

**U.S. NATIONAL SECURITY AND ECONOMIC
STATECRAFT: ENSURING U.S. GLOBAL
LEADERSHIP FOR THE 21ST CENTURY**

HEARING

BEFORE THE

**COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE**

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

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JULY 27, 2022
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WEDNESDAY, JULY 27, 2022

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

The committee met, pursuant to notice, at 9:30 a.m., in room SD-419, Dirksen Senate Office Building, Hon. Robert Menendez, chairman of the committee, presiding.

Present: Senators Menendez [presiding], Cardin, Shaheen, Coons, Murphy, Kaine, Booker, Van Hollen, Risch, Rubio, Portman, and Barrasso.

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

The CHAIRMAN. This hearing of the Senator Foreign Relations Committee will come to order. Let me thank Under Secretary of State for Economic Growth, Fernandez, United States Trade and Development Agency Director, Ebong, and Acting Under Secretary of the Treasury for International Affairs, Baukol, for being here today to discuss an incredibly important topic, one that has been an increasing focus of mine over the past several years, how the United States can best use our economic, trade, and development tools to promote our foreign policy objectives and improve the lives of Americans and others abroad beyond traditional government-to-government tools.

In the 21st century, geopolitical power increasingly rests on geo-economic foundations. With a powerful bully pulpit, China uses its economic might to spread its preferred authoritarian governing method around the world and pressure the developing world to choose between our system of values, of self-determination, respect for human rights, and openness, or their system and their values of autocracy, repression, and censorship.

We must not lose sight of the fact that democratic values and good governance also include economic transparency and competitiveness. While the United States is almost always the security and diplomatic partner of choice for countries around the world, we are not always their economic partner of choice. That is often because China's most effective power is their international and economic toolkit, using their own form of economic statecraft to punish, coerce, and undermine the sovereignty of other nations, or because

Russia will offer energy supplies far below market value in exchange for political support.

Take, for example, the case of Lithuania. After opening a Taiwanese representative office in Vilnius, Beijing reacted by immediately downgrading diplomatic relations with Vilnius and preventing Lithuanian goods from entering China, effectively creating a trade barrier. They also denied them critical supplies necessary for the production of their products. This is economic warfare, and it is a test for the West and the international community. We must stand with Lithuania.

I look forward to hearing from our witnesses how the Administration has pushed back against China and others' economic coercion.

In this new era of strategic competition, it is critical that the United States Government respond to these challenges. We have to ensure we are competitive; not just confrontational. We have to invest in American workers and our own economic prosperity here at home, and we have to channel and focus our economic statecraft programs that are fragmented across the United States Government.

That is why earlier this year, I introduced my Economic Statecraft for the 21st Century Act. It provides a comprehensive plan to confront the anti-competitive and predatory nature of China's international economic policies, and it will allow us to lead through our values by strengthening our supply chains with reshoring and near-shoring strategies, by achieving our energy-related sustainability goals, by fostering cooperation in multilateral institutions, and by building global resiliency.

However, this legislation is not meant to be the end of this economic statecraft initiative. It has to be a start. I know the ranking member just introduced his own economic statecraft bill and I look forward to working with him on further developing this agenda and passing the critical legislation we need in the coming months and years.

As part of our multilateral strategy, one of the best tools we have to counter China's predatory economic practices is to leverage our influence at international financial institutions. Yesterday, I introduced the International Financial Institutions Mobilization Act, which uses the United States' votes and leverage at international financial institutions to build resiliency and growth. It works to prevent future debt shocks in emerging markets and developing countries that are facing increased economic instability, and it includes an increase of resources in our own hemisphere, at the Inter-American Development Bank.

In recent years, Latin America and the Caribbean have seen devastating impacts from COVID and alarming erosion of democratic governance, rising poverty, and massive force migration. With so much at stake, it is critical that we expand the resources available to the Inter-American Development Bank. That is why I have worked continuously over the last years, 2 years, to advance a capital increase for the IDB, and I welcome the growing cooperation from the Treasury Department on this crucial issue.

Let me just, as an aside, I will not name the country, but one of our hemispheric neighbors, who very much wants to be aligned

with us, but is facing, as many others in the hemisphere, rising energy costs, almost to the point that it can create an explosive situation, rising food costs, the strictures of their IMF obligations, which they have been meeting, and, at the same time, no help from us, but China is willing to give them \$600 million with virtually no strings attached, at least no economic strings. Maybe there will be other strings attached.

In the face of that, if I am governing and taking care of the people in my country and I am going to have social unrest because people cannot afford the gas to get to their job or the food prices cannot be afforded, at the end of the day to achieve the goal of feeding my family, as much as I want to be with the United States, I am going to go ahead and probably make that decision.

We need to come together and think about how we help, particularly through these international financial institutions, including the IDB, but also the IMF. We should be talking to the IMF not about anybody relieving their debt burden, but certainly about transitioning during a period of time of pandemic, food prices, and rising energy prices. That is a toxic, explosive mix.

So we are at an inflection point. From emerging technologies to securing supply chains, from the threat of economic coercion to global infrastructure gaps, from the transition to a zero-carbon economy to development, finance, and economic leadership of the G20, and the international financial institutions, American leadership is vital to a peaceful and prosperous world order.

I look forward to hearing from the witnesses their thoughts on this legislation, on this agenda. I am happy to hear what they like, what they do not like, and how our toolkit can be improved.

With that let me turn to the ranking member for his remarks.

**STATEMENT OF HON. JAMES E. RISCH,
U.S. SENATOR FROM IDAHO**

Senator RISCH. Thank you very much, Mr. Chairman. Leading, promoting, and protecting economic freedom should be a major goal of the United States. The embrace of free market principles, inclusive economic growth, and trade makes Americans more prosperous. It is also imperative that we defend against countries like China and Russia who place commerce at the service of their political objectives.

I would associate myself with the remarks of the Chairman that this is an incredibly important subject, particularly in the face of the fact that we are competing with countries who do just what I said, and that is use economics to promote their political objectives. I think the Chairman has underscored that, and I know he has been very active in this field. That is one of the reasons I have joined the bill so that we can work together to craft a bill that hopefully we will all be able to get on board with and attack this problem, which is a serious, serious problem.

We, in America, do business differently than autocratic countries do, and that causes no end to problems, not only for America, but also for American businessmen.

We face severe economic challenges here at home, and many of our partners struggle with post-COVID economies or political instability. Meanwhile, China is capitalizing on these opportunities to

benefit itself, to anti-competitive means, as outlined by some of the remarks of the Chairman. With this in mind, legislative and executive branch focus on international economic policy is absolutely crucial. Soon I will introduce the Economic and Commercial Opportunities Network Act to help strengthen that policy, and again, I hope to work with the Chairman to be able to bring our two bills together to one, where we can have agreement and move forward with the objectives that we have in common.

There are several key areas of my bill I would like the witnesses to explore today. The first is strengthening the Department of State's economic corps. The private sector is key to market-based economic growth. However, our economic officers and their colleagues at other agencies are key to whether our economic and commercial diplomacy is successful. My bill includes provisions on promotions, recruitment, and retention, among other things. I would like to hear directly from all three witnesses on the health and the state of their workforce, what types of staffing challenges they face, and ideas for addressing these challenges.

Next I want to hear about energy engagement. I am concerned that the Biden administration's immense emphasis on climate change is coming at the expense of our energy needs and those of developing nations. Most Indo-Pacific nations still want to work with the United States on oil and gas, but are finding their U.S. counterparts are not interested. Similarly, we must work with our sub-Saharan African partners. Energy infrastructure in Africa is nascent, at very best, without large distribution grids required for wind and solar. Africa's energy needs are significant, and a range of solutions, including oil and gas, are needed to power the continent and support economic development.

With Russia's invasion of Ukraine, the President is finally waking up to the reality that the world will, by necessity, continue to rely heavily on fossil fuels for some time into the future, be that short-term, medium-term, or long-term. We do not know yet.

However, the State Department has not clarified whether it is able to work on natural gas and other fossil fuels with partner countries. The Development Finance Corporation's self-imposed and arbitrary mandate on carbon means it cannot finance any future natural gas projects. I would like a clear understanding of what each of your agencies are doing on energy and what specific guidance and mandates you are operating under.

Third, I expect the witnesses to lay out how each agency contributes to pushing back on anti-competitive economic behavior. My bill includes three new tools to tackle intellectual property theft, forced technology transfer, and unfair subsidies. That includes a novel reform to U.S. antitrust law so United States companies can take action against foreign, state-owned enterprises engaged in predatory pricing.

Finally, I am in the process of crafting the bill on cooperation with U.S. allies and partners on critical and strategic minerals. The U.S. must have a two-track approach to critical minerals, increasing domestic production and working with allies and partners. I want to hear from the witnesses how we can work with allies and partners to provide secure access and means of production throughout the critical mineral supply chain, foster market-based incen-

tives for joint investment, and ensure robust environmental standards. I also want to hear what each agency is doing on critical minerals. We continue to get very, very bleak reports on—my service on the Intelligence Committee and the Energy and Natural Resources Committee—about China’s monopolies and near-monopolies of minerals critical to the United States and allies and critical to their industrial base.

Let me be clear, however. Working with allies and partners is not a substitute for expanding domestic development and production of critical minerals. Idaho and several other Western states have a lot of these critical minerals, but the U.S. Government blocks companies from extracting and/or milling these minerals. I remain very concerned by efforts to erode our domestic mining industry and to rely solely on other countries for resources that we have here at home. We must explore both tracks.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. We will start the testimony. All of your statements will be fully included in the record, without objection. We would ask you to summarize them in about 5 minutes or so, so the committee members can have a conversation with you. We will start off with Secretary Fernandez.

STATEMENT OF HON. JOSE W. FERNANDEZ, UNDER SECRETARY OF STATE FOR ECONOMIC GROWTH, ENERGY, AND THE ENVIRONMENT, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. FERNANDEZ. Good morning and thank you, Chairman Menendez, Ranking Member Risch, and members of this committee for the opportunity to appear before you this morning.

Chairman Menendez, Ranking Member Risch, I appreciate the interest in the economic work that you have discussed in the State Department. It is my pleasure to be here with my colleagues, Acting Under Secretary Andy Baukol and Director of the USTDA Enoch Ebong. State works closely with our interagency colleagues to build a prosperous and secure global economy that benefits American workers, American families, and American businesses.

The economic work of the State Department is a vital part of rejuvenating rules-based global economic institutions and the U.S. alliances and partnerships of today and those to come, whether they be in Europe, the Indo-Pacific, the Middle East and Africa, or in our own hemisphere.

As Under Secretary for Economic Growth, Energy, and the Environment, I oversee a diverse team responsible for developing international policies and cultivating partnerships to promote economic growth and prosperity and also address challenges in a transparent, rules-based, and sustainable manner. This includes teams across my old bureau at the State Department, the Bureau of Economic and Business Affairs, the Bureau of Energy Resources, and the Bureau of Oceans, International Environmental and Scientific Affairs, as well as a number of offices, including the Office of Chief Economist, the Office of Global Food Security, the Office of Global Partnerships, and the Office of Science and Technology Adviser.

What makes the State Department’s contribution to this goal unique is our team of ambassadors and more than 1,500 officers,

located in almost every country in the world, officers who work with host governments to advance the Administration's economic statecraft agenda across a wide array of issues from supply chains to artificial intelligence, while leveraging U.S. global leadership to strengthen our domestic economy.

These efforts are many. They include promoting commercial and investment opportunities for U.S. companies and workers, intensifying our efforts on energy and climate security and environmental sustainability, ensuring sustainable and reliable supply chains, improving health security and resilience, enhancing food security, expanding access to secure communication networks, and fostering innovation through robust science, entrepreneurship, and technology policies.

Recognizing the important role of commercial diplomacy and the role that it plays in promoting U.S. prosperity, in 2019, Congress passed the Championing American Business Through Diplomacy Act in which the State Department has been involved, and we welcomed the opportunity to coordinate this whole-of-government effort, and we will be releasing the first CABDA report to Congress later this year. The CABDA report, beyond creating an inventory of interagency commercial and economic advocacy efforts at posts, will also establish a critical baseline on U.S. companies' priorities and challenges, and how we are working to support them.

Since my confirmation last August, almost a year ago, much of my work, and it is detailed in my longer written statement, has centered around combating Russia's brutal aggression against Ukraine and its challenge to the international rules-based order, and also countering the People's Republic of China's unfair economic practices, including economic coercion. In addition to these pressing issues my office is central to coordinating the international COVID-19 response and building partnerships for resilient clean energy, semiconductor, critical mineral, and medical/pharma supply chains.

I look forward to discussing these and other issues related to the economic work of the State Department in greater detail over the course of this morning's hearing.

Mr. Chairman and Ranking Member Risch, let me conclude by saying that I look forward to working with both of you, as well as with the members of this committee in the years to come on the initiatives I have described today, that we will discuss this morning, and the challenges and opportunities that we are sure to face in the future. I look forward to your questions. Thank you.

[The prepared statement of Mr. Fernandez follows:]

Prepared Statement of Mr. Jose W. Fernandez

Thank you, Chairman Menendez, Ranking Member Risch, and Members of the committee for the opportunity to appear before you today. Chairman Menendez, Ranking Member Risch, I appreciate your interest in the economic work at the State Department. It is my pleasure to be here with my colleagues, acting Treasury Under Secretary Andy Baukol and the Director of the U.S. Trade & Development Agency Enoch Ebong. State works closely with our interagency colleagues to build a prosperous and secure global economy that benefits American workers, families, and businesses.

The economic work of the Department of State is a vital part of rejuvenating rules-based global economic institutions and the U.S. alliances and partnerships of today and those to come. As Under Secretary for Economic Growth, Energy, and the

Environment, I oversee a diverse team responsible for developing international policies and cultivating partnerships to promote economic growth and prosperity and address challenges in a transparent, rules-based, and sustainable manner. This includes teams across the Bureau of Economic and Business Affairs, the Bureau of Energy Resources, and the Bureau of Oceans, International Environmental and Scientific Affairs, as well as the Office of Chief Economist, Office of Global Food Security, Office of Global Partnerships, and the Office of Science and Technology Adviser.

What makes the State Department's contribution to this goal unique is our team of ambassadors and more than 1,500 economic officers, located in almost every country in the world, who work with host governments to advance the Administration's economic statecraft agenda across an array of issues from supply chains to artificial intelligence, leveraging U.S. global leadership to strengthen our domestic economy. These efforts include promoting commercial and investment opportunities for U.S. companies and workers, intensifying our efforts on energy and climate security and environmental sustainability, ensuring sustainable and reliable supply chains, enhancing health security and resilience, expanding access to secure communication networks, advancing protection for U.S. intellectual property and innovation, and fostering innovation through robust science, entrepreneurship, and technology policies.

Recognizing the important role commercial diplomacy plays in promoting U.S. prosperity, Congress passed the Championing American Business Through Diplomacy Act (CABDA) in 2019. CABDA gives the Secretary of State primary responsibility for interagency coordination in support of U.S. economic and business interests abroad. The State Department has welcomed the opportunity to coordinate this whole-of-government effort and will be releasing the inaugural CABDA Report to Congress later this year, highlighting these efforts. The CABDA report, beyond creating an inventory of interagency commercial and economic advocacy efforts at posts, also establishes a critical baseline on U.S. companies' priorities and challenges, and how we are working to support them.

Since my confirmation in August 2021, much of my work has centered around combating Russia's outright aggression against Ukraine and its challenge to the international rules-based order, countering the People's Republic of China's (PRC) unfair economic practices, including economic coercion, coordinating the international COVID-19 response, and building partnerships for resilient clean energy, semiconductor, critical mineral, and medical/pharma supply chains.

RESPONDING TO RUSSIA'S FURTHER INVASION OF UKRAINE

Russia's unprovoked aggression in Ukraine and the humanitarian and economic consequences of Russia's actions have not only severely hurt Ukraine but also impacted the global community. The Department's economic team, alongside the Department of Treasury and others, has worked round the clock on measures to hold Russia and Putin accountable. Our sanctions have hit the Russian economy hard—limiting the Russian military's resources and sowing dissatisfaction among those who would prop up the regime. The U.S. Government has sanctioned over 1,000 individuals and entities under our Russia sanctions programs, and we have frozen or blocked billions in assets. My team continues to work closely with Allies and partners to coordinate sanctions measures and amplify their impact. My team is also supporting efforts to assess and respond to the environmental impact of damage caused by the war, as well as to coordinate with other global leaders to deliver much-needed medical supplies into Ukraine.

Food security, and the impending crisis exacerbated by Russia's war of choice on Ukraine and its impact on the production and transportation of key commodities, is also at the forefront of our work at the Department. Of course, these issues not only threaten vulnerable populations worldwide, but they also impact American families, as food prices increase globally. My team is working diligently to help Ukrainian officials reopen seaports—and find additional, alternate export routes by rail, road, and barge—so shipping of agricultural products can continue.

We are also leading discussions with our allies and partners on the need for diversified and sustainable international energy markets. In the near term, we are committed to helping our European allies find ways to improve energy resilience and support their plan to end their dependence on Russian energy.

The United States continues to work, in concert with our allies and partners, to enhance Europe's energy security. One of Putin's biggest miscalculations in undertaking his war of aggression against Ukraine was underestimating how it would bring our alliances closer. Since September 2021—even before Putin initiated his war—the United States engaged major natural gas producers around the globe to

understand their capacity and willingness to surge natural gas output and allocate these volumes to European buyers. This work has produced tangible successes, including allies like Japan and the Republic of Korea agreeing to redirect liquefied natural gas (LNG) cargoes to Europe. We continue to support efforts that diversify and increase LNG supplies to Europe, particularly as Russia cuts off and decreases natural gas supplies to EU member states.

While we continue to support efforts to diversify LNG supplies to Europe, reducing demand for fossil fuels and advancing the clean energy transition remain key short- and long-term deliverables to eliminate Europe's energy dependencies on Russia. We are collaborating with clean and renewable energy technology providers to help reduce overall natural gas demand in Europe, including through deploying technologies such as smart thermostats, efficient grid technologies, and energy efficiency and productivity improvements. We are also collaborating to accelerate deployment of clean and renewable energy solutions, such as offshore wind, nuclear energy, and clean hydrogen.

Moreover, the Department is working to address the global energy crisis Putin's war has caused. With the Department of Energy in March and again in April we marshalled support for the two largest International Energy Agency collective oil releases in history. Together with the United States' commitment, these releases added a combined 240 million barrels to global supply. These actions show the President's unwavering focus on doing everything in his power to help American families who are paying more out of pocket for gasoline due to Putin's war.

All of this work has helped the United States and our allies assert a comprehensive and unified Russia policy that exacts maximum cost to Putin and his regime while mitigating, to the extent possible, unintentional impacts on civilian populations worldwide.

COUNTERING THE PRC'S ECONOMIC COERCION

Additionally, as Secretary Blinken highlighted in a major policy address in May, Russia is not our only geopolitical economic challenge. As Members of this committee know well, the PRC is increasingly advancing economic policies and practices fundamentally at odds with the market-oriented global system.

Additionally, the PRC uses its economic position to intimidate and coerce governments throughout the world in order to advance Beijing's strategic interests, or to punish countries for pursuing legitimate policies that the PRC deems harmful to PRC interests. The PRC has increasingly employed intimidation tactics and pressure campaigns against a number of U.S. partners, including Japan, the Republic of Korea, Norway, Australia, and, most recently, Lithuania.

As you are aware, last year, after Lithuania decided to allow Taiwan to open an unofficial representative office in Vilnius, with a name the PRC deemed unacceptable, Beijing began targeting Lithuania with a range of coercive and punitive economic measures which we believe were aimed at forcing Vilnius to change the name of the office, or, if Vilnius refused, to impose enough economic damage on Lithuania to deter other nations from following suit. State worked with the interagency to develop a plan to address the immediate impacts of PRC actions against Lithuania and then consulted with the European Union, Taiwan, and other allies and partners on ways to support Lithuania and strategize on ways to prevent and respond to future cases of economic coercion. As the PRC ratcheted up diplomatic and economic pressure, we countered with a series of actions to demonstrate our support for Lithuania and encouraged others to do the same.

To name just one example: After the PRC cancelled a 300 million euro export credit facility to Lithuania (requiring Lithuanian importers to pay in advance for PRC imports), we worked with the Export-Import Bank (EXIM) to execute a Memorandum of Understanding (MOU) with the Lithuanian Government to enhance economic cooperation by deepening engagement on opportunities for U.S. exporters and Lithuanian buyers. The MOU envisions making up to \$600 million of financing authority available to facilitate U.S. exports to Lithuania. In short, the EXIM MOU was a tangible demonstration of U.S. support to Lithuania as it stood up to the PRC.

We are also engaging allies and partners to explore options for multilateral action on the broader issue of PRC economic coercion. The State Department joined USTR in welcoming the EU's decision to bring a WTO case against the PRC (for which the United States requested to join the consultations, along with Japan, the UK, Canada, Australia, and Taiwan). We would like to see more multilateral action of this nature and are exploring options across a range of fora. We are also working bilaterally with our allies and partners to help Lithuania replace markets and sup-

ply chains cut off by the PRC, especially Taiwan, which earlier this year agreed to provide Lithuania with a \$1 billion export credit facility.

Mr. Chairman, as you have mentioned, Lithuania was a test case to combat the PRC's economic coercion, and I believe the United States and our allies and partners rose to the occasion, allowing Vilnius to stand strong, but we need to remain supportive of Lithuania and vigilant of similar challenges from Beijing in the future.

WORKING WITH ALLIES AND PARTNERS

As we've seen with Russia and the PRC, strong global partnerships are force multipliers in advancing U.S. foreign policy priorities. The Department of State is actively working on harmonizing efforts with our sister agencies as well as foreign partners in formal settings such as the U.S.-E.U. Trade and Technology Council (TTC), the U.S.-Japan Economic Policy Consultative Committee (EPCC), and the India, Israel, United Arab Emirates and United States initiative, or "I2U2", all established in just the last year.

Since the inaugural U.S.-EU Trade and Technology Council (TTC) ministerial in September 2021, the U.S. and EU, along with stakeholders in business and labor, have worked together to demonstrate how democratic governance approaches can deliver for our citizens and the world. Under the TTC umbrella, 10 interagency, bilateral working groups are developing a set of concrete deliverables in these and other areas for our next ministerial meeting later this year.

And in many ways this partnership has already delivered in terms of our Transatlantic approach to Russian and Belarusian export controls and countering PRC coercion of Lithuania. In May 2022, the TTC ministers reviewed work to address supply chain vulnerabilities, including in the semiconductor industry, investment screening, export controls, and coordination of standards for emerging technologies such as artificial intelligence. As we do so, we are also mindful to avoid creating unnecessary barriers to trade in the vibrant transatlantic economy.

Secretary Blinken asked me last fall to lead the new Israel-India-United Arab Emirates-United States (I2U2) grouping of like-minded partners. We were very pleased the President elevated I2U2 to the heads of state level, launching the initiative with his I2U2 counterparts during his visit to Israel on July 14. I2U2 will deepen Israel's economic integration within the Middle East and beyond to Asia and will serve as a model for promoting trusted regional partnerships that can collaboratively create commercial opportunities and good paying jobs in countries that share our commitment to the region's peace, prosperity, and stability. We are collaborating closely with interagency partners on this initiative, including with the U.S. Trade and Development Agency (USTDA), Commerce, EXIM, USDA, and others.

SUPPLY CHAINS

Supply chains are a major focus of these and other regional and bilateral initiatives, where we work with our partners and allies to relieve supply chain bottlenecks and disruptions that add to inflationary pressures. Even before the President issued his February 2021 executive order to secure U.S. supply chains in sectors critical to our national and economic security, the State Department had a long history of working closely with partners and allies to increase supply chain resiliency against multiple vulnerabilities, and we regularly benefit from reporting from our posts around the world on relevant trends and host country views.

Our supply chain work has centered on promoting greater transparency (better information sharing), diversification (promoting investment and co-investment in critical supply chains), security (improving cyber security and identifying and addressing common threats), and sustainability (adhering to strong labor and environmental standards and enforcement). In this effort, the Department of State has ensured the participation of business, labor, civil society, and academics. We also ensured the impacts of supply chain disruptions on vulnerable populations are front and center for the United States and our allies.

At the Leaders' Summit on Supply Chain Resilience in Rome in October 2021, President Biden launched a global cooperative effort to drive greater transparency, diversification, security, and sustainability. Secretary Blinken and Commerce Secretary Raimondo furthered these goals through a multi-stakeholder Ministerial Forum on Supply Chain Resilience on July 19-20. The Department of State has worked with our sister agencies to also advance these principles through regional and sectoral engagement with key partners and allies, including the U.S.-EU Trade and Technology Council, the Quad Critical and Emerging Technologies Working Group, the Indo-Pacific Economic Framework (IPEF), the Americas Partnership for Economic Prosperity (APEP), the COVID-19 Pandemic Prioritized Global Action

Plan for Enhanced Engagement (GAP), the recently announced Minerals Security Partnership, and a wide range of bilateral engagements. We are also promoting these supply chain principles through our bilateral dialogues, including with Japan, the Republic of Korea, and Taiwan.

Ensuring resilient supply chains also includes nearshoring in the Western Hemisphere to minimize future disruptions. The supply chain disruptions due to the pandemic have shown us that it is critical for the private sector to diversify its supply chains, to the greatest degree possible, away from single-sourcing and to create enhanced resilience. Where appropriate, we will work with sister agencies, the private sector and partners to coordinate efforts and potentially leverage financial and development tools, including support for efforts to move supply chains away from adversarial nations or locations with unacceptable environmental or labor standards. Our efforts must ensure that our partners uphold high environmental and labor standards and have strong trade enforcement policies. We also seek to support capacity building and provide technical assistance when needed to improve environmental and labor standards and enforcement of them.

FOOD SECURITY

The Department is also working to address acute and growing global food insecurity and, as Secretary Blinken noted during the May 18 Roadmap for Global Food Security—Call to action ministerial at the United Nations, the drivers of which are climate change, COVID, and now conflict caused by Russia's aggression. As part of our efforts, we created a global roadmap that commits countries to take swift, concrete steps to get food to people around the world who need it now, and to build greater resilience to future shocks. Ninety-nine countries and counting have signed on to that roadmap.

Our focus now is to turn those commitments through the roadmap and other initiatives into concrete, immediate action, including through the seven actions laid out by Secretary Blinken at the Roadmap for Global Food Security ministerial—namely: (i) pressing countries to step up with new substantial contributions to meet urgent humanitarian needs; (ii) working with the United Nations to end Russia's blocking of Ukrainian food exports through the Black Sea; (iii) closing the global fertilizer gap by both producing more fertilizer and using it more efficiently; (iv) urging governments not to impose restrictions on the export of food and fertilizer; (v) increasing agricultural capacity and resilience, including through our own Feed the Future initiative; (vi) working with international financial institutions to cushion food shocks; and (vii) promoting greater information sharing and coordination, including through the Global Alliance for Food Security.

I would also like to close by highlighting one of the initiatives that I have led since beginning my tenure at the State Department, the Minerals Security Partnership, or MSP. It is an example of the work we have been doing to advance many of the priorities I have outlined in my statement today, including supply chains, collaborating with allies and partners, and the clean energy agenda. As you know, many of the clean energy technologies being deployed today, and those under development, require a wide range of critical minerals and metals on a rapidly accelerating pace. The world will need tremendous amounts of minerals like cobalt and lithium, nickel, and rare earth elements, essential for manufacturing photovoltaic solar panels and electric vehicle batteries, let alone more copper to help further electrify our economies and reduce the need for higher emitting sources of energy.

After hearing from our embassies and consulates overseas about the need for a cohesive policy on global critical mineral supply chains, we began to develop a global approach with our partners and allies on a pathway towards meaningful progress in expanding access to critical minerals extraction and production. That is why on June 14, the United States and other partners moved forward with establishing the Minerals Security Partnership, or MSP, that will seek to improve cooperation on diversifying critical mineral supply chains and speed up the production, processing, and recycling of critical minerals in a way that helps countries realize the full economic development benefit of their geological endowments. The MSP will focus on increasing public and private investment, improving transparency, and promoting high environmental, social, and governance (ESG) standards throughout critical mineral supply chains. We want a race to the top, not the other way around.

This is something that will be at the heart of the Administration's work on critical minerals, and I want to thank you Mr. Chairman for your leadership on this issue, and I pledge that I will continue to work with you and this Committee to further develop the tools and mechanisms needed to amplify the MSP and the work we are doing with our partners on securing global critical mineral supply chains.

Mr. Chairman, Ranking Member Risch, let me conclude by saying that I look forward to working with you both as well as the Members of this committee in the years to come on the initiatives I have described today, and the challenges and opportunities we are sure to face in the years to come. I look forward to your questions.

The CHAIRMAN. Thank you. State Department has not taught you how to use all your time. It is very amazing. I appreciate it. A full minute almost back.

Ms. Ebong.

STATEMENT OF HON. ENOH T. EBONG, DIRECTOR, U.S. TRADE AND DEVELOPMENT AGENCY, WASHINGTON, DC

Ms. EBONG. Thank you, Chairman Menendez, Ranking Member Risch, and distinguished members of the committee. Thank you for inviting me to testify today on the U.S. Trade and Development Agency's role in the U.S. Government's economic statecraft.

USTDA's mission is to support the development of high-quality infrastructure in emerging economies while creating U.S. export opportunities to the projects that we support. Emerging economies desire partnership with the United States because we offer positive alternatives for their development. In fact, USTDA offers a stark alternative to China's predatory practices. We build partnerships based on mutual benefit and trust, and we utilize our project preparation and partnership-building tools to advance the shared priorities of our overseas partners and U.S. industry.

USTDA engages in the most strategically important stage of the infrastructure development cycle, when the technical and design options for projects are being defined. U.S. companies perform all USTDA-funded activities. This is critical to American competitiveness. If we do not define the requirements for these projects, then our competitors certainly will.

USTDA's tools are essential for structuring bankable infrastructure projects for international financial institutions. Our engagement with them increases the likelihood of implementation for projects into which U.S. goods and services may be exported.

Around the world, USTDA coordinates with like-minded partners to present positive economic development alternatives to those offered by China. For example, our partnership with Australia's Department of Foreign Affairs and Trade has expanded our portfolio across the Pacific Islands, including in Papua New Guinea, the Solomon Islands, and Tonga.

Of course, one of the best economic statecraft tools we have is the U.S. private sector, whose high-quality solutions are widely sought, but often come at a higher up-front price. When international tender is used, lowest price is the primary deciding factor for award, countries like China benefit. This practice has long plagued emerging economies, leading to failed infrastructure projects and harmful development outcomes.

In response, USTDA established the Global Procurement Initiative, or GPI, to train public officials on integrating lifecycle cost analysis and best value determinations into their procurement decisions. GPI programs are increasingly sought by countries that want to acquire sustainable, high-quality infrastructure. Under the GPI, we are changing the rules of the game and promoting transparency.

In the course of our work, USTDA sees first-hand the increasingly fierce competition from China. In recent years, we have leveraged our tools, including training grants, to help level the playing field for U.S. companies. For example, China's HMN Technologies, formerly Huawei Marine Networks, recently made an offer to build a new sub-sea fiberoptic cable system, that will carry large volumes of data from Singapore to France. Their main competition was New Jersey-based SubCom, LLC. USTDA offered training assistance to the five countries involved in the selection process on the condition that they select SubCom. Their offer helped the company win a \$600 million contract. Their technology will be manufactured in New Hampshire and provide a trusted new route for high-speed connectivity for countries in Africa, Asia, and Europe.

USTDA's project preparation and partnership-building activities are critical to our long-term competitiveness in the world's most strategically important markets. As a government, we can optimize our economic statecraft through a holistic approach, where the value of our assistance is not solely measured by investment dollars. We must level the playing field so that U.S. companies can compete, we must partner with like-minded allies, and together we must lead the development of infrastructure for the benefit of billions of people around the world. This is how we can win.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Ebong follows:]

Prepared Statement of Ms. Enoch T. Ebong

Chairman Menendez, Ranking Member Risch, and distinguished Members of the Committee: Thank you for inviting me to testify today on the U.S. Trade and Development Agency's (USTDA) role in the U.S. Government's economic statecraft.

USTDA'S UNIQUE DUAL MISSION

USTDA is the only foreign assistance agency that has a mandate to support U.S. jobs through exports. Our role is to support the development of sustainable, high-quality infrastructure in developing and middle-income economies, while creating U.S. export opportunities related to the infrastructure projects that we support. This unique dual mission places us at the leading edge of U.S. economic statecraft in emerging economies around the world.

USTDA'S STRATEGIC TOOLKIT

USTDA engages at the most critical and strategically important stage of the infrastructure development cycle. We provide grant-based funding to overseas project sponsors for project preparation activities such as feasibility studies, technical assistance, and pilot projects. U.S. companies perform these activities, which include the definition of technical and design options for infrastructure projects in sectors including clean energy, information and communications technology, transportation, healthcare infrastructure, and agribusiness. This is critical to American competitiveness; if we do not define the requirements for these projects, then our competitors certainly will.

USTDA's tools are essential for structuring infrastructure projects that can be financed, implemented, and sustained. Our work helps to build a pipeline of bankable infrastructure activities for U.S. Government agencies, such as the Export-Import Bank of the United States (EXIM) and U.S. International Development Finance Corporation, and trusted international financial institutions including multilateral and regional development banks, and private banks. These partners increase the likelihood of implementation of infrastructure projects—both public and private sector in nature—into which U.S. goods and services may be exported.

In addition to project preparation assistance, USTDA's toolkit also includes partnership-building activities that connect overseas project sponsors to U.S. financiers, suppliers, and regulatory and policy experts, with the goal of sharing knowledge,

building relationships, and finding solutions for the challenges that our partners face.

This strategic toolkit allows USTDA to uniquely contribute to U.S. Government priorities such as the Partnership for Global Infrastructure and Investment (PGII), which G-7 leaders launched in June. PGII will deliver game-changing projects to close the infrastructure gap in developing countries, strengthen the global economy and supply chains, and advance U.S. national security. The initiative will mobilize hundreds of billions of dollars and deliver quality, sustainable infrastructure that will make a difference in people's lives around the world while creating new opportunities for American workers and businesses. Many of the projects that USTDA has funded in the past year and will fund moving forward align with PGII's overall objectives.

MEASURABLE RESULTS

USTDA's work has produced excellent results. In addition to developing high-quality, sustainable infrastructure in emerging economies, the Agency currently generates an average of \$117 in U.S. exports for every \$1 invested in its programming. USTDA has supported more than \$76 billion in U.S. exports since our founding in 1992. These exports have benefited U.S. companies across the United States, including small businesses from more than 370 communities.

USTDA has generated these results with a modest budget, including a budget of \$79.5 million in fiscal year 2022. The President's Fiscal Year (FY) 2023 Budget Request for USTDA of \$98 million, which represents a \$18.5 million increase from FY 2022, will allow the Agency to build upon these proven results and track record of successfully supporting U.S. jobs and fostering economic growth in its partner countries.

EMERGING ECONOMIES WANT U.S. PARTNERSHIP

As the U.S. Government's overseas project preparation agency, USTDA sees firsthand the increasingly fierce competition for strategically important infrastructure projects from government-backed firms. For example, the People's Republic of China (PRC) often heavily subsidized and opaque financing practices pave the way for PRC-associated companies to prepare and develop infrastructure projects, foreclosing export opportunities for U.S. businesses and harming American competitiveness in global infrastructure development.

U.S. exporters are increasingly requesting USTDA intervention to compete in markets where they face unfair competitive practices. At the same time, emerging economies desire partnership with the United States because we offer positive alternatives for their economic development, as well as access to a private sector whose innovation and creativity are second to none.

USTDA offers a stark alternative to China and others predatory development practices. The premise of our program is partnerships that are based on trust, mutual benefit, and collective prosperity. Our approach is effective because it is based on the shared priorities of our overseas partners and U.S. industry. Moreover, USTDA is able to advance these shared priorities because of its unique set of project preparation and partnership-building tools, as described in the following examples.

TRAINING GRANTS: COUNTERING PRC COMPETITION

Subsea fiber optic cables are an essential component of the world's telecommunications infrastructure. In recent years, USTDA has leveraged tools including the Agency's training grants to help ensure these new cable systems are built with U.S. technology. One of the most significant cable systems now under development is the Southeast Asia-Middle East-Western Europe 6 (SMW6) subsea fiber optic cable system, which will link Singapore to France over a distance that exceeds 10,000 miles. The scale and importance of this project drew the attention of global technology providers and the support of their governments, including China's HMN Technologies Co., Ltd. (formerly Huawei Marine Networks Co., Ltd.).

In the face of this competition, USTDA helped New Jersey-based SubCom, LLC, win this \$600 million contract by offering specifically designed training assistance to five of the countries involved in the selection process. Our offer was conditioned on their selection of SubCom's technology, which is manufactured in New Hampshire. Thanks in part to a whole-of-government effort, including support at the tender stage from EXIM, SubCom won the contract and will be the trusted vendor on a project that will transmit large volumes of data across almost half of the world.

REVERSE TRADE MISSIONS: INTRODUCING OVERSEAS PARTNERS TO U.S. SOLUTIONS

Reverse trade missions (RTMs) are another strategic component of USTDA's toolkit. RTMs bring overseas decision-makers to the United States to introduce them to the design, manufacture, and operation of U.S. goods and services. These RTMs build and deepen long-term commercial partnerships between foreign buyers and American exporters, while showcasing the technological edge and Made-in-the-USA quality and reliability that U.S. companies offer. RTMs are targeted toward specific opportunities and are timed for the critical point when foreign procurements are imminent or being structured.

In South America, USTDA organized an RTM to introduce Chilean and Ecuadorian telecommunications operators to U.S.-centric solutions for a subsea fiber optic cable to connect South America to Asia. USTDA's engagement was in direct response to a proposal from China's Huawei for a transpacific cable that would have routed all of its cable traffic through China. USTDA's RTM engaged Chile on the routing, cybersecurity, and technology implications of pursuing a China-focused approach. The RTM also addressed the policy, regulatory, and financial considerations for implementing projects of this nature. By familiarizing the telecommunications officials with U.S. subsea and land-based fiber optic cable technologies and related infrastructure solutions, USTDA's efforts, and engagement by U.S. industry, helped in re-designing the cable routing through Australia.

PARTNERING TO HELP U.S. SMALL BUSINESSES COMPETE AGAINST CHINA

USTDA's tools are also effective at helping U.S. small businesses compete and win in emerging economies overseas. Under the U.S. Government's Power Africa initiative, USTDA was part of a whole-of-government effort to help Illinois-based small business Weldy-Lamont Associates win a major rural electrification project in Senegal against a PRC-led consortium.

USTDA funded an RTM to the United States to introduce Senegalese power officials to U.S. solutions and offered specialized training assistance if they selected Weldy-Lamont for their project. USAID initiated the U.S. Government's support by referring Weldy-Lamont to USTDA. The U.S. Departments of Commerce and State strongly advocated on behalf of the company to the Senegalese Government. When Weldy-Lamont was ultimately selected, EXIM approved \$97.7 million in financing for the project, which is supporting approximately 500 U.S. jobs in nine U.S. states. This is a great example of how USTDA works with its interagency partners to support U.S. companies facing steep competition overseas.

PROMOTING TRUSTED REGIONAL PARTNERSHIPS

USTDA also contributes to the development of trusted regional partnerships that serve our government's broader economic statecraft goals. This includes advancing the U.S. Department of State's work to harmonize U.S. Government efforts on priorities such as the India, Israel, United Arab Emirates and United States initiative, or "I2U2."

During the I2U2 leaders meeting held earlier this month, President Biden highlighted a USTDA-funded feasibility study that will advance a \$330 million hybrid renewable energy project in India's Gujarat State consisting of 300 megawatts (MW) of wind and solar capacity complemented by a battery energy storage system. The I2U2 group will work together to promote business and investment opportunities related to the project, which will contribute to India's goal of achieving 500 gigawatts of non-fossil fuel capacity by 2030.

Such projects have the potential to demonstrate the value of partnership with the United States and its allies on economic development solutions that are innovative, creative, and built on a foundation of trust and collective prosperity.

USTDA coordinates with like-minded partners to present positive economic development alternatives to those offered by China. In the Indo-Pacific region, our partnership with Australia's Department of Foreign Affairs & Trade has built USTDA's Pacific Islands portfolio to include U.S. private sector-led studies that support the digital transformation of the Central Bank of Solomon Islands, strengthen electricity access for Papua New Guinea's 9 million citizens, and increase renewable power generation in Tonga.

In partnership with the U.S. private sector and our allies, USTDA is helping these island countries define the technical and financial requirements for high-quality infrastructure that will last a generation and contribute to their long-term economic resilience.

PARTNERING ON QUALITY INFRASTRUCTURE

One of the best economic statecraft tools is the U.S. private sector itself. Their high-quality solutions are sought by USTDA's overseas partners, but often come at a higher up-front price. This is problematic when international tenders use "lowest price" as the primary deciding factor for award. In our experience, this practice has long plagued emerging economies, leading to failed infrastructure projects and harmful development outcomes.

To address this issue, USTDA established the Global Procurement Initiative, or "GPI," to train public officials on practices and policies that integrate life-cycle cost analysis and best-value determinations into their procurement decisions.

This initiative is popular with our partners. In fact, USTDA has partnered with Japan's Ministry of Economy, Trade and Industry (METI) to strengthen procurement capacities in the Indo-Pacific region. To date, USTDA and METI have collaborated on a number of joint procurement-related training activities, including clean energy in Indonesia and transportation in Vietnam.

The GPI now has 15 partner countries, and its programs are increasingly being requested by countries that want to move beyond low-cost, low-quality solutions. The GPI is a highly innovative tool of economic statecraft that is helping our partners acquire high-quality, sustainable infrastructure with overall savings to their government.

GLOBAL ECONOMIC STATECRAFT

Initiatives such as the GPI demonstrate USTDA's global reach and ability to creatively tailor its project preparation and partnership-building toolkit to the needs of emerging economies. This programmatic flexibility and nimbleness allow the Agency to contribute to U.S. economic statecraft in many of the fastest-growing and strategically important countries in the Indo-Pacific; Latin America and the Caribbean; Middle East, North Africa, Europe, and Eurasia; and sub-Saharan Africa. Many of USTDA's activities have important national security implications for the United States and its overseas partners.

For example, USTDA is tackling the climate crisis at home and abroad through initiatives such as our Global Partnership for Climate-Smart Infrastructure. Just over a year since its launch, our initiative has already funded more than two dozen project preparation and partnership-building activities in the clean energy and transportation sectors that are designed to help unlock more than \$50 billion in climate finance and support more than \$12 billion in U.S. exports.

USTDA's investments in climate action have spurred projects of global significance. In Morocco, a USTDA-funded study led to the development of the \$877 million third phase of the world's largest concentrated solar power plant, the 510 MW Noor/Ouarzazate Solar Power Station, which became operational in December 2021. This plant is reducing carbon emissions by an estimated 760,000 tons per year while enhancing regional energy security. A U.S. company supplied cooling systems to the project.

In Eastern Europe, USTDA is building on its legacy of promoting energy security through project preparation. In Lithuania, a USTDA-funded study led to the development of the Klaipėda liquefied natural gas (LNG) import terminal, which began operations in 2014 and helped secure the country's energy independence from Russia. This investment is facilitating a significant volume of U.S. LNG exports to Lithuania, which has become a regional LNG hub. The country is now supplying gas to Estonia and Latvia, and recently opened a new pipeline connection to Poland, enabling the countries to share gas. USTDA's investment in the Klaipėda LNG import terminal was a mere \$826,000, whereas the return on investment to European and American national security interests is incalculable.

USTDA is currently working with our U.S. industry and Eastern European partners to advance the region's energy security using innovative clean U.S. technology. In particular, USTDA is laying the groundwork for the deployment of U.S. small modular reactors (SMR) in Romania, where a USTDA-funded siting study and technology assessment led to Romania's selection of Oregon-based NuScale Power, LLC, to build an SMR plant on the site of a shuttered coal-fired power plant. This would be the first deployment of U.S. SMR technology to Europe.

USTDA is also working with NuScale in Ukraine, where the Agency is funding a licensing gap analysis to create the appropriate regulatory environment to support the future deployment of U.S. SMR technology.

CONCLUSION

USTDA's project preparation and partnership-building activities are critical to U.S. economic statecraft in the 21st century and to our long-term competitiveness in the world's fastest-growing and most strategically important markets. As such, USTDA will continue its steadfast support of U.S. industry interests while advancing the sustainable infrastructure development priorities of our overseas partners.

The CHAIRMAN. Thank you.
Mr. Baukol.

STATEMENT OF ANDY BAUKOL, COUNSELOR TO THE SECRETARY AND PERFORMING THE DUTIES OF THE UNDER SECRETARY FOR INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF THE TREASURY, WASHINGTON, DC

Mr. BAUKOL. Thank you, Chairman. Thank you, Ranking Member. Thank you other members of the committee for the opportunity to discuss Treasury's international economic tools alongside my colleagues from the State Department and USTDA.

Let me state at the outset that the Administration stands firmly with the people of Ukraine. We are holding the Putin regime accountable for its war against Ukraine and will continue to confront Russia at every turn.

We are at a key juncture for economic statecraft. Together with our allies we have leveled some of the strongest sanctions in history, and the Russian economy has been significantly impacted. We are also working with the G7 and other partners to explore our price cap on Russian oil, to curb revenues to Putin's regime.

We are leading the way among our partners, thanks to action by Congress, in delivering support to Ukraine's economy. U.S. funds have been critical to maintaining basic services in Ukraine, including education and health care.

Five months in, Russia's war has created significant economic and humanitarian challenges for Ukraine and beyond. Higher commodity prices are feeding into global inflationary pressures, with knock-on effects to energy and food security, trade flows, external balances, adding to social pressures in many countries. Treasury has been focused on supporting countries as they weather the shocks of COVID-19 and the fallout from Russia's war. Stronger, more stable growth abroad means a stronger economy here at home, and the international financial institutions are critical to this effort.

Over the last 2 years, the international financial institutions have led the way in helping low-income and developing countries fight the pandemic and stabilize their economies. These institutions are vital to responding to food and energy shocks and the refugee crisis in Europe. They will also be essential in rebuilding Ukraine.

The Administration is seeking authorization from Congress to provide up to \$21 billion to two IMF facilities targeted at the poorest and most vulnerable countries, the Poverty Reduction and Growth Trust, and the newly created Resilience and Sustainability Trust. Through the PRGT, the IMF provides zero-interest financing to the world's poorest countries. A record \$19 billion in disbursements during COVID has left the PRGT in need of additional funding going forward.

Through the Resilience and Sustainability Trust, the IMF will provide countries with targeted financing alongside IMF programs to increase their resilience to energy shocks, pandemics, and climate change. These IMF trust funds provide critically needed financing and help countries undertake reforms to promote long-term growth, consistent with the IMF's core mission. We look forward to working with this committee on this important request so that the United States can continue to lead in the global economy.

U.S. leadership is needed to tackle serious long-term challenges to the international order, including those posed by China, as referenced by the chair and ranking member. The international financial institutions offer a high-quality alternative to China's development financing, which is opaque and non-concessional. We are engaging the multilateral development banks directly to step up their support for infrastructure development, in line with the ambitions of the Partnership for Global Infrastructure Investment.

Treasury is also working to enhance debt transparency and sustainability. Around 60 percent of low-income countries are at high risk or already in debt distress. Our efforts will help facilitate debt restructurings and prevent future debt crises. We continue to call for full and timely cooperation from all official creditors, including China, to help low-income countries that are requesting relief.

Treasury is helping the international financial institutions adapt to the 21st century challenges. Pandemics, climate change, fragility, migration, refugee flows—these challenges cross borders and disproportionately affect the poor and vulnerable. We need development finance to better mobilize private capital and finance solutions at scale.

At the Inter-American Development Bank Group, for example, we are ready to begin negotiations on providing additional capital to IDB Invest, the group's private sector financing arm, in line with a broader reform agenda for the group.

Finally, Treasury provides technical assistance to help developing and transitional economies build capacity, a flagship tool that delivers mightily on every taxpayer dollar invested.

I look forward to working with you, Chair, and the committee to continue to advance U.S. international economic leadership abroad and create opportunities for Americans at home. Thank you.

[The prepared statement of Mr. Baukol follows:]

Prepared Statement of Mr. Andy P. Baukol

Chair Menendez, Ranking Member Risch, and Members of the Committee, thank you for the opportunity to discuss the Department of the Treasury's international economic tools.

Let me state at the outset that the Biden administration stands firmly with the people of Ukraine as they defend their lives, their homes, and their country. We are resolute in our commitment to hold the Putin regime accountable for its unprovoked and unjustified war against Ukraine and the atrocities it has committed. America and our allies will continue to confront, condemn, and constrain Russia at every turn.

This hearing occurs at a key juncture for economic statecraft. Together with our allies, we have leveled some of the strongest and most effective sanctions in history—and the Russian economy has been left reeling. Just last month, Russia's Central Bank Governor said Russia's economy "won't be as it was before" because of the strength of our unified sanctions. The IMF projects Russia's economy to contract by about 6 percent this year. Critically, due to our collective work to deny Russia key technologies for its armaments industry, we've been able to significantly weaken

Russian military capabilities on the battlefield—resulting in the shuttering of tank factories and Russian frontline troops using increasingly outdated equipment and weaponry. We are also working with the G7 and other partners around the world to explore a price cap on Russian oil that would limit revenue used by Putin’s war machine while preventing price spikes in global oil markets. Our multilateral response demonstrates that the international financial system and economic marketplace are not open to those who violate the core principles of territorial integrity and self-determination.

And we are leading the way among our partners—thanks to action by Congress—in delivering the financial support needed to sustain Ukraine’s economy. Already, the U.S. Government has disbursed \$4 billion in direct budget support to the Government of Ukraine and aims to disburse an additional \$4.5 billion by the end of September. These funds are critical in maintaining basic government functions, including the provision of education and health care.

Five months in, Russia’s illegal war against Ukraine has created significant global economic and humanitarian challenges. We are seeing higher commodity prices feed into global inflationary pressures and pose threats to energy and food security, trade flows, and external balances across many countries. Just yesterday, the IMF again cut its forecast for global growth this year, citing spillovers from Russia’s war against Ukraine as a principal reason. Emerging market economies and low-income countries are particularly vulnerable to the fallout. These shocks are stretching already thin public balance sheets, increasing their borrowing costs, and exacerbating their pre-existing debt vulnerabilities with direct impacts on the most vulnerable households in these countries. The sooner Russia puts an end to this unnecessary war, the sooner we can stem the damage to the U.S. and global economy.

At Treasury International Affairs, much of our focus over the last 2 years has been on how we can better support developing countries as they weather the pandemic and now the spillovers of Russia war on Ukraine. These global crises have clearly underscored that the international financial institutions (IFIs) are essential complements to U.S. foreign policy. The multilateral development banks (MDBs) have approved around \$130 billion in financing to address the pandemic’s health, economic, and social impacts, and the International Monetary Fund (IMF) has approved \$220 billion in financial support to help low-income and developing countries stabilize their economies in the face of these two global shocks. The IFIs are playing vital roles in responding to food and energy shocks and addressing a growing refugee crisis in Europe. They will be essential, too, in helping to rebuild an independent Ukraine.

As Chair Menendez’s Economic Statecraft for the 21st Century Act highlights, the IFIs are a force-multiplier for our values and interests. Stronger, more stable growth abroad means a stronger economy here at home. As other economies prosper, demand for U.S. exports of goods and service increases, creating U.S. jobs. Treasury is committed to working with Congress, IFI managements, and likeminded shareholders to enhance the IFIs’ responsiveness to U.S. priorities.

In the current crisis, we are asking the IFIs to step up their efforts to help Ukraine and to respond to the devastating global economic impacts of Russia’s war. The most vulnerable economies will need support from the international community to fill their financing gaps, address their heightened debt risks, and undertake the needed adjustments and reforms to recover. We are also deeply concerned about the impact of Russia’s war on food and fertilizer prices and supply, particularly on poor households. This spring, Secretary Yellen convened the IFIs for a call-to-action to redouble their efforts in tackling food insecurity. As a result of that meeting, the IFIs released an Action Plan and are directing significant funding to tackle the short-term shocks as well as address the underlying vulnerabilities in food systems. We continue to engage the IFIs and encourage them to surge and scale their activities in response to rising food insecurity.

The IMF will play a critical role in helping vulnerable countries stabilize their economies, particularly in the face of elevated food and energy prices, heightened financial risks, and rising debt levels. In the Fiscal Year 2023 Budget Request, the Biden administration is seeking Congressional authorization to provide up to \$21 billion in financing to bolster two critical IMF facilities that will support the poorest and most vulnerable countries through these exceptional global shocks: the Poverty Reduction and Growth Trust, or PRGT, and the newly created Resilience and Sustainability Trust, or RST.

Through the PRGT, the IMF has provided \$19 billion in zero-interest financing to the world’s poorest countries over the last few years. This unprecedented action by the PRGT has left it in need of additional funding to be able to support the recovery of the poorest countries in the future. Through the RST, the IMF will provide targeted financing alongside IMF programs to support efforts by countries to in-

crease their resilience to the macroeconomic challenges posed by energy shocks, pandemics, and climate change.

These IMF trust funds do not represent development aid. Rather, they leverage the IMF's unique role and capacity to provide critically needed financing, and help countries undertake reforms to address governance weaknesses, promote growth, and improve macroeconomic sustainability, consistent with the IMF's core mission. All other G7 partners and most of the G20 countries, including China, have already provided financing to these IMF trust funds, which are undertaking lending critical to supporting a global recovery. Treasury looks forward to working with the Chair and Ranking Member and members of this Committee on this important request so that the United States can continue to lead in the global economy.

We are also working hard on how the IFIs need to continue to evolve to meet the challenges of our times. Many of the biggest challenges in our world today—such as pandemics and health, climate change, fragility, migration and refugee flows—these challenges cross borders and disproportionately affect the poorest, most vulnerable populations. Going forward, we need the development finance system to better mobilize private capital and finance solutions to these global challenges at scale. And because the multilateral development banks alone will never meet the scale of financing needed, we also need to revisit our strategies for making capital markets work for people in developing countries. At the Inter-American Development Bank Group, for example, we are in the process of pursuing reforms at the institution to drive climate ambition, digital technology, social inclusion, and private sector development. We are also ready to support beginning negotiations on providing additional capital for IDB Invest, the Group's private sector financing arm, in line with a broader reform agenda for the Group.

Bolstering the IFI system is also critical to tackle serious long-term challenges to the international order—such as those posed by China. For example, IMF financing through trust funds such as the PRGT and RST, as well as MDB financing, provide credible high-quality alternatives to China's approach to development financing, including the Belt and Road Initiative. In contrast to non-concessional and opaque Chinese official financing, these IFI instruments are transparent and consistent with debt sustainability. Project loans adhere to high quality infrastructure investment principles and include social and environmental safeguards that promote long-term growth and development in recipient countries. Enhancing U.S. leadership in the IFIs is an important component in the U.S. economic toolkit to push back against economic actors that can harm the United States and the global economic system. Indeed, they have an important role to play in delivering on the ambitions of the Partnership for Global Infrastructure Investment (PGII), and Secretary Yellen has directly engaged the MDBs to step up financing, policy dialogue and technical assistance for infrastructure development. This requires meeting our financial obligations to these institutions, providing new resources when needed, and having confirmed Executive Directors.

In addition to promoting transparent and sustainable financing, we need to respond in a timely and meaningful manner to requests for debt restructuring from developing countries with unsustainable debt levels. Around 60 percent of low-income countries are at high risk or are already in debt distress. Three countries—Chad, Ethiopia, and Zambia—have requested debt treatments under the G20 Common Framework. We could see more requests for debt treatments as debt risks worsen among developing countries. In Treasury's international engagements, including at the G7 and G20, we are pressing all countries including China to uphold their commitment to provide the necessary debt treatments to the requesting countries as quickly as possible. Together with our like-minded partners, we continue to reiterate that tackling debt distress in low-income countries requires full cooperation from all creditors, though that is currently not the case. Treasury is also working through the IFIs and with like-minded partners to enhance debt transparency and sustainability to help facilitate debt restructurings and prevent future debt crises.

Finally, let me note a small, inexpensive, and effective bilateral tool in Treasury's international economic toolkit that complements the critical multilateral work of the IFIs. Treasury's Office of Technical Assistance (OTA) deploys expert advisors to help developing and transitional countries build their capacity to implement reforms in support of transparency and accountability in government finances, debt management, financing for infrastructure development, financial inclusion, and combating economic crimes.

As Secretary Yellen highlighted in her speech at the Atlantic Council in April, the world is evolving, and our tools of economic diplomacy must evolve with it. I look forward to working with you to continue to advance U.S. international economic leadership abroad and create opportunities for Americans at home.

The CHAIRMAN. All right. Thank you all. We will start a series of 5-minute rounds.

There are other agencies that are not even here at this hearing—EXIM, DFC, others—and some suggest that our process of economic statecraft is so fragmented that we cannot bring it together in the powerful way that maybe others engage in. What would you say to that, Mr. Secretary?

Mr. FERNANDEZ. Well, thank you for the question, and it is an issue that we discuss internally, and the interagency discusses it quite often. I think both with USTDA and with Treasury we work every day, and all of the time, as well as with the Commerce Department, with our deals teams, to try and promote U.S. exports and U.S. investments abroad. With USTDA, we have worked with them in a number of cases where countries are looking to export their products and need approvals. The Secretary is the chair of the DFC and we vet their programs.

I will tell you that, for example, just recently, we announced the I2U2 partnership, President Biden announced it, in Israel. It is an effort by four countries—Israel, India, the UAE, and ourselves—to work on projects. One of those projects was an energy project, a solar and wind energy project in India, where all four countries cooperated. That project came from our friends at USTDA. They gave us the idea and we made it a reality.

The CHAIRMAN. Well, I appreciate that. My question, since I do not have unlimited time, is, are we really bringing all of the elements of national powers to economic statecraft together, or is it so disjunctive that the ability to bring all of the benefits of it might be better resolved if housed under one roof? That is a continuing issue, and I am sure there is an interagency process, but I have seen those interagency processes consider things to death. So it is something I want to continue to explore.

I mentioned Lithuania, and in your written statement you have Lithuania as a perfect example of what China does to countries that ultimately do not bend to their will. The European Union has been looking at creating some sort of mechanism to have a combined approach against the sort of thing we see China doing to Lithuania.

Earlier this summer, former NATO Secretary General Anders Rasmussen released a report calling for the creation of an economic version of the NATO Article 5 mutual defense pledge in order to thwart commercial coercion by authoritarian states. What is your view of something along those lines, of an economic Article 5, or how do we deal with pushing back on the economic coercion of a country like China against those who are allied with us, have our values, and want to promote them?

Mr. FERNANDEZ. Thank you for the question, and thank you for your leadership on this issue. Many of the actions that we have taken to help Lithuania came from conversations that our office had with yours, so that is something we very much appreciate.

When China decided to punish Lithuania for allowing Taiwan to open a trade office, we decided that we had seen this movement before and that China had done it with a number of countries—Australia, Japan, Korea, and others. We decided to take a two-pronged approach, first of all to support Lithuania diplomatically, letting

them know that they were not alone, and letting them know that whatever their decision was, we would support it as a sovereign decision, but also to try and help them confront the economic fallout from China deciding not to allow Lithuanian imports into China, from China cutting back on export credits to Lithuania.

I can tell you that we found out that we had some tools that in some ways we had not thought about. EXIM Bank doubled the export credits that China had given to Lithuania. To give one example, we have discussed, and I know it has been discussed, the Article 5 idea. It is an interesting idea. I think we are developing a playbook now, and it is something that we will continue to consider going forward.

The CHAIRMAN. Well, I would like to see that.

Mr. Baukol, let me ask you. Should we not be using our voice and our vote at these international financial institutions in a more aggressive way? For example, we have these countries that, yes, they want to meet their IMF obligations, but they have the triple whammy of a pandemic, the skyrocketing energy costs, and radically increased food costs. Unlike the United States, they are not capable, necessarily, of meeting that.

Shouldn't we be leading at the IMF to have a smoothing-out period? That does not mean an absolution of whatever your obligations are. It certainly means you have to still meet your obligations, but a smoothing-out period so these countries can get through a period of time in which there is not unrest. When you are answering that could you also answer, many members of the committee have had concerns about special drawing rights at the IMF, and making sure that while we want to be helpful to countries that need this type of help, that entities like Russia, Belarus, Cuba, Iran, Venezuela do not get access to it.

Mr. BAUKOL. Thank you, Chair, for both those questions which are very important. I think on the immediate impact of COVID and the fallout from Russia's war in Ukraine on food prices and energy prices, you have identified that the current juncture is very difficult for many emerging markets and low-income countries.

Over the last couple of years, in response to COVID in particular, the IMF has disbursed significant volumes of lending to its members, much of it early on in the COVID period without significant conditionality as emergency support, recognizing that COVID was impacting many economies very detrimentally. The IMF over the last year and a half or so has been shifting to more traditional lending programs for countries that are based on standard conditionality, to help countries adjust to the various shocks that are ongoing.

At the same time, I think the IMF is recognizing that the social impacts of some of the price increases that we have seen over the last year are also meaningful and need to be taken into account as they work with their member countries. Therefore, you have seen in a number of IMF programs that subsidies for food or fuel are being accommodated to some extent and addressed through other policy measures to keep social unrest under control, recognizing that that is a significant issue as we have seen in places like Sri Lanka.

On the issue of SDRs, very important question. We are very focused on making sure that the general SDR allocation that the IMF provided last summer to all of its members cannot be used by bad actors who are members of the IMF. There are several different categories here. Some bad actors do not have full recognition of the membership of the IMF, so they are not able to access their SDRs. Other bad actors, we and our allies would agree not to convert their SDRs into usable currencies, and as you know, Chairman, the SDR is not a currency itself. It is an asset and a liability distributed by the IMF so it needs to be converted to a usable currency to actually be used, and we would not convert SDRs for a number of bad actors and neither would our allies.

Then even if some bad actors are able to convert their SDRs to usable currency, of course we have sanctions programs on a number of countries, Russia most importantly, that would make it extremely difficult for Russia to actually be able to use the currencies that it gained from converting SDRs.

So this is something we are tracking very closely and doing our best to make sure that no SDRs can be misused.

The CHAIRMAN. Senator Risch.

Senator RISCH. Thank you, Mr. Chairman. Under Secretary Fernandez, the Department recently announced the Mineral Security Partnership to work with our partners on critical mineral supply chains, and certainly that is an important thing, an important start, but like the Chairman, I am concerned with the fragmentation of our own government. I would not say that industry is in a panic, but I would say that industries, many of them, are deeply concerned about critical minerals and their ability to get them. China has, as a policy, it seems, to monopolize everywhere they can.

Now a good example of that is cobalt. I have got a piece of cobalt right here, and it came out of the ground in Idaho. We have got lots of cobalt in Idaho and would like to get it into the process. The difficulty is the announcement that the Mineral Security Partnership is to work with our partners, I would really like to see the agencies in the United States Government working together. When anybody tries to take this cobalt out of the ground in Idaho, or any of the other critical minerals we have, they are followed around by a parade of bureaucrats trying to stop them from getting the minerals out of the ground. It seems like nobody wants to get to yes. Everybody wants to get to no.

What are you doing with our own agencies—forgetting about our partners for a minute, other allies—what are we doing with our own agencies to try to get this stuff out of the ground?

Mr. FERNANDEZ. Thank you for your question, Mr. Risch. We work with the Department of Energy. We work with a number of the agencies. Our focus, at the State Department, has been with our international partners. We share your concern. The Mineral Security Partnership was a vehicle that we created together with some of our closest allies and partners to deal with the concern that you have raised, to promote responsible investment in strategic countries while following the highest environmental, social, and governance principles.

The reason we started this investment vehicle—and then we have been getting great cooperation from a dozen countries that are members—basically because they have the same concern. Number one, we know that if we are going to have a clean energy future, we are going to need to increase exponentially our supplies of cobalt, lithium, and others. We also know that the PRC controls many of these minerals, and sometimes they even control 100 percent of the production of the mining or they control all of the processing. That is a problem.

What we need to do is to get our companies and our agencies to share information with our partners. Sometimes we are not getting this information in time. We have already talked to our, and we have démarched our posts to get us this information when it is actionable. Then we are going to talk about, with the private sector, with the financial institutions on financing, and our proposition will be to the producing countries is we are going to engage in a race to the top. Our companies are not going to compete in a race to the bottom.

The Mineral Security Partnership could be extended as well to the U.S., and that is something that obviously we will consider. We are just starting. I think by the end of the year my hope is that we will have some deals done and that we will be able to try to expand that partnership.

Senator RISCH. I appreciate that, and it is good to hear that you are making efforts in this regard. Again, I come back to we do not need to go to other places. We can focus right here at home. I guarantee you that every ounce of this stuff that is brought out of the ground in the United States of America will be done so in a much more environmentally friendly way than it is anywhere else in the world. So if we are interested in seeing—we know we have to have these minerals. I mean, that is an absolute given. Everybody preaches they want electric cars. You cannot have electric cars without these critical minerals, to say the least.

We really ought to be focusing more on that, and as the Chairman indicated, we have this fragmentation between our agencies, and we have agencies that are pushing for electric cars and for a clean environment and everything else and yet we have other agencies that are doing everything they possibly can to frustrate the ability of the private sector in the United States to take this stuff out of the ground and to process it once it is out of the ground.

I appreciate your efforts with other countries. I would say we need a diplomatic effort between your agency and other agencies in the United States to get to the same place on that.

With that my time is up. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Cardin.

Senator CARDIN. Thank you, Mr. Chairman, and let me thank all of our witnesses for their service to our country and also their appearance here today.

This hearing, the topic is extremely important to our country, U.S. national security and economic statecraft, ensuring U.S. leadership for the 21st century. We are taking a step on that today in the United States Senate when we passed the Chips and Science bill to ensure U.S. leadership in science and recognizing the need

for us to be able to manufacture our own computer chips here in the United States.

China is trying to dominate. We know that. The United States can stand up against China because of our economic strength and our political strength, but so many countries around the world cannot, and they depend upon U.S. leadership in order to advance our national security through the economic system, the global system, based upon market economy rather than government-controlled decision-making.

Secretary Fernandez, I was not satisfied with your answer to our chairman's question in regard to Lithuania. Let me explain the reason why. The question is whether we need to take a much more aggressive stand with institutional infrastructure to deal with China's coercive policies. We know their One Belt Road Initiative is to try to use their economic power to intimidate countries to play according to China's rules rather than the global market economic rules.

We have taken steps, and I must tell you, initiated by the Legislative branch of government, on dealing with trafficking in persons, to make it clear that the U.S. would stand up for a leadership structure that every country in the world needs to take steps to prevent modern-day slavery. We have taken institutional steps to deal with individual corrupt players that allow these autocratic countries to survive with the Magnitsky-type sanctions, and that has been very effective. This committee has passed a corruption index that would do this for corruption, to use U.S. leadership.

I think the Chairman's question is do we need that type of institutional protection against the coercive practices of China, as we saw in Lithuania, so that, yes, you can respond to what China does and try to help Lithuania through the economic institutions that exist, but should we not have some type of automatic mechanism that is available so China understands that we will not tolerate that type of behavior of geopolitical intimidation of another country as they did with Lithuania. I think that was the question the Chairman was asking, and I did not get really an answer to that question.

Yes, we have proposals that are going to be made by Congress, but we need to get you engaged on the subject, because if we sit back and say it is just business as usual, we are using the bilateral mechanisms that we have, and we will respond, and we will help you here and we will help you there, China will continue their policies. Many countries will not have that space to be able to operate while we try to figure out how we can help them.

Do we not need some type of an institutional infrastructure where America's strength can stand by those countries in the world that want to exercise their independence, free from the coercion and intimidation of China?

Mr. FERNANDEZ. Thank you for your question, Senator. It is something that we have discussed internally at the State Department, and I agree with you that it is a concern. I will tell you that from where I stand I think that it is something we obviously will be willing to look at and consider, but at the same time I do think we need the flexibility to be able to adjust our actions to the specific circumstance. What worked in Lithuania may not have worked

in Japan. I do think we need that flexibility in order to be able to do that.

I do share your concern that this is going to happen again. It is something that China is doing over and over again. Other countries have experienced it. I think looking at the situation holistically is worth looking at.

Senator CARDIN. I will just make this observation, Mr. Chairman. If we would have waited for these negotiations to take place, we never would have passed the sanction regime against Iran. We never would have done the Magnitsky Sanctions. We never would have done any of these issues because we always get that response from the Administration—let's sit down and talk. We are not talking about taking away your flexibility to deal with individual circumstances. We are talking about making it clear that the United States is standing up for global leadership against this type of behavior. Unless we get greater cooperation from an administration, it is going to be more difficult for us to do. We will still do it, but in the meantime China is going to act.

I would just urge you to understand the urgency of this moment, what China is doing. We are taking action in Congress, but we can certainly use your more enthusiastic cooperation with us to give you the tools you need in order to respond.

The CHAIRMAN. Thank you, Senator Cardin. Senator Barrasso.

Senator BARRASSO. Thank you very much, Mr. Chairman. Secretary Fernandez, a couple of things. This week Gazprom announced that it was reducing the supply of gas to Europe through the Nord Stream 1 pipeline to just 20 percent of the capacity. Russia already had cut the flow of gas through Nord Stream 1 to 40 percent of capacity. They did that in June. Facing a Russian-made energy crisis, the European Union member states took action on Tuesday. They agreed to cut gas use by 15 percent between August and March, compared with the same period of the previous year.

The European Commission president said this: "Russia is blackmailing us. Russia is using energy as a weapon. Therefore, in any event, whether a partial major cutoff of Russian gas or a total cutoff of Russian gas, Europe needs to be ready." *The New York Times* had a story, July 26, "Facing Putin's Energy Blackmail."

Is Russia engaged in blackmail and using energy as a weapon?

Mr. FERNANDEZ. Thank you for your question. The answer is yes, Russia is weaponizing oil, and our job is to help our allies and partners to protect and reach energy independence. That is something that we are doing every day.

Senator BARRASSO. United States has the energy resources needed to help our allies reduce their dependence on Russian energy. Our nation should be a strategic energy supplier to Europe. American natural gas is reliable, affordable, abundant. It is an important energy solution for those who want to keep the lights on without empowering Russia. President Biden said that we will sell American LNG to help our allies.

Do you support increasing efforts—does the State Department support efforts to export U.S. LNG to help our allies and partners escape their dependence on Russia?

Mr. FERNANDEZ. Thank you for your question, Senator. I think an unspoken success here is how our oil and gas producers have

stepped up to the plate to help Europe deal with the energy crisis. Our oil production, this year and next year, will exceed the records of 2019. We are right now the largest LNG supplier to the Europeans. Seventy-five percent of its imports are from the U.S., of LNG exports.

I think it is a success story and we will do all we can to try and wean Europe from Russian oil and gas, and we have to continue to expand exports, not just from the U.S., but from other allies and partners, and that is something we are trying to do every day as well.

Senator BARRASSO. I am curious where this stands now in terms of U.S. exports. What countries are you meeting with to discuss increasing exports of American LNG to help them out?

Mr. FERNANDEZ. Well, I have met with a number of European countries that are looking to expand their imports of U.S. LNG. We are working, as well, on infrastructure in Europe to try and build the kinds of facilities that will accept LNG exports.

Senator BARRASSO. It seems we have infrastructure restraints at home by the Administration, delaying the permits for the finding, using, exploring, transporting, consolidating, and then shipping overseas LNG. Has the State Department weighed in on those other policies of the Administration which seem to be crippling our opportunities to develop more LNG?

Mr. FERNANDEZ. Senator, thank you for that. We are right now the largest LNG exporter in the world. We have tripled—just this year, tripled our exports to Europe. I am sure we could do better on our infrastructure. Something that I raise all the time with the U.S. companies is I am proud of what they have been able to do to help Europe meet its energy needs this year.

Senator BARRASSO. Let me move to nuclear power. I am concerned that the Biden administration is failing as a partner in terms of important international energy projects. Uganda, for one, is looking to build a 2,000-megawatt nuclear power facility by 2023. It would be East Africa's first nuclear power plant. In May, Uganda acquired land for the construction. Yesterday, the Ugandan president met with the Russian foreign minister—the Russian foreign minister. Uganda asked Russia for help in developing the nuclear power plant.

Given the extensive expertise that we have in the United States in nuclear energy, why isn't our nation partnering with Uganda on this project, and would be the negative implications that could result from this sort of partnership between Uganda and Russia?

Mr. FERNANDEZ. Thank you, Senator. I will need to get back to you on the Uganda example. I am not familiar with it. I will tell you this, though, and we stated it often. We believe that nuclear power is vital to achieving the climate goals and the energy transition. Just yesterday, I met with the Minister of Energy from Romania. They are looking for U.S. small nuclear reactors. We are working with them to bring those to Romania.

I am not familiar with the Uganda example, but I will tell you that we support large- and small-scale nuclear reactors, and we are working with a number of countries in Europe on this score, one of them being Romania and the other one being Poland.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Shaheen.

Senator SHAHEEN. Thank you, Mr. Chairman, and thank you to each of you for your testimony this morning.

Director Ebong, I would like to begin with you, because Senator Portman and I last year introduced the Transatlantic Telecommunications Security Act, and I was interested in doing that because we have done everything we can to discourage our European allies from using China's telecommunications sector, Huawei and others, because of concerns about what that means for security.

Now what we did in the Telecommunications Security Act was to authorize the Development Finance Corporation to invest in trusted telecommunications projects in Eastern Europe, where we are encouraging countries to get off that Chinese telecommunications, but we are not providing any real help for them. Now, sadly, that legislation has gotten hung up in a philosophical debate about what the mission of the Development Finance Corporation should be.

What kind of help does your agency have to address that concern among our Eastern European allies?

Ms. EBONG. Thank you very much, Senator, for that question. We are absolutely seeing China's push to foreclose systems and close integrated solutions that encourage Chinese company end-to-end solutions, which are bad for security and bad for competition. So what we have done is to work through a series of workshops, reverse trade missions, and projects that can introduce regulators in our partner countries, procurement officials in our partner countries to the solutions that the U.S. provides.

It is very important for them to be able to see the options, to familiarize them with our technologies, and to do so hand-in-hand with our colleagues at DFC, so that we coordinate closely with DFC, with the Export-Import Bank, and the Department of Commerce, because there is an ecosystem that follows the early project preparation to financing.

So often we will convene, through our workshops and our reverse trade missions, where we are bringing delegations to the United States, and we will develop projects that can speak to our partners' ability to have choice and to understand that there is more security to be had, more openness in competition if they follow the United States' solutions.

Senator SHAHEEN. Are we being successful at that?

Ms. EBONG. I think we are, Senator. We are seeing, and just yesterday I welcomed a delegation from Malaysia full of telecommunications regulators, where they expressed their openness, they expressed an understanding of what they might need to look at to address these issues. Because we are in the early stages of planning and preparation, it does take time to see the change, but I do see a great willingness in partners to attend to the expertise that we are able to provide.

Senator SHAHEEN. Thank you. This question is really for all three of you, because as we talk about economic statecraft and our ability to provide assistance in economic areas to address concerns that countries are having, developing countries in particular, one of the aspects of that that we do not talk much about is how do

we get the message out about what we are doing? Right now I think both China and Russia are eating our lunch in terms of the ability to spread inaccurate information about the United States and what we are doing. They have done it very successfully in terms of what is happening with food insecurity because of the war in Ukraine, which Russia is responsible for and yet in countries in Africa and the Middle East they see the United States as being the problem here.

So how do you see information and getting information out about what we are doing as critical to the other work that you are doing in the economic area? I will start with you first, Secretary Fernandez.

Mr. FERNANDEZ. Thank you. Thank you, Senator. I think you are right in that both Russia and China are engaging in a disinformation battle. They have blamed the U.S. for the food insecurity caused by Russia's invasion of Ukraine. Something we are doing at the State Department is focusing on that misinformation and getting out the message that our sanctions expressly carve out oil and gas exports. They expressly do not affect food, do not affect fertilizers.

Senator SHAHEEN. I do not want to interrupt you, but are you working with the Global Engagement Center at the State Department?

Mr. FERNANDEZ. Yes, we are.

Senator SHAHEEN. Is there a plan for how we are responding?

Mr. FERNANDEZ. There is a plan. There is a plan.

Senator SHAHEEN. Can that be shared with this committee?

Mr. FERNANDEZ. Well, of course. Of course. We are engaged every day in addressing the misinformation. It is hard because, frankly, the Russians and the PRC are good at this. We have got to up our game, but I think there is certainly a strategy to do that, and we have been doing that in the last few months.

Senator SHAHEEN. Thank you. I know I am out of time, Mr. Chairman, so I will send questions for the record to all of you in response to this question because I think it is something that we have got to get much better at and get very specific about how we are responding.

Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Portman.

Senator PORTMAN. Thank you, Mr. Chairman, and I was interesting in Senator Shaheen's question with regard to Global Engagement Center. I continue to have a deep concern that we do not have somebody there on a permanent basis leading that organization at a time when its mission is so important. I hope you will take that message back, Mr. Secretary. Leah Bray is the Acting, but Senator Shaheen, can you think of a more important time for us to actually coordinate our efforts in terms of—

Senator SHAHEEN. Absolutely.

Senator PORTMAN. —fighting back against this disinformation. The fact that the State Department cannot do the simple step of appointing somebody permanently to that and giving it a higher status at a time where we are trying to get more funding into that agency is a mystery to me. It is not a confirmed position.

So Secretary Fernandez, Senator Shaheen and I were just at your alma mater for a reunion, and she spoke eloquently about the issues in Ukraine, and I tried to keep up, but there was a lot of interest. Everybody showed up because this is the crisis of our times in terms of the ability to defend democracy and freedom against tyranny and authoritarianism, and in this case, a brutal conquest. It is a time where the economic statecraft is mixed with the diplomacy that we are normally more engaged in.

Specifically, right now the U.N. has worked out this arrangement with Turkey and Russia and Ukraine, apparently, to be able to allow some of this grain to be able to go, including to places like Africa, where people are literally starving with this global food crisis. Yet within 12 hours of that agreement being penned, which said that Russia would not attack any export facilities at any of the Ukrainian ports that were under discussion, they bombed Odessa with four missiles, two of which got through. Yesterday, the night before last, I was on the floor of Senate with a photograph showing the bombing and the impact of it. So obviously not to be trusted, and that is the kind of message we need to get out to ensure people do not believe the Russian disinformation in places like Africa.

Do you have any update on that, Secretary Fernandez? Where we are with regard to stopping the Russian attacks on the ports, certainly, but then more importantly, getting this grain out to the rest of the world?

Mr. FERNANDEZ. Thank you, Senator, and I am glad you mentioned our alma mater.

Look, Russia is using food as a weapon—we know that—and it is blaming the U.S. for the consequences. The U.N. tells us since the invasion of Ukraine, we have got an additional 70 million people around the world that are falling into poverty.

We welcomed the agreement. At the same time, we just do not trust Putin. I think the event that you described shows that we have to be careful.

What we have done on food security is, we provided almost \$5 billion worth of food aid around the world. We have convened the Food Security Ministerial which attracted over 100 countries, to talk about what we are going to do to try and deal with this crisis. Every day I tell people that I wake up thinking about Ukraine, I go to sleep thinking about Ukraine, and in between we try and help Ukraine.

The food security issues goes beyond Ukraine, and it shows, and this goes to the misinformation point, that this is not just a European problem. The effects of Putin's invasion and brutality in the Ukraine affects the entire world, and you see it in Africa as well.

Senator PORTMAN. Well, I agree. My time is limited here so let me get into another result of what Russia chose to do, and it was a war of choice, this brutal invasion, and that is on the energy front. You are right—it is affecting the entire globe in terms of energy prices, but specifically our European allies.

Those in the region—I was in Moldova and Romania recently—the biggest issue they raised with me, apart from the Russian invasion generally, is energy. My understanding is that despite some good work USTDA has done, Director Ebong, that the Development Finance Corporation, as an example, has self-imposed restrictions

that hinders their efforts to work on all energy sectors, including liquefied natural gas. Is that possible?

I mean, we are telling Europeans to stop depending on Russia for your liquefied natural gas and instead we will provide you some, and some of our agencies are being told that they cannot work on liquefied natural gas because it is a fossil fuel, even though it is cleaner than the alternative and even though we are begging the Europeans to do the right thing and stop feeding the war machine with sending \$870 million a day, which is roughly what they send for oil and gas? Is that true? Can I hear from either one of you about that?

Mr. FERNANDEZ. I will take it. Look, let me be clear. DFC is not prohibited—not prohibited—from these kinds of projects. What we have done is instituted an additional review for any carbon-intensive projects. The answer to your question, Senator, is no, there is no prohibition.

I will tell you this, and this is something I said earlier. We are now the largest exporter of LNG to Europe. We have tripled our exports this year. Seventy-five percent of our—

Senator PORTMAN. Well, let me ask you this. Are they allowed to work on nuclear power, or is that also subject to restrictions and further review? I mean, I am in Romania and they are begging for us to help them with these SMRs, with these small nuclear reactors. They want the Export-Import Bank, which is not represented here today, as DFC is not, unfortunately, because I would like to talk to both of them, but we have got to help Romania with this, and it is absolutely essential to Moldova also, which is obviously in a very vulnerable position.

Anyway, I appreciate the testimony today and echo the comments of some of my colleagues in terms of us having a more aggressive and realistic economic aspect to our diplomacy.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Coons.

Senator COONS. Thank you very much, Chairman Menendez, Ranking Member Risch, and our panel of witnesses. Chairman Menendez, I am very encouraged by your focus on economic coercion, your legislative leadership on this, and I look forward to working with you closely on it. I think you have brought a real focus in the work on this committee to not just studying or thinking about what we need to do strategically and what tools we need, but then delivering those results so that we can strengthen the hand of our partners, diplomats, development professionals. I am excited to work with you on your Economic Statecraft for the Twenty-First Century Act.

I have recently introduced a bill, the Countering Economic Coercion Act, with Senator Young. I view them as complementary, and I am very hopeful that we can work together to move both of these pieces of legislation.

We have both seen ways in which Russia and China and other states deliberately inflict economic damage, economic harm on some of our partners and allies and countries that are at an uncertain point. They use economic power to punish or bully or influence sovereign states in our hemisphere and around the world, sometimes through informal pressure, intimidation of threats, and some-

times through formal actions. It harms our national security interests, our economy, and undermines international rules.

The chairman's bill would establish an interagency task force to develop a strategy to counter economic coercion, and I enthusiastically support that. My bill would provide the President with new tools to offer rapid and, I would argue, effective economic support to our partners targeted by economic coercion. For example, many of us have offered our support for Lithuania in recent months. President Biden has voiced support for Lithuania. The bill I am trying to move forward would add tools to the President's toolkit to make such support not just in words, but in deeds, by targeting specific tariff reductions, by expediting decisions on relaxing import restrictions or export restrictions, offering greater flexibility for export financing.

So my question for all three panelists today would be, what additional tools and authorities would help your agencies to respond effectively and quickly, to support countries that have been targeted with economic coercion?

If you would, please, Mr. Fernandez.

Mr. FERNANDEZ. Thank you for your question, Senator. I will defer to our legislative colleagues in terms of comments on the bill, but—

Senator COONS. Were you unaware that I was going to ask you about this in today's hearing?

Mr. FERNANDEZ. I was not, but I will tell you that we have been working on economic coercion. I personally have been to Lithuania. We have supported Lithuania. We have developed tools. I think we need a discussion on what tools—

Senator COONS. Well, I am interested in more than a discussion. I would like to hear what additional tools you think are necessary, please.

Mr. FERNANDEZ. I will tell you what we did, if I may. Number one is, together with our colleagues at EXIM, we doubled the credit financing that China took away from Lithuania, number one. We brought business delegations, several business delegations, to Lithuania, looking for more investment from the U.S. that we're interested in, for example, in lasers. That is something Lithuania is very keen on.

They wanted to export agricultural products. We have talked to USDA about finding ways to expedite some of those reviews without endangering, obviously, the American people. There are things we could do.

I think we have to have a discussion on what additional tools we have. I will tell you we know we have some existing tools now that we did not know we could use. I think this is a discussion that will continue because, as I have said earlier, the economic coercion will happen again. It has happened before and this is a tool that the PRC will continue to use.

Senator COONS. I would argue, I agree with you. They have been. They are. They will. Russia is using economic coercion right now as a tool of its unprovoked and immoral aggression against Ukraine. The cut in Nord Stream 1 volume. There are a lot of different ways where they are using food as a weapon of war, energy as a weapon of war. The example of Lithuania, I think, is a poign-

ant one, but I look forward to hearing from you, concretely and specifically, what additional tools you think the Administration needs.

Ms. EBONG. Thank you, Senator. I would take, in Lithuania, just

a quick example to get to that answer, which is USTDA did the project preparation work, the feasibility work, for the Klaipėda LNG import terminal. We did that in 2009. It came on board in 2014, and is now supplying other countries in the region. We could do that then because Lithuania is a middle-income country. To the degree that it is a high-income country, USTDA is not authorized to work there.

So that would be an example of, given the geostrategic considerations, something that we might look at with respect to USTDA's authorities.

More broadly, USTDA is seeing far more demand than we can respond to. I think that in the other category of the agency's needs, the response to the President's ask for our 2023 budget would allow us to avoid the situation that we are in now, where in July we are saying to very good projects that should be stood up, we cannot do that until the next fiscal year. Thank you.

Senator COONS. Well, I appreciate your advocacy for your agency's budget request and look forward to hearing from you in specific ways about both how raising the income threshold might allow a more timely response to coercion.

If I could, Mr. Chairman, the last witness, briefly? Mr. Baukol, if you would, briefly, on behalf of Treasury, anything about additional tools, and then I will conclude.

Mr. BAUKOL. Thank you, Senator. I fully agree that this is a very important topic. We are engaged in conversations with a number of our partners and allies on this issue, and I think as a result of those discussions may come back to you with ideas for additional tools.

At the current time, of course, we have some carrot-and-stick tools at Treasury. The stick, of course, is largely involving sanctions, and I think our authorities there are pretty robust at the moment. On the carrot side, we work through, of course, the international financial institutions to support countries that are friends as much as possible, as well as through other agencies, including DFC and others. Thank you.

Senator COONS. Thank you. I will submit questions for the record and look forward to a prompt response.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Mr. Chairman. I thank all of you for your testimony. Very briefly I would like to second what Senator Coons said about needing a strategy. Whether we need additional tools, we hope you will get back to us about, but we need to send a very clear signal to countries around the world that when they are pressured by China, Russia, or other adversaries and those countries are trying to put demands on them that those countries do not want to meet, that in addition to the possibility ability of a stick on those that are putting pressure on, we want a carrot so that those countries can know, in advance—and in advance is an important part of it—that there will be help from the United

States and others, a multilateral group, because that will strengthen their resolve in resisting coercion.

Let me just turn to how we approach some of the economic statecraft from a budget perspective in terms of government spending. Decades ago, if you looked at our portfolio of international assistance, it would have included a lot of infrastructure projects. You go around the world, you could see dams, you could see schools, you could see visible manifestations of the United States' commitment.

Understandably, and there are good reasons, we have moved toward other approach overall, meaning we have very robust public health programs—that is a good thing—in Africa and other parts of the world. We have a lot of focus on education. That also is a good thing. So I am not talking about displacing those programs, but it does seem to me that when we are looking at countries like China that are deploying infrastructure, for example, Huawei deploying 5G in places like Africa, we need to get much more in the game on that kind of infrastructure.

I am surprised. Maybe it came up. I did not see it in any of the written comments, but the President just made a major announcement about the Partnership for Global Infrastructure and Investment. My understanding is that is the Biden administration's proposal for multilateral action. I am a little surprised that we have not heard more about it here this morning. Six-hundred billion dollars over the next 5 years, designed to do, I think, exactly the kind of things we are talking about, which is to make investments in countries around the world where that investment is called for and needed.

So Under Secretary Fernandez, can you talk a little bit about how this is going to be implemented, when it is going to be implemented, where the resources are today?

Mr. FERNANDEZ. Thank you for your question. On Lithuania, if I may, just because you mentioned it, I forgot to mention that we are conducting an interagency review of what we did in Lithuania. We will have conclusions on it, and I would be a happy to brief you and others on the conclusions that we come up with.

On infrastructure, you are right. The PRC and others are, in many ways, have been eating our lunch on infrastructure around the world, and oftentimes on my travels I will go to a country in Africa and the Chinese will be there, the Turks will be there, others will be there, and no U.S. companies. We have got to get in the game.

The Partnership for Infrastructure Investment is the President's plan to do exactly that, \$600 billion. It is going to be coordinated from the State Department. We are working as we speak right now. We are looking at a number of investments in Africa. Right now the DFC head is in Africa, looking at projects. I think you will see an emphasis on this going forward in the near future. We have to engage in a race to the top, which means that our infrastructure offer has to be something that is better than what the Chinese and others offer.

Senator VAN HOLLEN. Yes. I think it is \$600 billion over 5 years is the goal, together with some of our G7 and European partners. Have we been working already with our European partners as to

how this joint infrastructure facility is going to be deployed in the near term?

Mr. FERNANDEZ. Yes, we have. It has been part of the G7 discussions that have taken place for several of those meetings in the last year.

Senator VAN HOLLEN. If you could just follow up by providing me, other members of the committee that are interested, with a much more detailed report about how this fund, which, as I understand it, is a big part of the answer to the questions that I think are raised by this hearing, how this fund is going to be assembled and deployed, and not just in concept, but in reality, on the ground, and what the timetable is.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Kaine, my apologies. I was looking at Senator Van Hollen and did not see you come back to your seat.

Senator KAINE. No worries. I always enjoy hearing Senator Van Hollen.

The CHAIRMAN. Okay.

Senator KAINE. It is good to have the witnesses here.

I want to just dig into probably some issues mostly in the Western Hemisphere, which is a passion of mine. I visited with a number of senators, Senator Lasso—President Lasso in Ecuador last July, shortly after he had become president, the government was new. One of the things he said is, after about 30 years of having a government that was very oriented toward China, the Ecuadorian people in elections basically said, “They are ripping us off.” There were infrastructure projects that were bad. There was environmental defoliation in the Amazon. There was illegal fishing around the Galapagos, which, as you know, is part of Ecuador.

The Ecuadorian people decided we want to change direction, and they embraced a president who was very favorable to the United States, and they also turned out 70 percent of the national assembly.

We asked him how could we be helpful and he said, “One of the things you could most do to be helpful would be to allow Ecuador to come into a trade deal with the United States. For example, could we be an add-on to the trade deal that the U.S. has with Columbia?” He said that he had made that request of the Administration as well.

Are we doing anything, a year later, to think about incorporating Ecuador into any trade agreements that the U.S. has in the hemisphere?

Mr. FERNANDEZ. Thank you for your question. I share your passion as well. I speak to the Ecuadorians all the time. In fact, I met with their new minister of economy last week. They are interested in investment. At the Summit of the Americas, President Biden announced America’s Partnership for Economic Prosperity, APEP, which is going to be our signature framework to help investment and trade and improve our economic relations with not just Ecuador, but with the region as well.

We have got a number of issues that go beyond trade. I think all of the countries, many other countries in the region suffer from high inequality, issues of corruption, low tax rates that do not

allow them to have a functioning government at times. I think we are going to work on infrastructure. We are going to work on dealing with some of the issues that were unveiled by COVID. The fact that, for example, the public health frameworks are weak, the fact that many of the—

Senator KAINE. I am all for public health. I am completely into that. The question that I really want to dig into is, it seems to me that the Administration is sort of against trade deals. I am a pro-trade guy. I am from a state that has one of the largest ports on the East Coast. I am from a state that has gone from bottom quartile per capital income to top quartile per capita income in my lifetime, and it has largely been because we have embraced immigration and we have embraced trade and used assets like our port and Dulles to connect with the world.

In the first year and a half of the Administration, it just seems like trade is not a priority. In the past, nations like China just beat us on infrastructure deals, so I am not sure we are ever going to be able to put enough dollars on the table to match up with them. What we have done is we have leveraged our private economy and tried to do trade in order to improve relationships. This is what Ecuador is asking for. This is what Uruguay is asking for.

You can do trade deals the right way. We renegotiated NAFTA after 20 years. It got a huge bipartisan vote in the Senate, in the House, and was approved. The standards that were okay 20 years ago are not okay now so we upped them. We could do the same thing with existing trade deals.

I am just puzzled that when we have deals like this on the table—we have a trade deal with Chile. President Boric, I was with the Chilean ambassador yesterday. We would really like to get into that trade deal and make it better.

I hope we do not unilaterally disarm in an area where we have traditionally had an edge over China and others in trade, with our robust private sector. I hope we do not just kind of leave that undone when we have allies who need our help who are asking precisely for that, and they say that is what could help them be successful for their populations.

Now, to a positive, the Alliance for Democracy and Development, which was announced months ago by Dominican Republic, Panama, and Costa Rica, three nations saying, “Look, there is democratic backsliding in our region. We want to be pro-democracy and forward learning.” Ecuador has recently announced that they are joining the alliance. It might have been 2 days ago the Department of State announced the U.S.-ADD Consultative Dialogue on Supply Chains and Economic Growth to look at supply chain resiliency, near-shoring. This is an exciting opportunity, and I am really excited to see like-minded democracies in the region come together to promote democracy and also promote economic growth for their people.

Could you talk about this particular initiative and how the State Department and the U.S. might use this framework to advance economic prosperity in these countries?

Mr. FERNANDEZ. Thank you for your question, Senator, and thank you for the compliment. I signed that MOU. I have been working on that for a year. Originally, it was just an idea on the

part of the three original countries—Costa Rica, Panama, and the Dominican Republic—to work together on supply chains. Every day I get a call from somebody in Latin America that says, “We can be your supply chain partner.” The challenge is to make that a reality.

What we have done is, together with the Chamber of Commerce, we are identifying specific products where those products would come from Asia and be manufactured or assembled in different places in Latin America.

The ADD program is one that has another benefit, which is they would cooperate. These are countries that typically have not cooperated. They have competed with each other, but they have not cooperated. This is a two-way benefit, both on the supply chain nearshoring and on their cooperation.

I am very excited about it. Our hope is that by the end of the year we will have identified specific projects, and they have created a business council that will come up with ideas. I am very hopeful and I am, frankly, very proud of the work that the State Department has done on that.

Senator KAINE. Excellent. Excellent. Thank you. I yield back.

The CHAIRMAN. Thank you. The distinguished junior Senator from New Jersey, Senator Booker.

Senator BOOKER. I am very grateful, Mr. Chairman. I know you have already discussed it a little bit, but I would like to jump back to issues of food insecurity globally.

Russia has been insidiously strategic in how they have been working to disrupt global food supplies, and as you know, Ukraine and Russia, before this conflict have been major supporters of some 38 countries. In fact, 38 countries rely on Russia and Ukraine for about 30 percent of their wheat imports alone. Some of these countries are very reluctant, in fact, to criticize Russia because of their deep dependence.

I am wondering if you all might be willing to sort of talk a little bit more in depth about what economic tools the United States has to incentivize a lot of these mid- and low-income countries who have been relying on Russian imports to diversify their agricultural and energy supplies, and what economic tools do we have to help develop really strong local, internal food systems so their reliance is not there in the future.

Maybe Director Ebong?

Ms. EBONG. Thank you, Senator, for the question. At USTDA, we are focused on strengthening and developing infrastructure so that we can export U.S. goods and services to the infrastructure that we helped developed. In the food and agriculture space that really pertains to, it might be port infrastructure, so that countries can export, or perhaps cold chain food supply so that agricultural products and produce can get to the ports.

Our engagement in this space is ancillary to food production and food supply, but absolutely focused on being able to facilitate countries’ movement of their produce and their supplies once they get to that point.

Senator BOOKER. Okay. Mr. Secretary Fernandez, what about your thoughts?

Mr. FERNANDEZ. Thank you for your question. My office has been deeply involved on the food security crisis, and you are right, it is

not surprising that we have a food security crisis when Russia and Ukraine accounted for 10 to 15 percent of agricultural exports around the world. Russia's misinformation is succeeding at blaming the U.S.

What are we doing about it? First of all, as I mentioned earlier, we have provided almost \$5 billion worth of food aid. In May, Secretary Blinken convened a ministerial of over 100 countries to work on food security issues and put it on the agenda and also talk about what we are going to do in terms of making sure that there are no export restrictions on food and that we are helping countries go forward.

USAID is deeply involved. They are not here today, but they are deeply involved in the food security space as well, and in our own Feed the Future program, and we have an agricultural office at the State Department that I oversee—

Senator BOOKER. Mr. Secretary, if you will allow me to interrupt. So no, I have met with Ambassador Power and with a number of people from this committee. We met yesterday, talking with other ambassadors from other countries about upping their aid.

I guess really what I am trying to drill down on is that we have a bit of a crisis, number one with the capacity of a lot of these mid-level economies. We have other countries now that are trying to shut down their exports. India's decision is only going to contribute to that. I am wondering, what other tools besides the billions of dollars that we worked on the Senate side very hard to make sure that we were upping our aid, in and of itself, I am just wondering what other tools should we be looking at that can help to deal with what a crisis, that I see spiraling.

You have got a fertilizer crisis, which does not just implicate now. It implicates next year. You have got other countries beginning to hoard their own resources. This crisis is going to get worse before it gets better. The \$5 billion that we put in is significant. We are trying to get our other allies to do the same, but I see humanity really never have faced the kind of crisis we could face over the coming 2 years.

Mr. FERNANDEZ. Thank you. I share your concern, and I think we have got to do more on working against export bans. We have got to do more to promote agriculture. In Africa, for example, we are working on a program on seeds that would be climate resistant, that would deal with climate change.

So there is more than we could do.

Senator BOOKER. Yes, and I will ask a question for the record.

The CHAIRMAN. Senator Booker, I see Mr. Baukol is looking to help in answering your question.

Senator BOOKER. I did not see that, sir. Thank you very much. The eagle eye of my senior Senator. Please.

Mr. BAUKOL. Thank you, Chair, and thank you, Senator, for this question. I think we share your deep concerns about food insecurity at this time.

I just wanted to flag that Secretary Yellen, early this spring, had a meeting with the heads of the international financial institutions, including all the multilateral development banks, and asked them to come up with ideas to address this issue. They have all provided action plans to us, which we are happy to share with you, that aim

to provide some immediate financing so that people do not go hungry in the near term, but also make investments for the medium term to help promote production in Africa and other places. We are very focused on following up on those action plans to make sure they get implemented.

Senator BOOKER. That is tremendous. I would love to follow up on that and hear any other ideas of things that this body can work on to help support. So thank you very much. Mr. Chairman, thank you as always.

The CHAIRMAN. Thank you, Senator Booker.

I have one or two final questions. Mr. Baukol, we talked a little bit about SDRs before. As I understand it, the United States is leading a push around the world for richer countries to transfer their extra SDRs to the IMF. Are other countries considering making contributions to these facilities at the IMF?

Mr. BAUKOL. Yes, thank you, Chair. Yes. At the present moment, my list of countries that are planning to channel resources to the IMF for either the Poverty Reduction Growth Trust, so the low-income window, or the new Resilience and Sustainability Trust, there is a list of a little over a dozen countries, including all the other G7 countries, including a few other Europeans, including Spain and Netherlands, Australia, as well as a couple of emerging markets—China, Saudi Arabia, Singapore. Total amount of commitments from these other countries is on the order of \$58 billion or so for these two trust funds.

The CHAIRMAN. Is there an urgency for the United States to quickly authorize this transfer on our part?

Mr. BAUKOL. Indeed, I would say there definitely is. We have been trying to lead at these institutions, including the IMF, on things like the design of this new Resilience and Sustainability Trust, which aims to help countries deal with the balance of payments impacts of investments in pandemic resiliency, in energy security, including the impacts of climate. We, in order to maintain our leadership role, really need to authorize our loans to the IMF as soon as we can.

The CHAIRMAN. Well, I have included this authorization in the two economic statecraft bills that I mentioned earlier, and I hope the committee can find a way to pass this critical authorization quickly so we can continue to lead in the global economy.

I have one other question for you. In South Asia we see two different stories playing out right now. In Sri Lanka, the government has defaulted on \$50 billion in loans to international creditors. Now it is trying to negotiate a long-term loan from the IMF while also figuring out how to pay for daily food and fuel. By contrast, Pakistan just concluded a staff-level agreement with the IMF that lets the government begin to pay down its debt despite recent political turmoil.

What can we learn from these two cases about how the IMF is thinking about systemic debt risk in the developing world?

Mr. BAUKOL. Thank you, Chair. That is an interesting question. The IMF takes a case-by-case approach on debt issues, recognizing that not one size will fit all for all countries, and we generally support that approach. In the case of Sri Lanka, Sri Lanka's debt sustainability is seriously in question, and as part of an IMF program

in the coming weeks and months we expect that some debt treatment will be necessary to put debt back on a sustainable basis. That will mean working, of course, with other major creditors, which will include China, which will be a challenge, and we will be pressing China to respond quickly to requests for debt relief in this case. It will require working with other creditors as well.

In the case of Pakistan, their debt situation is more manageable. As you mentioned, they are, under their program, going to be able to pay down debt over time. That seems appropriate for now.

The CHAIRMAN. I understand that not one size fits all, but it would be of value to have a global vision of the IMF as to how it is going to deal with the challenges that developing nations have in the midst of the triple whammy that they are facing.

Finally, at the G7 last month, as has been referenced, President Biden touted the rollout of the Partnership for Global Infrastructure and Investment, a value-driven, high-impact transparent infrastructure partnership to meet the enormous infrastructure needs of low- and middle-income countries and support the U.S. and its allies' economic and national security plans. I support the President's global infrastructure plan. I look forward to findings ways to assist in its success.

Director Ebong, what role will the U.S. Trade and Development Agency play in ensuring this program is beneficial to everyday Americans, and Secretary Fernandez, what role will the State Department play in developing this new partnership?

Ms. EBONG. Thank you, Chair. It is very critical that we focus on our role of preparing projects that will help to support jobs and create exports in the United States. The Partnership for Global Infrastructure and Investment, or PGII, allows us very much the platform to do that.

Projects that we have already worked on in the last year and that we will be working on in the future very much feed into the President's pledge and commitments in PGII. So we will be able to bring that angle of projects that are implementable, but that will also benefit everyday Americans because they will be projects that U.S. goods and services can be exported to, therefore support jobs in this country.

The benefit also that PGII is going to bring is additional sources of financing. That will speed the implementation of projects. Again, that will go down to the benefit of Americans because we will, in USTDA's projects, be making sure that they can result in U.S. exports, and therefore jobs.

Mr. FERNANDEZ. Well, the first thing we have to offer is our embassies and our economic offices around the world that will have their ear to the ground and projects that are needed in countries around the world. We are also working with the DFC, as I mentioned. The Secretary Chair is the board of the DFC, and we will continue to work with them to finance projects oftentimes. That is the obstacle, that our companies cannot get financing, and so we will continue to work on that, and also with the private sector. That is something that I am personally involved in, in reaching out to our banks, and letting them know about the opportunities that exist for infrastructure around the world.

Obviously, with the G7 partners, it is something that has been discussed and continues to be discussed. We coordinate with the Europeans, part of the Trade and Technology Council. There are a number of fora where we will coordinate to make sure that we are not stepping over each other and that we are able to use our resources wisely.

The CHAIRMAN. Well, we look forward to working with you in ways to effectuate some of the goals the President announced. One final question to you, Senator Fernandez. Different members have talked a little bit about nearshoring. I see this as an incredible opportunity to create more diverse, resilient, and secure supply chains. I also see it as an incredible opportunity to develop economies in our Southern Hemisphere, which inures to our benefit, better economies, it means greater stability, less likely people moving and fleeing from their countries. The ripple effect, from so many dimensions, is so significant.

What exactly is our vision on nearshoring? What specific details on the specific steps are you and the Administration taking to actually make this concept a reality?

Mr. FERNANDEZ. Senator, thank you. That is the challenge. That is the challenge. We have great intentions, but we have got to make them a reality. Right now we have, as part of the President's announcement on APEP, we are looking at specifics. For example, the IDB has come out with a study on specific products. The three countries that I just mentioned earlier, the ADD countries, they will come up with a list of products. We need to come up with products that can be moved from Asia nearer to us and that the Latin American nations can contribute. For example, COVID vaccines. Brazil is a place that we have been looking at. With Mexico, semi-conductors.

So we have got to get specific, and that is what we are in the process of doing now. I will be happy to provide you more information on that as we work towards identifying specific products and the specific ways to incentivize the production of those products in the Western Hemisphere.

The CHAIRMAN. Yes, I would be very interested in some of your follow-up, and we may have our own ideas.

As a closing comment, I do hope that we will more robustly use the IDB. You have an executive director who actually has marginalized the Chinese. The Chinese had the IDB being used as their sales agent in the Western Hemisphere—mind-boggling. The IDB used to have trade shows for the Chinese in the Western Hemisphere. The IDB allowed China to basically run across the hemisphere, to the detriment of our national interests, our national security, and our national economy.

I must say, this executive director has largely marginalized the Chinese in the IDB. He has taken a lot of heat for it, but it is the right thing to do, because they are not good players.

Yet, for some reason the Administration seems reticent, even though this executive director has been forthcoming, got a whole plan, probably has more insights because nobody spends more time in Latin America specific than the IDB, with an agenda that generally I think the Administration would embrace. I just hope we can get past the personalities and start thinking about what is in

our interests. It certainly is not in our interest to go back to the days where China was basically using the IDB, which we largely fund, by the way, to their advantage and to our detriment. So that should be heralded, but most importantly, the entity should be used.

With that and the appreciation of the committee for your appearance and testimony today, this record will remain open until the close of business tomorrow, and this hearing is adjourned.

[Whereupon, at 11:23 a.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MR. JOSE W. FERNANDEZ TO QUESTIONS SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. Europe Energy Security: Russia is using energy as a weapon to manipulate and harm our allies and partners not only in Europe, but also around the globe.

How are you using economic statecraft tools to promote the energy security of our European allies as Russia continues to use natural gas exports as a weapon?

Answer. The United States and the EU are working in concert to support efforts to strengthen European energy security and to diversify liquefied natural gas supplies (LNG) in alignment with climate objectives, including through the U.S.-EU Joint Task Force on Energy Security. We are collaborating with clean and renewable energy technology providers to help reduce overall natural gas demand in Europe, including through deploying technologies such as smart thermostats, efficient grid technologies, and energy efficiency and productivity improvements. We also are working to accelerate deployment of clean and renewable energy solutions, such as offshore wind, heat pumps, nuclear energy, and clean hydrogen.

Question. Similarly, how are you using the same set of tools to help our allies in Asia, the Western Hemisphere, and Africa who are suffering deeply with exorbitant energy and food costs?

Answer. We continue to advocate for policies that better enable global markets to address food insecurity, such as reducing trade barriers and increasing the transparency of agricultural trade data. At the June 26–27 G7 Summit, President Biden and our partners announced more than \$4.5 billion to address global food security, with more than half of that pledge coming from the United States. Through ongoing releases from our Strategic Petroleum Reserve and diplomatic outreach, we continue to work to increase the supply of oil and natural gas in the near term to stabilize global energy markets, while enabling countries in these regions to make the transition to clean, affordable, and reliable energy that will increase their energy security going forward.

Question. Supply Chains/Critical Minerals: Undersecretary Fernandez, as we turn to new technologies like electric vehicles to address the worsening climate crisis, we face new security risks as China controls significant parts of clean energy supply chain. I am especially concerned about critical minerals in countries like the DRC, as I outlined in the letter I sent you back in January.

What has State done to address the issues outlined in the letter I sent you in January about concerns with Chinese monopolization of critical minerals in the DRC?

Answer. The Department shares your concerns regarding the issues identified in your letter. In June, the United States and a group of likeminded countries established the Minerals Security Partnership to build diverse and secure critical mineral supply chains. This State Department-led initiative also aims to ensure that critical minerals are produced, processed, and recycled in a way that supports countries taking advantage of their geological endowments to support their economic development. In the Democratic Republic of the Congo, Secretary Blinken is planning a trip to discuss governance in August and our Embassy in Kinshasa is engaged with President Félix Tshisekedi's administration in support of anti-corruption efforts and mining-sector reform.

Question. U.S. Leadership in the Digital Economy: During your confirmation hearing in April last year, you testified that "U.S. tech companies face increasing challenges in maintaining U.S. preeminence in cutting-edge science and technology.

Under your leadership, how has the E/B Bureau engaged with industry stakeholders and our international partners to maintain our competitiveness in the development of emerging technologies? What has been working, and where have we been falling short?

Answer. The Department of State has made advancing U.S. leadership on emerging technology issues a key priority. Under my leadership, we have partnered with U.S. industry stakeholders and international partners to promote a connected, dynamic, and secure innovation ecosystem that maintains U.S. competitiveness in the development of technology and reflects our shared interests and values. The newly established Bureau of Cyberspace and Digital Policy (CDP) coordinates the Department's work to comprehensively address the national security challenges, economic opportunities, and human rights elements present in cyberspace, digital policy, telecommunications, and digital technologies in close partnership with the Bureau of Economic and Business Affairs.

Question. How has the E/B Bureau worked with our partners abroad to promote fair and transparent standards for critical and emerging technologies?

Answer. The United States, in part through the State Department, including the Economic and Business Affairs Bureau and the new Cyberspace and Digital Policy Bureau, preserves and promotes an open, consensus-based, and private sector-led approach to standards development, and this includes standards for critical and emerging technologies. The United States works with partners and allies to ensure standards development processes are led by technical experts from the private sector, academia, and government and are open to all interested stakeholders. The United States also uses bilateral and multilateral discussions to facilitate information exchange and coordination to address specific standards issues, including within the Quadrilateral Security Dialogue and the U.S.-EU Trade and Technology Council.

Question. U.S. Leadership in the Digital Economy: During your confirmation hearing in April last year, you testified that "U.S. tech companies face increasing challenges in maintaining U.S. preeminence in cutting-edge science and technology."

Under your leadership, how has the E/B Bureau engaged with industry stakeholders and our international partners to maintain our competitiveness in the development of emerging technologies? What has been successful, and where should we be focusing more of attention?

Answer. The State Department has made advancing U.S. leadership on emerging technology issues a key priority. Under my leadership, we have partnered with U.S. industry stakeholders and international partners to promote a connected, dynamic, and secure innovation ecosystem that maintains U.S. competitiveness in the development of emerging technologies and reflects our shared interests and values. The newly established Bureau of Cyberspace and Digital Policy (CDP) coordinates the Department's work to comprehensively address the national security challenges, economic opportunities, and human rights elements present in cyberspace, digital policy, telecommunications, and digital technologies in close partnership with the Bureau of Economic and Business Affairs.

Question. EU-Data Privacy Agreements and Digital Infrastructure: Trans-Atlantic Data Privacy Framework: In March this year, the Biden administration announced that the United States and the European Commission had reached a "deal in principle" for a new Trans-Atlantic Data Privacy Framework to foster and safeguard commercial, Trans-Atlantic data flows, and that this framework would be finalized by the end of 2022.

What is the current state of negotiations for the Trans-Atlantic Data Privacy Framework, and when can we expect the Administration to issue an executive order for the EU's review?

Answer. Since the announcement of the deal in principle in March, the Administration has made significant progress in finalizing the U.S. commitments under the deal, which will take the form of an Executive Order and implementing regulations issued by the Attorney General. We defer any questions on the specific timeline of when the Executive Order and implementing regulations may be issued to the White House and Department of Justice.

Question. What is the likelihood that an executive order on data privacy, instead of federal legislation, is insufficient for the EU?

Answer. The U.S. interagency negotiating team has worked closely with the European Commission to ensure the Trans-Atlantic Data Privacy Framework will meet our shared goal of providing a durable and reliable basis for transatlantic data flows. We are confident the Trans-Atlantic Data Privacy Framework fully addresses

concerns outlined by the Court of Justice of the European Union in the *Schrems II* decision.

Question. Providing Secure Digital Infrastructure in Latin America: The establishment of the U.S.-EU Trade and Technology Council (TTC) last year was a welcome step towards working with our European partners on market-oriented approaches to trade, technology, and innovation. The Council's work will remain vital in our efforts to counter authoritarian governments in the digital and emerging technology arena, which will involve establishing technology standards, combatting global disinformation, and developing trustworthy artificial intelligence. After the most recent TTC meeting in May, the United States and the EU announced a commitment in principle to work together to provide secure, digital infrastructure in developing countries based on principles of good governance, transparency, and accountability. Latin America and Africa, two critical regions where the People's Republic of China has been making the most inroads on providing digital infrastructure, were identified as priority regions for this new initiative.

How do you envision the United States and the EU working together to provide critical digital infrastructure to the Western Hemisphere?

Answer. At the May 2022 U.S.-EU Trade and Technology Council Ministerial, the United States and the European Union launched a joint U.S.-EU taskforce to promote the use of trusted suppliers for digital and telecommunications projects in third countries, including those in the Western Hemisphere. The taskforce will work with partner countries and development finance organizations to utilize trustworthy suppliers from countries that practice good governance, transparency, and accountability.

Question. U.S. Leadership in International Standards-Setting Bodies—International Telecommunications Union (ITU): I included a provision in my Economic Statecraft bill that would establish an interagency working group dedicated to enhancing U.S. leadership and representation at international standards-setting bodies such as the International Telecommunications Union (ITU), which establishes international standards that are fundamental to the operation for today's information and communications technology networks. In the upcoming fall 2022 ITU Plenipotentiary Conference, two candidates, one from the United States and one from Russia, are running for the position of ITU Secretary General, and represent fundamental differences in their views on digital governance.

What is the Administration doing to ensure that the United States is represented not only in top-level positions at standard setting bodies such as Secretary General, but also at the ITU's lower-level workshops, seminars, and study groups, which is where recommendations and resolutions are sent up to the larger ITU body for votes and where China currently sends the largest delegations?

Answer. Responsible, forward-looking, and transparent leadership of the ITU and other standards bodies is vital to the U.S. telecommunications industry and our national security and foreign policy interests. Nominating Doreen Bogdan-Martin as ITU Secretary-General is a critical step towards ensuring strong leadership at the ITU. Ms. Bogdan-Martin has spent the last 28 years in the ITU, working her way up the ranks, demonstrating how support for candidates at all levels is a winning strategy. I will continue to work with our colleagues from the Bureau of International Organization Affairs to ensure continued coordination with likeminded partners in promoting leadership candidates at all levels to promote fair, transparent, and consensus-based approaches to the ITU's work on spectrum, standards, and telecommunications development. The Department, recognizing that vote splitting contributes to undesirable results, coordinates with allies and partners to maximize our chance of electoral victory.

Question. The Quad: Joint Investment in Artificial Intelligence (AI): During the Quad leaders' summit in May this year, the Quad reaffirmed its interest in collaborating on critical and emerging technologies such as artificial intelligence (AI). However, similar to the challenges we face with our European partners, differences on national data sharing and data privacy laws may stymie our joint initiatives.

What other obstacles to collaboration do the United States and its Quad partners face in collaborating on artificial intelligence R&D, developing Open Radio Access Network (O-RAN), and bolstering cybersecurity?

Answer. This Administration remains committed to international cooperation on critical and emerging technologies, such as artificial intelligence (AI), Open Radio Access Networks (Open RAN), and cybersecurity. Harmonizing regulatory and investment policies across four major economies is a complicated and time-consuming effort. However, all members of the Quad continue to pursue our shared objectives—as demonstrated by the Memorandum of Cooperation on 5G Supplier Diversification

and Open RAN recently signed by all Quad partners. The CHIPS Act is a practical measure that provides funding to will support our international efforts. We also appreciate Congressional efforts to streamline DFC and EXIM funding requirements.

Question. Under Secretary Fernandez, you traveled to Zambia in June. How is the United States helping President Hichilema (Hee-chee-LAY-muh) as he attempts to address debt to China that was accrued by his predecessor's administration?

Answer. We continue to engage the People's Republic of China (PRC) and other bilateral creditors of Zambia through the G20 Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative (DSSI) as we negotiate a coordinated debt treatment for Zambia. This process, combined with Zambia's IMF program and ambitious fiscal and structural reforms, will restore economic stability and debt sustainability. On July 18, official creditors—including the PRC and the United States—provided financing assurances to the IMF. This action allowed for approvals of a new IMF program for Zambia and unlocked further financing from the World Bank. Work remains for the creditor committee to agree on technical aspects of the debt treatment, but we will continue to press all parties to reach a mutual agreement that will expeditiously resolve Zambia's debt crisis.

RESPONSES OF Ms. ENOH T. EBONG TO QUESTIONS
SUBMITTED BY SENATOR ROBERT MENENDEZ

Question. USTDA Development Finance: U.S. industry is stellar at developing the next generation of technologies—such as offshore wind in New Jersey—to mitigate climate change. The market has never been stronger.

How is USTDA working to promote U.S. businesses and manufacturers, while simultaneously helping our partners meet their energy needs abroad?

Answer. USTDA's role is to support the development of sustainable, high-quality infrastructure in developing and middle-income economies, while creating U.S. export opportunities related to the infrastructure projects that we support. The Agency's toolkit includes project preparation and partnership-building activities.

U.S. companies carry out the Agency's project preparation activities, which include the definition of technical and design options for infrastructure projects. This is critical to U.S. competitiveness and the deployment of U.S. technologies to priority infrastructure projects in emerging economies. These activities are also essential for structuring infrastructure projects that can be financed, implemented, and sustained.

USTDA has a very robust clean energy and climate portfolio. As of the end of FY 2021, USTDA had more than 80 low-emissions or emissions-neutral energy activities underway, reflecting the mutual priorities that U.S. industry and their overseas project sponsors have established. These activities support the deployment of a wide range of cutting-edge U.S. technologies, including renewable energy with energy storage, smart grids, and advanced nuclear generation, for example.

USTDA has accelerated this work under its signature climate initiative, the Global Partnership for Climate-Smart Infrastructure, which President Biden launched in April 2021. A little more than 1 year later, USTDA has funded more than 30 new project preparation and partnership-building activities around the world that are designed to help unlock more than \$64 billion in climate finance and \$12 billion in U.S. exports of low-carbon and climate-resilient solutions in the energy and transportation sectors.

USTDA is also actively contributing to the Partnership for Global Infrastructure and Investment, which President Biden and the G-7 leaders launched in June, to deliver game-changing projects to close the infrastructure gap in emerging economies. USTDA is part of a whole-of-government approach including project preparation, mobilizing finance, and building partnerships with the private sector to support the development of billions of dollars of high-quality, sustainable infrastructure, especially in the clean energy sector.

In Morocco, a USTDA-funded study contributed to the development of the world's largest concentrated solar power plant, the 510 MW Noor/Ouarzazate Solar Power Station, which became operational in December 2021. USTDA's study supported the third phase of the project, focusing on the development of a 150 MW utility-scale power tower system, which subsequently obtained \$877 million in climate financing. This plant is expected to reduce carbon emissions by an estimated 760,000 tons per year while enhancing regional energy security. A U.S. company supplied cooling systems to the project.

In Eastern Europe, USTDA is building on its legacy of promoting energy security through project preparation. In Lithuania, a USTDA-funded study led to the devel-

opment of the Klaipėda liquefied natural gas (LNG) import terminal, which began operations in 2014 and helped secure the country's energy independence from Russia. This investment is facilitating a significant volume of U.S. LNG exports to Lithuania, which has become a regional LNG hub. The country is now supplying gas to Estonia and Latvia, and recently opened a new pipeline connection to Poland, enabling the countries to share gas. USTDA's investment in the Klaipėda LNG import terminal was a mere \$826,000, whereas the return on investment to European and American national security interests is incalculable.

USTDA is currently working with our U.S. industry and Eastern European partners to advance the region's energy security using innovative clean U.S. technology. In particular, USTDA is laying the groundwork for the deployment of U.S. small modular reactors (SMR) in Romania, where a USTDA-funded siting study and technology assessment led to Romania's selection of Oregon-based NuScale Power, LLC, to build an SMR plant on the site of a shuttered coal-fired power plant. This would be the first deployment of U.S. SMR technology to Europe. USTDA is also engaged in a licensing gap analysis to facilitate the introduction of SMR technologies to Ukraine, and stands ready to work with the country to support their recovery and meet their energy and infrastructure needs in the years to come.

Question. Indo Pacific Strategy and Digital Infrastructure: The Indo-Pacific Strategy released by the Biden administration this February contains a core line of effort that seeks to support "open, resilient, secure, and trustworthy technologies" in the Indo-Pacific region.

How has the USTDA prioritized projects in the Indo-Pacific region to promote "secure and trustworthy digital infrastructure" as outlined in the Indo-Pacific Strategy? What, if any, coordination is being done so that USTDA's efforts in the Indo-Pacific region are aligned with the Indo-Pacific Strategy?

Answer. USTDA was closely involved in the development and drafting of the Indo-Pacific Strategy and coordinates closely with the National Security Council (NSC) and interagency partners to ensure the Agency's programming is well aligned with the Strategy. This coordination includes regular participation in NSC and interagency meetings, providing updates on the Agency's program in the Indo-Pacific, and developing projects that advance U.S. interests for key engagements in the Region, including the ASEAN and the Quad forums.

USTDA prioritizes digital infrastructure projects that promote U.S. technology, allowing overseas partners to choose secure and trustworthy U.S. solutions.

In addition to feasibility studies, technical assistance, and pilot projects, USTDA's toolkit also includes partnership-building activities that connect overseas project sponsors to U.S. financiers, suppliers, and regulatory and policy experts, with the goal of sharing knowledge, building relationships, and finding solutions for the challenges that our partners face.

USTDA has utilized Indo-Pacific Strategy transfer funding from the U.S. Department of State to expand its portfolio of projects in a wide range of digital infrastructure areas including connectivity, smart cities, smart grid, 5G and next generation networks, cybersecurity, disaster response and public safety applications, and cloud computing projects. Pursuant to the Indo-Pacific Strategy, USTDA's activities are designed to promote secure, trustworthy, resilient, openness, and interoperable digital infrastructure.

All of these engagements have facilitated the growth of a robust portfolio of digital infrastructure activities that are aligned with the Administration's Indo-Pacific Strategy.

In the area of 5G and next generation networks, USTDA has leveraged its training grant tool to support U.S. companies facing unfair competition in the digital infrastructure space. In the Philippines, Chinese Government-backed Huawei recently made an offer to help Smart Communications, Inc. (Smart), a subsidiary of the Philippines' largest, fully integrated telecommunications company PLDT Inc., advance its plans to expand 5G services to 96 percent of the country's population. USTDA offered training assistance to Smart if it selected U.S.-based Cisco Systems as its technology supplier. USTDA's offer helped Cisco win this major contract, which will deliver better cloud-based products and services to Smart's customers across the Philippines while training Smart's staff on U.S. technology and best practices in the digital infrastructure space.

USTDA has also funded a series of partnership-building activities to introduce Indo-Pacific project sponsors to the policies and trusted U.S. technology partners for their digital infrastructure priorities. For example, USTDA funded a reverse trade mission to the United States for Malaysian telecommunications leaders to meet U.S. technology providers and become more familiar with U.S.-based 5G ecosystems. USTDA also hosted workshops to advance 5G and Open Radio Access Network (O-

RAN or Open RAN) solutions in Indonesia; promote next generation Wi-Fi technology in Thailand by adopting best practices for 6 GHz spectrum band allocation; and support cybersecurity and data protection standards in Thailand.

Under the Indo-Pacific Strategy, USTDA has also developed a robust portfolio of smart cities activities that are a critical component of U.S. Government interagency engagement under the U.S.-ASEAN Smart Cities Partnership. USTDA's ongoing smart city projects across the region include technical assistance for Iskandar, Malaysia, to develop a comprehensive information technology system that will allow this vital trade and commercial hub of more than 1.8 million people to leverage advanced data analytics to enhance regional planning, development, and management. USTDA is also supporting smart cities in Vietnam, including assistance to help develop an eco-friendly smart community for more than 180,000 residents and an Integrated Operations Center (IOC) for Ho Chi Minh City that would help the city manage its daily operations through advanced data analytics. These smart city activities advance secure and trustworthy solutions and best practices for urban infrastructure challenges in Southeast Asia.

USTDA's digital infrastructure portfolio in the Indo-Pacific also includes technical assistance to support the modernization of the Central Bank of Solomon Islands' ICT infrastructure; a roadmap to help Bangladesh implement a smart grid; technical assistance to support the migration of the Philippines' public sector to cloud computing; and technical assistance to help modernize and integrate the core IT systems of the Philippines Bureau of Internal Revenue. In sum, USTDA's program is directly aligned with the goals of the Administration's Indo-Pacific Strategy.

RESPONSES OF MR. ANDY P. BAUKOL TO QUESTIONS
SUBMITTED BY SENATOR ROBERT MENEDEZ

Question. IDB Invest Capital Increase: Mr. Baukol, as I mentioned in my opening statement, I have been working for the last 2 years to push for additional resources for the Inter-American Development Bank. Given the tremendous impact of the pandemic on Latin America and the Caribbean and the myriad challenges that the region faces today, I was pleased to see that President Biden expressed support for a capital increase for IDB Invest, the IDB's private sector lending arm, while he was at the Summit of the Americas. I also appreciate the increasing support the Treasury Department has provided for my legislation.

Can you please talk about the importance of the capital increase for IDB Invest as part of our economic statecraft in the Western Hemisphere and lay out next steps in this process?

Answer. The Inter-American Development Bank Group plays an important role in promoting strong, sustainable, inclusive growth in Latin America and the Caribbean, and in boosting cooperation between the United States and the region. And we thank you Senator for your strong support for the region and for the IDB.

The United States is committed to promoting democratic governance and transparency, and supporting policy reform, growth, and sustainable and inclusive development throughout Latin America and the Caribbean. Treasury has engaged vigorously with other shareholders and IDB management to secure IDB management's commitment to implement a set of priority reforms to improve the relevance and development impact of the IDB in the region.

At the Summit of the Americas, President Biden also indicated openness to a possible capital increase for the private sector arm of the IDB—IDB Invest—to promote private sector-led growth in the region. Sustainable growth in the region requires a vibrant private sector that can play a greater role in developing quality infrastructure, particularly for climate, equality, digital technology, food security and health.

Treasury staff are currently engaging with IDB Group management and other shareholders in assessing the Group's proposed reform strategy and timeline, as well as IDB Invest's new business model—to include resource implications. Treasury staff will be happy to keep you and the Committee updated on the work as it develops.

Question. G20 Common Framework: Zambia became the first country to default on its foreign loans during the pandemic era. Roughly a third of its debt is owed to China. Now, China is co-chair of the creditor committee overseeing Zambia's debt restructuring under the G20 Common Framework. China is not a member of the Paris Club, and it historically has pursued limited debt restructuring through opaque, bilateral processes.

Do we view China's role as co-chair of the creditor committee overseeing Zambia's debt as positive or negative? Does this suggest that China wants to play a more productive, cooperative role in global debt issues writ large?

Answer. To date, sovereign debt restructuring under the Common Framework has moved much more slowly than we would like. We have been concerned about delays and the ability of creditors to provide timely assistance to countries requesting debt treatments. This is due in large part to non-Paris Club creditors like China being unwilling to move quickly to provide financing assurances or to finalize debt treatments.

In the Zambia case, the Creditor Committee was formed 6 months after Zambia reached staff-level agreement with the IMF on a reform program in December 2021, which delayed the process and made Zambia's difficult situation worse. After the Creditor Committee finally formed in June, the creditors agreed to provide financing assurances in July. This will allow the IMF to bring the program to the Executive Board by September.

In my view, China's role as co-chair in the Common Framework process for Zambia led China to provide its assent to the financing assurances needed for the IMF program to move forward. However, it remains to be seen if China's role as co-chair will facilitate agreement on debt restructuring for Zambia, including on China's loans. It is also unclear if China will play a more productive and cooperative role in global debt issues more broadly.

Treasury, together with our partners at State, will continue to play a constructive role in the Zambia Creditor Committee and work through the G20, G7, and Paris Club to push to quickly provide assistance to low-income and middle-income countries in debt distress.

Question. What is the United States doing to engage with China on issues related to issuing, restructuring, and relieving debt to developing countries?

Answer. Treasury, together with our partners at State, is working with like-minded countries in the G7, G20, and Paris Club, as well as bilaterally, to pressure China to live up to its commitments under the Common Framework. We also continue to press the IMF and World Bank leadership to directly engage with the Chinese leadership on debt-related issues. In addition, we continue to push for greater debt sustainability and transparency in various international fora, particularly at the IMF and the World Bank. Finally, we continue to advance Treasury's strategy and efforts to limit the risk of China getting repaid at the expense of other creditors.

RESPONSES OF MR. JOSE W. FERNANDEZ TO QUESTIONS
SUBMITTED BY SENATOR JAMES E. RISCH

Question. What is the State Department doing to provide training and other opportunities to retain experienced economic officers, so that we do not lose them to the private sector?

Answer. The State Department strives to ensure our economic officers have the tools they need for successful and rewarding service in a changing global environment. The Foreign Service Institute (FSI) offers a wide range of training, including the foundational "Economic Tradecraft" course as well as over two dozen specialized courses on commercial diplomacy, energy diplomacy, environment and global health policies, emerging and cyber technology, trade agreements, intellectual property rights, digital economies, terror finance and sanctions, among others. A full list of FSI courses is publicly available at the following link: <https://fsitraining.state.gov/>. FSI has also expanded commercial diplomacy training for senior leadership and is completing a needs-based assessment for climate policy and additional commercial diplomacy training to inform the development of future curricula.

Separately, the Global Talent Management (GTM) Bureau's Professional Development Unit offers many detail assignments to organizations and federal agencies outside the Department of State. These include opportunities in Congressional offices and committees and other USG agencies such as USTR, Commerce, Treasury, and the International Development Finance Corporation. Foreign Service employees, particularly Economic Officers, are also offered 1-year fellowships in private sector companies, allowing them to acquire first-hand knowledge of U.S. business operations. Likewise, many may also take advantage of numerous masters-conferring training assignments. All these opportunities aim to enable employees to expand their skills and share their expertise.

GTM's Retention Unit (RU) is taking a holistic look at retention issues across our workforce. The unit is analyzing data from a wide variety of sources, including from Exit Surveys, Exit Interviews, and focused discussions with a wide range of the workforce, including economic officers. The RU's extensive data collection and analysis effort, which includes both quantitative and qualitative data, will help pinpoint retention challenges and inform the Department's first comprehensive retention strategy.

Question. The Department recently announced the "Minerals Security Partnership" to work with partners on critical mineral supply chains. This is an important start, but there is more to be done.

Do we need a more formal legal mechanism that creates ways to jointly pool financial and other resources to bid for, secure, and develop these minerals located in third party countries?

Answer. During the process of establishing the Minerals Security Partnership (MSP), my team consulted with relevant bureaus, offices, and interagency partners, as well as with our foreign negotiating partner countries, on the benefits and drawbacks of developing a formal mechanism for pooling financial and other resources to achieve MSP objectives. After thorough discussion and analysis, the Department decided that a less formal approach would allow for greater speed and flexibility in implementing the MSP. As the initiative evolves, the Department will continuously evaluate how to improve the mechanism.

Question. What about an agreement to coordinate best practices and information sharing among partners for developing these resources?

Answer. Under the Minerals Security Partnership (MSP) Terms of Reference, MSP countries are already sharing information and best practices for developing robust, reliable critical mineral supply chains that adhere to high environmental, social, and governance (ESG) standards. MSP partners are continuously looking at ways to improve the flow of pertinent information.

Question. The President just announced the Project on Global Infrastructure and Investment (PGII).

What is PGII's purpose? Is it meant to better use of U.S. Government resources for strategic competition with our adversaries on infrastructure?

Answer. PGII aims to meet the infrastructure needs of low- and middle-income countries—and to do so in such a way that advances our economic and national security goals, including with regard to strategic competition with adversaries. As the infrastructure gap widens and governments seek to deliver for their citizens, many find themselves at risk of being exploited by other nations. Some of the leading financing options open to these countries saddle them with long-term problems such as crushing debt traps and limited development progress, as donor countries seek to use development finance as a tool of influence.

PGII is designed to better enable the U.S. to compete by offering viable alternatives to these exploitative options. PGII will deliver a more coordinated and comprehensive approach to international infrastructure investment by 1) better aligning and applying U.S. Government resources towards these strategic ends, and 2) marshaling a wider coalition with further resources to join us in these efforts, including from G7 and like-minded partners, multilateral development banks, and the private sector. With these resources, we will focus our investments across the four PGII pillars, as well as focus on hard infrastructure and transportation projects, like railroads and ports, that are key to unlocking development progress and which may have outsized strategic impact to the United States. Doing this work requires tracking and anticipating where countries like the PRC or Russia are strategically investing, and working to block those deals and present other credible options to the host country. In partnership with our allies, the private sector, international financial institutions, and more, PGII will leverage our combined resources to provide real development gains while securing our supply chains and furthering our economic and national security in an increasingly contested strategic environment.

Question. How will PGII and the E family interact? Is PGII going to subsume responsibilities of the E family?

Answer. The PGII Special Presidential Coordinator (SPC) interacts very closely with the E family in order to make PGII a success. Both entities have distinct roles: the SPC has a coordinating function, both within the USG and with external partners, whereas E family bureaus have management functions, which are longstanding and well established. These two complementary roles will enable the SPC and E family to work together to maximize the strategic impact of USG approaches,

including by ensuring better coordination of E efforts with other departmental and foreign counterparts.

RESPONSES OF MR. ANDY P. BAUKOL TO QUESTIONS
SUBMITTED BY SENATOR JAMES E. RISCH

Question. What steps is the Administration taking—working with the IMF, World Bank, the OECD, and our friends and allies—to reveal the scope of and curb predatory lending by China?

Answer. Treasury is working with our like-minded partners in the G7, G20, and Paris Club, as well as bilaterally, to pressure China to live up to its commitments under the Common Framework. Treasury is also continuing to press the IMF and World Bank leadership to directly engage with the Chinese leadership on debt-related issues. In addition, Treasury is continuing to push for greater debt sustainability and transparency in various international fora, particularly at the IMF and the World Bank. Finally, Treasury continues to advance our strategy and efforts to limit the risk of China getting repaid at the expense of other creditors.

Question. In 2021, the World Bank discontinued the “Doing Business” report after credible allegations emerged that World Bank leadership manipulated the outcome to make China look better.

Does the Administration support bringing back the “Doing Business” report? Or is it officially dead as China wanted?

Answer. We believe the World Bank should continue to provide tools and research to analyze and compare countries’ investment climates, which can help spur private entrepreneurship and job creation. We are working with the Bank and other shareholders on developing a suitable replacement for the Doing Business report focused on what constitutes a sound business enabling environment. A sound investment climate is key to attracting private investment, which in turn can drive job creation and spur growth.

Further, in response to audits of the data manipulation, we are closely tracking the stronger controls for data integrity that the World Bank has already started implementing. We will continue emphasizing the need to implement strong safeguards for Doing Business’ successor report, the Business Enabling Environment report, as well as other World Bank data collection and reporting.

RESPONSES OF MR. JOSE W. FERNANDEZ TO QUESTIONS
SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. Russia, and China, are leading successful disinformation campaigns in the Horn of Africa, in the Middle East, in Latin America and in other regions vulnerable to food insecurity to push their narratives that the U.S. is to blame for grain shortages.

What evidence of these disinformation campaigns, and their effectiveness, is there in Eastern Europe, Africa and Latin America, and what specific steps is the U.S. taking to implement policy responses to this disinformation threat?

Answer. Russia and the People’s Republic of China (PRC) are engaged in concerted campaigns to spread disinformation about the cause of food insecurity around the world. The Department is analyzing how successful these narratives are, working with like-minded partners to counter them, and using research to inform our messaging. In August, Secretary Blinken, Ambassador Linda Thomas-Greenfield, and I will visit Africa to amplify our messages on food security. Where appropriate, the Department is publicly exposing disinformation efforts. For example, the Department’s Global Engagement Center (GEC) published a Kremlin food insecurity bulletin on its Disarming Disinformation webpage, which the media amplified and the Department translated into nine languages.

Question. Disinformation campaigns threaten U.S. diplomacy, development and trade around the world, both in our efforts to combat food insecurity and in other sectors.

Why has the West, including the U.S., had such a difficult time responding to and negating disinformation? How critical is it to get accurate information out about the work of the United States? How is your office coordinating with the State Department’s Global Engagement Center to execute a plan to respond to disinformation threats?

Answer. Highlighting the positive impact of U.S. support of and engagement with communities globally is central to countering disinformation and propaganda. We

collaborate across the Department, interagency, and with international partners and allies to proactively address information manipulation campaigns that undermine U.S. interests abroad, and we continuously refine our messaging and coordination mechanisms to improve their nimbleness and effectiveness. Where appropriate, we expose foreign malign actors' propaganda and disinformation efforts with the Global Engagement Center (GEC). Related to the People's Republic of China (PRC), we work closely with GEC to address Beijing's information manipulation efforts on everything from critical resources to untrusted vendors in 5G networks.

RESPONSES OF MS. ENOH T. EBONG TO QUESTIONS
SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. Russia, and China, are leading successful disinformation campaigns in the Horn of Africa, in the Middle East, in Latin America and in other regions vulnerable to food insecurity to push their narratives that the U.S. is to blame for grain shortages.

What evidence of these disinformation campaigns, and their effectiveness, is there in Eastern Europe, Africa and Latin America, and what specific steps is the U.S. taking to implement policy responses to this disinformation threat?

Answer. The U.S. Trade and Development Agency (USTDA) is deeply concerned about the Chinese and Russian disinformation campaigns pertaining to grain shortages in emerging economies. While we are aware of these campaigns and their serious implications, the Agency and its main stakeholders have not directly faced these campaigns in the course of our regular business. Nonetheless, USTDA's work in the agribusiness sector can provide examples of U.S. foreign assistance activities that could help counter some of the disinformation.

USTDA's mission is to help companies create U.S. jobs through the export of U.S. goods and services for priority infrastructure projects in emerging economies. The Agency places particular emphasis on vital economic sectors including clean energy, information and communications technology, transportation, healthcare infrastructure, and agribusiness.

USTDA's focus on agribusiness includes the export of U.S. irrigation, production, and storage technologies, in support of the food security objectives of our overseas partners, who are primarily focused on growing food domestically. The Agency's portfolio is flexible enough to accommodate a variety of agribusiness activities that support U.S. exports and host country development impacts.

For example, in 2021 USTDA funded a feasibility study in Côte d'Ivoire to support the development of a port-based grain terminal to store bulk U.S. exports of rice and grains for local mill processing. This project has the potential to open a new market for U.S. exports of agricultural products while providing food for local consumption and export to neighboring countries. Also in 2021, USTDA funded a feasibility study in neighboring Ghana to support the development of temperature-controlled logistics infrastructure for the safe distribution of food. Support for these kinds of activities demonstrates the U.S. commitment to food security for our partners in emerging economies and can help counter the false narrative that the United States is to blame for grain shortages.

Of the Agency's five priority sectors, agribusiness is the smallest, as it is challenging to identify commercially viable projects of a scale similar to those in USTDA's clean energy, transportation, and information and communications technology portfolios. USTDA has a statutory requirement to support infrastructure projects with "special emphasis on economic sectors with significant United States export potential." As a result, USTDA is continually balancing demand for its program among different economic sectors to ensure it is best achieving its statutory mission.

Question. Disinformation campaigns threaten U.S. diplomacy, development and trade around the world, both in our efforts to combat food insecurity and in other sectors.

Why has the West, including the U.S., had such a difficult time responding to and negating disinformation? How critical is it to get accurate information out about the work of the United States? How is your office coordinating with the State Department's Global Engagement Center to execute a plan to respond to disinformation threats?

Answer. USTDA agrees that it is absolutely critical to communicate accurate information about the work of the United States and to respond forcefully to disinformation threats. USTDA understands the State Department's Global Engagement Center plays a leading role in coordinating the U.S. Government's response

to foreign disinformation. Our Agency works across the U.S. Government, including with the State Department's Bureau of Global Public Affairs, Office of International Media Engagement, to ensure accurate messaging related to our trade and development related results in emerging economies around the world.

One recent example of this effort took place at the U.S.-Africa Business Summit (Summit) in Marrakech, Morocco, which was hosted by the U.S.-based Corporate Council on Africa. The Summit included public and private sector stakeholders who are committed to building stronger U.S. and Africa trade, investment, and commercial ties. It was attended by several high-level African officials, including heads of government, numerous ministers, leading global financiers of infrastructure, and African and U.S. business leaders.

The U.S. Government was heavily engaged in the Summit, which was an important vehicle for advancing the Prosper Africa initiative to increase trade and investment between African nations and the United States. I was proud to represent USTDA and the U.S. Government along with others including Alice P. Albright, Chief Executive Officer of the Millennium Challenge Corporation.

USTDA and other participating agencies closely coordinated with USAID's Prosper Africa Secretariat and the State Department's Africa Regional Media Hub to ensure accurate, consistent messaging about the U.S. Government's trade and development efforts across the continent. The coordination included staff from the White House, U.S. Embassy Rabat, and 10 U.S. Government agencies.

The U.S. Government's coordinated messaging efforts spurred more than 400 international articles with a potential media reach of more than 200 million print readers across Africa and around the world. An early analysis also suggests that the U.S. Government's 300 social media posts pertaining to the Summit had a reach of nearly 10 million.

The Africa Regional Media Hub's whole-of-government approach to communications is an excellent example of how to elevate the work of all U.S. Government agencies and communicate positive messages regarding our results and impact so that the United States can remain the development partner of choice to emerging economies around the world.

RESPONSES OF MR. ANDY P. BAUKOL TO QUESTIONS
SUBMITTED BY SENATOR JEANNE SHAHEEN

Question. Russia, and China, are leading successful disinformation campaigns in the Horn of Africa, in the Middle East, in Latin America and in other regions vulnerable to food insecurity to push their narratives that the U.S. is to blame for grain shortages.

What evidence of these disinformation campaigns, and their effectiveness, is there in Eastern Europe, Africa and Latin America, and what specific steps is the U.S. taking to implement policy responses to this disinformation threat?

Answer. The Treasury Department is actively working to counter disinformation from Russia and other foreign adversaries, particularly about Russia's unprovoked and unjustified war against Ukraine and the spillover effects of the war. Treasury has diligently worked to counter Russian disinformation that incorrectly claims Western sanctions are responsible for growing food insecurity. In reality, Putin's war has strangled food and agriculture production, and he has used food as a weapon of war by destroying agricultural storage, processing, and testing facilities; stealing grain and farm equipment; and effectively blockading Black Sea ports. Treasury has partnered with the State Department to clarify that agricultural commodities, agricultural equipment, and medicine are not the target of U.S. sanctions on Russia, including through a fact sheet from Treasury's Office of Foreign Assets Control (OFAC) and issuance of a broad general license.

OFAC has sanctioned Russian disinformation outlets, and individuals and entities that support the Kremlin's global misinformation, disinformation, and propaganda operations. Similarly, OFAC has designated Iranian individuals and entities that have disseminated disinformation. Treasury would recommend that the Senator engage with the State Department or the Office of the Director of National Intelligence for further information on the Administration's response to disinformation campaigns.

Question. Disinformation campaigns threaten U.S. diplomacy, development and trade around the world, both in our efforts to combat food insecurity and in other sectors.

Why has the West, including the U.S., had such a difficult time responding to and negating disinformation? How critical is it to get accurate information out about the

work of the United States? How is your office coordinating with the State Department's Global Engagement Center to execute a plan to respond to disinformation threats?

Answer. The Treasury Department is actively working to counter disinformation from Russia and other foreign adversaries, particularly about Russia's unprovoked and unjustified war against Ukraine and the spillover effects of the war. Our work with the State Department includes clarifying that agricultural commodities, agricultural equipment, and medicine are not the target of U.S. sanctions on Russia, including through a fact sheet from Treasury's Office of Foreign Assets Control (OFAC) and issuance of a broad general license. In addition, OFAC has sanctioned Russian disinformation outlets, and individuals and entities that support the Kremlin's global misinformation, disinformation, and propaganda operations. Similarly, OFAC has designated Iranian individuals and entities that have disseminated disinformation. The Administration will continue to pursue avenues to disrupt and counter disinformation and misinformation propagated by Russia and other foreign adversaries.

RESPONSES OF MR. JOSE W. FERNANDEZ TO QUESTIONS
SUBMITTED BY SENATOR MITT ROMNEY

Question. The Administration is prioritizing the adoption of cleaner electric vehicles, yet battery production for EVs is located in China.

How does this administration plan to make sure that its climate goals, in particular EV adoption, is not dependent on Chinese production lines?

Answer. Recent and proposed legislation—including the Inflation Reduction Act of 2022, the CHIPS and Science Act of 2022, and the Bipartisan Infrastructure Law (BIL)—contain significant incentives to support the development of a domestic manufacturing base for EV batteries and precursor materials. These incentives should position the United States to meet domestic demand for batteries with domestic production. To complement our domestic efforts, we are working with key partners and allies to develop secure, diverse, and resilient battery supply chains located outside the People's Republic of China.

Question. How does the Administration view the order of operations for transitioning to EV adoption? The outward push has been on charging stations and tax credits. Is it fair to say we're much farther ahead on the final products than we are on battery production and supply chain independence?

Answer. Tax credits for electric vehicle adoption play an important role in accelerating consumer purchasing behavior as the cost of EVs continues to decline. Tax credits are an important means of encouraging U.S.-based battery production to expand and enable U.S. companies to effectively compete with low-cost producers, such as in the People's Republic of China. We are committed to using our diplomatic engagements, including through the Minerals Security Partnership (MSP), to drive expansion and diversification of the global supply chain for batteries to complement our efforts to increase domestic production.

Question. If we transitioned 50 percent of the cars and trucks on the road to being EVs by 2030, how much of this would be a result of lithium and other critical mineral manufacturing in China?

Answer. Critical mineral supply chains are expected to expand and diversify rapidly in the next decade and beyond as more countries, including the United States, prioritize critical minerals production, processing, and recycling. Through the Minerals Security Partnership (MSP), the Department of State is leading the U.S. Government's international efforts to "friendshore" critical mineral supply chains that are essential to electric vehicle battery production. This will diversify these supply chains and decrease the PRC's ability to dominate them. EV battery chemistries are evolving rapidly and uncertainty exists about future requirements for various minerals. This may be advantageous in establishing new, secure critical mineral supply chains.

RESPONSES OF MR. JOSE W. FERNANDEZ TO QUESTIONS
SUBMITTED BY SENATOR BILL HAGERTY

Question. Global Energy Crisis & American LNG: Do you support LNG infrastructure projects, such as the East Med pipeline and the Mid-Catalonia pipeline, which could carry American LNG from Lisbon, Portugal to the European continent? The Trump administration repeatedly warned our European allies and partners about

their energy dependence on Russia. Unfortunately, many Western European countries chose to depend on Russian natural gas. A few days, Vladimir Putin threatened to cut off approximately 20 percent of Russian natural gas exports to Europe. In response, many European governments are racing to secure fossil fuel from alternative sources, including from Nigeria and Mozambique. Yet, many of these same European governments have pursued a green agenda that has made it difficult for these developing countries to finance the development of their fossil fuel energy production. Your statement discussed some measures that the Biden administration believes it has taken “to enhance Europe’s energy security”, and you described the Administration’s efforts as “an unstated success” in your back-and-forth with Senator Barrasso. It is also clear that the Biden administration’s measures are not sufficient to obviate Putin’s energy coercion threats. The United States could significantly assist these European governments in improving energy security, but that would require the Biden administration to change course and support the global infrastructure to handle natural gas, including American exports.

Answer. Europe’s efforts to reduce dependence on Russian fossil fuels are critical to regional and national security. The need to promote near-term solutions in parallel with longer-term clean and renewable energy projects is clear. Since December 2021, the United States has been the largest LNG supplier to the EU and the UK. From January to April 2022, we exported 74 percent of our LNG to Europe, compared to a 2021 average of 34 percent. Projects like the Eastern Mediterranean Gas Pipeline—discussed for many years but not yet built—would not contribute to European energy security in the near-term. While the specifics of any pipeline project are unique, decisions related to financing are for the EU and potential investors to make.

Question. The Blue Dot Network and the Clean Network Initiative: Can you provide updates on the status of the Blue Dot Network and the Clean Network Initiative in the Biden administration? During your confirmation process, you and I discussed the continuation of the Blue Dot Network and the Clean Network Initiative that both began under the Trump Administration.

Answer. The Blue Dot Network (BDN) can help raise infrastructure standards globally. Under a State Department contract, and in consultation with a wide range of stakeholders, the OECD developed options for a certification methodology and assessment framework for BDN. The next phase of work with OECD will calibrate the BDN methodology through pilot projects.

The Clean Network Initiative helped raise awareness of 5G security globally. New, more affordable approaches like Open RAN, allow us to pivot to advocating for open, interoperable, reliable, and secure communications technology infrastructure through the National Strategy to Secure 5G and active diplomatic engagement with allies and partners.

RESPONSES OF MR. ANDY P. BAUKOL TO QUESTIONS
SUBMITTED BY SENATOR BILL HAGERTY

Question. Fossil Fuel Energy at the Multilateral Development Banks: At the start of the Biden administration, the Treasury Department issued a “Guidance on Fossil Fuel Energy at the Multilateral Development Banks.” This guidance instructs the U.S. Executive Directors to oppose any project related to coal, any oil-based project, upstream natural gas projects, and midstream and downstream natural gas projects—unless they meet strict conditions, and to oppose any policy reforms that would support fossil fuel activities. This guidance is preventing developing countries from getting much-needed capital to expand their energy infrastructure, causing them to seek funding from alternative sources such as China. However, as President Biden’s recent trip to Saudi Arabia showed, the current global energy crisis can only be alleviated by more energy production, particularly fossil fuel production.

Will the Treasury Department rescind the “Guidance on Fossil Fuel Energy at the Multilateral Development Banks,” which will allow developing countries to have access to the capital needed to bolster their energy infrastructure?

Answer. Treasury’s guidance urging the MDBs to limit their support of fossil fuel projects is consistent with the Biden-Harris administration’s approach towards supporting energy security and more sustainable growth. Importantly, the guidance includes some exceptions, with a focus on low-income countries, that would allow the MDBs to support some fossil fuel projects where there are no viable energy alternatives. Treasury continues to work with MDB management to help developing countries expand energy access and energy security in as clean and sustainable a manner as possible. This includes investments in renewable energy, policy engage-

ment to unlock opportunities for private sector financing, and investments in innovations related to battery storage and other new, American-engineered technologies. Treasury also works in areas of bilateral economic diplomacy to support vulnerable countries' energy and climate mitigation needs, with a focus on eliminating barriers to financing sustainable energy projects.

