

THE SITUATION IN SOUTHEASTERN EUROPE

HEARING

BEFORE THE

SUBCOMMITTEE ON
EMERGING THREATS AND CAPABILITIES

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

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THE SITUATION IN SOUTHEASTERN EUROPE

TUESDAY, SEPTEMBER 17, 2019

UNITED STATES SENATE,
SUBCOMMITTEE ON EMERGING
THREATS AND CAPABILITIES,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 3:03 p.m. in room SR-222, Russell Senate Office Building, Senator Joni Ernst (chairman of the subcommittee) presiding.

Subcommittee members present: Senators Ernst, Fischer, Peters, and Shaheen.

OPENING STATEMENT OF SENATOR JONI ERNST

Senator ERNST. The Subcommittee on Emerging Threats and Capabilities meets this afternoon to receive testimony on the situation in Southeastern Europe.

I just want to mention to our witnesses as well, at 3:30 we do have a series of votes. Senator Peters and I will bounce back and forth accordingly. Thank you for your patience with us.

I would like to welcome our witnesses today. We have Mr. Damon Wilson, Executive Vice President of the Atlantic Council; Dr. David Shullman, Senior Advisor at the International Republican Institute (IRI); and Mr. Janusz Bugajski, Senior Fellow at the Center for European Policy Analysis.

The Western Balkans is a region that sits at the crossroads of history. The United States and the Department of Defense (DOD) must not forget or ignore this fact as we adapt our policy and strategy to a new era of strategic competition. The National Defense Strategy (NDS) warns that revisionist powers are increasing, “efforts short of armed conflict by expanding coercion to new fronts, violating principles of sovereignty, exploiting ambiguity, and deliberately blurring the lines between civil and military goals.”

That is exactly what Russia and China are doing in the Western Balkans.

Russia’s influence in the Western Balkans is historic and longstanding. As we saw in the 2016 coupe attempt in Montenegro, Vladimir Putin will use all of his tools and tricks to prevent Western Balkan countries from taking the path of Euro-Atlantic integration through membership in NATO [the North Atlantic Treaty Organization] and the EU [European Union].

A more recent but equally troubling development in the region is the influence of China. Through the Belt and Road Initiative (BRI) and other efforts, Beijing is investing heavily in infrastruc-

ture and technology projects, fueling corruption, driving up debt, and corroding democracy. As we have seen elsewhere throughout the world, Chinese infrastructure investment could have serious security and military implications in the Western Balkans and the wider region.

I look forward to hearing from our witnesses about Russia and China's objectives in the Western Balkans, their strategies for achieving them, and how the United States can effectively counter this malign influence and help our allies and partners to build resiliency.

I am also looking forward to discussing regional security topics. Fortunately, there is good news to report. I am happy that the Senate will soon vote to ratify the accession protocol for North Macedonia to join NATO. However, with the name issue resolved and North Macedonia on its way to NATO membership, there may be a temptation to think these events were somehow inevitable. That would be a serious mistake. This took hard work and political courage on both sides, and it has provided a sign of hope that statesmanship can make the Western Balkans a safer and more prosperous region.

That brings me to the next opportunity for statesmanship: the Kosovo-Serbia dialogue. I strongly support diplomatic efforts to normalize relations between Kosovo and Serbia, and I welcome the President's decision to appoint a special representative for the Western Balkans who will provide the focus needed to help Kosovo and Serbia embrace this opportunity for enduring peace and reconciliation. This will not be easy, but the time for serious and intensive effort is now.

As the dialogue continues, the United States must maintain its commitment to NATO's Kosovo force which plays an indispensable role in protecting security and stability for the region. We must also continue to support the Kosovo security force's transition to a multi-ethnic army for the Republic of Kosovo that is interoperable with NATO.

I am looking forward to discussing other topics as well, including Bosnia, the EU's role in the Western Balkans, and much more.

Once again, thanks to our witnesses for making yourselves available to us today.

With that, I will turn it over to our ranking member, Senator Peters.

STATEMENT OF SENATOR GARY C. PETERS

Senator PETERS. Thank you, Chairman Ernst. Let me begin by thanking you for holding this very important hearing on the situation in Southeastern Europe.

These are frontline states, including some NATO allies in the strategic competition with near-peer competitors, Russia and China. The security interest and political stability of this region needs to be better factored into our larger strategic calculations.

Amongst the important trend in regional dynamics, we have seen the proliferation of both Russian and Chinese hybrid warfare and malign influence operations in the region. Russia seeks shorter-term gains to keep countries in the region from integrating with Western institutions such as NATO and the EU, and China is seek-

ing to lock countries into a longer-term state capture road. They become beholden financially, leading to changes in the nation's decision-making as well.

We have seen Russia deploy these tactics, including information warfare campaigns and cybersecurity attacks, across Southeastern Europe. A February report by the Carnegie Endowment for International Peace deemed Russia one of the major threats in these domains and concluded—and I quote from their report—“with a potential land swap being discussed by Kosovo and Serbia and NATO membership back on the horizon for the newly renamed Republic of North Macedonia, malign actors could use cyber tools and disinformation to try and to thwart this process.”

China has also sought to capitalize on instability in the region. A recent report from the Center for Strategic and International Studies assessed that the, “Western Balkans represent fertile soil characterized by economic stagnation, weak governance, corruption, and high unemployment rates on which the Belt and Road Initiative and Chinese state-owned companies can easily put down roots.”

While the tactics may differ slightly, both the Russia and China models seek to take advantage of the fragility and division inside and between these countries. The hybrid warfare and malign influence operations have implications for our political integrity and national security of the region, as well as national security for the United States.

During today's testimony, I hope the witnesses will address how China and Russia are taking advantage of the instability inside and between these countries and what tools the United States can leverage for building the capacity and resilience of these nations to better counter these malign tactics.

Because these operations often occur below the threshold or do occur below the threshold of conventional military activity, I think it is important to explore how non-military tools, as well as military tools, can be effectively leveraged in the region.

I am also interested in the role that NATO and other multinational institutions can play in helping to shape our relationships in the region and counter the destabilizing effects of both Russia and Chinese influence.

I would also like to thank the witnesses once again for being here to share your expert insights in the region.

Again, Madam Chair, thank you for highlighting this very important issue.

Senator ERNST. Thanks again for being here today.

We will start with opening statements. Mr. Wilson, we will go ahead and start with you. If you would please try and keep your comments to 5 minutes, and then we will open up for questions. Thank you.

**STATEMENT OF DAMON M. WILSON, EXECUTIVE VICE
PRESIDENT, ATLANTIC COUNCIL**

Mr. WILSON. Thank you very much, Chairman Ernst, Ranking Member Peters, Senator Shaheen.

The National Defense Strategy articulates today's era of great power competition clearly. That competition is playing out in the Western Balkans, as both of you have just suggested.

In response, the United States should extend our alliances and attract new partners in the region as a key component of our strategy to compete effectively.

Russia seeks to disrupt reforms and enlargement in Southeast Europe, complicating in turn the aspirations of nations further to Europe's east to chart their own course and pursue EU or NATO membership.

China's approach is more subtle, but its ambitions may be more significant: to enter Europe through a region it views as the continent's soft underbelly in order to prevent Europe from siding with the United States in any emerging global confrontation.

Since the end of the Balkan wars in the 1990s, the West's clarity that the region's future would be in the institutions of Europe served as an incentive for reform. Despite great progress over nearly 2 decades, the transatlantic community's conviction in enlargement has waned, commensurate with increased doubts within our own societies about our own institutions. This ambivalence has provided an opening.

A revanchist Kremlin has acted to halt the democratic advance, to undermine our post-Cold War gains, and to sow mistrust within democratic societies. Russia began pursuing this strategy perhaps less focused on maintaining its limited influence in the region and more disrupting our influence by disrupting the process of NATO and EU integration. Russia found leverage in exploiting corruption and weak institutions. Moscow has used its energy prowess, deployed its intelligence services, waged disinformation campaigns, and manipulated the Orthodox Church. In Serbia, Moscow has coupled these coercive tools with its position on the UN [United Nations] Security Council and its exaggerated historic ties to exert influence.

China is now among the top five markets for imports into most of the countries in the region, while Russia enjoys that status only in Serbia. China understood that its arrival in the region would face little resistance from small states hungry for investment and that a foothold would provide a bridgehead into Europe. China has secured trade routes and market share and diluted European solidarity on issues such as human rights in China and Taiwan.

Ultimately, the Chinese Government aims to prevent Europe from joining the United States in any effort to check China's global influence. China has used easy money to gain influence rapidly, taking advantage of the poor investment climate to provide loans ensuring long-term dependency. Beijing has coupled its economic influence with soft power to shape a more favorable narrative towards China through opening Confucius Institutes, launching exchange programs, and deepening its media presence.

The return of Russian influence and the arrival of Chinese influence against the backdrop of great power competition between a free world and autocratic, kleptocratic powers has meant that the Balkans is back in play.

However, the United States in partnering with the European Union, has good options.

First, we should be explicit that the National Defense Strategy's call for strengthening alliances and attracting new partners applies in the Western Balkans. Following through on this would bolster our comparative advantage over near-peer competitors. United States policy should be clear that as nations in the region reform and are able to meet relevant responsibilities, they will be welcomed into the transatlantic community and its institutions. We need to compete for influence and reach out to publics and engage at political levels throughout the region, including with those with whom we sometimes disagree.

Second, our immediate task should be to secure the gains offered by the Prespa Agreement between Athens and Skopje. We welcome the United States Senate and other allied parliaments welcoming North Macedonia as NATO's 30th member as soon as possible. We should also encourage our European friends to open EU accession negotiations in October.

Third and most important is achieving a comprehensive historic settlement between Kosovo and Serbia, which would include normalization and mutual recognition, paving the way for Serbia to advance its EU aspirations and allowing Kosovo to join the United Nations and develop as a sovereign nation. Without an agreement, Russia has leverage over Serbia and therefore the region.

The absence of a deal fuels nationalist political debates delaying the development of democracy in Serbia and allowing Kosovo's leaders to avoid tough governance questions. A Serbia moving more decisively towards Europe will provide the guardrail we need for Bosnia.

Prospects are not great. Nonetheless, a window of opportunity will open after Kosovo's elections next month until next summer prior to Serbian elections. U.S. leadership is critical to ensure progress, and we also welcome the appointment of Matt Palmer as a special representative.

An often discussed land swap is not viable. However, the United States and EU should promote economic integration as a means to minimize the relevance of borders in the region. We should conclude a free trade area among Western Balkan states long before the EU common market arrives. The United States and the EU will have to expand the incentives, including offering a United States-Serbia strategic partnership, Partnership for Peace entrance for Kosovo, and increased financial assistance for both parties.

Fourth, the EU and United States should partner with nations in the region to develop regional interconnections and transportation, telecommunications, and energy. This means creating the infrastructure of Europe in the region well before EU membership arrives. We should help our partners pursue smart development, including sometimes with Chinese financing, without sacrificing their national security.

Finally, the United States and NATO allies should maintain a permanent security presence based in Kosovo, coupled with a growing security cooperation with Serbia. Our presence should be part of our broader deterrent posture throughout Europe, and it should also serve as a catalyst for regional capacity building forging confidence among the militaries of the region in each other. Ultimately United States support for historic reconciliation in Europe fol-

lowing the end of the Second World War and then the Cold War in which former adversaries became allies is the right blueprint to secure our own interests in the Western Balkans today.

Thank you.

[The prepared statement of Mr. Wilson follows:]

PREPARED STATEMENT BY DAMON M. WILSON

Chairman Ernst, Ranking Member Peters, members of the committee, thank you for the opportunity to testify on the situation in Southeast Europe.

The United States National Defense Strategy articulates today's era of great power competition clearly. That competition is playing out in the Western Balkans. In response, the United States should extend our alliances and attract new partners in this region as a key component of our strategy to protect our interests and compete effectively.

Yet, in the past decade, the United States and the European Union (EU) became more ambivalent about our commitments in the Western Balkans. Moscow and Beijing, sensing an opening, have become more determined in their efforts to gain influence and leverage in the region.

Russia seeks to disrupt reforms and enlargement in Southeast Europe, complicating in turn the aspirations of nations further in Europe's East to chart their own course and pursue EU or NATO membership.

China's approach is more subtle, but its ambitions may be more significant: to enter Europe through a region it views as the continent's soft underbelly in order to prevent Europe from siding with the United States in any emerging global confrontation.

U.S. policy in the region today should be informed by how our strategy has evolved.

In the summer of 2001, the United States set the tone for our approach to enlargement when President Bush declared in Warsaw: "We should not calculate how little we can get away with, but how much we can do to advance the cause of freedom." Two years later, EU leaders declared in Thessaloniki, Greece that, "the future of the Balkans is within the European Union."

These bold statements provided a North Star for a region still reeling from the wars of the 1990s. Corruption remained endemic, rule of law fragile, and democratic institutions weak, but there was a sense of inevitable progress. The West's clarity served as incentive for reform.

Indeed, less than a year after the Thessaloniki declaration, Slovenia joined both NATO and the EU. In 2009, Croatia and Albania joined NATO. It took another four years for Croatia to join the EU. In 2015, Montenegro joined NATO. And now, the United States Senate is poised to welcome North Macedonia as our next ally.

Despite this progress, the transatlantic community's conviction in enlargement has waned, commensurate with increased doubts within our own societies about our institutions. As leaders are grappling with divisions within NATO and differing visions for the future of the EU, they are skeptical about further enlargement.

This ambivalence has provided an opening.

A revanchist Kremlin has acted to halt the democratic advance, to undermine our post-Cold War gains, and to sow mistrust within our societies. Russia began pursuing a strategy less focused on maintaining its limited influence in the region, and more about disrupting our influence—by disrupting the process of NATO and EU integration. Whereas the integration process is designed to counter corruption, bolster rule of law, and build national capabilities, Russia found leverage in exploiting corruption and weak institutions. While Moscow's strategy is effectively limited to one of disruption, we have seen in places such as Ukraine and Georgia that, when Moscow senses success, its ambitions grow.

Russia has used its energy prowess, deployed its intelligence services, waged disinformation campaigns, and manipulated the Orthodox Church to gain leverage over the region. In Serbia, Moscow has coupled these coercive tools with its position on the UN Security Council and its exaggerated historic ties to exert influence.

More recently, China has emerged as a serious actor in the region. It is now among the top five markets for imports into most of the countries in the region, while Russia enjoys that status only in Serbia.

China understood its arrival in the region would face little resistance from small states hungry for investment, and that a foothold would provide a bridgehead into

Europe. China has extended its Belt and Road Initiative, secured trade routes and market share, and diluted European solidarity on issues important to Beijing such as human rights and Taiwan. Ultimately, the Chinese Government likely aims to prevent Europe from joining the United States in any effort to check China's global influence.

China has used easy money to gain influence rapidly, taking advantage of the poor investment climate to provide loans ensuring long-term dependency. Beijing has coupled its economic influence with soft power to shape a more favorable narrative toward China through opening Confucius Institutes, launching large-scale exchange programs, and expanding its media presence.

The return of Russian influence and the arrival of Chinese influence—against the backdrop of great power competition between a free world and autocratic, kleptocratic powers—has meant the Balkans is back in play.

To be fair, we should not overestimate the challenge. Russia after all produces little of what the region imports, outside of energy. Moscow is notorious for failing to follow through on loans and investments.

And the Kremlin's heavy-handed tactics in the region have created a backlash. While Russian disinformation remains potent, leaders in the region do not trust Russia's intentions.

United States and now EU warnings of undue Chinese influence are beginning to be heard in the region. But while skepticism of Russia has grown, open attitudes toward China remain.

The United States, partnering with the EU, has good options for advancing our own interests in a secure, democratic, and prosperous Southeast Europe.

First, we should be explicit that the National Defense Strategy's call for strengthening alliances and attracting new partners applies in the Western Balkans. Following through on this would bolster our comparative advantage over near-peer competitors. To this end, the United States and the EU should return to first principles, articulating a vision of a Europe whole, free, and at peace that includes all of Southeast Europe. U.S. policy should be clear that as nations in the region reform and are able to meet relevant responsibilities, they will be welcomed into the transatlantic community and, if they desire, into its institutions.

As part of this effort, we need to compete for influence. This means reaching out directly to publics and engaging at senior political levels throughout the region, including with those with whom we sometimes disagree. We do not want our disregard of local public perceptions or isolation of certain leaders to leave them with few options other than Moscow or Beijing.

Second, our immediate task should be to secure the gains offered by the Prespa Agreement between Athens and Skopje. This means the United States Senate and other allied parliaments should welcome North Macedonia as NATO's 30th member as soon as possible. We should also encourage our European friends to follow through and open EU accession negotiations in October.

Third, and perhaps most important, is achieving a comprehensive, historic settlement between Kosovo and Serbia. Such an agreement would include normalization and mutual recognition, paving the way for Serbia to advance its EU aspirations and allowing Kosovo to join the United Nations and develop as a sovereign nation. Progress in the Belgrade-Pristina dialogue is the game-changer in the region.

Without an agreement, Russia has leverage over Serbia and therefore the region. The absence of a deal fuels nationalist political debates, delaying the development of democracy in Serbia and allowing Kosovo's leaders to avoid tough governance questions. In contrast, a deal would allow leaders to focus on how better to unlock the potential of their citizens. Furthermore, a Serbia moving more decisively toward Europe will provide the guardrail we need for Bosnia-Herzegovina.

Prospects are not great. Kosovo is in the midst of elections that could produce a government skeptical of a deal. Nonetheless, a window of opportunity will open from this fall until next summer, prior to Serbian parliamentary elections. With EU senior leadership positions changing this fall, United States leadership is critical to ensure progress. I therefore welcome the appointment of a seasoned diplomat, Matt Palmer, as United States Special Representative for the Western Balkans.

To convince both sides to return to the negotiations, United States and EU diplomacy should advance reciprocal steps to achieve a status quo ante: Kosovo would lift its 100 percent tariffs while Belgrade would cease its derecognition campaign during the negotiations.

An often-discussed significant land swap is not viable, even if there will need to be a modest border demarcation. However, the United States and EU should promote economic integration as a means to minimize the relevance of borders in the

region. We should aim to agree a free trade area among Western Balkans states long before the EU common market arrives.

At the same time, the United States and the EU will have to expand the incentives. For Serbia, this means the United States should offer the prospect of a United States-Serbia Strategic Partnership to include significant new security cooperation, an enhanced political dialogue, a concerted strategy to promote investment and trade, and expanded people-to-people ties. For Kosovo, this means the United States should support its entrance into the Partnership for Peace and becoming a NATO and EU aspirant.

Furthermore, the EU should be prepared to invest billions into supporting a comprehensive agreement, and I would suggest that the United States Congress should consider committing several hundred million dollars to bolster such an historic deal.

Fourth, the EU and United States should partner with nations in the region to develop regional interconnections in transportation, telecommunications, and energy. This means creating the infrastructure of Europe in the region well before EU membership becomes viable. We should seek synergies between the Three Seas Initiative and the Berlin Process to accelerate this goal. We should help our partners pursue smart economic development, including with Chinese financing, without sacrificing their national security.

Finally, to secure these gains for the future and to hedge against Russian efforts to disrupt our interests or Chinese interests to displace them, the United States and our NATO allies should maintain a permanent security presence in the region, based in Kosovo, coupled with growing security cooperation with Serbia. Our presence should be part of our broader deterrent force posture throughout Europe. It should also serve as a catalyst for regional capacity-building, forging confidence among the militaries of the region in each other.

Ultimately, United States support for historic reconciliation in Europe, following the end of the Second World War and then the Cold War, in which former adversaries became allies, is the right long-term blueprint for security and democratic and economic development in the Western Balkans.

In an era of great power competition, the United States should bolster and expand its alliances as a strategic comparative advantage over our adversaries. In the Western Balkans, a little effort can reap outsized dividends.

Damon Wilson is the executive vice president of the Atlantic Council, home to the #BalkansForward Initiative. The views expressed in this testimony are his own.

Senator ERNST. Thank you.
Dr. Shullman?

**STATEMENT OF DR. DAVID O. SHULLMAN, SENIOR ADVISOR,
INTERNATIONAL REPUBLICAN INSTITUTE**

Dr. SHULLMAN. Thank you.

Chairman Ernst, Ranking Member Peters, Senator Shaheen, thank you for the opportunity to testify today on this critical topic.

China's primary goals in the Western Balkans are economic, and Chinese investment through the Belt and Road Initiative, China's massive infrastructure and connectivity program, has rapidly increased Beijing's economic influence in the region.

Given this economic focus, China benefits from regional stability and, unlike Russia, does not seek to seed internal division, undermine accession to the EU, or reduce confidence in democratic systems.

That said, it is also true that as a result of China's economic inroads in the Western Balkans, it is amassing political leverage, bolstering illiberal leaders, and threatening to undermine democratic development and pull countries away from the United States and the EU.

To explain this seeming disconnect, I will focus my remarks on China's means of economic influence in the region and their effects.

The Western Balkans is of strategic economic importance to China for several reasons. First, China sees the region as a conduit to the broader European market and, to that end, is financing infrastructure projects such as its high speed railway connecting Belgrade with Budapest, which is currently stalled. Individual Chinese state-owned enterprises also view the Western Balkans as countries which offer opportunities for high return investment, given that they face slow economic growth, and have poor governance, transparency, and labor regulations. Belt and Road projects in the non-EU countries of the Western Balkans are not, of course, bound by EU standards, making them attractive for these state-owned enterprises.

The differences in the EU and the Chinese approaches also explain the appeal of Chinese loans to Western Balkan Governments. Not only does China make no demands regarding transparency or reforms, but Chinese funding, unlike that from the EU, is dispersed quickly.

The slow path to EU accession for some Western Balkan countries also plays into China's hands. As one local Serbian businessman puts it, the EU is telling Serbia you will have something tomorrow, but today you must starve while the Chinese come with the money right away.

China's funding also can conveniently correlate with local political cycles. The ability to secure financing quickly at election times allows local politicians to promote themselves to constituents as enablers of Chinese capital inflows.

Now, there are some undeniable positives for Western Balkan countries from Chinese investment. For example, Chinese firms' takeovers of a failing steel mill and the only copper mining complex in Serbia arguably saved core elements of Serbia's industrial capacity from collapse.

But China's investment and financing practices have significant drawbacks for recipients. First, opacity is inherent in the deals, and this is by design. Most of the commercial contracts with Chinese entities are not available to the public. Thus, there are no opportunities for screening or for comment. It is also likely that Chinese policy banks insist upon an opaque bidding process for projects and the ultimate allocation of projects to Chinese state-owned enterprises, as they do elsewhere all around the world. This lack of transparency creates the potential for massive corruption, inflated costs, and for Chinese lending to create unsustainable debt burdens, as has occurred in Montenegro.

Through its economic deals in the region, China is gaining political leverage in the non-EU countries in the 16 Plus 1 mechanism, or now the 17 Plus 1 initiated in 2012 to facilitate Chinese engagement with Central and Eastern European countries.

China is also benefiting from and exacerbating authoritarian trends in the region. The increasingly liberal government in Serbia, for example, welcomes Chinese investment as a boon to its political fortunes and uses its control over the media to ensure a positive narrative about China. China, in turn, is facilitating the country's authoritarian tilt by bolstering the fortunes of leaders who use Chinese financing to promote themselves as having delivered needed infrastructure regardless of the secret financing terms involved.

The role of Chinese telecom and tech firms in the Serbian market and in the country's surveillance ecosystem presents another concern. The Serbian Interior Ministry has contracted with Huawei to provide cameras and facial recognition software for its Safe City project, with the planned installment of 1,000 cameras in 800 locations just in Belgrade. Such a comprehensive facial recognition database has the potential to deter Serbians from protesting their own government.

China's growing security ties in Serbia are also concerning. Just last month, it was announced that officers from China would join police patrols in certain Serbian cities. The agreement, of course, is not public, so it is unclear exactly what it entails, but such cooperation could import authoritarian tactics used in China against protestors, dissidents, and minorities. News this month that China will sell armed drones to Serbia indicates the countries' security ties will continue to grow.

How can the U.S. respond?

China will not change its approach unless recipient countries demand it. Washington, therefore, should focus on bolstering Western Balkan countries' resilience to the potential malign effects of China's growing role. This can be accomplished through two complementary efforts.

First, the United States, in partnership with European and multilateral institutions, should offer Western Balkan nations both more easily attainable alternatives to Chinese financing and investment and technical assistance on project negotiation and evaluation.

Second, the United States must dedicate resources to bolstering the capacity of government officials, civil society, political parties, and independent media. China offers better deals when recipient countries have better governance. In the Western Balkans in particular, local partners need greater knowledge about the Chinese Communist Party and the ways it exerts influence. Above all, transparency is critical, permitting broader public debate about how to deal with China in a way that benefits a country and protects its interests.

For our part, the International Republican Institute is already working directly with partners in Serbia to shine a spotlight on China's influence efforts and give them the tools to protect their democracy, and IRI is set to expand such efforts across the Western Balkans over the coming year.

Thank you.

[The prepared statement of Dr. Shullman follows:]

PREPARED STATEMENT BY DAVID SHULLMAN

INTRODUCTION

Chairman Ernst, Ranking Member Peters, distinguished members of this subcommittee, thank you for the opportunity to testify today. Thank you, also, for organizing a hearing on this topic critical to United States interests and the future of democratic governance in the Western Balkans.

CHINA'S MEANS OF INFLUENCE IN DEVELOPING COUNTRIES

China's economic influence is growing in the Western Balkans, saddling some countries with unsustainable debt and exacerbating governance problems. As a result, the Chinese Communist Party (CCP) is amassing potential political leverage

and bolstering China-friendly illiberal leaders, threatening to undermine democratic development and pulling countries away from the United States and the European Union (EU).

These effects are largely consistent with China's tactics and their effects in developing countries around the world. I therefore would like to begin my testimony today with a description of China's expanding interests and influence efforts across the developing world, and then turn to their application in the Western Balkans in particular.

China for decades has gradually increased engagement with countries throughout the developing world, seeking critical resource inputs and new markets for its rapidly growing economy as well as portraying itself as a leader of developing country interests on the global stage. However, today, we see China pursuing an unprecedented level of influence in developing countries, with decidedly mixed results for the recipients of China's attention.

This uptick can be attributed to China's desire to advance an expanding set of interests in the developing world. First, China is trading and investing more in the developing world than ever before. The overseas component of the Belt and Road Initiative (BRI), China's ambitious infrastructure and connectivity program, has significantly expanded Beijing's investment footprint abroad despite its small size relative to China's domestic economy.

There is an expectation of economic benefit for Chinese companies—typically state-owned enterprises (SOEs)—and their workers engaging in debt-financed BRI projects in numerous developing countries.

The CCP also seeks to legitimize its autocratic system of governance and development. Chinese leaders recognize that Beijing must expand its normative power abroad to achieve China's rise and rejuvenation as a great power. They also recognize that to achieve global legitimacy as a responsible great power without democratizing—a prospect not welcomed by the developed West—they must first popularize China's model in the developing world.¹

Given these growing interests, it is not surprising that the CCP is using multiple means of influence to advance them, in the process undermining governance, prosperity and open discourse in a way that encourages democratic backsliding in many countries.

I will focus my remarks on China's means of influence in two key domains, the economic and the informational, and their impact on democracies. I will then describe how China is using these tactics in the Western Balkans in particular, examining the case of Serbia, and conclude with some thoughts on how the United States can best counter such influence.

Economic Influence

Much of China's growing global influence can be ascribed to its leverage as a \$14 trillion economy and the world's largest commodity importer. Beijing is expanding trade and investment with countries hungry for both. However, there are malign aspects to China's growing economic engagement that render its influence harmful for many developing countries. In most every case China's economic investments involve opaque deals that ensure China lends and is repaid at a premium to hire Chinese companies and workers for infrastructure and energy projects. BRI projects frequently saddle countries with debt and few alternatives to dependence on China to continue financing those debts.

This lack of transparency sets a foundation for rampant corruption. Corruption and elite capture is not a "bug" of BRI but an inherent feature of the initiative, with the goal of ensuring subsidized Chinese SOEs undercut their competition and secure contracts with highly favorable terms to carry out projects financed by Chinese policy banks. The CCP cultivates "friends" among elites in many countries who are only too willing to sign up to opaque investment deals that undermine their country's long-term prosperity in return for personal enrichment.

Influence over Information

Such elite capture through corruption also facilitates the CCP's ability to exert influence in a second area, the information space. Beijing's foreign propaganda and censorship efforts have traditionally focused on promoting China's political and economic system while suppressing coverage of its domestic human rights abuses and

¹At the 19th Party Congress in October 2017, Chinese President Xi Jinping left no doubt that he regards China's illiberal concepts of political and economic order as superior to so-called Western models, and that we are "in an era that sees China moving closer to center stage and making greater contributions to mankind." See Xinhua. "Full Text of Xi Jinping's Report at 19th CPC National Congress." ChinaDaily.com.cn, updated 4 Nov. 2017, www.chinadaily.com.cn/china/19thcpcnationalcongress/2017-11/04/content-34115212.htm.

religious persecution. But the Chinese Government and its proxies increasingly are attempting to tilt other countries' internal debates about their relationships with China, including by suppressing criticism of Chinese activities within their borders. Many governments, including our own, engage in vigorous public diplomacy campaigns, but the CCP's methods are frequently covert, coercive and harmful to democratic institutions.

China's manipulation of the information environment in countries around the world, which the National Endowment for Democracy has termed "sharp power," is critical to the Party's ability to protect its growing investments and legitimize China's authoritarian development model abroad. Ensuring the presentation of a positive "China story," as Chinese President Xi Jinping has put it, helps to smooth the path for investments that benefit China's economy.²

The CCP recognizes that a more positive perception of China heads off criticism of Chinese investments and corruption of a country's elites. Through media cooperation agreements with BRI countries, Beijing advances information sharing intended to influence foreign journalists covering the BRI, including through conferences sponsored by the state-affiliated All-China Journalists Association.

The CCP has a large and growing set of tools it uses to advance its narrative abroad and to quiet critics, including pervasive but overt official propaganda, investment in foreign media outlets, and funding of research and academic institutions. The CCP's more aggressive use of so-called "united front work" abroad includes more covert efforts to cultivate China-friendly elites and squelch anti-China narratives by "enemy forces" abroad. These efforts are conducted through numerous Party bodies, including the increasingly powerful United Front Work Department (UFW).

NEGATIVE CONSEQUENCES FOR DEMOCRACIES

The CCP's use of these different means of influence simultaneously has a pernicious effect on developing democracies. Beijing's manipulation of the information space and discourse ensures the neutering of institutions such as an independent media and civil society which, in a healthy democracy, would expose the negative consequences for a country of China's opaque deal making and corrupt practices.

Beijing's influence plays a clear role in encouraging democratic backsliding in certain Western Balkan countries, most notably Serbia.³ China's efforts bolster the fortunes of illiberal actors eager to take credit for delivering Chinese investment in much-needed infrastructure projects, no matter the long-term costs of deals signed behind closed doors. The Party also offers increasingly sophisticated surveillance and monitoring technology to governments looking to control their populations and is increasing cooperation on domestic policing and security.⁴ Taken together, these activities lend credence to illiberal actors' claims that they can deliver economic development, security and stability through increasingly authoritarian policies.

China's influence tactics and their effects are remarkably diverse across different countries, even those within the same region. For example, Chinese financing and SOE practices are less consistent with accepted international standards in countries with looser regulation practices, public procurement rules and labor regulations. Understanding the nature of CCP influence in a certain environment is therefore critical to understanding the threat to a country and the ways in which it can be mitigated. To that end, I will now offer a case study on China's particular approach in Serbia.

CASE STUDY: CCP INFLUENCE EFFORTS IN SERBIA

Chinese leaders view the Western Balkans as a key door to Europe's broader market, and Serbia as the geographic and strategic heart of this critical region. Analysis

²Xinhua. "President Xi Urges New Media Outlet to 'Tell China Stories Well.'" *CCTV.com*, 31 Dec. 2016, english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml.

³*Freedom on the Net 2018: The Rise of Digital Authoritarianism*. Freedom House, 2018, freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism#fotn18-section-china-remakes-the-world-in-its-techno-dystopian-image.

⁴This relates to the more fundamental question of whether and how China is now proactively exporting authoritarianism to achieve acceptance of the CCP's model of governance. See Friedberg, Alan F. *The Authoritarian Challenge: China, Russia and the Threat to the Liberal International Order*. The Sasakawa Peace Foundation, Aug. 2017, www.spf.org/jpus-j/img/investigation/The—Authoritarian—Challenge.pdf; Brands, Hal. "China's Master Plan: Exporting an Ideology." Bloomberg, 11 June 2018, www.bloomberg.com/opinion/articles/2018-06-11/china-s-master-plan-exporting-an-ideology.

of China's approach to influence in Serbia is therefore uniquely instructive.⁵ China is investing rapidly in Serbia, leveraging a close relationship with Serbia's increasingly illiberal leadership.⁶

The CCP leadership views the current governance in Serbia as presenting an ideal opportunity to enhance China's influence. The Serbian Government, led by President Aleksandar Vucic, welcomes Chinese investment as a boon to its political fortunes and controls the media narrative about the bilateral relationship. Vucic and his Serbian Progressive Party (SNS) increasingly control government agencies, the national security apparatus and the media.

The CCP also benefits from the fact that it, and China generally, remains little understood in Serbia. The public maintains a mostly positive view of China, based on Chinese investment in Serbia's development and a lack of knowledge about the opaque terms of such deals. The public also is largely uninformed about the CCP and how it exerts influence abroad.

Rapidly Increasing Economic Influence

China's economic engagement with Serbia has grown steadily in response to Serbia's dire need for financing and infrastructure improvement and China's drive for strategic investments in the Balkans. China's engagement with Serbia was limited before 2009, when the two countries signed a strategic partnership agreement. The relationship transformed beginning in the mid-2010s, when Serbia began receiving significant Chinese financing for infrastructure projects. The Export-Import Bank of China financed the construction of the Pupin Bridge across the Danube River in Belgrade.

China's BRI ushered in a major influx of Chinese financing in Serbia, particularly following Xi's historic visit to Serbia in June 2016. Chinese companies now play a significant role in Serbia's industrial sector, having taken over or acquired significant stakes in major steel and copper complexes.⁷ One opposition politician has claimed that "the entire Serbian mining industry was sold to the Chinese for free."⁸

In September 2018, Vucic met Xi at the World Economic Forum in Beijing (their fifth meeting in as many years) to sign commercial agreements worth \$3 billion, including a deal for the purchase of Chinese military drones by Serbia.⁹ Chinese Government and SOE engagement with Serbia has raised hopes of improved local infrastructure and employment opportunities. However, the opacity of these deals has raised concerns among private enterprise, civil society and others that Chinese lending could create unmanageable debt loads and future Chinese leverage over the country.

Most of the commercial contracts with Chinese entities are not available to the public, with little opportunity for public review and comment.¹⁰ According to a local businessman who has worked on projects involving Chinese SOEs, Chinese officials in some cases insist upon a nontransparent bidding process for projects and the ultimate allocation of projects to Chinese SOEs. Unlike in many other BRI countries, Chinese SOEs in Serbia have not insisted on using only construction material im-

⁵ Research on China's influence in Serbia was led by Vuk Vuksanovic, a PhD researcher in international relations at the London School of Economics, and is included in the International Republican Institute's recent report on China's malign influence and the corrosion of democracies around the world. See *China's Malign Influence and the Corrosion of Democracy: An Assessment of Chinese Interference in Thirteen Key Countries*, edited by David Shullman, *International Republican Institute*, 2019, www.iri.org/sites/default/files/chinese-malign-influence-report.pdf.

⁶ Serbia's minister of infrastructure recently lauded the country's receipt of \$5.6 billion in new investment financing from China while promising a new influx of funds. See Vasovic, Aleksandar. "Serbia Wants Billions in Foreign Loans to Invest in Infrastructure." *Reuters*, 12 July 2019, www.reuters.com/article/us-serbia-investment-china/serbia-wants-billions-in-foreign-loans-to-invest-in-infrastructure-minister-idUSKCN1U71VG.

⁷ China's Hesteel Group took over a steel mill based in the city of Smederevo that was previously owned by U.S. Steel. In August 2018, the Chinese mining company Zijin Mining acquired a 63 percent stake in debt-ridden RTB Bor, the only copper mining complex in Serbia. See Sekularac, Ivana. "China's Xi Sees Serbia as Milestone on New 'Silk Road.'" *Reuters*, 19 June 2018, www.reuters.com/article/us-serbia-china/chinas-xi-sees-serbia-as-milestone-on-new-silk-road-idUSKCN0Z50DV; Vasovic, Aleksandar. "UPDATE 1—China's Zijin Mining to Take Stake in Serbian Copper Complex." *Reuters*, 31 Aug. 2018, www.reuters.com/article/serbia-copper/update-1-chinas-zijin-mining-to-take-stake-in-serbian-copper-complex-idUSL8N1VM2K6.

⁸ *China's Malign Influence and the Corrosion of Democracy*.

⁹ Zivanovic, Maya. "\$3bn Economic Agreements Boost China's Role in Serbia." *BIRN, Balkan Insight*, 18 Sept. 2018, balkaninsight.com/2018/09/18/new-agreements-boost-china-role-in-serbia-09-18-2018/.

¹⁰ Vladislavljev, Stefan. "Oversight and Control of Agreements, between China and Serbia." *BFPE*, 6 Nov. 2018, en.bfpe.org/oversight-and-control-of-agreements-between-china-and-serbia/.

ported from China, probably due in part to Serbian Government conditions.¹¹ However, Chinese SOEs have employed predominantly Chinese machinery and workers, reducing the benefits of projects to local employment and the economy.

The most prominent Chinese project in Serbia is the high-speed railway connecting Belgrade with Budapest, Hungary, inked in 2013. However, little progress has been made on implementation, raising questions about the project's utility and feasibility. The railway nevertheless has been touted as "the signature project of the 16+1 framework," a grouping established by China to facilitate engagement between itself and Central and Eastern European countries, including Serbia, and increase its influence across the region.¹²

Serbian demand for infrastructure financing from China is reinforced by delays in Serbia's progress toward EU accession. China also gains relative advantage in Serbia because Chinese funding, unlike that from the EU, is disbursed quickly. As one local businessman with a history of engagement with Chinese SOEs argued, Serbia's economic urgency plays into China's hands: "The EU is telling Serbia you will have something tomorrow, but today you must starve, while the Chinese come with the money right away."¹³

China's ability to ensure such funding correlates with Serbian political cycles of offers opportunities for corruption and enhances China's influence with elites.¹⁴ Serbian politicians able to secure Chinese financing around election time can promote themselves to their constituents as enablers of Chinese capital inflows. Many of those same politicians and elites find the lack of transparency in Chinese funding appealing, creating rent-seeking opportunities.

Thriving in a Controlled Media Space

The CCP goes to great lengths in many countries to shape the information space to ensure a positive view of China's engagement. In today's Vucic-led Serbia, however, China has not needed to aggressively influence debate about its impact on Serbia. This is because China's activities are perceived as largely benign by the Serbian public, and the government—led by Vucic, who has called the friendship with China one "made of steel"—ensures this positive view of China through its control over the information and media sphere.¹⁵

Government-friendly media does not report news that critically examines China's role in the country. The Serbian media, echoing the country's political leadership, typically (and incorrectly) presents Chinese financing as "gifts," not loans. Consequently, China can rest assured that under the Vucic administration relatively little critical information on Chinese activities will surface in outlets that influence Serbian public opinion.¹⁶

The CCP has sought to further enhance this positive view by cultivating ties with cultural and political elites (including the political opposition) and establishing institutions that could help shape the narrative about China in the future. China supports the Center for International Relations and Sustainable Development (CIRSD), a think tank led by a former Serbian foreign minister and opposition politician Vuk Jeremic, which holds events and releases publications about the benefits of BRI and the expanding China-Serbia relationship. CIRSD is partly funded through CEFC China Energy, a CCP-linked conglomerate marred in corruption scandals.¹⁷

¹¹For instance, the contract for the construction of the Pupin Bridge mandated that 45 percent of the construction material originate from Serbia. See www.beograd.rs/index.php?kat=beoinfo&lang=cir&sub=1363983%3f (in Serbian).

¹²Ferchen, Matt. "China's Troubled Hungary-Serbia Railway Project: A Case Study." *Carnegie-Tsinghua Center for Global Policy*, 12 Dec. 2018, carnegietsinghua.org/2018/12/12/china-s-troubled-hungary-serbia-railway-project-case-study-pub-78100.

¹³*China's Malign Influence and the Corrosion of Democracy*.

¹⁴Makocki, Michal. "China in the Balkans: The Battle of Principles." *European Council on Foreign Relations*, 6 July 2017, www.ecfr.eu/article/commentary-china-in-the-balkans-the-battle-of-principles-7210.

¹⁵"Vucic: Serbia-China Friendship Made of Steel." B92, 12 Mar. 2018, www.b92.net/eng/news/politics.php?yyyy=2018&mm=03&dd=12&nav-id=103685.

¹⁶Those programs that do appear on Serbian media concerning China are typically overwhelmingly positive. In 2017, the national broadcaster Radio Television of Serbia (RTS) ran a series of Chinese Government-produced television documentaries on China, including one on the Silk Road. See www.rts.rs/page/rts/sr/rtspredstavlja/story/267/najnovije/2919597/najbolji-kineski-dokumentarci-utorkom-na-drugom.html (in Serbian).

¹⁷*Briefing Paper IV: External Influence in the Cultural & Religious Sphere. Western Balkans at the Crossroads: Assessing Non-Democratic External Influence Activities*, www.balkan-crossroads.com/bp-iv-culture-religion; Zhang, Shu and Chen Aizhu. "China CEFC Founder Ye Named in Corruption Case—State Media." *Reuters*, 12 Oct. 2018, www.reuters.com/article/china-corruption-cefc/chinas-cefc-founder-ye-named-in-corruption-case-state-media-idUSL4N1WS261.

Additionally, Serbia hosts two Chinese Government-sponsored Confucius Institutes promoting Chinese culture—and official government viewpoints—at prominent universities in Serbia, and China is investing 45 million euros to build a cultural center on the site of the Chinese Embassy building destroyed during the NATO air campaign in 1999.¹⁸

Benefiting from—and Exacerbating—Authoritarian Trends

The authoritarian tilt of Serbian politics, characterized by Vucic’s growing domination of the political scene and its institutions since 2012, has facilitated China’s integration into the Serbian economic and political landscape. Vucic and SNS Government control allows for one point of focus for Chinese SOEs’ and government lobbying resources. Serbia’s “soft autocracy” provides few roadblocks to Chinese influence, with very few institutional or societal checks on China’s influence or insistence on greater transparency in negotiations with Serbian officials. The lack of Serbian expertise in both academic and policy circles on China and the CCP’s means of influence ensure limited public debate about the risks of opaque Chinese investment deals and growing coziness with the ruling government.

China’s influence, in turn, has facilitated Serbia’s tilt toward soft authoritarianism by bolstering the fortunes of illiberal Serbian leaders who use the influx of Chinese investment to promote themselves domestically as those who can deliver needed infrastructure development.

The growing role of Chinese technology firms in Serbia, particularly in the country’s surveillance ecosystem, presents another avenue of potential CCP influence in the country and a means of bolstering government control over the Serbian populace. Chinese telecommunications giant Huawei has a cooperation contract with Serbian telecommunications company Telekom Srbija, and the Serbian Government has signed a contract that would allow Huawei equipment to be used for traffic surveillance.¹⁹

The Serbian Interior Ministry has contracted with Huawei to provide cameras and facial recognition software for its “Safe City” project and announced the planned installation of a thousand cameras in 800 locations in Belgrade.²⁰ The Ministry did not, however, explicitly cite Huawei as a supplier, possibly to avoid attention given the sensitivity surrounding the company and its ties to the Chinese Government.²¹

China’s growing security ties to Serbia also have the potential to exacerbate authoritarian trends. In August 2019, Serbia’s Interior Minister announced that officers from China would join police patrols in certain Serbian cities, ostensibly in an effort to help Serbian police officers in their interactions with growing numbers of Chinese workers and tourists.²² It is impossible at this point to know exactly what the agreement entails because it is not available to the public—a troubling indicator by itself. This police-to-police cooperation nevertheless could import authoritarian tactics used in China against protesters, political dissidents, and ethnic and religious minorities to Serbia and other countries in the region.

The CCP’s increasingly tight relationship with the current Serbian Government points toward potentially negative consequences for Serbia’s increasingly fragile democracy. The SNS-led government appears inclined to pursue even closer ties with China. In 2017, the Serbian Government established the National Council for Coordination of Cooperation with the Russian Federation and the People’s Republic of China, led by a former Serbian president. This new government office may represent yet another channel of potential influence for the CCP going forward.

RECOMMENDATIONS FOR COUNTERING CHINA’S MALIGN INFLUENCE

Despite China’s growing influence in Serbia and the Western Balkans generally, a nascent but increasing awareness of the risks of expanding, under-scrutinized economic deals with Chinese entities and CCP cultivation of elites provide a foundation for resilience to China’s influence. Greater knowledge of China’s influence tactics and the capacity to counter them across civil society and independent media in Western Balkan nations is critical to better protect the region’s democracies.

¹⁸Xinhua News Agency. “Confucius Institute in Belgrade, Serbia, Celebrates Its 10th Anniversary of Establishment.” *Hanban*, 25 Oct. 2016, english.hanban.org/article/2016-10/25/content-661564.htm.

¹⁹“Serbia and China Sign Several Important Documents.” B92, 18 Sept. 2018, www.b92.net/eng/news/business.php?yyyy=2018&mm=09&dd=18&nav-id=105087.

²⁰China’s Malign Influence and the Corrosion of Democracy.

²¹China’s Malign Influence and the Corrosion of Democracy.

²²The visa regime between Serbia and China was liberalized in 2017, contributing to a rapid increase in the number of Chinese tourists. See “Visa Regime for Entering Serbia.” Ministry of Foreign Affairs of the Republic of Serbia, mfa.gov.rs/en/consular-affairs/entry-serbia/visa-regime/81-consular-foreigners-to-serbia/11411-china-for-cons.

The CCP's approach will not change unless it sees fewer benefits to aggressively acquiring influence in developing countries. Chinese officials and companies take a harder line in countries where governance, transparency and the rule of law are lacking. On the other hand, there are increasing indicators that China moderates its influence efforts in the face of pushback by recipient governments.

The United States and its partners therefore must invest resources in inoculating targeted countries against the malign effects of China's influence. This can be accomplished through two complementary efforts: 1) offering countries alternatives to Chinese investment and assistance on how to negotiate and structure future deals with China; and 2) building the resilience of developing democracies to the malign effects of CCP influence.

First, the United States and partners in Europe should offer Western Balkan countries both alternatives to China's investment and financing practices and technical assistance on project evaluation and negotiation. The administration and Congress have taken some important steps, including the passage of the Better Utilization of Investments Leading to Development (BUILD) Act creating the new U.S. Development Finance Corporation (DFC). The DFC must not be viewed as directly competing with a massive state-financed infrastructure initiative like the BRI. Instead, through targeted support for private enterprise in critical countries limited in their financing choices, the United States can help establish higher common standards for transparency and sustainability that both regional government officials and their publics may increasingly demand over time.

The United States should work closely with likeminded partners and allies to offer such training and alternatives. Wherever possible, the United States should work with multilateral development banks and partners such as the EU to offer infrastructure alternatives to developing countries.

Second, the United States must dedicate resources to bolstering the capacity of civil society, political parties and independent media in developing countries. These democratic institutions are critical to recipient countries' ability to monitor and evaluate Chinese project implementation practices, expose and prevent instances of elite capture, and promote the rule of law. Transparency and investigative journalism are essential to ensuring the resilience of recipients of Chinese financing, particularly in countries with leaders happy to conclude deals behind closed doors.

The availability of accurate information permits broad public debate about how to engage China amongst business, civil society, government officials and local communities affected by infrastructure projects. In so doing, national interests are protected and equitable benefits assured across a society.

In addition, host governments at the central and local level should be encouraged to build greater transparency into economic deals with China. Washington should prioritize assistance for government and nongovernment actors in Western Balkan countries like Montenegro that are deemed particularly vulnerable to CCP influence as a result of significant debt owed to China.

The United States should also work with its country partners to raise awareness of CCP influence efforts in think tanks, universities, NGOs and media where impartial expertise on China and the nature of the Party and its tactics is lacking.

None of these efforts to counter the malign aspects of China's influence in the Western Balkans will be easy or achievable without a sustained U.S. dedication to working with and assisting fragile democracies across the region. There is no alternative, however, if Washington hopes to prevent the spread of authoritarianism in the region and preserve the region's ties to the democratic West. The United States must recommit to the hard work of defending democracy around the world.

Senator ERNST. Finally, Mr. Bugajski. Thank you very much.

STATEMENT OF JANUSZ BUGAJSKI, SENIOR FELLOW, CENTER FOR EUROPEAN POLICY ANALYSIS

Mr. BUGAJSKI. Thank you. Thank you, Chairman Ernst, Ranking Member Peters, and all members of the subcommittee.

I must commend the committee on the timing of this hearing. There are a lot of anniversaries this year, but today is the 80th anniversary of the Soviet invasion of Poland in alliance with Hitler's Germany to carve up central Eastern Europe. And 80 years later, Vladimir Putin's Russia is still carving. One of its targets, as we are speaking today, is the Balkan Peninsula. For Moscow, South-

east Europe provides an opportunity to undermine Western unity and extend Russia's influences.

China, as we have heard, is also pursuing a strategy of influence expansion by exploiting Balkan volatility, poor economic performance, and limited Western integration. While Russia remains the main near-term adversary of the West, China is developing into a more formidable long-term threat. Russia is a revisionist aggressor, but its capabilities will decline in the midst of economic stagnation and a potential succession crisis. In contrast, China is a steadily growing global competitor with a strong economy and a more durable strategy designed to surpass Europe and America.

At present, China and Russia are strategic partners intent on weakening Western cohesion, and Beijing benefits from Moscow's disruptive actions that distract the United States from China's ascendancy, while Chinese economic leverage can undermine NATO's collective response to Russia's attacks.

Moscow's strategic objective is to reverse the transformations of the post-Cold War era during which it forfeited its regional predominance. A key element of Russia's strategy is to expand what they call a Eurasian pole of power to ensure primary influence in neighboring states and in regions where Russia has been historically active. It seeks to weaken NATO, divide the EU, and split the United States from its European allies. As we have heard, it deploys a broad arsenal of political, financial, economic, and informational tools to achieve its objectives.

The Balkan Peninsula is NATO's internal frontier. The Kremlin views the Western Balkans as Europe's weakest flank where competition with the U.S. can be intensified, conflicts manipulated, new allies found, and economic opportunities exploited. Let me just outline five main inroads that Russia has in the region. I developed this in the actual testimony I submitted.

One, promoting local nationalism to undermine support for NATO and to stir conflicts between rival nationalist projects.

Two, corrupting politicians and businessmen to enable greater state penetration.

Three, leveraging energy dependence to gain economic and political advantages.

Four, conducting propaganda offenses through local media and social networks to enhance Russia's position and undermine Western institutions.

And five, forging inter-societal ties that increase Moscow's influence. These include Orthodox churches, political parties, cultural organizations, and so forth.

Beijing has three main goals in Southeast Europe. We have heard this. Let me just reiterate.

Expanding China's economic reach through its Belt and Road Initiative. Here the Balkan Peninsula is a focal point for maritime and overland routes into Europe. Balkan Governments welcome investments that rescue declining industries, but then become vulnerable to predatory lending and the surrender of national infrastructure.

Two, turning economic penetration into political influence. In exchange for financial investment, Beijing seeks diplomatic support

for its policies or to neutralize criticisms of its policies in international institutions.

And three, diminishing United States and EU influence. China and Russia have developed convergence in such areas as anti-democracy promotion, diplomatic offensives, and disinformation campaigns.

Regarding flashpoints—we can talk about this a little bit more maybe in questions and answers, but the deadlock in Bosnia-Herzegovina, obviously, and the standoff between Serbia and Kosovo. Those are the two main areas we should be looking at. If the crises escalate, this could pull in neighboring countries. I will not talk too much about this at the moment.

But let me just finish with U.S. national interests. What are our interests? I would say this:

An unstable and conflictive Balkans undermines United States national security, and a diplomatic retreat would be viewed as a major American defeat. If you remember, we have invested over the past 20 to 30 years enormous diplomatic, political, and military capital in the region. For us to sustain any sort of major defeat, a new war particularly in Bosnia or between Kosovo and Serbia, would be a major disaster. Russia and China would not only gain from this, but they would also use that new momentum to subvert other European states.

To prevent this, Washington must focus on four objectives in Southeast Europe. I will be very quick, my last points.

One, reinforcing security by including the entire peninsula inside NATO. I do believe eventually Serbia itself will want to be a member.

Two, resolving the Kosovo-Serbia and inter-Bosnian disputes that we can talk about in more detail.

Three, containing China, as we have heard, limiting its investment and increasing ours.

And four, reversing Russia's influences throughout Europe.

I have submitted to the committee a recent report I published for the Baltic Defense University on conducting an extensive strategic offensive against Moscow rather than simply playing a static defense. It is entitled "Winning the Shadow War with Russia," (please see Appendix A).

Last point. Moscow's subversion of the Balkans in the wider Europe is not simply malign, as I often hear. It is destabilizing and it is very dangerous.

I will stop there. Thank you.

[The prepared statement of Mr. Bugajski follows:]

PREPARED STATEMENT BY JANUSZ BUGAJSKI

RUSSIA AND CHINA FOMENTING INSTABILITY IN SOUTHEAST EUROPE AND UNDERMINING UNITED STATES NATIONAL INTERESTS

Chairman Joni Ernst, Ranking Member Gary Peters, and members of the Subcommittee on Emerging Threats and Capabilities, thank you for the opportunity to speak with you today about the escalating threats from Russia and China in South-eastern Europe.

I must commend the committee on the timing of this hearing. Today is the 80th anniversary of the Soviet invasion of Poland in an alliance with Hitler's Germany to carve up Central-Eastern Europe. 80 years later Vladimir Putin's Russia is still

carving and one of its targets is the Balkan peninsula. For Moscow, southeastern Europe provide an opportunity to undermine Western unity and extend Russia's influence. China is also pursuing a strategy of expansion by exploiting Balkan volatility, poor economic performance, and limited Western integration.

While Russia remains the main near-term adversary of the West, China is developing into a more formidable long-term threat. Russia is a revisionist aggressor trying to subvert the trans-Atlantic world but its capabilities will decline in the midst of internal turmoil and a looming succession crisis. In contrast, China is a steadily growing global competitor with a strong economy and a durable strategy designed to surpass Europe and America.

RUSSIA-CHINA ANTI-WESTERN AXIS

1. China and Russia are strategic partners intent on weakening Western cohesion. Beijing benefits from Moscow's disruptive actions that distract the United States from China's ascendancy, and Chinese economic leverage can undermine NATO's collective response to a Russian attack. In a worst-case scenario, both states may coordinate a simultaneous military offensive against neighbors—for instance, Ukraine and Taiwan respectively—calculating that this would disperse and dilute America's reaction.
2. Although predatory powers such as Russia and China may cooperate against a third party they are always mindful of competition and encroachment on each other's domains. This can turn partners into rivals, especially where the weaker party becomes economically or militarily dependent. Russia's capabilities will diminish and China will present a major threat to Moscow's Eurasian aspirations by reorienting Central Asia away from its orbit and challenging Russia's territorial integrity in Siberia and the Pacific Coast where the Chinese population is growing.
3. Washington should not be distracted by China's rising ambitions by failing to tackle Russia's current shadow war against Western integrity. To secure its national security and defend its allies and partners, the United States needs to develop a strategy of leverage that promotes discord and division between Russia and China, its two major adversaries. A strategy of "divide and rule" is long overdue in American foreign policy.

RUSSIA'S STRATEGY AND OBJECTIVES

1. Moscow's broad strategic objective is to reverse the transformations of the post-Cold War era during which Russia lost its satellites, forfeited its regional predominance, and relinquished its global role. A key element of Russia's strategy is to expand a Eurasian "pole of power" to ensure its primary influence in neighboring states and in regions where it was historically active.
2. Moscow's strategic objective necessitates weakening NATO's security posture throughout Europe, dividing and fracturing the European Union, splitting the United States from its European allies, and eroding America's global influence by undermining its political system and discrediting its leadership role.
3. To compensate for its military and economic weakness vis-à-vis the West, Moscow deploys a broad arsenal of political, financial, economic, and informational tools to achieve its objectives. It systematically capitalizes on Western vulnerabilities, whether through cyber attacks, disinformation, corruption, blackmail, social disruption, or other "soft power" weapons.

RUSSIA'S OFFENSIVES IN THE WESTERN BALKANS

The Balkan peninsula is NATO's internal frontier where Moscow can challenge United States and European interests and project its Eurasian agenda. The Kremlin views the Western Balkans as Europe's weakest flank and a subversion zone where competition with NATO and the United States can be increased, latent conflicts manipulated, potential new allies found, and economic opportunities exploited. Russia pursues five main inroads in the region.

1. Promoting local nationalisms to undermine support for NATO, the United States and the EU, to mobilize backing for Moscow, and to stir conflicts between rival nationalist projects enabling the Kremlin to offer targeted assistance.
2. Corrupting national politicians and local businessmen to favor Russian economic interests, enable greater societal penetration, to support Moscow's foreign agenda, and oppose Western policies such as sanctions against Russia.

3. Fostering energy dependence by tying Balkan countries into gas projects controlled by Gazprom, and buying into local pipelines, refineries, and other energy facilities. Energy dependence is exploited to gain diplomatic and political leverage. Other economic sectors where Moscow seeks influence include metallurgy, arms supplies, banking, and real estate.
4. Launching propaganda offensives through local media, internet, and social networks to enhance Russia's position and undermine Western institutions. Various messages are intended to appeal either to anti-globalist, Euro-skeptic, and anti-American sentiments or to ultra-conservative and religious orthodox constituencies in which Russia poses as the defender of traditional values and the EU and United States are depicted as immoral and deviant.
5. Forging numerous inter-societal connections that increase Moscow's political influences. These include Orthodox Churches, political parties, cultural organizations, historical societies, sports clubs, and lifestyle groups, including bikers clubs, gun lobbies, and paramilitary survivalist groups.

The Kremlin benefits from frozen conflicts and frozen states. In Bosnia-Herzegovina it encourages the Serbian entity to keep the country divided and question its future as a single state. In Kosova, Russian officials claim the Serbian population is repressed in order to undermine Kosova's independence and raise the specter of partition. Kosova is blocked from entering the UN, primarily by Russia's opposition. Unresolved conflicts and disputed states enable the Kremlin to claim that NATO has failed to stabilize the region and slow down West Balkan progress toward EU integration. This benefits Moscow by forestalling the implementation of the Union's legal standards and facilitating the corruption of national leaders.

The promotion of Balkan instability distracts attention from Moscow's offensives elsewhere. Intensifying disputes can preoccupy Western diplomacy and give the Kremlin a freer hand to pursue its neo-imperial objectives in the former Soviet Union. However, Moscow has also suffered several significant Balkan defeats, including Kosova's independence, Montenegro's NATO membership, the resolution of the Macedonian-Greek dispute, and North Macedonia's pending entry into NATO. Much of this progress is driven by a consistent U.S. policy to bring the entire peninsula into a secure Western alliance.

CHINA'S PENETRATION OF SOUTHEAST EUROPE

The Chinese regime has no design to capture territory or impose its system of government on states outside its immediate sphere of influence. Instead, it has three main goals as demonstrated in its policy toward southeast Europe.

1. Expanding China's economic reach to affect global standards for trade and investment that favor Beijing over its competitors. Beijing's Belt and Road Initiative linking China with Europe envisages the Balkan Peninsula as a focal point for maritime and overland routes into Europe. Chinese companies purchase cargo terminals and finance roads and railways throughout southeast Europe. Its investments ignore EU procurement regulations and its loans and export credits are debt traps often tied to the employment of Chinese companies and labor. Although Balkan Governments welcome investments that rescue declining industries, they are vulnerable to predatory lending and the surrender of national infrastructure.
2. Leveraging economic penetration into political influence. In exchange for financial investments, Beijing seeks Balkan diplomatic support for its policies or muted criticism in international institutions. Its investments in the Greek port of Piraeus help ensure that Athens dilutes EU condemnations of China's human rights record and its ambitions in the South China Sea. This formula is repeated across Europe with Beijing aiming to divide Europe from the U.S. and prevent the emergence of an anti-China front.
3. Diminishing United States influence and undercutting EU enlargement. China and Russia have developed significant convergence in such areas as anti-democracy promotion, diplomatic offensives, and disinformation campaigns. China's ambitions are also evident in expanding intelligence activities and cyber hacking.

BALKAN FLASHPOINTS

Several flashpoints in the Western Balkans could precipitate a wider crisis and are fuelled by a number of destabilizing factors.

1. Danger that the deadlock in Bosnia-Herzegovina may spiral into a more menacing conflict. Bosnia's status quo is not indefinite and the ingredients are

present for another violent implosion. There is no functioning central government between election cycles, the Serbian entity threatens to secede, Croat nationalists are demanding a third entity, and Bosniaks are caught frustrated in the middle as the economy stagnates. In one scenario, Bosnian Serb leaders may reject key reforms that stitch the country together, withdraw representatives from the central government, and announce a referendum on independence. Such moves could trigger renewed violence.

2. The Kosova-Serbia dialogue has stalemated and a process of normalization is needed that can lead to bilateral recognition. If the current standoff is not resolved it may encourage nationalist and irredentist forces on both sides. Belgrade and Prishtina should take steps to de-escalate their disputes. For instance, Prishtina can lift its tariffs against Serbia and Belgrade can lift its blockage of Kosova in entering international institutions. The question of territorial exchanges can contribute to domestic and inter-state disputes if its feasibility is not openly debated. The new United States Special Representative can reinvigorate the Belgrade-Prishtina dialogue, but he will face stiff local resistance, weak EU leadership, and Russian sabotage.
3. The region confronts persistent corroding influences, including corruption, clientalism, and partisan polarization. These are flawed democracies, whereby a party that wins elections gains control of all institutions and unmonitored access to state funds that benefit party loyalists. Youth unemployment and out-migration remains high and public frustration with corrupt and incompetent governments is rising. Conversely, economic growth is contingent on political legitimacy, the rule of law, social stability, and investor confidence, all of which are lacking in much of the region.
4. Blockage in EU membership contributes to regional instability. EU entry is widely supported because of the benefits it bestows, including accession funds and investments. Although several states are EU candidates, the Union has decided on a prolonged pause in its Balkan enlargement. The six aspirant states confront an indefinite limbo that can discourage reform, stimulate EU skepticism, and boost nationalist sentiments. This in turn would provide ammunition for EU politicians who oppose further expansion.
5. Moscow continues to undermine regional stability and prevent Western integration. Russian diplomats, local agents, and disinformation activists can engage in various provocations, conspiracies, and influence operations. They will encourage intransigence in Belgrade and Bosnia's Serb entity and probe for new opportunities to create mayhem and test Washington's resolve.

IMPACT ON U.S. POLICY

An unstable and conflictive Balkans undermines United States national interests and NATO's future as a provider of collective security. Washington has invested substantial diplomatic, economic, and military capital in the region and has registered major success in ending two wars, building legitimate states, and including new allies in NATO. A diplomatic retreat would be viewed as a major American defeat and could pull the West into another violent conflict in the years ahead. Russia and China would capitalize on any United States failures and gain fresh momentum to subvert other European states. The U.S. National Defense Strategy specifies that strengthening America's alliances and attracting new partners is crucial for an effective strategy. By working with allies and partners Washington can focus on four objectives in southeast Europe:

1. Reinforcing security by assimilating the entire peninsula inside NATO, including North Macedonia, Bosnia-Herzegovina, Kosova, and Serbia. Serbian leaders and military officers will eventually calculate that NATO is the most effective force to enhance Serbia's military modernization.
2. Resolving the Kosova-Serbia and intra-Bosnian disputes through intense negotiations and the offer of concrete incentives and disincentives. The appointment of a U.S. Special Representative is an important step forward, as long as he has the authority to make key decisions.
3. Containing China by implementing policies that limit Chinese investments but without damaging the economic development of affected countries. Western competitiveness in foreign markets needs to be boosted and alternative sources of infrastructure financing made available. China's investments must be made more transparent, adhere to international standards, and not push governments into becoming indentured debtors.

4. Reversing Russia's influences in Europe through an intensive and extensive strategic offensive. Moscow's presence is not simply malign, but destabilizing and dangerous. I am submitting to the committee a recent report I published with the Baltic Defense University on conducting a multi-pronged offensive against Moscow rather than simply playing a static defense. Entitled "Winning the Shadow War with Russia" it details six major arenas: Exposing Influence Operations; Countering Informational Offensives; Cyber Defense and Counter-Attack; Economic and Financial Penalties; Military and Security Instruments; and Managing Russia's Dissolution.

Senator ERNST. Thank you very much to our witnesses.

Many of you did mention Russia's disruptive actions in the Balkans, but we really would like to shed some more light on what China has been up to. I will start with my line of questioning there.

Dr. Shullman, what are China's political and security objectives in the Western Balkans?

Dr. SHULLMAN. China's political and security objectives in the Western Balkans can be seen as kind of a subset of China's broader goals in Europe. Some of these have already been covered, but I would say: First is to ensure that there is a wedge overall in the transatlantic alliance and that there is not a unified European and American approach to China, which serves China's interests long-term, whether it is on issues such as trade and economics, whether it is on technological issues, or whether it is on human rights. That is the first.

Secondly, there is a goal on the part of the Chinese leadership to peel off individual countries as it comes to Chinese core interest issues, such as the South China Sea, such as what happens at the UN Human Rights Council, whether that is individual countries representing themselves or to prevent there from being a unified European approach, as happened with Greece, as has happened with Hungary, given Chinese influence in those countries.

Lastly, I think I should just underline that there really is a normative aspect to this. China is globally trying to legitimize its rise as a great power under a Leninist political system, and at the heart of this, they need to break down the assumption that there needs to be a connection between democracy and development. The Chinese have been going around now—Chinese leader Xi Jinping at the Chinese Party Congress in October was very explicit about the fact that there should be an acceptance of the authoritarian path to development. If there is not a unified European and United States response to this, if there is acceptance in countries in the Western Balkans and other developing nations within Europe of the Chinese mode of development, that gets China a long ways towards its goals.

Senator ERNST. Can you talk about some of those strategies as well? What tools and techniques is China using then to drive that wedge between some of these countries to peel them off? What would you say some of those are?

Dr. SHULLMAN. I have not seen in my research evidence yet of the fact that China is using the massive amounts of economic leverage that it has now built up in some of these countries, Serbia being one, Montenegro being one, potentially also Bosnia, to use that to achieve political goals against what the EU intends or what the United States intends. But the ability is there. I think the fact

that we see in a country like Serbia China bolstering the leadership and bolstering its illiberal trends is an indication that China has goals that tend to peel these countries away from the democratic West.

I would say too, some of the tactics that China is using in the information domain in other countries around the developing world they do not have to use in some of these countries because they are basically pushing on an open door. In a country like Serbia, which as I mentioned in my remarks, the leadership controls the information space, China does not need to use what the National Endowment for Democracy has termed “sharp power” because the leadership is doing it for it. This is the case in Bosnia and, I would argue, in a couple other countries as well.

That does not mean that they are not building up the potential to use that. We have seen China cultivating friends throughout—to use Serbia again—Serbian research institutions, funding them, also using, potentially, corruption to achieve elite capture in some of these countries and ensure that when decisions are made, they will go in China’s direction.

There are some of these tools that they have the potential to use but which they have not had to use generally in the Western Balkans as they have in Asia, Africa, and other places.

Senator ERNST. Right. Certainly.

Mr. Wilson, as we are looking at the DOD’s China Military Power report for 2019, they warned that China’s advancement of projects, such as the Belt and Road Initiative, will probably drive military overseas basing through a perceived need to provide security for those projects.

Should the United States be concerned about security implications of Chinese infrastructure in the Western Balkans?

Mr. WILSON. Yes, I think we should be. I think we have seen this trend develop first closer to China, as we saw in the Indo-Pacific region in South Asia, continuing along the Horn of Africa, as we saw in Djibouti as well. We have seen the infrastructure of Belt and Road be followed by an infrastructure supported through military support for that.

We have seen the investments that China has made in Europe, whether it is in the Balkans or as far north as the Nordics in port facilities. We have also noticed at times very concerning strategic decisions of the Chinese to secure locations that provide proximity to United States forces, oversight of United States forces, whether it has been in Djibouti or in the north of Europe.

I think part of what we are facing is a long game, a long-term game by Beijing that is, first, looking at how to neutralize European hostility to Chinese interests, whether Taiwan or human rights, to over time begin to split Europe from the United States in any potential confrontation we may have and I think, as Dr. Shullman said, ultimately to help make the world safe for autocracy and kleptocracy. They lead with the economic side, and we have seen a track record of following through with military infrastructure to support that.

Senator ERNST. Right. Thank you.

My time has expired. We will probably do several rounds here, but at this time, we will go to Senator Peters for his questioning.

Senator PETERS. Thank you, Madam Chair.

Dr. Shullman, I want to pick up on something that you mentioned in your opening comments and talk about how China wants to support illiberal governments and authoritarian type governments that may exist in these fragile democracies.

One area that I have always been particularly concerned about is the advance of technology and technology to provide surveillance. You mentioned the Safe City initiative, the ability for governments now to perhaps exercise influence, malign influence, over their populations through the use of technology, through social media, through cyber techniques, but particularly the Safe City which is going to have facial recognition opportunities, to be able to see where the people are. You mentioned that people may be afraid to protest the government to exercise basic government freedoms.

Expand on how you see the use of this type of technology to undermine Western liberal type principles in these countries, and what is it that you are most concerned about?

Dr. SHULLMAN. Thank you for that question.

What we have seen globally but also obviously now in Serbia and other countries in the Western Balkans is a dynamic where China is trying to export surveillance tools. It is also sharing these kind of tactics that come with the Huawei Safe Cities program, which advances surveillance capabilities. Part and parcel of that in many countries is also training on cybersecurity in the Chinese fashion, in addition to ensuring that countries are trained on how to use the surveillance technology to enable them to best control their populaces.

In a lot of these countries where you have trends that are going in an illiberal direction and you have a leader who is in power, not only do you have China bolstering that direction by funding them and by investing, but by giving them the tools to ensure that they are able to maintain that power and to monitor their populace and their citizens, much in the way that China and the Chinese Communist Party do at home.

This is not quite what we have seen in western China in Xinjiang, which is really an Orwellian state of affairs out there and shows how bad it could get, but the fact that China is exporting these technologies to these countries and giving them the training indicates that we could be going in a direction in some of these countries ensuring that autocrats not only come to power but then stay in power for a significant amount of time.

Senator PETERS. Well, the Chinese are pushing and helping autocrats in these countries.

What should the United States be doing to help pro-democracy groups within these countries and to strengthen democratic institutions? Probably I would like to give it to all three of you. We can start with you, Mr. Shullman, because you started this, but then if we can get the other two witnesses. Should the United States be more actively involved in pro-democracy groups within those countries? Are we doing enough? Should we be doing more? What is your assessment?

Dr. SHULLMAN. I absolutely think we should be doing more to help them both understand the nature of the Chinese Communist Party and how it exerts influence to give them the tools to expose

what China is doing, to expose what their own officials are doing in their name with China, whether it is through these opaque deals or in signing up to things like this Huawei deal which, by the way, was actually referred to as a confidential deal when Serbian citizens had the temerity to actually ask for the details of what had happened. Giving them the tools to know and to expose what is happening in their own country and then giving them also the ability to have a strong civil society push to make sure that there is a wide conversation and a debate about the wisdom of going down a certain path with China.

As I said in my remarks, it is not the case that China's approach in every country under the sun is the same, and China behaves better—not perfectly, but better—in countries where there is transparency, where there is good governance, and where their actions are exposed in sunlight.

Senator PETERS. Mr. Wilson?

Mr. WILSON. Thank you for that question.

I would agree that we should continue our support and step that up for democratic institutions, for civil society, for a free media. But I think we need a more structural strategic response because what we are seeing is the mixture of what has been traditional endemic patronage networks where political forces in the Balkans control their populations through jobs and other opportunities and now that being fueled by the advent of new technologies and potential financing from other autocratic powers like China itself.

The challenge we face is that for so long our incentive that as you reform at home, you gain access to our markets and you will join our clubs of NATO and the EU, is being outweighed through the short-term gains that can be offered through easy financing, easy cash from China. I think this is going to take a little bit more of a strategic play of the United States and the European Union together to use some of the leverage we have.

If we look at the real numbers, the region is exporting 72 percent to the EU and 3 percent to Russia, less than 1 percent to China. The real economic weight of Europe and the real security presence of the United States do outweigh the presence of Chinese and Russian forces, and I think we need to use that leverage most importantly I think to reestablish the sense of movement strategically towards the transatlantic community.

This is why for me the number one priority is the Kosovo-Serbia deal. In the absence of that deal, retrograde forces, nationalist forces remain somewhat emboldened with a deal that drains the oxygen from them, and I think it allows us to actually invest more in Serbian democracy and Kosovo civil society.

Senator PETERS [presiding]. My time is up. I am going to hold off because we are in a vote. I am going to let Senator Shaheen go. But I want your answer later. We will hold off that later. But Senator Shaheen will go next. I am sure she will want to go vote.

Senator SHAHEEN. Thank you.

Mr. Wilson, I just wanted to follow up on what you were saying because I very much agree with that, and I agree that a settlement between Kosovo and Serbia is very important.

But I am still back on North Macedonia and making sure that it gets entered into NATO. You mentioned in your opening remarks

how important that is. Because that is being held up in the Senate by a small group of people, can you talk how important it is for us to get that done and get it done expeditiously?

Mr. WILSON. Yes, Senator. I think this is a number one priority. There would be no easier strategic defeat for our interests and victory for particularly Russian interests than for us to trip up on failing to move forward rapidly with the ratification of North Macedonia as the 30th member. We went through this a little bit on Montenegro. In the wake of a Russian-backed coupe attempt, the greatest strategic win for Russia would be for us to lose the confidence in moving forward with NATO enlargement to anchor in countries that have made tough choices—in this case, North Macedonia. I think that is a first order strategic imperative to show confidence in ourselves, in our institution, and in the reforms that have fueled North Macedonia to join.

Senator SHAHEEN. I totally agree with that, and I think both the leadership in North Macedonia and Greece deserve a lot of credit for approving the Prespa Agreement and for moving forward at a time when it was not clear that their populations fully supported those decisions. I think they deserve a lot of credit, and it is important for us and for the rest of the NATO countries to approve those agreements as quickly as possible.

That leads to the second part of that question, which is accession negotiations with the EU, which again I know that that is an ongoing issue with Serbia in terms of getting some agreement with the EU. Having the ability for North Macedonia to enter into accession negotiations I think is very important.

Can you talk about what the challenge is with the EU and their willingness to continue to move forward with that process for both Serbia and North Macedonia and for other countries?

Mr. WILSON. Certainly. I think this is a top strategic issue. The challenge is in Paris a little bit and The Hague. There were expectations that the EU could have moved forward already with opening accession talks certainly with North Macedonia, potentially with Albania. That decision in deference to some German parliamentary maneuvers, as well as French political concerns, has been punted till October.

I think the only one sitting on the sidelines sort of waiting and cheering to see this trip up would be those sitting in Moscow, that after the extraordinary political capital and political courage demonstrated both in Athens and Skopje to come to a deal on North Macedonia, an opportunity to overcome some stagnation that resulted from the failure to move forward in 2008 at the Bucharest summit, both closing the NATO deal and opening accession talks with the European Union are key ways to give oxygen to those that are progressive reformers in the region. If we want to see kleptocratic networks, authoritarian regimes, patronage networks develop, we just need to pull back from those that are taking some of those tough decisions. This comes to a head right now here in the Senate, but also in the EU as it approaches a decision in October for Albania and North Macedonia and albeit this is to open accession negotiations, which is a very long and tedious process, which serves the interests of the EU to bolster rule of law, demo-

cratic institutions, and prepare them economically for integration over years.

Senator SHAHEEN. I certainly agree. Given the challenges that the EU is going through right now and some of the foreign policy challenges we have in the United States, developing that coordinated strategy that you talked about is very challenging I think.

I have got a limited amount of time, but I wanted to just raise a question—and I do not know who wants to address that—around the messaging campaigns, the disinformation campaigns that Russia is engaged in and that they are doing all across the Western Balkans and what we should be doing to counter that, what more we should be doing. So Mr. Bugajski. Right?

Mr. BUGAJSKI. Very good, absolutely, yes.

Russian disinformation campaigns—we had a lot of disinformation campaigns during Soviet times. Now Russia has become I think very skilled at, let us say, lower level messages to particular populations, to particular ethnic groups, to particular political constituencies. The idea on their side is basically to divide and rule, to divide societies against each other in the Balkans so they can have more inroads, but also to divide these countries from the West, from Western institutions, from the European Union, from NATO, from the United States. They are very systematic because this is not just social media. This is not just Russian outlets, but it is also the social networks. It is using local proxies. You know, we talk about proxies, fighting proxies in Ukraine, but they also have media proxies throughout the Balkans.

How to counter this? First of all, we have to expose, as much as possible, what is disinformation and what is the purpose of that disinformation. Secondly, we have to send messages that are true whether they are positive or negative. In other words, we cannot play their games in conducting disinformation.

But the report I actually submitted to the committee also talks about another element that I think we could introduce. The Russian population itself is not monolithic. The Russian population is not Putin. We keep talking about Russia. We get drawn into this. But the Russian population is not Putin. We have seen this in the past few weeks. We have seen the demonstrations against election manipulation, against regime autocracy. We have seen this in the regions of Russia which oppose Moscow's policy.

We should be looking at how we get our messages across to the Russian public through social networks. I am not talking about disinformation. I am talking about real information about what is going on in Russia because most people in Russia do not obtain real information from their governments or from official sources. This is why I talk about more of a strategic offense in information influence rather than simply playing defense.

Senator SHAHEEN. Thank you.

Thank you, Madam Chair.

Senator ERNST [presiding]. Thank you.

I would like to go back quickly. We were talking about the DOD's China Military Power report for 2019, and we just really started on that discussion of the security implications of Chinese infrastructure and investment, of course. I would like to follow on just a little bit for any of the witnesses that would like to answer.

How significant is Serbia's decision to welcome Chinese police on its territory to provide security for the growing numbers of Chinese workers and tourists? Anyone that would like to jump in, please.

Dr. SHULLMAN. Thank you for that question. I will address that.

As I said in my remarks, it is hard to know at this point because the details of the agreement are purposely not public. But I would say what we have seen in terms of Chinese assistance in other countries, in Asia for internal security forces, this is a troubling sign and a potential that it could get much worse in some of these countries, in Serbia and other countries in the Balkans.

That said, the ostensible purpose is to protect the growing number of Chinese tourists and workers in Serbia. There are a growing number of Chinese tourists and workers. The visa regime was liberalized in 2017, and there are a lot of workers there. But I think we absolutely have reason to be concerned that some of the ways in which, as I said, China controls its population at home and prevents protests from dissidents, minorities, and other troubling elements that the government does not want to hear from, that is something that I think we should watch very closely and see whether the fact that there is a training and a cooperative engagement now with the police could push things in that direction in Serbia.

Senator ERNST. That is the very long arm of the law.

Dr. SHULLMAN. Yes.

Senator ERNST. Mr. Wilson, please.

Mr. WILSON. I just wanted to add to that. We are seeing a fundamental strategy of Belgrade to hedge. In the absence of a deal looking for leverage over Kosovo, the Serbian authorities have flirted too much with Russia and begun to do so with China, most concerningly played out with security presence now of Chinese police, prior to that Russian members of the emergency ministry that has been known to carry out some nefarious activities being based in a humanitarian center in the south of Serbia.

At the same time, we have been able to work quietly and try to put markers on that. We have been very clear not to provide diplomatic status to those Russian forces in southern Serbia, and Belgrade has complied.

In competing for influence, we need to, by pushing diplomatically, get to a deal on Kosovo, remove the incentive for Serbia to hedge and play this game with China, first Russia and now China. I think we need to propose an alternative, a United States-Serbia strategic partnership that points to more security cooperation on issues like law enforcement that has a commercial and economic component and that begins to answer one of the great geostrategic questions in Europe, will Serbia anchor itself in the West. If you look at the economy, the answer is almost inevitable. If you talk to any mother in the countryside, they want their child to work for a Western company where there is meritocracy and be educated in the West. Our hand is strong. We have to close this deal and remove the oxygen that the Chinese and Russians have in Serbia today.

Dr. SHULLMAN. Apologies. If I could just add an addendum to my comment.

I think given that you are talking about the National Defense Strategy and China's overarching security approach as it relates to the Belt and Road, I think Mr. Wilson covered well the fact that we have China now with its first overseas military base in Djibouti. We do see China, in part in response to internal pressures—the population saying you need to better defend Chinese interests and Chinese workers and Chinese citizens abroad. We do see China now looking more at overseas logistics facilities not just for military strategic purposes, although that certainly is there, but also to better protect their citizens.

I think when we look at this police cooperation agreement, that is not the obvious and first thought that we think of when we see this, but I think that there is also probably an aspect of China without establishing a facility in the Balkans, which would be a lot more sensitive than where they have established it already in Djibouti, having a way in which they can monitor and say that they are making sure that their growing number of citizens in the region are protected. It is something we are going to see more in Serbia, in the region, and I would say in Europe generally.

Senator ERNST. Yes. Mr. Bugajski?

Mr. BUGAJSKI. I just wanted to add a couple of points on the China nexus in the region.

It is important to bear in mind that China is not just active amongst countries that are not EU members. I mean, the Belt and Road Initiative includes also EU and NATO members. One also needs to look at places such as Greece or Hungary that may be more inclined not to criticize China internationally because of the investments that are coming in Port of Piraeus, for instance, infrastructure in Hungary.

I do not think it should simply be focused on the Balkans. I think it should be a wider EU approach in trying to monitor, control, and correct the kind of Chinese investment that is destabilizing domestically but could also threaten the unity, the integrity of both the European Union and NATO.

The second point is Russia and China, which I sort of mentioned. We also need to monitor very closely where China and Russia are actually cooperating. I believe there are points of convergence between them, although there are also points of potential conflict that we should exploit. But the convergence is in terms of disinformation, anti-democracy. It is almost like Russia is trying to piggyback on China because China has the economic clout and Russia is basically stagnating in terms of its economic development.

I just wanted to add those two points.

Senator ERNST. Thank you. I appreciate that.

Mr. Wilson, in your discussion on that topic, you started going into ways that we can develop resiliency within some of those countries, and I would like all of our witnesses to maybe touch on that a little bit more. When we are trying to push back against the Chinese malign influence in the Western Balkans, then we talked about a number of ways that we can insert ourselves or others can insert themselves into the situation to push back against that malign influence and offer different types of support to those countries in the Balkans. If you could touch on some of the ideas, things that we should be doing maybe as the U.S. Government or various part-

nerships between businesses, schools, educational facilities, things like that with those countries in the Balkans.

Mr. WILSON. Sure, I can start with that excellent question.

I think focusing on the resilience of societies in wider Europe, whether in the Western Balkans, Europe's east is a key priority. We have to help these societies resist this penetration and manipulation from external forces.

It also is related to how to provide alternatives and some of the tools. You know, it is easy for folks to point to Piraeus Port in Greece, and yet we need to remember that in a time of economic crisis, the IMF [International Monetary Fund] and others pressed Greece to sell off assets, to privatize, and there were really no Western investors to pick this up. China showed up at Piraeus and took a port in the top 20 and turned it into a top 2 port in Europe.

How do we provide an alternative?

One, some of the tools that we have been developing in the European Union should be extended to those aspirant countries in the Western Balkans. The EU is finally developing a CFIUS [The Committee on Foreign Investment in the United States]-like procedure to do some reviews of foreign investment in sensitive strategic assets. If you aspire to be a member of the EU, we should be working with the Balkan countries to develop that capacity to mirror image the procedures that the EU will develop, modeled after our CFIUS model, for example, to provide that technical expertise, that advice, to help navigate where to take acceptable financing and where there is a more strategic risk.

Second, on the resiliency piece, we need to show up in the game. There is something called the Berlin Process where the European Union has focused on infrastructure in the region. The Trump administration has been interested in the Three Seas Initiative of how to build some of the infrastructure in Central and Eastern Europe the seas of the Adriatic, Black Sea, Baltic. We should be intentionally building the infrastructure of Europe to include the Western Balkans in that infrastructure, energy, transportation, digital, long before the reality of the EU membership exists so that we are helping to bolster their resiliency and provide those alternatives.

Finally on the information front, which is first and foremost Russian, but now increasingly Chinese, we need to help identify, expose, and analyze this disinformation, essentially over time how to develop more resilient societies so that they are more inoculated to this manipulation of the information environment and to be able, again, I think to provide the positive contrast of what we have to offer.

Senator ERNST. Very good.

Any other thoughts on that, on that area?

Dr. SHULLMAN. I will just add. I agree entirely with what Mr. Wilson said.

Number one, on the alternatives, just in my experience traveling to the region—I was in Warsaw last week for a conference on Chinese influence, and the response that you get from people—and again, it is not just a Balkans question. It is a European question, but it is also a Central/Eastern European, 16/17 Plus 1 question.

We talk about the negatives of Chinese investment and the dangers and the risks that come along with it. Then the answer is, okay, what is the alternative? Are you bringing the alternative? Are the Europeans bringing the alternative? That really is a critical element to this because if you do not have an answer to that, then you are kind of just left saying watch out and then people are left without any answers.

Secondly, I completely agree. I think the way to build resilience is to bolster the level of knowledge about how China—specifically I will focus on China—but also Russia are exerting influence in these countries. In certain countries in the Western Balkans, the level of understanding about China, the level of understanding about the Chinese Communist Party and how it exerts influence is virtually nil. You have to have that basic level of understanding before you can then go in and talk about how what China is doing, both in terms of its economic deals but also its exertion of information manipulation, is different than what Western countries do regularly through soft power. This is not soft power. That understanding is critical. Then you can move on to giving them the tools to have investigative journalism, to have a robust civil society that, as I mentioned earlier, really keep their own officials honest but also monitor what China is doing and ensure that it is in the best interest of the country.

Then lastly, on the Russia-China bit, you know, I think it is really important to understand that what Russia and China are doing is different. Their tactics are different, but that in combination, in a lot of these countries, they are really damaging to democracy. Russia will come in with the divisive tactics with the disinformation, and then you have China bringing money that is untied to any requirements about governance reforms, undermining what the EU and the United States are trying to do, and bolstering autocrats, not to mention having this model of the second largest economy in the world which got there through autocratic means, which can be very attractive to those who want to believe that that is an alternative.

What the United States and the Europeans need to do in order to push back on this in some ways is very simple. It is to make the case for democracy and continue to stand up for the notion that the best way to develop a country and to achieve economic growth is through democratic means and through democratic institutions.

Senator ERNST. Wonderful. Thank you.

Yes, go ahead, Mr. Bugajski, and then I will turn it over to Mr. Peters for his next question. Go ahead.

Mr. BUGAJSKI. Thank you. I just wanted to add very briefly. In terms of resilience, if you really want to build permanent resilience or long-term resilience in the region, you need stable states with strong institutions. That is why, going back to what in particular Damon was saying, the Serbia, Kosovo, and internal Bosnian disputes have to be resolved to build to functioning states that can then consolidate their institutions and do all the right things to move towards both NATO and the EU.

I would say there is one thing I heard today, which is a bit disturbing. We have appointed a special envoy, special representative for the Balkans, which I think is extremely important. But now

there are moves not only to appoint EU special representatives but also a Russian special representative in the Balkans. To me, that is like putting the bear in charge of the beehives. It is going to undermine our position. It is going to undermine any kind of an agreement, and it is going to further destabilize the region. This is something I think we should be pushing back on. Just one point.

Senator ERNST. Senator Peters?

Senator PETERS. Thank you, Madam Chair.

Mr. Bugajski, we did not get a chance to get your answer on the question that I had when I was running out of time about—you mentioned how we have to stabilize these areas, work with small “D” democratic institutions. What should the United States be doing specifically? Are we doing enough? What is your assessment?

Mr. BUGAJSKI. It is sort of in a bit of the follow-up to consolidating and building resilience. Some of the factors have been mentioned. The question is how exactly do we do it. The big problem in the region, as has been pointed out, is the nexus between politics and business, corruption, clientelism, nepotism, the spoil system, in other words, the winner takes all whenever they get elected. Then we see this in Albania. The other side, the other party leaves the institutions when it does not get into government.

How do we resolve this sort of polarization-corruption nexus in these countries?

We need to build stronger institutions particularly in terms of rule of law, police forces, better transparency in terms of any kind of government contracts. They started in Albania to investigate each parliamentarian to make sure that they are not involved in any corrupt deals. I think this needs to be extended. This needs to be expanded.

Secondly, I would say the young people. One of the worst things that has happened in the Balkans is how many well educated, talented young people are leaving for Western Europe or for the United States. It is good for Western Europe and the United States, but it is not good for the neighborhood. It is not good for these countries.

How do we make sure they stay? How do we make sure these countries are attractive? Education, opportunity, investment, integration into the EU—I mean, all these are extremely important.

One can go into more detail. I just wanted to outline a couple of key questions.

Senator PETERS. Great. Thank you.

A February report from the Carnegie Endowment for International Peace Studies cites fake websites targeting U.S. voters in the 2016 election—and I quote them—that were traced to domain registration and trolls in Albania, although site proprietors denied any kind of Russian sponsorship. This tactic and others obviously give Moscow an opportunity to outsource disinformation campaigns that they are engaged in not just against the United States but in other European states as well and certainly can have a real impact on our democracy and certainly can have a potential impact on the alliance as well.

I would like to have each of the witnesses, if you could kind of elaborate as to how you see these kinds of operations, these warfare operations, elaborate on how they are being conducted, how

you are concerned about it, and maybe give us some idea of how we could work with the Albanians and others to break some of these links with Russians that may be engaged in these activities. Mr. Wilson, do you want to take the first stab at it?

Mr. WILSON. Thank you, sir, for that question.

This has been a fundamental element of Russian strategy for some time. We have seen an intense chapter in this now, facilitated with digital technology, often focused in sowing doubt rather than just pushing particular narratives, sometimes muddying the waters and instrumentalizing others to do this business, most effective when buying into certain cleavages in our own democratic societies and leaning in on those cleavages.

I think part of what we need to do as an alliance and with our countries that aspire to be our allies is a more coordinated effort on facilitating digital resilience. This is not always the effort of governments. For example, at the Atlantic Council, we run something called the Digital Forensics Research Lab that has researchers across Europe that are looking at identifying, exposing, and analyzing Russian disinformation in a dispassionate way to bring that to light and in doing so, achieving two things: one, building the capability of local partners and in civil society to do this so that we are building the capability of open source research to compete and challenge the authoritarian practice here, not depending on the functionality of the Albanian Government but on a proliferation of civil society groups and investigative journalists as a network of them across the region as part of the best defense. We call this creating digital Sherlocks to facilitate digital resilience. You do not want to control and limit that to government means, but empower many actors to do this to expose and to challenge what we see coming from Russian state actors.

We have put digital research units in many of these regions themselves, working with the governments and civil societies to develop that capacity. I think this is part of where we are. It is part of the new challenge.

We also need to work with the governments to develop what we have called democratic defense against disinformation. We do not mirror image. We do not use their tactics. We think through our response to countering disinformation in a way that builds democratic habits and practices in fragile democracies in the Western Balkans, strategies we are developing in our own country with the European Union, bringing that to our partners in the region so they have a democratic capability of defending against disinformation.

Again, I think finally going on offense to expose this as the Russian strategy. There has been a backlash in the region to heavy-handed Russian tactics. It has not worked all that well where people in the region, better than here, understand the tools that Russia has used, whether it is the GRU [Russia's Main Intelligence Directorate] or disinformation. I think we need to help people know about that and come to their own conclusion about where they want to see their society develop.

Senator PETERS. Dr. Shullman, do you want to add anything to that?

Dr. SHULLMAN. Well, I would not add anything on the specifics of the Albanian and Russian case, although I would say in terms of what China is doing in its disinformation efforts as it relates to Hong Kong, as it has been doing for a long time vis-à-vis Taiwan, this is evidence that China has the capacity to do this and probably can do it, if it wanted to, at a level at or exceeding what Russia is doing globally. It behooves us to keep a close eye on how China is doing this in those domains to see whether or not we are going to see more of that in a global sense. But I have not seen that yet in the Western Balkans.

I mentioned earlier that there is a certain level of information control in the countries in which China is exerting influence so it does not have to do what it does elsewhere. But it is using so-called united front tactics in a lot of these countries' seemingly soft power tactics, but were actually Chinese Communist Party-backed institutions and entities to push the Chinese Communist Party's propaganda line, to cultivate friends, and to capture elites in these countries. I think that is something that we need to watch very closely going forward in the Western Balkans and in Europe generally.

Senator PETERS. Mr. Bugajski?

Mr. BUGAJSKI. I just want to add a couple of points on this Russia-Albania question.

Albanian societies have traditionally been not as penetrable for Russian influence operations, but I have noticed over the past year or so, less in Kosovo, how a very large Russian embassy with an enormous staff, which is much bigger than it was during Soviet times, as well as many Russian diplomats and tourists and others coming into the country, have become more active to try and penetrate Albanian society.

How they try to do it is particularly through money, in other words, through corruption, through buying certain politicians, through working with young people. For instance, they have a program now to attract young people annually to come to Sochi to better understand the Russian world. To some poor Albanians, this is quite attractive. It is a little bit like the tactics that the Salafists were engaging in or continue to engage in in the past in the Balkans. Penetrating political parties, penetrating media, penetrating business in Albania, penetrating criminal networks.

These things I think we need to very carefully watch. We have assumed I think for too long that Albania, other Albanian majority regions of the Balkans are not penetrable by Russia. We need to think again because they will either do it directly or they can do it through third parties and also use, as you mentioned at the beginning in the question, those third parties against us where we would least expect it.

Senator PETERS. You mentioned it is more difficult to penetrate Albania. I have had the opportunity to travel to Albania and have a very active Albanian diaspora in Michigan as well.

But one thing that struck me when I traveled to Albania, there were so many homes there that were flying both the Albanian flag and the United States flag. The feeling of good will towards the United States was indeed very strong, which may be why you are saying most folks think it is impenetrable.

From what I hear from your testimony, we should be concerned not to look at it that way, and is there something in particular we need to do to make sure we continue to harbor those great feelings that I think apparently exist there for the United States?

Mr. BUGAJSKI. Well, absolutely, but working both with Albania and Kosovo. Remember the Albanian population looks up to the United States in a way as helping to create two countries, helping them defend their freedoms, their independence. We cannot walk away. We must continue to be active. This is actually an important time where there is a crisis, a political crisis, in Albania because of the polarization of the two major parties and one of the parties is actually boycotting parliament. We need to be much more active, and hopefully the special representative will also engage in this to bring these two parties together, maybe to come up with some sort of coalition government in the future to prevent Albania from sliding into what is the sort of recurrent crisis every few years.

As you said, they show the flag. We need to show the flag as well.

Senator PETERS. Great.

Well, you brought up the special representative. I think each of you have as well. If you could talk about what you think his priorities should be, what should we be looking for coming out of his office. Mr. Wilson, if you want to start.

Mr. WILSON. Thank you for that.

I might just first say it is remarkable how pro-American Albania is, and we are grateful. We should be so proud that we welcomed Albania into the alliance a decade ago. It was the right thing to do even as people questioned NATO enlargement. We can be proud of what they have contributed.

What we can do now to help Albania is ensure that its institutions, its democracy works. Russia will never convince Albanians to think poorly of the United States, but it can incentivize dysfunctionality in the country that leads the NATO ally to trip up. Strategically right now, it could lead to a decision on the EU to pass over opening accession negotiations with Tirana, something that we need to help Albania present a strong case to the EU, and we need to weigh in with our European friends to underscore the strategic imperative of keeping the process of accessions moving forward for Albania.

For the special representative, Matt Palmer, it is terrific to have a seasoned diplomat named to this position. I think it is important to give the United States a little bit more heft and weight in what is unfolding.

I would say his top priority is to ensure a Kosovo-Serbia deal. We want to see North Macedonia come into NATO. We want to see EU accession open for Albania, North Macedonia. He should work on those issues. The top priority is to be a singular focus on getting the two parties back to the table, to remove the tariffs, and to stop the derecognition campaign so that we can have a serious negotiation that can lead to a historic deal. There are not many issues in the world today where we can have a true win. We are going to mitigate or manage problems around the world. Kosovo-Serbia is one where with a little bit of United States muscle with Congress and the administration actually perhaps seeing eye to eye, the

United States and EU actually seeing somewhat eye to eye despite other divisions—this is where we can have a historic win and where his energy is best spent.

Senator PETERS. Thank you.

Dr. Shullman, your thoughts on it?

Dr. SHULLMAN. Well, I will defer to the Balkan experts on the Balkan dynamics of this.

But I will say in the China aspect, part of the problem with the influence that China has been able to build in the region is a product of simple diplomatic attention. I think Chinese President Xi Jinping I believe has had at least five meetings with President Aleksandar Vucic of Serbia since 2016.

Senator PETERS. Dr. Shullman, I am sorry to interrupt. We are in the midst of a vote. I am going to have to run to vote. But I want your answer for our transcript. So I will not be sitting here, but I will be reading the transcript. I think Senator Ernst will be back as well. But if you would continue to answer that for the transcript. Sir, if you will do the same. But I will leave and you will see the chairwoman back here shortly. I apologize for our running back and forth. I appreciate your indulgences.

Dr. SHULLMAN. President Xi Jinping and Aleksandar Vucic I believe have had five meetings since the historic meeting they had in 2016. There are plans in the works for President Xi to go to Serbia again. The Chinese have paid a significant amount of attention to Eastern Europe and to the Western Balkans in particular. Of course, the 17 Plus 1 mechanism is a sign of that. The fact that we now have the special envoy and the fact that it represents an increased level of attention from the United States Government to this region I think is very much to the good and demonstrates that the United States is paying attention.

Part of the problem in the Western Balkans is that there is a perception that the greatest amount of investment in the country comes from China and also from Russia, that they are in the top spots in terms of investment when in fact four of the top five biggest investors in Serbia hail from the European Union. This perception is very important. I think the more attention that the United States and our Western European allies can pay to the region, the better.

Senator ERNST. Mr. Bugajski, any closing thoughts?

Mr. BUGAJSKI. The question that was asked by the ranking member was the role of the U.S. special envoy, what particularly he should be dealing with.

One other thing I would add, of course, is Bosnia-Herzegovina has not been mentioned very much. This I think is the major flashpoint. I cannot imagine, for instance, a Serbia-Kosovo armed conflict, particularly with Camp Bondsteel and a NATO presence in Kosovo and the restraints that are placed upon Serbia. But I can imagine a renewed armed conflict within Bosnia. Again, I do not think at this point the Serbian leadership in the Republika Srpska would want that, but they are playing. They are toying with the idea of separation. They are toying with the idea of a dysfunctional or failed state. Banja Luka has become actually the biggest inroad, I would say, for Russia. They are probably bigger than Belgrade into the region because why? Because President Dodic is funded by

Russia. Putin visits. They promise all sorts of things. There are all sorts of cultural and social and religious intermingling. The possibility that at some point—they have been waiting I think in Banja Luka for us to weaken our resolve to, let us say, making this a functional state.

I think we have to now double that commitment to that country. I think actually the special rep will be more involved in this Bosnia crisis than Kosovo-Serbia.

Whether he can do the two simultaneously I am not sure. One has to be extremely careful, as I mentioned earlier, not to allow a Russian voice in trying to resolve something that they do not want to resolve in the first place.

Senator ERNST. Thank you.

I am going to ask just one final question, and then we will close out the hearing. I want to thank all of you so very much for participating.

But as we are talking about Kosovo and Serbia, many folks know—I make no secret about it—I am very proud of this relationship. But Iowa and Kosovo are partners in the National Guard State Partnership program, and I wanted to take a minute to talk through some of those issues and to better understand the dynamics between Kosovo and Serbia, as well as what you just spoke to, the Russian influence that exists in that regard.

If we could, the question is, how would a comprehensive agreement between Kosovo and Serbia that achieves mutual recognition support United States national security interests? Mr. Bugajski, if I could start with you, please.

Mr. BUGAJSKI. I would say absolutely supports U.S. national security interests. We have invested enormous resources and time and diplomacy in trying to stabilize the region. Remember, this was the first major NATO land operation in its history when we helped to liberate Kosovo from a very brutal regime, the Milosevic regime that was trying to slaughter or expel the majority of the people. We helped build a state.

But if that state is questioned, if that state is not accepted in international institutions, if that state continues to be destabilized not only by a neighbor but also a power that is trying to destabilize an even broader region, that has a very, let us say, negative approach to the West, wants to undermine the West, wants to disassemble the West, it is incumbent on us to make sure that Kosovo succeeds as a state, that it enters international institutions, that it becomes eventually an EU member, as well as a NATO member—and unfortunately, the EU has not treated Kosovo in the way it should. Visa liberalization. Remember, the one country that still does not have that visa liberalization, even if Georgia and Ukraine do, is Kosovo, which is in the middle of the Balkans.

Five countries, remember, and the European Union still do not recognize Kosovo. This is where we should be paying attention also. Remember, two of those countries are countries that we helped to free themselves from Soviet overlordship, Slovakia and Romania. We should be working much more closely with these countries. Can you imagine their recognition? What a positive boost that would send to Kosovo and to finally resolving this dispute.

I think it is resolvable. Actually there is an article I did for CEPA [The Center for European Policy Analysis] on steps that could be taken, confidence building steps. Both sides have to surrender certain things. Both sides have to offer certain things. But ultimately Kosovo's status cannot be questioned, which some of the Serb leadership does. Its status is final. The question is to accept it. How do you move towards that acceptance?

Senator ERNST. Very good. Thank you so much.

Mr. Wilson?

Mr. WILSON. Thank you.

I do want to echo your kudos. These National Guard programs have a fundamental impact in the countries where they operate. Kudos to Iowa for doing this with Kosovo. It is very important.

What I would say is that right now in the absence of an agreement between Belgrade and Pristina is the open wound in the region that holds back the country's regional development, economic development. It also provides oxygen for whether they are mafia, corrupt powers locally, or autocratic corrupt powers internationally, to play a different game than ours. The absence of agreement enables politicians to continue to play the drip of the nationalist card and be less accountable to delivering for their citizens economic development and other opportunities.

If we could help shepherd an agreement through—an agreement will only be shepherded through in my view if the United States is heavily engaged and driving this forward—it helps resolve one of the fundamental open geostrategic questions in Europe. Will Serbia find its place in Europe and in the West or not? An agreement will help remove the albatross around Serbia's neck, which keeps it trapped by its past and which allows the Russians leverage to manipulate the country. An agreement will allow Kosovo itself to begin to develop its own potential, not just to join Interpol but to join the United Nations and to become part of the Partnership for Peace and ultimately NATO and the European Union in a way that it can unlock the potential of its own people. When you travel through the region today, too many of the brightest people, as my colleague had said, are trying to find their future outside their borders. That is not how this region is going to succeed, and I think our leadership and a place where we have a lot of political, moral, and security influence to secure a deal in our interests can continue our tradition of helping transform former adversaries into partners and ultimately allies in a way that is good for U.S. interests.

Senator ERNST. Thank you.

Dr. Shullman, final words from you.

Dr. SHULLMAN. Thank you.

I agree with all of that, and I would just add in the context of the Chinese and Russian influence topic that we have discussed and have been discussing today, I think this would support United States national security interests because it removes a key weapon for Russia but also for China in its relations in the region.

China, like Russia, does not recognize Kosovo's statehood, and I know from my travels in Serbia, every conversation, no matter what the topic is, eventually, even if you are talking about China,

will get back to, and you know, China gained strategic advantage here because of the way they approach the Kosovo question.

I think that this is really going to be a key advantage to the United States if such an agreement is signed. China opposed Kosovo's 2008 declaration of independence. It is based not only on the possible consequences that they feel recognizing Kosovo's sovereignty might have on delicate issues inside China such as Tibet and Xinjiang and separatism there, but also as I have said, because they recognize the strategic value. This would go a long way towards bolstering the United States position and taking away a weapon from China and from Russia.

Senator ERNST. Well, thank you so much to our witnesses. Again, a very, very healthy discussion about Chinese influence, as well as Russian influence in the Western Balkans. It is something that we do need to pay attention to. I am glad to have that conversation with the three of you today. Again, thank you for attending today's subcommittee hearing on Emerging Threats and Capabilities.

With that, we will close out today's hearing.

[Whereupon, at 4:26 p.m., the Subcommittee adjourned.]

APPENDIX A

REVERSING MOSCOW'S OFFENSIVE

A STRATEGY FOR WINNING THE SHADOW WAR WITH PUTIN'S RUSSIA

JANUSZ BUGAJSKI, MAY 2019

Western governments have tried and failed in applying various remedies to curtail Moscow's neo-imperialist ambitions. Containment, appeasement, and engagement have not cured Russia from its imperial designs. Indeed, each approach has simply reinforced Kremlin perceptions that the West is weak, divided, and incapable of preventing Russia's restoration as a major global power. The absence of a coherent, dynamic, and offensive Western strategy has encouraged Moscow to intensify its anti-Western Shadow War to dismantle the NATO alliance, limit American influence in Europe, and further fracture the European Union.

But despite its escalating anti-Atlanticist offensive, Russia is facing growing domestic problems on several fronts: economic, demographic, social, regional, and ethnic. This provides Western governments with a unique opportunity not only to defend against Moscow's attacks but also to devise a strategy that reinforces Russia's decline while managing the international consequences of its prospective dissolution. Such a strategy needs to be multi-dimensional, combining the informational, cyber, economic, diplomatic, and military domains. Russia pursues a strategy that integrates all elements of state power, from "hard" military campaigns to "soft" psychological operations. Washington and its NATO allies will also need to adopt a comprehensive approach to capitalize on Russia's vulnerabilities.¹

DECLINE WRAPPED IN AGGRESSION INSIDE A CRISIS

To adapt Winston Churchill's memorable insight at the outset of World War Two—that Russia's actions are "a riddle wrapped in a mystery inside an enigma"—Vladimir Putin's Russia is a declining state, donning the camouflage of external aggression to disguise its increasing fragility. Nonetheless, a declining Russian state can prove more threatening than a rising power because its leaders calculate that time is working against them and may take more risks to pursue their objectives. Moscow disguises its decline by projecting itself as the key power in Eurasia, mobilizing imperial sentiments among its citizens, and engaging in external revisionist offensives against its neighbors. The Kremlin's strategic objective necessitates undermining NATO's security posture throughout Europe, fracturing the EU, splitting the United States from its European allies, and eroding America's global influence by undermining its political system and discrediting its leadership role.

Russia's external offensives cloak its internal infirmities. Through a combination of low fossil fuel prices, failed economic diversification, infrastructural decay, pervasive corruption, and Western financial sanctions, state revenues are declining, living standards falling, social program diminishing, incomes contracting, social conflicts intensifying, and regional disquiet mounting. Russia's economy is stagnating. According to World Bank statistics in 2017, its Gross Domestic Product (GDP) per capita ranks 60th in the world.² The poverty rate is rising sharply and a growing number of citizens face destitution. Increased defense spending to project Russia's power has come at the expense of education, health care, and infrastructure. But even military expansion is slowing down as the defense budget is shrinking and over the coming decade Russia's armed forces will fall further behind that of the United States and China. According to data from 2017, Russia's military spending is almost one quarter that of China's and only a tenth of the United States military budget.³

Russia's longer-term prospects look even bleaker. Demographic indicators underscore a shrinking population with high mortality, low fertility, and rising emigration of the best educated. Russia's population has dipped from about 148 million after the breakup of the Soviet Union in the early 1990s to only 144 million in 2018. Various agencies estimate that this total will fall to around 128 million by 2050 and a steadily increasing percentage will be neither ethnic Russian nor Orthodox Chris-

¹*Providing for the Common Defense: The Assessment and Recommendations of the National Defense Strategy Commission*, Washington DC, November 2018, <https://www.usip.org/sites/default/files/2018-11/providing-for-the-common-defense.pdf>

²https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?year_high_desc=true

³Nan Tian, Aude Fleurant, Alexandra Kuimova, Pieter D. Wezeman, and T. Siemon, "Trends in World Military Expenditure, 2017," Stockholm International Peace Research Institute, May 2018, https://www.sipri.org/sites/default/files/2018-04/sipri_fs_1805_millex_2017.pdf

tian.⁴ Life expectancy among Russian males stands at about 60 years, or 15 years less than the norm in industrialized states and lower than in many African countries.

Russia's economic performance alone is insufficient to measure susceptibility to decline and potential fracture, as evident in the collapse of the Soviet Union nearly three decades ago. Numerous additional factors must be examined, particularly the extent of social, ethnic, and regional tensions. The unwieldy Russian Federation consists of 85 "federal subjects," of which 22 are republics representing non-Russian ethnicities and numerous regions with distinct identities that are becoming increasingly estranged from Moscow. Instead of pursuing decentralization to accommodate their aspirations, the Russian government is downgrading their autonomy. This is evident in the recently introduced language law designed to promote Russification and plans to merge and eliminate several autonomous regions and republics.⁵ Pressure is mounting across the country, with growing public anger at local governors appointed by the Kremlin and resentment that Moscow appropriates regional resources but cannot guarantee stable living standards.

To compensate for its military inferiority and economic weakness vis-à-vis the West, Moscow deploys a wide assortment of both open and clandestine political, financial, economic, cyber, and propaganda tools to achieve its objectives. It capitalizes on the vulnerabilities of targeted countries, whether through cyber attacks, psychological offensives, energy dominance, state corruption, political blackmail, or numerous other "soft power" tools.

For the West, a reactive defense toward a declining Russia is insufficient to deter Moscow's ambitions. Instead, a broad offense is needed to divert Moscow's attention away from external aggression and toward its own internal protection. While the Kremlin has opened several fronts in Europe and the United States, Russia itself is afflicted by many more economic, social, political, cyber, ethnic, religious, and regional vulnerabilities than its adversaries. These deficiencies and potential pressure points need to be thoroughly assessed and exploited.

The new United States National Security Strategy issued in 2017 affirms that Russia is a rival and competitor that aims to weaken Washington's international influence and divide the U.S. from its allies and partners.⁶ Given this astute geopolitical assessment, policies need to be developed to capitalize on Moscow's weaknesses. The minimum Western objective would be to curtail Moscow's subversive assault against the United States and its allies. The intermediate objective would be to deflect Russia's external aggression into internal turmoil that the Kremlin becomes increasingly focused on pacifying. The maximum and long-term objective would be to fracture the Russian Federation and manage the country's dissolution, thus significantly curtailing if not fully eliminating Moscow's geopolitical ambitions. A wide assortment of tools can be deployed to achieve this range of goals.

EXPOSING INFLUENCE OPERATIONS

The Russian state is engaged in systematic informational warfare to undermine Western cohesion and promote Moscow's expansionist enterprise. This informational subversion is designed to steer the Western media, implant the Kremlin narrative, infect public opinion, and influence decision-makers. Moscow's espionage penetration and media disinformation networks are supplemented by modern-day "fellow travellers," whether duped, manipulated, or complicit, including politicians, businessmen, diplomats, academics, lobbyists, and policy analysts.⁷ These human assets fall into

⁴For a valuable synopsis with detailed statistics see the World Population Review, <http://worldpopulationreview.com/countries/russia-population/>

Also check <https://yaleglobal.yale.edu/content/russian-demographics-perfect-storm>

According to the CIA factbook, 78% of the population is estimated to be ethnic Russian, although that proportion is steadily declining. See <https://www.cia.gov/library/publications/the-world-factbook/geos/rs.html>

⁵Paul Goble, "Putin's Language Law Radicalizing Russians and Non-Russians," Window on Eurasia—New Series, August 1, 2018, <http://windowoneurasia2.blogspot.com/2018/08/putins-language-law-radicalizing.html> and Neil Hauer, "Putin's Plan to Russify the Caucasus: How Russia's New Language Law Could Backfire," August 1, 2018, <https://www.foreignaffairs.com/articles/russia-fsu/2018-08-01/putins-plan-russify-caucasus>

⁶National Security Strategy of the United States of America, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905-2.pdf>

⁷Kateryna Smagliy, *Hybrid Analytica: Pro-Kremlin Expert Propaganda in Moscow, Europe, and the US: A Case Study on Think Tanks and Universities*, Research Paper, October 2018, Institute of Modern Russia, <https://imrussia.org>. Kremlin-sponsored foundations have established several centers of Russian studies at European and American universities to broaden the network of Kremlin sympathizers within Western academia.

several categories, including those working for the Kremlin but who do not make their affiliations public, those who are avowedly independent but support Russia's foreign policies, and those who become co-opted and obligated through financial and other payments from sources tied to the Putin administration and become a conduit for Kremlin disinformation.

A number of initiatives could bring significant success in combating Moscow's penetration of American and European societies. Law enforcement bodies and investigative journalists need to probe and expose the wide array of Russian state influence operations. In the United States, this would include several former members of Congress and the administration, lobbyists, public relations firms, policy institutes, and various NGOs receiving funding directly or indirectly from Kremlin sources or from oligarchs and foundations working on behalf of the Russian government, such as Russkiy Mir and Gorchakov. In the U.S., campaign-financing laws are inadequate to stymie the flow of foreign donations designed to influence national policy.⁸ Urgently needed is anti-money laundering (AML) legislation so that hostile actors identified by intelligence services or law-enforcement can be blocked or apprehended. At the same time, politicians and major funders must be required to make full disclosures regarding the source of their revenues and assets as well as tax returns and other financial documents.

In the United States, lax regulations enable lobbyists to operate on Moscow's behalf and the Foreign Agent's Registration Act (FARA) is insufficiently enforced. The focus must also encompass Putin's supporters in the media and academia who receive finances or favors from the Russian state. Funding sources, often channeled through shell companies or third parties, should also be investigated for potential U.S. sanctions busting or financial crimes such as money laundering and tax avoidance. To retain credibility, universities and NGOs in the West need to screen and investigate their funding sources and whether these are connected with Kremlin influence operations or with financial crimes perpetrated by Putin's oligarchs. PR campaigns by lobbyists seeking to lift sanctions against Russian oligarchs and business entities engaged in implementing the Kremlin's revisionist foreign policy need to be exposed, particularly those individuals and entities already sanctioned by the United States and the EU. One recent example has been the attempt by lobbyists to influence the United States Justice Department in easing sanctions against Oleg Deripaska, one of President Putin's key oligarchic accomplices.

Benefiting from the extensive evidence unearthed by United States Special Counsel Robert Mueller's investigation, the FBI needs to conduct probes of all Kremlin-connected business deals and bank use in the United States. As of December 2018, Mueller has issued indictments against 29 Russian entities and extracted six guilty pleas and a conviction. The findings of the Mueller probe, once it discloses all the connections between Kremlin agencies, Russian oligarchs, Western businessmen, social networks, and American collaborators during Moscow's attack on the 2016 United States elections, would be a victory in defense of American democracy and sovereignty. This would send an important signal to the Kremlin that any future penetration would be more effectively combated.

COUNTERING INFORMATIONAL OFFENSIVES

Information warfare is a systematic attempt to weaken and defeat the morale and resistance of one's adversary. State-sponsored information offensives are designed to undermine governments, divide societies, debilitate decision makers, weaken national security, and strengthen the position of the aggressor state. Compared to its Soviet predecessor, the contemporary Russian disinformation offensive directed at Western states and societies transmits a broader diversity of messages and employs a wider assortment of methods.

Although Moscow's overriding strategic objective is similar to Soviet times—to defeat the West—it has several supplementary goals: to confuse and frighten citizens in Europe and America, to delegitimize and disrupt Western democracies, to corrupt and corrode state institutions, to undermine the credibility of legitimate news sources, and to strengthen nationalists and populists who may favor Russia's policies. Kremlin disinformation focuses on gullible sectors of the Western public to depict Russia as a fully independent state founded on traditional values. Such a message has appeal across the political and social spectrum in the West—from leftist and rightist anti-American Europeans to American nationalists, conservatives, and evangelicals.

⁸Neil Barnett and Alastair Sloan, *Democracy in the Crosshairs: How Political Money Laundering Threatens the Democratic Process*, Atlantic Council, Eurasia Center, September 2018, https://issuu.com/atlanticcouncil/docs/democracy_in_the_crosshairs

Regarding the means of attack, modern disinformation has a much wider and faster assortment of channels for distribution than during Soviet times. In addition to standard media outlets, fabricated stories can be disseminated through social internet platforms and rapidly reach millions of consumers. As with village gossip, many people fail to check the source before further spreading fabricated stories. Repetitive electronic methods increase the reach of disinformation and even infect the more credible mass media with bogus items. To win the information war against the Kremlin a multi-national counter-propaganda strategy is needed containing several defensive and offensive elements.

On the defensive front, social internet companies must provide greater transparency and data protection from Russian trolls spreading disinformation among American and European citizens.⁹ These companies can intensify their efforts to eliminate fake accounts that spread propaganda. Twitter and Facebook purges of Russian-linked accounts have reduced the effectiveness of Moscow's disinformation. However, the U.S. Congress should pass the Honest Ads Act, requiring political advertising on social channels to have the same level of transparency as on television and radio by revealing the funding sources of sponsored content. Tech companies must also do more to protect the private data of users, as this can be exploited to manipulate public opinion or even blackmail and recruit foreign agents.

Russia's state or oligarch-funded media outlets, including television, radio, internet, and print media should not be presented as legitimate media sources but as propaganda arms of the Kremlin. This does not mean that they should be outlawed or banned but closely monitored, exposed for the most egregious falsehoods, and where possible labeled as spreading fabricated news or propaganda. Simultaneously, media literacy among Western publics has to be enhanced, or at least the capability to distinguish between credible and fraudulent media sources.

Anti-disinformation initiatives can be more substantially funded and expanded both in the United States and Europe. The Polygraph initiative launched by Voice of America and Radio Free Europe/Radio Liberty serves as a valuable means to verify the increasing volume of disinformation.¹⁰ In order to expose the most blatant political fabrications, VOA and RFE/RL journalists research and analyze statements and reports distributed by government officials, government-sponsored media, and other high-profile individuals.

In Europe, an EU team StratCom East documents disinformation originating from Russian sources and issues a weekly bulletin highlighting numerous distortions, as well as a Twitter feed called EU Mythbusters. Ukraine's StopFake is a valuable resource reporting on Moscow's disinformation tactics. MythDetector tracks and debunks anti-Western disinformation. Digital Sherlocks expose and explain disinformation at the Atlantic Council's Digital Forensic. Prague has established a specialist unit dealing with fake news spread by websites supported by Moscow. The Czech interior ministry Center Against Terrorism and Hybrid Threats scrutinizes disinformation and counters it via social internet platforms. An informal internet army of Lithuanians "elves" counters hate speech and pro-Moscow propaganda. They patrol social platforms, coordinate their actions through Facebook and Skype to expose fake accounts, and post blogs to discredit conspiracy theories. At the same time, the European Commission has called upon social platforms, including Facebook, Twitter, Google, and Mozilla, to do more to block Russian trolls from disrupting European elections.

Exposure of Russian disinformation is vital, but to be more effective in countering disruptive attacks Western governments and NGOs need to undertake an informational offensive targeted at public and political opinion inside Russia. Such a psychological operation should be geared toward two core objectives: alienating the Russian public from the regime and provoking power struggles inside the ruling stratum. Detailed revelations about financial abuse among officials while living standards for the masses continue to plunge can help fuel social, ethnic, regional, and religious unrest. Western sources can disseminate poignant information for Russian citizens that is avoided by the state media, including economic decline due to government corruption; the country's neglected and crumbling infrastructure; Russia's looming demographic catastrophe; and growing regional unrest.

Western intelligence services can acquire, leak, and dump kompromat material about Putin and his inner circle. A key component would be to disseminate official Russian communications, with a focus on the Kremlin, government ministries, parliament, key businesses, and subservient political parties, as well as private cor-

⁹James Lamond, "The Origins of Russia's Broad Political Assault on the United States," Center for American Progress, www.americanprogress.org/issues/security/reports/2018/10/03/458841/origins-russias-broad-political-assault-united-states

¹⁰<https://www.polygraph.info/p/5981.html>

responsiveness between officials, particularly at local level, which negatively affect the lives of ordinary citizens. Potentially incendiary information can be circulated through the internet and various social platforms.

The objective would be to disclose the most provocative scandals of Russia's state and local officials and the extent of their corrupt governance, opulent lifestyles, public lies, and contempt for ordinary citizens. Especially valuable would be messages that reveal the willingness of state officials, oligarchs, and bureaucrats to betray the country for personal gain from the Russian budget. Humor, irony, and satire are also valuable assets in addressing Kremlin propaganda and the nature of the Putinist system.

Disclosures about conflicts within the ruling elite can generate uncertainty and anxiety in government circles and expose the regime's political vulnerabilities. The promotion of internal power struggles may not precipitate Putin's downfall, but it can help divert the Kremlin from its unchallenged information war against Western democracies. By spreading suspicion and distrust between officials and raising fears of political purges or state expropriation of oligarchs, factional infighting can be aggravated to endanger Putin's presidency.

Participation in social internet platforms has soared among Russia's younger generation in recent years. The West needs to target sectors of Russian society, including young people, the unemployed, nationalists, ethnic and religious minorities, regionalists, separatists, and numerous other groups to help sow discord and inspire the emergence of anti-Kremlin movements. Russia itself may not be immune from the anti-establishment populism that has swept through Europe and the United States in recent years and from which the Kremlin has tried to benefit in disassembling the West.¹¹ This populist boomerang, outraged by failing living standards, the yawning gap between rich and poor, and rampant official corruption, may be manifest in street protests and even violent acts against state property or government officials, as there is no effective political outlet for mass grievances.

Some Western policy makers will caution that informational offensives against Moscow would be too provocative and could escalate bilateral disputes. However, from the Kremlin's perspective, the lack of an effective United States response to its own interference in Western societies is perceived as a major vulnerability that invites further intervention. The attacks continue primarily because Moscow faces an inadequate defense and a tepid counter-attack. Although the EU's East StratCom, NATO's StratCom, and the newly established national StratComs in Europe can be effective tools, they still lack sufficient resources and coordination to combat and counter Kremlin-directed disinformation.¹² Since officials in Moscow will in any case accuse the United States of interfering in its domestic affairs, Washington together with its allies should make sure that their involvement is politically consequential.

CYBER DEFENSE AND COUNTER-ATTACK

Cyber attacks on the West can include systematic assaults and denial of service attacks on government sites by Kremlin agencies or hired hackers. It can also entail the monitoring of telecommunications, infecting targeted networks with viruses, or disabling entire systems. Such attacks can affect critical infrastructure and the defense industrial base, including power stations and grids, transportation and telecommunication networks, banking and financial services, as well as law enforcement and national security systems. An internal U.S. Department of Defense report released in December 2018 enumerated various gaps in cyber security, including failure to encrypt classified flash drives or place physical locks on critical computer servers, that have left the country vulnerable to missile attacks.¹³

Measures must be taken to better protect vital infrastructure, including national defense systems, in case Moscow escalates its cyber probing into an actual attack. Lessons learned from European countries that have been targeted by the Kremlin must also be incorporated in the United States response, including Ukraine where a major Russian attack (NotPetya) in June 2017 disabled about 10% of all computer systems and affected airports, banks, electrical networks, and communications services. Critical infrastructure among NATO allies needs better protection from cyber

¹¹ Paul Goble, "Anti-Establishment Wave like Those in UK and US May Engulf Russia, Minchenko Consulting Says," *Windows on Eurasia—New Series*, October 26, 2018, <https://windowoneurasia2.blogspot.com/2018/10/anti-establishment-wave-like-those-in.html>

¹² Donald N. Jensen and Peter B. Doran, *Chaos as a Strategy: Putin's "Promethean" Gamble*, Center for European Policy Analysis (CEPA), November 2018, <https://www.cepa.org/chaos-as-a-strategy>

¹³ <https://www.nbcnews.com/news/us-news/cybersecurity-failures-raise-threat-deadly-missile-attacks-pentagon-watchdog-says-n949176>

attacks.¹⁴ Key measures should include state funding of public utilities and commercial providers to upgrade their systems; contingency plans to ensure a rapid response and coordination among NATO members; better public information and preparation for cyber-related disruptions of vital supplies; and modernization of emergency services to handle large-scale emergencies.

Stricter sanctioning against cyber attackers needs to be pursued. In June 2018, the United States Treasury imposed sanctions on five Russian entities and three individuals, including a firm that is controlled by Russia's Federal Security Service (FSB), in response to Russian cyber attacks on the United States and its allies, including the NotPetya cyber attack and cyber intrusions of America's energy grid. The United States Cyber Command, established in 2009, has targeted Russian operatives to deter them from spreading disinformation in United States elections.¹⁵ American operatives inform them they have been identified, that their work is being monitored, and they could be indicted or sanctioned. This is a useful first step but may not dissuade the broad array of Kremlin-affiliated hackers and trolls. To pursue a more potent offensive, an example should be made by releasing personal information about pro-Moscow cyber offenders and pursuing ways to neutralize their on-line operations.

The U.S. Cyber Command defends military networks but has also developed offensive capabilities. In September 2018, the Pentagon issued a comprehensive cyber strategy document focusing on Russia and China as the chief adversaries and calling for "confronting threats before they reach U.S. networks."¹⁶ U.S. Cyber Command has been tasked with defending the country against attacks. However, this approach needs to be more assertive and extensive, particularly as there is consensus that lower-level malicious campaigns pose a major, cumulative risk to the U.S. The strategy also makes more explicit the Defense Department's role in deterring or defeating cyber operations targeting U.S. critical infrastructure that is likely to cause a significant "cyber incident."¹⁷

The U.S. and its allies need to develop and deploy its offensive cyber capabilities to deter and attack aggressors. In September 2018, President Trump signed the National Security Presidential Memorandum 13, a directive that enables offensive U.S. cyber operations.¹⁷ It allows the military and other U.S. agencies to undertake cyber operations intended to protect their systems and the country's critical networks. Washington must make it clear that it is prepared to use all available tools, including cyber offensives, against state-sponsored assailants. In deterring and defeating cyber adversaries, a Cyber Force should also be established that can work more closely with allies and partners.¹⁸

Moscow's reaction to a United States cyber attack will prove instructive, given that America has superior electronic capabilities and can take down critical infrastructure in Russia itself. As a warning, Washington could demonstrate its cyber capabilities vis-à-vis third parties that have attacked U.S. systems. A resolute action is more likely to deter Moscow's attacks than repetitive warnings and fruitless admonitions.

ECONOMIC AND FINANCIAL PENALTIES

The Kremlin uses a number of economic tools to enmesh specific states in a web of financial ties that buttress its political penetration. It tries to influence European governments through ownership of strategic economic sectors, particularly in energy, banking, and telecommunications. Russian company ownership of key energy infrastructure, such as pipelines, refineries, and storage sites, enables Moscow to exert political leverage. The supply of energy and other strategic resources can be decreased or severed at important junctures to exert pressure on particular capitals, or their price can be lowered or raised to gain political concessions. Russia's business penetration also fosters corruption, non-transparency, money laundering, tax evasion, and links with international organized crime.

¹⁴ *Central European Futures: Five Scenarios for 2025*, Visegrad Insight, Special Edition 1(12)/2018, <https://visegradinsight.eu>

¹⁵ Julian E. Barnes, "U.S. Begins First Cyberoperation Against Russia Aimed at Protecting Elections," *The New York Times*, October 23, 2018.

¹⁶ Department of Defense, *Cyber Strategy 2018*, https://media.defense.gov/2018/Sep/18/2002041658/-1/-1/1/CYBER_STRATEGY_SUMMARY_FINAL.PDF

¹⁷ *The Washington Post*, 20 September 2018, https://www.washingtonpost.com/world/national-security/trump-authorizes-offensive-cyber-operations-to-deter-foreign-adversaries-bolton-says/2018/09/20/b5880578-bd0b-11e8-b7d2-0773aa1e33da_story.html?utm_term=.72cb3af80304

¹⁸ Seth G. Jones, "Going on the Offensive: A U.S. Strategy to Combat Russian Information Warfare," CSIS Briefs, October 1, 2018, <https://www.csis.org/analysis/going-offensive-us-strategy-combat-russian-information-warfare>

To undercut Moscow's financial offensive several initiatives can prove beneficial. Financial sanctions should be extended on Russian government officials and Kremlin connected oligarchs, including freezing their international bank accounts, investment funds, and safe deposit boxes, denying access to credit cards and the SWIFT banking network, and seizing their real estate, investment funds, planes, cars, boats, and other properties in the West. Putin himself can be included in the expanded list of targets, together with major energy companies and other Kremlin-linked businesses. Thus far the "sectoral sanctions" imposed on Russian companies have had a limited impact. To be more effective "blocking sanctions" are needed that freeze all Russian transactions via the U.S. financial system.¹⁹ This could be replicated in Europe's financial system. An asset freeze on Russian banks can be combined with a suspension of any new trade and investment with Moscow.

Current money laundering regulations in Western countries are inadequate and insufficiently enforced; they must be significantly tightened and the sources of cash flows investigated. The bi-partisan 2018 Defending American Security from Kremlin Aggression Act needs to be passed and implemented by Congress.²⁰ This legislation expands financial sanctions on new Russian sovereign debt, against investment in state-owned energy projects, and on key political and business figures who facilitate the Kremlin's subversive activities.

Additional measures can be taken to reverse Russian state penetration of Western economies. This can include counter-intelligence and law enforcement investigations of all Kremlin-connected business and banking deals; bans on purchases of Russian sovereign and state corporation bonds; embargos on the transfer of dual use technologies; countering Russia's monopolistic energy schemes by suspending support and financing for the Nord Stream II natural gas pipeline under the Baltic Sea as well as Moscow's other politically-motivated energy projects; and the imposition of sanctions on all companies investing in Russian-controlled infrastructure and which contribute to undermining Western democracies and alliances.

MILITARY AND SECURITY INSTRUMENTS

Russia's new military doctrine signed by President Vladimir Putin in December 2014 describes an increasingly threatening international environment that can generate problems at home.²¹ It claims that intensifying "global competition" from NATO and the United States in particular constitutes a direct threat to Russia. In disguising its own neo-imperial aspirations, Moscow asserts that it will counter Western attempts to gain strategic superiority by deploying strategic missile defense systems.²² It also reserves the right to use nuclear weapons in response to the use of nuclear or other weapons of mass destruction against Russia or its allies, and even in case of an "aggression" against Russia with conventional weapons that would endanger the existence of the state. The threat of nuclear strikes against NATO members is intended to terrorize citizens and convince Western governments that they need to negotiate and acquiesce to Moscow's demands.

The Kremlin employs an assortment of tools to undermine the security of its neighbors and prevent them from acting in unison to defend their national interests. These include persistent military threats, dangerous military encounters and other provocations, intimidating exercises, nuclear blackmail, unconventional offensives, proxy wars, sponsorship and funding of separatist militias, conventional military intervention, territorial fragmentation, and the creation and manipulation of "frozen" or unresolved conflicts.

Western states and NATO can pursue a number of counter-measures to impair Russia's offensives and dent its ambitions. All aspirant states in the Western Balkans should gain membership in NATO in the quickest possible time once they fulfill basic conditions for accession, particularly Macedonia, Bosnia-Herzegovina, and Kosovo. Membership Action Plans (MAPs) on route to NATO entry should be provided to Ukraine and Georgia. MAPs should also be offered to Serbia, Moldova, Armenia, Azerbaijan, Belarus, and whichever NATO Partnership for Peace (PfP) countries request accession and commit themselves to qualifying for membership.

¹⁹ Michael Carpenter, "How to Make Sanctions on Russia Work," *The American Interest*, December 18, 2018, <https://www.the-american-interest.com/2018/12/18/how-to-make-sanctions-on-russia-work/>

²⁰ <https://www.govtrack.us/congress/bills/115/s3336/text>

²¹ Paul Goble, "Putin's New Military Doctrine Says Russia Faces More Threats Abroad—and at Home," *Windows on Eurasia—New Series*, December 27, 2014, <http://windowoneurasia2.blogspot.com/2014/12/window-on-eurasia-putins-new-military.html>; and news.kremlin.ru/media/events/files/41d527556bec8deb3530.pdf.

²² Pavel Podvig, "New Version of the Military Doctrine," *Russian Strategic Nuclear Forces*, December 26, 2014, http://russianforces.org/blog/2014/12/new_version_of_the_military_do.shtml

Ukraine, Georgia, and other countries facing a direct Russian armed assault must be effectively armed with whatever weapons they need to inflict heavy losses on invading Russian forces and their proxies. In the Black Sea and Azov Sea the U.S. and NATO need to dispatch naval vessels to Ukrainian ports to demonstrate the validity of Freedom of Navigation Operations and underscore that these are not Moscow's lakes. This will also highlight the fact that Russia's invasion of Ukraine has positively intensified NATO-Ukraine relations—precisely the outcome that the Kremlin aimed to prevent.²³ NATO members along the eastern flank from the Baltic to the Black Sea regions confronting an assertive Russia must be more intensively assisted in developing their maritime and territorial defensive capabilities.

NATO military drills should be regularly staged in different zones close to Russia's borders with minimal prior warning. All states neighboring NATO should be invited to participate in such exercises, including Belarus and Moldova. Numerous scenarios can be simulated in the drills, including repulsing indirect or direct military invasions and territorial seizure by foreign forces. Such maneuvers could help disrupt Moscow's military planning and disperse Russian forces along its long borders with NATO states.

NATO planners also need to prepare contingences for opening alternative fronts and conflict zones for Moscow in the event of a Russian military attack on any part of NATO territory. The aim would be to convince the Kremlin that the Western alliance is capable of creating and exploiting potentially destabilizing scenarios inside Russia and along its borders if Moscow intervenes in a NATO state. In addition to strengthening conventional military forces to deter a Russian assault, NATO can also prepare plans for special operations on Russian territory or missions whereby it can draw Moscow into internal or external conflicts that backfire politically. Such moves are more likely to place the Kremlin on the defensive rather than allowing it to maintain the initiative in its attacks on the West.

MANAGING RUSSIA'S DISSOLUTION

The United States and NATO need to return to core principles in dealing with Putin's Russia by applying and adapting policies that hastened the collapse of the Soviet Bloc and the Soviet Union in the late 1980s and early 1990s. This should be anchored in supporting political pluralism, minority rights, genuine federalism, administrative decentralization, and self-determination among Russia's disparate regions and numerous ethnic groups. The impending fragmentation of the Russian Federation may not be as peaceful as the disintegration of the Soviet Union and the West needs to start planning for a range of scenarios that will affect several of Russia's European neighbors, NATO allies, and EU members. The basis for such a strategy would be a comprehensive assessment of each federal unit, ethnic group, and regional identity to reveal all of Russia's vulnerabilities and determine the opportunities for resistance, protest, sovereignty, and secession.

Russia has failed to develop into a nation state with a distinct ethnic or civic identity but remains an essentially imperial construct. In order to retain its state integrity, Russia needs to operate along more inclusive lines to manage disparate domestic interests. The country's increasingly stifling authoritarianism, much like Soviet communism, will eventually fragment the country. Russia's numerous nationalities are in effect trapped within a colonial federation that only benefits a narrow elite of security personnel, bureaucrats, oligarchs, and politicians tied to the Kremlin. Moscow extracts maximum resources from the federal regions while disbursing and investing as little as possible. Without local self-determination and regional autonomy, the federal structure will become increasingly unmanageable with the prospect of violent collapse.

While Moscow seeks to divide the West and fracture the EU and NATO by supporting nationalist, populist, separatist, anti-American, and anti-EU parties throughout Europe, Washington and its Allies can counteract by promoting regional and ethnic autonomy inside the Russian Federation and eventual independence from Moscow.²⁴ The rationale for such a strategy should be logically framed: in order to survive Russia needs a federal democracy and a robust economy; with no democratization on the horizon and economic conditions deteriorating the federal structure will become increasingly ungovernable; to manage the process of dissolution and lessen the likelihood of conflict that spills over state borders the West

²³ Stephen Blank, "Why is the Sea of Azov so Important?" Atlantic Council, November 6, 2018, <http://www.atlanticcouncil.org/blogs/ukrainealert/why-is-the-sea-of-azov-so-important>

²⁴ The argument that Russia must be kept intact because it possesses nuclear weapons is flawed; similar assertions were made about the Soviet Union before its collapse. Any emerging Muscovite state ruled from the Kremlin will inherit the nuclear arsenal just as Russia inherited that of the Soviet Union.

needs to establish links with Russia's diverse regions and promote their efforts for a peaceful transition toward statehood.

In the West's information offensive against the Putin regime, Russia's fake federalism should be contrasted with the genuine federalism of the United States system and other federal states in Europe and elsewhere. Western governments can diplomatically support self-determination and federalization inside Russia in key international institutions. As during the Cold War, when Washington backed the "captive nations," including Ukrainians, Lithuanians, Estonians, and Latvians, Western services can both openly or covertly assist autonomist and independence movements throughout the Russian Federation—from Kaliningrad and Karelia, through the Middle Volga and the North Caucasus to Tuva and Sakha in Siberia and the Far East. Indeed, Western leaders need to underscore that regions such as Sakha and Magadan, with their substantial mineral wealth, could develop into successful independent states without Moscow's political control and economic exploitation.

Governors of Russia's federal units appointed by the Kremlin may be faced with a stark choice as public disaffection mounts. They can either continue to implement Moscow's repressive and exploitative policies and face growing domestic opposition and even violent revolt, or they can transform themselves into genuine leaders pushing for the interests of their republics and resist pressures from the Kremlin. Recent public protests in Ingushetia against a land exchange deal with Chechnya that favors Grozny and was backed by the Kremlin indicates that the power and policies of local governors will come under increasing question at the same time that Moscow has diminishing financial resources to support the poorest republics.²⁵

Demands for authentic autonomy among Russia's diverse regions can be boosted through foreign economic connections. Local populations in several regions will benefit from forging closer trading contacts with neighboring states rather than depending on Moscow, whose federal budget is drastically shrinking. The Russian government has been calling for the richer regions to help subsidize the poorer ones, thus further aggravating their relations with the Center. Collapsing infrastructure means that residents of enormous regions such as Siberia and the Russian Far East will become even more separated from Moscow and European Russia, a trend that encourages regionalist or even independence movements. Siberia has also been hit particularly hard by international financial sanctions, as some of the major sanctioned oligarchs operate large enterprises in the region employing tens of thousands of workers.

It will be important to base Western policy on the calculation that the Russian Federation may not disintegrate simply along ethnic lines, as regional identities and grievances are growing even among Russian ethnics in Siberia and the Far East who may favor separation and statehood. Simultaneously, separatist sentiments among non-Russians can be encouraged through an information campaign underscoring Kremlin plans to downgrade the distinctiveness of ethnic republics, absorbing them into Russian-majority regions, or eliminating them altogether. This is evident in Moscow's plans to amalgamate and reduce the number of federal units, as well as the recently enacted language law designed to promote Russification and curtail native languages.²⁶

Support for autonomist and independence movements will also send a strong signal that the West can react to Moscow's aggression against NATO states by intensifying its backing for Russia's rupture. Indeed, NATO should prepare contingencies for both the dangers and the opportunities that Russia's fragmentation may present. This would involve a twin-track approach. First, Russia's European neighbors must be provided with sufficient security in terms of weapons systems and NATO military support to shield themselves from the most destabilizing scenarios emanating from Russia's dissolution. Plans can also be drawn up for handling refugee outflows, cross-border military spillovers, and other incidents that can negatively impact on nearby states.

Second, detailed plans should be drafted for engaging with the new entities emerging from a splintering Russian federation. New aspiring states may not necessarily be based on ethnic principles but on regional multi-ethnic identities amidst

²⁵ Tony Wesolowski, "Land Grab? Why the Ingush are Furious with Chechnya," *Radio Free Europe / Radio Liberty*, October 10, 2018, <https://www.rferl.org/a/explainer-ingush-chechenland-swap/29536507.html>

²⁶ Paul Goble, "Putin's Language Policies 'a Bomb Under the Russian Federation,' Experts Say," *Windows on Eurasia*, December 22, 2018, <https://windowoneurasia2.blogspot.com/2018/12/putins-language-policies-bomb-under.html> and "Declining Trust in Government at All Levels Becoming Problem in Majority of Federal Subjects, Grashchenkov Says," December 23, 2018, *Windows on Eurasia*, December 23, 2018, <https://windowoneurasia2.blogspot.com/2018/12/putins-language-policies-bomb-under.html>

increasing local estrangement from Moscow even among Russian populations. Some regions could join existing countries such as Finland, Ukraine, China, and Japan, from whom Moscow has forcefully appropriated territories in the past. Other republics and territories in the North Caucasus, Middle Volga, Siberia, and the Far East could become fully independent states and forge bilateral relations with China, Japan, the United States, and Europe.

RUSSIA'S ESCALATING FAILURES

Russia is infected with terminal maladies that will have widespread domestic reverberations and impact on United States and Allied interests from Europe to East Asia. Instead of assuming that Russia will transform itself into a stable and internationally constructive polity, it is time to acknowledge that the Russian Federation has failed to develop into a national state with a binding ethnic or civic identity and into a regional power without neo-imperial ambitions. Under the Putinist system, Russia has become a brittle centralized federation that will only become post-imperial through its dissolution.

Neglecting Russia's impending fragmentation may prove more damaging to Western interests than making preparations to manage its international repercussions. To avoid sudden geopolitical jolts and possible military confrontations, Washington and its European allies need to monitor and encourage a peaceful rupture and establish links with the entities that emerge from Russia's convulsions. The sudden collapse of the Soviet Union should serve as a lesson that far-reaching transformations occur regardless of the Kremlin's disinformation campaigns or the West's shortsighted adherence to a transient status quo.

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