

**Testimony of Deputy Assistant Secretary James D. Pettit
Ambassador-Designate to the Republic of Moldova
July 15, 2014
Senate Foreign Relations Committee**

Chairman Murphy, Ranking Member Johnson and Members of the Committee, it is an honor and a privilege to appear before you today as the President's nominee to be Ambassador to the Republic of Moldova. I deeply appreciate the confidence and trust that President Obama and Secretary Kerry have placed in me. If confirmed, I look forward to working closely with Congress to promote U.S. interests in Moldova. Today represents an important point in a journey over the last three decades that has taken me to numerous parts of the former Soviet Union at various critical junctures. If confirmed, I hope to continue that journey and play my own small role in seeking a happy and successful outcome for the people of the Republic of Moldova. I am accompanied today by my wife, Nancy, who has witnessed the many changes in the region along with me and whose own insights and wisdom continue to help me on the way.

Over the last year, relations with Moldova strengthened significantly, with Secretary Kerry visiting Moldova in December 2013 and Prime Minister Leanca visiting the White House in March this year in part to launch our bilateral Strategic Dialogue and to reaffirm U.S. engagement in and support for Moldova's independence and European future. Continuing to strengthen our engagement is key to promoting security not just in Moldova but also in neighboring Ukraine and the region. If confirmed, I will build upon this progress while seeking to fulfill our chief strategic objective; for Moldova to become a fully democratic, economically prosperous state firmly anchored to Europe within its internationally recognized borders and with an effective and accountable government. With your permission, I would like to take a moment to touch upon core aspects of this objective - European integration, democratic development, market development, and security.

First: European Integration

We believe European integration is the best road for Moldova's security and prosperity. Over the last year, Moldova has made significant strides towards this goal. On April 28, the EU lifted its visa regime for Moldova, allowing Moldovan citizens with biometric passports to visit the Schengen region for up to 90 days without a visa. Within the last two months alone, 78,000

Moldovans traveled to Europe visa free. On June 27, the Moldovan government signed an Association Agreement that includes provisions for establishing a Deep and Comprehensive Free Trade Area, which will bring Moldova closer to the EU politically, as well as benefit the country economically by eliminating import duties on Moldovan products going to the EU – it is expected to boost Moldova’s GDP by 5.4 percent. U.S. assistance has helped Moldova progress towards its European integration goal through programs that enhance government transparency, accountability, and responsiveness to citizen interests, as well as improve the business climate. This year the United States will provide over \$31 million in assistance to Moldova to continue supporting these and other objectives. If confirmed, I will work closely with the Moldovan government and in coordination with Moldova’s European partners to support Moldova’s efforts as it continues down its European path.

Second: Democratic Development

2014 is an election year for Moldova with Parliamentary elections scheduled for late November. While the country has made great strides since independence, challenges remain to consolidate its democracy and recent EU-oriented gains. Corruption continues to be the primary vulnerability plaguing Moldova’s democracy, particularly its justice sector. Besides hampering government effectiveness and rule of law, corruption has led to high voter disillusionment with the current governing coalition and could harm Moldova’s continued European integration aspirations. To its credit, Moldova’s Ministry of Justice initiated a justice sector reform strategy to modernize Moldova’s legal system and meet European standards. The impact of this strategy can already be seen in the adoption of several pieces of new legislation, including anti-corruption laws targeting judges and other public officials. U.S. efforts are focused on supporting this strategy by improving judicial administration, increasing the skills of judges and prosecutors, and supporting civil society advocacy. The other key component of our assistance program in this sector focuses on enabling local government to improve services for its citizens, as polling shows that locally elected officials are the most respected institutions in Moldova. Much work remains to be done. If confirmed, I will continue to press the Moldovan government to implement these reforms and others necessary to fulfill the desires of Moldovan citizens for an accountable and corruption free government.

Third: Market Development

Moldova remains Europe's poorest country with an approximate average salary of \$290 a month. Around 22 percent of Moldova's \$7.2 billion GDP comes from remittances sent from approximately 700,000 Moldovans working abroad, equal to one-fifth of the country's population – the bulk of whom work in Russia. While Moldova exceeded international expectations and saw its GDP grow by 8.9 percent in 2013, further growth is in question due to lack of transparent, substantial legal safeguards for business and pervasive corruption, which deters foreign investments. The United States seeks to strengthen Moldova's economy by promoting regulatory reform, as well as increasing the competitiveness of core export industries, such as wine and fashion, enabling them to take advantage of the opportunities created through closer economic ties with Europe. In addition, through the five-year \$262 million Millennium Challenge Corporation compact that will close in September 2015, the United States is rebuilding a 93 kilometer road that will serve as a modern transportation corridor in Northern Moldova, and is rehabilitating irrigation systems, which will help strengthen the transition to higher value agricultural products. If confirmed, I will continue to advance these programs, as well as work with the Moldovan government to take further steps to buffer its economy against Russian pressure.

Fourth: Security

Moldova's primary security challenge is its unresolved conflict with Russian-backed separatists in the Transnistria region. Closely related to this is the presence of Russian military forces in this same region, without Moldova's consent. Although there has been no armed conflict between the government of Moldova and its separatist region in two decades, Russia insists its peacekeeping presence must remain until there is a resolution to this "frozen conflict." The 5+2 negotiations on a political settlement involve not only the parties to the conflict, but also Russia, Ukraine, and the Organization for Security and Cooperation in Europe (OSCE) as mediators, and the United States and EU as observers. The talks have stalled due in part to Russian and the separatists' unwillingness to engage in a political dialogue on the region's final status. Of continuing concern are media reports of increased Russian military activity in Transnistria, reports which remain unconfirmed in part due to the ongoing restrictions by Transnistrian authorities of access to the region by observers from the OSCE's Mission to Moldova. If confirmed, I will support OSCE efforts to find a peaceful

resolution to this frozen conflict that guarantees Moldova's sovereignty and territorial integrity, while providing for a mutually acceptable special status for its Transnistria region. I will also work to ensure that the OSCE has unfettered access to all of Moldova, including its Transnistria region.

Although Russia continues to be an important partner in the ongoing 5+2 process and plays a large role in Moldova's economic and trade activity, Russia's efforts to derail Moldova's European integration aspirations and its refusal to withdraw its troops from Transnistria pose significant threats to the country's sovereignty, security, stability, and prosperity. Since September 2013, Russia has used a number of political and economic levers against Moldova, including banning the import of Moldovan wine, increasing scrutiny of Moldova's agricultural exports, and threatening to cut off Moldova's gas supply as well as to deport up to 265,000 of Moldova's migrant workers. In addition, Russian interests control much of Moldova's financial sector and its assets. Combined with the constant stream of anti-EU rhetoric from Russian television, a major source of news for Moldovan citizens, Russia's actions threaten Moldova's sovereignty, economic well-being and its European path. If confirmed, I will continue my predecessor's efforts to mitigate the negative effects of Russian pressure, help Moldova find new markets for its exports, increase government to government coordination through the Strategic Dialogue, help the Moldovan government secure its borders by completing the \$35 million Defense Threat Reduction Agency program that is building up the capacity of Moldova's border guards, and assist the Moldovan government's efforts to counteract Russia's negative propaganda campaign.

While Moldova has come closer to its goal of European integration, its government still has much work to be done. If confirmed, I look forward to helping the Moldovan government realize its citizens' European aspirations. At the same time, I will support any reasonable effort Moldova wishes to make in order to maintain trade and other relations with neighbors outside the EU on the basis of mutual respect and common interests, not on the basis of threats or political and economic pressure. This will contribute immeasurably to our long-standing objective of a Europe whole, free, and at peace.

I thank you again for the opportunity to share my thoughts about the relationship with Moldova. If confirmed, I look forward to working closely with you and this committee.