

**STATEMENT OF PRINCIPAL DEPUTY ASSISTANT SECRETARY
CHARLES RIES
BUREAU OF EUROPEAN AND EURASIAN AFFAIRS,
US DEPARTMENT OF STATE
HEARING OF THE SENATE FOREIGN RELATIONS COMMITTEE,
OVERSIGHT OF FOREIGN ASSISTANCE PROGRAMS
APRIL 2, 2003**

Chairman Lugar, Senator Biden and other distinguished Committee members, I am very pleased to participate today in your examination of U.S. foreign assistance programs. I commend you for focussing on this crucial tool of U.S. foreign policy, and I look forward to an ongoing dialogue with the Committee about our assistance budgets and activities.

Like my counterparts in the Department's other regional bureaus, I approach assistance programs with a basic question in mind: how can these programs best advance U.S. interests in Europe and Eurasia? In the Bureau of European and Eurasian Affairs, we are fortunate to have a unique structure, the Office of the Coordinator of U.S. Assistance. Created by Congress under the Support for East European Democracy (SEED) Act of 1989 and the FREEDOM Support Act of 1992, the Assistance Coordinator helps to ensure the tightest possible integration between our assistance programs and our foreign policy goals. Acting Coordinator Tom Adams is with me here today, and I talk to Tom literally every day about how assistance can best support policy.

In large part because of the structures created under the SEED and FREEDOM Support Acts, we are also fortunate to have a unique relationship with our colleagues at the U.S. Agency for International Development, with whom we work very closely to develop effective programs. Kent Hill, USAID's Assistant Administrator for Europe and Eurasia is also here today and will give his perspective on assistance in our region and on the State-USAID partnership.

Mr. Chairman, in recent months much of the world's attention has understandably been focussed on the Trans-Atlantic relationship, and the differences that emerged with some of our European friends and allies over Iraq. What has received relatively less attention has been the steadfast support the U.S. has received from a number of countries in the formerly Communist parts of Europe. Clearly, one of the reasons we enjoy such a close and supportive relationship with these countries is the intense engagement we have practiced -- through foreign assistance and diplomacy -- during their difficult transition from Communism to market economies and democratic political systems. Some of these countries have essentially completed the transition; some are still struggling in the middle of it. But over the past nearly 15 years, the U.S. has sought to foster movement toward market-based democracy and to integrate these states into Euro-Atlantic and international economic and political structures. And this persistent, long-term effort has earned us credibility and created a reservoir of trust that is paying off in the current situation.

The U.S. has important interests in Europe and Eurasia that go beyond supporting the transition of the formerly Communist countries and, particularly after September 11th,

these global interests – such as combating terrorism, weapons proliferation, and drug and other illicit trafficking -- have come to the fore. I want to highlight how our assistance directly supports these U.S. national interests, and give examples of how this works in practice. Then I will explain what has changed in terms of assistance priorities since September 11th, and how that change is reflected in the President's fiscal year 2004 budget request, both in terms of programmatic priorities and country budgets.

Finally, I know that the Committee is interested in our views regarding legislative authorities and current restrictions on our ability to carry out assistance programs, so I will share some thoughts on that subject.

How Assistance Supports U.S. Foreign Policy Interests

We have an interest in cooperating with European and Eurasian countries in counterterrorism and in stopping a variety of things from moving across borders, including members of terrorists groups, weapons of mass destruction, illegal drugs, and trafficked persons. We have an interest in resolving and, where possible, preventing violent conflicts that threaten regional stability. And we also have an interest in seeing all countries of the region become democratic, market-oriented states: this is the best long-term guarantee of regional stability and of positive, mutually beneficial relations.

There are also specific characteristics of the region that give rise to specific U.S. national interests. The large group of formerly Communist nations in Central and Eastern Europe and the former Soviet Union are gradually becoming integrated into European, Euro-Atlantic and international political and economic institutions. We should not forget that we fought and won a fifty-year Cold War against Soviet Communism, and that the Soviet legacy is still reflected in many of the region's persistent problems. To see this process through – to “win the peace” – we have a compelling interest in promoting this integration and helping it become broader and deeper.

Finally, the Soviet legacy of weapons of mass destruction (WMD) -- an issue the Chairman has been particularly engaged with for many years now -- remains a critical U.S. security interest in the region. Our assistance efforts have and continue to be targeted at the detection, deterrence, interdiction, control and reduction of the vast Soviet military arsenal, with its widely dispersed sources of WMD and WMD expertise. The bulk of assistance dealing with this challenge is funded through programs managed by the Departments of Defense and Energy. Nevertheless, the State Department manages important non-proliferation programs, provides diplomatic support for DoD and DOE efforts, and helps coordinate interagency approaches to nonproliferation and threat reduction assistance. My bureau devotes particular attention to nonproliferation efforts since so much of the weapons and weapons expertise originates in our region.

Mr. Chairman, our interest in stopping a variety of cross-border threats -- whether they be in the form of weapons of mass destruction, other lethal weapons, illegal narcotics, or individuals belonging to terrorist groups – is not new, but clearly has shot to the top of the priority list in the wake of 9/11. We cooperate with nearly all European and Eurasian

countries on counterterrorism, non-proliferation, transnational crime, and border security, and a number of countries also receive significant U.S. assistance directly aimed at these problems through programs funded under the FREEDOM Support Act, the SEED Act, and other Foreign Operations accounts, such as the Nonproliferation, Anti-Terrorism, Demining, and Related Programs (NADR) account. These assistance programs have greatly enhanced the ability of states in the region to deal with the challenge of cross-border threats, and have led to some notable successes.

For example, assistance provided to Uzbekistan under the Export Control and Related Border Security programs funded by the FREEDOM Support Act and NADR helped the Uzbeks to interdict several shipments of WMD material transiting their border. Similarly, through our Anti-Crime Training and Technical Assistance (ACTTA) Program, substantial U.S. support for a UN drug control program in Tajikistan has enabled authorities in Tajikistan to seize record quantities of Afghan heroin on its way to Russia and Western Europe and additional support has made it possible for our U.S. Drug Enforcement Administration to set up the first "vetted" counter-narcotics unit in Central Asia, in Uzbekistan. Day by day, month by month, the countries of Europe and Eurasia are becoming better equipped, better trained and better coordinated with one another to deal with transnational threats. And our assistance has played a critical role in catalyzing and now sustaining that process.

I should point out here that enhancements of border security and law enforcement capabilities aid in responding to many threats and challenges, including the major problem of trafficking in persons. This Administration is deeply committed to addressing this human tragedy. Several European and Eurasian states are "source countries" for trafficking, and over the past several years we have directed SEED and FSA resources to confront the problem at every point: in the communities where former and potential future victims need job opportunities and other kinds of support; in schools and the media where public awareness of the problem can be increased; in the legal system where specific laws and mechanisms are needed; and of course, at the borders, where the traffickers must be stopped.

A second major U.S. interest in the region concerns conflict resolution and prevention. Here is perhaps the clearest example where our diplomacy and assistance programs need to work hand in glove. From the Balkans, where U.S. support for training civilian police forces has been crucial to post-war stabilization, to Central Asia, where we seek to head off future conflict in the volatile Fergana Valley by improving infrastructure and creating employment opportunities, we are devoting substantial assistance resources in this area. While admittedly foreign aid can never substitute for the genuine desire of the parties involved to find peaceful solutions to their conflicts, we can do a great deal to support countries recovering from conflict and to address the social, economic, and political conditions that sow the seeds of conflict. Most importantly, we need to stay vigorously engaged with these countries through our diplomacy and our assistance. We do not need more Afghanistans.

We also have a strong interest in the successful transition of the formerly Communist states of the region to democratic political systems and market-based economies, and their integration into Euro-Atlantic and international institutions. This is clearly a long-term process, and progress has been slower and more uneven than many expected when Congress passed the SEED and FREEDOM Support Acts.

The good news is that eight of the 15 countries covered by the SEED Act have progressed sufficiently in their transitions to “graduate” from SEED assistance: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. All eight are either NATO members already or have been invited to join. All are scheduled to become EU members in 2004. We should all be gratified by their success, and proud of the continued role played by our assistance and political support. The Department also intends to graduate Poland, Hungary and the Czech Republic from our export control and border security assistance programs in 2004, as these countries have registered solid progress in these areas.

The unfinished news is in Southeastern Europe and the former Soviet Union. But many – not all – of these countries are on the right track; our SEED and FSA assistance is having a positive impact. Southeastern Europe is now experiencing steady progress in efforts to overcome the destruction and dislocation of the Balkan wars, meet the grave challenges of crime and poverty, and open the area to business and investment. In Kosovo, for example, we are particularly proud of participation by American police officers in the UN Police Force, and equally proud of our leading role in training up a new multi-ethnic Kosovo Police Service - including women officers. These efforts have helped to cut the crime rate in Kosovo in half. In Croatia, in a recent positive development on court reform, the U.S., the EU and other donors obtained the government’s agreement to implement a standardized court and case management system that would unblock the one million case backlog, expediting the long awaited commercial court due process.

The former Soviet states lag further behind in making the transition. Across the region, corruption is a drag on reform. Some countries that made initial progress in both democratic and market change have backslid on democracy in recent years. Still, there have been notable achievements over the past ten years, thanks to U.S. assistance. In Russia, for example, which has probably moved the furthest both economically and politically, major reforms have been adopted over the past three years, including a complete overhaul of the Soviet-era judiciary and criminal justice system, a new simplified and investor-friendly tax code, and the right to private land ownership. All were adopted with the help of U.S. technical assistance. Again with substantial U.S. help, Ukraine has privatized land and given titles to roughly two million farmers, helping it become a net food exporter again for the first time in nearly a century.

In every former Soviet state, we are also helping carve out a role for thousands of non-governmental organizations, independent media outlets, and democratic political parties – where none existed ten years ago. Under repressive conditions – such as those existing in Belarus and Turkmenistan – these efforts are mostly aimed at keeping alive hope for long-term change. In other countries though, civil society is increasingly able to act as a

real counterweight to arbitrary government behavior. We saw examples of this in the past year in Ukraine, where the opposition won a majority in parliamentary elections due to substantial involvement of NGOs in monitoring the vote count; in Kyrgyzstan, where NGO pressure led to revocation of a presidential decree limiting freedom of the press; and in Tajikistan, where a sustained campaign by NGOs led to the registration of that country's first independent radio station.

With respect to integration into Euro-Atlantic and international institutions, our assistance is supporting WTO accession in several of the former Soviet states; Georgia, Armenia, Moldova, and Kyrgyzstan have already acceded, and several others, including Russia and Kazakhstan, are getting close. Our security assistance is aimed at enhancing interoperability with NATO and U.S. forces. This has proven invaluable as we continue the global war on terrorism and undertake Operation Iraqi Freedom.

FY 2004 Budget Request

Mr. Chairman, I would like to turn to the President's fiscal year 2004 budget request, and what has changed in it from previous years. The first and most important shift to note relates to the challenge of international terrorism. Counterterrorism has become a more prominent element of our assistance, cutting across a number of programs. Our FY2004 request for global Anti-Terrorism Training (ATA) assistance increased significantly over previous years. We are putting more resources into counter-narcotics and law enforcement cooperation across the region, but particularly in Central Asia and the Caucasus, where porous borders and weak law enforcement entities have created significant opportunities for terrorists and those trafficking in illicit weapons and drugs to operate. The FY2004 budget request reflects continued support for our Anti-Crime Training and Technical Assistance Programs across Eurasia specifically for law enforcement and counter-narcotics assistance programs in Central Asia creating a foundation of new programs in that region initiated after September 11. The FY2004 budget request also reflects increased funding in both the FREEDOM Support and NADR accounts for Export Control and Related Border Security programs in Europe and Eurasia. This program provides assistance to help establish infrastructure to control the movement of weapons and dangerous material across borders. It also provides equipment and training -- including radios, vehicles, patrol boats and helicopters -- to enforce such controls.

We have also energized efforts to address terrorist financial flows and money laundering by providing assistance in drafting the necessary laws and regulations, and by giving technical advice to financial intelligence units and bank regulators throughout the region. These programs do not cost a large amount but have a potentially huge pay-off, and we fund them in the FY 2004 budget request.

Accompanying the increased emphasis on counterterrorism is a shift in regional focus towards Central Asia. While the overall request for FREEDOM Support Act countries is well below the appropriated FY 2003 level, the five Central Asian states are slotted for an increase of around \$14 million in FSA and exchanges funding. These are the front-line

states in the ongoing effort in Afghanistan, and expanded assistance there will bolster stability and attack the root causes of extremism: economic desperation, political frustration, social degradation, and isolation.

Our request for FY2004 funding to support regional security programs such as Foreign Military Financing, International Military Education and Training, and peacekeeping operations also increases significantly. Especially in light of Operation Iraqi Freedom, these programs are critical foreign policy tools to enhance interoperability, promote defense reforms, and enhance peacekeeping abilities.

Now let me briefly highlight the most significant features of the President's budget with respect to specific country requests. The declining SEED budget reflects continued stabilization in the region and a shift towards more regular assistance funding. This allows us to achieve savings for other high-priority foreign assistance needs, while maintaining our sharp focus on the transitional states of Southeastern Europe. The FY04 request maintains strong funding for Serbia and Montenegro, Kosovo, Bosnia and Albania. Graduation from SEED funding is planned for Croatia and Bulgaria in FY 2007, after final bilateral funding in fiscal year 2006, and we are currently looking at the possibility of setting a graduation date for Romania. All of these countries continue to make progress, and yet each faces severe economic and political challenges. We and other donors, particularly the EU, will have to stay engaged to make certain the region does not revert to the strife which characterized too much of the past decade. The emphasis of SEED programs in FY2004 will increasingly be in the area of civil security and rule of law, while we continue to work on promoting good governance and private sector-led economic growth.

Regarding the FREEDOM Support Act, I should first note that while we are requesting a significant reduction (\$179 million below the FY03 appropriated level), it is not as dramatic a drop as it seems. Due to a decision to shift exchange programs in both SEED and FSA countries from those accounts into the Educational and Cultural Exchanges (ECE) account, the FSA request is approximately \$90 million lower than it would have been otherwise; the SEED request is approximately \$10 million lower. The Department expects to fund these exchange programs -- which we consider to be a vital component of our effort to change attitudes and mindsets in these former Communist societies -- for European and Eurasian countries at the \$100 million level in FY 2004. I am working very closely with my colleague Patricia Harrison, Assistant Secretary for Educational and Cultural Affairs, to make sure we secure these funds for programs in Southeastern Europe and Eurasia and that coordination between SEED and FSA and ECA programs continues at a high level.

Even taking the shift of exchange programs into consideration, the FSA account is significantly reduced, with most of the reduction coming from Russia and Ukraine. This reduced request is first a reflection of difficult decisions that had to be made among a large number of foreign assistance priorities. Beyond that, it is recognition of the progress these countries have made -- particularly Russia -- toward market and democratic reform. We are currently developing a strategy to phase out FSA assistance to Russia

over the next several years. This strategy will seek to ensure a legacy of sustainable institutions in Russia that will continue support for democratic development and entrepreneurship. It should be stressed that assistance to address serious health threats, like HIV/AIDS, and to support civil society groups, including human rights monitors, may continue in Russia through other foreign assistance accounts even after the phase out of FSA assistance is completed. We want to implement this phase out carefully, without jeopardizing the gains of the past decade, and we would be happy to consult closely with the Committee as we proceed.

In general, FSA programs in FY 2004 will increasingly emphasize three themes:

1. Conflict prevention through community-level projects to improve living conditions in volatile regions;
2. Decentralization of power by strengthening NGOs, independent media, local governments, and where relevant, the judicial branch; and
3. Anti-corruption efforts by promoting rule of law and transparency and accountability in governance.

Authorities/Restrictions

Finally, Mr. Chairman, in your invitation letter for this hearing, you asked if I believed that additional legislative authorities or a modification of restrictions currently in place were necessary to help us achieve our assistance goals. Rather than getting into specific provisions at this time, allow me to make two general comments on this subject. I will be glad to follow up at a later time, working through our Bureau for Legislative Affairs.

First, many of our interests in Europe and Eurasia come together in our programs that work at borders – trying to stop harmful things from getting through, while also trying to facilitate helpful trade and commerce across them. A variety of anti-terrorism, security, law enforcement, and economic growth programs are all working on border-related issues. The authorities that govern these programs may be preventing productive interaction among them. For example, under our Export Control and Related Border Security assistance programs, we can provide equipment, training, or infrastructure assistance to help secure borders to prevent weapons trafficking; but to combat drug trafficking at the same border site, we would have to provide the equipment or training under our International Narcotics and Law Enforcement assistance program. In each case, we are trying to train the same customs, border guards and immigration officials, and often the equipment is identical, but it must be provided under different funding sources and authorities. We will be reviewing these authorities within the Administration to see how to make their interaction more productive.

Second, we believe that Congressionally-mandated reporting requirements are excessive; a reduction could actually enhance Executive-Legislative branch communication on important foreign policy issues. The Department spends a great deal of time and effort producing reports that spark little interest on the Hill or elsewhere and often have long outlived whatever usefulness they once had. We suggest that more frequent briefings and

other contacts between representatives of the State Department and Committee members and staff would be a more productive use of time, and result in more useful give and take. Again, the Bureau for European and Eurasian Affairs, together with our Legislative Affairs colleagues, would be glad to follow up on this issue with more detail.

In closing, Mr. Chairman, let me thank you and the other members of this Committee for your strong interest in our region, and for your renewed focus on foreign assistance. We look forward to more interaction between the Department and your Committee on these critical issues, and stand ready to work with you toward our common goal of advancing U.S. national interests in Europe and Eurasia.