

THE FUTURE OF EUROPE

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BEFORE THE

SUBCOMMITTEE ON EUROPE
AND REGIONAL SECURITY COOPERATION

OF THE

COMMITTEE ON FOREIGN RELATIONS

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THE FUTURE OF EUROPE

TUESDAY, JULY 30, 2024

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

The subcommittee met, pursuant to notice, at 2:36 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Jeanne Shaheen presiding.

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

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

Senator SHAHEEN. This meeting of the Senate Foreign Relations Subcommittee on Europe and Regional Security Cooperation will come to order.

I want to thank Ranking Member Ricketts for agreeing to sit and hold this hearing on this important topic. Also, I want to thank Chairman Cardin, who is the chair of the full committee, for being here today, and I know that we have some Ukrainian parliamentarians in the audience, so we very much appreciate your visit here, and thank you for all of the work that you are doing in your country.

And I understand that you are going to Manchester, New Hampshire, when you leave here so we hope to give you a very warm welcome in New Hampshire. Thank you.

Over the past 4 years there is perhaps no continent that has experienced such significant political security and economic shifts as Europe has. Putin's miscalculated decision to launch a full scale invasion of Ukraine in 2022 upended the world but not in the way that he thought it would.

Putin thought his efforts to drive divisions within Europe and build its reliance on Russian oil and gas would thwart a unified, coordinated response to its illegal invasion in Ukraine.

Instead, it upended European policy toward Russia and its attitudes toward the rest of the world. And today the transatlantic alliance is stronger than ever. Most notably, Ukraine is standing firm in its fight for freedom.

Putin thought Kyiv would fall in a day, but today much of Ukraine is still standing strong in the face of Putin's disillusional imperial campaign. For 2 and a half years Ukraine has defied all odds by valiantly defending its sovereignty, holding the Russian

military to account for its actions, and launching multiple successful military operations to degrade Russia's naval assets and military capabilities in the Black Sea.

And Europe has come together in other ways. In addition to the United States, many European countries have signed bilateral security agreements with Ukraine to provide long term support as Ukraine defends its freedom.

The fight for Ukraine's independence has been championed by NATO allies. The response to Russia's invasion, led by the Biden administration in coordination with NATO, the European Union, and our Indo-Pacific partners, waged the most effective and coordinated response to Russian actions and made it clear to President Putin that his unprovoked aggression to undermine a sovereign country will come at a hefty price.

Despite Putin's efforts to prevent the enlargement of NATO, he was directly responsible for the addition of Sweden and Finland to our NATO family, increasing the alliance from 30 to 32 allies.

And since Putin's unjust invasion, NATO allies have significantly increased defense spending. Twenty-three allies are now meeting the 2 percent defense spending target with others on pace to hit the goal in the coming years, compared to just six countries prior to the invasion of Ukraine.

Now, we recognize that the tough decisions undertaken by our European allies and partners have had significant political and economic costs. Europe's overdue decision to end its reliance on Russian gas resulted in a significant hike in energy prices in addition to record inflation rates due to Russia's blockade of Ukrainian grain exports on the Black Sea.

And despite these significant economic shocks being felt deeply by Europeans, there is strong continued public support in Europe for Ukraine and a broader recognition that Putin must be stopped in Ukraine before his imperialist ambitions threaten other parts of Europe and NATO.

We recognize, however, that recent elections that have taken place across Europe, from the European parliamentary elections to the elections in France, illustrate that some political groups are willing to capitalize on discontent to fuel their far right agendas.

So although we should celebrate our achievements and strengthening within our alliance, this hearing is an opportunity to understand how we can further consolidate our transatlantic unity to address future challenges such as addressing the economic challenges faced by China.

Most importantly, we must continue to ensure that our citizens see the benefit of alliance unity by strengthening both our trade ties and our democracy.

In just my home State of New Hampshire, we do about \$3 billion in exports to Europe each year, and that shows just how much we are dependent on a stable and prosperous Europe.

Assistant Secretary O'Brien, in your testimony and in questions from members today I hope you can address some of the most pressing questions.

How can we ensure that our U.S. and EU citizens are both informed and collectively benefit from our increased economic coordi-

nation? How do we ensure that the U.S. public understands the importance of addressing the threats faced by Russia and China?

How can we continue to sustain strong support for Ukraine so that victory is defined under its own terms and not by dictators like Putin or Viktor Orban? And how can we continue to support aspirant countries in the Western Balkans who are withstanding significant domestic political headwinds in their efforts to seek EU and NATO membership?

And how do we continue to support the spirit of democracy in countries like Georgia where the government has taken efforts to undermine its own EU membership ambitions despite the overwhelmingly pro-EU aspirations of its people?

Assistant Secretary O'Brien, we are grateful that you have agreed to testify today. Your role is critical to ensuring that our partnerships with Europe continue to make the United States more prosperous and more secure.

And before I end I just want to say thank you to Morgan Kennedy, who is here, who has served in my office for the past year as a Pearson Fellow on loan from the Department of State.

It is a great program, and we appreciate that, and we appreciate all of the great work that Morgan has done in our office.

So next month she will be rejoining the Department of State focusing on Europe and support for Ukraine.

Now, before I introduce Assistant Secretary O'Brien, I will turn it over to Senator Ricketts for his opening remarks.

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

Senator RICKETTS. Thank you, Madam Chair.

We often refer to the war in Ukraine as Putin's war of aggression, and that might have been true on February 24, 2022, but that framing is not accurately really described now of the war today. And it is because this war is not just about Putin's war of aggression.

It is an opening salvo in a larger, protracted fight that an axis of authoritarians is leading, including the PRC—People's Republic of China—Russia, Iran, North Korea, and they are waging on the West.

The winner will not only define the future of Europe but also the future of the entire free world. For those in Europe who want to focus squarely on Putin but not apply the same level of fervor to the other partners in the axis, that would be a strategic blunder.

Iran has supplied thousands of weaponized drones that have been used to attack Ukrainian cities and exhaust Ukrainian air defenses. But it does not end there. From plots targeting Jewish and Israeli targets to devastating cyber attacks, Iran wishes to inflict only terror and chaos across Europe.

Too frequently North Korea's role in the axis is minimized. However, its new mutual defense treaty with Russia combined with millions of artillery shells and ballistic missiles it has sent to Putin showcases the true threat Kim Jong-un poses to Europe.

Still, of Russia's partners, none of them pose a greater threat to European security than the People's Republic of China. Xi and Putin's no limits partnership has led the PRC propping up Russia's

war economy and delivering critical weapon components necessary for Russia to maintain its aggression.

And while the PRC has not sent lethal aid yet, last month we saw PLA soldiers conduct joint military exercises for the first time in Belarus, mere miles away from NATO's border.

Let us be clear. Xi Jinping wants and is invested in Putin winning. No amount of diplomacy from the U.S., Europe, or even Ukraine will change this or make the PRC play a positive role in ending this war.

I was pleased to see NATO allies strongly and unequivocally call out the malign aggression of all four of these axis members in a recent summit here in Washington. But strong words do not deter dictators. Only strong actions do that.

That is why it is important that NATO allies spend more on their defense and security. There are some who want to make a victory lap that we have got 23 allies that met the 2 percent target, and that is improvement.

Yet, it is unclear whether some of these allies, notably Germany, have plans to be able to sustain this level of spending for the long term. And we still have allies like Spain and Belgium that 10 years after the 2 percent pledge can still barely muster up 1.3 percent of their GDP on defense.

This is even more concerning given that 2 percent benchmark made in 2014 does not come close to matching the new threat environment that we have today or in the future.

The NATO alliance has been rejuvenated but its sustained success comes down to increased capabilities, lethality, and manpower, all of which can only be met with more spending.

We can no longer afford to give participation trophies to free riding allies unwilling to do their part.

I want to address another theme expressed by some European officials at the NATO summit, the need to Trump proof the alliance.

Just like the recent elections in Europe, the upcoming elections in November and a potential Trump administration would bring about differences in policy and strategy.

That is how democracies work. However, if President Trump does win, I would encourage Europe at this time to adopt a more constructive approach.

It goes without saying that had Europe listened to the Trump administration on the need to increase its defense spending and end its dangerous reliance on Russian energy, Europe would have been in a much stronger position both before and after Russia's invasion of Ukraine.

The Trump administration earned a right to say to Europe, I told you so. Regardless of the outcome of the election in November, however, our collective success depends on uniting against the threats posed by this burgeoning axis and comes down to two facts.

First, the United States cannot win this fight alone, and second, our allies, particularly in Europe, must radically evolve their security posture against all access members to match the nature of the threat.

This means ensuring Ukraine is successful instead of allowing a Russian—a fear of a Russian escalation to force us to maintaining the status quo.

This means aggressively derisking from the Chinese economy instead of being enticed by short term economic gains at the expense of long term security losses.

This means reimposing strong sanctions on Iran that deprive it of the revenues it uses to fund terrorism in Europe and around the globe instead of banking on the false hope that the Iranian regime will fundamentally change.

And it means increasing our economic and diplomatic pressure on Pyongyang instead of allowing Kim Jong-un's rogue regime to grow more dangerous in the shadows.

Ultimately, Europe's future will be defined on whether we can together adapt quickly enough to meet the moment. For the sake of Europe, the transatlantic alliance and the future of the free world, I hope and believe we can.

Thank you, Madam Chair.

Senator SHAHEEN. Thank you, Senator Ricketts.

Now it is my pleasure to introduce our witness.

Jim O'Brien is Assistant Secretary of State for Europe and Eurasian Affairs, which is a position he began after being confirmed last year.

Mr. O'Brien was previously a career State Department officer and served two previous Administrations as a special presidential envoy. Notably, he was the first presidential envoy for hostage affairs from 2015 to 2017 and helped establish the office and worked for the safe return of about a hundred American citizens.

Over the course of his career at the State Department he led a large and successful sanctions program and advised on a range of issues including peace negotiations in Europe, scientific and environmental agreements, and initiatives to investigate and prosecute persons responsible for war crimes.

With that, Mr. O'Brien, I turn it over to you for your opening statement.

STATEMENT OF HON. JAMES O'BRIEN, ASSISTANT SECRETARY OF STATE FOR EUROPEAN AND EURASIAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Mr. O'BRIEN. Thank you, Madam Chair.

Mr. Ranking Member and Mr. Chairman, I know you have had a long day of State Department testimony already, so I will try to just add to what you both said in your excellent opening statements.

With Europe we have built a platform that lets us project power and promote our values and security. What we have been doing over the last year is strengthening that platform and extending it to new areas.

Now we see Russia pushing back hard against it, and that is one theme in every country we will talk about. Sometimes Russia is aided by local elites who find benefit in sitting just outside the rule of law, and through all this, Senator Ricketts, as you mentioned, China is looking to see if it can benefit from weakening the platform that we have with our allies, and it is important that we impress on our partners and our allies that they have to face up to what China is doing, and I think we are making some progress there, and I will talk a bit about that.

So, I will mention three areas that are of special importance, and I know the questions will take this much deeper.

The first is Ukraine. As you noted, Russia is an imperialist, aggressive revanchist power. Ukraine is fighting to preserve its independence, in part so we do not have to have this fight even though Putin threatens other allies of America.

So, we want Ukraine to win, and we are providing Ukraine with the material to win. And in the last month or two the platform we are discussing has gotten much stronger and has reached out to Ukraine in three particular ways.

The EU has begun membership negotiations with Ukraine. That will encourage reform of the kind Ukraine's people have demanded and will begin to open up markets for Ukraine so that it is able to participate in a much more lucrative, high value economy than had been the case before.

The G-7 leaders together agreed that Ukraine would have the benefit of earnings from Russian sovereign assets, giving it this year we anticipate \$50 billion to spend on defending itself and rebuilding its society from the damage Russia has brought.

And NATO, of course, has said Ukraine is welcome once it takes a few steps across the bridge to NATO that was built at this last month's summit in Washington.

This is the fastest way to peace, that Ukraine is able to win the war or say to Putin, we are able to negotiate from confidence. Everything else is a chimera.

So, with this we see Ukraine making some progress on the battlefield, and I am happy to address that more in questions. We have, at the same time, strengthened our platform and in particular NATO, and you both mentioned the various ways in which that is true.

And Senator Ricketts, I completely agree that we cannot win this war alone. So, we are working with others, and we are making sure that our spending is not just higher but smarter, with regional defense plans so we can measure the progress that we are making and hold each other to account.

NATO is also going to be developing a new strategy toward Russia over the next months, and that will hold our allies together as we will go forward in dealing with Russia, and here all the NATO allies agreeing that the PRC is the decisive enabler of Russia's war is a significant step and one that will allow us to build on the platform that we have.

At the same time that we are focused on Ukraine we are working to confront what I would call the arc from the Caspian to the Adriatic, a group of states that are looking to have less Russia but to be much closer to the rule of law that is offered by membership in the EU and NATO or by closer relationships, and across this area over the last 2 years we have consistently seen a desire to have less Russia in place. And now we are seeing some pushback, sometimes fueled by Russia, sometimes by local elites who would like to be close to European banks but not European rule of law.

And we are working in each one of those places, and each one has its own particular idiosyncrasies, but we are working in each one of those places to try to strengthen the platform that we have built.

And finally, we are making sure that Americans benefit from this work we do with Europe. Europe is our largest trading partner.

We are half of global GDP. Five million Americans are employed by European countries, and we will work through every mechanism we have so that Americans see in their pocketbooks the benefit of closer cooperation with Europe.

So, thank you for the time, and I look forward to your questions.
[The prepared statement of Mr. O'Brien follows:]

Prepared Statement of Mr. James O'Brien

Chairwoman Shaheen, Ranking Member Ricketts, and Members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the future of Europe. Your request comes at a pivotal time for the region and on the heels of a hugely successful NATO 75th Anniversary Summit that further strengthened Transatlantic unity. I am deeply appreciative of the role that you and Members of this Committee played during the Summit, and for your continued support for U.S. policy in the region as a whole.

President Biden remarked that this was one of the most successful Summits he has seen in his public service career, and I could not agree more. Together with our Allies and under the leadership of outgoing Secretary General Stoltenberg, the Summit delivered four critical achievements:

First, by holding the Summit in Washington, DC, the site of the signing of the Treaty 75 years ago, we celebrated and underscored the leadership roles the United States and the Alliance played in bringing the world out of the tragedy of the Second World War and creating the modern rules-based international system, which remains the foundation for peace and security today.

Second, we achieved extraordinary unity among the 32 NATO Allies on a slate of practical and skillful solutions to some of the peace and security challenges we face. Defense spending among Allies is at an all-time high: at the beginning of this Administration, only nine Allies had met the 2 percent of GDP targets. After considerable diplomatic engagement, at the close of the Summit, 23 Allies had reached this target, with more anticipated to reach this goal. Allies agreed to collectively review NATO's strategic approach to Russia, and, for the first time since 1989, to implement and resource NATO's new regional defense plans to deter threats and defend every inch of NATO territory. And critically, we met for the first time at 32 Allies with the addition of Sweden in March, and reached consensus on a new NATO leader.

Third, by welcoming the attendance of Australia, Japan, New Zealand, and the Republic of Korea, we intensified NATO cooperation with our Indo-Pacific partners, including agreeing on practical approaches to address shared concerns about the growing cooperation between the PRC and Russia.

And finally, we unequivocally demonstrated our support for Ukraine by ensuring that Ukraine has the ability to fight back against Russia. We just concluded 2 months of high-level, high-intensity diplomacy that has underscored U.S. and Allied commitment to Ukraine's fight and improved the international narrative on the war, culminating in a NATO Summit that demonstrated long-term support for Ukraine across a huge spectrum of Allies and partners. Within the Alliance, Allies agreed NATO will stand up a new command to provide security assistance and training support to Ukraine, deepen Ukraine's political relationship with NATO, and announced long term financial support for Ukraine to prevail. In addition to historic donations of air defense equipment and F-16 fighters, President Biden and 25 other leaders signed the Ukraine Compact: a mutually reinforcing framework that brings these countries together in a unified, coordinated, and comprehensive architecture to support Ukraine not just for now but for years in the future. As you've heard President Biden say, these elements constitute a bridge to NATO for Ukraine: a clear pathway leading to eventual membership as Ukraine continues to implement domestic reforms. This Compact is a central piece of that clear, strong, and well-lit bridge. As Russia is clearly not ready to pursue peace, the United States and our Allies and partners must ensure that Ukraine has the military capacity, a viable energy grid, and a functioning economy to rebuff Russian aggression. And it's working. Earlier this month, the last Russian patrol boat left the Black Sea Fleet base in Crimea. Combined with the G7 commitment to a loan of \$50 billion secured by profits from immobilized Russian sovereign assets, Ukraine can continue its fight effectively. This confidence is the quickest route to peace. The Summit demonstrated

the NATO Alliance is now stronger, larger, and more fit for purpose than before Putin's devastating war on Ukraine.

Across Europe, there has been a series of consequential elections that will shape both the future of the region and our future relations with Europe. We have a new government in the UK that is eager to work with us, a new slate of elected EU leaders in Brussels who are focused on security and prosperity, and a European parliament of changed composition and political alliances, but one that I believe we can work with in the coming months. We continue to actively facilitate conclusion of a just and durable peace between Armenia and Azerbaijan, and are working to foster deeper cooperation among the Black Sea states.

But there remain challenges to democracy in some quarters, where backsliding is a significant concern. We must maintain our focus on countries like Georgia, working with likeminded partners to promote measures that strengthen democracy and incentivize a return by these governments to a Euro-Atlantic path.

In Russia's periphery, we seek to help those countries that have struggled between the pull of EU accession and the pressure of Russia's autocracy, and work with those leaders to get them out of the 'grey zone' and into western-style democracies. We are building a path for countries in the Western Balkans, Moldova, and the Caucasus independent of malign influence from the PRC and Russia. Some elites in that periphery are bucking against making the hard reforms needed to join the EU and NATO. We must work together to ensure those reforms are done.

Looking ahead, I will strive in the coming months to solidify the gains we made at the NATO Summit; support Ukraine to win the war and be in a position of strength if it chooses to negotiate with Russia; create opportunities for EU accession for those countries whose citizens want to turn to the West and away from autocracy; and, strengthen the gains we've made with our European allies and partners these past three and a half years to ensure that our largest collective trading partners can bring about and sustain peace and prosperity.

Thank you for the opportunity to be with you today and I look forward to your questions.

Senator SHAHEEN. Thank you very much for that testimony.

I am going to defer to Chairman Cardin for his questions.

Senator CARDIN. Well, thank you, Senator Shaheen, and thank you for holding this hearing.

Senator Ricketts, thank you very much. We are very fortunate the leadership we have on this subcommittee and the work that you all do in a very bipartisan manner, so we appreciate it very much.

Secretary O'Brien, welcome. Thank you for your service.

I want to welcome our Ukrainian parliamentarians who are here. It is a pleasure to have you in our committee room.

It is clear to all of us that the future of Europe, the subject of today's hearing, very much depends upon Ukraine's success against Russia's invasion. That is our top priority and will continue to be our top priority.

So, I want to talk a little bit about how we got here, and it will connect to your last point, Secretary O'Brien, dealing with places that want less reliance on Russia that are reaching out to us.

What happened in this attack on Ukraine's sovereignty started with the invasion of Crimea and taking over Crimea, and we did not do anything about that. And before that Russia invaded Georgia, and we did not do much about that at all.

Russia took over Moldova, Transnistria area. We did not do much about that. So, we have seen Russia's aggression, and we are drawing a line right now in Ukraine as we should because they are trying to really take over the entire country.

But that is not the only place. Since the Russian invasion of Ukraine we have found another area that Russia has been engaged in, maybe not directly, but certainly as an enabler, and that is Armenia.

I was recently in Armenia at the border of Nagorno-Karabakh. Now, I cannot go to the border because in that area of Armenia that is on the border is now controlled by the Azerbaijanis.

How did they get control of that area? Through Russia, Russia allowing them to take that control of territory. What has the international community done about that? I have not seen very much at all. I have not seen even a lot of comments about it.

As you talk about countries that are trying to get closer to the United States, Armenia is one of those countries, and yet they now have a real security threat to their borders by being taken by force by Azerbaijan with the complicity of Russia.

Tell me what we are doing in order to show our support for the principles that countries cannot change borders by force, and that countries that are reaching out to the United States or the West for a closer relationship such as Armenia are not going to be subject to retaliation by Russia without the support of the West.

Mr. O'BRIEN. Thank you very much, Mr. Chairman.

Armenia is a subject we spend a great deal of time on. So, with Secretary Blinken and President von der Leyen we met with Prime Minister Pashinyan several months ago, established a new platform to help Armenia reduce its dependence on Russia.

It is almost entirely dependent on Russia for its energy and its economy. We need to diversify that so that it is able—

Senator CARDIN. And for its border security.

Mr. O'BRIEN. And I will come to security in just a second.

So, making it possible for them to make the brave steps that Prime Minister Pashinyan is leading them on, which is a break with Russia.

Now, as you point out, Russia had guaranteed Armenia's security after the 2020 war with Azerbaijan and for a long time before then, and it failed. It turned its back as Azerbaijan retook the territory around Nagorno-Karabakh and that has led to a severe break where much of the population of Armenia wants to get further from Russia.

So, we are creating the conditions for that to happen. A significant deadline will come later this week when several thousand Russian troops—FSB troops—have been requested to leave, and those are really significant for a number of reasons, in part because they man the border at the international airport, and that is where some of the sanctions' smuggling evasion takes place.

So, we will see whether Russia is really willing to honor the sovereign wishes of Armenia that it leave so that Armenia can build the relationships that it wants.

We are also strongly supporting the peace effort that Prime Minister Pashinyan has been developing with President Aliyev in Azerbaijan—

Senator CARDIN. Which Russia is trying to make sure does not happen.

Mr. O'BRIEN. Russia is trying to make sure that anything that happens there happens on its terms. And I think both of those two countries are a bit frustrated by the involvement, to be honest, and we are working very hard so that the expressed desire of peace can be manifest in an agreement.

I will just say one more thing about why that matters so much. You look at a map—from Central Asia, which is not a part of this committee but Central Asia all the way through, the Central Asian countries are incredibly rich and right now their only options to the global markets, fundamentally, are through Russia or China.

If we can open up a route that goes through Azerbaijan and Armenia, then they will have access to global markets and much less dependence on Russia and China.

So, this is all a part, again, of allowing countries to choose their own paths to the global markets.

Senator CARDIN. I appreciate that, and I support everything you just said, but it still begs the question that without much complaint Azerbaijan is now occupying part of Armenia—strategic part of Armenia—and there has been no real protest about their controlling the highlands next to Nagorno-Karabakh that puts Armenia at tremendous risk of the corridor that could divide the country or lose its southern edge, and I have not seen much of a fuss made by the international community.

Senator SHAHEEN. Yes, please go ahead.

Mr. O'BRIEN. OK. No, I appreciate it, and you are making a fuss here and I appreciate that. It is good to lay down the marker.

The two sides have agreed to a border demarcation process. They have agreed on what the lines are, and you are right, there are some territories that each side still occupies that, according to the line they have agreed, will probably end up going back the other way.

The highlands are of particular interest. But that is a process that the two sides are working on. We have been very clear that any adjustment in the border—that the border they have agreed is the one that they should end up with unless the two sides agree that they do not.

Senator CARDIN. I will just—I do not want to——

Mr. O'BRIEN. Yes.

Senator CARDIN. My understanding the peace process does not deal with that—the peace agreement.

Mr. O'BRIEN. Well, it does. I mean, there is a peace agreement under negotiation that defers the border demarcation to another channel in the peace process so you cannot just—yes.

Senator CARDIN. And I support that, but whether we will ever get to that point, my concern is it is going to be years down the road, and we are going to have another Moldova and another Georgia.

Thank you, Madam Chair.

Senator SHAHEEN. Thank you, Senator Cardin.

Senator RICKETTS.

Senator RICKETTS. Thank you, Chair.

Two years ago, President Biden issued a red line to the PRC not to provide material support for Russia's war in Ukraine or face consequences. And as I mentioned, while we do not see any lethal aid yet, certainly, China is keeping the Russia economy afloat with energy purchases and providing a number of dual use materials and so forth to Russia to be able to continue this war.

At the NATO summit the alliance made a clear rebuke of Beijing for underwriting Putin's war in Ukraine. In the Washington Dec-

laration allies threatened that, quote, “PRC cannot enable the largest war in Europe in recent history without this negatively impacting its interests and reputation,” end quote, and this level of clarity is encouraging.

However, without subsequent actions to deter further PRC support these words are likely to achieve little. Since the start of the war the U.S. and the EU have sanctioned numerous Chinese companies and individuals to stem the flow of PRC dual use goods.

While this has led to a recent decline, it still is estimated that hundreds of millions of dollars in dual use goods continue to flow from the PRC to Russia.

Secretary O’Brien, NSA Sullivan recently said that the Administration is prepared to tighten screws on the PRC’s support for Russia including potential sanctions against PRC banks.

Given that time is of the essence, when can we expect a decision to move forward on this? Will Chinese banks be sanctioned?

Mr. O’BRIEN. Thank you, Senator.

So, 2 years ago we talked to the Chinese not about just material assistance but specifically focused on lethal assistance, and that line has held. Now we are talking to them about the material amounts of dual use goods that they are providing, and it is disturbing and wrong.

They are providing 90 percent of the electronics that Russia depends on, 70 percent of the machine tools. This has had an effect of our European partners now recognizing that China is stoking the war machine that threatens Europe and that is forcing China now to recalibrate some of its basic policies.

How long it takes them to do that, that is something we will work to hasten, but that is a real exercise in daily diplomacy.

On sanctions, as you have said we have sanctioned—I do not know the specific number—the Europeans earlier this summer began sanctioning a few Chinese entities as well. That was a significant step for them to take.

We will continue to work on this. We do not preview exactly when we roll things out, but I assure you this is an area of real focus, and any information you have got, please provide to us, but it is something we will keep working on.

Senator RICKETTS. All right. So but you cannot give me a timeline for when there may be sanctions on Chinese banks that are facilitating these transactions?

Mr. O’BRIEN. I am not going to promise a date, but I will tell you we work on this every day.

Senator RICKETTS. Well, also complicating this is the fact that Chinese banks are—like, half the Chinese transactions with these Chinese companies that Russia is doing are made through intermediaries in the UAE, Kazakhstan, Kyrgyzstan, other countries.

What are you doing to address that aspect of this? Is this also part of what you are working on?

Mr. O’BRIEN. Yes, it is—I mean, and someone from Treasury can walk through some of the difficulties, but there has been a real effort to reach out particularly, say, in the Emirates, which has a deep banking sector.

One of the challenges is that a lot of this trade is kind of closer to cash and carry. It is not like an infrastructure project where

there is lots of documentation and research. It is just people kind of Venmo-ing each other money.

So, we have to make clear to banks that they have a higher duty of care to know their customers, and there has been a real effort in this. It began when I was in my previous role, and we are seeing some progress on this in some of these third country banks, particularly Türkiye and the Emirates.

Senator RICKETTS. And you also mentioned about—for example, I think you said 70 percent of the machine tools imported to Russia are coming from the PRC. Where are the other 30 percent coming from?

Mr. O'BRIEN. Probably the U.S. and Europe. I do not have the exact breakdown.

The difficulty with many of the products we are discussing, whether it is electronics or machine tools, is that they are sold on to brokers, and then they are sold on and sold on in commerce. So, knowing the end user is difficult for the companies.

We have been speaking with American companies, and our European colleagues have been speaking with their companies about understanding who they are really selling to so that nothing new moves, and there are some new restrictions, and we will take more steps to get at these shadow brokers.

Senator RICKETTS. Can you give me an example just what some of the new concrete steps we can take to cut off the supply that is under 30 percent?

Mr. O'BRIEN. Yes. Well, the first thing is getting on—having our companies understand that when they are getting new customers, those may well just be proxies for an old customer who is now illegal.

So, working our way through that is important. The second is identifying some of the key brokers. This is maybe more an issue for the electronics but often the sales are just made to a giant wholesaler who then holds the goods and then sells them on. And so having those held to a higher standard is important.

A third is in Europe particularly to deal with land crossings. So, the EU just—what happens is somebody in a Western European country makes a sale.

Their national authority will check it, but often not be fully aware of the situation at the end point, and then the goods will be routed through Belarus or Russia by land, and they fall off the back of a truck.

So, we need those border crossings to be tough, and the EU just gave those countries the authority to stop suspicious trucks, and now it is an exercise of putting in the enforcement muscle to make sure they can carry that out.

Senator RICKETTS. Great. Thank you, Mr. Secretary.

Senator SHAHEEN. Thank you, Senator Ricketts.

Earlier this year Congress passed the \$95 billion national security supplemental—\$95 billion-plus. It passed with strong bipartisan support, and much of the funding is critical to supporting Ukraine to defend itself.

Now, with long range strike capabilities such as the ATACMS provided by the U.S. and our allies, Ukraine has seen success in

halting Russia's advances on the front lines and destroying Russian central command systems.

I personally believe we should allow Ukraine to conduct the war in the manner that they see fit with our weapons.

But can you talk about how the U.S.-Ukraine bilateral security agreement is allowing for increased intelligence sharing to improve Ukrainian targeting, and is the Administration considering a policy change to allow the Ukrainian Armed Forces to service targets in range of the ATACMS? And how does this compare with the U.K.'s policy on the Storm Shadow?

Mr. O'BRIEN. Thank you, Madam Chair.

So, the overall strategy, we want Ukraine to win so we want them to use the weapons they have, both their own and the ones that are provided in the way that is most effective.

Right now, that means holding in the east, and despite some of the headlines in recent days—I was just talking to Ambassador Brink—that we think those lines will stabilize. We do not see Russia making a major breakthrough, but we will keep watching it.

It means clearing away the Russian firing positions. During the time that the supplemental did not pass, Russia really had the opportunity to bring enormous weaponry up really close to the front lines and use it to devastate Ukraine's defenses and communities.

And it means keeping the economic centers open. That means providing more air defense. So, President Biden announced several weeks ago that the U.S. and our allies have agreed to provide Ukraine with substantially more strategic air defense systems.

That will let Ukraine's economic centers work, and that then pays off because Ukraine, using its own weaponry with some help from ours, has cleared out the ability to trade through the Black Sea.

All of those things have to come together, and the weaponry we are providing is a piece of doing those things. So, it is a constant discussion about where the weapons can be best used, and I realize some of this may be better done in another setting, but what Ukraine has done to clear out a lot of the Russian capacity that was in close has been very—has been remarkable, using its weaponry and using weaponry we have provided.

I do not have an exact comparison to what that is with the Storm Shadows. I know I was just in London talking with their government.

I think there is some public lack of clarity around how they are using the Storm Shadow. So maybe we can—I will get an answer and we can talk about that off—

Senator SHAHEEN. That would be great. Can you also talk about how the national security supplemental bill has been important to advancing our own economic and national security interests?

Mr. O'BRIEN. Yes. Thank you for that question. And I think—I testified before you just when the bill was first submitted last year, and I think there are a few key points.

The most important is we are helping Ukraine fight for its freedom so that we do not have to have this fight there or sometime later. And I come from a family that has had several generations of its men before me fight and in some cases die in European wars. So, I appreciate how much that means to us.

The second thing is that has a direct economic impact on the United States. So just one thing—Senator Ricketts and I are both from Nebraska—grain prices, and I know it is not a great year for farmers now anyway, but for 150 years they have been really decided by the back and forth between the American Midwest and Ukraine’s exports through Odessa. That is kind of the fundamentals of the global grain market.

And so if we allow Russia to control the Odessa or to control Ukraine’s grain markets then we have Russia in control of more than 20 percent of the global grain market, able to dump it at low prices when it wants or sell it at high prices or take away—like, that is the kind of monopoly against us that we really do not want to see.

And then, finally, a lot of the money in that bill is spent in the United States in order to make the things that Ukraine needs.

So, I think \$30 billion was dedicated to buy things made in the U.S. Another \$15 billion or so was spent so that we were able to provide the kind of advice and assistance that Ukraine wanted.

And that is not profiteering. That is buying the best stuff in the world and putting it to the best possible use.

Senator SHAHEEN. While we are still on this topic, can you also talk about how much our European allies have contributed to the war in Ukraine?

Because I think there is a misperception in some quarters that the United States has given all of this equipment and support and Europe has not done much.

Mr. O’BRIEN. So, the basic numbers, ours are—and we will get you the precise numbers. I have got them in my voluminous materials. We have provided around about \$87 billion of humanitarian, economic, and security assistance to Ukraine.

Our European allies alone have provided around, what is it? \$110 billion to this point, and that does not count much of what they have done for Ukrainians. Millions of Ukrainians have made second homes or first homes in Poland, Germany, and in other countries across Europe, and that money is in addition.

So, we see our European allies spending much more than we are, and going forward, the Europeans have committed to spend a great deal of their money on defense to support Ukraine.

So as just one example in Germany—and Senator Ricketts, you mentioned a concern about Germany—they are strong backers of the plan to spend some of the Russian sovereign asset windfall profit with Ukraine, and they say a majority of that money likely will go for munitions, and frankly, a lot of that will be spent on American munitions because ours is the best stuff available.

But that is not the purpose, but that is what happens when the Europeans come to support Ukraine.

Senator SHAHEEN. Thank you.

Senator Ricketts.

Senator RICKETTS. Great. Thank you, Madam Chair.

I want to keep building upon one of the things we touched upon a bit earlier with regard to missiles.

At the Washington NATO summit the Biden administration announced they are going to start deploying long range missiles to Germany beginning in 2026.

Secretary, do you agree that deploying these conventional missile systems capable of threatening military targets deep inside of Russia strengthens NATO's defense posture and complicates Russian planning efforts?

Mr. O'BRIEN. Absolutely.

Senator RICKETTS. So, since Putin began his illegal war in Ukraine, Russia has fired numerous cruise and ballistic missiles into Ukraine, oftentimes targeting civilians, from deep inside Russian territory.

The Biden administration has actually prevented Ukraine from using a lot of the U.S. weapons to strike back at these military targets in Russia. In May the Administration reluctantly eased some of these restrictions, allowing HIMARS strikes on targets on the border, across the border, as Russia was posing a significant threat and making gains in Kharkiv.

However, these restrictions on Ukraine's use of long range ATACMS on targets inside of Russia remain. If deploying long range missiles in Germany is critical to NATO's deterrence by threatening military targets deep inside of Russia, then why does not the same logic apply to Ukraine and its ability to do the same with U.S. weapons and other West weapons—Western provided weaponry?

Why should not they be allowed to strike these targets inside of Russia?

Mr. O'BRIEN. Senator, I think some of this is probably best for a military briefing, but I would just say as a general principle we want Ukraine to use the weapons it has in the places they can do the most damage.

For the last several months that has been driving Russian firing positions back and denying it the ability to use Crimea essentially as a giant aircraft carrier threatening Ukraine, and Ukraine has been incredibly successful in that as a strategy.

What the President said, and when asked about this at the end of the NATO summit, was that we will continue to talk with Ukraine about the best way to use the weapons given the situation on the battlefield at the time.

Senator RICKETTS. Well, you know, at the NATO summit the President, I think, also said when he was defending his unwillingness to expand this policy saying if Zelensky had the capacity to strike Moscow, strike the Kremlin, that would not make sense, would it?

But to your knowledge, has Ukraine asked to be able to use U.S. weapons to strike Moscow?

Mr. O'BRIEN. If I knew that I could not talk about it in this setting.

No, I think the conversation that happens in military channels is very professional and focused on the actual situation in the battlefield. And again, we are looking for the use of these weapons, which there is not an infinite number of these weapons, so we are looking for them to be used in the sequence that does the most damage and in the places that will protect the most people.

Senator RICKETTS. Where I am going with those not necessarily military. What I am talking about is how do we deter Russia from these kinds of things in the first place?

And if we believe that having long range weapons is going to help deter Russia, and we give Ukraine the ability to start striking targets deep inside of Russia, does that not seem to make sense that would also help deter Russia?

And if we provided them the ability to do this, does not mean that they even have the capability to strike Moscow but would give them the ability to strike targets such as air bases and munitions and all that sort of thing that would help us there.

And my question would then be by allowing some of these things, are we seeing a significant escalation from Putin?

Do we see that with some of these things? Are we seeing an escalation from Putin if we are giving the Ukrainians more freedom to be able to prosecute the war?

Mr. O'BRIEN. To this point, the escalation we have seen from President Putin is a willingness to strike civilian targets including a children's cancer hospital, places that are known to be schools. So that is the escalation we are seeing.

The reason we adopted the policy we have is—I know some people talk about escalation ladder concern. I have got to say inside the Government the conversation is about where can these things be effective.

And Ukraine has its own weapons, which occasionally have been used to strike well beyond the limitations, even the physical limits—range limits of the weapons the U.S. has. And there they choose sometimes to use them in these long range areas and sometimes they focus nearer to hand because that is the immediate need, and as the President said, we will keep at this.

Senator RICKETTS. Well, so what I hear you saying is that it is really not about the escalation, though the President said along the lines of it would not be a good idea to allow Ukraine to be able to strike Moscow.

So to me, that says that is about escalation, even though I do not believe Ukraine has plans to try to use our weapons or even capability to strike Moscow with it, and I think what we ought to do is allow the Ukrainians to be able to fight this war so they can win by hitting those military targets deep inside of Russia.

Let them use the ATACMS in a way that can be the most effective as hitting those targets, and stop slow rolling this. Give them the opportunity to be able to win. I encourage the Administration to do that because I think that is the fastest way to be able to get a victory here.

So I have run over my time. I will turn back over. Thank you.

Senator SHAHEEN. Thank you.

Senator Van Hollen.

Senator VAN HOLLEN. Thank you, Madam Chairman.

Mr. Assistant Secretary, great to see you and in your new capacity.

Let me first say that given the limited time there are some questions I am going to submit for the record regarding Cyprus and the fact that Turkey, under Erdogan, has made clear they do not want to go back to U.N. negotiations which, in my view, is something that the United States should be strongly opposing.

I also want to associate myself with some of the comments I understand Senator Cardin made with respect to Azerbaijan and Armenia.

But I would like to focus my questions on your current job and also the connection to your previous one on sanctions issues, and I understand we have some parliamentarians from Ukraine here. Great to have them with us.

This morning in the full committee we had Deputy Secretary Campbell before us, and I asked him about our efforts to enlist support from our European allies, our NATO partners, EU members, also partners in East Asia, with respect to imposing sanctions on Chinese firms that are supporting the Putin war industrial complex. Not direct arms shipments but high technologies that are helpful to them.

Can you give us an update on how successful we are being in terms of getting our European allies to impose sanctions? Because, as you well know, they are far more effective when they are done collectively than alone.

Mr. O'BRIEN. So, a couple of things, and Senator Ricketts probed on this topic, so we will see if I improve the answer.

The first thing is to have a clear political commitment to do so, and I think we have seen that over recent months, evident in the NATO summit communique that said China is the decisive enabler of this war, and we hear this privately from all our European colleagues.

In Europe, the EU did put its first sanctions on some Chinese entities. It is a difficult process, but they managed to get through to it.

We will continue this work with them on all of the ways in which China keeps Russia on the battlefield. We see our European partners saying that they understand China is helping Putin build a military machine that threatens Europe.

Now, there is a subtle distinction here in that sanctions are sometimes difficult for Europe because they require unanimity, and that allows one state, either out of actual disagreement or posturing, to disrupt or delay an entire package.

There is room to do some work around the export control space because often that just requires a qualified majority and so there may be some activities there.

Senator Ricketts asked when we will have the next package, and that is something I will not try to predict in this setting. But it is a process we work on every day, and we talk to our European colleagues about every day.

Senator VAN HOLLEN. Got it.

No, I appreciate that and look forward to following up with you on that other secondary mechanism that you talked about that does not require a unanimous agreement.

On the oil price cap that we have now had in place a couple years now, my understanding from talking to Secretary Yellen and others at Treasury has been overall we have succeeded in driving down Russian oil revenues.

They still have an awful lot of oil on the market and countries like India and others are benefiting from the lower prices.

But I know there is—this is always constantly something where there is efforts to get around our price cap, and that includes development of the shadow fleet tankers, and I know there is an ongoing discussion about whether or not we should take that next step, pursue more measures against some of the shadow fleet tankers.

Can you talk about how we can make that price cap more effective? And I know it is partly in Treasury's jurisdiction, but also obviously in yours as well.

Mr. O'BRIEN. It is an all of government approach. Our sense is that the price cap drives down the price of Russian oil by about \$9 to \$20 for each barrel. That is kind of on average, and obviously, different grades and buyers may have a different result.

That is, largely, because now Russia has to sell to two very large buyers who are savvy negotiators, China and India. So, with that we are lowering the amount of cash available to Putin.

The harder side of the equation is that we believe we are driving up the expenses Russia has to export as well so there is less profit. That is more difficult for us to get our hands on because of the opaque way that Russia sells its oil.

One thing that is true is Russia and Iran have built these shadow fleets. They are almost entirely unregulated. A lot of our work over the last years has been to try to build a system of regulation to capture these ships because they—the way sanctions work is that the—it is the insurance companies, the crew registries, the flag registries that—who refuse to service sanctions violators and these ships are old, creaky, and often without any of those protections.

So, we are layering in new requirements for ships, new warnings. Port cities are beginning to refuse to accept certain ships.

India did with a particular Russian tanker, and just yesterday the U.K. and EU, after a lot of discussions with us, made some announcements about restricting access for the shadow fleet to their ports—and I can get you more information on that—and I think those are the kinds of things we will be working on as we go forward.

Senator VAN HOLLEN. I appreciate that. As you say, you want to work at both ends of the equation, the expense as well as the profit end. I appreciate your efforts, and I look forward to following up. Thank you, Madam Chair.

Senator SHAHEEN. Thank you, Senator Van Hollen.

Assistant Secretary O'Brien, one of the things you did early in your career was to help draft the Dayton peace agreement. Now, 30 years later I think the situation in Bosnia and Herzegovina is as dangerous as it has been at any time since that agreement was signed, and one of the big reasons for that is that Republic of Srpska—President Milorad Dodik—continues to refuse to support a unified government in the country, continues to talk about seceding with the republic from the rest of Bosnia-Herzegovina, continues to deny the genocide in Srebrenica, and not much seems to be happening to him as the result of all of those efforts and antics.

So can you talk about what we are trying to do to hold him accountable?

Mr. O'BRIEN. Thank you, and thank you for your consistent support of Bosnia and Herzegovina over the years.

In general, in the Western Balkans the last 2 years, there is a real opportunity that was never there in the time since Dayton. It is an opportunity to join at least the single market of the EU but also have real progress toward accession.

So, I hope that we are able to see that our three NATO members in the region, starting with Montenegro and Albania, make real progress. So that will change the political situation in the region considerably.

In Bosnia a difficulty is that Dayton was really a ceasefire among three factions. Each one at the time dominated as a kind of ethno-nationalist group, and we see Mr. Dodik has decided that is a good model for him. He does not want to be part of the single market or have more of the rule of law.

Where I disagree with you is that nothing has been done to him. So he is, largely, isolated. He does not have political support when he talks about secession. Croatia openly says it will not recognize, and that is one neighbor gone, and quietly Serbia says, no, we are not changing these borders. We stick by original Dayton. And you have seen now President Vucic begin to say something like that publicly.

So Dodik is alone, and if you just listen to him in his most recent press conference today, he—the sanctions are battering his finances, and so he has less and less money.

What he is forced to do, because he refuses to engage through the central government mechanisms that should be part of paying for governance he goes and tries to borrow money from China, from Russia, from Hungary, and occasionally from Serbia, and that is becoming more and more difficult for him.

He used to be able to get favored banks to run government bonds, and that, he complained today, is shut off to him because of our sanctions.

So, all of this has to come together in a political strategy then that says Bosnia and Herzegovina has the chance to move forward if they adopt the reforms that the EU is asking for the single market.

They just missed their deadline last week because a different one of the groups sought a little extra advantage and would not sign off on the package.

But President Dodik is feeling a lot of pressure and I think we can work using our sanctions, using the bond powers, and using the pressure of this EU accession to begin to change the political incentives.

Right now it rewards him, the more outrageous he is. He has to be rewarded the more he delivers for his citizens.

Senator SHAHEEN. Well, I appreciate that. I think anything that we can do to encourage him to behave in a way that is more helpful to the central government and the people of the country would be positive.

You talk about EU accession. Senator Ricketts and I and some other Senators during the NATO summit had a chance to meet with the prime ministers of Albania, Montenegro, and the foreign minister from North Macedonia. Maybe it was the prime minister of North Macedonia and the foreign minister of Montenegro.

And what we heard from them was some real frustration with the EU accession process, feeling like the boundary keeps moving in terms of what they are being asked to do, particularly with respect to North Macedonia.

So, can you talk about what more we can do to encourage the Europeans to actually make good on the promise to help once some of the Western Balkan countries have done the reforms that were asked them to stop moving the goal posts and actually allow the accession to move forward?

Mr. O'BRIEN. Yes, and thank you for having that meeting. It was important to the countries.

This is a bit of a problem. So, the first—it is a daily challenge to be a friend of the process while often not being part of the process, but it means encouraging countries to make painful reforms, political factions within countries not to make outrageous demands that would derail the progress forward.

It also means suggesting alternative paths. So, one thing I worked on in and out of government was an effort to bring countries into a common regional market but also into the single market ahead of full accession, because with accession it is the sitting at the EU Council table that is so problematic, whereas the economic side can come much earlier, and that now is the EU's policy with the growth plan.

So that is an American effort that we support or American encouraged idea that we fully support, and it brings reforms and benefits early, and then in the accession process there are two kinds of problems.

There is actually delivering the reforms that are required, and then there are good neighborly relations.

So North Macedonia has suffered because of disagreements with its neighbors, which does change the requirements for it constantly, and part of our work diplomatically is to prepare a path so that it maintains the agreement it has with Greece, and I think your meeting and others have helped keep that there so that Greece becomes a friend of North Macedonia's path forward rather than a critic. Same with Albania.

But also the main issue is an agreement North Macedonia has with Bulgaria, and once Bulgaria has a more stable government there will have to be discussions about the exact way that gets implemented.

So that will be an area where I expect us to be very active as well.

Senator SHAHEEN. Thank you.

Senator Ricketts.

Senator RICKETTS. Secretary, as the leaders were meeting in Washington for the NATO summit the People's Republic of China and Belarus were holding military exercises just a few miles from the Polish border, and I might note Belarus is the newest member of the Shanghai Cooperation Organization as well.

This signals not only increased cooperation between the PRC and Belarus but also China's increased ambition militarily in Europe, and since 2015 the PRC and Russia have had joint naval exercises both in the Mediterranean and in the Baltic Seas.

The PRC is using dual use activities and partnering with Russia to expand its military presence and capabilities in the Arctic region. In fact, now it is declaring itself an Arctic power.

What does this China participation in these exercises so close to NATO's border during the NATO summit signal about its military ambitions in and around Europe?

Mr. O'BRIEN. Interpreting China's perception of this, I might send you back to Deputy Secretary Campbell, who has a lot more insight to that than I do. So, I will get back to you with an answer on that.

But what I will say is it was the most counterproductive thing China could do if it was attempting to say to our European partners that China poses no threat.

So, China's entire strategy coming out of COVID was to separate the U.S. from our European partners, and with actions like that it has told them that China is an active threat.

So, it makes it much easier for us now to advance issues like trusted vendors, like making sure critical infrastructure is free from surveillance and from illegally subsidized goods.

All of the things that we have been working across administrations on we are able now to make the case because of what China did.

What possessed them to think this was a real show of strength I think is something I will get back to you with an answer on. I do not want to speculate.

Senator RICKETTS. Well, I also want to build on that just a little bit as well. With regard to these military exercises, was this something that is reducing Russia's sphere of influence in Europe, or is this something that Putin and Xi coordinated as part of their no limits partnership?

I mean, is this something that was planned? How do you assess that?

Mr. O'BRIEN. I do not know what discussions they had on this, and we will get back to you on that. I think it is hard to imagine that if President Xi wanted to assert his power in Europe or assert a new capability that seems an odd thing to do over the objections or to the surprise of President Putin.

But why do we not—we will get you something more.

Senator RICKETTS. OK.

What about Belarus's entrance into the SCO? What are the implications for that?

Mr. O'BRIEN. Yes. It is a suggestion that Belarus wants to be part of this bloc that is not moving away from Russia.

I think part of our effort with Belarus is to make clear—remember, just a few years ago the people of Belarus opposed the stolen election and went out in the hundreds of thousands, and there are 1,500 political prisoners left whom we try to get out of prison regularly.

There is a very active democracy movement in exile with, we think, a legitimate president, and we strongly support their efforts to prepare Belarus for the day when it, like Ukraine has, turns against this Russian effort to create an eastward looking bloc.

Senator RICKETTS. President Erdogan recently said Turkey was interested in joining the SCO. What would that mean for a NATO ally to join that, and what can we do to discourage that?

Mr. O'BRIEN. Well, so Türkiye is a very interesting ally. We have at the moment really effective cooperation in a number of fields, and a move like that would be very difficult to accept.

So, I do not know what he had in mind, if there was some element of it. We have not seen a serious sign, at least expressed to us, and we have been very clear that sharing the kinds of information that NATO allies have to share with each other is incompatible with belonging to some other group.

The same thing with Türkiye. Its primary trading partner is Europe. That is 70 percent of its trade. It is in a customs union with Europe.

So, joining a trading group that looks another direction is incompatible with the undertakings it has already made, and I do not know if that was just a rhetorical slip or more, but it is not something that would be easy to tolerate.

Senator RICKETTS. So by your comments, though, I take it we have been engaging with President Erdogan with regard to the things you just covered about why that would be unacceptable for a NATO ally?

Mr. O'BRIEN. Yes. We speak with Türkiye often on a lot of subjects and I think in the last months we have been very effective in having discussions even about issues where we disagree, and I am encouraged by the direction of the partnership. A step like that is one that would be hard to reconcile with where we are headed.

Senator RICKETTS. Great. Thank you very much.

Senator SHAHEEN. I would like to do one more round of questions. I am not sure what Senator Ricketts would like to do but—

Senator RICKETTS. Oh, I have got lots of questions.

[Laughter.]

Mr. O'BRIEN. I was hoping I had tired you out.

[Laughter.]

Senator SHAHEEN. Nice try.

Since you mentioned Belarus, one of the concerns I wanted to raise is that Lukashenko has allowed Belarus to be used by Russia to transfer Ukrainian children kidnapped from their families in Ukraine through Belarus and into Russia.

Are we working with Ukraine and our European partners to track those Ukrainian children who have been kidnapped? And I use the word kidnap because I think the term that is being used is the filtration of Ukrainian children, which I think very much underplays what is really happening.

These are children who have been kidnapped from their families. And can you speak to how Belarus is contributing to Putin's efforts in that respect?

Mr. O'BRIEN. The particular issue was that at least a few summers ago Belarus ran summer camps for Ukrainian children who were taken from their families, and then later often renamed as Russian and forcibly adopted, and as far as I know Belarus continues that kind of engagement.

So, this is a crime. It is, in fact, the reason that President Putin was indicted by the International Criminal Court.

We work to promote accountability for Russia's crimes through a number of mechanisms, both ones that are established by certain international bodies and Ukraine's domestic ones. So, we try to provide support to Ukraine's activities wherever we can, including with the children.

I can get you a more comprehensive breakdown. But I think that this is a great example of why this war matters. The people who say we should have peace now are signing up for everyone in the occupied territories being filtered into becoming Russian citizens.

So, we saw in Bucha that meant torture and random killings. We see thefts of children, and we see thefts of property and grain and resettlement of Russian populations into occupied territory.

All of those are crimes. So peace is not quiet. Peace is a violence that goes on by a state against the citizens who live there, and that I think is unacceptable.

Senator SHAHEEN. I totally agree, and I appreciate your being so focused on that.

I am also very concerned about Georgia, about the backsliding in Georgia, about the Georgian parliament's passage of the Foreign Agents Law that really mirrors a similar Russian law. They have done that despite the opposition from the Georgian people.

Now, I think it is really important that we are clear, and I think we have been. In Congress there is bipartisan opposition to what is happening in Georgia, and I hope that the government of Georgia understands that this is a bipartisan issue.

But I think it is important that our Government use the authorities at its disposal to impose financial sanctions on individuals who are responsible for corruption and other actions that have contributed to the situation there.

Can you provide an update on this effort and where we are in that and whether there is more that Congress should be doing?

Mr. O'BRIEN. Yes. This was an issue we discussed in my confirmation hearing last summer. I think it was a year ago just a couple days ago.

We seem to have in Georgia some elites who are looking for a different population. They are turning their backs on a path to EU and NATO.

This party, in fact, wrote commitments to join the EU and NATO into their constitution and now is turning the other direction, and why is a little bit difficult to sort out.

We are trying to be very clear about what must be done and how important it is because Georgia is asking to join clubs, one of which we are a member and the other one is our key partner, and they do not get to rewrite the rules of those clubs so they get to join.

Now, we are first off reviewing all of our assistance to Georgia. We very much want to support everything that will contribute to free and fair elections this fall when they have parliamentary elections but we need to make clear to the governing party that there will be real consequences.

So, we have already postponed a major military exercise, and we will continue to review what we are doing as opportunities arise, and I expect we will have something to say about that soon.

The EU has said that Georgia's path to joining the EU is, largely, suspended now, and that may be then formally reviewed in a couple of months.

You asked about sanctions. We are actively considering our options there. I will not preview anything but we are looking at it.

It is not only those who benefited from corruption, but those who are involved in violations of human rights as under the Global Magnitsky Act that Chairman Cardin has championed for so long.

But all of those—we have announced a policy that restricts access to the United States already in that area.

Two things. One is it should be clear to the governing party in Georgia that there is a path back, that having free and fair elections without violence against civil society, making whatever transparency requirements they want.

This Foreign Agent Law, make it compatible with EU law rather than compatible with Russian law, and not have China develop a deep water port in Anaklia.

These are steps that are really important for Georgia to take. Now, what can Congress do? I know you are developing legislation, and when that makes its way through the process we will, of course, work with you on this just as we will work with you on the broader Black Sea strategy where Georgia could be an important part if it is a reliable partner.

But also I want to praise the effort of Members of Congress to get out there and deliver the message that on a bipartisan matter long time friends of Georgia believe this is the wrong path.

A year ago we saw signs of the wrong path, and then the governing party reversed its course and made enormous strides, and I am hopeful that that can happen again in the next months.

Senator SHAHEEN. Well, thank you. I appreciate that.

It is particularly hard to understand why the government is taking this approach, given how much of their territory is being occupied by Russia, and what I heard in the time that I was in Georgia was great concern about the security of the rest of the country from Russia, about the poverty and the depression of human dignity and benefits and rights that existed in South Ossetia and Abkhazia.

And it is really hard for me to understand why the government is not listening to the people of Georgia who clearly do not want the path that they are headed down.

Mr. O'BRIEN. And I should have mentioned—I think you are absolutely right—the one group that seems very happy about this turn is Russia. If you look at the recent statements by their chief propagandists they are welcoming this turn, and Russia has moved its Black Sea fleet into Abkhazia.

The suggestion by the leadership that this is a neutral move is, I think, belied by what is happening.

Senator SHAHEEN. Thank you.

Senator Ricketts.

Senator RICKETTS. Mr. Secretary, when you mentioned Bucha you reminded me you were talking earlier about the escalation from Russia in targeting civilians. But Putin was targeting civilians from the moment this war began.

It is not an escalation for them to start firing at schools and hospitals and things like that. They have been targeting the civilian

population for—since this war began, since they invaded Ukraine, and since the invasion of Ukraine they have had this no limits partnership with China, and we have seen European relations shift with regard to the PRC.

However, Europe is slowly awakening to these threats that the PRC poses to European security and understands now that they have got to de-risk.

Its policy to support Taiwan has been a bit slower to materialize than some of us would hope, and despite the fact that PRC's malign aggression and hostile rhetoric toward Taiwan has only increased many European countries are reluctant to outwardly show support for Taiwan.

It is possible Xi takes military action against Taiwan this decade, but it still remains uncertain what Europe's response will be.

That is why I introduced the BOLSTER Act with Senator Shaheen, which aims to increase the coordination with the EU and European countries on sanctions in various Taiwan contingencies and encourage stronger European support for Taiwan's democracy, economy, and self-defense.

As a part of her bid for a second term in the European Commission, President Ursula von der Leyen said—she was very clear. She said she will deploy the full range of EU combined statecraft to deter China from unilaterally changing the status quo by military means, particularly over Taiwan.

How do you assess both the EU and individual European governments' evolving postures toward the threats posed by the PRC and toward Taiwan? How do you see this going?

Mr. O'BRIEN. Thank you, Senator.

I would say it is a work in progress but moving the right direction, and I want to thank you for your strong advocacy of having our European allies and partners be with us as we stand up against security threats in the Asia Pacific.

We saw at the NATO summit, the one session that was not about Europe was about the Asia Pacific with New Zealand, Australia, Korea, Japan there, and the increasing comfort and communication, cooperation, that we will see in those areas I think will make it easier to have discussions about the threat posed by China.

We, obviously, will stand with Taiwan. Our policy is very clear, and there has been no wavering on that. I think a measure of how far Europe has come when the Biden administration began, it was part of the official EU agenda to have a new investment treaty with China, and this was after years of American criticism of European work with China.

That stopped soon after, I think, in part because of strong American engagement and now you have President von der Leyen making clear that it will be EU policy to stand with Taiwan, and for that kind of a change in just a few years is, I think, a remarkable statement of what focused leadership and attention to the kinds of problems China poses can bring.

Senator RICKETTS. And so what are some other things we can do to encourage the EU to continue down this path of de-risking with China, and what are some of the things we can do with NATO along the same lines?

So, for example, there has been talk about opening up an office, for example, in Japan for NATO to be able to help increase communication.

Can you give me some examples of things that the Administration wants to push forward on both the EU level and the NATO level?

Mr. O'BRIEN. On NATO I think coming out of this NATO summit we now have agreement on a much more robust Asia Pacific engagement strategy.

We agreed on four—we call them flagship projects that will allow allies to get comfortable working with our key partners in the Asia Pacific, and these touch on areas that may seem removed from the immediate kinetic threat but actually are very important for the way that we work together. So areas like cyber, actually, frankly, battlefield medical care, several other items like that.

Whether that will turn into some institutional framework like an office is something we will have to keep talking about within the alliance.

With the EU we have a really active discussion about the approach toward China, and I have already indicated one of the key markers is where do people look for investment.

I think President Xi's trip to Europe this past May produced some reams of paper but very little in the area of actual investments.

And so keeping Chinese investment away from critical infrastructure, working toward trusted vendors, working with our European partners to develop alternatives to Chinese technology.

I mean, one of the real problems we had was allowing cheap Chinese technology to become the industry standard all the way from renewable energy to telecommunications, and now we are addressing that, and that is part of the investments in our own manufacturing base.

With that, we can show ordinary European citizens the benefit of bringing the jobs home, the work home, and keeping it in this sphere where we share a platform, share an agreement, with our European partners as well as Canada, Japan, Korea, Australia, and New Zealand. That space is where we can make enormous strides with the EU.

Senator RICKETTS. Thank you very much, Assistant Secretary O'Brien.

Senator SHAHEEN. I think both Senator Ricketts and I could spend all afternoon with questions and a back and forth, but we will not.

Senator RICKETTS. I am willing.

Senator SHAHEEN. We have votes coming up soon, and so we will have to let you go. But I want to again thank Ranking Member Ricketts for his partnership on this issue and this hearing.

Thank you to Assistant Secretary for your testimony and to all of the Senators who were here with the questions.

The record will remain open until the end of the day tomorrow, Wednesday, the 31st of July.

Again, thank you. This hearing is now closed.

[Whereupon, at 3:55 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES OF MR. JAMES O'BRIEN TO QUESTIONS
SUBMITTED BY SENATOR JEANNE SHAHEEN

EUFOR

Recently, the current EUFOR commander said publicly that EUFOR is simply a second responder, and that he will act in the event of an incident only if local authorities request EUFOR's assistance. This appears to be a change in mandate for EUFOR, which is concerning given the increasingly destabilized environment.

Question. What is the United States doing about a possible change in interpretation of EUFOR's mandate?

Answer. In 2004, when NATO handed command of the peace stabilization mission to the EU, EUFOR was charged with enforcing the military aspects of the Dayton Peace Agreement. The United States supports a strong, capable, and visible EUFOR Althea that has the force posture and capabilities necessary to defend the Dayton Peace Agreement and provide for a safe and secure environment across Bosnia and Herzegovina.

The language in the annual U.N. Security Council resolution authorizing EUFOR's Operation Althea and providing it with its Chapter VII mandate has not changed. The EU has stated that it supports the authorities of Bosnia and Herzegovina in maintaining a safe and secure environment. We work with troop contributors, EUFOR, the EU, and NATO to see that EUFOR and the reserve are prepared and able to act robustly across the whole mandate. The current EUFOR Althea Commander has publicly said on multiple occasions that EUFOR's mandate is to act as a "second responder" behind Bosnia and Herzegovina security authorities.

We have expressed our concerns with these statements and will continue to discuss with EU officials given the increasingly destabilized environment in Bosnia and Herzegovina.

Question. Is contingency planning in place if EUFOR will not response to a crisis? How will the United States to use its position in NATO to make sure NATO is prepared to step in?

Answer. The United States continues to prioritize security and stability in the Western Balkans. The United States supports NATO's role under the Berlin Plus Arrangements, which allows for NATO-EU cooperation in crisis management and provides principles and procedures for EU access to NATO's collective assets and capabilities. As Secretary General Stoltenberg made clear in November 2023 while in Sarajevo, NATO will not allow a security vacuum in Bosnia and Herzegovina and strongly supports the UNSC mandated renewal of EUFOR. NATO has remained committed to doing what is necessary to reduce tensions and to prevent any escalation of regional conflict.

F-16 DELIVERIES TO UKRAINE

U.S. efforts to provide advanced capabilities to Ukraine, such as F-16s and Patriot air defense systems, are appreciated; however these capabilities come with significant sustainment costs.

Question. What is the administration's plan to relax restrictions on sustainment support in-country for U.S. and allied F-16 aircraft?

Answer. The Administration acknowledges and appreciates the concern regarding the significant sustainment costs associated with providing advanced capabilities such as F-16s to Ukraine. These costs are a necessary investment in Ukraine's defense and stability.

The United States is working with our Air Force Capability Coalition and industry partners to support maintenance and sustainment of Ukraine's F-16 aircraft. We are committed to ensuring Ukraine possesses operational F-16s and further enhancing Ukraine's air capabilities. This collaborative effort involves leveraging expertise and resources from multiple partners to create a sustainable and cost-effective sustainment support system in-country. State is working closely with DoD to ensure funding is available to support F-16 sustainment, including potentially through Foreign Military Financing.

RUSSIAN OIL PRICE CAP

The Administration's initiative to build a coalition of countries to limit Russia's ability to fund its war machine with oil exports initially achieved success in limiting

Russian profits while maintaining global supply to keep fuel costs stable. Now, however, Russia and its enablers have increasingly been able to exploit loopholes to increase oil profits. Relying on an extensive, illicit network of aging, environmentally unfit ships—a “ghost fleet”—Russia has, according to some reports, been able to return to pre-war levels of oil revenues.

Question. What is the Administration doing to tighten enforcement of the price cap on Russian oil?

Answer. The Price Cap Coalition is working to tighten enforcement of the price cap for trades that use Coalition services while increasing the costs to the Kremlin of selling oil via its alternative shipping ecosystem. The Coalition also worked with partners at the International Maritime Organization (IMO) on the December 2023 Resolution on the Dark Fleet. With the support of allies and partners, the United States has imposed several rounds of sanctions on entities that violated the oil price cap, most notably through the designation of Russia’s state-owned shipping company and fleet operator Joint Stock Company Sovcomflot on February 23. The United States has now designated a total of 18 entities and identified around 40 vessels owned by those entities as blocked property. In October 2023, the Coalition released an Advisory to the maritime oil industry identifying the safety, environmental, economic, reputational, financial, logistical, and legal risks posed by the shadow fleet, and recommending specific best practices. The U.S. Government has engaged extensively with coastal states, flag states, and industry participants to promote responsible practices and counter the shadow fleet. The Coalition has also implemented changes to the price cap policy to strengthen the attestation and recordkeeping processes for certain covered service providers. The United States is working with buyers of Russian oil to encourage them to leverage the price cap to negotiate a discount on oil imports.

EUR/ERA, CLEAR WITH EAP AND SCA

Question. How have countries—such as China and India—used the price cap to their advantage? Is this private profiteering, or are the governments of these nations involved in evading the price cap?

Answer. We continue to see the price cap coalition’s policies constraining Russian revenues while limiting the impact of Russia’s war against Ukraine on global energy prices. The coalition’s import bans are forcing Russia to sell to more price-sensitive and distant customers, including India and China, at lower prices and with higher transportation costs, further cutting into Russia’s profits. The price cap provides leverage for third country buyers of Russian oil to negotiate heavy discounts and capture the refining margin—thus advancing the price cap’s goals to maintain oil market stability while reducing Russia’s revenues. To date, these discounts have cost Russia billions of dollars.

Question. What additional authorities does the Administration need from Congress to make this policy effective?

Answer. Especially since launching the second phase of the price cap in October, the United States has used various sanctions to both (a) tighten enforcement of the price cap policy for oil trades that use coalition services, and (b) increase Moscow’s cost of selling oil via its alternative shipping ecosystem. In service of this strategy, we have designated traders, management companies, and tankers moving Russian oil. Along with coalition partners, we are actively exploring new actions to reduce Russia’s oil profits while keeping a steady flow of oil on the market. I defer to the Department of the Treasury on whether specific additional authorities are needed to enforce the oil price cap.

UKRAINE’S ECONOMIC IMPACT

The European Union is the United States’ largest trading bloc, and Ukraine is one of the world’s most significant economies. Through its role as the “breadbasket of Europe,” Ukrainian grain feeds huge percentages of the world’s population.

Question. What economic benefits will Ukraine bring to the EU, and therefore the United States, and how EU membership will strengthen and benefit Ukraine’s agricultural industry?

Answer. Ukraine’s accession to the EU has the potential to be mutually beneficial, though the impact on individual EU member states would vary. Accession could augment the EU’s defense capabilities, enhance its technology and energy sectors, and increase both European and global food security. Ukraine’s large-scale natural gas storage facilities could support European energy security and the clean energy

transition. Ukraine's population of 35 million could generate an expanded market for EU goods while strengthening the EU's global trade competitiveness.

EU accession has been shown to have an immediate and positive impact on new member states. Ukraine's substantial yet underdeveloped agricultural sector would benefit from single market access, EU regulatory standards, and European investment.

RESPONSE OF MR. JAMES O'BRIEN TO A QUESTION
SUBMITTED BY SENATOR CHRIS VAN HOLLEN

Question. Are we working with the U.N. Special Representative of the Secretary-General in Cyprus, Colin Stewart, and our other key partners to bring the parties back to the negotiating table under the auspices of the United Nations? If so, please describe the details of our efforts.

Answer. The United States has long supported UN-facilitated efforts to advance negotiations for the reunification of Cyprus under the U.N. Security Council framework for a bizonal, bicomunal federation with political equality. Our efforts have included advocacy bilaterally and as a permanent member of the U.N. Security Council. We welcomed Secretary General Guterres' January 2024 appointment of former Colombian Foreign Minister Maria Angela Holguin Cuellar as his Personal Envoy on Cyprus. We engaged Personal Envoy Holguin on multiple occasions to support her efforts and we continue to support the U.N. Secretary General as he considers next steps for UN-facilitated efforts.

We recognize UN-facilitated negotiations can only be achieved as peace and stability prevail in Cyprus and therefore have continued to support the annual renewal of the U.N. Peacekeeping Force in Cyprus (UNFICYP), currently led by U.N. Special Representative of the Secretary-General (SRSG) Colin Stewart.

We also consistently engage the Greek Cypriot and Turkish Cypriot communities to foster bicomunal trust and cooperation. In March, U.S. Ambassador Julie Davis Fisher joined Dr. Simos Ioannou and Dr. Süleyman Uluçay in a bicomunal walking tour of the Famagusta Walled City that included a number of historic sites restored or preserved with contributions made by the U.S. Agency for International Development (USAID). Noting that Ambassador Davis Fisher was the first U.S. Ambassador to visit the center, Cypriot press reported the visit demonstrated U.S. commitment to resolving the Cyprus problem.