

Statement of Dr. Judy Shelton
Nominee for U.S. Executive Director, European Bank for Reconstruction and Development
United States Senate Committee on Foreign Relations
March 1, 2018

Mr. Chairman, Ranking Member Murphy, distinguished Members of the Committee:

I am grateful for the opportunity to appear before you today. I am honored that President Trump has nominated me to serve as the U.S. Executive Director for the European Bank for Reconstruction and Development.

Please let me take this opportunity to acknowledge the support of my husband of 40 years, Gilbert Shelton. I'm thankful that our son, Gibb, is also here today. And I'd like to recognize my mother in California, Janette Potter, who is watching along with my sisters and brothers.

More than three decades ago, in the mid-1980s, I was doing postdoctoral research at Stanford University after having been appointed a National Fellow by the Hoover Institution. I found myself examining Soviet economic and financial statistics that purportedly reflected the robust condition of our nation's formidable nuclear adversary. I found it odd that the Soviet government would go to such pains to present itself as economically self-sufficient—even as its new leader, Mikhail Gorbachev, was aggressively seeking loans from the West.

What started out as a scholarly treatise evaluating the impact of Western capital on the Soviet economy turned into a hard-hitting policy book published in January 1989 with the rather startling title: *The Coming Soviet Crash*. It had become apparent during the course of my research that the USSR was going bankrupt.

That development had significant implications for the national security of the United States and the overarching defense strategy of the West. Urgent plans for what would become the European Bank for Reconstruction and Development were converted into reality by April 1991 to meet the challenge of an extraordinary moment—the collapse of communism in Central and Eastern Europe and the dawning of a new post-Cold War era.

From the start, the charter of the EBRD has embraced the unique mandate that only countries that are committed to democratic development are eligible to receive financing assistance. The emphasis has been on empowering the private sector to move recipient countries toward market-oriented economies and to promote entrepreneurial initiative.

And while those guiding principles have proven to be key success factors for transitioning nations, they are still met with grim resistance where authoritarian tendencies are entrenched. The expansion of bank operations into Mongolia, Turkey, Egypt, Lebanon and other countries beyond its original region poses additional opportunities as well as potential tests.

The United States has always been, and remains, the bank's largest shareholder. My objective, if confirmed, would be to ensure that the EBRD focuses on high-quality infrastructure projects that promote economic growth. At the same time, I would work with our allies to maintain high standards in the cause of freedom by demanding that countries achieve genuine progress toward democratic ideals—because a nation can go bankrupt in ways other than just in the financial sense.

As a member of the Board of Directors of the National Endowment for Democracy, I served as the designated Board expert on Russia, Ukraine, and Belarus for nine years, from 2005 to 2014. From that perspective, I witnessed the dangers of backsliding on fundamental civil liberties and human rights. I came to deeply appreciate the importance of democratic institutions to guarantee fundamental freedoms and uphold rule of law. When the bipartisan NED Board elected me Chairman last year, I was honored and humbled.

Recognizing that political and economic freedom should advance hand-in-hand would seem to be a powerful prerequisite for vigorously representing America's viewpoint at multilateral development and financial institutions. Democracy and free enterprise share the same moral underpinning.

In short, given my background in analyzing the strategic implications of global financial developments and my strong commitment to democracy, I cannot imagine a more stimulating challenge or more meaningful responsibility than to take on the role of safeguarding our nation's vital interests and deeply-rooted values at the EBRD—should you deem me worthy of serving as U.S. Executive Director.

Chairman Johnson, Senator Murphy, and Members of the Committee, thank you for considering my nomination. I would be most pleased to respond to your questions.