

PRESIDENT TRUMP'S FOREIGN AFFAIRS BUDGET: IMPLICATIONS FOR THE MIDDLE EAST

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Hart Senate Office Building, SH-216
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PANELIST REMARKS

Andrew Miller: Today I am going to talk about this budget request and what it means for foreign assistance to the region. The House subcommittee's markup came out this week, which was unfortunately too late for inclusion in our report. I will mention some of the figures in the markup, but will leave it to Tom to provide a more in-depth take of the House's proposed funding levels.

Now, I'm going to present six key findings from this year's budget report:

1. For the second consecutive year, the Trump administration's budget request constitutes a sharp cut from last year's appropriation, and Congress will likely resoundingly reject the request once again. This year's budget request is slightly more than last year's, with the FY19 request for the Middle East comprising \$41.8 billion compared to last year's request of \$41.2 billion. As I previously mentioned, Congress has been pretty blunt in rejecting the budget. The HACFO markup is roughly similar to last year's, but in some ways, this low request is more revealing than last year. The fact that the administration still made this request despite the fact that it was clear that Congress would reject the request says a lot about the administration's perspective of the world, and foreign assistance in particular. Moreover, the administration was operating in a more favorable budget environment this year, with the passage of the Bipartisan Budget Act, which listed caps on defense and non-defense spending. If the administration had chosen to do so, they could have used this additional space to provide more support for the State Department and USAID, but they decided to take the same approach as before.
2. The MENA region on the aggregate level seems to make out relatively well with this budget request. The total amount requested for all programs is actually six percent higher than last year. However, this increase is

entirely driven by increases in two accounts that are mandated by diplomatic agreements: Israel and Jordan. For Israel we recently negotiated a memorandum of understanding (MOU), and I was part of those negotiations, that ensured that Israel would receive \$38 billion in assistance over the next 10 years, and the President's budget reflects that with \$3.3 billion requested for Israel, which is a \$200 million increase. For Jordan, last year Secretary Tillerson signed a memorandum of understanding that ensured Jordan would receive at least \$1.275 annually for the next five years. This bump is reflected in the \$275 million increase in requested bilateral assistance to Jordan. If you add those two increases, that totals \$475 million. So if you take out the increases in assistance to Israel and Jordan, the budget request actually represents a 3.1% decline in assistance to the region, and if you take out Egypt, the request equals a 6% decline, showing that this budget request is not actually an increase in funding to the region writ large. This may not be the dramatic decrease that you might expect given the administration's aversion to nation building, but it is still a decrease.

3. This budget reflects the increasing securitization of aid to the region while ignoring governance and democracy. 77% of the funds requested by the administration for FY19 go towards security assistance, which in aggregate terms is a 2% increase over the FY18 budget request. The FY19 request for Governing Justly and Democratically (GJD) funds represents a 5% cut as compared the FY18 budget request, which was itself a massive 30% cut from the FY17 request by the Obama administration. By comparison, in this year's request, only 4% of all assistance is directed towards GJD funding, while during the Obama years the average request included 6% funding for GJD. You can absolutely argue that 6% wasn't enough, but it is still 50% more than this request, which is undeniably significant.
4. The administration has initiated a number of bilateral reviews over assistance. For Syria, we had \$200 million that was suspended for restabilization efforts. It was impossible to know which accounts were suspended because it was unclear which accounts the money was being pulled from. And for an extended period, Syria funding came to a halt. Yesterday, it was announced that \$6.3 million would be released for the White Helmets, but this is just a small fraction of the total funding that has been suspended. There is also a freeze on funding for West Bank and Gaza, including the money for UNRWA, while a review is being conducted. Based on our conversations with U.S. officials, for all intents and purposes, all of the aid to West Bank and Gaza has been frozen. During Secretary Pompeo's budget hearing, he revealed that funding for the Lebanese Armed Forces (LAF) is also under review. Administration officials hope that there may be a decision sometime this summer, but what we're hearing it that a number of implementers have received orders to shut down the accounts under review if the funding doesn't start coming soon.
5. The administration remains unwilling to downsize Egypt's obsolete assistance package, but it does seem willing to use it as leverage in the relationship with Egypt. The FY19 request is identical to the FY18 request – it is \$1.3 billion for FMF and \$75 million for ESF. The key is the 1.3 billion in military assistance, which has been constant since the late 80's. And the fact that the administration continues to request that level, regardless of



developments in the bilateral relationship, is revealing. However, last summer Secretary Tillerson announced that he was reprogramming about \$100 million in assistance for Egypt to other countries and that he was putting on hold another \$195 million in FMF pending Egyptian progress on three issues: the 2013 NGO trial in which 43 defendants and 17 Americans were convicted for conspiring against Egypt and illegal receipt of foreign funding, a repeal or revision of a new NGO law in 2017 that would substantially reduce the ability of NGOs to operate freely within Egypt, and, three, something related to North Korea and concerns with Egypt's ongoing diplomatic, military, and economic relationship with that country. So far, administration officials tell us there has not been enough progress to justify the release of that funding, but we do have a new Secretary of State. And it's not clear that he shares the same priorities as Secretary Tillerson. So it remains to be seen whether that funding will soon be released even though we have not seen much progress on the conditions. One thing to watch here, for the past few years, the Senate marked up the military assistance to Egypt at 1 billion dollars, which is a \$300 million reduction. The House in all those years, and this year, is seeking 1.3 billion dollars. So it'll be interesting to see how this plays out and whether there will be an adjustment to that figure, which seems almost sacrosanct after thirty years.

6. Once again, the Trump administration is seeking a major cut to their aid package even though Congress preserved robust assistance levels to the country in their FY18 appropriation. Technically, the 94.5 million dollars requested is slightly higher than the FY18 request, but it would still constitute a 43% reduction from the FY18 actual level of 165.4 million dollars. Interestingly, in the House request, it is marked up at \$205.4 million, which is 22% higher than the FY18 level, but would be 117% above the President's request, which shows the divergent priorities in Congress and the White House vis a vis Tunisia.



So where does this leave us? What we're seeing is a second iteration of a struggle between a White House who wants to slash foreign aid and a congress that seems determined to preserve it. Fortunately, Congress does have the power of the purse, and that means assistance levels will probably be commensurate with past years.

So what do we conclude from this exercise? Should we care about the President's budget request if Congress can be counted on to reject it? The reality is that it still does matter. Even if there is virtually no chance the President's recommended levels will be adopted, his budget sends a signal about what he cares about and his priorities. This signal has an influence on the calculations of two important audiences. One, on international audiences, both leaders and people. When the administration isn't requesting major foreign assistance, when they're not requesting funding for democracy and governance programs, it sends a signal to governments abroad that they don't have to worry about those things because the administration isn't concerned about it and doesn't care. It sends the same message to the people who are struggling for democracy in these countries that unfortunately the United States is turning its back on them.

The second audience that's affected by the message is internally, in the bureaucracy. The president's budget request sends a message to people working at USAID, the State Department, the NSC, that there shouldn't be a priority placed on these types of grants. What this does is empower people in the bureaucracy who are less sympathetic to democracy funding to reject or obstruct the grants for which there is funding. And what we've heard from a number of actors is that a number of missions, within the Middle East and North Africa, have been rejecting most proposals for democracy and governance funding in their countries for fear of alienating or antagonizing these governments. Therefore, it has a major impact on programming, even though the money's there. Even though in theory, we can continue with funding at the levels that we previously had, the signal being sent politically is that we shouldn't focus on this. This isn't a priority, we are trying to achieve other things, other than promoting democracy abroad, other than promoting human rights abroad. So for those of us who care about foreign affairs, for those of us who care about democracy, this is obviously disturbing.

There is, however, one possible source of hope. We do have a new Secretary of State, who theoretically could take things in a different direction. It should be noted that the FY19 request did not reflect input from Sec Pompeo; it had already been submitted by the time he was appointed. His statements on the budget, and on the budget process, have been somewhat contradictory. When he was being confirmed he said good things, in contrast to Tillerson, who said, "I don't want an extra dollar," Pompeo said "I'll take that extra dollar." He also said that he is very interested in promoting American values abroad. However, during the budget hearings, he adopted what I think was more than a pro forma defense of the President's budget, which is concerning. He said, for instance, that "we have enough resources today," and communicated that he wouldn't know what to do with it if Congress gave him more money. That seems to be backsliding into almost a Tillersonian model, which is problematic. So, moving forward, the FY20 request is going to be the real litmus test for Secretary Pompeo. If he really does care about bringing swagger back to the State Department and promoting American values abroad, as he said during his confirmation hearing, we're going to see him advocate for much higher levels of foreign assistance and advocate on behalf of democracy and governance programs. If he does not and those were only empty words, then we are likely to be back in the same place next year, questioning how democracy and governance programs are going to survive in the Trump era.

Dafna Rand: I'm going to take somewhat of a long big picture view and offer some thoughts on the trends reflected in this budget. It is true that 15 years ago exactly Andrew and I sat in Hart 224 together, I was a foreign affairs legislative assistant in the early 2000's, and some things have changed since then and some things haven't over the past fifteen years. The budget is really a reflection of many things because it is an iterative process and illustrates trends in the legislative and executive branch and is based on a debate over our approach to the region. I am going to offer four observations about trends and debates that are implied or invoked in this budget decision making. So some things never change, in the sense that in 2003 or 2004 when SFOPS budget was being discussed, there were debates in both the Senate and House about conditionality for the Mubarak regime in Egypt.

For those of us who worked in the Obama administration and were involved in the Egypt debates recently, it is worth noting that the debate over conditioning ESE, at least, over GJD issues in Egypt are a longstanding debate, at least in the legislative branch but also in the executive.

Some things don't change, but some things have changed, and here is my first point. In those years, the freedom agenda was the shorthand for how we would make the argument. And here's the argument. 9/11 happened, and you looked out across the Middle East and saw 16-17 strong and perceived to be stable authoritarian states. The idea was that if we do not promote democracy, if we do not liberalize socially and economically, there will be anger and mobilization coming up that will be a deep threat to the United States, exemplified by the 9/11 attacks. This was separate from the conversation about Iraq, just looking across the rest of the region, and that was what produced the MEPI idea - the Middle East Partnership Initiative. So one thing I noted in this report is the end of that idea, that fifteen year old argument. This type of programming was the antidote, the solution, the response, to the problem of strong states who were diverting from global trends and not liberalizing. On one hand it's an ideological defeat, the end of that freedom agenda argument. But on the other hand I would argue that there are actually some practical reasons why we need a new approach. One of those reasons is that the region has changed so dramatically over the past fifteen years to a region that has so many different regime types, including certain states like Tunisia that are in some state of transition.

Secondly, the Counter-ISIL Coalition was a galvanizing foreign policy moment and essentially spawned a new idea. This idea is one we need to hold onto because it's important and it fits: to prevent groups like the Islamic State from governing you need good governance and you need to ensure that people in Iraq and Syria and elsewhere really feel that their local and national government is legitimate. The Counter-ISIL Coalition allowed for a new idea regarding good governance being in the national security interest and this precipitated a shift from USAID to DRL and a shift from big election projects towards the small grant approach. My worry is now that for the Counter-ISIL Coalition, there has been a victory moment and this new idea may lose steam. This newer approach may not have enough support among policymakers, so I would urge Congressional staffers to think about the importance of sticking to it. This isn't nation building, it is actually much cheaper. The idea here is to go community by community and look at grievances and make sure you're building a social contract between people

and create responsive institutions to enforce human rights et cetera. So that would be something I would watch for because it's clear in this budget that there is not as much concern about countering ISIS through governance and human rights funding because that moment seems to have passed. It's important to look at the DRL budget and make sure that this funding will make up for that.

The second trend is that the strong development moment that we saw after Iraq is no longer existent. There was a perception that COIN (counterinsurgency) was the solution – to kill the bad guys and to make sure that the communities would never again be susceptible to turning to these bad actors. There was a reputation of COIN many years ago, but what's interesting in this budget is that there is a debate in this administration over whether these big development projects like schools and roads are the solution for development in the region or stabilization projects, which are these projects that are small, quicker, and more successful in a political sense. In the stabilization assistance review, which made its way through the NDAA, it seems like there's a core group across - DoD, USAID, and State - which have latched onto the stabilization approach as lessons learned from the big development projects that didn't work in Iraq and Afghanistan. So I'd urge those here to think about that and make sure that as development dollars go down, as there are pushes from the administration to merge ESF and DA, two important accounts, that you think really hard about the objectives here. The objective is to improve economic outcomes and to determine the best mechanism or modality to do it.

The third thing is the question of how to deal with humanitarian crises. There are at least three in the region – Yemen, Syria, Libya – and then parts of other countries that are still having serious humanitarian issues like in northern Iraq, where 800 thousand people are still displaced. We don't read about it as much, but there are pockets of other countries like Lebanon and Jordan with many refugees. During the first five years of the Syrian conflict, the U.S. invested over 7 billion dollars into humanitarian efforts and the United States continues to contribute to this effort. I worry because of the stabilization assistance pause but also because there is an energy to get out of Syria that investment into humanitarian efforts and stabilization in the northeast of Syria will decrease precipitously and will have serious political and humanitarian consequences for both U.S. geopolitical needs in that region because of the competition between Iran and the Arab world that has manifested itself in Syria. This will have implications for the U.S. relationship with Turkey and in the region, and I would definitely watch this review of stabilization assistance if I were a Hill staffer. This review has clearly brought together a very disparate array of programs, from demining to DoD to other programs. Demining is a perfect example of a program that is clearly not nation building and is purely to protect U.S. operators that are going into these former ISIS territories. So I urge you, as Hill staffers, to look very carefully at what these accounts are called and what they actually do, especially in the Syria context. The humanitarian focus is now shifting towards Yemen, and while the last administration saw a major humanitarian investment in Syria - the greatest humanitarian crisis in the world - and one that the U.S. was not involved in militarily for the most part until the fight against ISIS, in Yemen the U.S. is directly a party to the conflict and the humanitarian repercussions are much more complicated. Unlike Syria, the money is not the problem in Yemen, the problem in Yemen is the access. So I urge you to ask tough questions of USAID because when they announce transfers of \$100 million or \$300 million, that's great - they reflect the humanitarian spirit of Congress, but if there's a shipment of U.S. taxpayer paid humanitarian aid sitting on ships because the ports are being bombed, this is actually a waste of U.S. taxpayer dollars and sending the wrong diplomatic messages to the parties involved. This is the typical American response of just being generous instead of achieving anything, and it feels a little guilt-driven.



And the final trend that I'll allude to is that it has become the new normal that DoD does security assistance. It was never the case before 9/11. When we were working on this in the 2000's, this had just started, and there was

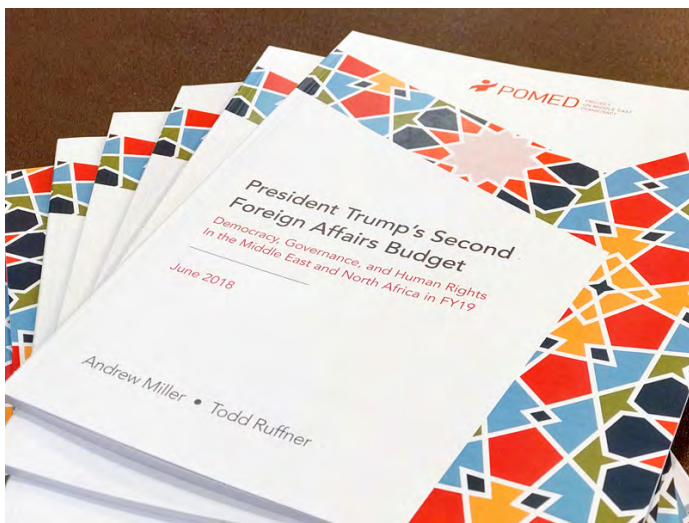
ITAT and DoD programs in Afghanistan but they were just doing partner training and it was supposed to be temporary assistance that would expire. And now there are almost 140 new security assistance authorities, and over the past 10 years, it has become the new normal and there are grave and serious consequences for human rights, governance, and democracy in this region. It's something that you all should recognize, and those who have oversight, this is the moment to talk about accountability, oversight, and vetting for those authorities.

So in summary and conclusion, watch for these assistance pauses and reviews, reviewing assistance is a great thing - it's healthy, it's good for the taxpayers, it's good for policy, but you need to make sure that programs that get cut aren't fulfilling a certain political interest, like the review of assistance to West Bank and Gaza that includes pauses in vocational programs and other assistance that should not be under review. Make sure that there are no negative implications of these overarching assistance reviews, and I urge Congress to exercise oversight over this. Ask the administration what their new national security approach about democracy and foreign policy actually is, push them. It's not the freedom agenda, countering ISIS was the temporary replacement, but don't let them off the hook, there needs to be a new replacement, period. Finally, watch again for the migration of decision making to DOD.

Thomas M. Hill: I'd like to point out two things that came out of the House markup on Wednesday that I think are important in distinguishing what the House has done with the White House proposal. So for the second straight year, the White House proposed a consolidation of all of the accounts that would traditionally fund all of the democracy and governance, GJD more broadly, but also other programs. They consolidated all of these accounts into something called the ESDF, the Economic Support and Development Fund. For the second straight year it appears that Congress has rejected the consolidation of these accounts, which I think is a good thing, not only because the consolidation proposed significantly less funding than the accounts did separately, but also because each of these accounts has specific authorities and are geared towards different outcomes. For example, one of the accounts that was supposed to be included was the AECA account, which is the Assistance for Europe and Central Asia account. If AECA is rolled into a much larger account, it's unlikely that this program and some others will continue to be funded because they won't get the same visibility they would as a stand alone account.

The other note about the markup I'd like to make regards the OCO account - the Overseas Contingency Operations account - which was a product of the desire after 9/11 to have flexible spending accounts that could be used first in Afghanistan, but were then expanded to Iraq, that would allow State Department aid to be moved more fluidly without having to come back to Congress for notifications and approvals. It would provide them with the ability to respond to emerging and exigent threats and needs they had not expected when the budget was first proposed. Now, it's important to note that prior to the creation of the OCO account, it was quite common that there would be emergency supplementals, so it does beg the question of why you would create an account like this when there was already a practice of creating emergency supplementals that would provide State or USAID the ability to come back and say "look, such or such has happened, we didn't anticipate it when we set up our budget 18 months ago,

could you provide additional funding?" What OCO has become is basically a giant slush fund. The countries for which you can use the funding has expanded to really any place where it's hard to work, and I think that saves State and USAID from having to do a lot of difficult work. I find it very difficult to justify, now sixteen years on, that there are a lot of unforeseen or unanticipated opportunities in Afghanistan. We've been there long enough and have done the programming long enough that we should have a strategic plan for Afghanistan and be able to align resources against that. I think the same thing, pretty much, for several other countries as well. So, to continue to fund those accounts and fund those activities through this flexible spending account has been seen by many as lacking transparency. Now, I think from the House side, the authorizer would love to



see greater transparency but the appropriators love flexibility. So, it's noteworthy that the House appropriations bill that came out on Wednesday maintains the OCO account. The White House had proposed to roll all \$12.3 billion of OCO funding into what's called base funding, which is money that is aligned to specific accounts for specific activities. My interpretation of that, based on no evidence, is that the White House did that in order to call Congress's bluff - to say, you talk a good game about wanting transparency, you talk a good game about wanting to have accountability in foreign assistance funding, so we're going to do you the favor of zeroing out this slush fund. Therefore, if you put the funding back in, it'll demonstrate the hypocritical nature of what you're saying - that you actually don't intend to have transparency and accountability in your budgeting process, you prefer the maximum flexibility approach and you prefer not to get into the details to insist strategic planning on a departmental basis. It remains to be seen how the White House will respond to what Congress appropriates, but I fully anticipate that both the House and Senate bills and whatever comes out of Congress will include OCO funding.

There are a few other notable difference between what the White House proposed and what came out of the House Appropriations Committee on Wednesday. I have to say in advance that I would obviously defer to my other colleagues on this panel in regards to Egypt and Tunisia, which I'm going to focus on, because they are far more read-in on these issues. But I have a few notes that I will point out. In terms of the \$75 million of what the White House has proposed for Egypt in ESDF, if you look towards a trend line going backwards, twenty years back, the ESF account was \$833 million in 1998. That's a 90% reduction over the last 20 years. The continuation of that trend is perhaps not illogical or irrational to have a lower ESF or ESDF account at this time, and \$75 million would be a significant ESF program for any single country. However, programming in Egypt has become quite problematic, as many of the people we work with and our European partners can attest to. Significant amounts of this money has been left unspent. I think the last estimate stated that there was \$400 million approximately in unspent money, largely due to the obstacles or barriers put up by the Egyptian government to deter the good use of those funds. The Egyptians would happily take that money as a cash transfer, but that's not our intention. Again on the House side, House appropriators doubled that request for Egypt to \$150 million. Now, that would be a straight line from the last couple years, which in my mind, shows a lack of appreciation for what is actually happening in Egypt. There also seems to be something else afoot. If you look at the last few appropriation bills, really since the coup that ousted the Morsy presidency and installed the Sisi government, Congress has repeatedly inserted language to put conditionality on the use of portions of FME, some ESF, and required the Secretary to certify that certain steps were being taken towards democracy in Egypt. The House bill that came out Wednesday stripped all of those out. There are no conditionalities on the funding, including the most recent conditionalities which were included regarding North Korea, which I find very surprising given the bellicose nature of members of the House from both sides on just how problematic North Korea's engagements and weapons and technology transfers have been. Given that, I find the fact that the House appropriators completely stripped out that language shocking. All of those conditionalities will likely be put back in by the Senate in the final version of the bill. There are holds on the Senate side on some funding, there are several senators who have intimated that they have no intention to lift the holds they have on those funds, so they will likely work very hard to get those conditionalities put back in. But it is worth noting that on the House side, all of those conditionalities were struck out. I think this could be read as indicative of an almost spellbound nature among members of the House about how they feel about Sisi and what he's doing, which I think totally diverges from what is happening in Egypt. I would certainly recommend, if you haven't already, to read the factsheet that POMED put together in January of this year and also read Andrew's op-ed in the New York Times from December which does a great job of laying out what the return is on the enormous investment we have made in Egypt, not just on military spending, but on the development side as well. I think that it will be difficult to read what these analyses show and continue to think that a straight line of \$150 million is justifiable.



My interpretation is that there is a significant difference in the way that Congress views Egypt and the way that the White House views Egypt. Much was made of the lead-up to Sisi's visit in April last year, the pictures of Trump and Sisi together last year, and the close nature of their relationship. Indeed, Trump did say some nice things about Sisi while he was here and he has subsequently said some very nice things as well, but I would argue it's more illustrative to look at what the White House has done than what Trump has said. I expected that when Sisi came to Washington he would ask for three if not four key deliverables that he could then point to as proof of a successful visit: one, the designation of the Muslim Brotherhood as a terrorist organization, the second would be a return to cash flow financing, and lastly, that some of the funds that have been on hold would all be released. Cash flow financing is the very unique way that only Egypt and Israel are allowed to purchase weapons from the United States on the basis of future expected appropriations. That ensures they will continue to receive money because if you stop the money then there are supply chain problems that impact American workers. The cash flow financing is very unique, and only Israel and Egypt benefit from it, so when it was stopped during the last administration with bipartisan support, the Egyptians were quite angry. I think most people expected that Sisi, given how negatively the Egyptian government responded to the halt in cash flow financing, would ask for it to be reinstated, and I think most people expected that it would be.

Notwithstanding these three expectations, none of these three changes occurred. He did not get cash flow financing re-instituted, he did not get the Muslim Brotherhood designated as a terrorist organization, and he did not get the holds on assistance lifted. I'm not going to say that the White House fully understands what's going on in Egypt so they've taken this hard line that is more prescient than Congress—not at all. However, they may not share the same glassy eyed view of Egypt which clearly exists, at least on the House side vis a vis Egypt.

The other country that I want to focus on is Tunisia. Now, as Andrew pointed out, the Tunisia cut from the president's request is dramatic. Breaking down the \$98 million dollar cut, that is a cut of 49 million in economic growth and development funding and democracy funding (ESF funding) and that includes a cut in INCLE funding, which is border security stuff. Tunisia shares a border with Libya, which is very problematic. There was an attempt by militants to move across that border and take a town near the border with Libya roughly a year ago, I believe. But Libya is essentially a lawless state and the borders are virtually impossible to control, especially given the resources currently available. Border security is not just an added benefit, it's actually critical to the nation's well-being. IMET, which is the account to send military trainers to Tunisia to make their military more effective and efficient, was cut by \$200,000, which may not seem like much, but the entire account was only \$1.2 million, so it is a significant cut. FMF, which supports military financing, was cut by 55 million, which is more than a 50% cut. In total, those are enormous cuts to the bilateral program with Tunisia.

The House appropriators went above and beyond what had been appropriated the last two years, which I think is an illustration of just how much support Tunisia enjoys, at least on the House side, and how the House recognizes the importance of Tunisia's success as a democratic government and, I would argue, the only Arab democracy in the Middle East. I expect that the Senate will not support the House's number, I suspect that the number will probably look more like the FY17 or FY18 numbers, but it will certainly not reflect the president's request, which, all things being equal, probably isn't the worst thing.

If I could just make some broad points on democracy funding in general, I'd say that I interpret the president's request to be a demonstration of this White House's complete disregard for the value and importance of these programs, which I think is a huge mistake. As you'll recall, Secretary Tillerson was criticized by certain members of Congress when he proposed eliminating the word "democracy" from the State Department mission statement. There are a number of other examples of how this administration doesn't value these types of programs. NED, the National Endowment for Democracy's funding, was cut by \$103 million from \$170 to \$67 million. The ESDF account that I just described would cut 36% out of what those accounts represented individually from FY17. Fifteen countries that received GJD funding in FY18 would get zero under the president's request. There was a 30% cut in the operating budget for DRL, and that's for staffing and all of the resources that go into programming these funds. There was a 30% cut to the Office of Transition Initiatives (OTI). The Near East Regional and Democracy account (NERD), which is really Syria and Iran focused, was cut by more than 50%. I know there is a debate over whether MEPI still warrants a stand alone nature or whether it should be rolled into DRL or some other entity,

but nevertheless, the programs they support are all involved in the GJD effort, and it was cut from \$51 million to \$19.2 million. Democracy programs in general would be cut, including MCC and other agencies, by 47% percent. It's hard to look at these numbers and come up with any conclusion other than that this government doesn't support democracy and governance, which I think is a shame and deeply undermines our national security interests.

Now, it's clear that the House does not support the president's overall budget and posture towards democracy, and I suspect the Senate does not either. Of note, in the budget that was voted through committee on Wednesday, NED received full funding of \$170 million. The Democracy Fund was increased by \$15 million, and there is a specific carve-out of \$2.4 billion for global democracy programs. While \$2.4 billion globally for democracy programs is still woefully inadequate, it is a strong statement when put next to what the White House is proposing, which I think shows a lack of appreciation for the programs. When the president's FY18 budget came out, there were some pretty choice words from members of Congress, Lindsey Graham said the budget was "dead on arrival." I think that is probably going to be true in the Senate this year as well, but there is a lot to learn from the differences in what the White House proposed and what the House passed Wednesday.

QUESTIONS & ANSWERS

When you look at the cuts from last year and the cuts from this year, it seems like you see the number 30% a lot; and yet, when you've gotten into some of the details today, it seemed like some surgicality is present. Can you say a little bit more about how the administration's making these cuts. I suspect they're not coming from the departments, so who's in charge of this and how are these decisions made and authorized?

Hill: I can speculate. What I've been told anecdotally is that a lot of these numbers are generated at OMB and then passed down and the bureaus are told how to match these very draconian cuts. Now, how did some of these bureaus come up with some of these numbers? I honestly don't know, I suspect that functional budgets were hit harder and probably attempted to eliminate programs that they thought they could come back to Congress with and get them to restore the funding. That's kind of always the game, right. When you're told to cut, you cut the things you know Congress likes. So it's possible that some of the cuts reflect a recognition internally that "we know that this specific choice will garner Congressional backlash."

Miller: I can confirm that these numbers are from OMB, having spoke with multiple administration officials for the report who said OMB was providing the numbers. They said that many times the numbers from departments came back over budget and then in some cases, OMB would make what they described as arbitrary cuts to programs in order to get to a certain level of funding. The other thing that I would point out that we found particularly frustrating in the State Department Congressional Budget Justification was that there were a ton of errors, including numbers were listed at different levels throughout the report, the numbers did not add up at certain instances and it seemed like a pretty shambolic operation. Based on our experience, this is pretty unthinkable given the level of review these things went through before they went out.

Given that Tunisia is the sole remaining Arab democracy, recognizing really how important that it is that the country's transition succeeds, which I feel cannot be overstated, but also recognizing that the country has been somewhat faltering and struggling to consolidate its young democracy, I'd be interested to hear from the panel whether there is any logic to attaching gentle but firm conditions on foreign aid to the country in terms of sticking to the democratic goals included in the 2014 Constitution.

Miller: What we're seeing is a different picture in Tunisia; we're dealing with an environment where two years ago, in some respects, you had Egypt as the poster child of everything that went wrong post-2011 and Tunisia as the poster child of everything that went right. Most of the advocacy coming from democracy promotion organizations has focused primarily on increasing that number to Tunisia. POMED's position is that it still makes sense to support Tunisia at those levels because they still do need this money given the enormity of the political and security challenges, and Tunisia has actually proved to be a fairly willing partner. They've used our assistance and provided a return on investment, which we haven't seen in other countries. I don't believe we are quite at the point

where we should be looking at conditionality because you still see some responsiveness by the Tunisian government to these issues. But I think that we can consider earmarks - do we want to specify that a certain percentage of economic assistance should go to a certain type of program to exercise more control over where that money goes. There are other things that can be considered to flag Congressional concern over what is happening. One of the major issues we're concerned about are efforts to draft a new NGO law. The current NGO law is widely considered the best in the region. There have been efforts recently to revise it in such a way that it echoes some of the things that have taken place in Egypt, which is deeply concerning. One approach to flagging concern would be to include in the budget legislation a requirement that the Secretary of State provides a report on what's happened with respect to the NGO law, especially regarding how certain changes in the NGO law, such as jail time or registration requirements, could affect the ability of U.S. implementers to work in the country. That would send a powerful message to Tunisia, and hopefully would be one the Tunisian government would respond to. If they didn't, then there are other measures including conditionality that could be considered at a later date, but I don't think that an escalation to that level is warranted.

Hill: I agree with Andrew, and it is also worth noting that there are conditionalities on the World Bank and IMF loans, and there is a conditionality in the MCC Compact. Meeting levels of democratic reform are built into several of the funding streams that are actually much larger than what the United States is providing bilaterally. They probably have a greater impact than it would if we start conditioning some of our ESE, which is quite small compared to these other sources of funding.

Rand: I completely agree with that, and I would add that an important player here is Europe. Europe is really petrified by Libya, and that, to some extent, is distorting its ability to focus on political transitions. They are focusing on aid for security and preventing migration, but there is a need to shift that back towards the democratic transition. Tunisian civil society is the self-correcting measure. The last time there was a constitutional crisis, civil society was able to put the transition back on track. Therefore, the NGO law or any other impediment to civil society is the most dangerous obstacle, and the flip-side is that assistance that serves as an investment in civil society is an investment in self-correction because of the importance of the very close ties between the parties and NGOs.

McInerney: I would just add that there is also room for assistance to be used as leverage without formal conditionality, and as Andrew was saying, just keeping the larger assistance package at the current levels or even slightly higher gives U.S. officials a little more leverage to raise these issues. As far as official conditionality goes, I think that is something that would be quite a ways off, especially since there is only conditionality in legislation on Egypt, but almost all the other countries in the region have no such conditions. As such, it's hard to imagine an appetite for having conditionality on the only democratic country in the region.



Considering the fact that, for this administration, Iran seems to be a big focus—especially considering that the ISIS element is passing and obviously Iran seems to be a big destabilizing force in the region—do we see this priority to counter Iran being reflected in the president's budget? If yes, how so, and if no, why not?

Miller: I think that the priority reflected in the budget is the desire to continue the process of disentangling the United States from the region. Tom mentioned the NERD funding that goes to Iran and the major cut proposed seems completely contrary not only to the idea of democratic development in Iran, but also to the fact that we have a national security advisor who has advocated regime change in his previous incarnations. I'm sure the administration would argue that support for Israel is countering Iran, and in Lebanon with the package there, the numbers actually look fairly good, in that they restored the FMF funding. However, there is this ambivalence about whether it is best to go all in on countering Iran or whether we should just wash our hands of it and just not get involved. And I think

that's what we see with this review of assistance, it's to cut off our nose to spite our face. If Iran's involved anywhere, should we just get out?

Actually, one of the last things I remember from my time in the Trump administration before I left as a civil servant, when the Iranian-backed militias in Iraq were able to take back territory from the Kurds, the attitude among certain senior officials was: if we're giving money to the Iraqis and they do something like this, we should just get out. Not let's double down support for actors who are more sympathetic to our interests, not let's find new ways of starting dialogue so we can explain what we find problematic, it's just that we should cut and run; let's get out. And I think, more than anything, apart from the rhetoric regarding Iran in the administration, I'm not confident that it's matched by an actual drive to get involved. I think it's perfectly conceivable that if the Saudis or some other country stumbled into a conflict with the Iranians, the Trump administration would say something to the effect of, "Well, we're selling you these beautiful weapons. We're doing that precisely so you can handle it yourselves. You guys will do great, don't worry about it, but we're not committing American forces." I think that is perfectly conceivable if not more likely than the chance that the U.S. would get dragged in. Both of those options are problematic: either you get entangled in a war because of your allies or you're ignoring your allies at a time of war. But it is by no means certain that there is an apparent strategy to deal with Iran in the region, notwithstanding the grandstanding between Trump and his advisors.

Rand: I would actually go further and say that this budget does not reflect a thoughtful way to counter Iran, especially in terms of the Syrian and Iraqi accounts. In those two cases, I would say there is a contestation of hegemonic powers in the region and this announcement about the stabilization assistance in Syria is really conceding the advantage to Iran because the United States is saying that the U.S. foothold in the northeast of the country is not a permanent one. The same goes for Iraq - any decrease in ESF or DA accounts or governance accounts is suggesting a diminishing interest in Iraq and a fatigue with Iraq, which is handing Iran a major benefit. So I would say that it is actually the opposite of countering Iran. There are four main places where the administration talks about Iranian proxies that are challenging U.S. interests and the interests of our allies, and Lebanon is under review so there is a question there, in Syria and Iraq there is diminishing support, and in Yemen, it seems that the administration is focused solely on countering Iran by funding the military effort.

This is the second Trump budget, but the first after the NSS and NDS. Obviously those are strategic documents that reflect a new view on foreign policy. Have you seen in the budget request a shift from countering radical groups and counterterrorism and transnational crime to how to look at the state actors in the region?

Miller: I really haven't seen any evidence of that fact. It's not that they're doubling down on conquering the non-state adversaries of the last twenty years, it's simply that they're seeking to reduce financial support for programs all over the world. I don't see in the president's request any desire, for instance, to consider how to more effectively approach the Russians or the Chinese, or deal with global or regional level threats as opposed to this collection of terrorist groups and other non-state actors. The real question is whether these documents actually reflect the thinking of the president, who I'm fairly confident hasn't read either of those documents. The individual who drafted the National Security Strategy (NSS) resigned, or more likely was pushed out, when Bolton came in as the national security advisor, which raises additional questions about how much this reflects the administration's policy. It's not just there isn't a coherent strategy for dealing with Iran, but there isn't a coherent strategy for dealing with U.S. interests broadly. This seems to be more designed for domestic audiences who are wary about foreign entanglements instead of representing any meaningful balancing of U.S. foreign policy objectives. This budget is based on decisions by President Trump and Mick Mulvaney which are centered not in a foreign policy perspective but in a more idiosyncratic and political one.

Tom mentioned the perspective of the House and how much sympathy there is for Sisi. One of the priorities you mentioned that you expected Sisi to ask for last year was the designation of the Muslim Brotherhood (MB) as a terrorist organization. In lieu of that, we have seen the designation of a couple splinter groups that broke off from the MB. Do you have thoughts on what changes might be anticipated with the changes of leadership in this administration with Secretary Pompeo? When he was in the House, he was one of the co-sponsors of the

bill to designate the Brotherhood as a terrorist organization, and Bolton, the national security advisor, also supports this idea. What should we expect to see, and how concerned should we be that the Muslim Brotherhood will be designated and overall of a greater shift in the way Egypt is treated?

Hill: At first, there was a lot of energy behind the effort to designate the Muslim Brotherhood as a terrorist organization, and the push initially found fertile ground in the House but not in the Senate. I expect that remains the same. So could I envision a new effort to get the bill to be introduced to designate the Brotherhood? Maybe. However, I don't think it would get time inside the House Foreign Affairs Committee and I don't think they want to deal with this right now. But even if it made it through the House, I don't think there would be support for it in the Senate, even if the White House is pushing for it. Instead, I interpret the White House's actions are perhaps an indication of ignorance of historical significance of Egypt to the United States. I don't think Egypt is a priority. Doing favors for Sisi, I suspect, is something that seems pointless for the White House. Doing something for Egypt now, the question would be to what end. I also haven't seen the Egyptians pushing as hard as they were for the designation of the MB. Maybe they've realized that their moment has passed and moved on to other things. They'd love to see the Brotherhood be designated, but the energy and enthusiasm that they were expending to get that designation has waned.

Miller: Looking at the designation from the executive branch perspective, after the Trump administration came into office, there was a review of the Muslim Brotherhood for the purpose of considering whether it should be designated a foreign terror organization. In consultation with the intelligence community and lawyers, they decided that the information available did not meet the evidentiary threshold that would justify moving forward. The primary concern was lawsuits, and generally, lawyers do not recommend courses of action that may not hold up in court. The one wrinkle is that it is the Secretary of State's decision whether to designate an organization, and Tillerson made the decision that he would defer to his legal team. But there is nothing legally preventing Mike Pompeo, if he truly believes the Muslim Brotherhood is a terrorist organization, from moving forward on that. You also have someone in John Bolton who frequents with any number of organizations that are also seeking the designation of the Brotherhood as an FTO. I'm not sure I view this as a high probability, but it is not one that we can dismiss and there is a legally legitimate route through which they can do this. I also just want to reiterate what Tom said: everything is transactional with this administration. Trump is willing to call Sisi and is happy to say nice things about him because that is how he schmoozes in business. But in terms of actually empowering and mobilizing the bureaucracy to do things on behalf of another country, there needs to be an immediate return on the action. It is not clear what the Egyptians could do that would justify help from the administration. This does not preclude a change in policy towards Egypt, but it seems that there are forces that can constrain the likelihood of significant changes from new people in the administration.



Tom mentioned something about the Pentagon Security Assistance Program. Lebanon, for example,

receives a lot from this account, in fact, it surpassed the amount of FMF for the last several years. But you mentioned that it is a little problematic. What is the problem with this type of assistance?

Rand: When you look at it, you can make an argument that some of the training is effective and has been able to achieve objectives on a unit to unit level. Ultimately, the transfer of authority from the State Department to the Pentagon reduces the oversight over all of the foreign policy objectives. When most of the security assistance was at the State Department, there were more political considerations and State was able to take a strategic view that prioritized a level of civilian-military balance and chose not to work with certain units that were problematic. There was an objective to match U.S. interests with U.S. values and human rights. The Pentagon is doing a good job of trying to invest in these considerations as well, but they simply do not have the same offices - they're just not in their bureaucracy. Instead, they are more focused on tactical considerations and the measurement of success is an outcome variable about the capacity of units to fight bad guys. That has many consequences for how security assistance is impacting local politics.



McInerney: In terms of State Department vs. DoD assistance, there have been various measures put in place to ensure transparency, oversight, and accountability, and a lot of those are simply not yet in place for DoD. If you look at our report, there is this extensive breakdown of spending from State, and DoD simply isn't required to produce information like this. There is not the same type of tradition of oversight that has emerged in State over the last few decades. If this new trend of security assistance moving to the Pentagon continues, Congress may begin to require the same kind of accountability and oversight.

Miller: I just want to add to what Dafna said; the concern she raised regarding the absence of civilian oversight is not theoretical. We've seen cases in which it's gone awry. In Jordan, it's gone pretty well, there is significant coordination between the State Department, DoD and their respective accounts that support the same initiatives. In Egypt, that has not been the case. There are different interests between State and DoD in Egypt, which leads to a lack of coordination and competing rivalries and the undercutting of each other's efforts. This is not just something theoretical that might happen, it is something that is already happening, so the shifting of responsibility from State to DoD is concerning.

In comparison to other parts of the world, how is the MENA region doing? Is this the same across the board, or is there something specific about this region?

Rand: Compared to the rest of the world, the MENA region objectively fares better. Hands down, this region ends up better off than Africa, the Western Hemisphere as well, Asia, etc. Africa in particular is faring very poorly, and the anti-nation building argument is really taking hold regarding Africa. Congress is restoring a little bit less, especially in terms of ESF.

Miller: MENA fares very well as compared to the rest of the world, but to be more precise, it is just three countries that fare very well: Egypt, Jordan, and Israel. The total FMF grants worldwide are a little less than \$6 billion. Where does that money come from? \$3.3 billion to Israel, \$1.3 billion to Egypt, and about \$400 million for Jordan - that's almost \$5 billion out of the total \$6 billion for FMF for the entire world. So it's important to understand that.

You would think, given the budgetary priorities and the positioning of this administration, they would be interested in countering violent extremism programs (CVE). What is this administration's position on CVE and how does it relate to the Senate's position on CVE?

Hill: My interpretation of this administration's approach is that CVE equals kinetic activity; CVE is killing people, not changing hearts and minds. So as we mentioned there is a dramatic shift, the prioritization of military financing accounts rather than focus on the soft power types of accounts that would traditionally be used for CVE activities. If you look at the type of bureaus that would implement CVE, they have all seen dramatic cuts. So I interpret that to mean that CVE is not a priority, or at least not CVE in the way that we think of it. I am being somewhat facetious, but I do believe that this White House believes the best way to conduct CVE is to find terrorists and kill them. This has merit, but is proven not to be the most effective strategy. I don't think the White House is drawing conclusions about a serious way to approach this problem in a long term sense, and I see this as a short-term approach to this problem that exemplifies a failure to recognize the roots of the problem. I think this is a reflection of some of the people they brought in, and if you look at what they wrote before they came in, at least they're consistent.

Miller: I think increasingly, CVE has become a dirty word. Not necessarily for the bureaucracy, but amongst the political class in what seems like an "anything but Obama" push. The move away from CVE is important because it also helps explain Trump's relationship with some of our allies - this actually brings us closer to our allies in the region in terms of their approach to terrorism. The UAE, Saudi Arabia, Israel to a lesser extent, and Egypt have a certain way of dealing with terrorism, and that is to kill them. It's not CVE, it's not hearts and minds, it's kinetic action, that's how you deal with them. I actually was in a meeting where President Sisi said, "there are only two ways to deal with these people, you either kill them or lock them up." The emphasis on kinetic action is partly why they get on so famously. It's not just personality, it's not just the opportunity for rent-seeking and contracts, it's because they see the world in the same way in that respect.

Do you have any additional or closing thoughts on the impact of the administration not prioritizing the bureaucracy and institutions on the morale of people working at places like MEPI and DRL and how this approach affects the way that the administration and bureaucracy operate?

Rand: It is worth noting that there are at least two, if not more, ways that the State Department expresses its concern over human rights and humanitarian crises. Those two ways are: first, providing assistance or adding conditionality to assistance and second, just diplomatic messaging. What we're hearing is that there is now really no room for the diplomatic part of this messaging. It is very important that Congress is restoring DRL, because now there are only one or two officials out of a room of eight who are actually working on the diplomatic side. The best way to get in the briefing books sometimes was to try to bring a national security perspective to these issues, like the fact that these conditions could create an ISIS 2.0, but now even this does not seem to be working. Perhaps most importantly, the push and pull of inter-agency interaction has been deeply depleted, and this lack of robust inter-agency work is directly to the detriment of our foreign policy.

Miller: We don't have great visibility into what's happening diplomatically, but there seems to be a significant de-emphasis on public diplomatic statements in this administration. Some might say that the Obama administration was too often publicly critical of our allies, but to completely eliminate that tool from your toolbox is highly questionable and reduces the ability of the United States to promote democracy and human rights across the world.