

“ADVANCING U.S. ENGAGEMENT AND COUNTERING CHINA IN THE INDO-PACIFIC
AND BEYOND”

TESTIMONY OF
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Good morning Chairman Risch, Ranking Member Menendez, and Members of the Committee. It is a pleasure to be here today with Assistant Secretary Stillwell and Principal Deputy Assistant Secretary Chung to discuss the Chinese Communist Party’s malign activities around the world. As far as I am aware, this is the first time the head of the European bureau has testified at a hearing on Chinese Communist Party influence, and I think this fact speaks for itself in terms of underscoring the scope and scale of the challenge we face from the Chinese Communist Party.

Assistant Secretary Stillwell has done an excellent job laying out the Administration’s broader strategy on China and the ways in which the Department is implementing it. I will focus my remarks on how we see the Chinese Communist Party challenge in Europe, what we are doing about it in coordination with our Allies, and why Europe matters so much in an era of renewed strategic competition between major powers.

With its advanced economies, international influence, and high-tech industries, Europe has emerged as arguably the central front in the Chinese Communist Party’s efforts to supplant U.S. global leadership, and re-order the international system to its benefit. It is therefore critical that we frame our efforts to counter the Chinese Communist Party in Europe around policies and language Europeans understand and support, such as shared values and adherence to international norms. Europe is home to most of America’s closest allies. It is the largest export market for U.S. goods and services, and the United States and Europe are each other’s primary source and destination for foreign direct investment (FDI). Together the United States and the EU27 account for over 40% of GDP. The U.S. FDI in the EU and UK of \$3.6 trillion in 2019 is more than four times the U.S. investment in the Asia-Pacific region.

Like Russia, the Chinese Communist Party understands that the transatlantic relationship is the beating heart of Europe and perhaps the biggest obstacle to Chinese Communist Party designs for the future world order. The Chinese Communist Party’s global ambitions are simply not possible if the transatlantic alliance remains strong and united in opposing their authoritarian overtures. China does not necessarily seek new allies in Europe—the Chinese Communist Party prefers vassals not partners—but it does want to drive a wedge between the United States and our allies and limit Europe’s ability to unite against it.

For this reason, we must think of Europe not just as a force multiplier for our policies in other parts of the world, but as a theater of strategic competition in its own right. Through intensive diplomatic engagements, using platforms such as the One Belt One Road initiative, the Chinese Communist Party endeavors to create dependencies and cultivate client-state relationships. Through its 17+1 initiative, involving 12 countries that are both NATO and EU members, the Chinese Communist Party aims to achieve access and ownership over valuable transportation hubs, critical infrastructure, ports, and industries in Central and Eastern Europe. The Chinese Communist Party is demonstrating its strategic interest in creating divisions between EU member states and in multilateral institutions over issues such as both traditional and non-conventional warfare, hybrid activities, the South China Sea, internet security, and human rights.

Chinese foreign direct investment in Europe has grown from about \$1 billion in 2008 to a high of approximately \$42 billion in 2016, before dropping again in recent years. The Chinese Communist Party's economic engagement in Europe is significant. It pursues its economic goals through predatory investments, intellectual property theft, and trade-dependent relationships that leave governments, companies, and economies open to coercion. Over the last 12 years, the Chinese Communist Party has gained increasing influence over European markets and supply chains. Since the 2008 financial crisis, Chinese Communist Party industrial policy, such as *Made in China 2025*, has targeted investments in strategic European industries, critical infrastructure, such as ports, and emerging technologies such as robotics, artificial intelligence, 5G, green energy, and nuclear energy.

The Chinese Communist Party relies on a network of overseas networks for influence, surveillance, and control, including United Front Work organizations and actors. Europe has more Confucius Institutes than any other region of the world, with more than 190 institutes in 44 countries. In addition, the Chinese Communist Party exploits corrupt institutions and individuals, where possible, to achieve policy objectives and thwart efforts to stop them. The Chinese Communist Party's use of strategic corruption, which is also a defining feature of the Kremlin's regional strategy as well, plays an essential but often understated role in facilitating the more high-profile symbols of Chinese influence and power.

Over the last three years we have seen an increased awareness in many European countries, what Secretary Pompeo has referred to as a "Transatlantic awakening to the China Challenge." U.S. diplomats from the Secretary on down have been pounding the pavement—virtual or otherwise—throughout Europe. Our substantial diplomatic engagement and the resulting positive results contrast sharply with the growing backlash caused by China's heavy-handed "mask diplomacy" and angry reaction to European criticism of its COVID response. European audiences got to see firsthand just how the Chinese Communist Party handles criticism and questions, and they didn't like what they saw.

This engagement is bearing fruit.

- Using authorities in legislation authored by Members of this Committee, the bipartisan Build Act and European Energy Security and Diversification Act, we have been able to begin leveraging the new Development Finance Corporation (DFC) to try to catalyze key

investments in strategic projects, most notably the \$1 billion commitment to the Three Seas Initiative Secretary Pompeo pledged at the Munich Security Conference.

- The Czech Republic, which the Secretary visited last month, has transformed from a target of Chinese influence to a leader of the European Awakening. The recent visit of the Czech Senate President to Taiwan is merely the latest in a series of strong actions by the Czech Republic to stand up to Chinese bullying and cement its status as a regional leader in combatting Chinese Communist Party influence.
- More than 30 nations contributed to the Prague Proposals to build secure 5G network infrastructure by not using vendors from authoritarian states like the Chinese Communist Party. Further, 5G MOU's are being planned with Ukraine, Georgia, and Serbia, to gain commitment from these partner countries to avoid using prohibited technologies. The 27 nations of the EU agreed to an investment screening framework in 2019, and a number of European nations have adapted best practices from our CFIUS and FIRMMA legislation as models to draft their own laws to protect their industries from malign foreign investment.
- France and Germany both recently unveiled formal Indo-Pacific Strategies that reflect the changing consensus on the threat posed by China.
- The United Kingdom is planning to secure its networks from Huawei.
- At NATO's December 2019 London Leaders' Meeting, NATO Heads of State and Government formally declared for the first time the need for NATO to address "the opportunities and challenges" stemming from the Chinese Communist Party's growing influence. The EU has labeled China as a "systemic rival."
- Denmark has bravely stood up to the Chinese Communist Party's attempts to censor Danish newspapers. The Swedes have closed all of the Confucius Institutes that resided on their soil.
- The U.S. has supported and empowered European-led initiatives to take infrastructure development into their own hands, and platforms such as the new Inter-Parliamentary Alliance on China to check Chinese Communist Party malign influence in legislatures around the world. We've engaged the Department of Commerce and USAID to get more countries to ensure that nations and their citizens control their critical infrastructure.

This list is not exhaustive. The point is that more and more European nations are coming to the same conclusion we have about the nature of the threat to our values, our security, and our prosperity. They are doing so because *they* want to—not because we tell them to. Our role has been to share information and provide the support and encouragement necessary to empower *them* to make the right decision.

Despite these successes, there is still more work to do. The challenge the Chinese Communist Party poses to the United States is long-term, and the U.S. and our Allies need to be "in it for the

long-haul.” It will require sustained focus and willpower to maintain the momentum that we have gained over the past three years.

Nor can we focus our efforts on the relative simplicity of a one-on-one competition like we did in the Cold War. In addition to confronting the growing challenges from the Chinese Communist Party, we must not forget that Europe is also the central focus of ongoing Russian aggression and malign influence. Although China’s GDP is about eight times the size of Russia’s. Russia remains the primary military threat to Europe and a strategic priority for most of our Allies and partners, particularly those in Central and Eastern Europe. Russia and China are more closely aligned strategically than at any point since the 1950s, and we see growing cooperation across a range of diplomatic, military, economic, and information activities.

While Russia and China are not a monolithic bloc, or even a formal alliance, and there are certainly tensions and friction points in this relationship, their growing strategic convergence is more than a simple “marriage of convenience.” It is based on a shared assessment of the threat the United States and our allies pose to their ambitions—through our strength, our prosperity, and our values. We have to understand this dynamic, particularly when it comes to great power competition in Europe.

While the growing Russia-PRC convergence presents challenges, it also presents opportunities to maximize the impact and cost-effectiveness of our policies and assistance programs in Europe. To give one example: the Chinese Communist Party and the Kremlin exploit similar vulnerabilities—weak or corrupt institutions, elite capture, non-transparent or unaccountable governance structures, etc. Therefore, focusing our efforts on addressing problems like this—which we are doing through our assistance programs, including the Countering Russian Influence Fund and USAID’s Countering Malign Kremlin Influence Development Framework—enables us to counter two threats for the price of one.

And regardless of whether we are talking about competition against the Chinese Communist Party, or the Kremlin, or any other rival, perhaps our greatest advantage remains our system of alliances, particularly in Europe but also throughout the world. As the President and Secretary have stated on many occasions, our allies need to shoulder their share of the burden, and they are making progress in doing so. But the fact remains that the United States has numerous friends; the Kremlin and the CCP do not. This is a fundamental and enduring difference between us and them, between the democratic West and the authoritarian powers trying to divide us.

The Administration’s efforts to support, empower, and consult our European Allies in countering the Chinese Communist Party’s influence are working. Progress is not always immediate, and engaging with our allies on these key issues sometimes leads to hard conversations and choices. But the result of these hard conversations and tough choices will be an alliance and partnerships that are better prepared for the challenges that lie ahead and more capable of defending the shared democratic values and traditions that define the West and underpin the free world.

Mr. Chairman, Ranking Member, thank you for the opportunity to testify here today. I look forward to your questions.