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House Committee on Foreign Affairs
“Examining the President’s FY 2018 Budget Proposal for Europe and Eurasia
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Chairman Rohrabacher, Ranking Member Meeks, and members of the Subcommittee, thank you for the opportunity to testify today on the President’s FY 2018 budget request for Europe and Eurasia. I deeply appreciate your interest, commitment, and strong bipartisan support for our region and the work we are doing there to protect our national security interests.

Over the last year, through our diplomatic engagement and foreign assistance, the United States has stood with our allies and partners in the region in facing a number of challenges, including Russian aggression, terrorist attacks, and the migration crisis. Fundamentally, there has been increasing pressure to abandon the path towards Euro-Atlantic integration. We have had some notable accomplishments that advance our belief that every country has a right to chart its own future.

- We continued our staunch support for the principle that borders cannot be changed by force. Our goal is to restore the territorial integrity of Ukraine. As we pushed for full implementation of the Minsk agreements and maintained Euro-Atlantic unity in support of sanctions on Russia for its ongoing aggression in eastern Ukraine and occupation and attempted annexation of Crimea, U.S. foreign assistance helped stabilize the macroeconomic situation in Ukraine and jump-started key reforms in the financial, energy, and justice sectors, including the launch of an entirely new patrol police organization, comprehensive measures to reduce corruption, and increased capacity of the Ukrainian Armed Forces.
- Supported by the European Reassurance Initiative (ERI), the United States led NATO to move forward with the most significant reinforcement of NATO collective defense at any time since the Cold War. This endeavor included the establishment of a rotational enhanced Forward Presence (eFP)—consisting of four battalion-sized multinational battle groups—in the Baltics and in Poland, where the United States is a Framework Nation; an increased NATO land, air, and sea presence in the Black Sea region; and, steps to improve national and collective resilience against cyber-attacks and hybrid warfare.
- Montenegro’s NATO accession shows the effect of U.S. engagement in the face of Russian pressure, disinformation campaigns, and malign influence activities. NATO membership also underscores the country’s progress towards full integration into Euro-Atlantic institutions. Montenegro’s commitment to this process is seen in its stepped-up efforts to fight corruption, including in several cases involving defendants with links to governing officials.
- U.S. foreign assistance helped countries across the region become more economically resilient. In Georgia, for example, improvements in the production and export of hazelnuts directly support the livelihood of vulnerable communities near the Russian-

occupied territories of Abkhazia and South Ossetia. And, in Moldova, exports to the European Union (EU) grew by 11 percent between 2015-2017, reinforcing Moldova's European choice and that country's implementation of the Deep and Comprehensive Free Trade Area agreement with the EU that Moldova signed in June 2014.

Yet 25 years since the passage of the Freedom Support Act, which aimed to foster democratic transition and economic growth of the independent states of the former Soviet Union, we recognize that our goal of achieving a Europe "whole, free and at peace" is not yet complete and that the ongoing struggle of people to live in peaceful, safe, democratic, independent, and free societies will continue to require our long-term commitment to achieve sustainable success.

The President's FY 2018 foreign assistance request of **\$451 million for Europe and Eurasia** supports the President's priority of enhancing the safety and security of the American people, which includes advancing our vision of a Europe that is whole, free, and at peace. With these resources, we will continue to build on our successes by concentrating on our most mission-critical objectives and needs—those areas where we can be most effective and exercise the greatest influence to ensure security and prosperity for the American people. Let me address each of these objectives and needs that we have prioritized for FY 2018.

Our FY 2018 Budget Request prioritizes those programs aimed at **countering Russia's malign influence across the region**, including Russian efforts to influence political outcomes, introduce false and distorted public narratives, roll back economic reforms, and undermine European energy security – all to the detriment of U.S. national security and Allied interests.

The effects of Russian pressure continue to be greatest in the frontline states of Ukraine, Georgia, and Moldova, where Russia continues to undermine the international order and to violate the sovereignty and territorial integrity of its neighbors, as well as to conduct disinformation campaigns and malign influence activities intended to weaken democratic institutions and transatlantic unity. The Administration's FY 2018 Request dedicates **\$258 million in foreign assistance resources, 57 percent of the total for the entire Europe and Eurasia region, to support these three key countries.**

Building on the \$3 billion in sovereign loan guarantees and over \$1.3 billion in foreign assistance provided since 2014, U.S. assistance to Ukraine in FY 2018 will center on Ukrainians' long-sought goal of achieving a corruption-free Ukraine; on critical decentralization initiatives that will help local governments better manage resources; and on economic reforms that will make doing business in Ukraine easier, creating opportunities for U.S. firms and investors. We will also continue to support the OSCE's Special Monitoring Mission, our best source of reporting and information on the security situation in Ukraine's east as we work to bring peace, relieve suffering, and restore Ukrainian control over all its sovereign territory.

In Georgia and Moldova, our assistance will continue work to solidify democratic progress, further develop economic and financial institutions to ensure a reliable business environment, and create resilient states that can better resist negative external pressures.

U.S. assistance programs will also seek to counter Russian influence throughout the region, including by:

- promoting independent, professional media;
- supporting civil society;
- catalyzing anti-corruption efforts;
- facilitating trade and improved investment climates;
- bolstering energy security through regulatory reform;
- leveraging multinational support for critical infrastructure needs;
- supporting energy diversification;
- highlighting Russian projects that would undermine European energy security and hurt Ukraine, such as Nord Stream II and a multi-line Turkish Stream;
- and opening new markets for U.S. investment.

The President's FY 2018 Request also continues vital U.S. support for our partners and allies in the region, as they enhance their capabilities to defend their borders. Congressional support for the U.S. contribution to NATO's enhanced Forward Presence (eFP) in the Baltics and Poland has had a multiplier effect. Eighteen Allies have joined the United States in offering significant contributions to this deterrence effort. Notably, the President's FY 2018 \$4.8 billion ERI request for DoD includes \$150 million to help build Ukraine's capacity to defend its sovereignty and territorial integrity, and to support its efforts to transform its military institutions. We will also look to take advantage of the \$200 million in Foreign Military Financing (FMF) loan subsidy budget authority requested globally by the Administration, as well as working in close partnership with DoD, to help meet our partners additional security needs.

Even as we focus efforts to address Russian malign influence throughout the region, we remain convinced that supporting these countries' Euro-Atlantic aspirations remains the best remedy to addressing vulnerabilities to external pressures. To this end, our FY 2018 Budget Request prioritizes **maintaining support for stability and deepening democracy in the Balkans, with \$88.1 million, or 20 percent of the overall Europe and Eurasia request.**

A stable and prosperous Balkan region is an enduring U.S. national interest and fundamental to our broader foreign policy goals. Lacking common European structures and institutions, these countries have vulnerabilities malign actors can exploit, including corruption and weak rule of law; entrenched transnational organized crime; over-dependence on Russian energy; and increasing Russian media investments. For these reasons, we are working to build regional resilience through our positive support of the region's NATO and EU integration goals.

Through longstanding foreign assistance programs, we are working with partners to neutralize corruption – the currency of Russian influence in the Balkans and a serious threat to democratic systems. We are increasing transparency and accountability in governments and business environments, and encouraging civil society and independent media to lead the charge for reforms and to root out corrupt actors. Exposing corruption through investigative journalism has become a key mechanism for ensuring the stability and legitimacy of democracies throughout the region. Our assistance supports two successful programs in the region that facilitate

investigative journalist networking and trains local partners on fact-checking; public records analysis; and personal, digital, and legal security.

In addition to the challenges posed by Russian malign influence, Europe also faces a significant **terrorist threat from ISIS, foreign terrorist fighters (FTFs) returning home to Europe, and homegrown violent extremists**. Although our broader campaign against ISIS, which includes alignment of resources and diplomatic efforts to counter the global challenge of radicalization, has shown results on the battlefield and in Europe, where the number of FTFs travelling to Iraq and Syria has significantly dropped, the United States is now preparing to deal with the challenge returning FTF's may pose to Europe's security. To address some of these challenges, especially in the Balkans, the Administration's FY 2018 Request includes **\$15 million to help countries develop and implement strategies to counter violent extremism**, through action plans and initiatives that will prevent ISIS networks or other extremist groups from emerging in Europe. Our assistance will also support programs that work against efforts by ISIS and other extremist groups to recruit and radicalize individuals in vulnerable communities and will continue to build on the programs we have started in the Balkans, where Bosnia and Herzegovina and Kosovo have populations at particular risk of ISIS radicalization, recruitment, facilitation and plotting. This effort would not be possible without the Counterterrorism Partnership Fund Congress has generously provided in FY 2016 and FY 2017, and we are deeply appreciative of that support. We are already starting to see results. For example, Kosovo has reached its highest level of investigations, prosecutions, and convictions of FTFs in the region. This is due in part to the long-term commitment of U.S. assistance and support for law enforcement and justice sector reforms.

In sum, these priorities reflect difficult choices, but as you know, a tight budget climate is not a new development. Over the last few years, we have targeted resources to assistance programs that have proven successful in getting countries in the region to resolve conflict, implement reforms, fight corruption, and build stable and prosperous societies. All these goals are directly in the interest of the United States. We will continue to build on this foundation.

We are also pursuing greater cooperation with our partners and allies in Europe to leverage resources and capabilities. A small but successful example is the Europe and Eurasia Bureau's Emerging Donor Challenge Program (EDCP), which builds partnerships with European countries that had once been beneficiaries of U.S. assistance and that now are both providing funds to and sharing their experience with their neighbors still on the road toward full integration with the Euro-Atlantic community. Through the five rounds of the EDCP that have already taken place, the partner countries in the program have more than matched the United States' contribution to over 60 assistance projects on rule of law, civil society, media, good governance, anti-corruption, and economic growth in the Western Balkan, Eurasia, and Central Asia.

As Secretary Tillerson has testified, ensuring the security and prosperity of the American people and advancing our values requires difficult budgetary decisions. Nevertheless, the United States plays a key leadership role in the region, and we are not disengaging. We will make the best use of all the tools at our disposal to ensure the security and prosperity of the United States and to maintain our leadership in the world while keeping faith with the American people who have entrusted us to put the tremendous resources of this great country to the best use possible.