument of control still stands—and Moscow is still not shy about using it.

Broadly speaking, Russia uses this leverage to accomplish two related objectives: raising revenues and suppressing democratization and economic liberalization. First, Moscow is able to parlay increased energy dependence into greater revenues—much of which is believed to end up in the bank accounts of Russian energy company executives, many of whom also occupy key positions in the Russian government. At the same time, greater energy dependence also increases Moscow's political and economic influence over

importing countries. The Kremlin seeks the suppression of democracy and liberalism for similar reasons: In an environment where transparency and the rule of law are lacking, Russian energy companies (and therefore the Russian government) can exert much stronger influence on government policy. Shady deals and corrupt business practices are far easier to carry out in such an environment. And while those that participate profit immeasurably from this corruption, their profit inevitably comes at the expense of the state and its citizens. Thus, this creates a self-sustaining cycle, since greater reliance on Russian energy and low levels of transparency or rule of law serve to increase Moscow's leverage.



The various “gas intermediary” schemes in **Ukraine** aptly illustrate the link between energy security and democracy—and how a lack of both is harmful to a country in transition. While I will discuss the Ukrainian situation in detail, as so much is already known about it, similar dynamics exist in many of the Central and Eastern European countries.

In essence, these schemes take advantage of the lack of transparency and poor rule of law that characterize the Ukrainian energy sector to establish third-party “intermediary” companies for the sale of natural gas from Russia to Ukraine. Hypothetically, such an intermediary could be needed to facilitate relations between the two countries. In reality,

it is difficult to understand precisely what these intermediaries do—or how they earn such obscene amounts of money for their “services.”

The current intermediary, RosUkrEnergo (RUE), is only the latest to profit from this lucrative business. Prior to RUE was EuralTransGas (ETG), and prior to ETG was Itera. In each case, the ownership and business practices of these intermediary companies are extremely opaque, with the true beneficiaries and shareholders obscured behind a complex international network of shell companies and offshore trusts.

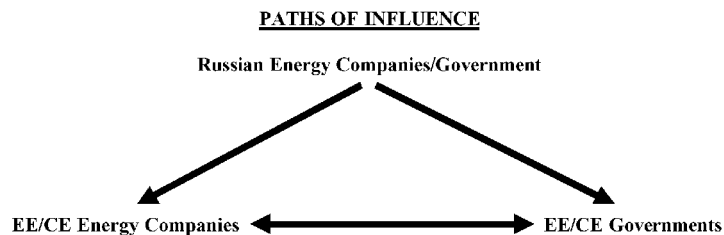
EuralTransGas had no pipelines or gas storage facilities of its own; and its total work force was just 30 people. Essentially, ETG purchased the gas from Russia’s Gazprom and immediately sold it to the Ukrainian firm Naftohaz Ukrayiny—at a hefty markup. Global Witness reported that ETG earned some \$2 billion in 2003 from this process (its only full year in operation). That same year, the company reported profits of just \$220 million. Aside from the \$425 million it paid Gazprom for transportation services (since, of course, it had no pipelines of its own), it is not clear what other operating costs ETG had—leaving over \$1.3 billion unaccounted for. Requests for details on exactly what services ETG performed have been met with vague responses or outright silence.

ETG’s contract was abruptly and mysteriously terminated in July 2004, and the firm was replaced by RosUkrEnergo, which performed exactly the same “service” and is nearly as opaque. 50 percent of RUE is owned by Gazprom. The other 50 percent is owned by CentraGas Holding AG, which is being managed by Raiffeisen Investment on behalf of a consortium of Ukrainian businessmen and companies. Requests to disclose the identities of these investors have all been turned down by the Vienna-based investment company.

RUE also has some very suspicious links to Naftohaz Ukrayiny. At one time, both the chairman and deputy chairman of Naftohaz—Ukraine’s state-run oil and gas vehicle—were serving on the 8-person coordinating committee of RUE. Moreover, RUE has a number of business ties to ETG.

The exact details of RUE and ETG remain unknown, but the broader picture is clear: a small number of individuals, most likely close to political leaders in both Ukraine and Russia, became very rich for doing very little. The markups these intermediaries charged (and that RosUkrEnergO is still charging) have cost the Ukrainian people billions of dollars. The vast sums of money made through this extortion are used to influence Ukrainian politics and promote Russian interests—a clear subversion of democracy. And as stated earlier, Russia's two primary interests are to raise money for the Russian state, and to maintain the opacity and corruption of the importing country's economic and political environment.

Ukraine is only one of many Eastern and Central European countries subject to Russian pressure. With a single supplier occupying so dominant a position, an energy embargo (or even the threat of one) by that supplier can be a powerful lever. Moreover, Russia is using a variety of methods to purchase interest (and therefore control) in the oil and gas companies of the region. Thus, Moscow pursues two paths—direct and indirect—to influence Eastern and Central European governments.



Hungary provides an instructive example. Hungary receives 77 percent of its natural gas imports and 97 percent of its oil imports, from Russia. Moscow, and specifically Gazprom, has been trying to gain even greater control of the Hungarian energy industry, thereby shaping government policy.

And it has been succeeding to some agree—as the *International Herald Tribune*’s March 12 story title so clearly stated: “Hungary chooses Gazprom over EU”. The story describes: “As the European Union struggles to achieve a common energy security policy, the Socialist-led government of Hungary has broken with the bloc by joining forces with Gazprom, the Russian energy giant, to extend a pipeline from Turkey to Hungary. The joint project would compete directly with an EU plan to construct its own pipeline to reduce dependence on Russian energy supplies.”

Indeed, as the EU and the US are actively working to diversify European gas away from Russia (by supporting a pipeline project called Nabucco to transport gas from the Caspian region via Turkey, Bulgaria, Romania and Hungary, ending in Austria), Moscow has used its economic relations with Hungary (trade between Hungary and Russia increased by 70% over the last year), to try to pull Budapest away from its EU and NATO allies. As in Ukraine, energy played a key role in this effort.¹

In 2000, an Irish-registered company called Milford Holding acquired a significant stake in Borsodchem, Hungary’s primary chemical company and owner of a pipeline distribution network. It was soon revealed that Gazprom was the real force behind Milford Holding. Shortly thereafter, a series of obscure, recently created companies began snatching up Borsodchem shares. Fearful that Gazprom or other Russian actors might be behind these firms as well, the Hungarian government rallied local companies and banks to fight off further intrusion and prevent a Russian takeover.

After the EU and the US reacted strongly to Hungary’s decision to choose a potential partnership with Gazprom over its existing commitment to Nabucco, and after it became clear that the Hungarian opposition would not allow a direct takeover of MOL, the Kremlin may now be pursuing another approach: using Austria as a Trojan horse to gain control of the Hungarian company.

¹ While in the interest of time I will not discuss Moscow’s strategy in other Nabucco countries listed above, we can observe similar dynamics in these countries as well. For more, please see my upcoming article entitled “EU Energy Security: Time to End Russian Leverage” in *The Washington Quarterly*’s Autumn 2007 issue.

Currently, the Austrian energy giant OMV is believed to be pursuing a hostile takeover of Hungarian MOL—the latter country’s largest company. If successful, this would give OMV control over nearly all of Hungary’s oil and gas infrastructure. It has been speculated that Russia could be ultimately behind this takeover bid.² A full 50 percent of OMV’s ownership is held by individuals or companies with a stake of less than 5 percent. As such, these small stakeholders do not have to reveal their identity. In any case, 31 percent of OMV is owned by the Austrian state, which is susceptible to more “traditional” Russian pressure tactics. (Austria gets around 80 percent of its gas imports from Russia.)

Given the dominant position that a company like MOL has in the Hungarian economy—along with the political influence that its position entails—the implications of it being controlled by Russian interests are serious indeed. Via MOL, Moscow could easily work to increase Hungarian dependence on Russian energy, which would ultimately undermine the last two decades of democratic reforms in that country.

Based on past behavior, we can also assume that if Hungary does not cooperate, it is likely to face reprisals from Russia. Disputes between Russia and the “uncooperative” Baltic states have led on multiple occasions to the halt of pipeline deliveries of oil. In January 2003, Russia ceased supplying oil via pipeline to Latvia’s Ventspils Nafta export facility. This embargo, which followed Riga’s unwillingness to sell the facility to a Russian energy company, continues to this day. In July 2006, Moscow shut down a pipeline supplying Lithuania’s Mazeikiu Nafta refinery, which is the largest company in Lithuania and one of the biggest oil refineries in Central and Eastern Europe. As with Ventspils Nafta, this shutdown came after a Russian company failed to obtain the energy infrastructure it coveted. (Russia claimed that this cutoff was the result of technical difficulties, yet refused all offers from third parties to examine the damaged pipe or assist

² See for example, Vladimir Socor, “An Austrian back door for Russian takeover of Hungary’s Energy Sector?” in *The Eurasia Daily Monitor*, July 24, 2007--Volume 4, Issue 143.

repairs in any way. Although this incident is suspicious enough on its own, it becomes a clear case of political manipulation given Russia's status as a repeat offender.)

Even though there was a muted reaction from the rest of the EU, the strong position adopted by Lithuania and Poland—whose PKN Orlen bought the refinery—was ultimately the correct one. The two states thus made clear that they would do all they can to reduce their dependence on Russia, and push the EU to come up with a unified position—as it is not merely gas molecules, but also the unity of the EU and of its foreign and security policy that is at stake. This issue became clear during the dispute between Poland and Germany ahead of the June EU summit. This diplomatic row was ostensibly over Russia's failure to remove its embargo on Polish meat products but more broadly involved the perceived reluctance of Berlin to stand up to Moscow on a whole host of issues, not the least of which was energy. Poland was particularly disturbed by the Russian-German Baltic gas pipeline that will bypass Poland, as it recalled similar agreements between Moscow and Berlin in the past; this time, as an EU member, Poland (and many other Central and Eastern European countries) want Western Europe to remain committed to their EU partners, and not Russia.

In closing, let me quote from the July 12 *Economist* article describing Europe's inability to come up with a united and coherent policy in dealing with Russia's energy strategy, which concluded: "...the striking oddity is that just as in the last cold war, Europe's security still depends so much on the Americans." Thankfully, the United States is accomplishing a great deal. However, most of the engagement the US has on energy issues in Eurasia is taking place at the deputy assistant secretary level; we also need Cabinet-level engagement to send a more effective political signal. After all, Putin himself is directly involved on the Russian side.

Diversification away from Russian energy sources is not only important for the European and Euro-Atlantic community's safety and security, but also because of the essential role it plays in the democracy promotion efforts in Central and Eastern Europe—as well as in other parts of the former Soviet space such as the Caucasus and Central Asia. Once we

recognize that it is impossible to achieve political and economic reform in Eastern and Central Europe without decreasing its reliance on Russian energy, we will be able to work more effectively with these countries to help them complete their democratic transformation.

Chairman LANTOS. Well, I want to thank you, and I want to thank all three of our witnesses for extremely valuable and insightful testimony, and I know I speak for my colleagues saying we are deeply in your debt. I also want to apologize that I have a floor statement to make in connection with the Iraq debate, and I will absent myself briefly. If I could ask my friend, Chairman Tanner, to take the chair.

Mr. TANNER [presiding]. All right. The chair is pleased to recognize Mr. Boozman.

Mr. BOOZMAN. Thank you, Mr. Tanner. I appreciate the testimony. One thing that I think that perhaps that we failed to talk about yet that I would like for you to talk about is the role of migration that is happening. That is an area that I think has a tremendous amount of influence. Under the EU, if you visit with the British now, they are very concerned that all of a sudden their villages are filled with Polish people.

There is tremendous amount of backlash. You have that going on. They fear for their jobs. People in America are concerned with immigration or many of our constituents are. They fear that perhaps people coming up through the border are undercutting American jobs, but I see that in Europe. They are very, very concerned in many of the countries. And again I say Poland, that group, other groups, that are representative that again do not have the economic basis.

They have the same problem that we have on the southern border. When you cross the southern border, you are automatically making five or six times the amount of money that you were making wherever you came from. But I do see that as a tremendous dynamic in this, and I think that that is one of the things.

We talk about anti-Semitism. We talk about kind of the far, far right coming out, the nationalism and stuff. To me, as I visit and travel, that seems to be a huge factor in this. So can you comment about that?

Mr. GATI. Well, I would just like to say that when these countries became members of the European Union, several old members of the European Union asked for exemption from the free movement of labor that you are referring to, and so Germany for example is one of those countries because it could not easily absorb laborers from the east which does mean as you correctly said primarily Poles.

However, in England and Ireland you do have Polish workers, about 1.5 million of them, and that is a pretty large number, and they do create economic problems as you correctly observed. My view is that this integration is going to proceed, and once the other countries are willing to accept laborers from the east, some of whom they badly need by the way because they will do jobs that others in Western Europe might not do, once the other countries open up, the problem will diminish. It will not disappear, but it will diminish simply because there will be more countries offering jobs to people from anywhere in Europe. After all that is the basic part of integration in the European Union.

Mr. SLETZINGER. One of the reasons I think certainly why Germany has problems and is all filled up is that it has taken in literally millions of Gastarbeiter workers from the Balkans from be-

fore the fall of the wall, mostly from the former Yugoslavia and Turkey, and those people remain, and if I may bring the Balkans into the picture here, I think what you have is not just a matter of migration within the EU or even to here from countries joining the EU.

You have this migration anyway from countries that have had problems and are war torn in the Balkans so that Bulgaria, Serbia, Bosnia, Croatia, Macedonia I believe, there has been a tremendous brain drain from these countries because of lack of opportunity. So they are going to try to go places even if they do not get into the EU and they are not going to get into the EU any time soon if things hold the way they are. So it is just a general problem I think we have to deal with.

Mr. BOOZMAN. I guess my concern is that in them trying to ratify the EU constitution things that this is one of the things that when you talk to the common guy, not the diplomats, it makes it very difficult to get this done, and again I think it is a huge thing that is going on and really does play a significant role.

Ms. Baran, in regard to the energy stuff—and I thought your paper was very, very good in that respect—and really I am a member of the NATO Parliament, John is also, and we hear a lot about that. In those meetings, because the Russians have a tendency to bully countries, and in that respect, I guess my question to you is you have really laid out the problem very, very well and shown us that very graphically.

When you look at the percentages on your chart and stuff, there is a huge problem. I guess my question is what do we do about it? What does the United States specifically? What role do we need to play? How do we help them become less energy dependent?

Ms. BARAN. Thank you very much for your question. There is a lot that can be done and actually as I mentioned that is done at the lower levels. The problem is because President Putin personally travels to these countries he is basically a deal maker in these countries. So it is not the same level of attention but the United States is already working very closely with the Central, Eastern European countries in terms of helping them find alternatives to Russian oil and gas, ranging from new LNG terminals to trying to get, as I mentioned, gas from Central Asia and the Caspian.

In the future we hope that there will be gas available from Iran and Iraq, not right now of course, and some nuclear possibilities and also Europe itself is now looking more in trying to get some electricity connectivity and having these countries work together. The difficulty is that when you have 27 EU countries, they have not been able to come up with a single united position, and after the January 2006 cutoff to Ukraine, which was very interesting because on the day Russian took over G-8 presidency—and that G-8 presidency was focusing on energy security—they cut off gas supplies to Ukraine, which is a very strong sign, and without really any political reaction from the top levels in the United States.

Whatever else is done at the lower levels is just not seen enough. And everyone recognizes the United States is, of course, very busy in Iraq, Afghanistan, other issues but for the leaderships of those countries I mentioned—Hungary, we can talk about Bulgaria, we can talk about many of these countries—they fear, and I have had

discussions with many of these, that they would like to have alternatives and diversify, but the U.S. seems too far. Well the U.S. is too far and also not focused on it.

So basically the carrots are not big enough and the sticks are not big enough whereas with Russia if they do not cooperate they get the cutoff immediately, and if they do cooperate, they also get a lot of benefits, not all of it very transparent benefits. So I think we have enough information of what is really going on. We really need political will.

Often before these countries graduate we talk about well, this country's leaders need to show political will to undertake painful democratic economic reforms. It is the same thing: We need to show political will that in addition to valuing good relations in cooperation with Russia, we are going to remain firm when they are doing things that NATO and EU countries should not accept.

Mr. TANNER. Thank you. The chair is pleased to recognize Mr. Scott from Georgia.

Mr. SCOTT. Thank you, Mr. Chairman. Continuing on Russia, Russia has objected to a missile defense system being established in Poland or Czechoslovakia. What are the reasons for that?

Mr. GATI. Russia objected already to NATO enlargement. It is fearful that NATO will include new members such as Georgia, perhaps Ukraine one of these days. The placement of American missiles that are not even under NATO control but under American control affects Russia's ambitions and pride. There is no love lost between Russia and Poland historically, and so to see the Polish leadership accept such missile sites offends the Russians.

This is what is at the heart of this, and unfortunately the Russians are close to these two sites. Their threats I think are actually quite meaningful and worrisome. If they bring nuclear weapons in response to the American missiles, if they bring nuclear weapons to Kaliningrad, I believe this would be a very genuine crisis, perhaps the single most important crisis between Russia and the West since the end of the Cold War.

Mr. SCOTT. So then you come down on the side of believing that Russia's concerns are valid?

Mr. GATI. No, no. I did not mean to imply that at all. These missile sites have nothing to do with Russia. They have to do with a long-term concern about perhaps Iranian or other terrorist threats way off in the future; however, because these are untested defensive missiles, and we are talking about something 10–12 years in the future, I do not favor their immediate deployment.

Mr. SCOTT. And Putin has a counterproposal. How do you evaluate that?

Mr. GATI. If it was up to me to respond to that counterproposal, I would not accept it.

Mr. SCOTT. Okay. Do you think any benefit came from the recent conversations that Putin and President Bush had over here I think last month?

Mr. GATI. Well, you are asking me to comment on a conversation to which I was not a party. I did not read anything—

Mr. SCOTT. But has there been any reaction?

Mr. GATI. To the best of my knowledge, it was an unnecessary conversation and nothing was accomplished except certain hopes

were sparked that something would happen, and I am opposed to hopes being sparked when you cannot deliver.

Mr. SCOTT. Okay. Yes, sir, Doctor?

Mr. SLETZINGER. Just to add to Professor Gati's remarks on that. Well, I do not know if it was officially a summit, but one of the issues that they were hopefully going to make progress on was Kosova, and the events since then look like that no progress was made whatsoever, and that actually may have gone back to square one or even beyond square one where now it has been taken out of the U.N., and it is going to be looked at by the contact group so-called. So nothing was done on that. That is for sure.

Mr. SCOTT. Yes, Ms. Baran?

Ms. BARAN. Yes. Well, I do not think anyone—maybe except for the White House—really expected anything concrete or positive was going to come out of it. Going into it, President Bush needed this meeting to be positive because of the legacy of his good relations with President Putin. Whereas for Putin, he just needed to have a good meeting, but that is all because he has been really playing on comparing U.S. policy to Third Reich policies and basically getting away with it.

I think the perception from outside was that the U.S. is weak, otherwise it never would have reached out to Putin after the things that Putin has been saying and doing. So I think as far as the perception of the United States, it did more damage. And what we have seen clearly is that, while none of us know what was discussed in private, but on any of the issues that supposedly were discussed, ranging from Iran to Kosova to a whole set of issues, missile issues, defense issues and then seeing President Putin's statements almost immediately after the summit were very negative again; I do not see anything positive.

Mr. SCOTT. Your perspective is very interesting. Finally, I too am a member of the NATO parliamentary assembly, and doing our visits over into Europe and at each stop, I ask the question to the European countries, NATO and how much damage has been done to our relationship with our European allies as a result of Iraq, and so I would like to just get very briefly if I may have that moment to get each of your assessments on whether or not there has been damage in your perspective.

I might add that we have got certain conclusions from our visits there and conversations, but it would be good from your perspective. What has been the damage? What have been the opinions and our image with our European allies as a result of our situation in Iraq?

Mr. GATI. I would call your attention, Congressman Scott, to some of the polls at the end of my written testimony which suggest significant damage throughout Europe. It is a mistake to believe that the New Europe which are the countries we are talking about, Central Europe, somehow or another is different from Old Europe. In some ways yes, because the three Baltic countries and Poland—in particular those four—are especially worried, rightly so by the way, about Russia. So therefore they tend to support us.

I would even go so far as to say that the more they worry about Russia the closer they are to us, including on the issue of Iraq, and so they were generous in their support. Poland still has a contin-

gent there and so do the Baltic States, obviously very small ones. But the public attitudes have dramatically changed throughout this region. As an old timer who knows this region that I used to consider the most pro-American region in the world, it is painful for me to tell you that this is simply not the case.

The damage Iraq has done to the image of America and by Iraq I do not mean just the war that we started unilaterally, but, I mean, the pictures about Abu Ghraib and corresponding domestic matters in this country, habeas corpus and many of the other things you are more familiar with than I am, have done significant damage, so much so that today most of the publics in the region no longer look to the United States for leadership but rather as those statistics at the end of my paper suggest they look to Brussels and the European Union rather than the United States.

Mr. SCOTT. Thank you.

Mr. SLETZINGER. Sir, I would add to that that a part of this factor above and beyond the war itself and the issues just raised on Abu Ghraib, Guantanamo and things like this is the fact that I think these countries have seen a tremendous diminution of interest in them by the United States that they see a fixation on the Middle East now and terrorism as the most or let us say the new nuclear problem that used to haunt the Cold War era, and I think they feel that if the United States is going to continue to be a great power and a super power it ought to be able to concentrate on more than one region at a time and to fulfill obligations and to fulfill the interests of traditional allies in Europe and in Central and Eastern Europe, and they see this over the last several years having diminished down to almost nothing.

Mr. SCOTT. Thank you very much, Mr. Chairman.

Chairman LANTOS [presiding]. Thank you very much. If I may enter the questioning briefly. This is one of the world's most interesting regions, and for generations it was also one of the least studied and understood here in the United States where interest in Europe basically meant interest in Western Europe. To some extent maybe in Russia.

And what I suspect is most disappointing to many Americans is that while it was NATO and the determination of American Presidents from Harry Truman to Ronald Reagan that brought about the liberation of this whole region, which for two generations was a Soviet satellite, how fast so many in the region forgot the debt of gratitude they owe to the American people, and how fast the very unattractive collective qualities of the region have returned to the fore.

Let me just give one almost amusing example. For years and years the ultimate dream of these 10 nations was the very unrealistic hope that somehow somewhere along the way they might join NATO. To become a member of NATO was an almost unreachable dream. When they became members of NATO, many of them were singularly reluctant to understand that NATO membership does not only provide the privilege of getting protection under the collective military umbrella of NATO led by the United States, but it also means participating in NATO responsibilities in other parts of the world like Afghanistan.

And while it made perfectly good sense to most citizens of these 10 countries that NATO soldiers from Iowa and Idaho and Alaska would be in Germany for two generations promoting their own eventual liberation, the notion that Hungarian or Bulgarian or Czech or Polish soldiers could be in Afghanistan to preserve the newly obtained freedom of the Afghan people was viewed as a totally different and unattractive option. Perhaps the self-centeredness of much of this region was most effectively driven home to me during the Serb/Croat war when I went down with the American Ambassador to the Serb/Hungarian border, and we had lunch in a medium sized Hungarian city called Szeged. And while the mayor gave us a wonderful lunch he presented us with a very puzzling dilemma.

Since there were areas of attacks on a Serb city not far from the Hungarian border by NATO, he inquired with perfect seriousness whether it would be possible to get a special treaty for the city of Szeged with NATO so there will be certainty that no harm will come to that town. When I pointed out to him that Hungary was a member of NATO and we do not make separate NATO agreements with various towns inside each NATO country, I do not think my answer was quite satisfactory.

I also want to move into the non-political arena for a moment because all of these countries in varying degrees throughout most of their history were authoritarian countries, and civil society was relatively weak, and the concept of private volunteer philanthropy which plays such a significant role in our own society was to a very large extent missing. And it was one of my remarkable experiences shortly after the change in regime to address the political and economic leadership of Hungary in the Hungarian Parliament on behalf of orphans both in Romania and Hungary in connection with a philanthropic drive. And it was probably the first organized attempt to engage significant segments of the population on a voluntary basis to participate in a non-sectarian philanthropic endeavor.

Now these preliminary remarks lead me to a question. How do we overcome the palpable disenchantment and disillusionment which all of your testimonies so clearly demonstrate on the part of the people of these 10 countries in the West in general and in the United States in particular? And it seems to me that the one common denominator, with the possible exception of Bulgaria, is that all of these countries historically detested the Russians and then the Soviet Union and then Russia again.

And perhaps one basis for reestablishing a more positive attitude and outlook can be built upon the incredibly imperialistic policies of Putin. These dominating policies you mentioned—in the case of Hungary 99 percent of the oil comes from Russia and 79 percent of natural gas—this provides us with a long-term, built-in set of attitudes that Russian domination or Soviet domination is clearly not in the interest of any of these 10 countries.

Mr. GATI. Well, you are raising very complicated questions that in part relate to policy, in part they are of an academic nature. I am going to leave out the academic part to a very great extent because this is not quite the setting for that.

I will say, however, that one of the several dividing lines in Central and Eastern Europe is between Western-oriented urban populations on the one hand that tend to be and have always been pro-Western in their orientation, and the parochial countryside that tends to be far more traditional, more inclined toward authoritarian solutions and so on. I believe that the task of the United States is to recognize who our friends are in the region, irrespective of their past, what they did 20 years ago, 10 years ago, 30 years ago but rather to work with those who are now ready and willing and anxious to work with us.

I see here that in the audience is somebody I know very well. It is Ambassador Andras Simonyi of Hungary who unfortunately is going back to his country rather than continuing his work of representation here, but he is an example of the pro-Western, pro-American orientation that is very much alive both in the political elites of the great cities of Central and Eastern Europe and in the population at large. So I am somewhat hopeful that skillful diplomacy could make a difference.

I also would like to draw on a comment that Ms. Baran made that if we are concerned about Putin in Central and Eastern Europe, as we should be, then it really is not good enough to have as his counterpart on energy issues the Deputy Assistant Secretary of State, who happens to be a brilliant man whom I admire, but his standing is not comparable, and so I think it is the urgent task of legislators to consider—and this is not just politics, this goes beyond politics—to consider moves whereby professionals on a higher level too, including especially our ambassadors, would be dealing with these countries and build bridges with those who are inclined to support us.

Chairman LANTOS. Dr. Sletzinger.

Mr. SLETZINGER. Thank you, sir. Well, just as I think it would be shortsighted for the Russians to assume that their new found influence in the world is based on their energy policy and that this is going to be sustained for a long time, it would be equally foolish on our part to hope that a resurge in Russia will concentrate minds in Eastern Europe. I think they will for the short term, but we cannot be sure.

There are many obviously mind set changes. I think generational changes need to be made. I think that you, sir, alluded to yourself in the Eastern European countries that perhaps demographics and age considerations will take care of naturally, not all. But I think there are things that the United States can do as well. I do not know if you will agree with this, but this was referred to in other questions when you were not here.

I think the image of the United States around the world and especially in Europe has suffered considerably not only because of Iraq but because of many factors that actually transcend not just this administration but the previous one as well, and that is an unfortunate tendency for the United States to be viewed as sort of imperious, unilateral, let us say wedded to the use of force, wedded to air strikes. We are no longer a shining light. We are dressed up as a dressed up warrior for peace, and I do not think that is the image that much of the east Europeans who are so used to having dealt with people like this want to see from us.

I think they would like to see an America that leads but does not necessarily lead by force or by air strikes. You need something else, and you need to take in your allies into consideration. They have seen that we have gone from let us say prodding allies and bullying allies to just moving without them, and they are allies too.

And even now I heard there is even this problem which I should not even bring up, but we could get into the same problem over the resolution of Kosova where if the Europeans are divided and we are the ones that want to push, we are going to go ahead and unilaterally recognize and other allies will not do it. Now, I am not making any value judgment on that, but I think the United States has to look to itself because the image of the United States today is not what it was 20 years ago. That is for certain, and I think we need to look deeply into ourselves and see what the society and our Government is all about.

Chairman LANTOS. Ms. Baran?

Ms. BARAN. I think there is a serious concern that, because of Iraq, because of everything else that has been going on, the United States is (A) not paying enough attention to what it is doing; and (B) needing Russia's cooperation on so many issues because of its U.N. position et cetera that the United States is simply not doing the things at the Presidential level or at the Secretary of State level that it should do.

So these countries are in part disappointed, in part scared. And I would say scared because they know that they cannot really rely on Western Europe because of what Putin has been successfully doing is really dividing Western Europe from Central and Eastern Europe—and not only on energy by reaching all kinds of deals. So many of these leaders, from political leaders to business leaders, in these countries basically say: "If Germany and Austria are reaching these kind of deals, then we are not going to be just acting on our own with no one to support us." And I think they got a sort of a sad lesson when there was a gas cut off to Lithuania when a Polish company bought it instead of what Russia wanted to take over. The Lithuanians wanted to get some sort of a NATO statement. And they were not able to really get any unity among NATO. And for them NATO of course has always sort of defended against the Russian threat, but now the way the Russian threat represents itself is different. It is not necessarily missiles, but it is a 2007 kind of a threat. So there is concern that the EU remains divided and Russia has been reaching bilateral deals and manages its relations bilaterally. There is very little expectation from the EU.

And there is also concern that NATO itself is not going to act, and they look at the U.S. and they see—just before you came we were discussing the Bush/Putin summit—they see that after all the things Putin has been doing and saying, he gets treated here. And the way he got treated; that really shows them or gives them the perception of weakness, and so I think it is important, and I completely agree with you that the Russia issue could be one element that really could bring them together, but then we have to show political will and real engagement.

Chairman LANTOS. Professor Gati.

Mr. GATI. May I please add a footnote to this discussion?

Chairman LANTOS. Sure.

Mr. GATI. The issue is—I very much agree with you—is a serious issue about Russia. I would like to relate, however, here a story. I have to call it a story because I do not have firsthand information. This comes from the Polish press, however. It was widely reported that when the Pentagon proposed the missile sites for Poland that we have talked about here before, together with the written proposal attached to it was the written response that the Pentagon expected from the Polish Government.

I have to tell you that the reaction to that was very negative, and I even heard a comment when I was in Warsaw that even the Russians would not have done that. I know you know my background. I cannot tell you how pained I was when the United States was compared unfavorably, unfavorably in Poland of all countries to Russia.

In short, the issue is in part American sensitivity to the sovereign right of these countries to develop their good relations with us as I am sure that if we treat them well and attentively they will.

Chairman LANTOS. Thank you very much. Mr. Bilirakis.

Mr. BILIRAKIS. Thank you, Mr. Chairman. This question is for Dr. Sletzinger. The declining resources in the region in terms of aiding development of stronger democratic institutions and civil society, particularly in the Balkans, have worried many. The Balkans in particular is a pivotal point in which the region is in desperate need of ongoing support from the United States and other Western governments.

The administration's budget request proposed drastic cuts across the Balkans with the exception of Kosova. Romania, Bulgaria and Croatia are all zeroed out for democracy assistance. Serbia, Bosnia, Montenegro, Albania, the FYROM, all sustained heavy proposed cuts. Both the House and the Senate have improved on those numbers since, but do you consider that the region is stable enough to warrant these kind of cuts?

The rise of radicalism, several countries in the region has seen a resurgence in support for radical parties, most notably in Bulgaria, and was the pull out of USAID in Romania and Bulgaria premature given the pulicidal dynamics in these countries?

Mr. SLETZINGER. Thank you, sir. I would say I agree with the central premise of those questions very strongly. First off, to start backwards it is most definitely the case that nowhere in the Balkan region, western Balkans, eastern Balkans, wherever you want to call them—

Chairman LANTOS. Move your mic a little down. Speak into the mic.

Mr. SLETZINGER. Okay. There is instability everywhere. Now the EU, for reasons of its own, decided it must take Bulgaria and Romania into the EU. That was I think a questionable move. It was certainly good for Romania and Bulgaria, but whether they actually fulfilled the requirements more than let us say Croatia for instance remains to be seen. But these countries are in transition as has been said, and the further south you go the more transition there is, especially where you have the former Yugoslavia where most of these countries have been affected, some very deeply by the war.

So the fact that Romania, Croatia and Bulgaria have been removed from the assistance list is consistent with the fact that those three countries were also removed from consideration by those few groups like my own that deal with advanced research and training. They were eliminated, and I think the situation in all those countries is such that we need to continue to pay attention to them, and we need to continue to train experts in that area.

Of course if you teach somebody Serbian they are going to know Croatian too, but you cannot say that in so many words any more. But I think in the beginning you asked about the United States' role and whether cutting in general is a good idea. I never thought it was even when I worked here as a staffer 10 years ago.

I remember, just if I may diverge for 1 minute, I went over to work with Congressman Hamilton at the Woodrow Wilson Center where I still am in 1999, and one of the first meetings I was invited to was in the very same Ronald Reagan building where USAID was holding a large meeting to do a sort of millennial analysis of United States assistance in Eastern Europe. What have we done well? What we have done right? And all I heard was a series of speeches there by people who would talk about the pressures from Congress to draw down to nothing United States assistance to Eastern Europe.

So finally after hearing about five or six officials saying this, I said look. I may not have been a major figure, but I worked in this area, and I never heard more than one or two people in the whole Congress ever make any statements like that. So where is the pressure coming from Congress to reduce? And I think the same is true now.

The amount of money we are talking about compared to other areas is nil, both assistance for other countries as well as the assistance to help U.S. expertise, and why the United States cannot do this at the same time as we are teaching people Persian and Arabic is beyond me given the fact that we have the wealth and resources we do. But that is the perception. It was the Congress' fault, and I think it still is. I mean the perception, not that it is Congress' fault.

Chairman LANTOS. Thank you very much. Gentleman from Missouri, Mr. Carnahan.

Mr. CARNAHAN. Thank you, Mr. Chairman, and I thank the panel for this really helpful discussion here today. I just want to associate myself with some of the earlier comments about how we ought to be engaged internationally, living by our highest principles that fellow nations expect, reminding the international community of our historic assistance and friendship, and engaging actively at every level, and that is one of the things.

I just returned from a delegation that visited in southeastern Europe, Serbia, Croatia, Bosnia, Kosova, and it appears to me at least in recent times because of so many other things, other international issues swirling around that that has really been put on the back burner. I think that has happened to our detriment and the detriment of the region in particular. The constitutional reforms in Bosnia I think are paramount to have them succeed in really unifying their government, and the outstanding issues in Kosova.

One of the things I guess that struck me the most about visiting the region is there are many examples of successful operating in multi-ethnic, multi-cultural society people living and working together. And so there is a wonderful history there, but today's lines of the countries do not match up with those ethnic populations, and it seems to me many of the nationalist tendencies there that have gotten people in those camps can really run contrary to some of those great traditions, and I am concerned that we look to find solutions to protect those minority populations and groups that can be principles adopted and used by the whole region because if we have a unique solution in one country then that can set a bad precedent for other countries.

So I guess my question is: What do you think are some of the best ways and what are some of the best institutions that can really help that region of southeastern Europe come up with those principles that can be used throughout the region in addressing some of these key problems?

Chairman LANTOS. Professor Gati.

Mr. GATI. We are all looking at each other because you are asking such a difficult question here.

Mr. CARNAHAN. I thought I was starting with the easy question.

Mr. GATI. No.

Mr. CARNAHAN. Okay.

Mr. GATI. Well, some of these issues I believe should be handled primarily by the European Union because unlike the United States we have reached now the very curious and unfortunate situation that the United States has in the past decade, decade and a half, has been asking these countries to help causes that we support that I hasten to add causes that are in their interests as well, but still we are asking. The European Union also is asking these countries to abide by Western values, but the European Union has a lot to offer as well, and leverage is everything in foreign affairs.

So I would have to say that in this case I would rely on the European Union, but needless to say the European Union being what it is can often use a little American encouragement.

Mr. CARNAHAN. Thank you.

Ms. BARAN. Let me just—

Chairman LANTOS. Ms. Baran.

Ms. BARAN. Thank you. Very briefly, I agree, and precisely because the European Union often requires a little encouragement. I think it would be good to get American engagement but not necessarily at the official level. One of the things in my trips—and we may have talked to the same person about the Polish example with the Pentagon's response—but when American involvement takes place in those countries, usually we go in and basically tell them how they should run their lives. I think the best kind of American engagement could be to really get the academic community and others involved to understand how they think they would like to highlight those good, historic traditions and how they would like to see their future in terms of the institutions, in terms of the health, and then together with the Europeans.

And the burden, I agree, would be on the Europeans, but I think there is always some sort of an American leadership needed to

nudge the Europeans, and the leadership can come by coming up with the vision for the future together with those allies.

Chairman LANTOS. Dr. Sletzinger.

Mr. SLETZINGER. I agree with my co-panelists completely. I think the dynamic really in the western U.S. assistance has not really and should not really change. When all this started in 1989 with the Seed Act, Support for Eastern European Democracy, it was always assumed that the EU would take a lead. They had more money, but that we, having a special role in the region politically and historically in a sense of image, would be able to contribute certain specific kinds of projects, and I think the same still obtains today whereas all these countries are in the EU. They will have a menu of issues they can choose from, but there are certain areas where we stand out and especially in democratization and our experience.

Also, I might add I think we need to stay there to turn some of the negativity that we have been talking about today into a positive, and that is I think the United States still has a positive role and let us say has not fallen even lower in the public popularity sweepstakes simply because of the nature of the United States as viewed by these countries.

Unlike most of the major European countries, we do not have any real record of involvement on one side or another. No one has been our colony there, just like Russia has never been Britain's colony as we are hearing today from Mr. Putin. So in addition to being a place where many millions of their people have come, they view the United States—perhaps not in the deep Balkans but in everywhere else in Central Europe—as a positive player that should remain and that has something to add other to in addition to the Europeans.

Chairman LANTOS. The gentleman from South Carolina, Mr. Wilson.

Mr. WILSON. Thank you, Mr. Chairman, and thank you for being here today. I have been looking forward to this hearing. I grew up as a Cold Warrior, and so it is a dream come true to me that we are even discussing a future, a positive future I believe of Central and Eastern Europe. The chairman and I have a friendly rivalry of who is the most optimistic person here, and I am actually very optimistic regardless of things that I have read or heard from personal experience.

I have had the opportunity to observe the first reelections in Bulgaria in June 1990. It was a dream come true, and since that time, I have worked to establish a sister city relationship with Plovdiv and my hometown of Columbia, South Carolina. Who would ever imagine? Indeed I have helped work with Congresswoman Ellen Tauscher for the Bulgaria caucus here, and I have had the privilege of visiting Bulgaria several times, and I am very grateful for working with Ambassador Elena Poptodorova.

It is just extraordinary the development of that country, and then I have had the privilege of lecturing in Slovakia. I have had the privilege of working to establish a sister city program with the international affairs council of South Carolina with Romania. Last week I had the opportunity to have a mayor from Albania as a shadow in my office.

I have visited in Iraq and Afghanistan. Virtually everywhere I go in those countries I have met troops from Central and Eastern Europe, dedicated, very bright people. It is just again I am very, very pleased. Even today—I was with the chairman last night—a victory has occurred due to Bulgaria being a member of the European Union with the release of the nurses, the Palestinian doctor who were under a death sentence. That was largely due to Gaddafi, to the European Union and to President Sarkozy.

And so I just am very optimistic, but last week I had a visitor who was a Fulbright student from Belarus, and he introduced himself as from the last dictatorship in Europe. Can all of you comment in regard to political developments in Belarus, and in particular the energy dispute they recently had this year with Russia?

Chairman LANTOS. Dr. Gati.

Mr. GATI. I am not an expert on Belarus, and I do not know if I can, as another old Cold Warrior myself, share your optimism in this respect. Not all countries in the former Soviet Union or for that matter in the former Yugoslavia will embrace our values, and that is okay. We are not on a mission to change every country because if we tried to do every country we will not succeed in those where democracy, Western-style democracy falls on fertile soil. So I cannot comment on your specific question, but I cannot say that I am very optimistic about the future of Belarus at this time.

Chairman LANTOS. Dr. Sletzinger.

Mr. SLETZINGER. I as well could take a very bureaucratic approach and say that our Wilson Center reflects the wider executive branch and government, and that as far as we are concerned Central and Eastern Europe does not include Belarus or Ukraine, and that is a headache for our Russian people who deal in the Canon Institution. However, dealing with the Balkans I did have the misfortune of—Chairman Lantos knows of having to deal with the Milosevic regime in Serbia to which the regime in Belarus was often compared. They were the two worst regimes in Europe at the time.

And I used to say, for lack of anything better, well, the only thing you can hope for in Serbia is that Milosevic will not last forever, and he did not. But we see of course that the situation after him in Serbia is considerably better, but it is still not where it should be, and that is what I would say about Belarus. Perhaps this regime will not outlive Lukashenko, and after that we might see some movement.

Chairman LANTOS. Ms. Baran.

Ms. BARAN. Well, thank you so much for asking this question. First though I will say that in unconsolidated democracies we do see cyclical patterns, and I believe Dr. Gati's title was on the backsliding issue, and indeed I do see the backsliding, but it is a gradual one and it may take a while for us to really see the backsliding.

Now on Belarus: Let me basically put Belarus and Turkmenistan together. Turkmenistan was run by a leader, Niyazov, who was also not a democrat at all, and widely despised, and neither the Americans nor the Europeans were engaging with Turkmenistan even though it is a critically important gas supplier. Mr. Niyazov was not a democrat, but he really did not want to come back under Russian control. So Putin did not like him.

Well, he died in questionable circumstances last year, and since then the new President and his team have been giving all kinds of deals to the Russians. So what happened is over the, let us say, 10-year period we have been waiting for Niyazov go to because the sense was: Well, he is not going to be living forever, we will open up. We will reach out to them then. We will work with them after Niyazov leaves office.

Well, in the meantime, at the lower levels, we have seen the Kremlin—and not just since Putin, even before—getting engaged, and by the time Niyazov was replaced, they were there to fill the vacuum and immediately shaped the country's direction by controlling so much of the infrastructure, and now I do not think there is much chance for the Europeans or Americans to get involved and hope that Turkmenistan goes in a different direction.

Now with Belarus our strategy has been similar as far as the Europeans and Americans are concerned. Lukashenko will also eventually go and then we will engage Belarus. But what is happening in the meantime? What we have seen is Russia cut off the supplies to Belarus when they thought that Belarus was already a satellite and they were just going to get all of the infrastructure but, like Niyazov, Lukashenko also does not like Putin in the same way and Putin does not like him. The only reason I believe Russia is supportive of him is because the United States does not like him.

I think there is an opportunity because Lukashenko, after the cut off, has seen that Russia is not going to be reliable. And I think there is an opening that if there is engagement on the energy issue which does not mean agreeing to his terms, but it means that pulling them close to Europe will mean rule of law, transparency in contracts, and through that I believe we can have so much more influence on establishing these norms that by the time he leaves, we will be there and be able to influence the future of Belarus.

Mr. WILSON. Excellent, and thank all of you.

Chairman LANTOS. Well, I want to thank all three of our very valuable witnesses for giving us incredibly penetrating insights into a region of tremendous importance. I take it the bottom line is that while the Central and East Europeans have had some disappointments in recent years and we have had some disappointments in them, nevertheless they are on a path toward democratic, more open, more productive societies and in the long run our relations will be built hopefully on a sound footing. You have given us great insight and great enlightenment, and we are deeply in your debt. This hearing is adjourned.

[Whereupon, at 11:50 a.m., the committee was adjourned.]

A P P E N D I X

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PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS

Thank you, Mr. Chairman, for convening this important hearing. Countries that spent decades under Soviet domination have, in many cases, made significant progress toward democracy in the just under 20 years since the collapse of the Berlin wall, yet the anti-democratic trends in several nations are cause for significant concern. I would like to take this opportunity to thank the Ranking Member, and to welcome our three distinguished witnesses: Dr. Charles Gati, Senior Adjunct Professor in European Studies at John Hopkins University, School of Advanced International Studies (SAIS); Dr. Martin Sletzinger, Director, East European Studies, Woodrow Wilson International Center for Scholars; and Ms. Zeyno Baran, Director, Center for Eurasian Policy and Senior Fellow, Hudson Institute. I look forward to your insightful and informative testimony.

Mr. Chairman, before the collapse of the Berlin Wall in 1989 the world was locked in a bitterly divisive, bi-polar struggle between two great superpowers. Since the dissolution of the Soviet Union in 1991, the countries formerly enshrouded behind the Iron Curtain have had the opportunity to move toward democratic pluralism and market economies. Often lured by the goals of accession to NATO or the European Union (EU), many nations have weathered rapidly changing governments with remarkable consensus about the value of membership in these two organizations. However, the process away from authoritarian rule and toward democracy and rule of law is ongoing, and I urge continued U.S. involvement and support as these countries work to throw off a legacy of "strong-man" rule.

As of 2007, most former eastern-bloc states are full now members in the EU and NATO. Three more countries (Albania, Croatia, and Macedonia) are currently being considered as candidates for NATO accession, while Croatia, Macedonia, and Turkey are officially candidates for EU membership. EU participation is known to carry significant economic benefits, as well as signaling that a nation has achieved certain political standards. However, with only 49% of Europeans currently in favor of further EU enlargement, there is some question about whether the Europe is reaching its expansion limits.

Despite undisputable positive progress, I have significant concerns about a number of negative trends that we have seen increasingly over the past several years in a number of central and Eastern European countries. Key among these is the apparent "political backsliding" that has become increasingly worrisome since 2004. In a recent report, Freedom House expressed concerns about worsening conditions in a number of central and eastern European countries, including Hungary, Lithuania, Poland, Slovakia, and Slovenia. The EU has also reported concerns about Bulgaria and Romania, which have reportedly made poor progress toward fighting corruption and organized crime since their accession in January 2007. Of even greater concern are the more severe anti-democratic trends seen further east, in Belarus, Turkmenistan, and Uzbekistan, as well as in Russia.

The lure of EU and NATO membership, though undeniably important, cannot solve all lingering issues in the region. Particular care must be taken to address ongoing concerns of corruption, minority rights, and organized crime, particularly human trafficking. As indicated by the reports of the EU and organizations such as Freedom House, even once a country has gained accession, the international community must work to ensure that it is held accountable to the standards and criteria put forth by these organizations.

Regional relations with Russia have also been cause for concern. This Committee held a hearing on Russia last month, at which many Members alluded to the influ-

ence that an increasingly authoritarian Russia seeks to exert over its neighbors. In particular, Russia's dominance of the energy sector has given it a powerful tool to wield over the neighboring nations of Ukraine, Belarus, and Moldova. These same nations also remain heavily economically dependent on Russia. Russia has also opposed NATO membership for countries in central Europe, particularly for Ukraine and Georgia.

The Bush Administration's recently proposed ground-based mid-course defense system, to be based in Europe, has been cause for serious questions in Europe. While proponents of the missile defense system argue that cooperation between the United States and eastern European nations will not only solidify relations between our nations but also provide a security barrier for both Europe and America, opponents have objected to the extension of U.S. military power into Europe. While recent exchanges between President Bush and President Putin seem to indicate a reduction in tensions, missile defense remains a point of contention in Eastern Europe.

Mr. Chairman, in the two short decades since the end of the Cold War, the many states in central and Eastern Europe have made enormous bounds toward democratic governance, open societies, and rule of law. The transition from communist rule has been swift and unprecedented. I hope that today's panelists will address the ongoing process of change that continues to transpire in central and Eastern Europe, and how the United States and this Congress can work to ensure that these nations move in a positive direction.

Thank you, Mr. Chairman, and I yield back the balance of my time.

PREPARED STATEMENT OF THE HONORABLE DONALD A. MANZULLO, A
REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. Chairman, thank you for holding this timely hearing on Central and Eastern Europe. The important democratic and economic reforms currently underway in the region are critically important to the United States. It is simply remarkable that only 16 years after the fall of the Soviet Union, ten former satellite states hold dual membership in the North Atlantic Treaty Organization (NATO) and the European Union (EU). While the political and economic integration of Europe has fundamentally changed the balance of power on the Eurasian continent, this progress has not reached Belarus, the last outpost of dictatorship in Eastern Europe. Moldova's Communist Party government also causes concern as democratic institutions continued to be weakened.

America's economic and political relationship with Central and Eastern Europe is largely positive and mutually beneficial. I believe that our trade ties with this region should be bolstered not only to promote export opportunities for American firms but to serve as a carrot for the people of Eastern Europe. Illinois, for example, exported more than \$758 million worth of merchandise goods to Eastern Europe in 2006. This represents an increase of more than 67 percent from 2001 levels. A huge amount of total exports over \$519 million consists of machinery, transportation, and chemicals products. The 16th Congressional District in Illinois, which I have the honor of representing, has over 2,500 manufacturers and chemical producers. So, trade with Eastern Europe has proved highly positive for northern Illinois.

Finally, I am concerned by the recent attacks against our visa waiver agreements and the possibility of curtailing these agreements. I fully understand the security-related issues that are raised, but I truly believe that it is possible to maintain high-level security without cutting off our trade prospects. Business travel and tourism play such an integral part of our economic health that disruption will greatly harm our own national interests. If buyers can't travel in a timely matter to the U.S., or if an American company cannot transfer staff between Europe and the U.S., then the losers are the hardworking American people.

Thank you, I look forward to the testimony of the witnesses before us today.

