

**Chairman Wicker and Co-Chairman Smith, Distinguished Members of the Committee, Senate and the House of Representatives,**

Good morning. My name is Andrew Wilson, and I serve as the Managing Director of CIPE, the Center for International Private Enterprise.

I wish to begin by thanking Bob Hand of the Helsinki Commission for his leadership on this important initiative, and welcoming the participants and attendees of this timely briefing.

Over the past decade, there has been an increase in the flow of funds from a number of non-democratic countries into emerging democracies. While in many cases, this might represent wholly legitimate investment, in other cases, there are signs that governments have specifically sought to direct this capital, to achieve purposes other than purely economic.

At CIPE, we define this issue as “corrosive capital” – equity, debt, and aid that both takes advantage of, and exacerbates weak governance in emerging democracies, to the detriment of their democratic and market development, as well as to influence their geopolitical orientation. Corrosive capital can distort policymakers’ incentives and decision-making, privileging the political influence of foreign governments over local citizens’ voices.

CIPE welcomes the partnership with the Helsinki Commission, and the opportunity to present today these knowledgeable panelists, who will be speaking on how to respond to this challenge in the Balkans in particular.

As we know, in the Balkans, despite the passage of nearly two decades since the end of armed conflict, democratic transitions remain woefully incomplete. Against

that backdrop, in recent years, external actors have reasserted their role, diverting the Balkans from a trajectory of Euro-Atlantic integration. As the panelists will explain, corrosive capital has emerged as a key element of that approach, posing a major challenge for governments, business communities, and civil society across the region.

In response, in 2017, CIPE embarked on a unique project, pioneering a new, comprehensive methodology to analyze:

- first, how what we call “governance gaps” – such as loopholes in anti-corruption policies, non-transparent procurement practices, and a lack of strong competition policies – create in the Balkans opportunities for the inflow of corrosive capital; and
- second, how that capital widens those governance gaps and potentially undermines the consolidation of democracy in the region.

A network CIPE partners, represented by the panelists today – from Bulgaria, Montenegro, Serbia, Macedonia, and Bosnia and Herzegovina – have identified specific governance gaps, and in particular, have examined the extent and impact of Russia’s economic footprint in the region.

We recognize that in recent years, the countries of the Balkans have made important progress, but as the panelists will discuss, judicial and executive institutions are still not sufficiently independent, efficient, or accountable; implementation and enforcement of legislation is often weak and inconsistent; and further efforts are needed to tackle corruption, and to make public budgeting, procurement and privatization more transparent.

We are honored that the Helsinki Commission has invited CIPE's partners here to inform a U.S. audience about these issues, just as they are raising public awareness in their own countries. In addition, working with local business and civil society leaders, they are seeking to create greater transparency about foreign investment in the Balkans, and to advocate with policymakers to close identified governance gaps. By so doing, they aim to ensure that local business can compete on an equal footing, and that all investors enjoy a level playing field.

This, in turn, will make markets and democracies in the Balkans more resilient to potential untoward external influence, and help ensure inclusive economic growth. This effort can contribute to democratizing economic opportunity in the Balkans, and countering the worrying spread of a perception in the region that democracy and markets have failed average citizens. We note that the European Commission plans to adopt a new strategy to boost democratic transition and economic reforms in the region.

By tackling the challenge of corrosive capital in the Balkans, CIPE is also developing tools and approaches that can benefit other emerging democracies worldwide, including across Asia, Latin America, and Africa. We look forward to future opportunities to share the results of that work with you as well.

Finally, I would like to close by thanking the National Endowment for Democracy for its support of the CIPE program that engages with today's panelists. Of course, such projects are, in turn, made possible thanks to the critical commitment of the U.S. Congress to funding the NED. Thank you.