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Hearing on "China's Expanding Influence in Europe and Eurasia"

Chairman Keating, Ranking Member Kinzinger, distinguished members of the subcommittee, thank you for the opportunity to talk with you about China's increasing influence in Europe. In the last decade, and especially since 2014, great power competition has returned to Europe. Russia, through its meddling and aggression, and China, through its efforts to expand economically, are vying for influence and seeking to break the historically strong bonds between the United States and Europe.

In this testimony I address China's goals and tactics in Europe. While the focus is on China, I note throughout the testimony the growing synergy between China and Russia. I identify the key implications of China's growing influence in Europe for U.S. national interests and outline recommendations for policy.

Before I begin, I briefly highlight the overarching ideas that I think should guide Washington's approach to great power competition in Europe.

The United States must prioritize China. As the United States develops its approach to Europe, it must recognize that in the coming decade, China will be the most critical national security and foreign policy challenge.

To effectively compete with China, the United States will need strong and cohesive relations with Europe. On the security front, the United States and Europe must divide and conquer. The United States needs Europe to enhance its military capabilities to better provide for its own security and defense (and take on a greater role in places like North Africa). This will free up the United States to focus its efforts on the Indo-Pacific. Outside the security realm, the United States and Europe must stand together. The United States needs Europe as a partner to confront China on economic, democracy, and human rights issues globally.

Bold.

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Working effectively with Europe to address a rising China (and an assertive Russia) requires a “New Deal.” As Europe plays a greater role in security and defense and in confronting China, Europe will in turn expect to have the latitude to pursue the policies of its choosing in other dimensions. Some of these policies might diverge from those of Washington. Washington will have to accept that greater European autonomy will inevitably transform the transatlantic alliance.¹

While the transatlantic relationship will have to evolve, there are certain dimensions which must be upheld. The United States and Europe must recommit to the democratic foundations upon which the partnership rests. Research shows that not only do democratic countries enjoy unusually good relations, but that democracy is the foundation for resilient alliances. Upholding our shared commitments to democracy, in other words, will be key to sustaining strong and effective alliances in Europe. Likewise, upholding democracy will be key to maintaining the West’s competitive edge. Other ways of building influence, through economic coercion (China) or military might (Russia), for example, are expensive, unsustainable, and unpopular.² The West’s ability to shape and influence the world through the power of attraction and shared values, rather than coercion and payments, will be key to the United States’ continued, long-term global success.

Washington must realize that now is the time to engage Europe on the China challenge. In the last two years—and particularly in recent months—Europe has grown more attuned to and concerned about China.³ There is a growing appreciation that the “balance of challenges and opportunities presented by China has shifted” and that China represents a “systemic rival promoting alternative models of governance.”⁴ A number of factors have driven this change. The implementation of Made in China 2025—a ten-year plan to speed the development of high-tech industries—and several Chinese takeovers of sensitive European firms have convinced many Europeans that China is unlikely to reform its economy or allow greater access to its markets. The increasing personalization of the Xi regime, the human rights crisis in Xinjiang, and the growing surveillance of its citizens have clarified the repressive and authoritarian nature of the current Chinese regime.

China’s Goals of Concern in Europe

As with other authoritarian regimes, the Chinese Communist Party’s (CCP) approach to Europe is motivated by its desire to maintain its hold on power. To that end, China pursues a number of goals

¹ Benjamin Haddad and Alina Polyakova, “Is Going It Alone the Best Way Forward for Europe? Why Strategic Autonomy Should Be the Continent’s Goal,” *Foreign Affairs*, October 17, 2018, <https://www.foreignaffairs.com/articles/europe/2018-10-17/going-it-alone-best-way-forward-europe>.

² Stephen M. Walt, “Alliance Formation and the Balance of World Power,” *International Security* 9, no. 4 (1985): 3–43. See also Andrea Kendall-Taylor and Julie Smith, “The United States’ Greatest Strength Over Russia and China Is Its Alliance with Europe,” Text, *The National Interest*, November 9, 2018, <https://nationalinterest.org/feature/united-states-greatest-strength-over-russia-and-china-its-alliance-europe-35782>.

³ See Andrew Small, “Why Europe Is Getting Tough on China,” *Foreign Affairs*, April 3, 2019, <https://www.foreignaffairs.com/articles/china/2019-04-03/why-europe-getting-tough-china>.

⁴ European Commission, High Representative of the Union for Foreign Affairs and Security Policy, “EU-China – A Strategic Outlook” (Brussels, Belgium: European Commission, March 12, 2019), <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>.

in Europe intended to support regime stability. I highlight those goals that are of most concern to U.S. interests.

1. ***Increasing economic opportunities—especially those that translate into greater political influence.*** Beijing is interested in a stable, albeit malleable, EU and the large single market that underpins it.⁵ The Belt and Road, for example, offers an outlet for excess industrial capacity, and connectivity to European markets can accelerate growth in China’s outlying, underdeveloped provinces.⁶ But more than just its pursuit of economic interest, Beijing also seeks to translate its economic influence into lasting diplomatic leverage in Europe, as it does in other regions of the world.
2. ***Using investment to secure support—or at least prevent the EU from taking a unified position against—China’s interests.*** China feels it is increasingly able to prevent European nations from taking action that directly violates China’s core interests, including on human rights issues like Tibet, on Taiwan issues, and on the South China Sea. The Xinjiang issue only underscores for China the continued importance of cultivating European countries to prevent trouble at the UN and elsewhere. Greece, for example, blocked an EU statement at the United Nations criticizing China’s human rights record in 2017, almost certainly because of China’s growing economic investment in the country.
3. ***Undermining Western cohesion.*** Beijing realized early on that its rising economic clout would lead other countries to balance against it. China, therefore, has sought to keep Europe “on the fence” by preventing Europe from firmly aligning with the United States—a dynamic that has become increasingly important as the United States has taken a harder line on China. Alignment between China and the EU on issues like climate change, multilateralism, and the Iran nuclear deal provide fodder for their cooperation. Moreover, disagreement within Europe and between Europe and the United States diminish the attractiveness of the Western democratic model and enables China to portray its centralized authoritarian model as more effective than the divisiveness that democracy brings.
4. ***Weakening global democratic norms.*** China, like Russia, views liberal democracy as a threat to regime stability and considers Western efforts to promote it as little more than thinly veiled attempts by the West to spread influence. Central in this shared view is the belief that weakening democracy can accelerate the decline of Western influence and advance both China’s and Russia’s geopolitical goals. China seeks to cultivate relationships with European countries to gradually get them to acquiesce to China’s efforts to neuter democracy and human rights protections at the UN and remove the “liberal” from the global order.

⁵ Thorsten Benner and Thomas Wright, “Testimony to U.S. China Economic and Security Review Commission, Hearing on: “China’s Relations with U.S. Allies and Partners in Europe and the Asia Pacific,”” § U.S. China Economic and Security Review Commission (2018), https://www.uscc.gov/sites/default/files/USCC%20Hearing_Thorsten%20Benner%20and%20Thomas%20Wright_Written%20Statement_April%205%2C%202018.pdf

⁶ Daniel Kliman and Abigail Grace, “Power Play: Addressing China’s Belt and Road Strategy” (Washington, D.C.: Center for a New American Security, September 2018).

5. ***Accessing innovation.*** China seeks to dominate the innovation industries of the future. China views technological innovation as central to domestic economic growth and military modernization—Xi seeks to transform the People’s Liberation Army into a fully modernized force by 2035. Beijing seeks to use Europe as a source of technology, intellectual property, and talent that it can use to upgrade its industrial capacity, especially in domains in which it has not yet established its own technological leadership.

China’s tactics in Europe

China pursues the following tactics and approaches to advance its goals in Europe:

1. ***Using divide and rule tactics to weaken European cohesion.*** China is undermining the EU by negotiating with European governments bilaterally and through the 16+1, which facilitates China’s ties with Central and Eastern European countries (11 of which are EU members). Likewise, the Belt and Road Initiative is weakening European cohesion on China policy as less-wealthy countries in Southern and Eastern Europe welcome Chinese investment while Western Europe and Brussels remain cautious. Italy’s endorsement of the Belt and Road in March 2019 introduced another obstacle to European cohesion on China.
2. ***Leveraging U.S.-European fissures.*** China is leveraging tensions in the Western alliance over U.S. economic policies, including sanctions on European countries and Washington’s approach to the trade war with China, climate change, multilateralism, and the Iran nuclear deal to paint itself as the responsible player on these issues.
3. ***Building support for pro-China positions.*** The Chinese government advances support for its policies by suppressing voices beyond China’s borders that are critical of the Chinese Communist Party and promoting supportive ones. Beijing fosters networks among European politicians, businesses, media, think tanks, and universities to create layers of active support for Chinese interests. These efforts span from the overt to the covert.⁷
4. ***Opportunistically leveraging vulnerabilities to expand ties.*** China has gone after country-specific vulnerabilities to increase its economic footprint. Broadly speaking, China has leveraged economic crisis (Greece), disenchantment with the persistence of unequal development across the European Union (the 16+1 countries), the discontent of illiberal leaders who are frustrated with Western conditions for aid and investment (Serbia), and pressure to find new economic partners post-Brexit (the UK) to expand its influence.
5. ***Acquiring European know-how to enhance the competitiveness of Chinese products.*** China is acquiring foreign technology through legal and illegal means with the objective of dominating the innovation industries of the future. China uses a range of tools to access European innovation, including selective foreign investment, by importing technology and talent through mergers and acquisitions—for example a Chinese firm acquired German high-tech

⁷ Benner and Wright, “Testimony to U.S. China Economic and Security Review Commission, Hearing on: “China’s Relations with U.S. Allies and Partners in Europe and the Asia Pacific.”

robotics manufacturer Kuka in 2016—or joint ventures with Western firms. Industrial espionage is also a tool in the Chinese innovation toolbox.

6. ***Generating synergies with Russia that amplify their individual efforts.*** Relations between China and Russia are deepening. The growing alignment of their values and vision of how the world should be ordered raise the prospects that Moscow and Beijing will increasingly coordinate their efforts to undermine U.S. influence. Already, Russian and Chinese foreign policy tactics are converging in Europe in new and synergistic ways. Although their approaches are different—Russia is brazen and China more subtle and risk-averse—and seemingly uncoordinated, taken together, they are having a more corrosive effect than either would have single-handedly.⁸

Implications of China’s increasing economic and political influence

China’s growing economic influence in Europe will translate into political leverage. As China’s economic and political influence grow, it is likely to impact the following U.S. interests in Europe.

1. ***U.S. prosperity and competitiveness.*** If China’s influence continues to grow, it would pose a direct threat to U.S. prosperity and competitiveness. Greater Chinese economic and political influence would facilitate China’s efforts to change the economic and legal rules of the game and other standards in ways that privilege Chinese interests. In particular, a lack of U.S.-European cooperation on China’s illegal and unfair trade and investment practices would compromise America’s position as an innovation leader, which is so central to U.S. economic dynamism. Likewise, a lack of coordination with Europe on trade rules would facilitate a China-centric economic order that privileges Chinese firms at the expense of U.S. companies.
2. ***Values and norms.*** China’s rapidly increasing political influencing efforts in Europe and the self-confident promotion of its authoritarian ideals pose a significant challenge to America’s way of life. Although China’s economic investments address a genuine demand for infrastructure, Beijing’s strategy is designed to lay the foundation for an alternative order and is already eroding international norms and standards. If China’s influence continues to grow, Beijing will seek to have a greater say over rules governing data and privacy, Internet freedom, AI, and governance.

The complementarity of China and Russia’s actions in Europe is especially problematic for democracy.⁹ Russia’s assault on democratic institutions, including electoral interference, the spread of corruption, and disinformation campaigns, weakens some actors’ commitment to democracy. But it is the alternative model of success that China provides and, more importantly, the revenue it brings to struggling governments that give weak democracies the capacity to pull away from the West. In a similar way, China’s engagement would likely be less potent without Russian efforts to weaken democratic institutions and loosen commitment to democracy. As

⁸ Andrea Kendall-Taylor and David Shullman, “How Russia and China Undermine Democracy: Can the West Counter the Threat?” *Foreign Affairs*, October 2, 2018, <https://www.foreignaffairs.com/articles/china/2018-10-02/how-russia-and-china-undermine-democracy>.

⁹ Kendall-Taylor and Shullman, “How Russia and China Undermine Democracy: Can the West Counter the Threat?”

China and Russia continue to pursue their shared values and goals, Western democracy will be tested.

3. **NATO.** China does not pose a direct military threat to NATO. Nonetheless, Beijing's growing presence poses challenges that the Alliance will have to address. Most importantly, China's investment in European infrastructure has the potential to interfere with NATO mobility—the ability for NATO to move its troops, tanks, and other equipment across Europe—which is a critical issue that NATO Allies are working to improve. China has significantly increased its investment in European ports, most notably in Greece's Port of Piraeus where the state-owned China Ocean Shipping Company owns a majority share of the port. China's investment in other infrastructure, like rail, could also diminish NATO mobility. If, for example, Chinese rail lines aren't built to carry heavy equipment, this too would hinder NATO mobility.

In the longer term, a sustained deepening of Russia-China relations could create challenges for NATO. For example, Russia and China could coordinate the timing of hostile actions in their peripheries. If China made moves in the South China Sea at the same time that Russia made further incursions into Ukraine, it would seriously complicate U.S. forces'—and therefore NATO's—ability to respond effectively. Less directly, it is not hard to imagine a scenario in which China's economic tactics converge with Russian hybrid tactics in ways that could undermine Article 5. For example, China could use its control of key infrastructure like ports and rail to delay a NATO response. Beijing could also use the economic leverage it has amassed to quietly dissuade an already reluctant NATO member state from responding to a sub-Article 5 Russian attack, eventually serving to discredit the principle of collective defense.

4. **5G.** 5G will undergird most of the technical applications of the future, including artificial intelligence, the internet of things, self-driving cars, and smart cities.¹⁰ Chinese government subsidies have allowed Huawei to unfairly undercut its rivals, which means that alternative technologies are nearly one-third more expensive, based on reported discounts of between 20 percent and 30 percent globally. Although less expensive, allowing China to build Europe's 5G network would introduce systemic risk from Chinese companies, making Europe more vulnerable to intellectual property theft, weakened data privacy, hacking, and other disruptions. These vulnerabilities would enable China to continue to pillage technological know-how and other information that would enhance China's competitiveness.

Moreover, allowing China to build Europe's 5G network would give Beijing influence over Europe's critical infrastructure and new opportunities for surveillance and cyber-espionage. There is a very real risk that vulnerabilities in networks, whether the result of poor security practices or the deliberate introduction of a backdoor or a bugdoor—a seemingly benign security flaw hidden in programming and that could be introduced via software updates—could be weaponized for leverage and coercive purposes, particularly in a crisis or conflict scenario. These vulnerabilities could undermine NATO efforts in Europe.

Policy recommendations

¹⁰ Kara Frederick, "The 5G Future Is Not Just About Huawei," *Foreign Policy*, May 3, 2019, <https://foreignpolicy.com/2019/05/03/the-5g-future-is-not-just-about-huawei/>.

This Administration has rightly recognized that the United States must do more to stand up to Chinese threats to U.S. interests. But while building a national strategy around strategic competition is wise and warranted, the United States is falling short in its execution of that strategy. If the United States is going to retain its competitive edge over countries like China (and Russia), Washington must more effectively leverage its European Allies. The current shift in European attitudes towards China presents the United States with an opportunity to more effectively engage Europe on China.

In developing its response to China's rising influence, Congress should consider the following:

1. ***Enhance cooperation and coordination with Europe to combat China's unfair and illegal trade and investment practices.*** The United States and the EU command about 40-percent of the world's global economy. By pooling its resources and influence with Europe, the United States would be far better positioned to compel China to revise its economic policies. To enhance Washington's position vis-à-vis China, the United States should work with Europe to coordinate policies and approaches on: investment screening tools, including strategies and rules to protect indigenous research in sensitive sectors; export controls; and the alignment of tariffs.
2. ***Engage on norms in new spaces.*** The United States and the EU, along with democratic U.S. allies in Asia, should lead efforts to develop standards and rules for emerging domains, such as space, cyber, and artificial intelligence.¹¹
3. ***Encourage EU and European defense and security initiatives.*** The United States should encourage EU and European efforts to enhance European capabilities, capacities, and readiness, including Permanent Structured Cooperation (PESCO), the European Defense Fund (EDF), and the European Intervention Initiative (E2I). These efforts are meant to complement, not undermine, NATO and would enable European nations to more efficiently and effectively pool resources to enhance their security. The United States, therefore, should encourage rather than discourage these efforts because they would better enable the United States to prioritize the Indo-Pacific region.
4. ***Capitalize on growing disillusionment with the Belt and Road.*** There is already growing disappointment with the Belt and Road in Central and Eastern Europe. The recent 16+1 Summit in Croatia revealed growing disenchantment with China's inability to make its intentions clear, offer the assurances its partners needed, and ultimately to deliver on many of its promises.¹² The United States should take advantage of these concerns and continue to highlight the drawbacks and risks associated with some Belt and Road projects, including subpar labor and environmental standards.
5. ***Bolster the democratic resiliency of European countries most at risk of Chinese influence.*** This would include supporting the development of independent, in-country expertise

¹¹ Benner and Wright, Testimony to U.S. China Economic and Security Review Commission, Hearing on: "China's relations with U.S. allies and partners in Europe and the Asia Pacific."

¹² Andreea Brinza, "How China Blew Its Chance in Eastern Europe," Foreign Policy, April 11, 2019, <https://foreignpolicy.com/2019/04/11/how-china-blew-its-chance-in-eastern-europe/>.

on China and bolstering investigative journalism and civil society, which can shine a light on authoritarian influence and national leaders co-opted by it. The stronger a country's regulatory environment, civil society, political parties, and independent media, the less effective China's (and Russia's) attacks on democratic institutions will be, and the less appeal the authoritarian narrative and model will have.¹³

6. ***Work with Europe to provide alternatives to Chinese investment in Europe and beyond.***

The United States should coordinate with European allies and partners to prioritize locations and infrastructure projects in countries in Europe and beyond that are most at risk of predatory Chinese investment.¹⁴ The United States and Europe should also work to develop international standards for high-quality infrastructure.

7. ***Enable the U.S. government to consider China and Russia together as well as separately.***¹⁵

China and Russia represent their own distinct challenges to U.S. interests in Europe. But given the trend toward deepening China-Russia relations and the significant implications that a more robust partnership would pose to U.S. interests, policymakers will have to account for the ways in which these powers are working together. The U.S. government is not institutionally configured to deal with the challenge posed by greater collaboration and coordination between Russia and China. There is expertise on Russia and China, but there are few if any efforts that analyze and address the nexus of the combined challenges and threats.

¹³ Kendall-Taylor and Shullman, "How Russia and China Undermine Democracy: Can the West Counter the Threat?"

¹⁴ Kliman and Grace, "Power Play: Addressing China's Belt and Road Strategy."

¹⁵ Robert Sutter, "U.S. Policy Opportunities and Options," in *Axis of Authoritarians: Implications of China-Russia Cooperation*, ed. Richard J. Ellings and Robert Sutter (Washington, D.C.: National Bureau of Asian Research, 2018).

Biography

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Andrea Kendall-Taylor is a Senior Fellow and Director of the Transatlantic Security Program at the Center for a New American Security (CNAS). She works on national security challenges facing the United States and Europe, focusing on Russia, populism and threats to democracy, and the state of the Transatlantic alliance.

Prior to joining CNAS, Andrea served for eight years as a senior intelligence officer. From 2015 to 2018, she was Deputy National Intelligence Officer for Russia and Eurasia at the National Intelligence Council (NIC) in the Office of the Director of National Intelligence (DNI). In this role Andrea led the U.S. intelligence community's strategic analysis on Russia, represented the IC in interagency policy meetings, provided analysis to the National Security Council, and briefed the DNI and other senior staff for White House and international meetings. Prior to joining the NIC, Andrea was a senior analyst at the Central Intelligence Agency (CIA) where she worked on Russia and Eurasia, the political dynamics of autocracies, and democratic decline.

Andrea is an adjunct professor at Georgetown University's School of Foreign Service. Her work has been published in numerous political science and policy journals, including the Journal of Peace Research, Democratization, Journal of Democracy, Foreign Affairs, the Washington Post, the Washington Quarterly, and Foreign Policy.

Andrea received her B.A. in politics from Princeton University and her Ph.D. in political science from the University of California, Los Angeles. She was a Fulbright scholar in Azerbaijan and Kazakhstan, where she conducted dissertation research on oil and autocracy.