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"The Future of Democracy in the Black Sea Area"

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Introduction

Mr. Chairman, Senators, I am delighted to be with you this afternoon to discuss the current state of democracy in the Black Sea region and the prospects for further democratic evolution there. While we address aspects of this important issue in one way or another literally every day at the State Department, occasions for reflecting comprehensively on the region in its entirety are rare. So I especially value the chance to share my thoughts with you today on where we are with U.S. policy towards the countries of the region and where we are headed. The topic is certainly timely, with this past Sunday's parliamentary elections in Moldova, and the memory of Ukraine's dramatic presidential contest still fresh.

Overview

The nine nations of the Black Sea region – Romania, Bulgaria, Turkey, Ukraine, Moldova, Georgia, Armenia, Azerbaijan, and Russia – are diverse and hard to characterize as a group. Geographical proximity and overlapping histories have created rivalry and friction as well as cooperation and alliance; centrifugal forces impelling countries outward compete with a strong pull towards greater regional integration. U.S. policy by necessity takes the specific characteristics of each country and its unique geopolitical situation into account and deals with each accordingly.

There are some broad commonalities: Black Sea states are all members of the Organization of Security and Cooperation in Europe (OSCE), and either members of NATO or NATO's Partnership for Peace. They belong, together with Greece, Albania, and Serbia-Montenegro, to the Organization for Black Sea Economic Cooperation (BSEC). Incidentally, we are now considering, in consultation with BSEC members, the possibility of U.S. participation as an observer at the BSEC.

Energy transport is one of the strongest links among the Black Sea nations. Energy pipelines; existing, (Caspian Pipeline Consortium, Blue Stream, Odesa-Brody), under construction, (Baku-Tblisi-Ceyhan) and planned (multiple Bosphorus bypass plans) crisscross the region and create

real opportunities for cooperation and the development of a regional dialogue. Coordination between energy exporting states and transit nations is needed to solve Bosphorus bottlenecks and develop efficient solutions to ensure that energy supplies reach the world market. The United States has consistently worked towards this goal through encouragement of multiple pipelines and export routes.

But with a closer look, the similarities among these countries start to break down: They vary in size from huge (Russia over 140 million people, next is Turkey with 70 + million) to rather small (Moldova some 4 million, Armenia 3 million). They are also at different stages of economic development. For example Turkey, Russia, Romania, Bulgaria fall firmly in the World Bank's middle income category, with annual GDP per capita well over two thousand dollars. Others, such as Moldova and the Caucasus countries, lag behind, with yearly income under one thousand dollars per person. Most of the countries belong to the World Trade Organization – Russia, Ukraine, and Azerbaijan are the exceptions. On the other end of the economic integration scale, Romania and Bulgaria are solid candidates for EU membership this decade; Turkey, already an OECD member, is likely to be next after them.

Geostrategic differences are also striking. Three countries: Turkey since the Cold War, and Romania and Bulgaria since last year - are NATO members; the others, former republics of the USSR, belong, however loosely, to the Commonwealth of Independent States (CIS). Four of these CIS states, Georgia, Ukraine, Azerbaijan, and Moldova, together with Uzbekistan, form GUUAM, an organization with projects on law enforcement cooperation and development of essential economic infrastructure. Last week (March 2) in Chisinau Presidents Saakashvili, Yushchenko, and Voronin jointly called for revitalizing GUUAM as Moldova assumes chairmanship next month.

Separatist conflicts impede nation-building and democratization in a number of the Black Sea region's countries, and the United States is actively engaged in solving those conflicts. Significant differences remain between Armenia and Azerbaijan over Nagorno-Karabakh, but Presidents Kocharian and Aliyev are committed to a peaceful resolution. We support the OSCE Minsk Group's efforts to advance towards a settlement there, and are encouraged by discussions over the last year towards a negotiated settlement. Transnistrian provocations caused the collapse of Moldovan political settlement talks last summer. Nevertheless we continue to work with Moldova and OSCE partners, to press Russia to work with us and the

international community to promote progress on settlement in Moldova. In Georgia, we support President Saakashvili's goal of reuniting the country, and encourage Georgia to resolve the conflicts in South Ossetia and Abkhazia in a peaceful manner. We also continue to insist that Russia fulfill its remaining Istanbul commitments on the withdrawal of its forces from Moldova and on reaching agreement with Georgia on the duration and status of Russia forces there. Throughout these protracted conflicts, the United States has been consistent in supporting the territorial integrity of Azerbaijan, Moldova, and Georgia, as well as of the Russian Federation with respect to the Chechen separatist movement.

These facts provide a context for the discussion of these countries' different levels of democratic development as well. Freedom House, in its 2005 comparative ranking of the world's countries, found two of the Black Sea states (Romania, Bulgaria) meet its standards for "Free" countries, another two (Russia, Azerbaijan) fall so far short of those standards that they rated "Not Free." The other five fall in between; Freedom House categorizes them as "Partly Free. Our Human Rights Report for 2004, just released to Congress on February 28, while it does not use such specific categories, also reflects the divergence Freedom House found in the democracy and human rights records of these countries.

I'd like to consider democracy and democratization in each of these countries, and what the U.S. Government is doing to improve the record.

Romania

In December 2004, Romania underwent a democratic transition, with the candidate representing an alliance of opposition parties winning a very close presidential runoff election. Civil society organizations (including some that received U.S. assistance) played a strong role as election monitors, in advocating an "issue-based" political campaign, and in pressing for non-biased media coverage of the campaign. President Basescu is scheduled to meet with President Bush on March 9. The leaders of the former government, including the former President and Prime Minister, now serve in Romania's parliament.

Romania believes its location on the Black Sea, its membership in NATO (since May 2004), and its prospective membership in the EU (projected for January 2007) leave it well-placed to provide a bridge to Europe for the countries of the Caucasus. In particular, the Romanians believe they can serve as a model for these democratizing countries. To this end, Romania has been active in the Community of Democracies initiative, and recently organized an international mission to Georgia of NGO and

other experts to discuss media freedom, judicial reform, and other democracy issues.

Romania also sees opportunities to reach out to its Black Sea neighbors on economic and security issues. Romania is the host country for the Southeast Europe Cooperative Initiative (SECI), and is involved in outreach efforts to Black Sea littoral and regional states on cooperative law enforcement initiatives, including customs and border security initiatives, anti-narcotics and trafficking-in-persons initiatives. The United States has provided assistance for these regional, cooperative efforts. We continue to press the Government of Romania to promote media freedom, and combat corruption.

Bulgaria

Bulgaria's sixth national elections since 1990 are scheduled for June 2005 with a wide, but moderate, political spectrum expected to participate. Elections since 1990 have met acceptable standards and reflect the will of the Bulgarian people. Over the last 15 years Bulgaria has established a fully functioning, free-market democracy, marked by strong public support for full Euro-Atlantic integration. Bulgaria entered NATO in March 2004, and is scheduled to sign an EU accession agreement in April 2005 leading to full membership in 2007. Aside from supporting Euro-Atlantic integration, U.S.

Government efforts to ensure stable democratic focus on strengthening local governments, civil society and a free press.

Bulgaria is a natural route for trafficking in narcotics, contraband and persons. Like many countries in the region, Bulgaria suffers from substantial organized crime and corruption that threatens democratic development and successful Euro-Atlantic integration. Reform of the weak judicial system is a pressing need, as is greater transparency in public procurement and privatizations.

Bilateral law enforcement cooperation with the United States has expanded significantly over the past two years; the Embassy now hosts the U.S. Secret Service, and the Federal Bureau of Investigation plans to open an office in early FY 2005. The U.S. Government has assisted in legal reforms, including legislation to combat trafficking in persons, witness protection, anti-money laundering and regulation of public procurement. An important USAID legacy mechanism is the National Institute of Justice (NIJ), which opened last year and is already one of the leading institutions in Eastern Europe for training magistrates. Ambassador Pardew is vocal about the need for the Bulgarian government to face these challenges; just this week the Ambassador publicly expressed support for a declaration by 14

NGOs calling for all political forces to commit themselves to judicial reform.

On the border between NATO/EU countries and Eurasia, Bulgaria sees itself playing a significant role in the region. Bulgaria considers democratic reform and development of market economies and free trade in the region, and good neighborly relations with countries to its east, as important to its own national interest, placing a priority on the development of NATO's role in the regional security system.

Turkey

Turkey, a staunch NATO ally, is a functioning secular democracy with a constitutional government. In an effort to meet the requirements for EU membership, the Government carried out extensive democratic legal reforms during this past year. For example in September 2003 Parliament adopted a new Penal Code, and in May 2004 adopted a new package of constitutional amendments. These reforms were designed to crack down on torture and “honor killings,” and expand freedom of religion and association.

Turkey has made rapid progress in meeting the EU political criteria laid out during the Copenhagen Summit in 2002, and on December 17, 2004 the EU decided that accession talks with Turkey would start in October this year. The European Union's historic decision to start accession talks for

Turkey is a major success not only for the Turkish people, but for Europe as well.

Nonetheless, some problems remain. We continue to press Turkey to resolve Greek Orthodox Church property issues and open the Greek Orthodox Halki Seminary. Alevis, a heterodox offshoot of Shi'a Islam, is concerned with discrimination by the majority Sunni population and Sunni-run Religious Affairs Directorate, and Kurdish rights within general civil rights remain a sensitive issue.

The United States supports Turkey's efforts to implement the reforms instituted in order to gain accession to the European Union. We continue to urge full respect for human rights, including freedom of speech and the press, freedom of religion, as well as rule of law.

Ukraine

In one of the most significant events of 2004, an event marking a victory for democracy, the Ukrainian people succeeded in overturning a fraudulent presidential election and achieving a final outcome that reflected the will of the voters. Ukraine's democratic institutions demonstrated surprising strength in the face of persistent attempts by elements within the previous government and among oligarchic clans to subvert democratic processes. When confronted with allegations of widespread fraud, the

judicial system ultimately acted in an independent manner, and the legislative branch behaved responsibly in helping to broker a political solution to the crisis. Many journalists at state- and oligarch-owned media enterprises stopped taking instructions from the Presidential Administration and started to report news accurately and objectively. NGOs and civil society organizations took the lead in organizing peaceful demonstrations in support of a democratic outcome.

It is not true, as some have said, that the U.S. funded or otherwise supported any candidate or party in the election. However, over a decade of U.S. assistance for a democratic process was a contributing factor to the positive outcome. Over a period of many months, the U.S. and our European allies repeatedly advised Ukrainian authorities, publicly and privately, that we were watching the election closely and considered it a test of Ukraine's commitment to democracy. The United States funded local civil society groups to conduct voter education and get-out-the-vote campaigns. We supported the work of independent media to improve coverage of campaign issues. We provided nonpartisan training to political parties and leaders, trained election officials and observers, and more. Our election-related assistance to Ukraine was approximately \$18 million. Of particular note, the U.S. funded what we believe was an unprecedented election-observer effort,

domestic and international, which turned out to be critical in spotlighting electoral fraud, particularly in the November 21 second round.

As Yushchenko and his team turn to the task of governing, they face a great many challenges. The “Orange Revolution” spurred a reaction in eastern and southern Ukraine, where some officials began speaking of federation, autonomy, and even secession and independence. This would be disastrous for Ukraine and for the region. Fortunately, then-President Kuchma summoned these governors and ordered them to cease and desist. Nevertheless, there is disaffection in Russian-speaking parts of Ukraine which Yushchenko needs to address. He also has his work cut out for him in combating endemic corruption, reforming the economy, consolidating democratic reforms and promoting human rights. Managing relations with Russia will also be critical. We look forward to President Yushchenko’s visit to the United States early next month.

Moldova

Moldova’s campaign period in advance of the March 6 parliamentary elections has been blemished with irregularities, such as media access issues, harassment of opposition, and misuse of administrative resources. However, international criticism, including the Department’s engagement and a Sense of the Senate resolution, prior to election day positively encouraged the

Moldovan Government to take corrective measures. The United States has provided some \$1.7 million for election related assistance in the past year to support development of the Moldovan electoral administration and legal framework, independent media, civic involvement, nonpartisan political party training, and election monitoring. Again, our focus is on a free and fair electoral process, not on any particular party or candidate. The results of Sunday's election show to what extent the Moldovan leadership's late corrective measures to make the campaign more fair allowed OSCE/ODIHR to assess the elections as generally meeting international standards. (Note: Oral testimony will update the Subcommittee on the results of the March 6 elections.)

Moldova's foreign policy priority is to integrate with the European Union, as manifested by its recent conclusion of an EU Action Plan. We support Moldova's efforts towards this goal, and we would hope that its participation in the GUUAM regional group could be deepened even further after Moldova assumes the rotating presidency later this spring.

The repressive Transnistrian separatists are an impediment to regional stability and democracy. We are therefore actively looking for ways to resolve the Transnistria conflict in a manner that would strengthen Moldova's territorial integrity and also be supported by its people and have

international credibility. We believe enhanced international participation could give new impetus to the stalled negotiation process, and are consulting with our EU, OSCE, Ukrainian, and Russian partners as to the most effective way forward. Equally important, Moldova, the United States, and our NATO allies continue to press Russia to fulfill its commitments made at the 1999 OSCE Summit in Istanbul to complete the withdrawal of its military forces from Moldova.

Georgia

The Rose Revolution of 2003 demonstrated that Georgians desire fair elections and good governance, and are capable of holding their government accountable. Since the Rose Revolution, Georgia has made significant internal reforms to fight official corruption, consolidate bureaucracy and increase revenue collection in order to provide better services to its own citizens.

Progress in Georgia is hampered by ongoing separatist conflicts in South Ossetia and Abkhazia; the international community should stand firm to encourage Georgia to resolve these conflicts peacefully. Internal reform will strengthen the economy and create incentives for the separatist regions to integrate into Georgia.

Georgia clearly aspires to join the Euro-Atlantic institutions; the United States welcomes the EU's Wider Europe program in the South Caucasus and encourages Europe to work closely with Georgia and its neighbors in support of civil society, human rights, and democratic development. We also continue to support talks between Georgia and Russia on the 1999 Istanbul commitments to reach agreement on the status and duration of remaining Russian bases in Georgia.

Armenia

Armenia has made significant economic and social progress since its independence; however, the flawed presidential and parliamentary elections of 2003 demonstrate that it has some way to go to strengthen its democratic institutions and ensure an equitable balance of powers between the executive, legislative and judicial branches. Armenia needs to take steps to improve its poor human rights record. The United States is providing extensive assistance to strengthen the National Assembly, the judiciary and local government institutions in Armenia.

Further reform is hampered by Armenia's relatively isolated position and the ongoing Nagorno-Karabakh conflict, which has been an enormous drain on the government's resources for over ten years.

We welcome Armenia's attempt to work within the BSEC to expand its economic and other ties to the region, including with Turkey.

Azerbaijan

The flawed presidential elections of 2003 demonstrate that Azerbaijan has far to go to strengthen its democratic institutions and ensure an equitable balance of powers between the executive, legislative and judicial branches.

We are focusing on assistance programs and diplomacy on improving election procedures and strengthening Azerbaijan's democratic institutions as parliamentary elections approach this fall. These elections will be an important test of Azerbaijan's progress toward democratization. Azerbaijan also needs to take steps to improve its poor human rights record.

Azerbaijan's economic progress in the next year will depend on its ability to direct oil funds toward non-oil sector development.

Political and economic reform is hampered by the ongoing Nagorno-Karabakh conflict, as in Armenia, an enormous drain on the government's resources for over ten years.

Azerbaijan continues to offer extensive and invaluable support to the United States for the Global War on Terror, including but not limited to blanket overflight rights, the use of Azerbaijan military bases, information sharing, and law enforcement cooperation.

We welcome Azerbaijan's attempt to work within the BSEC to expand its economic and other ties to the region.

Russia

Russia is experiencing an erosion of its democratic institutions and processes. Especially over the past two years, checks and balances among the branches of government have weakened. The Duma offers no meaningful counterweight to the executive, national television networks are under state control, and democratic values have yet to be inculcated in Russia's political culture. At the same time, there has been little resistance to this situation within Russia. While the electoral process was flawed, President Putin was re-elected last year with a solid majority. Independent polling indicates that as living standards improve and the threat of terrorism increases, a majority of the population continues to favor order and stability above all else. The Russian Government's efforts to centralize control have taken advantage of this popular sentiment, further postponing the development of democratic, accountable governance.

Despite some indications that the situation in Chechnya has improved, basic security is lacking as terrorists and insurgents continue to battle pro-Moscow Chechens and federal forces, and human rights violations continue with impunity. A flawed presidential election in August 2004 did not

advance a political solution to the conflict. Terrorist attacks at Beslan and elsewhere pose a threat to the region. Conflict appears to be spreading across the North Caucasus, due to a combination of terrorist activities, religious extremism, criminality, and the weakness of state structures in the region. As the situation on the ground allows, we will look for opportunities to provide development assistance to people in the North Caucasus.

Russia and the United States have shared interests in stability and economic development in the Black Sea region but differ over how these goals should be interpreted and pursued.

We both want to fight weapons trafficking, narcotics trafficking, organized crime, money laundering, and terrorist organizations in the Black Sea region. To achieve this goal, the U.S. wants to encourage regional stability. Russia shares the U.S. desire for stability, but appears to interpret stability in a fundamentally different way. Russia has been critical of the programs the EU is pursuing under its Neighborhood Policy to create a string of well-governed states on the EU's border and that in the Black Sea region, which explicitly includes Georgia and Ukraine.

Russia defines stability as preservation of the status quo, with regimes it knows well. Russian support for separatists in other countries appears to be means in part of maintaining levers of influence in Moldova and Georgia.

For the same reason, Russia has been slow to close its remaining bases in Georgia and remove its troops from Transnistria.

U.S. and Russian goals overlap more closely on the practical matter of shutting down transshipment and smuggling routes on the Black Sea. The U.S. supports and encourages Russia's participation in the Black Sea Force, its cooperation with coast guards of littoral states, and its participation in Operation Active Endeavor.

Russian and U.S. views also overlap on the issue of Russia's Black Sea Fleet as an important element in regional security. The U.S. encourages continued Russian-Ukrainian cooperation that will allow Russia to lease port facilities at Sevastopol at least through the current agreement's end in 2017.

The U.S. and Russia have a shared interest in economic development and trade, in particular as concerns projects to bring Russian and Caspian Basin oil and gas to European and world markets. We hope President Putin's December 2004 visit to Turkey and President Erdogan's visit to Russia the following month will help advance such cooperation. At the same time, conflicts over the direction of the Odesa-Brody pipeline and other projects demonstrate that tensions exist over questions of whose oil and gas will get to market over whose territory.

Moscow continues to react strongly over a possible U.S. military role in the region. This can be seen particularly in the pressure that Russia has placed on Georgia to agree to a “no foreign bases” clause in a Georgia Russia Framework Treaty, and it can be seen also in Russia’s displeasure over the U.S. Georgia Train and Equip Program (GTEP) and Sustainment and Stability Operations Program (SSOP) to train Georgian forces. We have made clear to Moscow at very senior levels that we have no plans for establishing U.S. bases in Georgia. Russia’s concerns are likely to increase as Ukraine moves closer to NATO.

We are also urging Russia to stop obstructing an Organization of Security Cooperation in Europe (OSCE) border monitoring operation along the Chechnya portion of the Russian-Georgian border. We believe this monitoring operation has played an important role in deterring the possible movement of international terrorists and Chechen fighters between Russia and Georgia.

Assistance

Finally a word on U.S. assistance programs to the region. U.S. Government assistance targets enhancing regional cooperation and development as well as to support reform bilaterally. Our support for the GUUAM organization is enabling these countries to cooperate in law

enforcement and harmonize their trade and transportation regimes. The Southeast European Cooperative Initiative (SECI), which includes Bulgaria, Romania, and Moldova (in addition to other countries that are not “Black Sea states”), serves as a regional assistance model for GUUAM projects. Since 2000, SECI has promoted cross-border cooperation in Southeast Europe in the fight against organized crime, as well as reform and harmonization of customs services to promote economic development and facilitate trade.

Democracy assistance is key to our broader bilateral assistance programs in this region that, with the exception of Turkey, are funded through the Support for East European Democracy (SEED) and FREEDOM Support Acts. Under these accounts we will be providing approximately \$126 million in FY 2005 to support civil society, access to information, pluralistic political processes, local governance and rule of law in these countries.

Political changes in Georgia and Ukraine in the past year reflect a desire by these countries – and their people - to establish themselves as democratic market economies. Our assistance continues to support their efforts to combat corruption and integrate them into the world economy, including the Black Sea region.

I welcome your comments and questions.
