

**Testimony of Assistant Secretary of State for European and Eurasian Affairs
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Thank you, Chairman Murphy, Ranking Member Johnson, and the distinguished members of the Senate Foreign Relations Committee. It is my honor to appear before you today to discuss the EU's upcoming Eastern Partnership Summit and highlight the opportunities and challenges we face in this part of Europe. While the six Eastern Partnership countries have responded in various ways to the EU's offer to integrate into Europe's common structures, the United States strongly supports the process as a key ingredient in our effort to cement a "Europe whole and free and at peace" – a shared policy goal of the United States and EU member states since the Berlin Wall fell almost 25 years ago.

At the November 28-29 Summit in Vilnius, EU Members will make decisions whether to sign an Association Agreement (AA) and a Deep and Comprehensive Free Trade Area Agreement (DCFTA) with Ukraine, and whether to initial these agreements with Moldova and Georgia. This is a historic moment for all three of these countries, and a key step toward their dream of one day being fully integrated into Europe. All three have worked hard to bring their judicial and law enforcement structures closer to EU standards and to prepare their political systems and economic and energy markets for greater integration with Europe. Ukraine has passed over eighteen pieces of implementing legislation harmonizing with EU standards to prepare for Vilnius. Georgia and Moldova have met the requirements for initialing their Association Agreements, completed their respective DCFTA negotiations and embarked on key judicial sector reforms. In each case, these reforms have required a national political consensus that these countries' futures lie with Europe.

The United States supports the sovereign right of these countries to choose their own future, and we welcome their closer relationship with the EU. We have been working in lock-step with our European Allies and partners to help Ukraine, Moldova and Georgia meet the tough conditions for a "yes" vote at Vilnius. We've also been aligning future U.S. assistance with that of the EU to ensure that these countries can continue on the politically difficult, but necessary, path of reform and economic adjustment, including after Vilnius. At the same time, we have been working with the EU and each candidate country to anticipate and prepare them for any negative reaction to their choice, whether it comes from

inside or outside their countries. I would note in this regard that any form of pressure to prevent sovereign states from pursuing greater integration with the EU, or any organization of their choosing, would contravene obligations under the OSCE Helsinki Principles and the Charter of Paris. The message we are sending in the neighborhood is that all countries benefit when their neighbors open their markets and become more stable and prosperous.

The breadth and depth of U.S. assistance to the Eastern Partnership countries over the past 25 years is well known to the Senate and to this Committee. You have been indispensable partners in shaping our policies and programs in support of a more democratic and prosperous Europe and Eurasia. From the Freedom Support Act to the Partnership for Peace, the members of this committee have been critical players in providing the support these nations have enjoyed from the United States. This committee has also participated in our dialogue with our EU partners on the importance of keeping the door open to the European and transatlantic aspirations and identities of these emerging and sometimes vulnerable states. We ask for your continued strong support.

In recent months, as Vilnius approaches, we have kicked our political, economic and technical assistance into high gear. The President gave vital political support to the Eastern Partnership project during the Baltic Summit in Washington in late August, and again when he met with his Nordic colleagues in Stockholm in September. The Vice President has discussed developments in Eastern Partnership countries repeatedly in his bilateral meetings with European leaders. Secretary Kerry underscored the strategic importance of the Eastern Partnership when he met with all the EU Foreign Ministers in Vilnius in August. At the annual Transatlantic Dinner in New York in September, Secretary Kerry again focused his comments on the Eastern Partnership, and urged his European counterparts to make bold decisions at Vilnius.

In the months since, our interagency team on Europe has worked with all parties to build consensus for the most forward leaning outcome in Vilnius. We've met with decision-makers in all the candidate countries to drive home the need to make tough choices and lock in real reforms before Vilnius and to show they are serious about their commitments. We've also been in and out of Brussels and key EU capitals on a weekly basis to coordinate our efforts, and fine-tune our assistance programs to ensure they are effectively coordinated with EU programs and supportive of the countries involved.

Now, let me turn to the prospects for each of the EaP countries, their challenges and our support.

Ukraine still needs to take three important reform steps to meet the EU's conditions for signature at Vilnius including: passage of legislation reforming its Prosecutor General's Office; passage of legislation reforming its parliamentary election code; and the release of jailed former Prime Minister Yuliya Tymoshenko for medical treatment. Since its independence in 1991, the American people have supported Ukraine's transition to democracy and a free market economy with over \$5 billion in assistance. In FY2013, our assistance topped \$100 million, and much of it went to help Ukraine meet European standards in law enforcement, electoral reform, business climate and the judicial sector, including key support for Ukraine's newly adopted Criminal Procedure Code. If Ukraine meets the EU's conditions and signs in Vilnius, it will be able to export its goods to the largest single market in the world, tariff-free, by early 2014. This should provide a great stimulus to an economy which has been in a difficult recession for over a year. In the past few months, Ukraine has come under pressure from Russia, including bans on chocolate, stoppage of refrigerated goods at the border, and reductions in other key imports. We are working with the EU on options to help Ukraine make difficult trade adjustments and weather the EU implementation period if Ukraine makes the political decisions necessary to sign its AA at Vilnius.

Moldova's initialing of an Association Agreement at the Vilnius Summit has already been approved by the EU, and it is poised to attain visa liberalization from the EU this spring and sign by September 2014. The United States has provided over \$1.1 billion in assistance since Moldova's independence in 1991, with approximately \$22 million in FY 2013 dedicated towards improving governance, combating corruption, increasing transparency and accountability, strengthening the rule of law and the NGO sector, reducing bureaucratic barriers to trade, and improving the business environment. The five-year, \$262 million dollar Millennium Challenge Compact with Moldova, launched in 2010, supports Moldova's economy by rehabilitating roads and irrigation systems, and providing technical assistance and access to finance to Moldovan farmers and agribusinesses. Many of these programs are directly aligned with the reforms needed for Moldova to initial the Association Agreement in November. Recent Russian actions against the import of Moldova's wine and other agricultural exports have a disproportionate impact on its small economy, and could potentially expand into other sectors as the country deepens its EU integration. We are exploring ways we can help mitigate vulnerabilities including by increasing Moldova's energy independence and promoting trade with the EU and the United States.

In 2012 and 2013, Georgia took important steps forward with truly competitive national elections, resulting in the first peaceful, democratic transfers of power since it regained independence; but considerable political and economic challenges remain, such as the unresolved conflicts in the two Russian-occupied regions of Georgia; protracted displacement of people; fragile democratic institutions, the need for further strengthening of the rule of law, and an economy that requires additional focus. In recent years, Georgia has received \$1 billion in post-conflict funds, a second Millennium Challenge Corporation (MCC) compact, and it is one of the largest annual U.S. bilateral assistance budgets in the region. The United States is concentrating efforts on democratic institution-building, and the use of innovation, both economic and technological, as a way to build institutional and human capacity that further strengthens Georgia's push towards Euro-Atlantic integration. We have also joined the EU and NATO in protesting new fences and physical barriers that Russian security forces have built along the Administrative Boundary Lines of the occupied territories in Georgia; this is inconsistent with Russia's international commitments and Georgia's sovereignty and territorial integrity within its internationally recognized borders. With U.S. assistance, Georgia has reoriented its trade towards Western markets and increased its energy efficiency and diversity, and we are working with the EU to strengthen Georgia's ability to resist external pressure.

On September 3, Armenian President Serzh Sargsian announced that Armenia would join the Eurasian Customs Union of Russia, Kazakhstan, and Belarus, which is incompatible with signing an Association Agreement and a DCFTA. However, both the EU and Armenia remain committed to pursuing a deeper relationship, and they are examining ways to continue this partnership. The United States will also continue broad engagement with Armenia on Euro-Atlantic integration, including in the economic sphere.

Azerbaijan is currently negotiating the contours of its own partnership track with the EU, and the United States continues to encourage Azerbaijan to build the democratic and economic institutions and conduct the reforms necessary for a deeper relationship with the Euro-Atlantic community. We recognize that a democratic, prosperous and secure Azerbaijan will benefit not only the Azerbaijani people but also its neighbors.

Belarus has not pursued any agreements within the Eastern Partnership and is a founding member of the Eurasian Customs Union with Russia and Kazakhstan. Nonetheless, we have worked closely with the EU to promote the

emergence of a democratic and prosperous society in Belarus that shares common values, norms and standards with the United States and Europe. The United States will continue to provide assistance that promotes the open expression of political views, supports civil society, and promotes media freedom.

Finally, in our discussions with Russia about the Eastern Partnership, we are encouraging Moscow to abide by its commitments in the OSCE and elsewhere regarding sovereign neighbors' rights to pursue any political and economic arrangements they choose. We have also encouraged Moscow to see the benefits of deeper integration between its neighbors' economies and the EU's 500 million consumers, as well as the significant prospects for economic reform and sustainable growth that integration will bring to these countries. For one thing, more prosperous neighbors will buy more Russian exports. Both the EU and the United States are interested in increasing trade with Russia, and we are open to further consultations on what might be possible.

The Eastern Partnership is, ultimately, about far more than a closer relationship between the EU and several countries in Eastern Europe and the Caucasus. It is also a step toward the longstanding vision of a more integrated economic space, stretching from Lisbon to Donetsk animated by market-oriented reforms, growing prosperity and deepening democracy. To this end, the EU and the United States are negotiating the Transatlantic Trade and Investment Partnership -- which promises to support growth, investment and jobs on both sides of the Atlantic as well as establish a high-standards, rules-based global trading regime. That broader vision of Europe's integrated economic space is becoming increasingly real and attractive and could ultimately encompass not only Europe, but the entire Transatlantic space. We and the EU believe that investing in the Eastern Partnership is thus in everyone's long-term interest.

I look forward to answering your questions.