

ALIGNING TRANSATLANTIC APPROACHES ON CHINA

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BEFORE THE

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REGIONAL SECURITY COOPERATION

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ALIGNING TRANSATLANTIC APPROACHES ON CHINA

WEDNESDAY, JUNE 7, 2023

U.S. SENATE,
SUBCOMMITTEE ON EUROPE AND REGIONAL
SECURITY COOPERATION,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:45 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Jeanne Shaheen presiding.

Present: Senators Shaheen [presiding], Murphy, Van Hollen, Duckworth, and Ricketts.

OPENING STATEMENT OF HON. JEANNE SHAHEEN, U.S. SENATOR FROM NEW HAMPSHIRE

Senator SHAHEEN. Good afternoon. This meeting of the Senate Foreign Relations Europe Subcommittee will come to order.

I am pleased to be joined by Ranking Member Ricketts and we expect other members of not only this subcommittee, but the Asia Subcommittee to join periodically, given today's topic.

In early 2021, the European Union was on the cusp of signing the EU-China Comprehensive Agreement on Investment stemming from a 7-year negotiation process that would have revolutionized trade between the two trading blocs.

Two years later the European Union has made a significant policy shift on China crystallized in a speech in March by European Commission President Ursula von der Leyen, who called for diplomatic and economic “de-risking”—her word—and for Europe to be bolder on China, which has become, and I quote, “more repressive at home and more assertive abroad.”

This policy shift, which closer aligns EU and U.S. policy toward China, is a welcome development. Like the European Union, the United States wants a relationship with the PRC that upholds the international rules-based order that has successfully advanced the global economy and human rights around the world.

However, a series of events over the past few years, including the PRC's repression of its Uighur population in Xinjiang, have made it clear that we cannot compartmentalize our relations with China. We must unite with our allies to protect our economies and our shared values.

The urgency to align our approach toward China was made crystal clear when Russia launched an unprovoked and illegal invasion of Ukraine.

Xi Jinping's decision to stand shoulder-to-shoulder with Vladimir Putin and declare that theirs is a partnership with no limits should be of concern to every democracy around the world.

Russia's invasion highlighted the urgent need to align our policies closely with our allies, including the EU. China's concerning and aggressive behavior is not new, but Russia's brutal invasion created an opening, I believe, to work with nations in the Indo-Pacific and beyond who recognize that Taiwan is top of mind for China as it takes notice of our international response to Ukraine.

This malign behavior, along with the wakeup call resulting from COVID-19 related supply chain disruptions, has spurred a growing consensus across the Atlantic, the Pacific, and beyond that we must decrease our dependence on China and hold the PRC accountable for its behavior.

Throughout Europe there are numerous examples of efforts China undertakes to coerce European partners or make strategic investments that undermine European security.

China has made aggressive economic overtures to secure 5G contracts for Huawei, threatening to undermine the security infrastructures of EU and NATO allies and aspirant members.

In Montenegro you can visit a road that was supposed to connect the north and south of the country, but still has not been completed almost 10 years since the project was signed. That is because of China's debt trap diplomacy that has entrapped Montenegro in its ability to fully fund and complete the project.

Perhaps one of the most notable examples is from 2021 when China implemented the equivalent of a trade embargo in response to Lithuania opening a Taiwan representative office in Vilnius.

I want to emphasize that to fully understand the threats the United States and the world face from the PRC's increasing aggression, we need qualified and capable ambassadors on the ground around the world competing with Chinese interests, engaging with our allies and partners, and standing up for America's national security.

The EU and our European partners are critical for our own nation's ability to address many elements of China's economic and security agenda.

That is why diplomatic coordinating mechanisms such as restarting the U.S.-EU dialogue on China and establishing the U.S.-EU Trade and Technology Council have been instrumental.

In addition to these efforts, the transatlantic alliance is prepared to address China's acute security, political, and economic threats.

In 2022, for the first time NATO's Strategic Concept recognized China as a threat to regional security. This unity of purpose in countering China is critical to protecting Europe's key infrastructure including its ports, critical minerals, and telecommunications.

I welcome the EU and NATO's efforts to broaden its definition of national security to include critical infrastructure.

Now, today we have convened this hearing to foster a deeper understanding of how our European allies and partners view the China challenge, to assess PRC engagement with and intentions with respect to Europe and individual EU member states, to consider vulnerabilities that continue to threaten our collective secu-

ality, and to explore additional tools and opportunities to harmonize the U.S.-EU policy with respect to the PRC.

I look forward to our discussion today and exploring how this Congress can best support these continued efforts.

With that, let me turn to the ranking member, Senator Ricketts.

**STATEMENT OF HON. PETE RICKETTS,
U.S. SENATOR FROM NEBRASKA**

Senator RICKETTS. Thank you very much, Madam Chairman, and thank you to all of our witnesses for being here today to talk about this incredibly important topic.

The past 18 months have been some of the most consequential for Europe in the decades since World War II. When Vladimir Putin launched his illegal war, he started the largest conflict on a continent we have seen since World War II.

Europe was, largely, caught off guard and is handicapped by its dependence on Russian energy. As a result, Europe has been forced to reckon with and recalibrate its approach toward its own security.

Through our strategic and coordinated efforts on military and humanitarian support as well as sanctions, the West has helped Ukraine resist this brutal aggression and repression by a despot.

This is demonstrating the power of the transatlantic cooperation. The war in Ukraine has unsurprisingly resulted in a deterioration of Russia and European relations.

However, it has also served as an inflection point in Europe's relationship with the People's Republic of China. Throughout Moscow's campaign of aggression, Beijing has opted to consistently provide Putin with economic and diplomatic cover while turning a blind eye to Russia's atrocities on the Ukrainian people.

While tensions between Europe and the People's Republic of China had already been on the rise, this no limits partnership between Xi Jinping and Putin has finally raised alarms in Europe on the PRC's malign ambitions after years of focusing purely on the economic benefits of Chinese engagement.

Encouragingly, leaders like EU Commission President von der Leyen have shown that some in Europe are waking up to the threat that the CCP poses.

In March, von der Leyen proposed an ambitious course correction for Europe's economic approach towards the PRC focusing on strengthening the EU's inbound investment screening and export control regulations and a push for a new outbound investment regime.

Additionally, the EU-China Comprehensive Agreement on Investment has rightfully been put on ice and that should remain the case, and the EU, along with the United States, is far more focused on economic coercion after the People's Republic of China's restriction of Lithuanian goods as punishment for allowing Taiwan to open a de facto embassy there.

Individual countries have also taken matters into their own hands, from Netherlands restricting its semiconductor technology to Ireland shutting down a Chinese overseas police station. These have all been welcome efforts.

However, given the divide in Europe on how to address the PRC remains to be seen whether it can develop a coherent long-term strategy that delivers bold policy actions at both the EU and member state levels.

Over the last 8 months, I have been disappointed to see European leaders make visits to Beijing with large business delegations to kiss the ring of Xi Jinping all in the name of expanding business ties and access to the massive Chinese market.

Some, and this includes President Biden as well, believe that rewarding Xi with a more diplomatic engagement and strengthened economic ties is the necessary policy prescription to get him to act responsibly as well as play a positive role in ending the conflict in Ukraine.

This is a grave miscalculation that only serves to strengthen Xi's hand while showcasing a divide within Europe and a lack of confidence across the Atlantic.

It is critical that Europe and the U.S. are aligned both on the risks that the CCP poses to our mutual security and what we can do together to address it. Forums like the U.S.-EU Trade and Technology Council, or TTC, can be important for that alignment, but only to the extent that they produce tangible results.

I was glad to see that last year's NATO Strategic Concept covered the threats that the PRC poses to the alliance. Now we need to ask whether the words we put into action.

Xi knows that it is our system of alliances and partnerships that provides us with a distinct advantage over autocratic and authoritarian regimes and this is fundamental.

The single biggest advantage that we have is our system of alliances with countries in Europe and around the world. That is not something that the PRC can replicate. As a result, Xi will stop at nothing to expand the PRC's malign influence in the continent and leverage economic vulnerabilities to drive a wedge between the U.S. and Europe in pursuit of his strategic goals. We must not allow the PRC to be successful in this endeavor.

Let us be clear. There can be nuances in our approaches, but there cannot be an urgency gap between us. Given the PRC's rapidly expanding military, its ambitions to be the world's dominating power by the year 2049, and its increasingly hostile rhetoric and actions towards Taiwan, the time to take serious action to deter the PRC is now, not in 5–10 years.

The PRC's challenge is too big for either side of the Atlantic to respond alone. Neither the United States nor Europe want an international order dictated by the People's Republic of China, but whether we live in that order is up to us. It will ultimately come down to the extent of our resolve and our ability to coordinate to meet this challenge head on together.

I look forward to hearing from our panel of witnesses today on how we can strengthen the transatlantic cooperation and work together to combat the CCP's malign influence and aggression.

Thank you, Madam Chairman.

Senator SHAHEEN. Thank you very much, Senator Ricketts.

Let me welcome all of our witnesses and thank you for traveling today to get here. We appreciate it. I am going to introduce you and ask that we hear your testimony in the order of introduction.

I will begin with you, Mr. Barkin. Our first witness today is Noah Barkin, who is a senior adviser with Rhodium Group's China Practice. He is also a visiting Senior Fellow in the Indo-Pacific program at the German Marshall Fund of the United States.

His current work focuses on Europe's relations with China, emerging technologies, and the implications of China's rise for the transatlantic relationship. On these topics, Mr. Barkin has written for *The Atlantic*, *The New York Times*, *Foreign Policy*, and *Politico*, and he is the creator of a popular newsletter called *Watching China in Europe*.

Dr. Janka Oertel is the director of the Asia program at the European Council on Foreign Relations. She previously worked as a Senior Fellow in the Asia program at the German Marshall Fund of the United States Berlin office where she focused on transatlantic China policy including on emerging technologies, Chinese foreign policy, and security in East Asia.

She has published widely on topics related to EU-China relations, U.S.-China relations, security in the Asia Pacific region, Chinese foreign policy, 5G and emerging technologies, as well as climate cooperation. Thank you.

Andrew Small is a Senior Transatlantic Fellow with the Asia program at the German Marshall Fund of the United States. His research focuses on U.S.-China relations, Europe-China relations, and broader developments in Chinese foreign and economic policy.

He has testified before the U.S.-China Economic and Security Review Commission in both the Foreign Affairs Committee and European Parliament. Andrew is the author of "No Limits: The Inside Story of China's War with the West" and the "China-Pakistan Axis: Asia's New Geopolitics."

Thank you all for being here. I will ask you to begin, Mr. Barkin.

STATEMENT OF NOAH BARKIN, SENIOR ADVISOR, RHODIUM GROUP, SENIOR VISITING FELLOW, INDO-PACIFIC PROGRAM, GERMAN MARSHALL FUND OF THE UNITED STATES, BERLIN, GERMANY

Mr. BARKIN. Chair Shaheen, Ranking Member Ricketts, distinguished members of the committee, thank you for the opportunity to talk to you today about transatlantic cooperation on China.

Europe's relationship with China has been worsening for more than half a decade, mirroring the decline in relations between Washington and Beijing. In past years, European concerns centered around issues of economic competitiveness and market access, but they have since broadened to encompass worries tied to human rights, economic coercion, strategic dependencies, disinformation, and security.

Europe entered a new phase in its relationship with China following Russia's invasion of Ukraine in February 2022. The no limits partnership sealed between Xi Jinping and Vladimir Putin in the weeks before the war began and China's subsequent refusal to condemn Russia's aggression are cementing the view of China as a competitor and systemic rival in Europe.

Importantly, the war has also increased awareness both in European governments and corporate boardrooms about the risks of a conflict over Taiwan.

Today, there is an intense debate underway in major European capitals about reducing economic dependencies on China. European Commission President Ursula von der Leyen delivered an important speech on March 30 in which she argued for a de-risking of Europe's relationship with China. Over the coming months, Europe will begin the process of defining what de-risking means in practice.

The hardening of Europe's line can obscure differences that exist between 27 EU member states and in some cases within individual European governments.

On the hawkish end of the spectrum are a group of Eastern European countries led by Lithuania which promote a values-based foreign policy. At the dovish extreme is a country like Hungary. The largest EU states, including Germany and France, fall somewhere in between.

As we saw on President Emmanuel Macron's recent visit to China, France stands out for its support for European strategic autonomy, which is code for an independent Europe that is not overly reliant on China or the United States.

Germany stands out for having what is by far the closest economic relationship with China of any European country. According to new figures from Rhodium Group, German firms accounted for 84 percent of total EU FDI into China last year.

Germany is also the country in Europe where the debate over relations with China is the most intense. Chancellor Olaf Scholz's coalition is divided over how far and fast to go in recalibrating ties with China.

Still, it is fair to say that the win-win economic narrative that has fueled close ties between Berlin and Beijing in recent decades is increasingly being eroded by conditions on the ground in China and competition from Chinese firms in core German industries like autos.

I would like to conclude with a few observations about transatlantic cooperation on China.

First, I believe we have seen a great deal of convergence between the U.S. and Europe over the past 2 years on the language that is being used to define the challenges posed by China.

In recent months, we have seen senior officials on both sides of the Atlantic embrace the term "de-risking" and we have seen officials distance themselves from the idea of a full-blown economic decoupling from China.

Second, this alignment is more than just rhetorical. There is a growing transatlantic consensus on the need to reduce dependencies on China, diversify to other markets, and improve the resilience of supply chains.

Third, the U.S. and EU have created a series of structured dialogues on China in recent years. The U.S.-EU Trade and Technology Council held its fourth ministerial meeting in Sweden last week. China also features in discussions at NATO and the G-7.

Fourth, the war in Ukraine has pushed the U.S. and Europe closer together and focused minds in Europe on the risks of a conflict in Taiwan.

That said, it is wrong to expect perfect alignment between the U.S. and Europe on China. The U.S. is an incumbent superpower.

It plays a vital security role in the Indo-Pacific and it is not a collection of countries with different interests like the EU is.

As a result, it sees China through a different prism than Europe does and its response reflects this. There is no appetite in European capitals for containing or isolating China and there are concerns in some capitals about what is perceived as an overly confrontational approach from some corners of Washington, particularly on the issue of Taiwan.

There is a consensus in Europe that despite the growing strains, but also because of these strains, one must continue to engage robustly with Beijing. As a result, we have seen a flurry of visits by European leaders.

I am convinced that building transatlantic convergence on China and limiting the risks of divergence depends on robust engagement between the U.S. and EU on trade technology and security policies that are at the heart of the challenges presented by Beijing's policies.

This will include building a positive transatlantic narrative, including on trade and investment, that is not only about China. It will require that the U.S. look beyond the daily noise on China policy that is coming from 27 EU member states and remembering Europe is not a monolith, and it will require that the Administration and members of Congress are active, persistent, patient, and when necessary forceful in making their policy arguments to European counterparts behind closed doors.

I believe we are on a similar trajectory on China between Europe and the U.S. that has been driven by the policy choices in Beijing. If Europe has a strong partner in Washington, I am convinced that Washington will have a strong partner in Europe.

Thank you very much.

[The prepared statement of Mr. Barkin follows:]

Prepared Statement of Mr. Noah Barkin

Chair Shaheen, Ranking Member Ricketts, distinguished members of the Committee. Thank you for the opportunity to talk to you today about transatlantic cooperation on China.

Europe's relationship with China has been worsening for more than half a decade, mirroring the decline in relations between Washington and Beijing.

In past years, European concerns centered around issues of economic competitiveness and market access. But they have since broadened to encompass worries tied to human rights, economic coercion, strategic dependencies, disinformation, and security.

Europe entered a new phase in its relationship with China following Russia's invasion of Ukraine in February 2022. The "no limits" partnership sealed between Xi Jinping and Vladimir Putin in the weeks before the war began and China's subsequent refusal to condemn Russia's aggression, are cementing the view of China as a competitor and systemic rival. Importantly, the war has also increased awareness, both in European governments and corporate boardrooms, about the risks of a conflict over Taiwan.

Today, there is an intense debate underway in major European capitals about reducing economic dependencies on China. European Commission President Ursula von der Leyen delivered an important speech on March 30 in which she argued for a "de-risking" of the Europe's relationship with China. Over the coming months, Europe will begin the process of defining what de-risking means in practice.

The hardening of Europe's line can obscure differences that exist between the 27 EU member states, and in some cases, within individual European governments. On the hawkish end of the spectrum are a group of eastern European countries led by Lithuania, which promote a values-based foreign policy. At the dovish extreme is

a country like Hungary. The largest EU states, including Germany and France, fall somewhere in between.

As we saw on President Emmanuel Macron's recent trip to China, France stands out for its support of European strategic autonomy—code for an independent Europe that is not overly reliant on China or the United States. Germany stands out for having what is by far the closest economic relationship with China of any European country. According to new figures from Rhodium Group, German firms accounted for 84 percent of total EU foreign direct investment in China last year.

Germany is also the country in Europe where the debate over relations with China is the most intense. Chancellor Olaf Scholz's coalition is divided over how far and fast to go in recalibrating ties with China. Still, it is fair to say that the "win-win" economic narrative that fueled close ties between Berlin and Beijing in recent decades is increasingly being eroded by conditions on the ground in China and competition from Chinese firms in core German industries.

I'd like to conclude with a few observations about transatlantic cooperation on China.

First, I believe we have seen a great deal of convergence between the U.S. and Europe over the past 2 years on the language that is being used to define the challenges posed by China. In recent months, we've seen senior officials on both sides of the Atlantic embrace the term de-risking. And we've seen officials distance themselves from the idea of a full-blown economic decoupling from China.

Second, this alignment is more than just rhetorical. There is a growing transatlantic consensus on the need to reduce dependencies on China, diversify to other markets, and improve the resilience of supply chains.

Third, the U.S. and EU have created a series of structured dialogues on China-related challenges in recent years. The U.S.-EU Trade and Technology Council held its fourth ministerial meeting in Sweden last week. China also features increasingly in discussions within NATO and the G7.

Fourth, as I mentioned earlier, the war in Ukraine has pushed the U.S. and Europe closer together and focused minds in Europe on the risks of a conflict in the Taiwan Strait.

That said, it is wrong to expect perfect alignment between the U.S. and Europe on China. The U.S. is an incumbent superpower. It plays a vital security role in the Indo-Pacific. And it is not a collection of countries with different interests like the EU. As a result, it sees China through a different prism than Europe does. And its response reflects this.

There is no appetite in European capitals for containing or isolating China, and there are concerns in some capitals about what is perceived as an overly confrontational approach from some politicians in Washington, particularly on the issue of Taiwan.

There is a consensus in Europe that despite the growing strains—but also because of these strains—one must continue to engage robustly with Beijing. As a result, we have seen a flurry of visits by European leaders since China ended its strict zero-COVID policies at the end of last year.

While there is a nascent push in Europe to reduce dependencies on China, the appetite for paying an economic price in the name of national security is not as developed as it is in the U.S. or in a country like Japan. The threat perception is evolving in Europe, but more gradually. As we've seen on Ukraine, however, Europe is capable of major shifts in policy in times of crisis.

I am convinced that building transatlantic convergence on China, and limiting the risks of divergence, depends on robust engagement between the U.S. and EU on the trade, technology and security issues that are at the heart of the challenges presented by Beijing's policies.

This will include building a positive transatlantic narrative, including on trade and investment, that is not only about China. It will require that the U.S. look beyond the daily noise on China policy that is coming from 27 EU member states, remembering that Europe is not a monolith. And it will require that the Administration and members of Congress are active, persistent, patient and when necessary forceful in making their policy arguments to European counterparts behind closed doors.

We are on a similar trajectory on China that has been driven by policy choices in Beijing. If Europe has a strong partner in Washington, I am convinced that Washington will have a strong partner in Europe.

Senator SHAHEEN. Thank you, Mr. Barkin.
Dr. Oertel.

STATEMENT OF DR. JANKA OERTEL, ASIA PROGRAM DIRECTOR, SENIOR POLICY FELLOW, EUROPEAN COUNCIL ON FOREIGN RELATIONS, BERLIN, GERMANY

Dr. OERTEL. Thank you.

Chair Shaheen, Ranking Member Ricketts, thank you for the opportunity to be appear here before you today. It is an honor and a privilege.

I would like to make four brief points: First, Europeans do not speak with one voice when it comes to China, but that does not necessarily translate into disunity in action. The overall level of attention regarding China as a challenge to European interest has grown remarkably over the last 5 years.

China policy matters more. Therefore, it makes sense that it is more fiercely debated. Discussions seem to be all over the place when looking at the day-to-day reporting, but stepping back from that kind of daily madness, it is actually not true when looking at what is happening at the policy level. Among EU policymakers, positions on key matters are broadly united and on a linear trajectory of significant hardening and growing skepticism about the future relationship with Beijing.

The recent visit by French President Macron to China has not changed this overall trend. The packages and policies agreed upon at the EU level with a clear eye towards China are real, impactful, and they are here to stay, and they have enhanced the EU's ability to respond to the changing geopolitical environment.

From investment screening to the 5G toolbox or the carbon border adjustment mechanism they are all rooted in hard changes in the economic reality. Trade relations between Europe and China are changing in China's favor. Particularly for small and medium-sized European enterprises, the Chinese market is thus moving from being the place to be to being risky business.

The second point would be China's support for the Russian invasion in Ukraine constitutes an absolute turning point in Europe-China relations. The war in Ukraine has not put the question of how to relate to China on the diplomatic and strategic backburner, which one could have expected.

On the contrary, because of Beijing's support for Moscow it has brought the idea of China as a challenge to European strategic interests closer to home. Particularly in Central and Eastern Europe, the observable shift among many leaders is significant and will be lasting.

The war has underscored the problem of over dependence on China as well as overall supply chain risks, but this does not translate into a desire for full-scale decoupling in Europe. The costs, the heartbreak, and the relations with Russia has incurred on European economies are a huge warning sign to many policymakers.

At the same time, the war has highlighted the potential implications of other global security risks and has ignited the discussion about the security situation in Taiwan. Possible scenarios and assessment of the potential fallout are now hotly debated in Europe's strategic community and, if I may add, I have been doing this for 15 years. I have never seen these debates before.

Thirdly, the Chinese leadership sees Europe as a battleground for competition with the United States, but the European public

does not quite perceive it that way yet. The Chinese leadership continues to see an advantage in trying to undercut alignment, distract EU countries from China's engagement with Moscow, and obstruct transatlantic unity.

Therefore, China currently appears to be on a repair mission in the relations with Europe. Special Envoy Li Hui's visit and a flurry of additional diplomatic activity including government consultations with the German cabinet this June or Chinese Premier Li Qiang's presence at Macron's new Global Financial Pact Summit in Paris 2 days later are signs of that.

Among European leaders this has not fundamentally swayed positions, but it seems that they have so far failed to convey the urgency of their changing approach to China and the direct implications for European security and prosperity convincingly at home.

Today, my colleagues at the European Council on Foreign Relations have published polling data from 11 EU member states. With regard to a Taiwan contingency, the majority of respondents, 62 on average—62 percent would be in favor of a neutral stance.

European policymakers know that this is not an option and need to communicate this much clearer to their domestic audiences because once a direct connection to Europe's own security is more palpable, numbers do change.

A staggering 41 percent of respondents on average across member states would thus be in favor of sanctions against China if it were to deliver ammunition or weapons to Russia, even if this meant, and I quote, "serious economic harm to Western economies."

This brings me to my fourth and final point. Among policymakers, transatlantic convergence on the analysis of the challenges posed by China is real, but de-risk and diversify needs to move beyond the slogan.

The discussions at the G-7 level have reached a new consensus since the Hiroshima Summit, with a joint commitment to economic resilience and economic security. The negotiations and the framework of the TTC are enhancing trust and making real progress possible from green technologies, particularly also to standard setting, and the various bilateral exchanges on the issue, including ahead of meetings with Chinese counterparts, have generated a much higher degree of coordination.

To guarantee that this trend is sustainable beyond this U.S. Administration and to bring the European and American public along what is needed is concrete, joint, or parallel action that benefits both sides of the Atlantic and shares risks and costs.

Thank you very much.

[The prepared statement of Dr. Oertel follows:]

Prepared Statement of Dr. Janka Oertel

Dear Chairwoman Shaheen, Ranking Member Ricketts, and distinguished members of the subcommittee, thank you for the opportunity to appear before you today. It is an honor and privilege to address you.

I would like to make four points:

1. Europeans do not speak with one voice when it comes to China policy, but that does not necessarily translate into disunity in action.
2. China's support for the Russian invasion in Ukraine constitutes a turning point in Europe-China relations.

3. The Chinese leadership sees Europe as a battleground for competition with the United States, but the European public does not perceive it that way—yet.
4. The EU's China policy objectives are converging with those of the United States, while full alignment in policy and rhetoric remains unlikely. De-risking is a useful framework for a transatlantic approach, but it needs to move beyond the slogan.

Let me elaborate on each of them briefly.

ATTENTION IS UP, UNITY HOLDS

The overall level of attention regarding China as a challenge to European interests has grown remarkably over the last 5 years. Precisely because of the heightened importance that the relationship with China now plays for EU governments the messaging is more complex, with a stronger focus on the domestic audience.

While the daily ups and downs of the media reporting on European positions can leave observers confused, when stepping back European positions are actually relatively united and on a linear trajectory of significant hardening and growing skepticism about the future of the relationship. The recent visit by French president Macron and the subsequent comments in the media have not changed this broader trend.

The packages and policies agreed upon with a clear eye towards China (although formally “country-agnostic”) are quite impressive: the inbound investment screening mechanism, the anti-coercion tool, the foreign subsidies regulation, the 5G toolbox, new due diligence directives, the Critical Raw Materials Act, outbound investment screening plans, as well as the Carbon Border Adjustment Mechanism, which has generated significant concern in Beijing—all of this is real, impactful and here to stay and has enhanced the EU's ability to respond to the changing geopolitical and geo-economic environment the Union and the member states are facing.

The changes are driven by hard economic and political realities, not by ideology or moral considerations. The EU's trade deficit with China is growing. From 2020 to 2022 alone it has more than doubled.¹ Germany holds the largest share of trade with China among EU countries and the same trajectory applies: foreign direct investment into China from Germany is up, imports from China have increased, while sales of German companies in the Chinese market in key industries, particularly the automotive sector, are slowing. German exports to China are down in relative terms and have only grown marginally in absolute terms over the last year. In 2022, China was only Germany's fourth largest export market, significantly behind the United States, France, and the Netherlands.

This is changing the narrative. Particularly for small and medium size European enterprises, the Chinese market is moving from being the place to be to being risky business.

UKRAINE IS A PIVOTAL MOMENT—ALSO FOR CHINA POLICY

For policy makers in Europe, the issue of highest strategic salience remains the Russian invasion of Ukraine, but the war has not put the question of how to relate to China on the diplomatic and strategic backburner. Quite the opposite: because of Beijing's support for Moscow, it has brought the idea of China as a challenge to European strategic interests closer to home.

It has ignited a debate about the security situation in the Taiwan Strait. Media reporting regarding Taiwan—particularly in Germany has increased significantly and the number of conversations in the strategic, policy, and business community about possible scenarios and assessments of the potential fallout has increased markedly across Europe and particularly in Brussels.

Additionally, there is a specific regional impact of China's ‘no limits’ bond with Moscow: In Central and Eastern Europe China's failure to condemn the Russian invasion has led to another re-evaluation of the relationship with China. While the cooling of the relations over the past few years in what once was the 17+1 format (and is now down to 14+1, slowly drifting into irrelevance) was mainly due to China's assertive policies at home, the pandemic response, and disappointed business interests, the shift that is observable among many of the political leaders in the region now is likely to be more significant and lasting. It cuts to the heart of their own strategic priorities in terms of safeguarding sovereignty and territorial integrity and is fueled by a deep-rooted fear of Russian intentions.

¹In 2020 the trade deficit of the EU vis-à-vis China amounted to 182.3 billion Euro compared to 396 billion billion Euro in 2022, see: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en.

While Chinese support to Moscow has highlighted the problem of single points of failure regarding overdependence on individual goods and products from China as well as overall supply chain risks, this does not translate into a desire for full-scale decoupling in Europe.

On the contrary, the costs that the hard break in the relations with Russia has incurred on European economies are a huge warning sign to many. The longer the war continues and the deeper the overall challenges to the global economy become, the harder it will be to maintain European unity as those EU countries that are more dependent on China, such as Germany, may be inclined to slow the de-risking process in favor of short-term economic relief.

BELJING'S CHARM OFFENSIVE FALLS FLAT—SO FAR

The Chinese leadership continues to see an advantage in trying to undercut alignment, distract EU countries from China's engagement with Moscow, and obstruct transatlantic unity and has thus currently put a particular emphasis on its outreach to EU countries.

So far, however, Beijing's attempt to improve ties has not swayed most European leaders who see no new offers by the Chinese leadership on the table and are unimpressed by Special Envoy of the Chinese Government for Eurasian Affairs Li Hui's latest visit, the cold and low-level reception by the Polish Foreign Ministry being a case in point.²

The visits in Kiev, Warsaw, Berlin, Paris, and Brussels of the special envoy and a flurry of additional diplomatic activity including the upcoming government consultations with the German cabinet on 20 June 2023 and Chinese Premier Li Qiang's planned presence at Macron's flagship "Summit for a New Global Financial Pact" are an indicator that Beijing is focusing on select member states it regards as particularly relevant.

There is reason to be concerned that some of these tactics can be successful as European public perceptions of the relationship with China in many member states are not as clear as the existing unity in broadly rallying behind the toughening of the EU line may indicate.

With regard to a potential Taiwan contingency, for example, the latest poll that my colleagues at the European Council on Foreign Relations have conducted in 11 EU member states³ concludes that a majority of European respondents (62 percent on average) polled would be in favor of a neutral stance rather than supporting the United States, which only 23 percent would on average be advocating for.

It is on European and U.S. policymakers to jointly convey the impossibility of neutrality in such a scenario and devise a clear strategy for advocating deterrence and de-escalation to avoid a military confrontation that takes public perceptions into account by clearly conveying that neutral by-standing will not be an option for Europe.

Because once the direct connection to the reality of European citizens becomes clearer the numbers change: a staggering 41 percent of respondents (on average across member states) would thus be in favor of sanctions against China if it were to deliver ammunition or weapons to Russia, even if this meant "serious economic harm to Western economies."

The picture is more nuanced when looking at the individual country polling. In Sweden 56 percent of respondents were in favor, 51 percent in the Netherlands, whereas only 37 percent of the respondents in Germany would be inclined to do so, with 38 percent arguing that it would be more important to protect the Western economies than to sanction China.

All countries polled show an exceptionally high number of undecided respondents (20 percent to almost 40 percent) to this question, which indicates that there is a lot of unease among the European public and the need for clear communication of political objectives and risk calculations of European leaders becomes even more important.

Risk is currently priced against the imaginary costlessness of upholding the status quo. Weighing the costs of inaction against the cost of more decisive European action to defend European interests vis-à-vis China is a key task for policy makers in Europe and beyond.

²For the readout of the Polish Foreign Ministry, please see: <https://www.gov.pl/web/diplomacy/deputy-minister-wojciech-gerwel-met-the-special-envoy-of-the-chinese-government-for-eurasian-affairs>.

³The representative poll is part of ECFR's "Unlock Europe's Majority" project. Polling was conducted in April 2023 in Austria, Bulgaria, Denmark, France, Germany, Hungary, Italy, the Netherlands, Poland, Spain, and Sweden. See: <https://ecfr.eu/publication/keeping-america-close-russia-down-and-china-far-away-how-europeans-navigate-a-competitive-world/>.

TRANSATLANTIC CONVERGENCE IS REAL, BUT DE-RISK AND
DIVERSIFY NEEDS TO MOVE BEYOND THE SLOGAN

This brings me to my fourth and final point. Transatlantic convergence on the analysis of the challenges posed by China is real among policy makers, the discussions in the G7, the EU–U.S. Trade and Technology Council and the various bilateral exchanges on the issue, the close coordination ahead of meetings with Chinese counterparts and regarding measures to be taken is a clear indicator of that.

“De-risk and diversify” seems to be terminology around which transatlantic partners can rally.

But discomfort in European capitals regarding full alignment with the United States remains high, and public opinion and domestic politics is important on both sides of the Atlantic.

Therefore, the exact contours of a “de-risk and diversify” agenda need to become real very quickly in Europe with a clear roadmap for bringing the public on board for this overhaul of the way the global economy and the multilateral framework has been functioning. It also needs to move beyond the rhetoric of tools and instruments, insinuating that mere little tweaks to the existing order will suffice to safeguard European security and prosperity in an age of system competition.

A de-risk and diversify slogan with no concrete policies attached could otherwise quickly become a banner to hide behind for continued complacency, reactivity, and inaction in tackling the challenges head-on.

Senator SHAHEEN. Thank you, Dr. Oertel.
Mr. Small.

**STATEMENT OF ANDREW SMALL, SENIOR TRANSATLANTIC
FELLOW, INDO-PACIFIC PROGRAM, GERMAN MARSHALL
FUND OF THE UNITED STATES, BERLIN, GERMANY**

Mr. SMALL. Chair Shaheen, Ranking Member Ricketts, it is an honor to have the opportunity to speak before you today on this important topic.

As both of you and as my fellow witnesses have laid out, Russia’s invasion of Ukraine has been a watershed moment for European-China policy and for the transatlantic agenda on China.

The United States and Europe already agreed on the challenges that the PRC posed. We agreed also that they were systemic, that security, human rights, economic factors, technology could not exist in separate lanes anymore, that they were intertwined, and we agreed on many of the measures that we needed to take in response, but there was, as Ranking Member Ricketts noted, an urgency gap between the two sides. There is no question that we have gone through a transformation in how China is being dealt with in the transatlantic relationship, from a time when Europe was still apprehensive about open cooperation with the U.S. on China to a situation where that coordination is now embedded at every level of the relationship from NATO to the TTC.

It has been clear at the same time that the U.S. was moving further and faster in overhauling its China policies and that the European side was often in reactive and sometimes slightly reluctant mode, recognizing the issues at stake, heading in the right direction, but often lacking the momentum to make some of the more difficult choices required.

Following the Russian invasion, that urgency gap has been closing. First, the political common sense in Europe when it comes to economic risk with China has now changed. The combined shock of the pandemic and the invasion on top of all the existing concerns about the PRC’s trajectory under Xi Jinping have made it much harder to argue that the status quo is the low-risk, cost-free option.

There is certainly a spectrum of views in Europe on how to define economic security and de-risking as the business delegations that you noted show, but this is a mindset shift in Europe, and in each practical area from export controls to outbound investment screening it is making coordination across the Atlantic easier.

Second, broader perceptions of China have shifted as a result of the support that Beijing has extended to Moscow. The PRC is now seen by many Europeans as an enabler of Russia's war, a direct contributor to security threats in Europe in a way that is far more tangible than cyber intrusions or influence operations ever were.

European policymakers certainly still want to keep areas of cooperation alive, but there is a consensus that rivalry and competition now define the relationship, and European leaders have delivered a consistent message to Beijing in recent months. The provision of military support to Russia would amount to an even graver rupture in the Sino-European relationship.

Third has been to make more tangible the possibility of a major security crisis in East Asia, particularly over Taiwan, and the risks of complacency about the intentions of revisionist authoritarian powers.

There is deeper understanding now among European policymakers of how interconnected security issues in the Atlantic and Indo-Pacific theatres are of the seismic shock that a cross-strait crisis would have for Europe and that Europe is a player when it comes to deterring China.

Eighteen months ago when China looked at Europe as a sanctions actor, they thought Crimea—in other words, modest measures that they could live with, that they could swallow.

Now when they look at Europe they see SWIFT cutoffs, central bank asset freezes, and sweeping export controls. Even if Europe and the U.S. cannot agree on preemptive signaling to China, the PRC now still has to take the possibility of a European economic squeeze into account before taking any fateful decisions.

Beijing sees all of these developments with concern and is trying to undercut or at least slow them down. The PRC wants to make cooperation with the U.S. for Europe as costly as possible and incentivize European acts of distancing.

It wants to ensure that there is no red lines crossed when it comes to European cooperation with Taiwan, and right now China is exceptionally focused on trying to maintain European openness for Chinese access to advanced technologies where Europe has become even more important to the PRC since the U.S. semiconductor export controls from last October, and, of course, what Beijing thinks is coming next.

Ultimately, though, the PRC has decided to accept some level of collateral damage to its relationships in Europe as the price for deepening ties with Moscow. In the wider struggle that the PRC understands itself to be engaged in with the United States, Xi sees the partnership with Russia, even a weakened Russia, offering greater strategic benefits than any other relationship and China is realistic about where it sees the Europeans landing in this geopolitical landscape.

The Chinese Communist Party's internal documents have long referenced Western hegemony, Western values, and Western hos-

tile forces as the focus of its animosity, but Xi spoke openly in March about Western countries that have implemented all around containment, encirclement, and suppression.

The PRC will do what it can to limit the damage to its position in Europe as Beijing's caution about the Russian request for lethal aid indicate, but it is simultaneously steeling itself for a contest with the West, not the United States alone.

The coalition that the United States needs to build to address the shared challenges posed by China span multiple domains and geographies. We still have a long way to go on the transatlantic agenda.

We have reached a far deeper level of coordination on China than looked plausible a few years ago and I think that will continue to be the trajectory in the years ahead.

Thank you for your time.

[The prepared statement of Mr. Small follows:]

Prepared Statement of Mr. Andrew Small

Chairperson Shaheen, Ranking Member Ricketts, and distinguished members of the subcommittee, it is an honor to have the opportunity to testify before you today.

Over the last few years, Europe and the United States have engaged in the most significant overhaul of their policies towards the People's Republic of China (PRC) since the opening of diplomatic relations. While the United States has moved further and faster in this process than Europe, the nature of the two sides' economic, political and strategic concerns about the PRC, and the analysis of how best to respond, has been highly convergent.

This is reflected in the quality of transatlantic exchanges on China. Where it was once contentious even to address China-related concerns openly between Europe and the United States, collective efforts to do so are now embedded across all dimensions of the transatlantic relationship, from summits to working-level coordination, NATO to the EU-U.S. Trade and Technology Council (TTC). The urgency gap that existed between the two sides is starting to close. The Russian invasion of Ukraine, and the PRC's decision to extend significant political and economic backing to Moscow, has had a catalytic effect on European thinking. While Beijing has so far held back from providing lethal aid, the forms of support it already provides have positioned China as one of the chief enablers of the war. European leaders are now far clearer that while areas of cooperation with the PRC still exist, and effective political channels with Beijing need to be preserved, competition and rivalry are now the defining features of the relationship.

The Russian invasion also acted as an acute warning of the risks of excessive dependencies on powerful authoritarian states, and has forced European leaders to start taking the prospects of a conflict in Asia—particularly a cross-Strait contingency—more seriously. Coming on top of the supply chain vulnerabilities exposed during the COVID-19 pandemic, and the worsening climate for European business in China, it has transformed the notion of “de-risking” the economic relationship from a radical position in the European debate to a matter of political common sense.

While there are still differences over how expansively to define the concept, some of the basic principles are generally agreed: strengthened technology controls in fields with potential military applications; diversification away from areas of near-exclusive reliance on China; more robust means to address outright economic coercion; and tight coordination with like-minded partners to put these measures into effect. European capitals are now converging on a new set of policy objectives with China for the first time since 2019, when the EU's framework of treating China as a “partner, competitor and systemic rival” was first laid out. European Commission President Von der Leyen's March 2023 speech on how Europe should deal with a China that is “more repressive at home and more assertive abroad” was an indication of the direction of flow. EU member states have again given the Commission space to be bolder and clearer than some of them are willing to be themselves.

CHINA'S PUSHBACK

The PRC views these developments with concern. Beijing aims to restrict and complicate European involvement in a common front with the United States; maintain a high degree of European openness for Chinese commercial and technological

access; and limit any European moves on issues of high sensitivity, especially human rights, Xinjiang, Hong Kong, and Taiwan. The PRC has long understood Europe's importance in a geo-strategic landscape where competition cuts across the economic, technological, information, and ideological domains rather than hard military power alone. Yet Europe's salience to Chinese interests is now even greater in a context where U.S. restrictions on its means of acquiring technologies, tools, and know-how are tightening. In addition to the barrage of criticism of the United States to which European officials and leaders are now routinely subjected by their Chinese counterparts, there is a forensic focus on ensuring that Europe does not close down interactions with China in areas that will affect the development of its advanced capabilities. As a result, Europe is the subject of more intense diplomatic outreach from China than it has experienced in many years.

At the same time, Beijing has essentially decided to accept some level of collateral damage to its standing in Europe as the price for deepening and elevating its ties with Moscow at a time of war. In a previous phase of Chinese foreign policy, Xi would neither have agreed to the "no limits" joint statement with Putin in the crucial weeks before the Russian invasion nor embarked on a full-scale state visit to Moscow at such a contentious juncture a year later. But in the wider struggle that the PRC understands itself to be engaged in with the United States, Xi sees the partnership with Russia—even a weakened Russia—offering greater strategic benefits than any other relationship.

By contrast, Beijing is realistic about where it sees Europe landing. The Chinese Communist Party's internal documents have long referenced "western hegemony," "western values," and "western hostile forces" as the focus of its ideological animus. Chinese assessments have also long seen European strategic decision-making as necessarily conditioned by its alliance with the United States, and view Russia's invasion of Ukraine as a factor considerably tightening that alliance, a dynamic that will outlast the war. Xi's public remarks at the March 2023 "Two Sessions" notably spoke of "western countries—led by the U.S.," that have "implemented all-round containment, encirclement and suppression against us." The PRC is steeling itself more openly for a broader contest with the West, not the United States alone.

Nonetheless, the PRC certainly wants to limit the extent of the damage to its relationships in Europe. This is one of the principal reasons giving Beijing pause in responding to Moscow's requests for lethal aid, and its willingness at least to go through the diplomatic motions of a peace initiative for Ukraine. Europe's leaders have delivered a consistent message to Beijing in recent months that the provision of systemic military support to Russia would amount to a real rupture in the Sino-European relationship. The Chinese Government has taken those warnings seriously.

UKRAINE

European messaging has been less consistent when it comes to China's diplomatic role on Ukraine. Some European policymakers see reason to try to incentivize a more constructive Chinese approach; some see value in pushing Beijing on specific aspects of its 12-point position paper; some have attributed excessive significance to boiler-plate Chinese statements on nuclear weapons; and others have been wholly skeptical about Beijing playing an even marginally helpful role.

Xi's Moscow trip and the recent European visit from China's special representative for Eurasian affairs, Li Hui, certainly poured cold water on some of the more delusional hopes. The center of gravity at present is for Europeans to simulate belief in China's simulated efforts and at least give themselves the opportunity to call Beijing's bluff if nothing results. Europe is also looking to exert pressure on Chinese sanctions-busting, and considering measures to go after a list of Chinese entities engaged in dual-use transfers. But there is undoubtedly a constituency in Europe that sees the risk of an even darker trajectory for Xi's handling of the war—which could see significant military supplies to Russia—as good reason to tread carefully in dealings with the PRC.

TAIWAN

Where the Sino-Russian relationship and the de-risking question are at the top of Europe's China debates, the Taiwan question occupies a more delicate and complicated role. There is now clearer awareness of the risks and the stakes for Europe, with the economic shock alone of any cross-Strait conflict dwarfing that of Russia's invasion. The breadth of the sanctions imposed on Moscow has also turned Europe into a part-player in Taiwan-related deterrence efforts that it was not 18 months ago. China is well aware that the sanctions-coalition is one that could be replicated for Taiwan contingencies, and saw Europe going far further with Russia than it had

anticipated, with Chinese officials scrambling—for instance—to figure out the implications of the central banking asset freeze.

Yet while there is now European willingness to warn China about the need for stability; to make clear that Europe also has a stake in cross-Strait security; and to find creative ways to expand relations with Taiwan—consistent with a One China policy—there is still caution about detailed transatlantic contingency planning for any sanctions measures. This is not just out of neuralgic anxiety about antagonizing Beijing: there is also a concern among European policymakers that any preemptively agreed lowest-common-denominator measures may do more to underwhelm than deter. For now, the PRC has to take into account Europe’s demonstrated capacity to surprise on the upside with sanctions. And Beijing is well aware that while Europeans may be cautious about advance signaling, and may not be willing to act decisively for the sake of Taiwan alone, the U.S. frontline position in any conflict scenario will ensure that Europe feels obliged to do so regardless.

THE TRANSATLANTIC ACTION AGENDA—PROGRESS AND PROSPECTS

As the recent G7 summit in Hiroshima highlighted, United States and Europe, and their wider network of partners and allies in the Indo-Pacific, are now more closely aligned in substance. Where prior summits still saw differentiating language on China from European leaders, reflecting their concerns about “bloc politics” and “confrontation,” this looked closest to a real consensus rather than a paper one. The issues at stake have high stakes for the future international security order and major economic interests at home, and will be subjected to fierce intra-European and transatlantic debate. But depicting this as “division” obviates the fact that agreements on consequential areas of policy continue to be reached nonetheless. It is not an analytical mistake that Beijing tends to make.

For now, the fastest-moving areas of cooperation have been on the defensive side. Europe’s progress on agreeing an economic security strategy offers the prospect that it will move out of reactive mode on issues ranging from export controls to outbound investment screening. But even if the United States remains the pace-setter, there is now a suite of different areas in which the two sides are in synch, and can be expected to line up their approaches in the coming years. Despite this, it will remain important for the United States to be vigilant across areas of security where gaps and deficiencies are already appearing, such as the lagging of certain European countries on rollout of secure 5G networks, and the expansive openings for Chinese actors in other areas of Europe’s digital infrastructure.

There is also much further to go on building mutual capacities among the allies. There are areas where the TTC has unquestionably made helpful progress, from global standard setting to information sharing on subsidies. But on some of the most important parts of the respective domestic economic agendas, such as green industrial policy or data flows, we are still mostly dealing with transatlantic deconfliction rather than trying to build collective scale, and typically working to make advances on individual silos rather than ambitious joint packages to bolster allied competitiveness.

The offer to the rest of the world needs strengthening too. There is no effective diversification strategy from China that fails to lay out a compelling picture to partners across the developing world. While there have been areas of tentative progress under the auspices of the Partnership for Global Infrastructure and Investment, and initiatives with potential—such as the Critical Raw Materials Club—there is still a sense that the political momentum behind them has lagged behind the scale of the required task. With the Belt and Road Initiative facing the most difficult phase since its inception, as China fails to make adequate progress on addressing the major need for debt restructuring among distressed lenders, the opportunity for Europe and the United States is clear. But there are still fears across much of the developing world that the West is in “pulling up the ladder” mode rather than seeing the diversification drive translating into new opportunities for them in a less China-centric model of globalization.

CONCLUSION

The United States and Europe have reached a far deeper level of coordination on China than looked plausible a few years earlier. Russia’s invasion of Ukraine might have been expected to consume the two sides’ political focus; it has instead led to an even greater awareness of how closely the Atlantic and Indo-Pacific theaters are now interconnected. The coalition that the United States needs to build to address the shared challenges posed by China spans multiple domains and geographies. Europe will remain a vital part of it in the years to come.

Senator SHAHEEN. Thank you all very much.

We will begin a round of questions, 5 minutes for each of us, and we will go in order of anyone else who comes in after Senator Ricketts and I begin.

[Map is shown.]

Senator SHAHEEN. I want to start with this map of Montenegro because all of your testimony spoke to movement in Europe, and I think one of the reasons for some of that movement is not just the war in Ukraine and a recognition of what is going on in China, but it is also a reflection of China's behavior in some of our European allies and this map shows one of those examples that I talked about in my opening statement.

It is a road in Montenegro that was supported through China's Belt and Road Initiative with funding from the Export-Import Bank of China. It was supposed to connect the north and south of the country, begun back in 2014, and Montenegro signed a nearly \$1 billion deal to do that.

Now, in red you can see where the project is completed, but the blue parts show the still incomplete sections of the project, and it not only highlights the challenges that Montenegro has had because of their need for capital and infrastructure investment, but it also shows the challenges that China has had in trying to do what it promises to countries like Montenegro who have signed up for the Belt and Road Initiative.

I have to say it is a little baffling to me that in March, Montenegro signed up for yet another infrastructure project deal with China for a road, but, again, I think it reveals some of the vulnerabilities that China has.

We also have a map on the other side that shows the European countries that have signed on to China's Belt and Road Initiative and, again, the darkest ones signed up earliest and we are still seeing the gray sections where we are not sure where they are at this point.

Certainly, the movement that we are seeing in Europe is going to affect those countries as they think about their futures.

I would ask you all, within Montenegro and the EU, what are some of the lessons that have been learned by the EU from this kind of a project so that they avoid becoming targets of Chinese disinformation, of debt trap diplomacy? I do not know who would like to begin.

Dr. OERTEL. Maybe let me start a little bit broader because you want to talk about the lessons of this and I think the Western Balkans is one of the reasons why we have a sincere discussion about China's role also with regard to the future rebuilding of Ukraine, for example, which I think is closely connected to that and where our conversation should start transatlantically immediately and how to set kind of guardrails for that in the future just as a footnote because I think it is really important.

I do think that a lot of the lessons have been learned at the EU level, but these are member state decisions, member state decisions that are often very much driven by national domestic interests where there is always changes in government where new decisions can be taken and where a kind of linear and linearity of—or the

lessons learned will not necessarily be taken forward, but because these are based on domestic political appeal.

For the—kind of the future, it is more important that within the EU there are decisions on critical infrastructure taken, as you have laid out initially, because I think, honestly, it is more surprising to me that in 2023 a decision can be taken by the German train, Deutsche Bahn, to have their entire IT infrastructure built by Huawei than it is surprising to me that a debt-ridden country is willing to take on a loan from China to build an important infrastructure project.

This is where I would like to kind of put the emphasis on in the conversation because I think we focus too much on projects in the Western Balkans or in other regions where they are kind of limited financial scope that need to be dealt with and that can be dealt with at the EU level. We actually need to look closer into the heart of the EU.

Senator SHAHEEN. Well, so before we go on to address that, so answer that question about Germany and why Germany is willing to make that kind of—

Dr. OERTEL. Because there is still no understanding of the fact that there is a real risk attached and moving the heads of people into the zone that there are real strategic concerns.

This deal did not have to even be flagged to any authorities because it was not considered critical infrastructure. I think there is a mindset shift at a top level that we have seen, but it has not trickled down across the entirety of the system and we still are in a situation where there is a lot of worry, particularly in Germany, about making China mad, making them uncomfortable. There is a lot of interest in just connecting and having good business relations going.

I think there is a bigger problem there sometimes than we see and it is easy to finger point at the 16 + 1, 14 + 1 that they are now. We like to do that in Berlin as well, but actually it needs to start closer to home.

Senator SHAHEEN. Thank you.

Mr. Small, you were going to add to that?

Mr. SMALL. Yes, thank you. Just to add a couple of points to this.

When one looks at that map that you laid out of the Belt and Road countries, one also thinks back to an era of the Eurozone crisis and the biggest phase of Chinese investment in European infrastructure, and I think that has been a lesson that has been taken on board very seriously, particularly through the pandemic, the number of policymakers who said we must not repeat the mistakes of Piraeus—we must not repeat the mistakes that we made of squeezing a number of these countries in terms of their fiscal space and putting them in a position where they either feel they have to take Chinese investment or they feel they want to play the China card with Brussels, with Berlin, with whoever else.

I think that is something that we have seen much less of in the last period of time. One of those countries, of course, Italy, is currently considering withdrawing from its Belt and Road MOU, which I think is reflective as well of how the tide has turned for much of Europe.

I think there is, of course, a very different question when we are talking about the Western Balkans, when we are talking about countries on Europe's periphery, where I think some of these issues have not yet been successfully resolved.

Of course, there is all the funds on the EU side, which still dwarf any of the money that comes in from China. This is not a kind of competitiveness space in terms of the resources that are put on offer. It is just—and this is going to be an endemic problem—there are going to be countries want to do some of the problematic political deals that are involved.

I think some of this when it comes to EU accession negotiations, for instance, means putting these issues up front. This is, as Janka mentioned, something that when it comes to Ukraine is going to be important potentially in the future.

I think there is also an understanding, particularly now, which I think is the hardest moment that the Belt and Road has faced since it started—I think there is an understanding of the level of crisis that it can put countries in, the toxicity of the debt that makes it harder to negotiate with other creditors, and the Montenegro case, of course, has all of the secrecy clauses. We still do not even know all of the details yet of some of the contracts.

I think there has been a big shift in understanding, particularly since going back to the point at which some of these early contracts were agreed, but we still have a lot further to go even in some of the core spaces in Europe and on digital infrastructure and on many of these other areas.

Senator SHAHEEN. Well, thank you. I would like to explore that—some of those points some more, but I will turn it over to Senator Ricketts next.

Senator RICKETTS. Thank you, Madam Chairman.

One of the things that we saw that I touched upon in my opening remarks was how Europe has had to react to the Russian invasion of Ukraine with regard to their energy.

My understanding is in the years prior to this invasion that U.S. officials had been warning Europe about their over reliance on Russian energy and what that could mean if there was a crisis, and by and large were dismissed as—almost being laughed out of the room, but just saying that is not going to be a problem. It is never going to happen.

Then, of course, we have seen that it has happened and, as I mentioned earlier, caught them off guard and they have had to scramble to be able to realign their energy mix and where it is coming from.

This just kind of demonstrates kind of the foot dragging that has been going on in Europe also with regards to the People's Republic of China. Obviously, Ursula von der Leyen's speech was very good. It looked to start getting away from this methodology of calling the PRC partner, competitor, or rival and talked about de-risking, and at the TTC Summit, Swedish Prime Minister Kristersson said, "I think the U.S. has been a few years ahead of Europe, but I think very many countries now realize this is not the time for naivety."

I think that there is movement there, but the question gets back to the matter of timing. The PRC has been increasingly hostile and aggressive in its rhetoric toward Taiwan. We just saw this past

week where a PRC destroyer had a very close call with an American ship, obviously on purpose, being very aggressive in its maneuvers.

My question is how fast is this moving? If this is a 5-, 10-, 15-year thing with regard to the European Union and how we deter the PRC? My fear is that will be too late, that the PRC will move faster than that to get to Taiwan.

Dr. Oertel, maybe I will start with you. How do European leaders see this? I mean, do you think this is something with regards specifically about deterring the PRC in Taiwan? Is this something that they are talking about?

Actually, maybe I will ask you to comment a little bit because you said you had not seen these types of debates before. Was that specifically with regard to the PRC? Or just broadly that you had not seen this kind of debate before?

How do European leaders see that? Is this something where they think, yes, we have got to take steps right now or are they still thinking this is a years down the road problem?

Dr. OERTEL. Taiwan has become an issue that has moved on the agenda and I was referring specifically to Taiwan as a topic—as a discussion that I have not seen in that like—in that way before in the last 15 years because it has moved so fast.

The problem was so far away for European leaders for such a long time, but particularly the reliance on semiconductors, particularly the reliance on trade routes, particularly the integration of supply chains, has led European leaders to understand and I think Noah's colleagues at Rhodium Group have added to that with a fantastic report that has put some numbers to this. When you give European politicians the cost—the actual cost of a crisis it does change the logic a little bit.

We are having now very substantive conversations at all levels in the member states, but there is a capacity gap in some member states because it is just really difficult to be on top of all of these different matters.

There is an urgency gap in some member states, but there is certainly a conversation at the EU level that is very interesting at the moment and I think where a lot of the action will be happening in the future.

Real action, it is very unlikely to see some, like something committed to see before something really happens. I think it is more interesting now to sound out the gray lines—the gray zones, to sound out policy responses to kind of more limited incursions, questions of more—what would certain scenarios mean in terms of cost to the European economy and then to drive this message home, at home because I think the data that I have presented in terms of our public opinion reviews, I would say, if you have 62 percent that want to stay neutral in a scenario when neutrality is not an option as a politician, you have a job to do of explaining why neutrality is not an option and then explaining how you will manage the issue and what the expectation level of the regional countries will be.

Senator RICKETTS. Dr. Oertel, it sounds like what you are telling me about European leaders, generally speaking, is they are starting to move, but they are not to the point where they can even make the case then to their respective populations about trying to

deter the PRC in Taiwan right now because they are still not quite there themselves. Is that fair?

Dr. OERTEL. I think they have started to make that case, but I think this is a long process because this is really not an immediate security threat that has been on the agenda of policymakers for a long time.

I would say it is moving pretty fast for EU's speed, which is not always the fastest. I do not think it is a 5- or 10-year framework that we are looking at, but more like the next year is going to be a year of intense discussions around this issue.

Senator RICKETTS. Okay. Great. Let me just follow up with regard to the respective public opinion on this because you gave some stats on that.

How quickly did that move after the invasion of Ukraine and what is it—what role can the United States play in helping bring those populations along to be able to understand the threat, for example, if there was a conflict in the Taiwan Straits?

That is 30 percent of the world's trade. That is going to impact Europe. I am guessing a lot of Europeans do not necessarily know that. I am sure a lot of Americans do not know it.

What—how fast did it move in Ukraine and what can we as the United States do to help with that?

Dr. OERTEL. It moved immediately after Ukraine and I think what we have also seen is that some things that take forever normally do not take very long then under circumstances like that. I remind you of the LNG terminals in Germany which everyone told us was going to take 8 years and it took 8 months to build them.

Things can move very quickly in a situation of crisis and I think this is what the EU has demonstrated and European countries have demonstrated that they are able to swing around when the crisis is real.

Now, I think what a lot of people in the expert circles are advocating for is that the cost of this swing is a lot lower when you start a little bit earlier. I think this is the zone that we are in right now to ask the question between how imminent is the problem and how likely is it to come, and I think this is where the debates are heading at the moment because, of course, if you regard a problem as very imminent then you will take different policy options as if you think it will not happen in the next 5 years, so we will do certain other things first if you are in a situation of crisis, which you always have to remind everyone of. Europe is in a crisis situation at the moment like it has not been, as you said, basically, since World War II.

There are priority questions right now, prioritization questions at the moment going on and this is one of them, so I think movement is possible pretty fast and I think the United States can help by making the case and providing data on what the cost, for example, would be.

I think this is really important to underscore and underline how important—how kind of we can come to good—yes, good trade data to good figures on what this would mean.

Senator RICKETTS. Yes. I think one of the things that European leaders would be wise to do is read what Xi Jinping is saying because they have made very clear that bringing Taiwan back into

the PRC's fold is an existential threat to the Chinese Communist Party, which means they have said there is no room for compromise on this.

The timing, obviously, it is still up in the air, but the imminency of it, the fact or the—rather, the certainty of it is something that the PRC has no doubt about, that they are going to do this at some point, whether it is peaceful or through armies, they believe they will do this.

Dr. OERTEL. Let us say there is a real reckoning going on about what authoritarian leaders say and what they actually mean and that we should take that very seriously, which I think is a lesson that was learned the hard way over the last 18 months in Europe.

Senator RICKETTS. Thank you.

Senator SHAHEEN. Thank you, Senator Ricketts.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Madam Chair, and thank you for holding the hearing on this topic. I thank all of you for being here today and let me just pick up where Senator Ricketts left off.

In your answer, you indicated there is a major debate and dialogue going on within Europe as to the direction we need to take and I think here in the United States we see it sort of set forth in the dichotomy distinction between the remarks President von der Leyen made before she went to China and the remarks of President Macron.

As we look at this, I think there is broad agreement between the Biden administration and our European partners that we do not want to decouple, but we do want to de-risk. I think we have kind of settled on that formulation.

Of course, the devil is always in the details and, really, that is what I want to dig into a little more because people can perceive what de-risking means, obviously, in very different ways.

If I could start with the issue of critical minerals and, Dr. Oertel, I think you mentioned in your testimony the EU Critical Raw Minerals Act. Of course, we passed here the Inflation Reduction Act with all the incentives for clean energy and, obviously, we have got a big back and forth going on between the United States and Europe to try to get to a place where we can coordinate so that we are not reliant on the PRC for critical minerals in a growing EV industry.

Where do those talks stand, in your view, and how important is it to our collective success that we reach agreement?

Dr. OERTEL. Let me start with the last question first. It is essential for our success to work together on this issue. I think this is fairly widely understood among all European leaders.

It is also clear that this is not—even the transatlantic alliance—that is enough for this. We will need to partner very closely with Indo-Pacific partners and allies because otherwise we will not stem this massive problem that we are facing in this regard and the massive reliance over a short time.

This is one of the issue areas in which I would say the movement is already the fastest. This is a pretty tangible policy issue. It is a pretty tangible policy problem. I mean, again, the figures matter.

When you can start saying things like reliance to 98 percent, reliance to 85 percent, reliance to 99 percent, and then you can also

address that to domestic industries and say your cars will not be produced any more because this will be missing, this is a choke point, well, that actually generates action relatively quickly.

The Critical Raw Materials Act and the—kind of the policies that we are seeing, particularly also Berlin and the discussions that we are seeing happening at the European level, are quite substantial and are areas in which it is also kind of possible to move because you can then start exploring. You can start working together. You can start looking where are things possible, what is the red tape that needs to be cut, what are the deposits that we have in Europe from northern Sweden to Serbia, what are the deposits that can be exploited quicker, what are the more difficult areas.

I think this is one of the areas in which I think we see the collaboration between the U.S. and Europe working, but also we see the Europeans actually kind of grasping the problem and actually moving and starting to put this into practice. This will not be easy, but I think this is one of the few areas in which also the discussion has been going on for a long time now.

Senator VAN HOLLEN. Yes. No, I appreciate that and as you indicated, we obviously have to have coordination between the United States and our EU partners, but also critical partners around the world, both Japan, South Korea, where we have already got agreement, but also much of the ASEAN countries where we have the JETP proposal. We have really got—and we have to work collectively to make this work.

Let me just ask a follow-on question regarding advanced semiconductors, really, for all of you. It is another sort of aspect of this whole discussion, of course, and as you know we had cooperation between the United States, Japan, and the Netherlands when it came to restricting the export of advanced manufacturing equipment for the highest-end chips, which is a good model.

It only works, though, if we can ultimately expand that cooperation to all the other countries that can supply this kind of advanced material. When it comes to export controls on advanced semiconductors, where do you think we are in terms of our ability to coordinate with our European partners and others around the world who could also supply that very advanced technology?

I will just take each of you, if I can.

Mr. BARKIN. This is, Senator Van Hollen, a very important question.

When I look at the issue of de-risking, I think you can break it down into several parts. There is supply chain resilience, there is protecting critical infrastructure, and then there is technology transfer to China.

I think on the issue of export controls, it is going to be difficult with Europe because Europe is not a single entity. Export controls policy is in the hands of the member states—the 27 member states. It was the Dutch that decided to go along with Japan and the United States in preventing one of its biggest companies from sending semiconductor manufacturing equipment to China.

I know that officials in Berlin are thinking about this right now—what Europe really needs is more coordination between its member states, developing a common policy, being able to sit down with Washington and discuss these issues.

Something that Janka mentioned earlier, I think, which is a real issue is a lack of investment in the people who are doing the research to find out the details of the technologies, et cetera.

I think we have here in Washington a whole-of-government approach, everyone pulling behind this. I think the October 7 export controls that were announced—I do not think anyone in Europe, whether it is a European member state or the European Commission, could have come up with a document like that.

They need to invest in the resources. They need to coordinate better so they can sit down and talk at eye level with the United States on these issues.

Senator VAN HOLLEN. Thank you. I appreciate it.

Senator SHAHEEN. Thank you, Senator Van Hollen.

Senator Duckworth.

Senator VAN HOLLEN. I guess the time is up. I will follow up with you. Follow up.

Senator DUCKWORTH. Thank you, Madam Chair. I would like to thank all the witnesses for appearing here today.

It was not long ago that many European countries viewed their engagement with Russia in primarily economic terms and it took this largest conference in Europe since World War II to convince them that security matters had to be given equal or greater weight in their policy deliberations.

Similarly, there is, as you have all described today, continued division within Europe on how much to emphasize cooperation, particularly economic cooperation, by strategic competition in European relations with the PRC.

At last week's U.S.-EU Trade and Technology Council, ministerial EU officials described the pending draft of an economic security strategy that includes an anti-coercion instrument as well as language on export controls and outbound investment screening, suggesting that the EU is starting to move in the right direction.

Dr. Oertel, this question is initially for you although, gentlemen, I welcome your input as well. What do you think is the most effective way to push Europe to reckon with the security challenges posed by the PRC? For example, is it continued pressure from the United States?

Is it internal reckoning driven by a collective within Europe? Or is it going to be more models like the AUKUS agreement—the Australia, U.K., U.S. agreement—that will draw individual European allies further into the Pacific?

What more should we be doing to find the right balance here and lend our weight in the right direction between those different ways that we could get Europe to get more involved?

Dr. OERTEL. What we have seen, and maybe I will take a historical example here, which is already historical is the 5G debate where we have seen a lot of influence from the American side—from the U.S. side—a lot of push from the European side—from the American side. Then there was a real reaction in some parts of Europe, particularly in Eastern Europe, immediately to take on the security challenge and to immediately think about it and in other parts there was greater reluctance, and there was a big discussion about does U.S. pressure help more or hurt more in this regard.

I would say at this stage we are at the moment, it would be good if there would be a continued upkeep of pressure in terms of securing critical infrastructure because I do think once the eyes are off the ball things do not necessarily move in the direction any further.

They sometimes just stall because the political tension is moving away. I would say: a) that is really worthwhile to continue to do that and to continue to move in that direction.

The second thing that I would say is invest in capacity building. I think there is still an overestimation in other parts of the world of what most European member states are capable of providing in terms of analysis of the problems that they are facing.

I do think that providing data, providing information, working together on providing kind of good, substantive examples of what the actual challenges are is really important.

I see a huge role for collaboration also between parliaments because I do think that parliamentarians across Europe have woken up to the challenge, but are not necessarily sure how to respond, and I do think that there is a lot of capacity building that can be done and that can actually help that internal process that you were talking about because, in the end, that is what it takes.

This will not be inflicted upon Europeans. They will need to come to their own conclusions on this, but I do see the process moving and a little nudge from the U.S. side, at least on 5G, has certainly not hurt.

Senator DUCKWORTH. Is there a utility in bringing in individual European nations in sort of a partnership—regional partnerships like AUKUS did with Australia, U.K., and the United States?

I am sort of thinking—we have already had a discussion on critical minerals and in reports of a pending EU bill on critical minerals suggests that they share our concern about the need to diversify supplies away from the PRC and among other potential partners.

I was in Indonesia earlier this year. They stand out as a country with both significant deposits of key minerals, as well as a strong investment interest from the PRC and the launch of the Just Energy Transition Partnership at the Bali G-20 Summit in 2022 suggests that there is room for U.S.-EU collaboration in this space.

Perhaps this is more, Mr. Small, your area here. I know you touched on the critical minerals issue already.

Do you support opportunities for the U.S. and Europe or U.S.—individual European nations in a partnership set up to collaborate more in developing initiatives that strengthen Western engagement, especially in a place like Indonesia?

Mr. SMALL. Thank you.

I think Indonesia is supposed to be one of the early forerunner examples of what we should be able to do collectively in terms of the offer that we can put out the Just Energy Transition and to a certain extent with the Partnership for Global Infrastructure in general on this.

I think it is the area where we have lagged in general. I know there is a considerable level of focus on this and, again, particularly when it comes to critical raw materials.

I think when you look at a number of the developing countries right now who are assessing the landscape, what is going on on the U.S. and EU at the moment in all of these areas.

Are we now going through a deglobalization phase? Is there a pulling up of the ladder or pulling up of the drawbridge or is this going to bring new opportunities for us?

As we discussed earlier, at a moment where the Belt and Road is at a very, very difficult point, it is actually a juncture in which the opportunity to step out with improved packages for countries where I think Indonesia is an excellent example—South Africa is, of course, the other matching example, Chile.

We are looking at a number of kind of priority early cases that tie in to the other elements of our agenda on critical raw materials and supply chains.

I think the battle on opinion in the developing world on this is still very much to be won. I think we have lagged behind still somewhat when it comes to really mobilizing the resources for infrastructure finance, rethinking development aid, all of these efforts that we have kept talking about.

If I talk to the developing world policymakers who are trying to look at, okay, where is the alternative coming from, I think there is still—the jury is still out there as to whether we have got there yet.

I think we have made a lot of progress on the defensive agenda on the kind of restrictions on export controls and all of these things. I think that is heading in the right direction.

I think the big question mark is whether we have our collective packages together between the U.S., EU, Japan, and some of the other big partners to be able to really offer a full package alternative to some of these countries.

Senator DUCKWORTH. Thank you, Madam Chair.

Senator SHAHEEN. Thank you, Senator Duckworth. I think there is an interest in a second round of questions from some of us, so I will begin with that.

China in recent weeks has tried to position itself as a potential mediator in the war in Ukraine. Can you speak to how that positioning is being viewed in Europe and whether there is any—I mean, and how Ukraine sees it and also whether there is any real belief that this is a possibility? I do not know. Maybe you would like to begin, Mr. Barkin.

Mr. BARKIN. Sure. Very good question.

I think we have had a number of senior European officials, including French President Emmanuel Macron and the EU's top diplomat, Josep Borrell, talking about the fact that or advocating for the fact that China play a mediating role.

The way I understand these comments is that there is a realization that China—if any country has influence over Russia, it is China. I think in Europe, leaders are going out of their way to go to Beijing, sit down with Xi Jinping, and encourage him to put pressure on Putin.

The jury is still out on whether this will happen. I think there is a healthy dose of skepticism about whether it will.

We just had a Chinese envoy coming through Europe. He passed through Kyiv, passed through a number of other European capitals,

and my understanding is he was just reading out talking points. There was no real substantive discussion or effort to bring about or come up with new solutions for a peace deal.

I think we will continue to see the Europeans go out of their way to pressure China, to encourage China, to play a role because they realize that China is the only country that really may have any influence over Russia, but I do not think that expectations are very high that it is going to happen.

Senator SHAHEEN. Mr. Small.

Mr. SMALL. I would just add to this, I think we went through a slight—almost like a delusion and desperation phase on this, people looking for any avenue possible and China is an avenue and maybe they can use their influence.

I think we have had a dose of realism, particularly after Xi Jinping's visit to Moscow. Chinese diplomats were briefing that this was going to be a peace mission and things like that, and Xi Jinping did not even want to pretend that it was a peace mission. It was just a deepening of relationships trip again.

I think we are rather moving into a slight—almost a call China's bluff exercise as well with this. They have laid out a peace plan. Do we reject it out of hand? Not a peace plan, a 12-point proposal. It is not really a peace plan, but do we pick and mix a few of these? Prod China harder?

That was what we saw in the document—the joint document during the Macron visit. I think also a concern as the other—I do not know if your question hinted at—not to be out of line with where Zelensky is on this where I think he at least wanted to play along with this exercise on China's part.

I do not think anyone thinks it is going to lead anywhere, but I think also no one wants to at the moment give China the out of saying, we came up with proposals and they were all rejected.

I think there is very little faith in this amounting to anything. There is a question of China being brought in at a later stage of the process, perhaps in the summer, whether the Russians may want to pull the Chinese in at this stage. That means that there is still some value in exchanges and talking to the Chinese about that. The French are doing that in particular at the moment.

I do think most of the illusions about the role that China might play on this, we saw a little bit of distancing when Xi Jinping met Putin at the Samarkand Summit.

I think statements on nuclear weapons use—every time China makes a statement on nuclear weapons being stationed abroad you then see what happens the next day in—with Belarus. I think people understand what this amounts to now, but I think they still think it is worth going through the process.

Senator SHAHEEN. Do you agree with that, Dr. Oertel?

Dr. OERTEL. I think it is really important to understand that this is the one issue where the Europeans are also really concerned that China will go a step further and where the message consistency of the visit of Sanchez, Macron, Olaf Scholz, Annalena Baerbock, and von der Leyen. It was all the same message of saying it is a red line for Europeans if China were to deliver ammunitions or arms to Russia, and I think this is really important because I think that shows also in the polling data that we have seen once European

leaders are consistent in their message, are clear on what they want from China, there is also public support for these positions among the European public.

I think this is something where we can define that pretty clearly and that is the key point on Ukraine at the moment, avoid that from happening and signaling that very clearly that Europeans are willing to bear costs for that to—for deterring that to—from happening.

Senator SHAHEEN. I think all of those points make a lot of sense and they are really important. What do you think the view is of China's engagement in a post-war Ukraine?

Because, obviously, there are going to be significant costs to rebuilding Ukraine and how do you think the Europeans view China's role in that or do they see that China has a role?

Dr. OERTEL. I think there continues to be a mismatch here as well then in terms of expectations. I think there is the thought that China will be willing to engage in the reconstruction process and I think China will be willing to engage in a reconstruction process, but on Chinese terms and not necessarily on the terms that the Europeans would like to see.

I do think that this is where I meant we need to be very clear early on, despite the fact that we are actually not talking about rebuilding Ukraine at this moment because at the moment it is still being destroyed as we are seeing today.

It is still important to talk about what the guardrails would look like and what the Ukrainian positions on this would be because fundamentally this will also be up to the Ukrainian Government to decide.

Senator SHAHEEN. Yes, Mr. Small.

Mr. SMALL. I would just add briefly, of course we know that China does not really do serious development aid. If China was coming to the table with vast sums of money that were grants, I think there would be a different debate on this.

We are going to be talking about other forms of financing on the Chinese side. That is one issue that is there even in some of the discussions. We have to go to all of the debt-related problems that we have already talked about on this.

The second thing is I do think there is going to be a question, a sort of clever, clever game that is played of, if China invests this will prevent Russia from taking future action.

We have seen this from certain governments in the past that they think there will be a sort of play and I think this is a misplaced assessment.

I think we have seen what has gone on with Chinese infrastructure and other investments. It will not be a matter of priority, but I think we are going to go into a debate phase on this. We are already in it. It is quite nascent at this point.

I think it is going to be very important to shape it and I think the U.S. will have a very important role in shaping the understanding of that in Europe because I think it is easy to slide into some quite problematic positions on that area while these discussions are taking place, I think, quite intensely about what the future shape of Ukrainian reconstruction looks like.

Senator SHAHEEN. Thank you.

Senator Ricketts.

Senator RICKETTS. Great. Thank you, Madam Chairman.

I wanted to talk a bit more about the TTC. This was something that was created by the European Commission and the Biden administration in 2021 to create a nonbinding forum that would put the European Commission in the driver's seat versus, say, member states or the European parliament and, obviously, it is just that.

My question, and maybe, Mr. Barkin, I will direct this to you, is there any meaningful action that you think will come out of the TTC, and given the fact that it is a nonbinding organization, are there changes to it that we could do something to see nonbinding or is it just really going to be a place where the U.S. and the EU can get together and have conversations, but that is really going to be the end of it? What is kind of your thought on that?

Mr. BARKIN. I think the TTC is hugely important. I think we need to adjust our expectations. There is a ministerial meeting every 6 months. We cannot expect big deliverables at every meeting. I think we need to view this as a process.

We also have to set priorities. I think we have 10 working groups at the moment. I think a lot of resources are being poured into this. We need to focus on those areas where we feel we can make real progress. This is green tech, avoiding a subsidy race in green technologies, thinking ahead to 6G standards, developing common standards.

If the U.S. and Europe are not doing that together and then broadening that out, working with our other allies, then China is going to impose its own standards, especially in the Global South.

I think the TTC serves a purpose. For the TTC to survive and persist in future administrations, I think it is very important for Congress to get involved, to support it and, otherwise, I think we need to think about other dialogue formats as well.

We do have an EU-U.S. dialogue on China. That is also something which is valuable. They are talking about Taiwan there, but we need to keep these dialogues going and think about them long-term, not expect deliverables every few months.

Senator RICKETTS. More around—I would say what you are describing, it is going to be more kind of the background, maybe, foundational stuff to be able to prepare to de-risk as far as the PRC, but not something that is going to come out and say, hey, here is the things we are going to do specifically to deter the PRC. Is that fair?

Mr. BARKIN. Well, I think with the TTC, we have a bit of a divergence because the U.S. sees the TTC as mainly a discussion about China and I think Europe would like to keep China out of it for the most part and talk about trade and technology cooperation, positive cooperation without that focus on China.

I think in the last TTC ministerial in Sweden, China did come up quite a bit. There is obviously a pushback against China's non-market policies. Coercion is also an issue in the TTC.

I think the two sides need to not litigate past problems. They need to think about the future. What do we want to do with 6G looking out 5–10 years ahead? I think it is something that the EU and U.S., they need to take a long-term view on. They cannot be thinking we are going to deliver something every few months.

Senator RICKETTS. All right. Great. Thanks.

Mr. Small, I would like to talk a little bit about NATO. In June of 2022, NATO came out with their Strategic Concept document that listed the PRC as one of the strategic priorities in a systematic challenge to the Euro-Atlantic security for the first time.

Obviously, the PRC took issue with that and made threatening statements and so forth. Tell me a little bit about what you see about how that can work out and especially with regard to some of the Asia Pacific countries like South Korea, Japan, Australia, and New Zealand that attended the NATO Summit and how do we—because we have mentioned about bringing in those Indo-Pacific partners in.

How can NATO work with that to bring that together and how do you think that works with the—what kind of response will we see from the PRC?

Mr. SMALL. Thanks very much. I think you have got these two almost distinct tracks—the AP4, even though the countries do not like being called the AP4 track, and how we can kind of deepen and integrate security between the Indo-Pacific and the Atlantic theatres and more.

I think we will see some more progress at the Vilnius summit. I think there has been a lot of prep in the last period to try to think through what is the next phase of these partnerships.

I mean, some of these were initially structured around almost arrangements that had been put in place around Afghanistan further back in time with some of these countries and I think it has only really been in the last couple of years that we have moved into this new phase of and we may yet see the office in Tokyo. I think there is a few other steps that are being envisaged there on the AP4.

I think actually the more important piece of it has been integrating China thinking into NATO in general. I think it has been really lagging behind as an institution until this was pushed by the U.S. a few years back to suggest that the institution needs to take this up more seriously.

A lot of the benefits of doing it are actually invisible. I think a lot of what is being achieved at the moment in terms of being able to have a series of sensitive discussions, sharing information, sharing intelligence on some significant strategic developments with China that really acculturate of the European defense ministries, defense officials, defense ministers, to a different mode of thinking and understanding about the nature of the challenge they face.

We are getting very tentative discussions on Taiwan where NATO, in the end, has not, of course, talked through some of what these contingencies would mean in these scenarios in much more nascent stages on that.

I think there are as well, for instance, the information sharing on China's overseas military bases. There are a number of these things that are taking place relatively discreetly at the moment and where a number of NATO members are still nervous. They are still nervous, your question related to China's reaction to this.

We are, of course, at a juncture in which China has spoken much more openly about NATO, much more critically about NATO, and in the no limits joint statement with Russia explicitly supported the two Russian treaty proposals that would have called, essen-

tially, for a roll back to the stationing of alliance troops that essentially predates the end of the Cold War.

I think there is a nervousness about—from some countries about how visibly NATO is assuming this role. I think it was very impressive that we were able to get this language through, but to get the institution to think seriously as well about the conjoined threat of China and Russia, to integrate the thinking across the institution, to think through, for instance, on infrastructure issues, military infrastructure, and some of the challenges that we have had on the digital side there, I think it has been a really useful exercise, but a large portion of this agenda that is going to be taking place in a non-NATO context as well.

I think there are still a number of NATO members that will still want to see pieces of the security agenda dealt with seriously vis-à-vis China, dealt with seriously in Asia, but not necessarily just through NATO auspices.

I also think we need to kind of draw a ring around what we can expect to achieve through the NATO platform even though it has been extremely valuable.

Senator RICKETTS. Thank you. Madam Chairwoman.

Senator SHAHEEN. Thank you.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Senator Shaheen, and this is a great topic for a hearing. We could spend a lot of time on this and I think a lot of us are very interested in how all this will play out, going forward, in terms of collaboration and coordination between the United States and Europe as well as others around the world.

Mr. Small, I share your concerns with respect to the issue of the Partnership for Global Infrastructure in terms of over promising and under delivering and I do think collectively we have got to figure out a strategy there because we do not have the same instruments—policy instruments, financial instruments—that China lays down which also come to great costs for many of the countries where they do those deals.

We have made a collective commitment—I think \$800 billion over the next couple of years—and I think we have got to find a way to deliver on that or, as you say, other countries, Indonesia, others, are going to say great talking points, but no—where is the beef.

I am going to throw out a couple questions and maybe you can divvy them up based on your particular expertise.

One relates to the issue of laying down early markers in terms of what kind of economic sanctions China could expect to be imposed if, for example, he crossed the red line and provided lethal assistance to Russia or if it took very aggressive action against Taiwan.

There is a major debate. A lot of us believe that sanctions are less useful to punish people after the fact and can play a more important role in terms of signaling in advance what the costs will be, but that, of course, requires putting sanctions out so that China, for example, in this case would see the real costs and there are, obviously, issues there.

My one question is do you think that Europe and the United States could come to see eye-to-eye when it comes to laying out that kind of sanctions regime? As you know, Europe has been—not liked some of our secondary sanction regimes we put in place.

One question. Two quick things that came up at the G-7 with respect to a collective strategy to respond to economic coercion by China. We saw a number of years ago they punished South Korea when South Korea deployed some important anti-air defense systems. Australia has been the victim of coercion with Lithuania. Micron Technologies right now has been hit by China.

If we are going to, collectively—in my view, we need a collective strategy for how we are going to respond because otherwise one country takes the burden of the punishment by itself.

Finally, the G-7 also talked in very broad terms about an out-bound CFIUS, which a lot of people have been talking about limiting investment, especially in those high-end technologies that China could use to advance its military.

Again, if you could each sort of take a stab at that. I realize we have limited time so we will do the best we can.

Mr. BARKIN. I am happy to start. Maybe on the Taiwan issue.

Rhodium Group and the Atlantic Council are coming out in a couple weeks with a study on this very issue looking at the potential for transatlantic cooperation on sanctions in a Taiwan scenario.

It is absolutely important for the EU and the U.S. to talk about this. I think Janka mentioned earlier that the discussion in Europe is at a fairly early stage.

I think individual member states have been thinking about scenarios. In Brussels, the European Commission has been thinking about this, but there is not a joined-up approach in Europe on Taiwan and possible sanctions and I think there is also a reluctance to talk about it openly.

There is a great deal of sensitivity around that and there is a reluctance to, perhaps, provoke a crisis by talking about sanctions.

The reason why the EU needs to get its head around this, why it needs to sit down with the United States and other allies to talk about it, is that we are not talking about necessarily a black and white scenario, an invasion or not an invasion.

We are talking about an escalation ladder and it could be hybrid attacks on critical infrastructure in Taiwan. It could be the seizure of an island. It could be a blockade, and coming up with responses to this in real time is going to be extremely difficult.

The EU is beginning to realize this. I think they are beginning to play through scenarios, but I think it is very important that the EU and the U.S. sit down and talk about this together.

Dr. OERTEL. Maybe I can add a little bit here in terms of the sanctions.

I think what Andrew has laid out is the European Union has with its Russia sanctions regime—and we will see the 11 sanctions package coming up—laid out the menu. This is what we can do. This is the toolbox.

I think Beijing has taken note that this is now the menu that is available and that is a menu that is quite striking and very potentially damaging to the Chinese economy. I do not think that it is taken lightly in any kind of way.

On the second question regarding the kind of collective strategy to respond to economic coercion, I think we have to be very careful about what we are going to see in the future because also from Beijing's side there is a smartening up about the approach to take and, obviously, the backlash that was created in the EU in the Lithuania case was not one that was particularly useful for China.

We have to be on the lookout on new strategies and avenues that are being taken, particularly pressuring individual companies, because that has been coercion that will be very hard to see even for states because companies might swallow it up, might change their behavior without actually even informing governments about this.

I would just like to caution against focusing on only one avenue of economic coercion. China's toolbox is very large in that regard and there a lot of opportunities that it will use to be below the radar there.

The last point on outbound investment screening, I would say, it is a real conversation in Europe. In all of the capitals that I have spoken to, this is an ongoing conversation.

I do not see an EU-level version happening anytime very soon, but we have seen on the investment—inbound investment screening that the EU has basically provided a framework and then we have individual member states' solutions that put this in their own legislative context in the way where it makes sense with their own national legislation because these are then trade tools or other tools that are being used that have to fit to the respective legislative background that each member state has.

You could probably see, I would think, more along that direction than a kind of comprehensive EU system to be developing anytime very soon.

Mr. SMALL. I would add on sanctions, I think the concern even for those who want to get the EU in the right place on Taiwan sanctions is the risk that we end up being precise and underwhelming, that the sanctions agreed in advance through a process like this are less convincing to the Chinese side than a gray zone of uncertainty that I actually think the sanctions that we have put in place on Russia have now created.

When you saw Chinese central banking officials scrambling to figure out what the implications would be in the couple of months after the measures were put in place in Russia, I think we have had some of our effects on the collective transatlantic side with the measures that we have put in place.

I think it would be a problem if we ended up agreeing something that looked like a lukewarm package that got pulled apart by certain of the reluctant states when in reality if we go into these scenarios we will go hard and comprehensive on sanctions.

I think there is a challenge in how we calibrate that at the moment and I know it is an important sign of the discussions at the moment, but there are ways in which we could kind of calibrate that in the wrong way if we push too hard to get a minimalist package agreed in advance and signaled poorly in the end.

On the—just briefly on the other points, on outbound investment screening and some of the anti-coercion work I think we sometimes have had a bit of a sort of stable door problem where we regulate

and come up with solutions after the fact and the Chinese side moves into another channel and another direction.

I think the helpful thing about the exercise that is being undertaken at the moment on the economic security planning is trying to look at this in the round on the European side, trying to look at how you close the gaps across the board, trying to look at the channels across the board. Outbound investment screening is certainly a part of that.

Exactly on this issue on coercion, as you mentioned with Micron and some of the other cases, we are seeing China adapting its tactics already in anticipation of some of these things coming through.

We are seeing the squeezes on companies that are being given both inducements and pressures privately, including the government lobby in Europe at the moment in ways that are putting more pressure on some of these firms than I think we have seen in the preceding years.

We need to be extremely nimble to adapt to the fact that China is going to adjust around these measures and try and have instruments in place.

I think the anti-coercion instrument itself is quite a good early example of that, but we are going to face this running tactical set of adjustments on the Chinese side on these areas and we need to be careful not to be drawn into a multiyear negotiation process on coming up with these instruments and then the Chinese at the flip of a coin have moved on and are getting the same effect through other means.

Senator VAN HOLLEN. Thank you so much, and thank you, Madam Chair, for your indulgence.

Senator SHAHEEN. Thank you. I actually still have a few questions. If you all have another round, feel free to stay for that.

We have talked about the economic means by which China influences countries in Europe—the Belt and Road Initiative, the diplomatic efforts, the coercion—but we have not really talked about the information space and one of the areas where I think we have seen China in certain places be able to influence outcomes is through disinformation and manipulation of information.

How much is—are we seeing that in Europe and how much of a concern is that for EU and the European countries?

Mr. SMALL. I mean, I think COVID was a bit of a wakeup call for the Europeans on disinformation activities and information activities across the board from the Chinese side.

The structures that have been put in place to address this, particularly at an EU level, were primarily focused on Russia. China had a different set of tactics. It was more about wooing countries than hostile information activities of a certain sort.

We saw that shift at that juncture in ways that reflected some tactics that were distinct and were more mirroring some of the Russian tactics that we had seen in the past.

I think we saw that particularly in the early stages of the COVID-19 pandemic. We saw it with attempts to blame Italy, increase tensions between certain member states and the EU.

These were the sorts of qualitative activities that were not just about China promotion activities, which we can kind of talk about

in a separate category, and were more the kind of hostile activities of a different sort that we had seen.

I think there has been an adjustment to deal with that. It is still of a different nature, I think, from the Russian activities. I think there are points in which the waking up to it in Europe, I think, has taken place. I think we are still concerned that the most successful information activities are taking place across the developing world.

There are still a lot of things that we are teasing out with now the Defense of Democracy package that is kind of in motion on the EU side where we have seen program content that has been produced by CRI and it is not labeled that people are not seeing.

I think there is an attempt to detect and get under this and try and put some measures in place, but this is also moving quite rapidly, particularly the question of things like joint activities between China and Russia.

At the moment, we are getting a lot of mirroring and mutual promotion. We are not yet seeing kind of full joint activities and joint information operations being conducted.

Obviously, the concern is, given the nature of how the relationship is involving, that that is another step that we will see, but I think others may have more to add on the information side.

Dr. OERTEL. I was hesitating for one moment because this is a very specific field at the moment because it requires very specific knowledge of the respective member states' individual policies and I know that other colleagues, for example, even Ivana Karásková in the Czech Republic, has done fantastic work on this where they are really trying to map the influence, where they are trying to figure out where this is, and I think this is—what we are seeing very nascently in the states that I know more about is an influence on the far right, and I think that is a concerning development that we are seeing—the far right and the far left—where we are seeing potentially greater ability of China to influence individual politicians.

This is particularly concerning at a time where the far right in many European member states is hitting record numbers because of the way the economy is going because of the war, et cetera.

I am currently monitoring this more in, for example, Eastern Germany, looking at what does local influence look like, but this is incredibly complex because of the federal structures of our systems. It is incredibly complex to actually detect what is going on.

I think it is not a good—I do not think I can give a good answer. It is a very wide sweeping one, but I think one needs to particularly look into the specifics here and provide, and I think this is an area where I would call on European governments to provide funding also for this specific research because this has been significantly under-developed and I think this is an area where Europe itself should spend some money on finding out what is going on.

Senator SHAHEEN. How much concern is there in Europe that United States policy on China is going to change if there is a new Administration?

Mr. Barkin.

Mr. BARKIN. I do not think it is so much concern about U.S.-China policy. I think there is a realization that—there is quite a

bit of consistency, I would say, between the Trump administration and the Biden administration on certain tools that are being used.

I think the outreach to allies has shifted and, of course, we have had a legislative push—the CHIPS and Science Act, the IRA here at home.

I think there is more concern about—in Europe about future administrations, perhaps, deprioritizing Europe. There is certainly concern about that. If we are talking about the commitment to NATO there is a debate in Washington about is Ukraine a distraction, should the U.S. be focusing fully on the Indo-Pacific?

These debates certainly concern people in Europe and I think it is important to—it is important for the Administration—well, for the U.S. and the EU to sort of administration-proof their relationship.

It is important for Europe to get assurances from the U.S. that the U.S. will be there even as it presses Europe to take more responsibility for its own defense. We have not really talked about,—we have not mentioned the term “strategic autonomy.”

I think strategic autonomy is a term that arose during the Trump administration because Europe felt it was being pushed into policy decisions that were not in its interests.

Now it has become the favorite term of Chinese officials because it implies distance to the U.S., but when it comes to Europe doing more for itself, I think that is in U.S. interests. It is in European interests.

I think Ukraine has kind of opened a lot of eyes in that respect, and where we all live, in Berlin, we have had some major changes in terms of investment in the military, et cetera.

This is a debate that is moving. It is moving slowly and I think the U.S. needs to certainly encourage Europe to do more and not worry about labels like strategic autonomy. This all needs to happen. Greater investment in Europe’s own defense needs to happen in coordination with the U.S. and allies, of course.

Senator SHAHEEN. Well, I certainly think there is a great deal of bipartisan interest in seeing all of the NATO countries meet their 2 percent of GDP and that that is reinforced on a regular basis by not just members of the Administration, but by members of Congress. I would agree with that.

I just have a final question, and I do not know that we know the answer to this yet, but I would think that as Europeans are watching the war in Ukraine that the blowing up of the dam and the subsequent flooding, the environmental impact, the potential of that to affect the Zaporizhzhia power plant, the implications for a broader Europe have to give people pause and put more pressure on concern about the relationship between China and Russia.

Is it too early to know what the impact of that is going to be or are we already hearing a reaction to that?

Dr. OERTEL. I think it is too early and I do think that the Chinese Government has managed relatively carefully in the last few months to kind of put enough distance or enough doubt or enough smoke bombs around the relationship to have not a very clear connection to any of these activities.

The Chinese Government put out or the Chinese newspapers put out a statement about kind of the same old great concern about the

environmental impact, about the impact of the dam breaking, clearly not pointing fingers at whose responsibility it was. We saw the *Global Times* with that this morning.

I think there is a clever play as well at hand there. I just wanted to, coming back to the last question, just really briefly give you the figure that we have from today, which was that the question that we polled in the 11 countries whether Europe can rely on the future of the U.S. being there to defend and whether it needs its own defense capabilities in comparison to 2020 where 66 percent of respondents said that. We are now at 75 percent—74 percent of Europeans saying Europe needs its own defenses and needs to spend more.

If that is not a public mandate also, I think, for governments to actually act then I do not know what kind of majority governments would want. I just wanted to add that because I do think it is important to see that this is not something that is—would be much against European public opinion in that regard.

Senator SHAHEEN. Thank you.

Senator RICKETTS.

Senator RICKETTS. Great. Thank you, Madam Chairman.

In April, Airbus agreed to build a second assembly line for the A-320 in the People's Republic of China and was given the green light by Beijing to move forward with a previously announced 160-plane order.

This agreement was made by Airbus, the Airbus CEO, who was a part of the economic delegation that went with President Macron to Beijing, and soon after the visit, Airbus also agreed to sell 50 H-160 Airbus helicopters to the Chinese firm GDAT.

Like airplanes, helicopters are inherently dual-use in their nature and there is already a history of French civilian helicopters and derivatives thereof ending up in the PLA's modern-day attack helicopter equipment.

I guess my—and then I got another. According to a report from the Horizon Advisory, Airbus-China engagement entails significant ties to China's military and military-civil fusion apparatus including in the form of supply dependencies, technology sharing, and research and development cooperation and, of course, we know that in the People's Republic of China there is no secrets. They are taking every bit of intellectual property they have.

Mr. Barkin, how do you square the circle on this, that we are talking about de-risking and yet Airbus goes forward with a deal like this? What are we supposed to think about this in the United States?

Mr. BARKIN. Yes. I mean, it is a good question. I have written about this. I think the decision to sell the helicopters raised some eyebrows, even in the French establishment.

I think Europe is at the beginning of a debate about exports of dual-use goods, of military-civil fusion practices in China. This is going to be part of the de-risking debate and I think it is probably going to be the most difficult part because I think there will be some resistance in certain European capitals. This is about export controls. This is about outbound investment screening.

I would say that—without commenting on that individual deal—I would say we still have some work to do in Europe in getting our

heads around where to draw the line, where the red lines are in the technology relationship with China and I think that is explicitly what von der Leyen said in her speech. We need to develop our own approach to this. We need to be able to sit down with the U.S. and discuss common approaches.

I think this is all going to play out in the coming months in the EU debate, but I would agree that there have been deals in the past that have raised some eyebrows.

Senator RICKETTS. Dr. Oertel, you were talking earlier about how when European leaders get together and say, hey, this is what we want, like, PRC, do not sell weapons to Russia, that it moves public opinion.

Does this deal not do just the opposite? When you see a big European—this is a flagship European company and it is being endorsed by President Macron, does this not send in the opposite direction?

I mean, does this not make it harder to move public opinion and help the public understand the risks associated with the PRC when we see big European companies make this deal?

Dr. OERTEL. Yes. Clearly, the Airbus case, from the German perspective at least, is not seen in the area of military enabling. It is seen as purely commercial deals. It is sold as such. It is communicated as such.

I do not know if you followed the news reporting over the last few days, but I do think there is some digging going on on many areas around the relationships also in the German media.

We had seven German air force pilots that were identified as after retirement training PLA officers in actually acquiring capabilities of also strategic capabilities of not only flying an aircraft, but also using it for its purposes.

This has created quite some backlash in the debates here. I would also trust on European media to dig up these cases and understand more clearly that there is always a relationship, also to the military aspects of this and in a nascent state of growing security concerns, and we are in the nascent state of growing security concerns in Europe about the role that China plays.

This can actually make a huge difference, but we are not in the zone yet where this is seen as clearly we cannot do that.

Obviously, no commercial aircraft could be sold, and then the question would obviously also be and does Boeing not sell any aircraft to China anymore—where is the kind of—where is the competition aspect here, where does this leave us.

This is a very—I think I would be very careful in making cases around that because this is not clearly not seen in that area yet on the European side.

Senator RICKETTS. I am sorry—so I guess by your answer I am not quite clear. Do you think it makes it easier to talk to European populations about the risks that PRC poses in deals or are you saying it does not make a difference right now because they do not see this as being military?

Dr. OERTEL. At the moment this does not make a difference because this is clearly seen as a commercial activity in enabling Chinese commercial aircraft and kind of this is seen in the—clearly, in the realm of nonproblematic engagement.

Senator RICKETTS. Thank you.

Senator SHAHEEN. Well, thank you very much, Senator Ricketts.

I want to, again, thank our panel for traveling all the way from Berlin to join us and for your excellent testimony.

We are going to keep the record of this hearing open until close of business Friday, June 9. Again, thank you to Senator Ricketts.

At this time the subcommittee hearing on Europe will come to a close.

[Whereupon, at 4:25 a.m., the hearing was adjourned.]

