

U.S.-RUSSIA RELATIONS

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

SECOND SESSION

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AUGUST 21, 2018
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CONTENTS

	Page
Corker, Hon. Bob, U.S. Senator From Tennessee	1
Menendez, Hon. Robert, U.S. Senator From New Jersey	2
Mitchell, Hon. A. Wess, Assistant Secretary, Bureau of European and Eurasian Affairs, United States Department of State, Washington, DC	4
Prepared statement	7
Billingslea, Hon. Marshall, Assistant Secretary, Terrorist Financing, United States Department of the Treasury, Washington, DC	9
Prepared statement	11

ADDITIONAL MATERIAL FOR THE RECORD

Responses of Assistant Secretary A. Wess Mitchell to Questions Submitted by Senator Robert Menendez	44
Responses of Assistant Secretary A. Wess Mitchell to Questions Submitted by Senator Benjamin L. Cardin	46
Responses of Assistant Secretary A. Wess Mitchell to Questions Submitted by Senator Rob Portman	47
Responses of Assistant Secretary A. Wess Mitchell to Questions Submitted by Senator Cory Booker	49
Report to Congress Pursuant to Section 243 of the Countering America's Adversaries Through Sanctions Act of 2017 Regarding Interagency Efforts in the United States To Combat Illicit Finance Relating to the Russian Federation	50
Trump Administration Actions To Push Back Against Russia	60
NATO Summit Deliverables	62

U.S.-RUSSIA RELATIONS

TUESDAY, AUGUST 21, 2018

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:02 a.m., in room SD-419, Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Rubio, Flake, Gardner, Young, Isakson, Portman, Paul, Menendez, Cardin, Shaheen, Murphy, Kaine, Markey, Merkley, and Booker.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order. We want to thank our witnesses for being here today for the second in a series of hearings on Russia. This committee is attempting to get a clearer sense of the administration's overall posture on Russia. And again, we thank you both for being here. We have outstanding witnesses today.

We would like to understand what was agreed to when the leaders of our two countries sat down in Helsinki, where there were discussions regarding current or future arms control agreements, what other promises or assurances were made.

To date, we have received no real readout, even in a classified setting, of this meeting. We would like to understand the administration's assessment of the threat posed by Russia to us, to our allies, and to other countries and institutions around the world.

Finally, we need a better understanding of how Russia sanctions this committee wrote last year, and the Senate passed by a vote of 98 to 2, despite strong objections from the White House, are being implemented. Russia has annexed Crimea, occupied parts of Georgia, interfered with elections, including our own, violated the IMF treaty, remains in violation, used chemical weapons to poison individuals in the United Kingdom, and even purportedly hacked U.S. utilities.

These offenses are bad enough, but they leave us wondering what is next. What does the administration expect that they will next do? The past teaches us that even worse things may lay just over the horizon if we fail to push back now, and make clear to President Putin that our nation is united from the very top to the bottom in standing against his destabilizing behavior, both in policy and in public posture.

It is my hope that today you will reassure the members of this committee that our Executive branch is doing all in its power to convince the Russians not to continue testing our resolve. We thank you both again for your service to our country, for being here today before this committee, and we look forward to your testimony.

And with that, I will turn to our distinguished Ranking Member, my friend, Bob Menendez.

**STATEMENT OF HON. ROBERT MENENDEZ,
U.S. SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Thank you, Mr. Chairman, and thank you for your opening statement. I join you in your words and your concerns. And for convening this hearing, which I hope is part of a series of hearings on U.S. policy towards the Russian Federation. I hope we can get clarity into our policy and effectively pursue oversight and legislation.

More than a month after President Trump's Helsinki meeting with President Putin we remain in the dark about what the two leaders discussed. We continue to hear more information, accurate or not, from the Russian government than from our own.

It is not only embarrassing, but I believe this lack of transparency has implications for our national security. I am not convinced that those who need to know in our own Executive branch have a full understanding of what happened. After more than 3 hours with Secretary Pompeo a few weeks ago, this committee has little more insight than we did before the hearing.

Since the administration has failed to answer congressional requests or provide any information, I am today formally requesting that the department provide all classified and unclassified cable traffic related to the Helsinki meeting, memorandums, and policy directives.

I will not spend time today running through Russia's ongoing transgressions. I think President Trump's cabinet, Secretary Mattis, Director Coats, Secretary Nielson, and others, have warned that Russia continues to undermine our democracy. Russia uses chemical weapons to attack its opponents abroad. It invades its neighbors and illegally annexes territory.

Assad's murderous regime and Iranian proxy fighters inching closer to Israel rely on the Kremlin. And today, we learn from Microsoft that Russian hackers continue their attempts to attack the United States Senate and venerable American think tanks and NGOs.

I have been disappointed by the cause by some on the other side of the aisle to ignore these threats and seek accommodation with Moscow. Sending mixed signals to the Kremlin and its allies only serves to undermine our pressure track and sanctions regime. I do not currently see the value in meeting with sanctioned members of the Russian Duma. They are sanctioned because of their support for the illegal annexation of Crimea, and they should remain on our sanctions list until Crimea is returned to Ukraine.

I myself am sanctioned by the Russian government for my authorship of the Ukraine Freedom Support Act. And I would be

happy to meet with the Duma when each of the goals of that law are accomplished. Till then, they can stay in Moscow.

I would like to use this hearing to look forward. The administration often points to its record while ignoring the President's damaging rhetoric on Russia policy. With that said, I was pleased that Secretary Pompeo committed to work with us on new sanctions, as outlined in my bill, with Senator Graham, and many others on this committee.

Today I would like to hear in detail specific provisions of the Defending American Security from Kremlin Aggression Act of 2018 that you would commit to working towards. I want your views on how these measures could impact the Kremlin's decision-making calculus, and how the sanctions the bill imposes would impact the intended targets.

The bill recognizes that our efforts to date have been insufficient. It includes tough measures, which we recognize have implications for U.S. companies and our allies. However, do we really believe it is acceptable or in our national interest for U.S. companies or those of our allies to be doing business in Russia, particularly supporting the very sectors that have aided and abet Kremlin aggression and interference? It is utterly ridiculous that President Trump would publically champion a U.S. Russia business council rather than condemn the Kremlin's outright aggressions.

Second, I want to hear how you will support provisions to deepen cooperation with Europe on Russia sanctions' implementation. Our sanctions regime is only as effective as our ability to convince Europe to increase their pressure.

Third, I continue to believe that our government is not properly constituted to address the hybrid threat posed by Russia. Our bill would establish a national fusion center to address maligned influence and hybrid threats, and also calls for the establishment of the sanctions coordinator office within the Senate. I look forward to your thoughts on how we can structure on national security institutions to maximize our ability to address complex threats.

Fourth, I would like to hear about efforts to implement the current CAATSA sanctions law. The administration has argued that mandatory new provisions of CAATSA have not been invoked, because it is easier to use established executive order authorities. I would like to hear a clear reasoning for this, and assurances that the clear intent of Congress is being met, because as of now I am not convinced. Specifically, I am interested in sections 225, 226, 227, 228, 233, and 234.

I strongly oppose a wavier provision and NDAA which allows the administration under certain circumstances to waive sanctions in section 231 on the defense and intelligence sector. In response I inserted a strong reporting requirement, demanding the State Department be more forthcoming and transparent on how it is implementing section 231. And I remain concerned that the conferees effectively gutted this important provision. So I hope that State can convince me otherwise.

Finally, I want to end with a note of thanks. I do understand that there are many within our government who are dedicated to a more assertive approach with respect to Russia that is clear-eyed and well-intentioned. And at the risk of making their jobs more dif-

difficult, I would say that the individuals before us today fall into that category.

Thank you, Mr. Chairman, for calling the hearing, and to our witnesses for appearing.

The CHAIRMAN. Thank you. And thank you for your comments.

Our first witness is Wess Mitchell, Assistant Secretary for the Bureau of European and Eurasian Affairs, U.S. Department of State. Again, we thank you for being here, and appreciate what you do for our country.

Our second witness is Mr. Marshall Billingslea, Assistant Secretary for Terrorist Financing, U.S. Department of Treasury. We thank you for the same.

We want to—we appreciate the fact you are sharing your thoughts and viewpoints with us today. Mr. Billingslea, for the committee's benefits, I understand you have returned early from travel to be here today. We thank you for that.

We also originally had Assistant Secretary Chris Ford scheduled for this hearing, but we were asked that he be available to testify before the Senate Banking Committee. I think you know we have a simultaneous hearing happening. Since we had these two outstanding witnesses, we relented, and allowed Chris to go over to the Banking Committee. So that testimony will be taking place there. He likely will be before us again in the future to talk about some other issues that he is responsible for.

So, again, we thank you. You know the order here. If you could summarize your comments in about 5 minutes. Any written materials you have, without—with unanimous consent will be entered into the record. And with that, Mr. Mitchell, if you would begin, we would appreciate it.

STATEMENT OF THE HON. A. WESS MITCHELL, ASSISTANT SECRETARY, BUREAU OF EUROPEAN AND EURASIAN AFFAIRS, UNITED STATES DEPARTMENT OF STATE, WASHINGTON, DC

Mr. MITCHELL. Chairman Corker, Ranking Member Menendez, thank you for inviting me to testify today. If you will indulge me I want to start with a piece of welcome news that is unrelated to this morning's testimony.

Yesterday, August 20th, the U.S. Government removed to Germany Jakiw Palij, a former Nazi camp guard at the notorious Trawniki slave labor camp for Jews and Nazi-occupied Poland. All this process took far longer than we wanted. The removal of this individual can bring some comfort to Holocaust survivors and others who suffered at the hands of those like Palij, who did the cruel bidding of the inhuman Nazi Regime.

I will use my prepared comments today to outline in brief form the overarching strategy of the United States towards the Russian Federation. The foundation for this strategy is provided by three documents, as directed and approved by the President: The National Security Strategy, the National Defense Strategy, and the Russian Integrated Strategy.

The starting point of the National Security Strategy is the recognition that America has entered a period of big power competition, and the past U.S. policies have neither sufficiently grasped

the scope of this emerging trend nor adequately equipped our nation to succeed in it. The central aim of the administration's foreign policy is to prepare our nation to confront this challenge by systematically strengthening the military, economic, and political fundamentals of American power.

Our Russia policy proceeds from the recognition that to be effective, U.S. diplomacy must be backed by military power that is second to none, and fully integrated with our allies and all of our instruments of power. To that end, we have reversed years of cuts to the defense budget, begun the process of recapitalizing U.S. nuclear arsenal, requested close to \$11 billion for the European deterrence initiative, and worked within NATO to bring about more than \$40 billion in new European defense spending.

At the NATO summit we established two new NATO commands, including one here in the United States, new counter hybrid threat response teams, and major multi-year initiatives to bolster the mobility, readiness, and capability of the alliance.

In tandem, we have worked to degrade Vladimir Putin's ability to conduct aggression by imposing costs on the Russian state and the oligarchy that sustains it. Building on Secretary Pompeo's testimony, I am submitting for the record a list of actions this administration has taken. These include to date 217 individuals and entities sanctioned, 6 diplomatic and consular facilities closed, and 60 spies removed from American soil.

[The information referred to is located at the end of the hearing.]

Our actions are having an impact. Research by the State Department's Office of Chief Economist shows that on average sanctioned Russian firms see their operating revenue fall by a quarter, their total asset valuation fall by half, and they are forced to fire a third of their employees.

Following the announcement of sanctions in April, the Russian company Rusal lost about 50 percent of its market value. In the 5 days following our August 8th announcement of Chemical and Biological Weapons Act sanctions, the ruble depreciated to its lowest level against the dollar in 2 years.

Even as we have imposed unprecedented penalties for Russian aggression we have been clear that the door to dialog is open should Putin choose to take credible steps towards a constructive path. In Syria we created de-escalation channels to avoid collisions between our forces. In Ukraine we have maintained an effort under Ambassador Volker to provide the means by which Russia can live up to its commitments under the Minsk agreements.

But in all of these areas it is up to Russia, not America, to take the next step. We have placed particular emphasis on bolstering the lines of the states of frontline Europe. In Ukraine and Georgia we lifted restrictions on the acquisition of defensive weapons. In the Balkans we have played a hands-on role in resolving the Greece-Macedonia name dispute, and engaging with Serbia and Kosovo to propel the EU-led dialog. From the caucuses to Central Europe we are promoting energy diversification, fighting corruption, and competing for hearts and minds.

Our strategy is animated by the realization that the threat from Russia has evolved beyond being simply an external or military one. It includes influence operations orchestrated by the Kremlin

in the very heart of the Western world. These activities are extensively resourced and directed from the highest levels of the Russian state.

It is important to state clearly what these campaigns are and are not about. What they are not about is a particular attachment to U.S. domestic political causes. They are not about right or left, not about American political philosophy. As the recent Facebook purges reveal, the Russian state has promoted fringe voices on the political left and right, including groups who advocate violence, the storming of federal buildings, and the overthrow of the U.S. Government.

Russia foments and funds controversial causes, and then foments and funds the causes opposed to those causes. Putin's thesis is that the American Constitution is an experiment that will fail if it is challenged in the right way from within. Putin wants to break apart the American Republic, not by influencing an election or two, but by systematically inflaming the fault lines within our society. Accepting this fact is absolutely essential for developing a long-term response to the problem. The most dangerous thing in the world we could do is politicize the challenge, which in itself would be a gift to Putin.

What Russian efforts are about is geopolitics, the Putinist system's permanent and self-justifying struggle for international dominance. As stated by a handbook of the Russian Armed Forces, the goal is to, "Carry out mass psychological campaigns against the population of a state in order to destabilize society and the government, and force that state to make decisions in the interest of its opponents."

Doing so involves a toolkit of subversive statecraft first employed by the Bolshevik and later the Soviet state, upgraded for the digital age. The State Department takes this threat very seriously. Countering it in both overt and covert form is among the highest priorities of the Bureau of European and Eurasian Affairs. As a co-chair of the Russian Influence Group, I work with General Scapparotti to bring the combined resources of EUR and EUCOM to bear against this problem.

Under EUR leadership, all 49 U.S. missions located in Europe and Eurasia are required to develop, coordinate, and execute tailored action plans for rebuffing Russian influence operations in their host countries. Within the Bureau we recruited one of the architects of the Global Engagement Center legislation from the staff of a member of this committee. We formed a new position, the Senior Advisor for Russian Maligned Activities and Trends, or SARMAT, to develop cross-regional strategies across offices.

EUR created a dedicated team to take the offensive and publicly exposing Russian maligned activities, which since January of this year has called out the Kremlin on 112 occasions. We are now working with our ally, the U.K., to form an international coalition for coordinating efforts in this field, and have requested over \$380 million in security and economic assistance accounts in the President's 2019 budget.

We recognize that Congress has an important role to play in providing the tools and resources needed to deal effectively with the Russian problem set. As Secretary Pompeo made clear in his recent testimony, we are committed to working with all of you to make

headway against this problem, and align our efforts in support of the President's Russia strategy.

Mr. Chairman, thank you again for inviting me today. I look forward to your questions.

[The prepared statement of Mr. Mitchell follows:]

PREPARED STATEMENT OF HON. A. WESS MITCHELL

Chairman Corker, Ranking Member Menendez, thank you for inviting me to testify today. I will use my prepared comments to outline in brief form the overarching strategy of the United States towards the Russian Federation. The foundation for this strategy is provided by three documents, as directed and approved by the President: the National Security Strategy, the National Defense Strategy and the Russia Integrated Strategy.

The starting point of the National Security Strategy is the recognition that America has entered a period of big-power competition, and that past U.S. policies have neither sufficiently grasped the scope of this emerging trend nor adequately equipped our nation to succeed in it. Contrary to the hopeful assumptions of previous administrations, Russia and China are serious competitors that are building up the material and ideological wherewithal to contest U.S. primacy and leadership in the 21st Century. It continues to be among the foremost national security interests of the United States to prevent the domination of the Eurasian landmass by hostile powers. The central aim of the administration's foreign policy is to prepare our nation to confront this challenge by systematically strengthening the military, economic and political fundaments of American power.

Our Russia policy proceeds from the recognition that, to be effective, U.S. diplomacy toward Russia must be backed by "military power that is second to none and fully integrated with our allies and all of our instruments of power." To this end, the administration has reversed years of cuts to the U.S. defense budget, begun the process of recapitalizing the U.S. nuclear arsenal, requested close to \$11 billion to support the European Deterrence Initiative, and, in the past year and a half, worked with NATO Allies to bring about the largest European defense spending increase since the Cold War—a total of more than \$40 billion to date. In addition to commitments from over half of the Alliance to meet NATO's 2 percent defense spending requirement by 2024, the United States achieved virtually all of our policy objectives at the NATO Summit, including the establishment of two new NATO Commands (including one here in the United States), the establishment of new counter-hybrid threat response teams, and major, multi-year initiatives to bolster the mobility, readiness, and capability of the Alliance.

In tandem, we have worked to degrade Russia's ability to conduct aggression by imposing costs on the Russian state and the oligarchy that sustains it. Building on Secretary Pompeo's recent testimony, I am submitting for the record a detailed list of actions this administration has taken. These include, to date: 217 individuals and entities sanctioned, 6 diplomatic and consular facilities closed or kept closed, and 60 spies removed from U.S. soil. The State Department has played the lead role in ensuring that these efforts are closely and effectively coordinated with European allies through synchronized expulsions and the continued roll-over of sanctions related to Russia's ongoing aggression against Ukraine.

Our actions are having an impact. Research by the State Department's Office of the Chief Economist shows that on average sanctioned Russian firms see their operating revenue fall by a quarter; their total asset valuation fall by half; and are forced to fire a third of their employees. We believe our sanctions, cumulatively, have cost the Russian government tens of billions of dollars on top of the broader impact on state-owned sectors and the chilling effect of U.S. sanctions on the Russian economy. Following the announcement of sanctions in April, the Russian company Rusal lost about 50 percent of its market value. In the 5 days following our August 8 announcement of Chemical and Biological Weapons Act sanctions, the ruble depreciated to its lowest level against the dollar in 2 years.

Even as we have imposed unprecedented penalties for Russian aggression, we have been clear that the door to dialogue is open, should Putin choose to take credible steps toward a constructive path. In Syria, we created de-escalation channels to avoid collisions between our forces. In Ukraine, we have maintained an effort under Ambassador Kurt Volker to provide the means by which Russia can live up to its commitments under the Minsk Agreements. But in all of these areas, it is up to Russia, not America, to take the next step. Our policy remains unchanged: steady cost-imposition until Russia changes course.

As with the overall strategy, the premise of these efforts has been that our diplomacy is most effective when backed by positions of strength. We have placed particular emphasis on bolstering the states of frontline Europe that are most susceptible to Russian geopolitical pressure. In Ukraine and Georgia, we lifted the previous administration's restrictions on the acquisition of defensive weapons for resisting Russian territorial aggression. In the Balkans, American diplomacy has played a lead role in resolving the Greece-Macedonia name dispute and is engaging with Serbia and Kosovo to propel the EU-led dialogue. In the Caucasus, Black Sea region, and Central Europe we are working to close the vacuums that invite Russian penetration by promoting energy diversification, fighting corruption, and competing for hearts and minds in the lead-up to the 30th anniversary of the end of Communism.

Our strategy is animated by the realization that the threat from Russia has evolved beyond being simply an external or military one; it includes unprecedentedly brazen influence operations orchestrated by the Kremlin on the soil of our allies and even here at home in the United States. These activities are, as FBI Director Wray recently stated, "wide and deep," being both extensively resourced and directed from the highest levels of the Russian state. We work closely with the Department of Homeland Security, the Department of Justice and, and the National Security Council to ensure that all relevant resources are being brought to bear to thwart and punish any Russian influence campaigns in the run-up to the elections.

It's important to state clearly what these campaigns are and are not about.

What they're not about is any particular attachment to specific U.S. domestic political causes. They are not about right or left or American political philosophy. The threat from Russian influence operations existed long before our 2016 presidential election and will continue long after this election cycle, or the next, or the next. As the recent Facebook purges reveal, the Russian state has promoted fringe voices on the political left, not just the right, including groups who advocate violence, the storming of federal buildings and the overthrow of the U.S. government. Russia foments and funds controversial causes—and then foments and funds the causes opposed to those causes. Putin's thesis is that the American Constitution is an experiment that will fail if challenged in the right way from within. Putin wants to break apart the American Republic, not by influencing an election or two, but by systematically inflaming the perceived fault-lines that exist within our society. His is a strategy of chaos for strategic effect. Accepting this fact is absolutely essential for developing a long-term comprehensive response to the problem. The most dangerous thing we could do is to politicize the challenge, which in itself would be a gift to Putin.

What Russian efforts are about is geopolitics: the Putinist system's permanent and self-justifying struggle for international dominance. As stated by a handbook of the Russian Armed Forces, the goal is "to carry out mass psychological campaigns against the population of a state in order to destabilize society and the government; as well as forcing a state to make decisions in the interests of their opponents." Doing so involves an evolved toolkit of subversive statecraft first employed by the Bolshevik and later the Soviet state, which has been upgraded for the digital age. While these tools and technologies differ depending on the context, the key to their success is that the Kremlin employs them within a common strategic and operational framework aimed at leveraging all available means to achieve a decisive strategic effect.

The State Department takes this threat very seriously. From my first day on the job, I have established for our team that countering this threat, in both its overt and covert forms, will be among the highest priorities for the Bureau of European and Eurasian Affairs. As a co-chair of the Russia Influence Group, I work with General Scapparotti to bring the combined resources of EUR and EUCOM to bear against this problem. Under EUR's leadership, all 50 U.S. missions located in Europe and Eurasia are required to develop, coordinate and execute tailored action plans for rebuffing Russian influence operations in their host countries.

Within the Bureau, we recruited one of the architects of the Global Engagement Center legislation from the staff of a member of this committee; in addition, we formed a new position—the Senior Advisor for Russian Malign Activities and Trends (or, SARMAT)—to develop cross-regional strategies across offices. Early this year, EUR created a dedicated team within the Bureau to take the offensive and publicly expose Russian malign activities, which since January of this year has called out the Kremlin on 112 occasions. Together with the GEC, EUR is now working with our close ally the U.K. to form an international coalition for coordinating efforts in this field. The State Department requested over \$380 million in security and eco-

conomic assistance accounts in the President's 2019 Budget for Europe and Eurasia that can be allocated toward combatting Russian malign influence.

In these efforts, we recognize that Congress has an important role to play in providing the tools and resources that will be needed to deal effectively with the combined Russian problem set. As Secretary Pompeo made clear in his recent testimony, we are committed to working with all of you to make headway against this problem and align our efforts in support of the President's Russia strategy.

Mr. Chairman, thank you again for inviting me to speak today. I welcome your questions.

The CHAIRMAN. Thank you, Mr. Secretary.
Secretary Billingslea.

STATEMENT OF THE HON. MARSHALL BILLINGSLEA, ASSISTANT SECRETARY, TERRORIST FINANCING, UNITED STATES DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. BILLINGSLEA. Chairman Corker, Ranking Member Menendez, and distinguished members of the committee, first of all, it is great to be back. I got my start in Washington sitting on the bench back there some 20-odd years ago, and it is fantastic to appear before this committee. And thank you for the opportunity.

At the outset I will say that those of us in the Treasury Department share the views that you, and the ranking member, and many in the Senate have expressed regarding the significant and continuing national security threat posed to the United States by the Russian Federation.

Continuing occupation of Crimea, paramilitary operations in Ukraine, human rights abuses, malicious cyberattacks on U.S. and ally infrastructure and companies, illicit procurement of restricted U.S. technologies, violation of crucial arms control treaties, support to the Assad regime's barbarism, assassination of dissidents and defectors, including the unconscionable use of the Novichok nerve agent in London, United Kingdom, and ongoing efforts to interfere in our sacrosanct election processes, and those of our allies, are just some of the unacceptable behaviors of the Putin regime.

Countering Russian aggression is a top priority for the Treasury Department. And consequently, the net effect of our actions over the past year-and-a-half is an unprecedented level of financial pressure mounted against the Kremlin, its oligarch proxies, and key sectors of the Russian economy. To date, this administration has applied sanctions on 223 Russia-related entities and individuals, ranging from Yevgeny Prigozhin, and the internet research agency social media troll farms, to FSB and GRU cyber actors, to Russia's state-owned defense conglomerate, Rosoboronexport, which has been supplying billions of dollars' worth of weaponry to the Assad regime.

Additionally, Treasury has issued findings pursuant to the Patriot Act to Section 311 against a major Latvian bank that was laundering money for illicit activities based out of Russia. And we have engaged globally with partner nations to apply their anti-money laundering regimes to target financial flows directly associated with both Russian organized crime and the maligned behavior of the Kremlin.

Russian aggression is ongoing, but the Treasury Department has demonstrated to Putin and his inner circle that their behaviors will not be tolerated, and they will incur significant costs. On April 6th,

2018, we sanctioned 7 Russian oligarchs who are part of the innermost circle, along with 12 companies that they own or control. This included Oleg Deripaska and Viktor Vekselberg, as well as Putin's son-in-law, Kirill Shamalov. Unlike the previous administration, which shied away from targeting these actors, we have gone after the big fish.

Rusal, controlled by Deripaska, is the second largest producer of aluminum and supplier of aluminum in the world. As a result of sanctions, Deripaska's estimated net worth, his personal net worth, has dropped by more than half. The share price of the holding company that controls Rusal was cut likewise by more than half on the London stock exchange on the day we took our actions.

Similarly, Viktor Vekselberg's personal net worth has dropped by an estimated 3 billion, and his company has now been forced to divest from ventures in Switzerland and Italy. When Treasury acted, Moscow-traded stocks experienced their biggest plunge in years, and the ruble slid to its weakest position since 2016, and it still has not recovered from that.

In all, our measures are taking a direct toll on the wealth of the elites who serve as Kremlin proxies, and on the Russian economy. Their growth is nearly stagnant. Foreign direct investment is down. There's limited willingness to invest further in their oil and gas sector, which is fundamental to their economy. The cost of borrowing for the Russian government is way up. And the central bank is increasingly forced to step in and prop up Russian financial institutions.

Nor will we cease to ease up. We will not ease up for as long as this maligned behavior persists. As an example, over the past 2 weeks we have imposed additional costs on Russian entities. Namely, we sanctioned a Russian bank, which has facilitated millions of dollars in transactions for North Korea, and we designated a major Russian port operator, maritime port operator, for providing services to North Korean-flagged vessels, and helping to evade sanctions.

This morning, about 30 minutes ago, we took further measures. We are designating two Russia shipping—Russia-based shipping companies, who have been conducting ship-to-ship transfers of oil and circumvention of the U.N. Security Council resolutions, and we are blocking six Russian-flagged vessels.

Second, as part of our ongoing effort to combat Russian cyber activities, we are designating two more individuals and two additional companies for their ongoing support to the Russian FSB for cyber behavior. So I think it is clear that the Treasury has been given a straightforward mandate to combat Russian aggression at every turn, and I assure the committee that we will continue to do so.

Mr. Chairman, I appreciate the opportunity to testify before this committee, and to answer additional questions on this matter, which I think we all agree is of the utmost importance to our national security. With your permission, I ask that my longer prepared remarks, together with a copy of the CAATSA Section 243 Report on Russian illicit financial behavior, be submitted for the record. And again, I look forward to answering questions. Thank you, Chairman.

[The prepared statement of Mr. Billingslea follows:]

PREPARED STATEMENT OF HON. MARSHALL BILLINGSLEA

Chairman Corker, Ranking Member Menendez, and distinguished Members of the Committee. It is my pleasure to be invited here today, and to speak about a very serious and continued threat to the security of our nation and our allies.

The Treasury Department has a clear understanding of the continued threat posed by Russia's malign activities and works every single day, together with other agencies and foreign partners, to counter that threat. Russia's continuing occupation of Crimea, human rights abuses, malicious cyber-attacks, illicit procurement of sensitive defense and intelligence technologies, election interference and other influence efforts, as well as their support to the Assad regime's massacre of its own citizens, are unacceptable. Treasury has made countering Russian aggression a top priority, and consequently, our actions to date have resulted in an unprecedented level of financial pressure against those working on behalf of the Kremlin and in key sectors of the Russian economy targeted by U.S. sanctions. Treasury will continue to do its part to impose costs in response to Russian malign activity, leveraging all of the tools and authorities that we have. I am grateful to have the opportunity to share with you today some of what the Department of the Treasury is doing to support the administration's whole-of-government Russia strategy.

First, I'd like to take a moment to put the Russia challenge into context. Russia has spent decades developing complex and resilient networks to raise, transfer, hide, and obscure the origin and movement of the funds generated through illicit activity, including corruption, sanctions evasion, and arms sales. Their highly sophisticated apparatus relies on state and non-state agents and proxies; Russian oligarchs, for example, use their wealth and influence to advance the Kremlin's malign agenda at home and abroad.

Russia, however, is also unique from other countries subject to broad U.S. sanctions in several important ways, including the sophistication and scale of its malign activity, and we have tailored our approach accordingly. We cannot, for example, counter Russian aggression in the same way we approach countries like North Korea or Iran. Russia's economy and resource base are more sizeable, and is fully integrated into the global economy and international financial system. North Korea and Iran, on the other hand, for decades have been largely or almost entirely isolated from the global financial system. Because Russia's integration presents an especially unique challenge, we've surgically deployed Treasury tools to balance maximizing pressure on Russia while minimizing unintentional spillovers to the United States, our European allies, and the global economy.

For example, a number of Russia's state owned entities and oligarch-owned businesses are intricately integrated into other economies and global supply chains, including the economies of some of our closest NATO allies. We designated RUSAL, the second-largest producer and supplier of aluminum in the world, on April 6 for being owned and controlled by EN+, which is owned or controlled by the Russian oligarch Oleg Deripaska. As a result of our designations, Deripaska's estimated net worth has dropped by more than 50%, and the share price of EN+ fell from \$12.20 to \$5.40 on the London Stock Exchange following its designation.

The core of our approach is to leverage every tool available to us to impose costs upon those acting on or behalf of the Kremlin against U.S. interests, and to increase financial pressure on Russia to advance our national security priorities while simultaneously mitigating unnecessary impacts on the United States, our European allies, and the global economy.

Since January 2017, this administration has sanctioned 217 Russian-related individuals and entities for a broad range of sanctionable conduct, 200 of which were sanctioned by Treasury's Office of Foreign Assets Control (OFAC). Of those, 136 were designated under Ukraine/Russia-related sanctions authorities codified by the Countering America's Adversaries Through Sanctions Act, or CAATSA. During this administration, Treasury has used our sanctions authorities to counter a wide spectrum of Russia's destabilizing activities, including malign cyber activity, interference in U.S. elections, and support to rogue states. In total, OFAC has also imposed blocking sanctions on 14 Russian banks and sectoral sanctions on 124 Russian financial institutions, including any 50% or more-owned subsidiaries. Furthermore, OFAC has imposed blocking sanctions on 20 Russian energy firms and sectoral sanctions on another 80 Russian energy firms.

We've seen our actions have immediate effect. For example, the RUSAL designation in April was part of a much larger sanctions package of seven Russian oligarchs along with 12 companies they own or control, 17 senior Russian government offi-

cials, and a state-owned Russian weapons trading company and that company's subsidiary, a Russian bank. Among those sanctioned on April 6 were oligarchs Oleg Deripaska and Viktor Vekselberg, as well as Putin's son in law Kirill Shamalov; and the heads of state-owned companies such as Gazprom, Gazprombank, and VTB Bank. One of Treasury's objectives in designating Deripaska and Vekselberg, and indeed our objective in targeting oligarchs more broadly, is to make it more difficult for them to wield their influence and power to engage in malign activities.

The impact of our April 6 designation was felt within a single day. According to public reporting, the combined net worth of Russia's 27 wealthiest people fell by an estimated \$16 billion in 1 day, Moscow-traded stocks had their biggest drop in 4 years, and the ruble fell to its weakest position since late 2016. Viktor Vekselberg's net worth has dropped an estimated \$3 billion, and foreign governments have launched investigations in response to his designation and subsequently frozen Vekselberg's assets in their jurisdictions. Vekselberg's Renova Group was forced to divest from ventures in Switzerland and Italy.

While our Russia sanctions program is among our most active, sanctions are not and cannot be the only tool on which we rely. The scale and sophistication of Russian malign activity is far more advanced than that of other states currently subject to broad U.S. sanctions. Further, the size of the Russian economy and its deep integration into the global economy and financial system present a unique challenge. As I've testified before, a key reason we have been so effective in countering malign activity and illicit finance is we implement comprehensive financial diplomacy. Accordingly, in certain circumstances other tools will either complement or far more effectively advance our national security interests in countering Russian aggression. For example:

- Engagement with foreign governments: Senior and working-level Treasury officials frequently engage and consult with foreign counterparts regarding our Russia efforts. We leverage relationships painstakingly built over many years to consult, pre-notify of pending actions, share information regarding observed typologies, and urge them to match U.S. designations. Since the passage of CAATSA, Treasury has traveled extensively to discuss the implementation of the Russia-related provisions of that statute with foreign and finance ministries. When appropriate, Treasury also supports foreign partners' designations and enforcement actions, including by providing financial intelligence. In some cases partners need more than one-off support, and in these cases Treasury offers technical assistance to build partners' institutional capacity to effectively address procedural, legislative, or other gaps.
- Engagement with the private sector at home and abroad: Treasury regularly meets with U.S. and foreign private sector entities to explain our sanctions regulations and actions, and share information, typologies of illicit activity, and best practices, among other things. For example, we have held roundtables with banks in jurisdictions at elevated levels of risk for Russian money laundering, including Cyprus and Latvia, to convey the risks and also to urge relevant industry authorities to take steps to prevent the exploitation of their respective financial sectors by bad actors. We also use private sector engagement opportunities to communicate our intent to aggressively enforce U.S. sanctions, and to pursue entities that facilitate Russian malign activity.
- Advance multilateral efforts: Treasury works multilaterally to strengthen international anti-money laundering and countering the financing of terrorism (AML/CFT) standards and to ensure that these measures are effectively implemented around the world. For example, Treasury officials have engaged with international partners under the G-7+ Contact Group, a group of likeminded countries coordinating efforts to counter Russian malign influence. The United States also currently holds the presidency of the Financial Action Task Force (FATF). At FATF, Treasury works to strengthen international AML/CFT standards and ensure that these measures are effectively implemented around the world. For example, the FATF's efforts to ensure that all jurisdictions apply a high level of scrutiny to the financial activities of politically exposed persons (PEPs) and collect information on the beneficial owners of legal entities helps to detect attempts by Russian officials to launder, hide, or move the proceeds of corruption. Similarly, the FATF's work to promote the global implementation of United Nations (U.N.) sanctions and hold underperforming countries accountable through its "grey list" process helps undermine Russian attempts to circumvent international prohibitions on dealings with North Korea, Iran, or other U.N.-listed programs. Indeed, the U.S. named the countering of proliferation finance as one of the priorities of the FATF during the current U.S. presidency, in an effort intended to harden the world's financial systems against the type

of illicit procurement and proliferation activity in which Russian actors are regularly involved. All FATF members are evaluated against their effectiveness in implementing FATF standards. Russia, as a FATF member, will be subject to rigorous assessment and peer review of its AML/CFT regime beginning in 2019.

- Deploy other authorities: As Treasury works aggressively to deter and prevent illicit Russian financial activity abroad, we are simultaneously protecting the U.S. financial system. For example, on February 16, 2018, Treasury's Financial Crimes Enforcement Network (FinCEN) issued a finding pursuant to Section 311 of the USA PATRIOT Act that Latvia-based ABLV Bank AS (ABLV) was a financial institution of primary money laundering concern. In its public notice of proposed rulemaking, FinCEN cited multiple instances of institutionalized money laundering in which ABLV management solicited high-risk shell company activity that enabled the bank and its customers to launder funds. ABLV's facilitation of shell company activity typically benefitted illicit actors engaged in an array of illicit conduct, including transnational organized criminal activity, corruption, and sanctions evasion, emanating mostly from Russia and former Commonwealth of Independent States. Pursuant to this finding, FinCEN proposed the imposition of a prohibition on U.S. financial institutions from opening or maintaining correspondent accounts for, or on behalf of, ABLV.
- Public affairs engagement: Finally, Treasury officials work with the domestic and foreign media to disseminate information, including information on designations and sanctions evasion, to ensure information is made available to appropriate audiences.

Before concluding, I would be remiss if I did not speak to the tremendous effort it takes on the part of Treasury's professional staff to implement all of our programs, liaise with other country partners, and with the private sector. Our team travels around the world to ensure our sanctions are effectively implemented and the real-world risks of transacting with designated individuals and entities are fully understood. Treasury staff fields thousands of inquiries each year regarding compliance and licensing issues—many highly complicated questions that require substantial amounts of time and effort. On top of this, we are mandated to prepare and submit at least 80 reports to Congress in 2018—reports that require thousands of hours of work. Treasury's Office of Terrorism and Financial Intelligence is a small component compared to our interagency partners.

As you can see, Treasury has aggressively targeted the range of Russian malign activity through our tools and authorities. In coordination with our interagency and international partners, we will continue to maintain pressure against the Kremlin. I would like to end my comments here, and welcome your questions.

The CHAIRMAN. Without objection.

I am going to ask just a couple of questions, and then reserve the rest of my time.

I think that the vast majority of this committee, in listening to the testimony of the two of you, would say that this was a very fact-based realistic view of what is happening, and presented by two very sober individuals, who understand Russia and their actions to be as they are.

I would ask the question today, is your testimony today representative of the mainstream of the administration from top to bottom?

Mr. MITCHELL. Yes, Senator, I believe it is. It also reflects the policy that has been directed by the President.

Mr. BILLINGSLEA. Senator, I agree with that. Chairman.

The CHAIRMAN. So we obviously are putting tough measures in place, and I know many will advocate for more. We are seeing no behavior change; is that correct? I mean they're still doing the same things that they have been doing for years. Have we seen any behavior change as a result of what it is we are doing?

Mr. MITCHELL. I would not want to characterize that. In a classified setting I think the Intelligence community would be better positioned. But I would say is that by the net weight of our actions and sanctions, in particular, I think we are forcing the Russians,

and specifically Putin, to reconsider his preferred strategy. The combined effect of our sanctions, together, by the way, with our larger defense establishment, is a cost and position strategy. And I think it is important to remember that cost and position is what won the Cold War.

So I would argue that—I would argue very clearly by increasing the costs in these sectors for the Russian economy and state, but also forcing them to up their game in developing military technological advances to keep pace with the United States in both conventional and nuclear arms, I think we are absolutely having an impact on Vladimir Putin's preferred strategy.

The CHAIRMAN. But, and again, I am not being critical of what it is you are doing, it just seems to me, and I know that there are discussions, the reason I am asking these questions, there are discussions about what we might do to prevent further involvement in our elections, which look like there is no way to stop involvement in our elections. We see it happening today. We see it happening with fringe groups.

Is there something that is being discussed within the administration that you believe may have even greater impact than what we are doing that might possibly change their behavior, which is the point of all of this.

Mr. BILLINGSLEA. Chairman, so we are constantly evaluating additional—deployment of additional pressure tactics and sanctions. And there are active discussions under way on—on those matters. I would not want to telegraph those at this stage, because if we do act we want it to have maximum financial impact.

What I would offer is had we not been applying kind of massive pressure we are applying on the regime, their behavior would be even further off the charts. So we are at least circumscribing their freedom to act, and the amount of resources they have on hand to counter us, and to serve as a spoiler, as they are attempting to do in so many cases across the globe, whether we are talking about propping off Maduro in Venezuela, on the one hand, what they are doing with the Iranians and weapons trade there for Assad. So we are forcing them to make some pretty tough resource changes.

Likewise, we do see clear indications that a number of the Oligarchs, who thought they would just simply get bailed out by the regime for the hit that they have taken, have, in fact, not been made whole. And that is perhaps due to the fact that the regime itself is struggling for the kind of resources that they would need to do that.

The CHAIRMAN. I reserve the rest of my time. Thank you. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. Thank you both for your testimony. And Mr. Chairman, I would like to take up the Secretary's suggestion that maybe we should have a classified briefing on the impact of sanctions and behavioral change. I think that would be instructive for the committee.

The CHAIRMAN. I know we had one in Banking, and a number of us attended that. And I think they, just for what it is worth, general speaking, I do not think it is as classified. They said it had not been any behavior change. But maybe we should have that for this committee, also. But go ahead.

Senator MENENDEZ. So Mr. Secretary, I think that in listening to your response to the Chairman's questions, I think we could generally agree, that despite our best efforts, both Congress's intention to the laws that it has passed, and the administration's enforcement of elements of that, that Russia continues to march on, both in destabilizing our democracy, other Western democracies, continues to have a frozen conflict in Eastern Ukraine, continues to occupy Crimea, and is engaged actively in Syria in a way that I think undermines our national interests. So is that a fair statement?

Mr. MITCHELL. I think that is a fair statement. And I would just add to it what Director Coats said, the assessment of the Intelligence community, that there is a pattern of—a campaign and pattern of pervasive influence. It is not at 2016 levels. And the administration is responding to that with a clear-eyed strategy.

Senator MENENDEZ. So if we are agreed that it has not, at least as it relates to all those things, changed its course of conduct, do you support stronger sanctions on the Russian energy and banking sectors?

Mr. MITCHELL. I support a continuation of the administration's current approach, which is to use the sanction authorities that we have. And I think we have a good track record to show for that.

Senator MENENDEZ. If you had the ability to have stronger sanctions on Russia's energy and banking sectors, would you welcome it?

Mr. MITCHELL. We make full review and use of all of the authorities at our disposal, and are always assessing for new targets.

Senator MENENDEZ. We had the Secretary of State here, who is your boss. And he actually said that he welcomed, as a result of my questioning, he welcomed—we did not specify which one, but he welcomed a new round of sanctions as it relates towards Russia. I assume that you are in agreement with him.

Mr. MITCHELL. I am. As I said, I would continue using the authorities that we have. I believe that we have excellent authorities. But we always use the tools that Congress gives us.

What I would say from the Executive Branch perspective, and for effective diplomacy, is we need discretion with those sanctions. So sanctions without discretion, in my mind, is the enthuces of strategy. We have to have the flexibility to use them in a manner that reflects diplomatic realities, and I think we have done a good job of that.

Senator MENENDEZ. I get concerned when I have seen both this and previous administrations use waiver authority in a way that is far beyond discretion. It undermines the intention of Congress. So we have a different point of view as to exactly how much discretion you end up having.

Do you support the establishment of a sanction coordination office at the State Department?

Mr. MITCHELL. I would reserve opinion on that matter. I think we are looking internally at how best to continue coordinating sanctions in the days ahead. I think we have done a good—

Senator MENENDEZ. We have heard a lot of complaints from European governments about the lack of senior level coordination on sanctions. I would like to commend it to your attention as well as the Secretary's.

Let me ask you both. Do you support the establishment of a national fusion center to coordinate policy against maligned actors across the whole of government?

Mr. MITCHELL. I think there is something to the idea of a mechanism for increasing coordination within government. It is a problem that has a lot of different aspects. There is a cyber and technical aspect. There is a diplomatic and messaging aspect. There is an informational aspect.

My caveat would be I think it is important to go about this in a way that does not get in the swim lane of current lines of effort, which I would argue you are doing a good job. So I think our team is preparing some structured feedback on the legislation that we have—the ideas that we have seen in the bill.

Senator MENENDEZ. We would look forward to that. Let me ask you this. Is it still the policy of the United States to not recognize the illegal annexation and occupation of Crimea?

Mr. MITCHELL. Indeed.

Senator MENENDEZ. I appreciate you saying that. Because then I see the President go ahead and veto elements of the National Defense Authorization Bill, or the President rejected Senate-approved language of non-recognition of the illegal annexation and occupation of Crimea. That is worrisome for some. I do not know why you would do that when it is the policy, the stated policy of the administration. Also, the Secretary of State has said that. And then you get a different message sent by the President.

Let me ask you one last question. Under the Chemical and Biological Weapons Act, the administration imposed sanctions on North Korea for using chemical weapons against one of its own citizens, killing the brother of Kim Jong-un. The administration also designated North Korea a state-sponsored terrorist following that attack.

Earlier this month the administration sanctioned the Russian Federation under the CBW Act for using chemical weapons against one of its own citizens, a former spy, Sergei Skripal, and his daughter. You have not, however, designated the Russian Federation to be a state sponsor of terrorism. Why not? What is the substantive difference between these two situations?

Mr. MITCHELL. Let me respond to the first part of what you said, Senator. I think the administration has been crystal clear on Crimea. I see no daylight here. I would refer you to the President's comments in the interview yesterday, when he said very clearly that every time he discusses Ukraine he talks about Crimea. I think the Crimea declaration speaks for itself, and we have been very strong in that regard.

On the matter of designation of state-sponsored—

Senator MENENDEZ. Then I do not know why you reject the provision of the NDAA. It is just a codification of a view. I do not quite get it. It creates confusion in the world. But go ahead, second part of my question.

Mr. MITCHELL. On the second part of your question, with regard to a state sponsor of terrorism, I think—I do not want to get ahead of process. I think this is something that is always important to keep in our pocket. I think we are looking very carefully and sober

mindedly at Russian behavior in all regards. And CBW sanctions speak for themselves.

Depending on how the Russians now respond, there could be a follow-on to that, as per the law. So I would just say we reserve to ourselves all options with regard to Russian behavior.

Senator MENENDEZ. I just would say there is no differentiation between what happened in North Korea and the actions the administration took, which I applaud, and the Russian Federation. And there is no reason why we should not employ all the uses that we have, because we need to deter the Russian Federation from undermining our elections, and continuing to violate the international order.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman. And let me start by reiterating what the Chairman and Ranking Member both said about both of you. I am glad you are there. And I thought that you gave us a sober, but very thoughtful and fact-based presentation today. My questions to you are really about why, given all the things we are doing, including sanctions, are we not making better progress?

Let me start by saying, I appreciate that a couple of weeks ago the Secretary was able to make clear the findings of the investigation into the Russian involvement in the attempted assassination of Sergei Skripal and his daughter. And I think that is the sort of thing where, you know, we need to be frank, and be clear-eyed, and hold Russia accountable. And I appreciate the fact that that triggered some of the sanctions we have talked about today, but there is so much more.

We talked about what is going on in the eastern border of Ukraine. The question was just raised as to how we continue to feel about Crimea. You talked about espionage, cyberattacks, disinformation, propaganda campaigns. You talked about the active Russian evasion of the North Korean sanctions, the influence operations at Facebook recently, talked about, does foment destabilization. It is not about right or left politics.

And I think you make the good point that when we break this down on a partisan basis here in this body and in this country, that only comes to help Russia, not us. And I hope that we in this committee have been able to avoid that, and will continue to.

Today, Microsoft announced it imported Russian-backed cyberattacks as an example on the IRI, the International Republic Institute, and also on the Hudson Institution. So this is ongoing even as we talk here today.

I think sanctions are necessary. You talked about how firms are sanctioned or impacted, including, you said, on average a firm would lose one-third of its employees if it was sanctioned. The ruble has been devalued. But it is obviously not working the way we would like it to. I'm not saying it does not have impact. And, again, I think it is necessary. So my question to you really is, what would be more effective? Either additional sanction pressures or non-sanction pressures do you think would be most effective in countering what is going on?

And specifically, I would like you, Secretary Mitchell, to talk a little bit about the Global Engagement Center. There was talk about a new fusion center. I am not necessarily against that, but we just set up this Global Engagement Center. Senator Murphy and I spent a lot of time on legislation over the years working on this. The idea there was to, at least with regard to push-back on the disinformation and propaganda, be able—on an interagency basis to be able to have better coordination and be more effective in pushing back.

We have, frankly, much less resources than the Russians use every day here in Washington, DC even. But could you talk a little bit about that, or other ways we could deal with what is obviously a continuing problem with Russia.

Mr. MITCHELL. Thank you for those questions, Senator. Let me just respond in brief to the three things you have asked.

On the first part, I am not sure I would characterize the efforts that we have made in quite the way that you have in terms of impact. I think the chilling effect on the Russian economy, and certainly key sectors, has been significant and measureable. Since 2013 foreign direct investment in Russia has fallen by 80 percent. It is a pretty stunning number. You know, at this point we are looking at an impact through the chilling effect of use of 231, from CAATSA, from \$8 to \$10 billion in—for closed arms deals.

I think your broader point on Putin and his view of the United States not having a partisan ax to grind is out. I do not think that Putin is a student of Jefferson or Adams. I think he is a student of Haushofer. I think it is about geopolitics. I think Microsoft revelations from yesterday show that Facebook expulsion—show that very clearly that the groups in question were fomenting violence from fringe left perspective. So I think that we have to understand that we have a competitor who sees us as strategic competition, and his interest is in dividing us internally. It is a strategy of chaos for strategic effect. And so I think it is incumbent on us to not politicize and make it partisan.

In terms of GEC, we work very closely with GEC. As you probably know, the department has put \$20 million of our own resources towards this effort in the period when we are waiting on the additional funds. We are really looking forward to seeing our colleagues at the Department of Defense move the additional 40 million, so that we can see the GEC be up and running in the way that it was intended in the areas related to Russian disinformation.

Senator PORTMAN. Do you feel like you have the right staff on-board at GEC to be able to punch back?

Mr. MITCHELL. I do. I think we have a very talented staff, some very capable and knowledgeable hands. We also work very closely with them from our bureau. In fact, when our colleagues in Russia were P&G'd and came back, we made excellent use of the talent base to do a temporary plus up in some of those areas.

I mentioned the capacities that we have created at EUR, including the SARMAT role. SARMAT is the acronym for this person's role. It is also the acronym for a Russian missile. I think it make the point very clearly that we take—we take the problem seriously.

Senator PORTMAN. Yeah. Thank you, Mr. Chairman. I just think, in general, the measurements you are using; again, I appreciate all

the hard work you are doing are the impact on the ruble, the impact on the economy, the impact on the direct foreign investment. Those are interesting measurements, and obviously they are having an impact.

The question is, what are the consequences of that as to Russian behavior with regard to, again, their both overt and covert espionage, disinformation, propaganda, avoiding sanctions, and so on. And that is the question I have is, can we see a measureable result in terms of the actual problems that we hope to be able to address.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Cardin.

Senator CARDIN. Thank you, Mr. Chairman. I just want to concur with the leadership of this committee, and thank both of you for your service, and your testimonies today have been excellent, and I think this is what we want to hear. So I applaud your service.

It has been 93 weeks since the presidential elections. And our Intelligence community made a pretty quick assessment as to Mr. Putin's involvement in our elections. Bipartisan support in Congress took very quick action on the CAATSA statute, recognizing the threat.

I agree with Senator Portman that this committee and this Congress has acted in a very bipartisan manner, recognizing the threat of Russia. So I want to make that clear.

And Mr. Mitchell, I appreciate—Secretary Mitchell, I appreciate the fact that the policy you are enumerating, one that I personally support, the way you articulate it, indicating it was directed by the President, the problem is the President has not followed it. That is the concern.

There have been times when the President has made this a very partisan issue. We have not. He has. So I think we need to really drill down on this just a little bit more as to how this policy is being implemented.

You point out, in a very sobering way, that Mr. Putin wants to break apart the American Republic. That is a pretty sobering statement you made. Totally consistent with a report that I authored on behalf of members of this committee in January that said that Mr. Putin's not only trying to compromise our democratic system here in America, but he has his eyes on democratic nations of Europe, trying to bring them down as well. That is pretty sobering.

But our report pointed out that to counter that you need strong leadership. And I appreciate the fact that we have had arguments as to the effect of sanctions. One thing is clear to me, if you do not stand up to Mr. Putin, he will take the situation and move even further.

So have we seen a change in behavior the way we want it? No. If we did not pass the sanctions could there have been even more activities by Mr. Putin? Probably yes. He will fill a void. So I think it is important for us to be very sober about Mr. Putin's activities and what he is trying to do.

So let me get to this one point, because this really concerns me about the President's actions. I saw Helsinki, and the private meetings in Helsinki, and it is filling into the narrative of Mr. Putin and his concept of how governments operate, and compromising our democratic system by the manner in which that meeting took

place. And after the meeting they were celebrating in Moscow, and they were scurrying in Washington to try to figure out how to handle some of the statements that were made.

So first, try to assure me that—you say sanctions need discretion. I understand that, from the point of view of the Executive Branch of government, you need discretion, for them to have a policy. But the problem is one person can exercise that discretion, the President of the United States. And we saw that the President might very well—we know that there has been discussions about Magnitsky sanctions, and with Mr. Putin, et cetera.

Have you been briefed as to what happened in Helsinki in regards to discussions on sanctions?

Mr. MITCHELL. I have been briefed on the appropriate information I need to carry out my job with relation to Russia. But the President's also been clear, as recently as in an interview yesterday, which I would direct you to, that this was—the question that you are asking, when he was asked in the interview, he was very clear about this.

And beyond that, I would say—

Senator CARDIN. He was very clear, not in Helsinki.

Mr. MITCHELL. He was very clear with regard to raising with Vladimir Putin the unacceptability of interference in our elections. He has been very clear in his statements that he has not at any point raised the possibility of lifting sanctions.

Senator CARDIN. He did that when he returned to Washington. He did not do that in Helsinki.

Mr. MITCHELL. Sir, with all due respect, I am not going to litigate the specifics of every comment that the President has made. I would point you towards our policies that are directed by the president of the United States.

I disagree with your overall characterization that the President has not followed his policies. These are the President's policies. There is no distinction between the administration and the President with—the President directed a Russia strategy, a strategy for countering Russian influence. The previous administration did not.

I would point you to the 2010 National Security strategy on Russia, and compare it to our National Security strategy as it relates to Russia. I will point you to what President Obama said in Moscow in 2009. He called Russia a mighty river, and said that America wanted to ensure its rightful place among the great powers. And I would—

Senator CARDIN. Sir, I understand—sir, I understand the policy right now, you are assuring this committee that unless Russia changes its behavior, we will not only maintain all of our sanctions, you are looking for ways to strengthen those sanctions against Russia, and are prepared to work with this committee to give you additional tools in order to make it clear that without tangible specific results, these sanctions will be maintained and expanded.

Mr. MITCHELL. Yes. And I think that is also clear from our actions of the past year-and-a-half.

Senator CARDIN. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. I am going to make one interjection before turning to the next person. My observation would be that some of the undisciplined comments that the President makes creates just as

much trouble for these people as they do for us, and the rest of our country.

Let me just give an example. The 232 Tariff issue, which I believe is an abuse of the President's authority, were you all involved at all in discussing the use of a national security waiver to put tariffs in place, which in your case, Mr. Mitchell, usually affects the portfolio that you are working on. Were you asked, or was your, was the State Department asked about the use of—

Mr. MITCHELL. There was an extensive interagency discussion and process on that matter. And both State Department and EUR had a voice in the process.

The CHAIRMAN. And did you support it?

Mr. MITCHELL. With regard specifically to the European Union?

The CHAIRMAN. Yes.

Mr. MITCHELL. What I supported was the President's trade policy overall. We informed that strategy. I think as you see from the current U.S.–EU dynamic and trade it is a strategy that is working.

The CHAIRMAN. Well, I will take a little more of my time. How is it working?

Mr. MITCHELL. We currently have a conversation under way, a structured dialog with the European Union, about a lowering of EU barriers to American products and services.

The CHAIRMAN. Well, it is my understanding that the European Union actually has to go to zero tariffs when they met with the president on automobiles, and he did not want to do that. He wanted to keep the 25 percent tariff in place on light trucks. So it is us that is pushing for tariffs, if my understanding is correct.

Mr. MITCHELL. The President has repeatedly and publically, in the company of senior European leaders, pledged to go to zero-zero if the Europeans were willing to do this.

The CHAIRMAN. My understanding is they are willing—

Mr. MITCHELL. The Europeans have not even been willing to even engage in a process until the President used 232.

The CHAIRMAN. So you support the use of a national security waiver to put tariffs in place on steel and aluminum?

Mr. MITCHELL. I support the president's trade policies, sir.

The CHAIRMAN. And did the department recommend the use of the 232 waiver?

Mr. MITCHELL. I am not going to get into the deliberate process. This is one administration. There is an interagency process for everything related to what you are asking about, and we are on the same page.

The CHAIRMAN. Senator Paul.

Senator PAUL. Thank you. You know, we have asked some important questions, and a really important question we have to ask is do sanctions change behavior. And so without the answer to that I think we cannot really decide whether we want more sanctions until we decide whether sanctions work. And that is another way of asking the question, do sanctions work?

I think with regard to Iran, when the world had sanctions, there obviously is evidence that it worked to bring Iran to the negotiating table. In this case, there really is a question, do they work, and do more sanctions, well, work even better.

I think one possibility is that they do not work. And if they do not work, what is the result of sanctions? One result of sanctions might be that it drives Russia more into the sphere of China, and drives countries such as Turkey more into the sphere of either Russia or China. And so I think there are arguments to be made that perhaps more sanctions are not the way to go.

Sanctions are sort of the stick, and the question is, what is the carrot? I would say that one of the carrots might be considering whether or not we continue to insist that Ukraine and Georgia be in NATO. I think that if you really wanted to influence Russia's behavior, and you were talking on a one-to-one basis with Russia, and you were to have some sort of agreement, I think an agreement not to have Ukraine and Georgia in NATO might lead to less conflict in both Ukraine and Georgia. There is the argument that much of the military conflict and fomenting of military conflict is because they do seriously fear, and worry, and are concerned, and are opposed to having them in NATO.

It was George Kennan who said in 1998 that if the West insists on pushing NATO into Eastern Europe, and into the surrounding countries around Russia, that it will lead to the rise of militarism, nationalism, and ultimately an aggressive leader in Russia. And he said this in 1998. And I think, you know, his words had great prescience in the sense that some of the reactions, some of the things you see in the world are reactions to actions that we take.

With that being said, if we are open to dialog, as Mr. Mitchell said, in addition to both having the sanctions, the stick, but we still show an openness to dialog, one of the things that I think we could and ought to consider is whether or not there is any element of the sanctions where we would be willing to negotiate lessening of sanctions in exchange for maybe a smaller change in behavior.

If we wait for Russia to leave Crimea to lift any sanctions, we may well be waiting to the end of time. But perhaps there are some sanctions that already we could see that are counterproductive, and the ones that I would throw out are sanctions that prevent the travel of legislators, and their Duma, and their federation. And I think even in the midst of adding more sanctions, we ought to consider whether or not it is productive to dialog, to not have dialog.

Even if you want to complain about election meddling, you would think that you would want to meet with the Russian legislators to complain about election meddling. And I think if we cut off dialog between the legislators in Russia and here, that I do not necessarily see that that is going to change their behavior, but it does block off the ability for us to have dialog with Russia from their foreign relations to our foreign relations.

And so I would just ask that the members of the committee at least think about it as the push is towards more—is towards more sanctions, whether or not we ought to at least think about whether or not we want to prevent their legislators from traveling here, and then they do the same basically to our legislators.

There are things that despite our differences, though, that I think we should continue to talk about, and this is, I guess, the basis of my question. The New START Treaty was completed in 2010. It expires at the end of 2020. I guess I would ask Mr. Mitchell, where do we stand on discussions with Russia? Do we have on-

going discussions? Do we have negotiators? What is the status of the New START Treaty, and our discussions with Russia?

Mr. MITCHELL. Thank you for that question, Senator. And if I could respond briefly to the first part of what you said.

I agree with you that sanctions are a tool of strategic statecraft. And right now the United States has 4,190 sanctions worldwide, and 580 against the Russian Federation. What that points us towards is the need for sanctions to always be linked to a clear strategy. I think the role for Congress is to continue to be very specific as you were in CAATSA about what change in behavior is needed in order for the sanctions to be lifted, and any forthcoming legislation.

With regard to New START, we have been very clear that Russia's violation of the IMF Treaty has created a deficit of trust. And that extends across the arms control ecosystem in all of our conversations with the Russians.

We are looking very carefully and closely at the question of the future of New START. I would just say at this point any decision regarding a potential extension will be made at the appropriate time, and we would determine whether extending the treaty is in the national interest of the United States and our allies.

Senator PAUL. We do not have a formal dialog on either IMF or New START with actual negotiators, or do we?

Mr. MITCHELL. Well, what we have at present is a line of sight to continuing the process on strategic stability talks. But we will only know more about that once National Security Advisor Bolton comes back from his meeting with Patrushev later this week.

The CHAIRMAN. Before turning to Senator Shaheen, just to, Senator Paul, I would make you aware, and appreciate your perspective that we were in conversation with the former ambassador here from Russia about potentially reestablishing the parliamentary discussions. In lieu of waiving sanctions, what we had suggested was just meeting them in a neutral place, whether that be Israel or some other place.

And so there were discussions of that type until the election issues began in 2016. So I did want you to know that those conversations had taken place in the past. There were no discussions that I remember of waiving sanctions, but certainly meeting in neutral territory to begin a dialog. Whether that is something we want to discuss again, we can talk about that internally, but those have taken place in the past.

Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman. Thank you both for being here. And like other members of this committee I applaud the policy positions that you have outlined today. I think the concern and confusion among Americans and the world, actually, has come because of the contradictory statements and actions of the President, because of his behavior in Helsinki, because of his frequent Tweets, because of his failure to consistently acknowledge Russia's actions to influence the 2016 elections, and their ongoing meddling in 2018.

So I appreciate the opportunity to explore the policy positions that are under way, but I think until we see a change in that behavior we are going to continue to see confusion and concern. And

I am not asking you to respond to that. That was a statement, not a question.

Can you, Mr. Billingslea, tell me the status of the Skripal sanctions that were announced on August 8th? Have they actually been imposed?

Mr. BILLINGSLEA. Senator, the sanctions in response to the use of the nerve agent in the United Kingdom, those have been imposed. They were actually imposed under a State Department authority, and I would defer to Secretary Mitchell on that. We were in close consultation with the State Department in the run-up to that. And as Secretary Mitchell has indicated, depending on how Russia reacts, there is a menu of additional follow-on options that range in potential severity, which we are continuing close discussion on as well.

Senator SHAHEEN. And Secretary Mitchell, are we supporting Foreign Minister Hunt's call for the EU to impose greater sanctions against Russia in line with the United States has done? And are we also working to try and encourage the EU to do that?

Mr. MITCHELL. Yes, we are, Senator, very much so. We are in close consultation with our British counterparts at this point on an almost daily basis, and have been both with regard to the Skripal expulsions, and next steps on sanctions.

And I would just add, we were encouraged to see that the Europeans, partly because of U.S. engagement, created their own distinct chemical weapons-related sanctions authorities, which was a new and important step.

Senator SHAHEEN. I agree. I think that is positive.

Mr. BILLINGSLEA. Senator, could I also offer on that, one of the things that—

Senator SHAHEEN. Only if it is new. You are using my time.

Mr. BILLINGSLEA. I will revert back to you, Senator.

Senator SHAHEEN. Okay. Thank you. I appreciate that.

Secretary Mitchell, as we have discussed before, I had the opportunity to visit Syria and see the stabilization efforts that have taken place in Northeast Syria, along the Turkish border, and how much the Syrian people have benefited from that, from throwing ISIS out of that. And continued to be very troubled by the fact that the administration has on hold the stabilization funds for that part of Syria.

How does continuing to deny efforts to support stabilization in that area fit with our Russia policy? Because does that not give Russia, and Assad, and Iran all, and Turkey, for that matter, all the opportunity to go into that part of Syria, which has a chance now with continued stabilization, and continued support to be a place where the Syrians can enjoy some level of freedom from violence, and from Assad, and his regime, and from all the other actors in the region. How does that make sense in terms of a policy for Syria and Russia?

Mr. MITCHELL. Thank you for the question. No. I appreciate the question. And I would say nothing would be better from a Russian perspective than to see U.S. aid flowing in Syria in many different regards. Prior to a clear commitment to a political process at Geneva. This is part of the stock Russian approach to next steps on Syria, to see the United States essential bankroll various forms of

stabilization reconstruction before we see the Russians do their part in committing to a political process.

Senator SHAHEEN. Well, I am not talking about all of Syria. I am talking about that—

Mr. MITCHELL. I understand the question. But you asked how it was related to the whole—

Senator SHAHEEN.—northeast area that we have actually committed to.

Mr. MITCHELL.—Russia strategy.

Senator SHAHEEN. How does allowing other foreign influence to go into that area and undermine everything we have done to stabilize the region post-ISIS to work with the Syrian democratic forces? How does that benefit a policy that says we would like to get people to the table? If anything, I think it would encourage the Russians to go to the table, because they see what we have been able to do working with the Syrian people there.

Mr. MITCHELL. Senator, what I would say is we take very seriously taxpayer resources as they relate to the Syria problem in its entirety. We are cognizant of how that fits with the larger Russia strategy. And it is not clear to me that the actions that we are having are widening or creating a vacuum for other players.

Senator SHAHEEN. Have you been there?

Mr. MITCHELL. No, ma'am.

Senator SHAHEEN. I would encourage you to go. I think it would be very illuminating in terms of the difference that we have been able to make with our military on the ground there, with other coalition forces. And to give up the playing field there, and to allow other influences to go back in, I think it is not in our interest or the Syrian people's interests.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Young.

Senator YOUNG. Secretary Mitchell, welcome. I would like to return to what you have indicated in your written statement is Putin's thesis, "That the American Constitution is an experiment that will fail if challenged in the right way from within. Putin wants to break apart the American Republic," you say, "not by influencing an election or two, but by systematically inflaming the perceived fault-lines that exist within our society."

This is, indeed, a very serious point. Can you elaborate on that point?

Mr. MITCHELL. Well, I think what we see in Russian strategic behavior, as it relates to influence operations, is more or less consistent with standard Russian operating procedure and influence operations all the way back to the 1930s. The Bolsheviks, and later the Soviet State—I mean, look, even within the United States, before the social media age, Russians have been at this since at least the 1960s or '70s. This is not particularly in that regard. What is new is the tools and the scale. So the digitization of this, digital means, and social media, and the fact that this is being directed from a very high level, with a lot of State resources behind it.

I think what we have seen in Russian approach to the United States in influence operations is very much not a partisan effort. I think it is a very cynical effort to pit preexisting political camps against one another. I would just refer you to some of the groups

that Facebook made the decision to shut down. Look at what they were promoting. Look at what they stood for. These particular groups were on the far left.

We are aware very much from media of those on the far right. These were from the far left. They were putting money and organizational efforts behind groups that stood for really heinous and hideous causes inside the American polity.

We have seen since January of last year, after the President was elected, the Russians have put money behind groups that have fomented anti-Trump protests, including the one at Madison Square Garden that drew thousands of people immediately after the election.

So the point is that from our competitor's standpoint, the goal is to divide us internally. There is not any reflective political philosophy as it relates to American politics. It is an effort to divide us.

Senator YOUNG. We have heard from members various documents produced from the Intelligence community in the past as well that the difference here is not in the attempt to influence the United States, but is, indeed, in the tools. It is the breadth and extent to which the influence operations have been tried. It may also have something to do with the interaction between those tools and a particular moment in political history as well.

Secretary Billingslea, I welcome you as well to this committee. Great to have you. You write in your prepared written statement that Russia's continuing occupation of Crimea, human rights abuses, malicious cyberattacks, illicit procurement of sensitive defense in intel technologies, election interference, and other influence efforts, as well as their support to the Assad's regime, massacre of its own citizens are all unacceptable.

You know, my colleagues have already asked in a couple of different ways whether or not the sanctions are working. I think there has been an acknowledgement that the purpose of the sanctions is not just to influence the Russian economy. It is to deal with these other objectives, these continuing problems we have.

Have we seen improvement with respect to any of these? Crimea, human rights, cyberattacks, procurement of sensitive technology, so on, and so forth. Election interference on account of our implementation of sanctions.

Mr. BILLINGSLEA. Senator that is a great question. There is a difference between working and having an effect. Our sanctions are working to the extent that they are integrated into a larger strategy that the administration is executing to deal with these Russian malign behaviors. But our sanctions are also having a clear and measureable effect.

I will give you some examples. Rosoboronexport, which is their huge defense conglomerate that was selling fighter jets dropping the barrel bombs of chlorine on the populations in Syria, they are having a hard time getting paid for a number of their deals. So we are impairing—we are impairing the effectiveness, and we are constraining the Putin—

Senator YOUNG. Yeah.

Mr. BILLINGSLEA.—regime, and their—and their freedom of maneuver. But, again, the extent to which it is all working depends on the synchronization of a lot of other measures—

Senator YOUNG. Yeah. I understand there ought to be a broader strategy. So can you name some of the other tools that are being implemented, utilized, to effect change in these many continuing areas of challenge? And perhaps you can tell us what additional steps we might take vis-à-vis the Russians to implement that change.

Mr. BILLINGSLEA. Chairman, if I might, and I will kind of sneak in what I wanted to say to Senator Shaheen as well here, which is in the capacity, is this committee, the work that you do, it is incredibly important that we message very clearly to a number of European allies, particularly Eastern European allies, that it is crucial that they shore up their anti-money laundering regimes, and that they clamp down and tighten down on how they regulate money coming out of Russia.

There is an enormous amount of money that is still being filtrated from Russia by both organized crime and cronies surrounding Putin. And so to the extent that you have parliamentary relations with Latvia, or you engage with Cyprus and Malta, or other offshore jurisdictions, I think reinforcing that message would be incredibly helpful.

We really need to clamp down globally on these money flows that are associated with the movement of large amounts of money out of Russia.

Senator YOUNG. Thank you.

The CHAIRMAN. Thank you. Senator Murphy.

Senator MURPHY. Thank you very much, Mr. Chairman.

Mr. Chairman, I thought that our hearing with Secretary Pompeo was extraordinary, and I frankly wish that it had gotten more attention. I thought it was extraordinary in a number of respects. But chiefly, in the argument that the secretary was making to us, that we should ignore what the President says and pay attention only to what the State Department does. And we are hearing a strain of that today.

But the argument is extraordinary because it essentially admits that there are two different American foreign policies today. There is one articulated by the President in his statements that he makes standing next to President Putin, or on his Twitter feed.

Just yesterday, to Reuters, the President once again said that it might not have been the Russians that interfered in the U.S. election. And then there is the, I would argue, much more mainstream foreign policy that is being administered in part by the two incredibly capable patriotic representatives of the American government standing here today.

And so I wanted to pose a question, I guess, to you, Secretary Mitchell. In the context of how this plays out on the issue of propaganda, building off of the question that Senator Portman asked you, I thank you for the work that you have done to stand up the GEC while you are waiting for the transfer authority. You have gone and worked with Secretary Pompeo to find some money to get that up and running. And I agree that it is going to make a difference.

But there was a really interesting poll from—about a week ago in this country that showed that 43 percent of Republican voters believe that the President should have the authority to close news

outlets engaged in bad behavior, which is reflective of this obsession, especially over the past few weeks, that the President has with what he calls the enemy of the people, which is a really, really terrible term, given the fact that is rooted in a Stalin era murderous campaign against journalists and anyone that opposed the Russian government at that point.

And so I feel like you are doing some great stuff on the GEC. You are doing some innovative work to push back on Russian propaganda. But then the President is handing the Russian government a gift by his regular attacks on the free press, which seems to endorse the same kind of work that Putin is doing in his own country, and around the periphery.

So I guess the question is, you know, is not Putin's assault on the free and independent press inside Russia and in the Russia periphery emboldened by President Trump's regurgitation of the Stalin-era attacks on American media?

Mr. MITCHELL. Thank you for your questions, Senator. Let me respond to the two things that I have heard you say.

The first, I just want to push back on this idea that there is a strategy that is separate from the views of the President. This is the President's administration. This is his foreign policy. National Security strategy, national defense strategy, the directives that we have for policy are coming from the President. The strategy overall I would characterize on Russia in one sentence. Continue raising the costs until Russian aggression ceases, while keeping the door open to dialog.

I think if you look at the last 18 months, that is exactly what we have done. I look at the President's efforts at dialog within the context of an administration that is increasing defense spending by \$700 billion, recapitalizing a nuclear arsenal, and has had 217, 222 sanctions today on Russian individuals and entities, in contrast to the previous administration that sought dialog, but did so while gutting our military, talking about global zero in nuclear weapons.

So I think the context matters. I think the strategy documents send a very clear signal about what we are trying to accomplish vis-à-vis Russia, and I think it is the right approach.

Senator MURPHY. Yeah. But the President said yesterday that it might not have been Russia that interfered in the 2016 elections. That is not the policy of the U.S. State Department, right? But that is what the President said yesterday.

Mr. MITCHELL. I have a list in front of me with dates that I would be happy to submit for the record of the instances on which the President of the United States has been very clear in attributing to Russia interference in our elections, and pushing back on that interference.

Senator MURPHY. Got it. Yesterday. But tell me how it plays out in the context of propaganda, and specifically talk about whether you have any fears about what the President's rhetoric on the American free press being an enemy of the people has on your work? Because, again, I think you are trying to do the right thing here and trying to work with us. But if you think it is no problem, tell me that it is no problem.

Mr. MITCHELL. Well, look, Senator, I mean, in point of fact, I would like to be clear that what the President has said is not that

the free press quote is the enemy of the people. He said the fake news is the enemy of the people.

Senator MURPHY. Clearly, *The New Yorker*, *The New York Times*, *Washington Post*, *CNN*, *MSNBC* have not all been—

Mr. MITCHELL. A healthy fourth estate is a fundamental bulwark of a representational republic. I think today's media, we would all agree, is unprecedentedly polemical. And the political debate in this country has gone beyond the pale of what we have seen on the part of the media in a very long time. That is part of a healthy democracy.

If what you are asking me to do is comment on politics, I am going to stick to my job, which is policy.

Senator MURPHY. Thank you, Mr.—I was not—I do not want to lead you down this road, because I frankly know what you believe. I know that you do not believe that the press is the enemy of the people, and I just want to make sure that this committee understands that we have a tough job trying to give you the resources while your work is being compromised by the statements of the President.

So, again, I think we are all very appreciative of the work that you are doing. I just think it is important in these hearings to acknowledge the separation between the President's rhetoric and the policy of the State Department.

Mr. MITCHELL. Again, I just want to say we—the foreign policy of the United States, we are executing the policy directives of the President full-stop.

Senator MURPHY. Got it.

The CHAIRMAN. If I could, we do appreciate the work both of you do, and you know that. I think that, you know, what we see happening is—well, George Kennan said in his telegram, the long telegram, back in 1946, I mean this is what Russia has been carrying out for years. And to foment disunity in our country, but also disunity with other Western powers, I mean this has been a long term—we had some glimmers of hope at points in time. It has been a long time since we had those glimmers of hope. But it has basically been the same policy. And I think sometimes the President's comments create—help create additional disunity with the West. And I think that is what people are referring to here. And we know that makes your job difficult.

But we have these policies that are put in place. We are unified behind those policies. You are unified. But our commander-in-chief continues to undermine those with either undisciplined comments, or purposeful comments. And that is what the committee is referring to.

Senator ISAKSON.

Senator ISAKSON. Thank you very much, Mr. Chairman. And I would love to follow-on with Senator Murphy's comments from the press, but they have talked to me more about the cost of newsprint than they have talked to me about the—with the President. So we will leave it at that. They are winning—hopefully, they win one of those arguments soon.

Secretary Mitchell, let me ask you a question. In your prepared statement, I will read the following quote. And it is in quotation marks. "Military power that is second to none, fully integrated with

our allies, and all of our instruments of power,” referring to the strength of America’s foreign policy, lies in “Military power that is second to none, fully integrated with our allies, and all of our instruments of power,” is that correct?

Mr. MITCHELL. Yes, sir.

Senator ISAKSON. And I agree with that. And do you feel like at this point in time in history we are at that point where we are fully integrated, and we are fully funded, working towards NDAA. I realize it is not all funded yet, but we are on the right—you think we are on the right track?

Mr. MITCHELL. I think we are on the right track. I think we disagree with our allies on a lot of areas of policy, but on a daily basis we see a lot more commonality between the United States and European allies than we see differences.

Senator ISAKSON. And it seems to me that there is no policy that is going to work anyway unless America’s strength militarily is not strong, and is the ultimate fallback position.

Mr. MITCHELL. Yes, sir.

Senator ISAKSON. You do not want it to be your opening hand, but you want it to be the ace in your hole.

Mr. MITCHELL. Well, I think it provides the basis and context for everything else you do in your strategy. And again, you can see this by contrasting this administration with the previous administration.

If you have an attempted dialog with Russia in the form of reset while you have sequestration under way, you are operating from a position of weakness. And while you are trying to go to nuclear zero, you are operating from a position of weakness.

If you have an attempted dialog with the Russian Federation in the context of a strong national defense establishment, where you have got tremendous \$700 billion increase under way, and you are recapitalizing your nuclear arsenal, I think you are operating from a position of strength.

Senator ISAKSON. You are sending the right signals, no doubt about it, in my opinion.

Talking about nuclear weapons, on the New START Treaty, I was in the Senate in I guess 2010, Mr. Chairman, when we did the New START Treaty. It is coming up in 2021, I think that treaty expires, is that correct? 2020?

I think you were asked a minute ago by Senator Paul if you—if the administration had taken a position yet on moving forward on renegotiations for the 2020 reauthorization of the New START Treaty. Have you?

Mr. MITCHELL. We have not.

Senator ISAKSON. Okay. Have the Russians engaged any conversation about it?

Mr. MITCHELL. They have raised it on more than one occasion. The Russians canceled the previous attempt at strategic stability talks, which we saw as a broader indicator of where we are at on arms control. As you probably know, it is publically known, they have some questions about various aspects of American compliance with New START that we see as being nefarious.

Short answer to your question is at this point there is not an administration position on what we are going to do on New START.

We will make that decision at the appropriate time, consistent with U.S. national interests.

Senator ISAKSON. In the New START Treaty we negotiated a unique identifier on warheads, which we never had before. How has that worked since its implementation?

Mr. MITCHELL. I would want to provide a fuller response in a classified setting.

Senator ISAKSON. I would like to have that, if we could. Because in the end, that is going to get the foundation—if we ever go far enough with North Korea that we are in effect removing wet nuclear weapons, we are going to need to have some systems like that to make sure we can check and verify, and trust and verify. And I think that was a good program that we established in the New START Treaty.

Lastly, I have seen the horrible pictures on TV almost every night in the last week about the gas and chemical weapons used in Syria. And I know the Russians have pretty much gotten their—I think they have gotten their least established on—is that correct? They were meddling in Syria for a lot of reasons, but one of them was access to a port, if I'm not mistaken, is that correct?

Mr. MITCHELL. I am sorry. Can you repeat the question, sir?

Senator ISAKSON. I understand that Russians have negotiated some access with Syria to a port that they sought very badly, to get out of the conflict with Syria, is that correct?

Mr. MITCHELL. I'm sorry. I still do not fully understand the question.

Senator ISAKSON. Okay. Then I will—

Mr. MITCHELL. In Syria?

Senator ISAKSON. Yes.

Mr. MITCHELL. Yes. That is correct.

Senator ISAKSON. Did I say something wrong?

Mr. MITCHELL. No. I just misunderstood.

Senator ISAKSON. Okay. Good.

What do you think is the future prospects in the Syrian situation for Russia continuing engagement, and further engagement by Iran and Syria? It appears that is going from a situation they have got to a reasonable case of hope, to an unreasonable position—being fulfilled. What do you see?

Mr. MITCHELL. We see two things. On one hand you do see some modest constructive steps on the part of the Russians. I would call in particular attention to engagement with Israel, looking into some of our Israel security concerns, as they relate to Syria.

On the other hand, you see Putin aiding and abetting a murderous regime, not supporting the Geneva—the legitimate process of Geneva, and creating a parallel process in Astana. So on balance, the Russians are not being a constructive actor in Syria.

Senator ISAKSON. Thank you very much. Thank you both for your service.

The CHAIRMAN. Senator Booker.

Male SPEAKER: Not here.

The CHAIRMAN. Senator Merkley.

Senator RISCH. They are arguing over there as to who is up.

Senator MERKLEY. Thank you, Mr. Chairman, and thank you both for your—your testimony.

In February, the State Department put out a statement that New START enhances the safety and security of the U.S. While you have not reached a decision on whether it is going to be extended, is that a statement that you—you feel comfortable continuing to assert?

Mr. MITCHELL. Yes, sir.

Senator MERKLEY. Thank you. We have various reports circulating of the conversations that took place in the President's one-on-one meeting with President Putin. Has there now been for the assistance of the departmental interagency process a sense of a clear memo of what was discussed and what should flow from those discussions?

Mr. MITCHELL. Both Secretary Pompeo and Assistant—or, I'm sorry—National Security Advisor Bolton have been clear that they received extensive debriefing by the President. That has trickled through in the form of policy directives.

There has been extensive interagency process in the period since Helsinki, and communication with all of our posts.

Senator MERKLEY. Can you share a couple of those policy directives that have flown from that one-on-one meeting?

Mr. MITCHELL. So the policy directives after Helsinki are a continuation of previous policy. With regard to Ukraine, the centrality of Russian compliance with the Minsk agreements, as the gateway to any forward movement—

Senator MERKLEY. You are saying those were specifically things discussed by the President at that meeting.

Mr. MITCHELL. Sure. The only agreement in Helsinki was an agreement for the two National Security Councils to meet.

Senator MERKLEY. That was not the question. But you can go on in confusing the situation between the one-on-one meeting and the broader meeting. But it is not helpful when that is not what we are asking.

Now let us turn to Myanmar. This Saturday is the one-year anniversary of the launch of the massive ethnic cleansing that took place. And right now we understand there is a State Department report that is being held and possibly is going to be released. Is it going to be released? I am not sure which one of you would like to respond to that.

Mr. MITCHELL. I would be happy to get you more information on this, sir. It does not fall under my area of responsibility, but I follow the issue broadly, and would be happy to follow-up with you.

Senator MERKLEY. Yes, please.

Mr. BILLINGSLEA. Senator, at Treasury we are tracking this very closely, and we have just last week sanctioned a number—two, actually two of the army units involved, and a number of the—the officials who have been involved.

Senator MERKLEY. Four, specifically, and two army units, but not the heads of them, which both Canada and Europe have sanctions. So we still have not reached the same point that Canada and Europe reached far earlier. Is it your sense that this State Department report will be released on the anniversary?

Mr. BILLINGSLEA. It is a State Department question, Senator.

Senator MERKLEY. Let me just share with you that bipartisan members of this committee weighed in with a letter to the State

Department, saying specifically, “Seize the opportunity with this 1-year anniversary. Seize this opportunity to release the report. Seize this opportunity to provide more aggressive sanctions. Seize this opportunity to reinforce our support for Bangladesh, which is struggling with the—during the middle of a monsoon with housing, refugee camp for 700,000 additional Rohingya. Seize this opportunity for the President to speak specifically to this issue,” because outside of a confidential setting, he has not done so. And this is really a place in the world when there is massive genocide, ethnic cleansing. If America is to be respected in the world, our president needs to speak to the issue.

So I will just ask each of you, do you support the idea that the United States show some leadership in response to this ethnic cleansing?

Mr. MITCHELL. Yes.

Senator MERKLEY. Thank you.

Mr. BILLINGSLEA. Absolutely.

Senator MERKLEY. Thank you. The challenge we face on the election hacking continues to be substantial, but also there is a lot of discussion about how Russia is continuing to aggravate social divisions in this—in this country to basically set Americans against Americans on a host of social issues.

Do you feel like we are doing all we can to—to take on this effort by Russia to tear big holes in the social fabric of our nation?

Mr. MITCHELL. I do. We have a whole of government approach, and a strong interagency process, but I will add, as you have heard from Secretary Pompeo, we welcome additional tools from Congress, and use them with all appropriate authorities.

Mr. BILLINGSLEA. On top of that, Senator, as—as we continue to refine the evidence on the entities and individuals who are engaged in this kind of unacceptable behavior, we are going to go after them.

Senator MERKLEY. Okay. Thank you very much.

The CHAIRMAN. Senator Risch.

Senator RISCH. Thank you very much. Gentlemen, thank you for your service. This has been very productive, I think, as you have gone through these things.

First of all, I hope the American people will take note of the effect, the direct effect that our sanctions have had so far. I think that was a really good explanation of this effect, which really is not reported very widely in the national media, and I expect it probably will not be this time. But the more exposure that we can give them is really important.

I think that obviously the sanctions have two purposes. One is a direct effect to inflict pain, but the real objective is to change conduct. And, you know, you also did a good job, I think, of listing the conduct that we are attempting to change. And that is really a stunning list of some awful things that the Russians are doing, and continue to do. And I think that one of the—one of the points that has been made here, I think, is the frustration that everyone has, that the—that the sanctions are not causing immediate change in conduct.

But I think our experience over the years has been that sanctions are not like a kinetic—are not like kinetic action. They do not

spur immediate change in conduct, but really take time. I think the best example of that right now is the sanctions have been placed on Iran. And they have been in place for a long, long time. And, again, one of the underreported stories is the effect that the sanctions are having internally on the financial affairs in Iran. It is stunning when you find out what the details of that are. But, again, for whatever reason, it is not being reported. And I think the same thing is going to take place here.

And the question that I have for you is, you know, when you do do these sanctions, and it does inflict pain on a populous, it takes time for the—for that pain to trickle up, if you would, and the populous start to pressure the people that are actually in charge. Obviously, when you are in a country that is—that is influenced more by a religious fervor, a radical religious fervor, like it is in Iran, that is different than in Russia, where the dollar—where money is really important.

What are your—I would like to hear each of your opinions on time that this is going to take, because we—over the years, I know we have sat in this room and talked about the patience that it takes as we were attempting to influence Iran. I would like to hear your thoughts on the time that this is going to take before it does actually start to pressure the people at the top, where there will be some change in behavior.

Mr. Billingslea, could we start with you, please?

Mr. BILLINGSLEA. Thank you, Senator. You know, you raise exactly the—the key point, which is that sanctions are designed to induce a change in behavior. And very seldom, I think, do we see that sanctions have an instantaneous effect in that respect. But the cumulative effect over time can, in fact, be a noteworthy change in behavior. And that is what we are seeking to accomplish in all of the different sanctions regimes that we are implementing, whether we are talking about executive orders related to Venezuela, or we are talking about the North Korea campaign, or the Iranian campaign, or in the case of Russia.

The challenge we face, though, with Russia is that we are dealing with a markedly different scale here, in terms of the size of the economy. This is the world's thirteenth largest economy. It is a trillion-dollar economy. There are the foremost oil producer. They are the second largest oil exporter. They hold Europe, in effect, hostage to energy supply in so many respects. They also are deeply into the supply chains relating to copper, even titanium, with us. So it is a different—it is a different calculus and a different calibration than we would be dealing with the hermit kingdom of North Korea, or the Iranians.

So, again, I just recommend that the way we, I will say, attack the Russia challenge has to—has to take this into account.

Senator RISCH. Yeah. Mr. Mitchell?

Mr. MITCHELL. I would concur with that. And I appreciate you raising that point. We always differentiate between the Russian people and the Russian State and oligarchy. I think the Russian people have suffered enormously. We look for every way possible in our bureau to engage the Russian people. That is often difficult. I recently attended the commemoration of the Boris Nemtsov Street

in front of the Russian Embassy. I think it is incredibly important to keep up that engagement.

I think your broader question is apt. There is a certain calculus, I think, on Putin's part that he and those around him can weather, to some extent, sanctions, because of the insularity of the regime. This is a fairly insulated regime and oligarchy.

We have gone more deeply into the territory of going after those individuals than previous administration. We have gone after Putin's son-in-law, Vekselberg, Deripaska. I mean my own view of this is when you see Putin's popularity ratings falling by 15, 20 percent since he was elected, that does not mean change comes immediately. But I think it does underscore that the pain is starting to have an effect.

I think this administration has been clear that we are prepared to take additional steps. There is an escalatory ladder to sanctions. We are aware of what additional steps would be needed to make an even bigger point. And I think if you look at our actions over the last year-and-a-half they have been escalatory and progressive, and we are willing to take the steps necessary to further penalize Russian behavior.

Senator RISC. Thanks. Thank you both for what you are doing.

The CHAIRMAN. Thank you. Senator Markey.

Senator MARKEY. Thank you, Mr. Chairman. Russian spokesperson this morning said they have been advised that there is no evidence of collusion between Russia and the United States in the election. So they are clearly in denial, and that continues to be their—their posture. And we are hearing that their behavior continues, and, in fact, may be intensifying 10 weeks before an election in the United States of America.

So if that is the case, how—how much more authority do you need to ratchet up the sanctions against Russia. It is 10 weeks to go. Time is of the essence. Do you intend on doing that, given the evidence that you have right now? We do not have time for a long deliberative process here. We have to make sure, especially in the final 4 weeks of the election, that the sanctions are in place.

Mr. MITCHELL. The first part of what you said, I will just say I think the public statements from the Russian government are deliberately obfuscatory. We can voke the Russian charge' immediately after the Facebook expulsions. And I think the general Russian official posture is one to deliberately mislead and say we have no idea what you are talking about.

I would say in response to your question—

Senator MARKEY. It just says to me—it just says to me they are not responding. They are not listening. Only the infliction of additional sanction pain is going to get them to change their behavior. We need an intervention in the underlying pathology here.

Mr. MITCHELL. I would not read into the public statements—

Senator MARKEY. Obfuscation in the defense—obfuscation in the defense of interjection of a foreign power into our elections is an obvious strategy. So what do we do now?

Mr. MITCHELL. So I would not—I understand your point, and I agree. I would not confuse the statements that are being made by the Russian Foreign Ministry publically with the question of whether we are having an impact. To answer your question, I

would say we have the authority that we need, and we are using that authority.

Senator MARKEY. Yeah. So I am asking you, is the impact working right now, or are they just continuing and escalating, in your opinion?

Mr. MITCHELL. Well, I would reference what Director Coats said, and what Director Ray said, that this is broad and deep. It is ongoing. We are not at the levels that we saw in the lead-up to the 2016 election. It is a very serious threat. It is an ongoing threat. We have an interagency process and set of structures to confront it.

Senator MARKEY. Well, I think that it is time to have the interagency meeting that—ten weeks out, that makes the decision as to whether or not we increase those sanctions.

With regard to the discussion between Mr. Putin and Mr. Trump, and the New START Treaty. Can you tell us what—what happened in that discussion between the two of them?

Mr. MITCHELL. These were not deeply substantive discussions. The only agreement that came out of Helsinki was for the two National Security Councils to meet again, which they are doing this week.

Senator MARKEY. So you are saying there was no extensive discussion about New START between the two of them?

Mr. MITCHELL. I think both the President and the Secretary have been clear on that publically.

Senator MARKEY. OK. Now with regard to the IMF Treaty, was there a discussion between Putin and Trump on that issue?

Mr. MITCHELL. I am not sure what has been said publically about that by the President, and I want to respect executive prerogative, and not get into the private details of a conversation between these two leaders.

Senator MARKEY. Have you been briefed on any conversation that took place between Trump and Putin on the IMF Treaty?

Mr. MITCHELL. I have received the information I need to do my job as it relates to Russia.

Senator MARKEY. Does that mean that you have been briefed on the IMF Treaty, if—did the President say to Putin that Russia is in violation of a treaty that deals with nuclear weapons threat to the United States? Did he say those words to—

Mr. MITCHELL. I am not aware of any part of the conversations that was devoted to the subject of IMF.

Senator MARKEY. You are not?

Mr. MITCHELL. No.

Senator MARKEY. OK. Do you believe that the IMF Treaty is in our national security interest?

Mr. MITCHELL. I do. I also believe that Russian compliance with the IMF Treaty is in our interest.

Senator MARKEY. Well, by definition. And do you feel the same way about the START—the New START Treaty?

Mr. MITCHELL. I do. And similar caveat.

Senator MARKEY. And, again, obvious. And that it should be extended. I was pleased to see this morning sanctions against Russia for aiding North Korea. That was a positive step, but I still worry about enforcing existing sanctions, for example, on North Korean

slave labor. Recent reports indicate Russia is still using North Korea labor regularly.

Mr. Billingslea, are you considering additional sanctions against Russia because of their use of that North Korean labor?

Mr. BILLINGSLEA. Senator, thanks for the question. We continue to press, together with the Department of State, Russia to abide by the U.N. Security Council Resolutions, which call for a wind-up of the labor licenses, and the return of those workers out of Russia. We are concerned about the slow roll that we are observing in connection with that. We also are very, very—extremely concerned about other evasion behaviors that are in practice.

Senator MARKEY. Are you considering new sanctions?

Mr. BILLINGSLEA. On Russia. We are.

Senator MARKEY. Because of this North Korean labor issue?

Mr. BILLINGSLEA. Senator, I would have to get back to you on that.

Senator MARKEY. Okay.

Mr. BILLINGSLEA. I will get back to you on that.

Senator MARKEY. Well, I think that is—

Mr. BILLINGSLEA. I do not want to telegraph punches publically, but we are actively looking at evasion scenarios across the board.

Senator MARKEY. Okay. Very good. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Just to give you a chance, Mr. Mitchell, to—Secretary Mitchell to clean up.

When you said the elections, the interference right now is not as it was in 2016, what you are saying is the interference that we are seeing is less intense. Is that correct?

Mr. MITCHELL. Yes. That is correct. And I was referencing Director Coats' comments.

The CHAIRMAN. Yeah. Thank you. Senator Gardner.

Senator GARDNER. Thank you, Mr. Chairman. Thanks to both of you for being here today. I want to commend the State Department for following up on Senator Markey's comments, sanctioning Russian ships for their continued trade violations of sanctions when it comes to North Korea. But I also would point out additional articles of The Wall Street Journal and others that talk about the depths of continued acceptance into Russia of North Korean laborers.

It does not seem to be lessening. In fact, it seems to be increasing. And I would hope that you would take a look, Secretary Billingslea, at the C4ADS report. I am sure you are very familiar with it. It identifies names of businesses that are asking for Korean translators, hiring Korean translators to deal with a number of foreign workers they have coming in from North Korea.

We know that as much as 80 percent of the salary that the North Korea worker is supposed to receive is being siphoned off and going to prop up the Kim Jong-un regime for a grand total of over \$2 billion. That goes into directly the nefarious activities that he continues to pursue, including reports today from the U.N. watchdog, IAEA, that there is no indication that North Korea is slowing down or stopping its nuclear program.

And so if we are going to have and say that we have a doctrine of maximum pressure, then perhaps it is time that we start saying

publically that we are going to sanction these companies in Russia, in China, and around the globe that continue to violate sanctions when it comes to North Korea.

And I think if we are going to be trying to get Russia and China to follow through on their commitments to U.N. sanctions, then perhaps we can take a look at the names of these companies and start sanctioning them. I mean here is one right here. I am not going to be able to pronounce it, but there is Zenco, Genco, Sakorenma. I mean these are all companies that continue to take North Korean laborers, and it would be nice to see the Treasury starting to sanction them.

On August 2nd, as you know, CAATSA was signed last year by the President. Section 324 of CAATSA requires determination with the 90 days whether North Korea should be designated as a state sponsor of terrorism. That determination was made on November 20th. President Trump announced North Korea designated a state sponsor of terrorism, stating, “North Korea has repeatedly supported acts of international terrorism, including assassinations on foreign soil.”

February 2nd, 2018, “The United States determined under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 that the government of North Korea used the chemical warfare agent VX to assassinate Kim Jong Nam, Kim Jong-un’s half-brother, in the Kuala Lumpur airport. The Treasury Department subsequently imposed sanctions against North Korea for that attack.

On March 4th, 2018, the Russian government attempted to assassinate two Russian nationals in Salisbury, United Kingdom. On August 8th, 2018, the State Department determined that the Russian Federation has used chemical or biological weapons in violation of international law, or has used lethal chemical or biological weapons against its own nationals in the Salisbury attack. The Treasury Department subsequently imposed sanctions against Russia for that attack.

On April 24th I introduced, along with Senator Menendez, I know he has talked about this today as well, the language identical to the CAATSA provisions regarding North Korea, requiring the State Department to make a determination whether Russia should be designated as a state sponsor of terror.

Language was also included in the Defending America Security from Kremlin Aggression Act, DASKA, introduced by Senator Graham on August—myself and others, August 2nd.

I wrote an op-ed not too long ago that the moral case for such a designation is sound, designation of Russia as a state sponsor of terror. Russia has invaded its neighbors Georgia and Ukraine. It supports the murderous regime of Bashar al-Assad and our enemies in Afghanistan. And it is engaged in active information warfare against Western democracies, including meddling in the 2016 United States election. And as we have talked about here, continuing to attempt to influence the elections going forward.

To both of you, do you believe that the Russian Federation has repeatedly supported acts of international terrorism, including assassinations on foreign soil?

Mr. Billingslea, yes or no?

Mr. BILLINGSLEA. Senator, they have definitely engaged in outrageous behavior. The Salisbury attack is unacceptable.

Senator GARDNER. They have engaged in attempted assassinations on foreign soil.

Mr. BILLINGSLEA. More than once.

Senator GARDNER. Mr. Mitchell? Secretary Mitchell?

Mr. MITCHELL. I agree with the premise of your question. I do not want to get ahead of our deliberative processes on what we do about that. But there is no contesting the fact of Russian behavior in these categories.

Senator GARDNER. Do you agree that the Salisbury attack is not the only instance where Russia has attempted assassinations on foreign soil? Secretary Mitchell?

Mr. MITCHELL. I would not be prepared to answer that definitively in this setting.

Senator GARDNER. Secretary Billingslea?

Mr. BILLINGSLEA. I think we would need to go into closed session, but I would be comfortable saying it is—they engaged in this behavior more than once.

Senator GARDNER. Do you agree that Russia is an otherwise maligned actor whose actions undermine U.S. national security, global peace, and stability? Secretary Billingslea?

Mr. BILLINGSLEA. Senator, I do.

Senator GARDNER. Secretary Mitchell?

Mr. MITCHELL. Assuredly.

Senator GARDNER. Do you agree the Kremlin has violated international law, Ukraine, Syria, and elsewhere around the globe?

Mr. MITCHELL. Yes.

Senator GARDNER. Secretary—both of you, yes. Would you support a process that would allow the State Department 90 days to determine whether or not Russia should be designated as a State sponsor of terror? Secretary Mitchell?

Mr. MITCHELL. I would need more information, and would want to consult with our team, and know the Secretary's views. I understand the direction that you are going with this, and I think the appropriate way to go about it would be when our team in the next week or so comes over and gives a structured response to some of the legislation that is being considered.

Senator GARDNER. Secretary Billingslea?

Mr. BILLINGSLEA. Senator, that is a State Department call on designation, right? However, it is important to know that if we have any evidence that a Russian actor is supporting a terrorist, we will go after them regardless of state sponsor level designations.

Senator GARDNER. Secretary Billingslea, just quickly, what additional sanctions would Russia face if such a designation were to be made?

Mr. BILLINGSLEA. If State Department were to determine that—

Senator GARDNER. Yeah.

Mr. BILLINGSLEA.—they are a state sponsor? I would say there would not be an immediate waive of actions. We would have to work with the Department of State to then identify which prongs within the Russian government would be viewed as the enablers of those behaviors. Much the way we have done that in other cases.

Senator GARDNER. Thanks, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Rubio.

Senator RUBIO. Thank you both for being here.

My question is going to be about deterrence, but I want to lay the framework that I think is already embedded in your testimony. One of the things I think—we are struggling with two things as we debate it broadly, and even here on the committee, and beyond.

The first is that I do not think we fully accept that we are back to sort of a historically normal era of great power competition. For 25, 27 years, we have been in a unipolar world, and we had difficulties with certain countries. Now we have a near peer competitor in China for the first time in a quarter century, and we have, at least in the military realm, a near peer competitor in certain spheres, geopolitically as well, in Russia.

And in that realm, the second thing I think we struggle with is the notion that informational warfare is not warfare. It is warfare by different means. It has always been a part of warfare. The difference now is that propaganda and efforts to divide, demoralize, confuse the enemy, you can do it electronically now.

And so what is happening now is not a part of an effort to help republicans, democrats, independents, vegetarians, whoever, whatever party you wanted to take, it is an effort to help divide us against each other, and weaken us internally, and from within. It is a tactic.

And in terms of our policies, you see some of the simplistic way people approach this. There is one group that almost argues we should not be talking at all to them, right? Which I think is, despite my deep antagonism towards Vladimir Putin, what he represents, and the things he has done, I do not want to see a shooting war, because it would be catastrophic for the world.

And so at a minimum, that should keep you engaging and talking, and working, where possible, within the context of understanding you are in a competition, more of his making, than ours, but nonetheless, one that he believes in, a zero sum one, in which he can only get stronger if we get weaker.

And the flip side of it is if we just talked, if we just—we are nicer to each other, we would be able to get along better, which is also false, because at the end, it goes back to what I just said, he uses the zero-sum competition, and the only way he can be stronger and restore Russia to greatness, at least his vision of it, is by us to be weaker.

And so in that competition, everything we are debating here is about the tactics they are using, right? They cannot compete with us economically. They cannot necessarily compete with us militarily, in terms of projecting power all over the world. But what they do very intelligently is a low investment in military intervention in exchange for influence in the Middle East. So he is now becoming a power broker in Syria, in Libya, in different parts of the world, because he has enough airplanes and enough troops on the ground to make a difference there. He is even trying to finagle his way somehow into the North Korea talks. He wants to be a player in that.

You see in Europe, there was an article yesterday about a growing number of European countries, after new elections, far left and

right parties who have come to power, that are potentially moving those countries closer to—I think he went to the wedding—is it the Austrian prime minister, or president? Foreign minister. And then, of course, the asymmetrical means that we are discussing, which are part of it. To them it is a very low-cost way of getting, in our heads, and in our society, and dividing us against each other.

So in the context of all of that, if we can finally accept the fact that we are in a great power competition with China. And in some ways a similar competition with Russia. They are as big as China. They do not pose the same economic challenge as China, but nonetheless, enough that we have to address it.

If we can just wrap our brains around the fact that we are in a competition, and that the one thing we want to do in that competition is what we did in the Cold War, and that is avoid a third world war. Then we begin to design what we do. We punish what they have done, but we also try to deter what they have done. It was a key component of the Cold War, is a fact that both parties understood the price was so high for a nuclear exchange that neither party pursued it, despite a couple of close calls.

It is why I, along with Senator Van Hollen have put out this idea of laying out ahead of time specifically what the penalties would be, what is the price if Putin does this again. And it has to be a high enough price so that he does not do it again. And the notion of it is if you know ahead of time how much it is going to cost you if you do it, you might be less likely to do it. I cannot guarantee he will not, but I can guarantee that if he does not think the price is high enough, he will.

In that realm, do you have any views, either one of you, about the role that deterrence can play in terms of changing the cost benefit analysis that Vladimir Putin undertakes before he conducts what he did in 2016, again in 2018, or beyond?

Mr. MITCHELL. I agree with the premise of your question and characterizing this as a big power competition. I think deterrence is absolutely critical. And so when the administration has gone after Deripaska, and Vekselberg, and Putin's son-in-law, I think that sends a very clear message. When we tightened the sectorial sanctions, I think that sends a strong message.

I think we could do more collectively to look at cyber deterrence. I think there is a growing awareness that we have not done enough in that regard. But I think the tools that can be brought to our disposal to increase the message of deterrence, we are supportive of that.

There is a lot in the Deter Act that is very positive. It moves in the right direction. There is some aspects of it that we are not comfortable with. I mean the vesting new mandates, almost entirely in a single intelligence official, the DNI, rather than a Senate-confirmed cabinet official, is problematic.

As I said earlier, we take the view that National Security waivers are very important for diplomacy. Our team is preparing some structured responses to legislation we will be providing in coming days, and look forward to engaging with you more closely on it. But I agree overall with what you said, deterrence is critical.

Senator RUBIO. And I know I am over time, I just want to comment that as far as the Deter Act is concerned, I recognize, at least

speaking for myself, I think Senator Van Hollen does as well, that if we want to pass it and turn it into law there are changes we will need to make, because we need the administration to sign it, and we want to do it. Our goal is to pass a bill that deters, not to necessarily have the original product become the law, per se, but it needs to be strong enough.

The CHAIRMAN. Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman. I have a few other questions.

Secretary Billingslea, let me ask you. Expectations, I think, among the Senate whereas that you would continue to impose sanctions on oligarchs, but clearly you have decided to diminish pressure. You have not designated any oligarchs since April 6th. You have delisted Estonian banks. Now there are reports that you may delist Rusal.

What kind of signal does that send to the Kremlin? We are told to judge the administration by its actions, and not by the President's words. But these actions seem to be more aligned with an accommodating and disturbing rhetoric that the President has versus a tougher approach.

Mr. BILLINGSLEA. Senator, I am unaware of any intention to "delist" Rusal. If anything we are pushing forward to see Deripaska completely removed from any ownership or control of both Rusal and EN+ as a way forward.

We are far from easing up. We continue to accelerate. If we just look at the cyber-sanctions, we have sanctioned three times—

Senator MENENDEZ. Let me interrupt you for a moment.

Mr. BILLINGSLEA. Yes.

Senator MENENDEZ. I want to focus specifically on oligarchs.

Mr. BILLINGSLEA. On oligarchs.

Senator MENENDEZ. And in that respect, unless I am wrong, there has been no designation since April 6th, and you have delisted Estonian banks. I am glad to hear you are not delisting Rusal. At least not intending to. But, you know, you do not become an oligarch in Russia unless Putin makes you one, right? So at the end of the day, this is his satellite universe of people who support him, and maybe even part of his monies at the end of the day. So I hope you will create a greater focus on that, because that is, I think, critical towards our goals here.

Let me also ask you, while I am directing questions to you. The Obama administration imposed sanctions on the FSB and GUR following the 2016 election. How many of those officers' accounts have been frozen, do you know?

Mr. BILLINGSLEA. On the GRU officers, I—I do not have that information.

Senator MENENDEZ. Could you get it—and FSB officers as well.

Mr. BILLINGSLEA. Yes, sir.

Senator MENENDEZ. And how much money did those individuals lose as a result of any sanctions, if there are any, as it relates to them.

Mr. BILLINGSLEA. I will have to take that for the record, sir.

Senator MENENDEZ. Okay. Now Secretary Mitchell, let me—you know I have a high regard for you, but it gets a little diminished when you do things that I think are political in nature.

You mentioned the mighty river comment as it relates to the previous administration. Well, that was 2009. That was before Crimea. That was before the invasion. That was before the Obama administration leveraged sanctions against Russia for its invasion of Crimea. That was before the president ultimately went ahead, and that is why Russia is not part of the G7 today.

It is also when we—when it became aware that Russia was interfering with our elections, that it did pursue sanctions against the GRU and the FSB. That is why it made a commitment, reaffirming NATO's commitment to extend membership to Georgia. And I could go through a long list.

So I am not sure that that type of comparison that you attempted to make is in our collective interest at the end of the day. But I do want to ask you, the President, at the Helsinki press conference, announced the establishment of a high-level working group to include business and economic leaders from Russia and the United States.

I thought it was our policy to put economic pressure on the Kremlin to stop attacking our elections, its illegal occupation of Ukraine, its war crimes in Syria. Why are we promoting business ties with a regime that we are actually trying to severely sanction?

Mr. MITCHELL. Let me respond to the things that you have said, Senator.

Senator MENENDEZ. Well, I only have one question.

Mr. MITCHELL. Okay. I will respond to the second thing you said.

Senator MENENDEZ. And I have limited time. So you can respond to my question.

Mr. MITCHELL. Look, I think Helsinki, what, what came out of Helsinki, other than an agreement for the two National Security Councils to meet, was to explore the concept of two things. A business council of some kind, details to be determined. And an academic exchange, a track two Dartmouth-type thing, like we did during the Cold War. We are assessing right now what, if anything, would be the composition or way forward on either of these.

Senator MENENDEZ. Well, it just seems counterintuitive that we are trying to affect the Russian economy, and then we are trying to create business ties.

Let me ask you this. Increasingly, Russia provides a vital source for oil and aviation fuel to North Korea. And there have been reports that at a time when China has slowed its exports, Russia has stepped up to fill the breach. So whether it is part of a broader strategy to increase Russian influence in Asia, or merely an effect to make mischief and complicate our efforts to deal with and constrain Pyongyang, it is clear that Moscow intends to play a role in North Korea, and not one that is helpful.

What are your thoughts in this regard in how we best deal with that?

Mr. MITCHELL. I agree with that characterization. Russia is not being helpful in many regards with North Korea. Look, I mean on one hand they are part of the United Nations Security Council consensus that is critical for maximum pressure. On the other hand, they appear to be working against many of the measures that they themselves have supported in the National Security Council.

What I would say is on an ongoing basis we are looking very carefully, whether it is Russian behavior on DPRK, Syria, across the board, we are looking on an ongoing basis at all of these things, and the authorities at our disposal for responding to it.

Senator MENENDEZ. And finally, Mr. Billingslea, congratulations. I just got notification that you have been nominated to be the undersecretary for Civilian Security Democracy and Human Rights. I look forward to our conversation as it relates to that potential new role.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Menendez. Thank you both for your testimony today. We hold lots and lots of hearings here. Very seldom do we get as clear and direct answers as we have got from you. And you are both great representatives for the United States of America, and this committee sincerely appreciates your service on behalf of the American people. Thank you for that.

That concludes this hearing, and the record will stay open for questions for the record until 5:00 p.m. tomorrow evening.

With that, the committee is adjourned.

[Whereupon, at 11:56 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF ASSISTANT SECRETARY A. WESS MITCHELL TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. Do you commit to working within State and the interagency for full implementation and enforcement of CAATSA? Do you support the use of existing CAATSA sanctions mandates that have not yet been utilized?

Answer. Yes. We are committed to the comprehensive implementation of CAATSA. Together with the Department of the Treasury, the State Department is using the Russia sanctions authorities under CAATSA to impose costs on Russia for the totality of its malign behavior. Since January 2017, the administration has sanctioned 229 Russia-related individuals and entities for their involvement in Russian malign activities; 136 of these designations were done under sanctions authorities codified by CAATSA. In addition, the threat of sanctions has prompted other states to abandon billions of dollars in planned or announced arms deals with Russia, imposing additional financial costs on the Russian government.

Question. What is your view of the best way to further increase sanctions pressure on Russia? Do you support new sanctions authorities?

Answer. We have robust sanctions authorities at our disposal. We are using these authorities in close coordination with our allies and partners to impose costs on Russia for the entirety of its malign behavior.

Sanctions are a powerful foreign policy tool, and are most impactful when used in coordination with allies and partners to maximize their effectiveness. Transatlantic unity is the cornerstone of our sanctions against Russia; providing the State Department with flexibility in implementation allows us to engage with allies, maintain unity, and maximize sanctions pressure on Russia. It is important that the U.S. government have tools available to quickly mitigate unintended consequences of sanctions to maintain stability in global markets as well as key relationships with our Allies and partners.

Question. How else is the administration pressuring Russia and what more is needed in this regard?

Answer. The United States utilizes a whole-of-government approach that combines diplomatic, foreign assistance, intelligence, and law enforcement lines of effort to deter and defend against Russian malign activities. We will continue to communicate to the Russian government when its behavior is unacceptable, work with our interagency partners to impose costs in response, and build international coalitions to actively deter malign Russian activities. Examples of current efforts include expulsions of Russian intelligence operatives from the United States, sanctioning 229

individuals and entities in Russia since January 2017, increasing funding for initiatives designed to bolster our European Allies, working with NATO Allies to increase spending and strengthen NATO deterrence posture, investing in projects like the Global Engagement Center (GEC) in an effort to counter Russian disinformation, and many more. For more exhaustive information, please refer to the previously provided document, Trump Administration Actions to Push Back Against Russia.

Question. How would you assess U.S. coordination with European allies in countering malign influence? How can we improve?

Answer. The U.S. government is working closely with Allies and partners to deter and defend against Russian malign activities. As part of those efforts, the Department is targeting U.S. foreign assistance to increase the resilience of U.S. partners to resist and counter Russian pressure; working with Allies and partners to share information and exchange best practices, including through multilateral Centers of Excellence; providing concrete support to partner countries in response to specific threats; and enhancing partner capacity to mitigate cyber vulnerabilities and respond to threats through technical assistance and bilateral and multilateral diplomatic engagement.

Sanctions and other cost-imposition measures against Russia are most effective when they are coordinated with our European allies. We continue to work hard to encourage our European allies to join us in sanctioning Russian individuals and entities responsible for Russian malign activities so that we can blunt Moscow's influence in a more united fashion.

Question. Do you consider Hungary to be a healthy democracy? Do you believe there are threats to independent media in the country, as State Department reporting describes, and do you think such threats undermine democracy in the country?

Answer. Hungary is a NATO Ally and OSCE participating member state that shares longstanding interests, both bilaterally and regionally, with the United States. As the President and Vice President have made clear, strong partnerships require that Allies meet all their commitments to uphold the values enshrined in the Washington Treaty. The State Department has engaged the Hungarian government on a range of issues, including the importance of a free and independent media as a fundamental pillar of democracy. I will continue to identify opportunities to support independent media and NGOs as well as to combat corruption, Russian pressure, disinformation, and malign influence in Hungary.

Question. Have you authorized grant awards to support independent media in other Central or Eastern European countries? Does the role of independent media in those countries differ from its role in Hungary, and if so, how?

Answer. As the National Security Strategy emphasizes, we believe an informed and engaged citizenry is a fundamental requirement for societies to be free, resilient and prosperous. Freedom of expression, including freedom of the media, and strong, diverse and unhindered civil society are key components of democratic governance and underpin the strength of our alliances. The Department regularly engages with governments on these issues to stress the importance we attach to compliance with international obligations and commitments to promote and protect fundamental freedoms. The Department also has a range of programs, including grants, which support independent media in Central and Eastern Europe, both to build the capacity of independent media to provide objective reporting as well as to support local and regional efforts to counter disinformation. I will continue to identify opportunities to support and promote independent media and civil society throughout the region, as well as tailored efforts to combat corruption, Russian pressure, disinformation, and malign influence.

Question. Do you support U.S. foreign assistance being directed to democratically orientated Hungarian civil society activists, journalists, and independent media who are pushing back against anti-democratic trending in Hungary?

Answer. As the National Security Strategy emphasizes, we believe an informed and engaged citizenry is a fundamental requirement to a free and resilient nation. Civil society actors have an important role to play in the democratic process, including by promoting public awareness and public discourse. The U.S. is working to strengthen pro-America voices in Hungary. I will continue to identify opportunities to support independent media, combat corruption, and counter the pressure, disinformation, and malign influence of Russia and China in Hungary.

RESPONSES OF ASSISTANT SECRETARY A. WESS MITCHELL TO QUESTIONS SUBMITTED
BY SENATOR BENJAMIN L. CARDIN

Question. Special Envoy Volker is well known to this Committee and does solid work. How exactly would you describe his mandate at this point?

Answer. Special Representative Volker's goal remains the same: restoring Ukraine's territorial integrity and ensuring the safety and security of all Ukrainians, regardless of language, religion, or ethnicity. Secretary Pompeo and APNSA Bolton have directed Special Representative Volker to work with France, Germany, and Ukraine to develop a proposal for an international security force that could facilitate the implementation of the Minsk agreements once Russia chooses peace and agrees to withdraw its forces. Special Representative Volker is also coordinating with the Secretary and APNSA on talks with Russian Presidential Advisor Surkov, but the Russian side has not yet demonstrated a willingness to engage seriously

Question. Overall, what is the U.S. strategy on Ukraine at this time?

Answer. Ukraine faces the external challenge of 4 years of Russian aggression and the internal challenges of an economy that has been hobbled by high-levels of corruption and centralized under the control of a handful of politically powerful oligarchs. The United States intends to continue bolstering Ukraine's resilience to Russian aggression by supporting the Ukrainian defense sector, pushing for continued Transatlantic sanctions unity, pursuing negotiations to end the conflict in the Donbas, and making high-profile symbolic demonstrations of our long-term commitment to Ukraine. We will continue to support the IMF's reform program and add to our focus a broader effort to reduce the influence of oligarchs in key economic sectors.

Question. President Putin has reportedly said that he proposed to President Trump that a referendum be held in rebel parts of Ukraine. Can you confirm this? Do you know if President Trump and other national security leaders are considering this proposal?

Answer. The administration will not support a referendum in eastern Ukraine. The State Department and NSC have publicly rejected this proposal. Russia and its forces need to stop the fighting, withdraw from eastern Ukraine, and implement the Minsk agreements. Russia signed on to the Minsk agreements, which are the basis for resolving the conflict in the Donbas, and these agreements do not include any option for a referendum. Furthermore, any so-called referendum in a part of Ukraine that is not under government control would have no legitimacy.

Question. Does it remain U.S. policy that the whole of Ukraine's territorial sovereignty, including Crimea, should be restored?

Answer. U.S. support for Ukraine's territorial integrity is steadfast. Secretary Pompeo laid out an unequivocal statement of U.S. policy in his July 25, 2018 Crimea Declaration: that we do not, and will not, recognize the Kremlin's purported annexation of Crimea. We reject Russia's attempted annexation. The Declaration and subsequent show of support from partners are clear signals of the permanence of the international community's commitment to Ukraine's territorial integrity. We are also focused, in coordination with France and Germany, on pushing for implementation of the Minsk Agreements, but have been frustrated at every turn by Russian intransigence.

Question. Are you aware of any conversations at the White House or within the administration regarding recognizing Crimea as Russian territory, as some quid pro quo for one of President Trump's goals?

Answer. The United States remains committed to Ukraine's territorial integrity. We reject Russia's attempted annexation of Crimea and pledge to maintain this policy until Ukraine's territorial integrity is restored—a position Secretary Pompeo made clear in his July 25, 2018 Crimea Declaration. Respective U.S. sanctions on Russia for its aggression in Ukraine will remain in place until Russia fully implements the Minsk agreements and returns control of the Crimean peninsula to Ukraine.

Question. You and I have discussed previously the report I commissioned 7 months ago of the Foreign Relations Committee Democrats regarding Putin's assault on democratic values, the rule of law, and universal values in his own country and throughout Europe over the last nearly 20 years. Are you aware what if any recommendations have been taken, or even strongly considered, by the administration?

Answer. The U.S. government's efforts to deter and defend against Russian malign activity both at home and abroad are coordinated with our Allies and across the interagency at every level to ensure a comprehensive approach. This whole-of-government approach combines diplomatic, foreign assistance, intelligence, and law enforcement lines of effort to:

- Expose Russian malign behavior and combat misleading narratives in the press.
- Target our foreign assistance to increase the resilience of our partners to resist and counter Russian pressure. We support programs to improve good governance; expand civic engagement and independent media; enhance cyber security; increase defense capabilities; strengthen rule of law and anti-corruption measures; and promote European integration, trade diversification, and energy security.
- Promote positive, truthful narratives about the United States and its Allies to reinforce the importance of Western institutions and values to partner governments and populations that are most vulnerable to Russian influence.
- Develop and fund programs that help foreign audiences recognize false narratives and stave off attempts at influence.
- Work with Allies and partners to share information and exchange best practices, including through multilateral Centers of Excellence.
- Provide concrete support to partner countries in response to specific threats.
- Enhance partner capacity to mitigate cyber vulnerabilities and respond to threats through technical assistance and bilateral and multilateral diplomatic engagement.

Question. Do you consider the report to be a valuable tool in the U.S. government's discourse and deliberations on how to push back against the growing Kremlin threat?

Answer. I share the same concerns about Russia as those raised in the report. Russia has shown through its aggressive actions that it rejects the post-Cold War order. Russia's efforts have extended beyond traditional military campaigns to encompass a suite of "hybrid" tools used to gain influence. Safeguarding the United States and our Allies and partners from Russian malign influence campaigns is a core component of the administration's Russia strategy, our diplomatic engagement, and our foreign assistance. I agree that Russia's efforts to undermine democratic processes and the sovereignty of its neighbors are unacceptable and require a whole-of-government response. We are working across the U.S. government, as well as closely with Allies and partners, to deter and defend against these activities both at home and abroad.

RESPONSES OF ASSISTANT SECRETARY A. WESS MITCHELL TO QUESTIONS SUBMITTED BY SENATOR ROB PORTMAN

Question. Given Patriarch Filaret's recent announcement regarding possible terms for an autocephaly agreement for the Ukrainian Orthodox Church, as well as the Kremlin's proclivity for using the Russian Orthodox Church as a means of spreading Russian influence, what is the State Department doing to support Ukraine's religious independence from Moscow?

Answer. The United States is a staunch supporter of religious freedom, and engages with a broad array of religious communities as part of our outreach to civil society. We support the freedom for leaders and members of religious groups to govern their religion according to their beliefs and practice their faiths freely. We believe any decision on autocephaly is an internal church matter. We respect internal church procedures and the ability of Ukraine's Orthodox religious leaders and believers to pursue autocephaly according to their beliefs.

ENHANCED U.S. MILITARY PRESENCE IN EUROPE

I think that we should explore new ways to bolster our military deterrent in Europe. This might include re-establishing a permanent corps-level headquarters in Europe that could provide our soldiers with a true warfighting command, one that can utilize many more assets than our current division-level headquarters.

Question. Do you support enhancing the U.S. military footprint in Europe? Do you think that this would help deter potential Russian aggression?

Answer. The National Defense Strategy calls for increased and sustained military investment due, in part, to the magnitude of the threat Russia poses to U.S. secu-

richness and prosperity today, and the potential for that threat to increase in the future. U.S. forces play a critical role in deterring Russian aggression, including efforts to exercise malign influence over our Allies and partners. NATO's enhanced Forward Presence has provided deterrence and significant opportunities for exercises and training to strengthen interoperability and capabilities. U.S. capabilities in the European theater deter aggression by strengthening NATO's posture at a time when our Allies are also expanding their defense-capacity.

Question. If so, are you currently engaged in any conversations about this, and what is the status of those conversations?

Answer. The United States constantly assesses its force posture to address emerging challenges and ensure we have a combat-credible posture in Europe. We will continue to engage Congress as well as Allies and partners to address the challenges that arise in this competitive strategic environment.

Question. How can Congress be helpful on this issue?

Answer. Congress has played a vital role in shoring up European security, particularly under the European Deterrence Initiative. These funds have enhanced our deterrent and defense posture, but there is more the United States can do to build Allied and partner capacity and ensure we have the right capabilities in the right locations. We would welcome Congress's help in increasing the State Department's FMF budget to ensure the United States can work with our NATO Allies, especially our Baltic Allies, in procuring U.S. equipment that meets core NATO capability shortfalls, such as air defense.

Question. What is the status of your talks with the Europeans, and what is your assessment of Europe's willingness to establish these CFIUS-like mechanisms?

Answer. Over the past year, State and Treasury have had robust engagement with the EU and with numerous EU member states on CFIUS reform in the United States, the updating of national legislative authorities and policies to conduct more robust investment screening, and the EU's proposal to introduce a framework for coordinating investment review. We have sent interagency teams to European capitals, including Brussels, The Hague, London, Paris, and Stockholm, for outreach on investment screening to countries that have an investment screening mechanism in place and want to strengthen it or are just beginning to implement a national screening mechanism. We have also welcomed groups of Europeans to the United States for intensive multi-week discussions under our flagship International Visitors Leadership Program, and are preparing for another group in September.

Overall, we have seen an increased awareness across Europe of the need to protect sensitive technology, intellectual property, data, and critical infrastructure from strategically-motivated foreign investment that could undermine security and threaten national and EU-wide interests. We will continue to engage and share best practices from the U.S. perspective as the EU and its member states continue to develop a more robust response to these pressing challenges.

Question. Do we assess that the Russians will ever return to compliance with the [Intermediate-range Nuclear Forces (INF)] treaty?

Answer. The INF Treaty is under threat today. The Russian Federation has developed, tested, and deployed a ground-launched cruise missile system that can fly to ranges prohibited by the INF Treaty. In 2014, the United States declared the Russian Federation in violation of its obligations under the INF Treaty. Despite repeated U.S. efforts to engage the Russian Federation on this issue, Russian officials have so far refused to discuss the violation in any meaningful way, take substantive steps to return to compliance, or provide a credible answer to the information provided by the United States regarding this missile.

The United States does and will continue to abide by its INF Treaty obligations. We call on the Russian Federation to take concrete steps to return to compliance, preserve the INF Treaty, and restore confidence in the role of arms control to manage strategic stability between our two countries.

Question. What is the goal of our diplomatic efforts regarding the Russian violation?

Answer. Our goal is for the Russian Federation to return to compliance with the INF Treaty and to deny them a military advantage. There are two diplomatic tracks underway to achieve this goal. The first track is direct diplomatic engagement with the Russian Federation through all viable channels, including the INF Treaty's Special Verification Commission (SVC) established to "resolve questions relating to compliance with the obligations assumed." Over the last 5 years, we have provided de-

tailed information to the Russian Federation outlining U.S. concerns and engaged up to the highest levels of government.

The second track is diplomatic engagement with our key allies and partners to increase the pressure on the Russian Federation. We have shared available information with our allies and partners regarding the SSC-8 ground-launched cruise missile system, which the United States assesses to be designated by the Russian Federation as the 9M729. At the July 2018 NATO Summit, allies affirmed that “in the absence of any credible answer from Russia on this new missile, the most plausible assessment would be that Russia is in violation of the Treaty.”

While the United States will continue to pursue a diplomatic solution, we are also pursuing economic and military measures intended to induce the Russian Federation to return to compliance. This includes a review of military concepts and options, including research and development for conventional, ground-launched, intermediate-range missile systems, which would enable the United States to defend ourselves and our allies, should the Russian Federation’s failure to return to compliance result in the dissolution of the Treaty. This step will not violate our INF Treaty obligations. We are also prepared to cease such research and development activities if the Russian Federation returns to full and verifiable compliance with its INF Treaty obligations. Should the Russian Federation’s actions result in the collapse of the Treaty, these efforts will prepare the United States to defend itself and its allies.

Question. Can you speak further to the larger international context regarding other countries that are not party to the INF Treaty and their interest in developing weapons within the scope of the INF Treaty?

Answer. The United States has long expressed concern about the proliferation of ballistic and cruise missile technology, including for weapons within the scope of the INF treaty. The United States uses all available means, including military capabilities, nonproliferation activities, and arms control to reduce and mitigate the threat to itself, deployed forces, and allies and partners.

Question. How should that influence our actions regarding the long-term strategy with INF and the Russians?

Answer. The United States regularly reviews its international agreements and the international security environment to ensure continued U.S. participation in these agreements further the security of the United States. The INF Treaty gives each Party the right to withdraw if it decides that extraordinary events related to the subject matter of the Treaty have jeopardized its supreme interests.

RESPONSES OF ASSISTANT SECRETARY A. WESS MITCHELL TO QUESTIONS SUBMITTED BY SENATOR CORY BOOKER

Question. How does Russia “enable” the Taliban? Do you see Russian support to the Taliban trending upward?

Answer. We are aware of reports that the Russians continue to provide weapons and other support to the Taliban. We believe Russia’s contacts with the Taliban are increasing.

Question. Do you agree that Russia seeks to “undermine U.S. influence in the region” as reported by the Department of Defense last month?

Answer. Yes. Russia actively tries to discredit U.S. efforts towards peace and our reputation in the region utilizing a breadth of tools, including propagating false narratives. Russia has repeatedly accused the United States of supporting ISIS in Afghanistan; simultaneously, there are media reports that the Russian government clandestinely supplies arms to the Taliban.

Question. What consequences have we imposed on Russia for their role in supporting insurgent groups that seek to undermine our efforts to jumpstart a peace process between the Afghan government and the Taliban?

Answer. We continue to monitor Russian actions in Afghanistan and are prepared to use the tools available to respond to Russian malign efforts that jeopardize the peace process, as appropriate.

Question. NBC has reported that Erik Prince has presented a plan to privatize the war in Afghanistan. Is this under consideration? If that were to happen, what opportunity would it create for Russia to exploit the Afghan government’s relative instability?

Answer. We are aware of the reports about Erik Prince's plan and no such proposal is under consideration.

REPORT TO CONGRESS PURSUANT TO SECTION 243 OF THE COUNTERING AMERICA'S ADVERSARIES THROUGH SANCTIONS ACT OF 2017 REGARDING INTERAGENCY EFFORTS IN THE UNITED STATES TO COMBAT ILLICIT FINANCE RELATING TO THE RUSSIAN FEDERATION

August 6, 2018

Section 243 of the Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA) requires the Secretary of the Treasury to submit to the appropriate congressional committees not later than one year after CAATSA's enactment, and at the end of each 1-year period thereafter until 2021, a report describing interagency efforts in the United States to combat illicit finance relating to the Russian Federation. Pursuant to Section 243(e), the report shall be submitted in unclassified form, but may contain a classified annex. This document serves as the first unclassified report submitted by the Secretary under CAATSA Section 243; additional information is provided in the classified annex.

In line with the 2017 National Security Strategy of the United States, which highlights Russia's global subversion and aggression, the administration actively employs the full range of its financial, intelligence, law enforcement, and diplomatic tools to expose, disrupt, and impose costs on those responsible for Russia's malign activities. Russian conduct includes, but is not limited to: attempts to subvert Western democracies through election interference; the continued occupation of Crimea; ongoing efforts to destabilize Ukraine; the illicit procurement of sensitive defense and intelligence technologies; malicious cyber-attacks; links to transnational organized crime (TOC); support to the murderous Assad regime in Syria; gross human rights violations and corruption; and the facilitation of sanctions evasion schemes by rogue states such as Iran and North Korea. In carrying out these malign activities, Russia relies on a highly sophisticated apparatus consisting of state and non-state agents and proxies, decades of experience carrying out influence operations around the globe, and the strategic direction of Russian president Vladimir Putin.

Russia's integration into the global economy and international financial system presents an especially unique challenge compared to other states subject to U.S. sanctions such as Iran, North Korea, and Syria. For example, a substantial portion of Russian sovereign bonds are held by external investors, including U.S. pension funds, asset managers, and banks, while Russian financial institutions have extensive global market linkages through debt, equities, and derivatives.

As this report details, this administration's efforts against this threat are among its top priorities, resulting in an unprecedented level of financial pressure against those working on behalf of the Kremlin and in key sectors of the Russian economy targeted by U.S. sanctions.

Treasury's Russia sanctions program is among our most active. Since 2017, this administration has sanctioned 215 Russian-related individuals and entities, 199 of which were under Treasury authorities, including 136 under Ukraine/Russia-related sanctions codified by CAATSA. These actions have blocked hundreds of millions of dollars in Russian assets in the United States and caused extensive consequences to the financial interests of affected individuals and entities.

The impact of these measures is further seen in the efforts by companies around the world to separate themselves from persons we have designated, and the efforts of designated persons to seek new (often costlier) methods to move and hide funds.

The administration understands that any effort to embark on a more positive trajectory with Russia depends on Russia's willingness to cease viewing the world through a zero-sum lens. Russia must also realize that the United States and its allies will not waver in our determination to prevent it from undermining our democracies, economies, institutions, and the values on which these pillars of global stability—ensured by U.S. leadership—will continue to stand. As part of this administration's efforts to disrupt and deter Russia from continued acts of subversion and destabilization, and to impose costs for its ongoing aggression, the administration has made focused financial pressure, strategically applied, a core element of our approach. Working together with our interagency colleagues and international partners, Treasury will continue to counter the corrupt and illicit financial networks of the Russian Federation in the United States and abroad, in addition to using other levers of significant economic pressure.

SECTION 243(B)(1)—EFFORTS TO IDENTIFY, INVESTIGATE, MAP, AND DISRUPT ILLICIT FINANCIAL FLOWS LINKED TO THE RUSSIAN FEDERATION IF SUCH FLOWS AFFECT THE UNITED STATES FINANCIAL SYSTEM OR THOSE OF MAJOR ALLIES OF THE UNITED STATES

Efforts to Identify, Investigate, and Map Illicit Financial Flows

Russia has spent decades developing complex and resilient networks to raise, transfer, hide, and obscure the origin and movement of the funds generated through illicit activity, including corruption, sanctions evasion and illicit arms sales, and used for its malign activity. The National Intelligence Council (NIC) leads and coordinates efforts across the intelligence community (IC) to produce analysis and support policymakers regarding Russian illicit financial activity, as well as to inform efforts to identify and disrupt these illicit financial networks. As part of these efforts, IC components have continued to identify and map a myriad of networks that support and fund the full range of malign Russian activity, including by identifying new and emerging typologies and methodologies relating to Russia's illicit financial activity.

Of particular note in this regard is the classified annex to the report required under Section 241 of CAATSA. Led by the Office of the Director of National Intelligence (ODNI), Treasury's Office of Intelligence and Analysis (OIA) and other IC elements conducted research on political figures and oligarchs, and assessed their closeness to the regime, corrupt activities, and involvement in destabilizing activities and repression. This substantial assessment was the result of a wide-ranging effort developed over the course of several months and reflected over 2,500 hours of work.

In addition to these examples of IC efforts, Section 243(b)(6) below describes parallel efforts performed by other agencies in the service of providing leads to law enforcement.

Efforts to Disrupt Illicit Financial Flows Linked to the Russian Federation

The efforts to identify, investigate, and map the illicit financial flows linked to the Russian Federation directly inform the administration's ongoing disruption actions. Drawing upon this information, Treasury has led the U.S. campaign to impose economic and financial costs on those actors most responsible for enabling Russia to conduct its globe-spanning malign operations.

As noted above, the administration's efforts to target malign Russian actors are among its most active illicit finance undertakings, resulting in sanctions against 215 Russian-related individuals and entities under this administration. Of these, Treasury's financial sanctions have been particularly powerful, imposing significant costs on targeted Russian actors and meaningfully impacting their ability to raise, move, and obscure the origin of illicit funds.

However, the impact of these sanctions and other financial measures is far greater than the amount of funds frozen. This is demonstrated by the efforts of companies around the world to distance themselves from sanctioned persons, and the efforts of designated actors to adopt new, often more difficult ways of moving and hiding their funds. From such reactions, it is clear that our measures have succeeded in imposing significant costs on those undermining U.S. interests and those of our partners and allies, in addition to disrupting such conduct. The following paragraphs illustrate numerous discrete examples of disruption efforts targeting the wide variety of Russian malign activities.

Designations of Oligarchs and Senior Government Officials

On April 6, 2018, Treasury sanctioned 38 individuals and entities, comprised of seven Russian oligarchs, 12 companies they own or control, 17 senior Russian government officials, and Russia's primary state-owned arms trading concern along with its bank subsidiary. Many of these individuals were appointed to their posts by Putin and hold prominent positions in the government and Russian business community. These designations delivered on Secretary of the Treasury's commitment, immediately following submission of the CAATSA Section 241 report, to impose sanctions on oligarchs and officials identified in the report.

Among those sanctioned on April 6 are oligarchs Oleg Deripaska and Viktor Vekselberg; the heads of state-owned companies such as Gazprombank, VTB Bank, and Gazprom; as well as the head of the Russian Security Council and the Russian Minister of Interior.

Among the 12 companies sanctioned are Renova Group, an international group of asset management companies and investment funds owned by Vekselberg; RUSAL, the second-largest producer of aluminum in the world; EN+, a holding company for Deripaska's metals and energy assets; Gaz Group, Russia's leading producer of com-

mercial vehicles; and EuroSibEnergo, one of Russia's largest independent power companies.

As a result of his designation, open sources estimate that Deripaska's personal net worth has dropped by more than 50%.

The April 6 actions also had a major impact on another sanctioned oligarch, Viktor Vekselberg. According to reliable press reports, Vekselberg's net worth has dropped nearly USD 3 billion, from an estimated USD 16.4 billion on April 5, 2018 to an estimated USD 13.5 billion as of July 26, 2018. Among the 12 companies sanctioned on April 6 was Vekselberg's Renova Group, an international group of asset management companies and investment funds. As a result of the action, Renova Group was forced to divest from Swiss-based industrial company Sulzer AG, of which Renova Group was a majority shareholder. Sulzer AG bought back five million of its own shares from Renova Group following an emergency meeting days after Renova Group's designation. Renova Group was also forced to divest 20 percent from Italy-based IT company Octo Telematics, in which it had a 65 percent stake, to enable the company's continued operation and planned IPO. Moreover, U.S.-based investment management firm Columbus Nova, which manages Vekselberg's assets and counts Renova Group as its biggest client, has had to significantly limit its operations following the April 6 action.

These actions are also a part of Treasury's efforts to counter Russian sanctions evasion by "following the money" and targeting those who support designated persons in moving or concealing their assets. In designating Kirill Shamalov on April 6, for example, Treasury sanctioned an individual who received assets from Gennadiy Timchenko, who was previously sanctioned by Treasury for his support to senior Russian officials.

Cyber Designations

The April 6 actions were but the latest and most significant of a continuing series of designations taken in response to Russia's malign activities. By that time, in March 2018, Treasury had already exercised its authorities under Executive Order 13694 and CAATSA to take aim at entities and individuals involved in interfering in U.S. elections as well as for perpetrating damaging cyber-attacks. Part of this designation tranche targeted Russian intelligence organizations—the Federal Security Service (FSB) and the Main Intelligence Directorate (GRU)—both of which engage in activities that undermine U.S. cybersecurity on behalf of the Russian government. Specifically, the GRU interfered in the 2016 U.S. election through cyber-enabled means while the FSB has utilized its cyber tools to maliciously target those critical of the Russian government, Russian politicians, and U.S. government officials.

This designation tranche also targeted Russian oligarch Yevgeniy Viktorovich Prigozhin, who Treasury previously sanctioned for his material support to the Russian regime. The March 2018 designation further exposed his malign conduct, as evidenced by the fact that Prigozhin also funded the operations of the Internet Research Agency, which has covertly worked on behalf of the Kremlin to influence social media networks in Russia and abroad, including the United States.

In its most recent cyber-related action, on June 11, 2018, OFAC designated an additional five Russian entities and three Russian individuals under Executive Order 13694 and CAATSA Section 224. The primary targets that were designated, Digital Security (a Russia based private cyber security firm), Kvant (a Russian state research institution), and Divetechnoservices (a Russia based private underwater technologies firm), provided technological support to the FSB and served as enablers of the organization. Treasury also took action against several entities and individuals that were owned or controlled by or acted for or behalf of these entities. These actions were taken in order to respond to Russia's continued involvement in conducting malicious cyber-attacks, restricting those who enable the FSB's destructive activities from the U.S. financial system, and to raise the costs on those who do business with the FSB.

Digital Security, for example, developed a tool for the FSB that would increase the agency's offensive and defensive cyber capabilities. As part of Treasury's action, ERPScan and Embedi, both private cybersecurity firms, were also designated for being owned or controlled by Digital Security. Russia has also been actively tracking underwater communication cables, which carry the majority of the world's communication traffic. Since 2007, Divetechnoservices has procured a variety of underwater and diving systems for Russian government agencies, to include the FSB. Specifically, in 2011 it was awarded a contract to procure a submersible craft for the FSB, valued at USD 1.5 million.

Designations Related to Russian Activity in Crimea/Ukraine

In January 2018, OFAC sanctioned 21 individuals and 9 entities under its Russia/Ukraine authorities, as well as identified 12 subsidiaries that are owned 50% or more by previously sanctioned Russian companies to provide additional information to the private sector to assist with sanctions compliance. This action targeted major Russian companies that have played a key role in supporting Russia's attempts to integrate Crimea into its own economy and infrastructure. ZAO VAD, for example, is a Russian company responsible for the construction of a major highway in Crimea that will serve as a primary connection between the Kerch bridge and other cities in Crimea. The projected cost for this project is nearly USD 3 billion. OFAC also sanctioned Power Machines, a large Russian engineering firm with extensive operations around the world, because of Power Machines' support to the U.S.-sanctioned company Technopromexport, one of the key companies involved in the construction of power plants in Crimea.

Also in this January 2018 action, OFAC sanctioned three individuals and four entities involved in the illicit trade of coal from the so-called Donetsk and Luhansk People's Republics, including some working with designated Yanukovich associate Sergey Kurchenko, to export coal from the separatist republics to Russia and Europe.

Human Rights and Corruption Designations

Implementing authorities granted under the Global Magnitsky Human Rights Accountability Act ("Global Magnitsky"), the administration issued two Russia-related sanctions in December 2017 that highlighted significant corruption as well as human rights abuses in Russia and Ukraine. On December 21, 2017, the President imposed sanctions on persons from around the world in the Annex to E.O. 13818 implementing the Act, including Russian nationals Sergey Kusiuk and Artem Chayka. While in charge of 290 elite Ukrainian police officers, Kusiuk was a leader of an attack on peaceful protesters on November 30, 2013, many of whom took part in the beating of activists. Kusiuk has also been named as an individual who took part in the killings of activists on Kyiv's Independence Square in February 2014. Kusiuk ordered the destruction of documentation related to the events, fled Ukraine, and is now in Moscow, where he was identified dispersing protesters as part of a Russian riot police unit in June 2017.

Chayka is the son of Russia's Prosecutor General and has leveraged his father's position to unfairly win contracts and put pressure on business competitors. In 2014, Chayka's competitor for a highway reconstruction project suddenly fell under prosecutorial scrutiny and was forced to shut down, leaving Chayka in position to non-competitively work on the highway project. Also in 2014, Chayka's competitor contested Chayka's winning bid on a state-owned stone and gravel company and filed a lawsuit, after which his home was raided and he was indicted. After Chayka's competitor withdrew the lawsuit, prosecutors dropped all charges.

In December 2017, OFAC issued its sixth tranche of sanctions under the Sergei Magnitsky Rule of Law Accountability Act of 2012, bringing to 49 the total number of individuals targeted by OFAC under this authority. This round of names included Ramzan Kadyrov, the Head of the Chechen Republic, who oversees an administration involved in disappearances and extra-judicial killings. Following his designation Kadyrov was removed from a major social media site, limiting his ability to engage in propaganda—apparently to his great consternation.

Syria Sanctions Program

On April 6, 2018, OFAC also designated Rosoboronexport (ROE), a state-owned corporation managing Russian weapons exports, and its banking subsidiary Russian Financial Corporation Bank (RFC). ROE has longstanding ties to the Government of Syria, with billions of dollars in weapons sales over more than a decade.

North Korea Program

Since the beginning of the current administration, Treasury has designated 17 targets in Russia under its North Korea authorities, including five Russian companies (including one bank), four Russian individuals, seven North Korean financial/trade/weapons representatives, and one North Korean labor firm. Most recently, on August 3, 2018, OFAC designated Russian-registered Agrosoyuz Commercial Bank for knowingly conducting or facilitating a significant transaction on behalf of the U.S. and U.N.-designated Moscow-based chief representative of Foreign Trade Bank (FTB), North Korea's primary foreign exchange bank. As of 2016, Agrosoyuz had opened new accounts for a North Korean front company, processed over USD 8 million and held the equivalent of over USD 3 million on behalf of the U.S. and U.N.-designated Korea United Development Bank. On the same day, OFAC also des-

ignated Ri Jong Won, the Moscow-based deputy representative of FTB. These designations further exposed the extent of North Korea's activities in Russia, including weapons-related acquisitions, placement of financial representatives in violation of UNSCRs, oil procurements, and overseas laborers generating revenue for the regime.

In considering the impacts of Treasury's designations, it is important to understand that what we are able to observe is but a part of the estimated effect of our actions. Business rejected, bank accounts closed, investments avoided, and funds transfers denied assuredly occur with some regularity, even if they are not made known to us. They also provide an opportunity for future diplomatic or law enforcement action. The impacts of these designations go well beyond their immediately observable effects and can be built upon in the future.

In addition Treasury frequently undertakes engagement with foreign counterparts and the private sector—including intelligence and information-sharing—to disrupt the activities of malign actors. Illustrations of these efforts are described in greater depth in Section (b)(2), (b)(3), and (b)(7) below.

SECTION 243(B)(2)—EFFORTS TO CONDUCT OUTREACH TO THE PRIVATE SECTOR, INCLUDING INFORMATION SHARING EFFORTS TO STRENGTHEN COMPLIANCE EFFORTS BY ENTITIES, INCLUDING FINANCIAL INSTITUTIONS, TO PREVENT ILLICIT FINANCIAL FLOWS DESCRIBED IN PARAGRAPH (1)

Financial institutions and other businesses often stand on the front lines against illicit financial activity. Indeed, disruptive impacts like those described above depend in large part on the business community's compliance with our sanctions. Accordingly, engaging and educating the private sector to ensure that our sanctions programs are as effective as possible is a core Treasury function. In light of Russia's linkages to the U.S. and global economy, these efforts are a particular priority in our comprehensive approach to targeting Russia and Russian malign actors.

To address the incredibly high volume of inquiries from commercial and financial entities that results from this interconnectedness, Treasury has been extraordinarily active in engaging with key public and private counterparts closely to ensure the private sector as well as allies and foreign partners understand our sanctions on Russia and are able to fully implement them, as well as that they understand the broader illicit finance threats emanating from Russia.

As part of these efforts, OFAC communicates its actions to the compliance community through Recent Action Notices, which are sent to a large distribution list of over 50,000 recipients, and through Treasury press releases describing in detail the basis for Treasury designations. All sanctioned individuals and entities are placed on OFAC's List of Specially Designated Nationals and Blocked Persons or Sectoral Sanctions Identification List, which puts the regulated public on notice and which is used to populate compliance screening tools and inform global compliance programs. Although routine, these actions are critical to keeping the private sector informed of OFAC's sanctions actions.

To amplify Treasury actions, senior Treasury officials frequently engage with senior executives, including compliance officials, at foreign financial institutions and other businesses regarding our Russia program and other applicable sanctions, affirm administration policy towards Russia, and underscore our enforcement posture towards entities that facilitate malign Russian activity. Treasury also holds roundtables with banks in jurisdictions at elevated levels of risk for Russian money laundering, including Cyprus and Latvia, to convey concerns over this issue and urge the authorities to take steps to prevent the exploitation of their respective financial sectors by bad actors.

In addition, at least once a year OFAC organizes a public symposium to discuss its sanctions programs. Most recently, in November 2017, OFAC's symposium was attended by close to 1,000 people, including legal and compliance professionals, interlocutors from foreign partners and allies, and leaders from both U.S. and multinational businesses, some of whom helped moderate public discussions of Treasury's CAATSA guidance.

OFAC also routinely engages in outreach with the private sector by sending representatives to various trade and sanctions conferences in the United States and abroad, these representatives give speeches, presentations, and answer sanctions compliance questions. In the last year many of these conferences have devoted significant time to issues raised by CAATSA and recent sanctions actions against Russia. OFAC also engages with trade groups representing U.S. and international business interests. The detailed feedback that OFAC receives from these contacts is crucial to understanding the impact of Treasury's sanctions and tailoring current and future sanctions in ways that avoid undesirable collateral consequences.

While it has been a long-standing practice of Treasury to undertake such outreach to the private sector, we have dedicated especially significant resources to ensuring that the financial sector understands the requirements created by CAATSA. Once key provisions of CAATSA became effective, OFAC established a CAATSA landing page on its website that clearly set out all of the public guidance that OFAC and the State Department had issued. OFAC has also released a number of CAATSA-related FAQs to provide specific guidance to the public regarding the implementation of key provisions of CAATSA sections 223(a), 226, 228, and 233. These FAQs were the result of extensive U.S. government outreach to our allies and partners as well as private sector companies.

Additionally, OFAC amended and reissued Directives 1, 2, and 4 of the sectoral sanctions under E.O. 13662 as required by sections 223(b)–(d) of CAATSA. OFAC also amended Ukraine/Russia-related General License No. 1A and reissued the general license as General License 1B, which continues to authorize certain transactions involving derivative products that would otherwise be prohibited pursuant to Directives 1, 2, or 3, and updated a number OFAC FAQs to account for the fact that CAATSA-related prohibitions in Directives 1 and 2 were now in effect. These actions communicated sanctions prohibitions and authorizations directly to the public and private sector.

OFAC's Compliance division also regularly fields calls from the private sector to explain CAATSA and provide guidance on adhering to its requirements. Since the passage of CAATSA, OFAC has responded to thousands of phone and email inquiries regarding CAATSA and Russia-related sanctions questions. OFAC Licensing provides a valuable interface for the public, where the private sector can seek a license or receive interpretive guidance related to a particular regulatory matter or fact pattern.

Large and impactful sanctions actions such as those taken against major Russian oligarchs also require extensive private sector outreach and communication. Following the April 6 designations, Treasury officials engaged in extensive discussions with allies and partners, as well as companies linked to the sanctioned persons, to identify ways to mitigate the negative impact on global markets while simultaneously imposing costs on targeted Russian actors by compelling these firms to reduce the ownership and interest of sanctioned persons.

As the primary regulator responsible for money laundering and illicit finance activity, FinCEN also closely engages with the private sector, including to identify and disseminate information on emerging typologies supporting illicit financial actors such as Russia.

With respect to proliferation finance, the FBI Counterproliferation Center—Russia (CPC-3) has worked closely with FinCEN and a consortium of financial institutions through the FinCEN Exchange Program to enhance information sharing with the private sector. Specifically, CPC-3 has shared Russian proliferation finance typologies to initiate information sharing among banks that could lead to the uncovering of complex Russian illicit financial networks and develop actionable leads through Bank Secrecy Act reporting—including but not limited to Suspicious Activity Reports. These efforts assist CPC-3's efforts to identify illicit financial networks that aid in the procurement of U.S.-sensitive technology and allow for timely and effective law enforcement disruptions.

Further, in its posts and missions abroad, the State Department conducts regular, significant outreach to the private sector, including at conferences in the United States and abroad that focus on sanctions policy, compliance, and enforcement. These conferences are attended by sanctions practitioners, compliance professionals, and lawyers. State, often in conjunction with Treasury officials, also engages in regular meetings with private sector companies in order to explain our policies in relation to Russia, including our intent to prevent illicit financial flows.

SECTION 243(B)(3)—EFFORTS TO ENGAGE AND COORDINATE WITH ALLIED INTERNATIONAL PARTNERS ON ILLICIT FINANCE, ESPECIALLY IN EUROPE, TO COORDINATE EFFORTS TO UNCOVER AND PROSECUTE THE NETWORKS RESPONSIBLE FOR ILLICIT FINANCIAL FLOWS DESCRIBED IN PARAGRAPH (1), INCLUDING EXAMPLES OF THAT ENGAGEMENT AND COORDINATION

Foreign Engagement With International Partners

Engagement and coordination with allies and partners are essential elements of the administration's efforts to counter Russian malign influence. Both in Washington and in European capitals, Treasury and State engage routinely at senior and staff levels to share information about, coordinate approaches to, and forge common understandings of this shared threat.

Since the passage of CAATSA, Treasury and the State Department have traveled extensively through Europe—including the United Kingdom, Germany, France, European Union, Italy, Poland, Denmark, the Netherlands, Lithuania, Estonia, Latvia, and Finland—to discuss the implementation of the Russia-related provisions of that statute with foreign and finance ministries. Treasury and the State Department have also engaged with international partners through the G-7+ Contact Group (United States, United Kingdom, Germany, France, Italy, Canada, Australia, European Union, Norway, and Poland), a group of likeminded countries coordinating efforts to counter Russian malign influence and continue exerting pressure on the Kremlin to implement the Minsk agreements. The Department of Homeland Security has engaged European partners through the G7 Security Ministers and U.S.-EU Justice and Home Affairs Ministerial meetings to coordinate similar efforts to counter Russian malign influence. Treasury and State also actively engage with the European External Action Service (EEAS) of the European Union, which has provided useful feedback and insight on the impact of CAATSA and the recent April 6 action on the European economy.

These engagements also provide important opportunities for the administration to press European partners to develop and employ the necessary tools to effectively counter common threats such as Russia, including domestic sanctions authorities where they do not exist, and to enhance the ability of their financial intelligence units to collect, analyze, and share information, including with respect to illicit Russian financial activity. Senior Treasury officials have also regularly emphasized the administration's strong opposition to Nord Stream II, which if completed would generate additional funds the Kremlin could use to finance its malign activity, while simultaneously deny Ukraine substantial transit revenues it needs to defend itself against Russian aggression.

The administration has prioritized engagement with jurisdictions with high volumes of Russian financial flows, including the United Kingdom, Cyprus, and Latvia, to advance U.S. objectives on Russia. As elaborated below, such engagement and coordination significantly expands the reach and impact of our unilateral efforts to disrupt illicit Russian financial activity, amplifies multilateral messaging that the U.S. and its partners will not tolerate Russian aggression, and helps maintain transatlantic unity against a Russia bent on undermining these historic ties.

United Kingdom

The scale of the U.K. financial services market and access to the EU have made London and U.K. overseas territories such as the British Virgin Islands an attractive destination for illicit financial flows. The U.K. National Crime Agency has estimated that, “many hundreds of billions of pounds of international criminal money is laundered through U.K. based banks and subsidiaries each year,” to include Russian oligarch proceeds of corruption. Recognizing this, the United States and U.K. have regularized consultation and cooperation to coordinate our respective efforts to counter Russian malign influence, including its financial activity.

Cyprus

Senior officials from State and Treasury have engaged Cypriot authorities extensively over the past year and a half to underscore concerns that Cyprus continues to host a large volume of suspicious Russian funds and investments, and have pressed Cypriot officials to harden its financial system against these threats. Vulnerabilities Cyprus presents include its permissive citizenship by investment program, its weak supervision of Administrative Service Providers, and lax company formation requirements, which are exploited by illicit actors to set up front companies and to use these fronts to open bank accounts and access the international financial system.

Although Cyprus remains a jurisdiction of concern from the perspective of Russian money laundering, the administration is seeing some signs of progress. Following the April 6 oligarch designations, Oleg Deripaska and Victor Vekselberg both had bank accounts frozen. In May 2018 Cyprus issued a circular instructing its banks to address certain illicit finance risks from shell companies, in particular the challenges in verifying customers' background.

Latvia

Latvia has long served as a permissive environment for illicit Russian financial activity due to its geography, demography, linguistic profile, developed banking system, and membership in the European Union and Eurozone. For decades, Russian malign actors and their agents have exploited lax controls in Latvia's financial sector to launder illicit funds and support Russia's destabilizing conduct.

Under this administration Treasury has redoubled its efforts to work with Latvia to strengthen its financial system by improving the legislative and regulatory frame-

work as well as institutional capacity. In February 2018, pursuant to Section 311 of the USA PATRIOT Act, FinCEN issued a notice of proposed rule-making against ABLV Bank, a Latvian bank it found had facilitated significant Russian-based illicit activity. FinCEN identified ABLV Bank as a foreign financial institution of primary money laundering concern and proposed a special measure that would prohibit U.S. financial institutions from opening or maintaining a correspondent account in the U.S. on behalf of the bank. (This action is discussed in greater detail in this report under Section 243(b)(5)).

This bank's involvement in illicit financial activity reflects broader systemic deficiencies in Latvia that this administration is working hard to address. These deficiencies reflect a historically ambivalent commitment to definitively reducing the risks Latvia faces from its high volume of non-resident deposits, many of which emanate from Russia and other Commonwealth of Independent States (CIS) countries and are held by opaque shell companies.

To strengthen the authorities in Latvia committed to redressing these vulnerabilities, senior Treasury leadership has undertaken regular, high level engagement. Working closely with Embassy Riga, senior Treasury officials have urged Latvian leadership to support and empower emerging voices in Latvia's financial sector to urge meaningful reforms, such as reducing Latvia's stock of non-resident deposits, bolstering the resources allocated to Latvia's Financial Intelligence Unit (FIU), and taking tougher enforcement action against banks that violate Latvian regulations against money laundering and sanctions evasion.

Latvia has passed legislation banning shell companies and appointed a new FIU director. Latvia has also amended its Law on Sanctions to close legal loopholes and allow the banking regulator to issue regulations to prevent sanctions evasion (See additional detail in Section (b)(4) below).

Foreign Deployed Subject Matter Experts

Administration departments and agencies have also forward deployed illicit finance subject matter experts to partner countries to increase international cooperation targeting Russian illicit financial flows. The BEOU program manages Assistant Legal Attaché (ALAT) positions who currently operate with two organized crime task forces in Eastern Europe. These ALATs are fully embedded members within these task forces and serve as a point of contact between the foreign partner agency and the FBI writ large.

In 2018, Treasury and the Department of Defense partnered to establish a new Treasury Liaison Officer position at U.S. European Command (EUCOM) in Stuttgart, Germany. This new Treasury liaison role will facilitate existing and establish new finance-related cooperation and information sharing among the Department of Defense, Treasury, and NATO allies.

SECTION 243(B)(4)—EFFORTS TO IDENTIFY FOREIGN SANCTIONS EVADERS AND LOOPHOLES WITHIN THE SANCTIONS REGIMES OF FOREIGN PARTNERS OF THE UNITED STATES

As described in greater detail under the response to Section 243(b)(1), the IC has constantly sought to identify and map out illicit financial networks supporting the Russian Federation, which includes identifying activity designed to evade existing sanctions programs.

Through its leadership in the Financial Action Task Force (FATF)—where the United States currently holds the presidency—and in FATF—Style Regional Bodies (FSRBs), Treasury also works to strengthen international anti-money laundering/countering the financing of terrorism (AML/CFT) standards and ensure that these measures are effectively implemented around the world. For example, the FATF's efforts to ensure that all jurisdictions apply a high level of scrutiny to the financial activities of politically exposed persons (PEPs) and collect information on the beneficial owners of legal entities helps to enable the detection of detect attempts by Russian officials to launder, hide, or move the proceeds of corruption. Similarly, the FATF's work to promote the global implementation of U.N. sanctions and hold underperforming countries accountable through its "grey list" process helps undermine Russian attempts to circumvent international prohibitions on dealings with North Korea, Iran, or other U.N.-listed programs. Indeed, one of the priorities of the current U.S. presidency is proliferation finance, an effort intended to harden the world's financial systems against the type of illicit procurement and proliferation activity in which Russian actors are regularly involved.

SECTION 243(B)(5)—EFFORTS TO EXPAND THE NUMBER OF REAL ESTATE GEOGRAPHIC TARGETING ORDERS OR OTHER REGULATORY ACTIONS, AS APPROPRIATE, TO DEGRADE ILLICIT FINANCIAL ACTIVITY RELATING TO THE RUSSIAN FEDERATION IN RELATION TO THE FINANCIAL SYSTEM OF THE UNITED STATES

As the administration works aggressively to deter and prevent illicit Russian financial activity abroad, it is also focused intently on protecting the U.S. financial system. Of particular recent note, as referenced above, was FinCEN's February 16, 2018 finding pursuant to Section 311 of the USA PATRIOT Act that Latvia-based ABLV Bank AS ("ABLV") was a financial institution of primary money laundering concern. In its public notice of proposed rulemaking, FinCEN cited multiple instances of institutionalized money laundering in which ABLV management solicited high-risk shell company activity that enabled the bank and its customers to launder funds. ABLV's facilitation of shell company activity typically benefitted illicit actors engaged in an array of illicit conduct, including transnational organized criminal activity, corruption, and sanctions evasion, emanating mostly from Russia and former CIS countries. Pursuant to this finding, FinCEN proposed the imposition of a prohibition on U.S. financial institutions from opening or maintaining correspondent accounts for, or on behalf of, ABLV.

FinCEN has also utilized its authorities under the Bank Secrecy Act to issue Geographic Targeting Orders (GTO) to impose additional recordkeeping requirements on domestic financial institutions or other businesses in a specific geographic area. Specifically, FinCEN has issued GTOs to collect additional financial information on transactions in the real estate sector in several jurisdictions known for attracting large amounts of foreign investors, including those from Russia.

SECTION 243(B)(6)—EFFORTS TO PROVIDE SUPPORT TO COUNTER THOSE INVOLVED IN ILLICIT FINANCE RELATING TO THE RUSSIAN FEDERATION ACROSS ALL APPROPRIATE LAW ENFORCEMENT, INTELLIGENCE, REGULATORY, AND FINANCIAL AUTHORITIES OF THE FEDERAL GOVERNMENT, INCLUDING BY IMPOSING SANCTIONS WITH RESPECT TO OR PROSECUTING THOSE INVOLVED

Treasury's Office of Intelligence and Analysis, FinCEN, CIA, and NSA, among other agencies, play critical roles in the administration's work to support law enforcement and other authorities, especially in the imposition of sanctions and other impactful measures against illicit Russian financial activity.

FinCEN conducts research and analysis of information gathered pursuant to the Bank Secrecy Act relating to Russian illicit financial activity, both domestically and overseas. FinCEN's financial intelligence products are disseminated primarily within the U.S. government, including to policymakers, law enforcement agencies, and the Intelligence Community. FinCEN also exchanges information with its counterpart financial intelligence units in other jurisdictions, including on matters related to Russian illicit finance. Additional details are provided in Section (b)(7) below.

SECTION 243(B)(7)—EFFORTS TO INVESTIGATE OR OTHERWISE DEVELOP MAJOR CASES, INCLUDING A DESCRIPTION OF THOSE CASES

The administration has moved aggressively using the range of its law enforcement and regulatory tools against Russian malign activity. Descriptions of select cases are described below.¹

The investigation of the Department of Justice's Special Counsel thus far has led to the indictment of 25 individuals and three companies for a variety of offenses—including conspiracy to commit wire fraud and bank fraud and conspiracy to launder money—committed in furtherance of Russia's scheme. The indictments describe a variety of methods used by the defendants to fund their operations.

As alleged in an indictment filed in February 2018, one element of the operation involved the use of two related companies to channel millions of dollars' worth of funds to approximately fourteen affiliated companies that in turn provided money to an organization that sought to engage in "information warfare against the United States" and to "spread distrust towards the candidates and the political system in general." Certain of the defendants in this part of the operation also used stolen personal information to open accounts at a digital payment service provider.

In another element of this influence operation focused on hacking into the United States, as described in the Special Counsel's July 2018 indictment, 11 Russian indi-

¹As with the classified version of this report, this unclassified version of the report does not discuss in detail open or pending investigations, law enforcement investigations or activities, or other disruptive actions ongoing at the time of release that have not been publicly disclosed in charging documents.

viduals affiliated with Russia's military intelligence agency, the Main Intelligence Directorate of the General Staff (GRU), conspired to launder the equivalent of more than \$95,000 using cryptocurrencies such as bitcoin to lease servers, register domains, purchase at least one virtual private network account, and make other payments in furtherance of their hacking activity. As the indictment highlights, the conspirators engaged in a web of transactions structured to capitalize on the perceived anonymity of cryptocurrencies such as bitcoin in their financial transactions with U.S. payment processing companies, including to pay web hosting companies, domain registrars and other businesses. The conspirators also allegedly mined bitcoin, purchased bitcoin through peer-to-peer exchanges, moved funds through other digital currencies, used pre-paid cards, and worked with a third-party exchanger that enabled layered transactions through digital currency platforms.

In July 2017, FinCEN assessed a \$110 million dollar penalty against virtual currency exchange BTC-e (operated by a Russian citizen) for its failure to implement even basic controls to prevent the use of its services for illicit purposes. BTC-e's lack of effective supervision led to it being exploited by a customer base that included many criminals who desired to conceal proceeds from crimes such as ransomware, fraud, identity theft, public corruption, and drug trafficking. BTC-e permitted and failed to report millions in transactions from ransomware such as Cryptolocker and Locky. Importantly, FinCEN's BSA enforcement investigation also led to the assessment of a \$12 million civil money penalty against one of BTC-e's administrators, Alexander Vinnik—the largest individual liability penalty FinCEN has assessed to date. At one point BTC-e served approximately 700,000 customers across the world and was associated with bitcoin wallets that had received over 9.4 million bitcoins. It also offered exchange in fiat currency, as well as convertible virtual currencies Bitcoin, Dash, Litecoin, Namecoin, Novacoin, Peercoin, and Ether. In conjunction with FinCEN's enforcement action, Alexander Vinnik and BTC-e were also indicted by the Department of Justice for operating an unlicensed money service business, money laundering, and related crimes.

FBI is also partnering with FinCEN to detect and disrupt illicit financial flows linked to the Russian Federation. Drawing on primarily wire transfer datasets shared by FinCEN and a dataset derived from the Panama Papers leak revealed by the International Consortium of Investigative Journalists, FBI used analytic platforms to assist in processing nearly 4,000,000 international wire transfers centered on four Balkan and Cypriot banks known by FinCEN to facilitate illicit Russian financial flows. This effort enabled the FBI to expand its understanding against Russian-linked offshore financial networks, identified a variety of new FBI targets, and enhanced FBI understanding of existing investigations. Impacts under this initiative include but are not limited to the following:

- FBI opening of a sensitive internal joint investigation by a counterintelligence and public corruption squad against a high level state elected official.
- A targeting and potential intelligence reporting platform using links between FBI-derived information and Russia-affiliated entities in FinCEN—FBI data holdings, including several TOC and various criminal targets.

FBI also has an open investigation on a multi-billion dollar international money laundering operation also tied to U.S. locations, owned and operated by an identified Eurasian billionaire with strong ties to Eurasian organized crime. FBI developed U.S. law enforcement, U.S. intelligence, and international law enforcement partners to enhance this investigation.

CONCLUSION

As evidenced by the comprehensive efforts illustrated above, the administration is aggressively targeting and disrupting the illicit financial networks supporting Russian malign activity. The Department of the Treasury, in close coordination with other departments and agencies, will continue to impose costs upon those acting on behalf of the Kremlin against U.S. interests and increase financial pressure on Russia to advance our national security priorities. Additional information on the full range of the administration's efforts can be found in the classified annex to this report.

TRUMP ADMINISTRATION ACTIONS TO PUSH BACK AGAINST RUSSIA

LATEST ACTIONS

- Executive Branch determination that Russia has violated the Chemical and Biological Weapons Act of 1991 for its use of the nerve agent, “Novichok,” in the Salisbury attacks in March 2018; imposition of sanctions.
- Crimea Declaration of non-recognition.
- In July, the Department of Defense released an additional \$200 million in security cooperation funds to the Ukrainian military.

CONFRONTING RUSSIAN INFLUENCE IN THE U.S. BY REDUCING RUSSIAN PRESENCE AND SPY NUMBERS

- In March 2018, President Trump expelled 48 Russian officials and intelligence officers from the United States and closed the Seattle consulate.
- In March 2018, President Trump expelled 12 officials and intelligence officers from the Russian Mission to the United Nations in New York for abusing their privilege of residence.
- The 60 Russian officials expelled in March 2018 constituted the largest expulsion of Russian spies from the United States since the high point of the Cold War.
- In October 2017, the administration closed Russian properties in New York, San Francisco, and Washington in response to the Russian government-imposed personnel cap on U.S. Mission Russia in July 2017.
- In September 2017, the administration banned the use of Kaspersky Labs software on United States Government computers due to Kaspersky’s ties to Russian intelligence.
- In March 2017, the administration charged 3 Russians for the 2014 Yahoo hack, including 2 officers of the Russian Federal Security Service (FSB).
- The Trump administration has maintained the closure of 2 Russian compounds and the expulsion of 35 diplomats in response to Russian interference in the 2016 election.

CONFRONTING RUSSIAN AGGRESSION WITH SANCTIONS

- Since January 2017, the Trump administration has sanctioned 217 individuals and entities in Russia.
- In June 2018, the Trump administration sanctioned 5 Russian entities and 3 Russian individuals for enabling Russia’s military and intelligence units to increase Russia’s offensive cyber capabilities.
- In April 2018, the USG used CAATSA authorities to designate seven Russian oligarchs and 12 companies they own or control, along with 17 senior Russian government officials, a state-owned Russian weapons trading company and its subsidiary, a Russian bank, for their involvement in Russia’s global malign activities.
- In March 2018, the USG sanctioned five entities and 19 individuals for malicious cyber activity.
- In January 2018, the USG sanctioned 42 targets (30 SDNs, 12 SSIs) under Ukraine-related programs.
- In January 2018, Treasury, the State Department, and the Office of the National Director of Intelligence, transmitted to Congress the CAATSA 241 report on Russian oligarchs and senior political officials.
- Under CAATSA 231, several countries have stopped significant deals involving the planned purchase of Russian military materials and supplies.
- In December 2017, the USG imposed sanctions on five serious human rights abusers, including Ramzan Kadyrov and one of his underlings.
- In December 2017, the USG imposed sanctions on 13 serious human rights abusers and corrupt actors, including two Russian citizens under the Global Magnitsky sanctions program. The Russians sanctioned include the son of Russia’s prosecutor general.

DEFENDING AND STRENGTHENING EUROPE

- The Trump administration has increased funding for the European Deterrence Initiative by 4.8 billion in 2018.
- The administration has worked with Allies at NATO to maintain a firm message to Russia that there can be no return to “business as usual” until there is a clear, constructive change in Russia’s actions.

- The administration is also leading efforts at NATO to address Russian hybrid warfare and to counter Russian malign influence against the Alliance.
- This year alone, the United States has led or participated in over 150 military exercises in Europe.
- This administration is helping Ukraine and Georgia bolster their means for self-defense and deter Russian aggression through defensive weapons sales.
- At the NATO Summit, the U.S. successfully fought for a stronger package of defense and deterrence measures in NATO, including enhancing Allied force readiness by getting Allies to develop 30 air squadrons, 30 naval combatants, and 30 maneuver battalions all ready to be employed in 30 days.
- The President and Senior Administration Officials have clearly expressed strong U.S. opposition to Nord Stream 2.
- The United States strongly supports the Southern Gas Corridor project, which would lessen Europe's dependence on Russian gas.

RESTORING AMERICA'S MILITARY EDGE

- The Trump administration released a National Security Strategy that makes clear that Russia is undertaking actions that threaten our security and outlines steps to stop their interference.
- This administration is working to pressure Russia back into compliance with the INF Treaty.
- The United States is investing billions in modernizing its nuclear arsenal to deter competitors such as Russia and China so that they do not gain a strategic military advantage from its treaty violations.
- We have increased defense budgets to \$700 billion for FY 2018 and \$716 billion for FY 2019.

FIGHTING MALIGN ACTIVITIES

- The Department increased support for the Global Engagement Center (GEC), requesting \$53.5 million in the FY19 budget. It also signed a Memorandum of Agreement with DoD to transfer an additional \$40 million for the Global Engagement Center (GEC) to support efforts to counter disinformation and propaganda from foreign governments like Russia.
- The administration publishes multiple tweets and statements per week calling Russia out on its malign activities and destabilizing behavior around the world.
- The State Department's European Bureau co-chairs the Russia Influence Group (RIG) with European Command which streamlines interagency efforts to counter all aspects of Russian influence campaigns and ensures more efficient coordination.
- In April 2018, the Department convened the high-level interagency Active Measures Abroad Steering Committee (AMASC), chaired by the Under Secretary for Political Affairs.
- In 2018, we indicted two alleged FSB officers for cybercrimes.
- In August 2016, Russian national Roman Seleznev was sentenced to 27 years in federal prison for hacking and credit card fraud.

PROTECTING AMERICAN ELECTIONS

- In May 2017, President Trump signed an Executive Order to strengthen and review the cybersecurity of our Nation and its critical infrastructure.
- The administration established Election Infrastructure Government and Sector Coordinating Councils.
- 34 States, 52 county or local governments, and 5 election companies receive cyber security scans and assessments from DHS, free of charge, on an ongoing basis.
- DHS plans to provide on-site risk and vulnerability assessments to all States that request it. Currently 18 States have requested this assessment and 16 are completed for the 2018 election cycle.
- A new pilot program was launched to share information between State and local officials and the Election Assistance Commission to allow for rapid response on Election Day.
- During the 2017 elections, the Trump administration provided on-site cybersecurity support to States and will do so again during the 2018 elections.

STATEMENTS BY THE PRESIDENT ON RUSSIAN MEDDLING

- In January 2017, the President-Elect said at a news conference, "I think it was Russia."

- When asked what he would say to Putin about the hacking, Trump responded, “He shouldn’t have done it. I don’t believe he will be doing it more.”
- In a June 23, 2017 tweet, the President wrote, “The Obama administration knew far in advance of November 8th about election meddling by Russia.”
- On July 6, 2017, the President said “I think it was Russia.”
- On November 12, 2017, the President said “I believe very much in our intelligence agencies.”
- On March 6, 2018, the President said “certainly there was meddling.”
- During the Helsinki press briefing, President Trump told reporters, “I addressed directly with President Putin the issue of Russian interference in our elections.”
- During the July 17 White House press conference, President Trump said, “I accept our intelligence community’s conclusion that Russia’s meddling in the 2016 election took place.”

NATO SUMMIT DELIVERABLES

1. DEFENSE SPENDING AND BURDEN SHARING

- *Cash and Capabilities*: The number of Allies spending 2% of GDP on defense and 20% of their defense budgets on major equipment has increased since January 2017.
 - Allies’ total defense spending increases since 2017 amount to over \$40 billion.
 - Eight Allies are currently meeting their 2% pledge, and 18 in total are on track to do so by 2024.
- *Contributions*: Since Jan 2017, Allies (and partners) added over 5,000 more troops to NATO missions (46% increase), and Allies now contribute 57% of troops in NATO missions.
 - For the *Resolute Support Mission (RSM) in Afghanistan*
- 15 Allies announced additional troop offers since April.
- With the addition of the UAE and Qatar, there are now 41 RSM members providing a total of 16,000 troops, a 20 % increase over December 2016.
 - Canada announced it will continue its role as framework nation of the *enhanced Forward Presence force in Latvia* through 2022, and that it will augment its land presence there by deploying CF-18s.

2. DETERRENCE AND DEFENSE

- *The 4 x 30s*: The NATO Readiness Initiative will ensure that NATO has 30 air squadrons, 30 naval combatants, and 30 maneuver battalions that are ready to join the fight in 30 days.
- *Mobility*: Improving our ability to move forces across Europe (by taking steps within NATO, within the EU, and jointly between NATO and the EU)
- *NATO Command Structure*:
 - a new Atlantic-focused Joint Force Command in Norfolk to help protect sea lanes between North America and Europe.
 - a new Joint Support Command in Germany for logistics, reinforcement, and mobility to improve the movement of troops and equipment
 - a new Cyberspace Operations Center in Belgium to provide situational awareness and coordination of NATO operational activity within cyberspace
- *Hybrid and Cyber*:
 - Established Counter-Hybrid Support Teams
 - Doing more on cyber threats, e.g. integrate sovereign cyber effects into NATO operations

3. FIGHTING TERRORISM

- *Iraq Mission*: Transformed NATO’s activity in Iraq into a non-combat training and capacity building mission, with Canada commanding the mission.
- *Afghanistan*:

- Extended support to the NATO Resolute Support Mission (RSM) in Afghanistan and funding for the Afghan National Defense and Security Forces Trust Fund through 2024.
- Since the launch of the President's South Asia strategy, Allies and partners are matching U.S. troop increases, adding 1,200 more troops, comprising 47% of RSM troop levels. Record fill-rate of RSM staffing requirements thanks to new troop pledges at Summit.
- *Southern Partners*:
 - Launched a Defense Capacity Building (DCB) package for Tunisia and continuing to implement a DCB package for Jordan
 - Declared *Hub for the South* in Naples, Italy, at Full Operational Capacity

4. OPEN DOOR

- *Macedonia* received an invitation to begin accession talks.

5. NATO–EU COOPERATION

- Strengthened NATO–EU cooperation as NATO and EU leaders signed a new *NATO–EU Joint Declaration*.

