

WRITTEN STATEMENT
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HOUSE FOREIGN AFFAIRS COMMITTEE
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the Middle East”*
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Mr. Chairman, Ranking Member Ackerman, distinguished Members of the
Committee:

Thank you for inviting me to testify today regarding our priorities in the Middle East and our budget request for Fiscal Year (FY) 2013. The region has seen profound changes in a very short time, witnessing events that seemed unimaginable just over a year ago. These changes have reshaped the region and reshaped how we are approaching the region—there is no going back. People demand dignity, basic democratic rights, access to economic opportunity and an end to rampant corruption. Governments old and new must recognize and respond to the legitimate aspirations of their people if they want to retain their legitimacy to rule. With core U.S. interests in the region at stake, including among others countering the proliferation of nuclear weapons, combating the risk of radicalization, and safe-guarding Israel’s security, President Obama outlined the elevation of the priority of advancing reform in the Middle East and North Africa in his speech at the State Department on May 19, 2011. The Bureau of Near Eastern Affairs has accordingly re-conceptualized its strategic approach with the region’s new realities in mind. It is our policy to promote political and economic reform in countries across the region to better answer the legitimate aspirations of their people, to support transitions to democracy, and, through it all, to bolster the security of our partners and the regional stability that is key to the overall growth and progress of the region and the advancement of our shared interests.

In FY 2013, the Department will further capitalize on the opportunities and respond to the imperative provided by the region’s democratic transitions, working with new partners to build a more stable, peaceful, democratic, and prosperous Middle East and North Africa (MENA). In doing so, as we have over the last 16 months, we will draw on close relationships with our interagency colleagues to address the significant challenges in the region. Our coordinated implementation will be essential as we work to help shape the momentous shifts that will reverberate for years to come.

Expanding Political and Economic Reform

We face new realities in Egypt, Tunisia, Libya, and elsewhere. It is too early to predict what kinds of political systems might emerge in those countries, or how long these transitions will take. We also cannot say for certain how other governments in the region may develop, given that virtually every country in the MENA is affected by those citizen-driven movements. We know that parties rooted in religious faiths will play larger roles. We do not yet know what the U.S. relationship will be over the long term with emerging governments, parliaments, and civil society in these countries. We do know, however, that it will be vital that the United States establish and maintain the types of partnerships that help us protect and promote our interests and that give us the ability to help shape and influence outcomes. This requires patience, creativity, and flexibility in an ever-evolving environment.

We recognize that all democracies require certain basics in order to succeed. In any part of the world, democratic players have an obligation to reject political violence and lay down their arms. They acquire power through transparent, competitive, and inclusive processes, and establish transparent, predictable, and accountable public governance under the rule of law, with equal access for all, and regular mechanisms for the transfer of power. They actively engage citizens, the private sector, and civil society in public decision-making, including through upholding the rights of citizens to organize, assemble, speak, and access information through independent media and internet freedom. And they must respect and protect fundamental human rights for all citizens, regardless of religion, ethnicity, or gender. These are the demands of civil societies in the region and the standards we will use to judge which political actors are credible, and which are not. We reinforce this message at all points of our engagements in and outside the region.

Second, we recognize a strong role for inclusive economic growth in supporting regional stability and the success of political transitions now underway, and an urgent need for expanding economic opportunity to meet the demands of the region's burgeoning youth demographic. Trade and investment remain crucial motors for economic development and job growth, contributing to internal development and political advancement as well as overall regional stability and enhancing prospects for regional peace. Increased trade will expand markets for U.S. exporters of goods and services, and enhance on-going reform efforts and engagement with international norms. We must support equitable, transparent, and predictable access to economic resources and opportunity, and prevent the capture of public institutions, resources, and markets by narrow private interests through corruption, monopolization, and other activities destructive of the common good. No real change will occur without a new

growth model, a rule-based framework, a much bigger role of the private sector, and a more inclusive economy, hinging on competition rather than only on connections.

Thus, in FY 2013, one of the US Government's and Bureau's top priorities will be to continue promoting political and economic reforms across the region, ensuring that our assistance and our diplomatic engagement support political and economic outcomes along dimensions that matter to citizens in the region: transparent government institutions that better respond to the needs of citizens and ensure access for all; jobs and economic growth; and a strong voice in the political process and decision-making of their countries.

As the processes underway in the region's societies are manifold and complex, we promote positive changes and reforms through diverse means that press on and offer support to governments to make progress, and that strengthen civil societies' ability to voice their demands and engage in shaping their countries' futures. We must appreciate that the coming period of transition will bring a period of uncertainty and challenges and that building productive partnerships with new governments and newly empowered citizens will require that we deploy the full range of our tools and a commitment to sustained engagement. We cannot expect to secure lasting, positive partnerships with stronger, more stable and democratic states in the region without investing now, and sticking with it.

The Bureau will bring to bear a number of bilateral and regional mechanisms to promote reform. A key regional mechanism for the Bureau will be the U.S. Middle East Partnership Initiative (MEPI) which will work throughout the region to act flexibly and effectively in providing assistance to democracy and civil society advocates striving for change. MEPI programming will continue to place an emphasis on working directly with indigenous activists and organizations, providing them with tools to be effective in advancing reforms. MEPI's work complements the new efforts to promote reform through the MENA-Incentive Fund and provides the Bureau with the ability to respond quickly and effectively to opportunities in the region, anticipated and unanticipated.

Over the past year, we have mobilized over \$500 million from the State and USAID budget to support the transitions in the region and lay foundations for sustained progress. As we look to the critical year ahead, we seek to secure the tools and resources we need to pivot toward a sustained posture that promotes political and economic foundations for democracy, and engages new forces shaping countries and governments in the region. If we fail to engage, we risk reinforcing public cynicism and losing influence in a region critical to U.S. interests. If we succeed, we have a

very real opportunity to generate lasting stability, security, and prosperity that serve vital U.S. strategic interests.

I would like to highlight our ongoing efforts along these lines in a few of the region's countries, and explain how we see our efforts expanding and solidifying the early progress that has already been made.

Tunisia

As the first country to undergo upheaval and revolution last year, Tunisia and the success or failure of its democratic transition will send a strong signal to the rest of the region. We will continue to strongly support the Tunisian people as they lay the foundation for a future of economic prosperity that empowers youth and educates them for the future, strengthens civil society, protects the human rights of all Tunisians, women and men, and solidifies the foundations of democracy.

Since January 2011, we have committed over \$297 million to Tunisia in support of the country's transition. In the aftermath of Ben Ali's ouster, MEPI rapidly mobilized assistance, responding to immediate political needs of the democratic transition. MEPI quickly realigned its budget to fund programming that trained poll workers; helped build political party capacity; assisted civil society and the media to monitor and publicize election preparations; increased women's participation in the political process; and launched job placement and entrepreneurship programs for youth throughout Tunisia. Recent MEPI projects have resulted in an increased number of youth interested in promoting reform and holding their local governments accountable. MEPI also supports youth who serve as domestic election observers, encouraging them to be fully engaged citizens.

While Tunisia has charted impressive political progress, the government's ability to meet post-revolution socio-economic growth targets is strained by lost remittances, diminished production, and plummeting tourism and exports. We are thus providing a \$100 million cash transfer (included in the \$297 million above) to give short-term fiscal relief to the Government of Tunisia, so that it can invest in key Tunisian development priorities, including accelerating economic growth and job creation. The cash transfer and the policy-reform benchmarks attached to it speak to the interconnectivity of economic growth, good governance, and expanded opportunity illustrated by the Tunisian revolution, and for which we seek to provide continued assistance. Treasury, USAID, and other partners have also been working to bring critical tools to bear – including the loan guarantee authority Congress provided in the

FY 2012 appropriations – to relieve Tunisia’s fiscal pressures and create opportunities for long-term political and economic success.

Egypt

We have arrived at a crucial moment in Egypt’s transition. Over the next two months, Egypt is scheduled to elect a president, swear in a new Cabinet, devolve power from military to civilian leadership, and continue drafting its constitution. It is in our interest to help Egypt emerge from this critical phase successfully. We are looking to build a strong relationship with the next Egyptian government in order to engage them effectively on the entire range of our interests, including promoting respect for human rights, preserving the Peace Treaty with Israel, and building the kind of broad and deep relationship that will ensure that Egypt is a force for regional stability and peace long into the future. We continue to call on the Egyptian government to drop all charges against the employees of non-governmental organizations (NGOs), and want to work with the incoming democratically-elected Egyptian government to protect all basic freedoms, particularly the freedom of association, through a revised NGO law that meets international standards.

We are deeply concerned about the fact that Egypt’s government faces a projected financing gap of approximately \$11 billion over the next 18 months. The prospect of a severe economic crisis represents a major risk to Egypt’s transition, with the potential for serious negative consequences for the entire region. Indeed, our ability to pursue many of our goals in Egypt -- including encouraging reform, protection of universal rights, and support for civil society -- and elsewhere in the region depends on a stable economic situation and avoiding a crisis. We are working to build support in Egypt for an IMF loan of \$3.2 billion, which could help mitigate such a fiscal crisis. But, while the IMF’s support would be central to an international approach to help Egypt’s economic stabilization, it will not be enough by itself to help Egypt close its financing gap. Other donors will be needed. The IMF Board is looking for commitments to a robust package of multilateral and bilateral support to follow on its program.

Syria

This Administration continues to believe that a political solution offers Syria the best hope for preserving its territorial integrity, forestalling a full-fledged civil war, and achieving an orderly, stable, and comprehensive political transition. We also believe that an authentically democratic and Syrian-led transition cannot take place without Asad’s forfeiture of power. To that end, we have placed enormous and growing

diplomatic and economic pressure on the Asad regime and have persuaded others to do so, while also supporting the civilian opposition with training and non-lethal equipment to facilitate its efforts to organize, network, and communicate internally and internationally. We are advancing efforts aimed at promoting accountability for the regime's actions, particularly by assisting and training Syrians and partner organizations in documenting the human rights violations and abuses in preparation for prosecution or other accountability or transitional justice processes. This is in addition to nearly \$33 million in much-needed humanitarian assistance that we have provided.

We joined the Syrian opposition and the international community in welcoming Kofi Annan's six-point plan because we viewed it as a process through which the regime might be forced to end the bloodshed and Syrians would finally be able to stand up and be heard without fear of being killed. But we were never optimistic that the regime would honor its promises, and unfortunately, the killing has continued. In light of this, and as U.S. Ambassador to the United Nations Susan Rice has said, we will work to ensure there are consequences if the Syrian regime continues to ignore the U.N. Security Council's decisions and continues its murderous assaults on the population. Those perpetrating atrocities must be held accountable.

Prolonged violence in Syria risks destabilizing others in the region, particularly Syria's neighbors that are hosting displaced Syrians. Jordan, already facing significant economic challenges, is under added strain due to the costs of accommodating displaced Syrians entering the country, on top of the negative impact of instability on tourism, trade, and other sectors. The Jordanian government has requested additional economic assistance from the international community to cover shortfalls stemming from recent instability. At the same time, Jordanians have joined populations elsewhere in the region in calling for social and political reform from their government, and we have been encouraged by Jordan's progress along these lines. In this sense, the horrific oppression and violence we have seen in Syria not only threatens Syrians - it threatens to impede progress in other countries. In order to mitigate this risk, we are working closely with the Jordanian government to help prioritize its needs and identify possible sources of bilateral and multilateral assistance.

Looking ahead: The MENA-Incentive Fund

The Arab Spring is an unprecedented opportunity whose stakes are incredibly high – for the region and for us. Over the next few years, there will likely continue to be political upheavals with pivotal consequences for U.S. relations and our regional strategy. In the longer term, the region badly needs to enact and sustain political and

economic reforms to tackle the challenges that have always been embedded in their postcolonial governance structures.

Events over the last year and a half have opened new avenues for these reforms to move forward and address longstanding flashpoints that would otherwise continue to feed instability. If transitions fail and reforms do not consolidate and take root, the destabilizing consequences could be grave. We need to seize the opportunity – to secure our interests, to reinforce stability through democratic practices in the region, and to forge new relationships with the peoples of the region. To do so, we need new tools that support long-term reform and that enable us to respond swiftly to new developments and ensure that disillusionment does not set in. That is why we have requested a \$770 million Middle East and North Africa Incentive Fund (MENA-IF).

We need to be able to create dynamics – and incentives – that promote the right kind of choices by leaders in the region over the longer term. From my discussions with counterparts in transitioning countries, there is no doubt in my mind that there is a strong desire to work with us to implement reform. We've designed the MENA-IF to be responsive to those country-led reform movements, with resources that we can deploy in response to credible reform agendas that are validated by citizens in partner countries and experts and stakeholders in the U.S. Partners will be accountable for meeting public and transparent reform benchmarks, with disbursement of funds tied to progress. It will incentivize meaningful and sustainable political and economic reforms by tying assistance levels to progress.

We will work with governments to develop reform plans and identify projects that create inclusive, market-based economic growth and build effective, democratic governance and vibrant civil societies. We expect project proposals to support democratic governance and human rights, to promote security and justice sector reform, to strengthen regional trade and investment architecture, and to promote private sector job growth. We would rely upon the funds in the MENA-IF to support discrete projects or activities that complement and support the host governments' own actions, focusing our efforts where particular U.S. experience and expertise is needed. We've requested a longer period of availability (five years) than typical assistance funds, allowing the U.S. to commit to longer-term support and to disburse resources as progress is made. The fund also carries additional legal authorities that will allow us to tailor our assistance tools to circumstances and enhance incentives by responding to needs identified by partner countries.

We may also use a portion of the funds to provide immediate stabilization support to countries in transition, as we did this year with Tunisia, Egypt, and Libya.

Finally, recognizing the critical role of civil society in both creating demand for reform and holding governments responsible for it, the fund includes resources to support civil society's role in identifying necessary reforms and providing accountability for implementation. MEPI, with its long history of indigenous civil society support, will play an essential role in this effort.

We could not have predicted the fast-moving changes in the Middle East and North Africa over the past sixteen months, and we've done our best to reallocate significant existing resources to meet these new needs. It will be equally challenging to predict how the region will look come the beginning of FY 2013. That is why we need this account funded at this level to provide us the flexibility to promptly address the possible paths that the region could take as it evolves over the coming years.

Middle East Peace

The region's dramatic changes present both risks and opportunities, and we understand Israel is concerned about the implications these changes may have on its security. As the President has made clear, our commitment to Israel's security is ironclad. The United States and Israel are working together at an unprecedented level of policy coordination to ensure we understand each other's perspectives and concerns, and fully support each other as we consider the implications of change in the region. My colleagues throughout the U.S. government and I are working to ensure that security assistance and arms sales to the Middle East are appropriate, and we remain absolutely committed to maintaining Israel's ability to defend itself and its Qualitative Military Edge (QME).

We also continue to recognize that the best way to guarantee Israel's long-term security is through a comprehensive peace among all parties that settles all claims. For that reason, we remain committed to realizing a comprehensive peace in the Middle East that includes a secure Israel side-by-side with a viable Palestinian state. The United States continues to support a future Palestinian state that is democratic, capable of providing law and order, economically prosperous, a responsible neighbor to Israel, and a source of stability and moderation in the region. An effective Palestinian Authority (PA) government that remains committed to the Quartet's foundational principles for peace, including the recognition of Israel, renunciation of violence, and respect of previous agreements, is a vital component of any peace agreement.

The continued reform and development of Palestinian economic and governmental institutions, as well as the continued professionalization of the security forces, are essential for the viability of a future democratic Palestinian state that would

live in peace and security with Israel. Budget support to the Palestinian Authority (PA) is among the most direct and immediate means of helping the PA build the foundations of a viable, peaceful future Palestinian state. That is why we have requested \$150 million in direct budget support in FY 2013. Additionally, the \$70 million in Palestinian Authority Security Forces (PASF) assistance for 2013 and beyond is intended to provide the PA with the ability to maintain their security forces and infrastructure. Our work in this area has been essential to the creation of professional and reliable PASF that both Palestinians and Israelis can trust, and that has had a very positive effect on the security situation in the West Bank. The ability to maintain security and fight terrorism is a fundamental building block for peace and an essential element for a future negotiated settlement, benefiting Israelis and Palestinians alike.

Countering Threats and Advancing Civilian Security

Our commitment to the security, stability, and prosperity of our allies remains strong. Consistent with our reform priority, we will remind our allies that effective and credible reform is an essential path toward a more stable and secure region, and we will support them as they make headway. We will counter threats to regional security by continuing our close cooperation with allies on military and security matters. Our FMF and IMET programs support this goal with a view toward instilling professionalism within the military ranks as well as interoperability between U.S. forces and its allies. More professional militaries are less likely to block necessary political reform efforts. We will also support the stability and prosperity of our allies by encouraging regional economic reform, integration, and growth beyond the hydrocarbon sector. Advancing entrepreneurship, the development of small and medium-sized enterprises, and the participation of women and youth in the formal economy can help address the long-term structural problems of unemployment and lack of economic opportunity that contribute to regional insecurity.

Terrorism remains a threat to U.S. interests and citizens across the region. We will continue our robust counterterrorism efforts, partnering with our allies to counter threats posed by terrorist groups operating in the region. The Trans-Sahara Counter Terrorism Partnership remains an effective, regional approach to counter Al Qaeda in the Maghreb. Our assistance to the Lebanese Armed Forces (LAF), including the \$75 million FMF request (part of the \$167 million total Lebanon bilateral request), helps Lebanon's legitimate security institutions protect Lebanon's stability. Support to the LAF undermines Hezbollah's false claims that it is defending Lebanon, when, in fact, Hezbollah cynically puts Lebanon at risk.

Finally, bringing political stability to Yemen is critical in the fight against Al Qaeda in the Arabian Peninsula (AQAP). Last year's political crisis allowed AQAP to seize territory in southern Yemen, attract new recruits, and expand its presence. We will continue to provide security and counterterrorism support to combat the common threat of violent extremism, but we must also continue to deliver robust humanitarian and economic aid to help counter the long-term drivers of instability. I cannot overstate this important link, because our approach to Yemen is truly comprehensive. The Yemeni people have already taken important steps on the path to unity, stability, and security, but, initiating a political transition is an important beginning. We remain focused on supporting a peaceful political transition in Yemen and we will continue to stand by President Hadi and the Yemeni people as they take steps to realize a more secure, prosperous, and democratic future. The total Yemen FY 2013 bilateral request is \$76.7 million.

Generally, our support for legitimate governments is the best means of countering violent extremism. The peaceful transitions in Tunisia and Egypt fundamentally undermine the extremist message that violence is the only path for political change. Providing an opportunity for an alternative, non-violent path to genuine political transition de-legitimizes extremist groups and reduces their appeal.

Our Maturing Relationship with Iraq

For close to a decade, the relationship between Iraq and the United States was defined primarily in security terms. Yet, during this time, we were laying the groundwork for the next phase of this relationship – an enduring strategic partnership that encompasses a broad range of mutual interests. We are moving forward guided by the U.S.- Iraq Strategic Framework Agreement, the agreement signed in November of 2008 that codifies our civilian cooperation.

U.S. foreign assistance aims to build the capacity of the Iraqi government and civil society institutions to improve governance and transparency, bolster Iraq's private sector, and diminish the causes of sectarian and ethnic violence. We will provide humanitarian assistance to displaced Iraqis and minorities, improve policing with our Police Development Program, and help strengthen Iraq's ability to defend against security threats. In order to ensure Iraqi buy-in and long-term sustainability, the State Department continues to implement our policy of requiring matching investment by the Iraqi government.

We planned conservatively in preparing for the biggest military to civilian transition since the Marshall Plan in a context of significant uncertainties – foremost,

security. This required planning for a large, complex and self-sufficient diplomatic platform to manage any and all security scenarios. It also meant engaging a large number of contracting staff to support our diplomatic missions throughout the country. Fiscal year 2013 will be the first full fiscal year during which the State Department is responsible for many support functions that were once performed by the U.S. military, including transportation and life support. We planned all along, however, to transition our operations to a more traditional model as conditions permitted, reducing contractors, hiring more Iraqis, and consolidating operations.

While challenges clearly remain, Iraq and the United States share an elemental goal: a united, self-reliant, democratic, and prosperous Iraq, well-integrated in the region, with a government that serves the needs of its people.

Holding Iran Accountable

Iran must come forward and demonstrate to the world that its nuclear program is for exclusively peaceful purposes. Iran's return to the negotiating table is a first step in what we hope is a sustained process of serious dialogue with Tehran that could lead to a diplomatic solution to the Iranian nuclear issue. Iran must comply fully with its international nuclear obligations, including suspension of uranium enrichment as required by multiple UN Security Council resolutions and full cooperation with the IAEA in its investigation into Iran's nuclear program, including its possible military dimensions. We will maintain pressure through sanctions and we will work with our allies in the region to maintain security in the face of threats from Iran.

We will also continue to strongly advocate for upholding the human rights of Iranian citizens. The Administration has made it clear that the U.S. government strongly supports rights that are universal to all human beings, including the right to speak freely, the right to assemble without fear, and the right to the equal administration of justice. The United States condemns the Iranian government's continued brutal repression of nearly all elements of civil society through the use of unwarranted arrests, prolonged detentions, and violence against its citizens. We further remain concerned about the Iranian government's attempts to draw an "Electronic Curtain" around its citizens to prevent the free flow of information in and out of Iran.

The Bureau will continue to help build Iran's civil society, nourishing outlets that enable the free flow of communication— on the Internet, in journalism, and in the arts. Iran programs support initiatives that preserve and expand political space for Iranians to discuss good governance and justice; improve the Iranian public's ability to

hold the state accountable; and promote respect for human rights and the rule of law. Our funding promotes freedom of expression, the strengthening of civil society capacity and advocacy, as well as increased awareness of – and respect for – human rights, the rule of law, good governance, and political competition. These initiatives will be implemented through traditional development methods as well as harnessing of new technologies.

The Bureau is expanding its ability to engage with Iranians and monitor the political, economic, and human rights conditions within Iran. Our Iran Watchers at posts generate invaluable information about trends within Iran and represent a growing cadre of diplomats with expertise on Iran. The Bureau will continue to expand and refine the Iran Watcher program to facilitate closer monitoring of Iranian issues throughout the region.

We have also significantly boosted our ability to reach out directly to the Iranian people through social media and our Persian language spokesperson, who has conducted over 50 interviews on television and radio programs broadcast into Iran. In December 2011, we launched the Virtual Embassy Tehran, which has so far received over two million hits despite Iranian government blocking. Our Persian language outreach via Twitter, Facebook, YouTube and Google+ allows us to have regular conversations on U.S. policy with as many as 65,000 Iranians.

Enhancing Infrastructure to Effectively Support Robust Engagement

Events in the region highlight the need for us to have a well-resourced and flexible infrastructure platform. We have authorized five ordered departures over the course of the Arab Spring, highlighting the challenging environment in which our diplomats work. We need an up-to-date, secure infrastructure that will allow us to conduct our diplomacy. We will also need sufficient human resources to enable us to increase bilateral and regional engagement and public outreach towards goals of peace and stability, provide adequate management in support of expanded interagency programs promoting these goals, and create the domestic capability to rapidly respond to field needs. Broader engagement demands greater capacity.

Our FY 2013 foreign assistance request reflects the support we need to address the emerging priorities of the region and protect our core interests, with an appreciation for these tight fiscal times. I would like to thank the subcommittee again for holding this hearing, and I look forward to answering your questions.
