



Caught in the Crossfire: Balancing EU Relations with the U.S. and China

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- Jeppe Tranholm-Mikkelsen, *Secretary-General, European Council of Ministers*
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TRANSCRIPT

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KEN WEINSTEIN: Well, good afternoon, and welcome to Hudson Institute. I'm Ken Weinstein, president and CEO of Hudson Institute, delighted to see the crowd here and the press coverage for our event today, which focuses, as you can see - "Caught In The Crossfire: Balancing EU Relations With The U.S. And China." China is omnipresent these days from investment to high technology to geo-strategy. And it's also become quite a factor in U.S.-EU relations as well. The United States, under President Trump, announced a fundamental shift in U.S. policy towards China, a whole-of-government approach that was announced here at Hudson Institute by Vice President Pence in his historic October 4 speech. And now, after years of a largely benign view in China - of China in the EU, a view that was parallel to largely benign views held here in the United States by leading opinion-makers viewing China as a strategic partner, as an engine for markets and investments, China is now viewed with, shall we say, greater nuance in the European Union. Recent guidelines given by the European Commission and the European external affairs service talked about China simultaneously as a country with - a partner with whom the EU - and I'm quoting - "has closely aligned objectives, a negotiating partner with whom the EU needs to find a balance of interests, an economic competitor in pursuit of technological leadership, and a systemic rival promoting alternative models of governance." This need to have a more nuanced approach to China comes against a backdrop of increased Chinese willingness to seek to use various levers against the EU, whether through Belt and Road and its new partnership with Italy, through the 16+1 arrangements and others. And today we have an extraordinary - extraordinarily distinguished group of observers with us to examine the EU between the United States and China.

Let me note, first and foremost, that our moderator is going to be Ashley Tellis, the Tata chair for strategic affairs at the Carnegie Endowment for International Peace. He is, of course, one of Washington's leading observers of Asia, served as an American diplomat, senior adviser to the U.S. ambassador in New Delhi, special assistant to President George W. Bush, and senior director for strategic planning on the National Security Council. We are absolutely honored and delighted to have with us today Jeppe Tranholm-Mikkelsen, the secretary general of the Council of the European Union. He is the top adviser to the highest-ranking European official, European Council president Donald Tusk. Tranholm-Mikkelsen is well-known in Brussels as a man who has managed an extraordinary array of portfolios, from Brexit to the refugee crisis, with calm, with discipline, and the ability to bring great focus and eventually unanimity on some very divisive issues. He is, by training, a distinguished - he is a Danish diplomat with a distinguished career - served as the Danish ambassador to China for three years, served as Denmark's permanent representative to the European Union, and there are 2,800 people who work for him at the Council. Next we have the honorable Randy Schriver, who is the assistant secretary of defense for Indo-Pacific Security Affairs. Randy is well-known as a longtime Asia hand with deep insights in the region, extensive contacts, someone who has been responsible for implementing the National Defense Strategy, which certainly handles - focuses a great deal on changing U.S. - on the free and open Indo-Pacific. Some might say this is the real pivot to Asia that is being implemented under Randy's leadership. He served, of course, under President George W. Bush as deputy assistant secretary of state for East Asia and Pacific Affairs.

We have two of my Hudson Institute colleagues on the panel as well, Tom Duesterberg, who - a senior fellow here at Hudson who focuses on trade. Tom was, for many years, the president and chief executive officer of the Manufacturer's Alliance for Productivity and Innovation. Before that, in addition to being the director of the Washington Institute - of Hudson Institute, he was assistant secretary of commerce for International Economic Affairs and chief of staff to then-

Senator Dan Quayle and afterwards to Congressman Chris Cox. Last but not least, Liselotte Odgaard, who's a visiting senior fellow here at Hudson Institute. She is one of - leading observers of U.S.-China-EU relations. She has spent a significant amount of time at the Royal Danish Defence College and has held visiting fellowships at Harvard University, the Wilson Center, and other similar institutions. Delighted to turn the podium over - or turn the microphone over, I should say, to the secretary general, right? Thank you.

ASHLEY TELLIS: Thank you, Ken. It's a pleasure for me to be here back at Hudson to moderate this panel. That's going to be a very easy task because we have a very distinguished set of speakers who are going to explore different aspects of the European Union and the United States and the management of relations with China. I think I ought to say, just in the beginning, that if there has been anything distinctive about the Trump administration's strategic initiatives, the Free and Open Indo-Pacific has probably been the most distinctive.

And there have been many discussions about what that concept entails, but shorn of all the complexity, I think there are three elements that are worth focusing on - first, the freedom from domination to create a political order that is, essentially, not dominated by any single power but sort of chokes out the possibilities for political life for others; second, the maintenance of an open economic system that the United States spent a lot of capital building since the end of the Second World War; and third, the need to protect our strategic coupling with key regions of the world, to include both Asia and Europe. China is probably one country that challenges these objectives along multiple dimensions. And what our panel this afternoon is going to do is to explore various aspects of that challenge and to explore the possibility of collaborative action between the United States and Europe in dealing with these challenges. Since the foundation of this Republic, the United States has always benefited from having strong allies in managing its interests in the world. Today is no exception. And so as we look to managing the challenges in Asia, we have to work collaboratively with our allies in Europe and elsewhere, and that's really what the focus of this battle is about. So without further ado, let me ask Jeppe to take the floor and to speak to us on the question of trans-Atlantic relations in China. Thank you.

JEPPE TRANHOLM-MIKKELSEN: Well, thank you very much for the invitation. Thank you very much, also, for this framing of the debate, which I think is a good one. I'd also like to thank you for the title of this event, which is maybe a little bit provocative, but even so, I think, timely and also relevant. Thank you, also, for the much too generous presentation of me. Let me say that, while I do represent a European perspective based on where I'm coming from, I'm here in a personal capacity. The first point I'd like to make is that, in my assessment, based on what I see in my day-to-day work, the EU is in the process of adapting - adopting a more serious approach to its relations with the rest of the world and to its global role. Why is that happening? First of all, because after 10 years of crises, we are now again beginning to have the capacity to look to the future and to look beyond our borders. We've been through, first, a serious economic crisis, which took on some very specific aspects in Europe. But we have now had growth for six years, and we have the highest employment we ever had. Secondly, the migration crisis that dominated politics in Europe for the last couple of years and which exploded in 2015 - there, we are back to pre-crisis levels in terms of irregular migration.

This has not politically completely sunk in yet, but in terms of numbers, we are back to the situation before the crisis. And thirdly, there's Brexit - Brexit, which is still an ongoing issue and which still takes up too much of our time, we think. But I would say that that is no longer a political crisis on our side of the channel, where this is clearly still a political crisis in the U.K. So

for all these reasons, the union has been able to begin to look to its future, for example, or to the future construction of the euro and look more towards the rest of the world. The second thing is not just our capacity, but also that reality keeps creeping in that the rest of the world is very difficult to ignore and that, as we begin looking a little bit beyond our own borders, we discovered that during those five, 10 years where we were navel-gazing, well, the world changed. And it changed in China, it changed in the U.S., and indeed, also, the relationship between China and the U.S. has been changing. So what is that - what is it that is sinking in? What is it that is provoking a rethink, also, in Europe these days? About China - while we were fighting our way out of the crisis, the GDP of China doubled. So it's not the same world we are coming back to, it's a different world. It's also a China that is increasingly at the cutting edge when it comes to the most important technologies of the future. And that is also - was also not the situation, say, 10 years ago. It's a China that very clearly is pursuing a state-led long-term strategy that is not new, but it is a strategy that also, in certain aspects, raised some security issues. And it is a development where, as we see it in Europe, we are confronted with some unfair practices in the trading relationship which we need to address. I'd like to underline that the EU, in its relationship with China, sees China very much as a partner and as - and not just a challenge, but also an opportunity. But I would say that, in looking at those challenges and opportunities, the challenges have become more in focus most lately.

Then what also happened during those years was that the political climate changed in the U.S., that we had a new American president. And that has also made an impression in Europe, in particular, the current administration's approach to the international rule-based order where - which, as we see it, deviates from what has been a traditional American approach and where our approach still continues to be a firm commitment to that rules-based international order. I'll come back to that. Secondly, a U.S. that is very insistent on its own interests and, as we have seen it, not always taking into account, in our view, sufficiently the legitimate interests of its allies, and that is also reflected in public opinion. And the best analysis of that is coming from this city - that's the Pew Institute to which I would refer you. And then, finally, we see that the relationship between U.S. and China is also changing. It is taking on maybe a new character that increasingly puts on us on the spot. So that's why I said that the title is not - while it may be a little bit exaggerated, it is not without relevance and is quite timely. So what consequences do EU member states draw from all of this? And, of course, here, I cannot claim to speak on behalf on every EU member state, but based on what I see in these meetings of the leaders of the European Union in the European Council, I would claim that there is, nevertheless, a clear trend here. And the first element in that - that is the recognition that there are no big states left in Europe. That has been a more difficult realization, of course, for some than for others - in particular, the biggest of our medium-sized member states. But I think that that has sunk in today - that, when we look at this global world, this global picture, individual member states cannot really exercise their sovereignty as they used to in this world. It's either joint exercise of sovereignty in this world or it will not happen. The second realization, I think, is that, while the Union has always been strong on values and will continue to be strong on values, we also need to be a little bit more serious about our interests. We have to take into account the world we are living in and we cannot be naive. We have to be - not shy away, also, from using leverage where we have it in order to pursue those interests - and, finally, indeed, that the EU must define its role in this relationship between the U.S. and China.

That's, of course, not the only defining element in our role, but that we need to find our role in this context. How that ultimately plays out, of course, does not only depend on us, that depends

very much also on China and on the U.S. We are seeking cooperation with both. We want to preserve, as I said, the rule-based international order, but we also want to reform it. We recognize that the world we're living in has changed and that those rules that have been created a long time ago are not always fit for purpose any longer and, in particular, do not always take account of the changing role of China. So we need to reform that order to make it more resilient and more fair and better fit for purpose. I'd also like to underline that the European natural inclination is, of course, to align as closely as possible with the U.S. The trans-Atlantic bond is not just words. It - the trans-Atlantic bond is very deeply rooted in history, in democratic values, in alliance. That's a reality. And I think that it is also very much present among the leaders when they meet in the European Council. They want the trans-Atlantic bond to continue, and they want to strengthen it. It continues to be a key factor in how we go about seeing how to place ourselves in this world.

That also means that we need to build on what we have in common. We need to maximize the positive agenda. And that is both about our bilateral relations, for example, in trade, but it's also about that rule-based international order and, in the first instance, about the WTO, where there is sufficient commonality of interest to push, we believe, a common reform agenda. And at the same time, we need to minimize the frictions. There have always been frictions in the trans-Atlantic relationship and we have always been able to manage it. I'm sure that we will also be able to manage such frictions out, but we have to be a little bit careful that they don't proliferate too much and - again, because of the impact that that has in a broader political sense, which may influence the room of maneuver of the leaders when they want to strengthen the ties with the U.S. here. So, in short, I think that we, as Europeans, are ready. And I hope that the same is the case as far as the U.S. is concerned.

TELLIS: Thank you, Jeppe. That was both clear and brief. Randy.

RANDALL G. SCHRIVER: Well, thanks. Ken, thanks for having me in your house this afternoon, and thanks for allowing me to join such a distinguished panel. I know we're somewhat judged by the company we keep, so surely my reputation is enhanced today with Dr. Tellis and the Secretary General and Hudson Colleagues, so thank you for that as well. Ashley, in your opening remarks, you captured very well where I was going to lead off, so no need for me to repeat it. But I do think developing a better understanding of what we mean in this concept of free and open Indo-Pacific is something we're pursuing. Your articulation is very good. We are going to be producing a defense Indo-Pacific strategy report that'll give a DOD perspective on what we're doing to pursue this concept. If - I see a few veterans - Patrick Cronin, you remember the old EASRs - the East Asia strategy reports. It'll be along those lines. So it'll be a public articulation of these concepts and we hope that that will resonate well. We do seek a free and open order. And as Patrick's - pardon me, as Ashley said, protection of sovereignty - promotion of sovereignty, no matter how large or small a country may be, promoting international law and international norms, promoting free, fair, reciprocal, open trade, those are the sort of foundational principles.

We don't want to see any coercive approaches to resolving disputes, but rather peaceful, diplomatic approaches. And we do see a number of challenges to that. It's not limited to China. Of course, we have Russia, as a country, seeking to upend that order based on international law and norms. We have continuing dangerous behavior from North Korea. We see non-state actors, trans-national threats. So there's a wide range of challenges that are familiar, I think, to everybody in this room. But I do think we're particularly concerned about the trajectory of China

- a China with a different vision - different aspirations for the region. And if those goals are achieved, if they're realized, I think we could see a very different Indo-Pacific region. We could see one where sovereignty is eroded, where there is backsliding in terms of human rights and religious freedom. Everyone should be concerned about what's going on in Xinjiang and Tibet. We should take every opportunity to talk about it because it is under-reported, the human tragedy that's unfolding right now in Xinjiang. We could see more attempts to resolve differences through other-than-peaceful means. So I think it is a very different regional architecture and order if China is successful and its model of governance is an ascendant one. We're in somewhat of an ideological battle, as I think Vice President Pence pointed out in his speech here, Ken, when he talked about the promotion of certain enduring values that China doesn't really pursue in its own relations, in fact, many times, just the opposite. Their predatory economics leads to greater corruption and weaker governance. So this is a serious period for us - a very consequential period. And we do look for partners and allies. I think Ashley rightfully said, it's one of our great advantages as we approach challenges - security challenges to be included in that with the idea that we will have partners and allies alongside us operating from a foundation of shared principles.

Ken, I appreciate your comment on the real pivot, but I've got to say the Obama administration did a terrific job in developing some of our emerging partners - India, Vietnam, Indonesia - very strong partnerships that were handed off to us. And I think we've stood on their shoulders and strengthened those relationships even further. And I think, more and more, we're looking to the trans-Atlantic relationship - our relationship with the EU and individual European countries to help us address these challenges in the Indo-Pacific region. And if I were to just sort of lay out maybe four or five things I think we can do together as partners that I think would be mutually beneficial but also promote these concepts, I would mention things such as the following. I think, No. 1, we need to continue in information-sharing, intelligence-sharing on the strategic landscape because it is very dynamic. Now, I can say, having been involved in China policy, Asia policy for a couple of decades, we've really made a lot of progress. And the convergence is significant. When I was spending time as a deputy assistant secretary of state, we were talking as partners, but an EU that, largely, saw just the economic opportunity and a U.S. that saw, largely, a security challenge. And we've talked about the export ban on arms and things of that nature. We're much closer now. I think there are some differences that remain, but we're much more closer on our views on both economic challenges and security challenges. But it's a dynamic environment. And so that conversation needs to be continued and strengthened not only on the intelligence and information, but on our policies and how we approach the region. On that, I would say another thing we should be doing is really comparing notes and trying to learn from one another on best practices. When we look at our mil-to-mil engagements, for example, what we see - the Chinese are very, very smart and opportunistic. They will choose the type of engagement with a particular country based on what they can learn from that country and what they can extract from them. Maybe a country has a niche area of excellence. That's where China is going to want to engage. And - and with us, we've seen repeated requests in certain areas.

So how we engage China is another area where I think we can benefit from exchanging information, comparing notes. I think number three, thinking about how we can, over time, develop operational approaches in the region - and I would put that into several sort of subcategories. In some instances, it might be actual operating. We have challenges in the South China Sea to ensure that China's militarization of the South China Sea doesn't result in

the erosion of international water there and that the dream of operationalizing and making meaningful the Nine-Dash Line is not realized - that no country can change international law and claim it as their own. But we see more and more European countries willing to operate alongside us in joint patrols and presence operations, if not ultimately freedom-of-navigation operations. So that's sort of one subcategory in that - in that area of operational cooperation. I think another area would be in terms of capacity-building. We have many of our allies, friends, partners in maritime Asia that lack their own capability to see, sense, understand the environment around them, even through their own territorial waters, if not their economic EEZs out to 200 nautical miles. So when we look at providing those kinds of capabilities, we know our European friends have similar systems, similar ways that they can contribute training and educational opportunities. So I think the capacity-building area is another operational area. I think also where you see this fusion from China of their economic statecraft and their security interests - and we see people refer to the Belt and Road Initiative and how it has certain security and military objectives tied to it, shoring up our relationships through things like strategic port calls and other types of engagement that gives those individual countries alternatives and conveys to those countries that they have friends, supporters, allies is another way we can cooperate with one another in that category. I would say, shifting now to another area where I think we need to continue our cooperation, and that is in the protection of our own technology, our own critical infrastructure.

And looking first and foremost, internally, as we've done in the United States - we've gone through a round of CFIUS reform. We've done extensive studies of our own defense supply chain, seeing where vulnerabilities may be. Every country taking that task on for themselves, but then a way to, again, trade notes, discover best practices from one another - again, a very dynamic environment where these challenges will continue to evolve. So we have to be nimble and flexible. I don't think one round of CFIUS reform is frankly going to do it for us. But as we're doing that individually, again being able to trade best practices, I think, is critical. Of course, we're looking right now at a particular challenge with 5G communication systems networks. We recognize in the United States we don't all start from the same place. There are countries that have 4G infrastructure, for example. But we need to end up in the same place, which is having confidence and assurance that we can continue close relations, share the most sensitive information that we need to share as partners and allies and understand that we can do that without compromise. So as individual decisions are made by member nations, as the EU looks at these kinds of issues, we'll want to stay in close coordination on our side, I think continuing to explain where we have concerns and then also appreciating we're not all starting from the same place on the EU side and individual member states side, understanding that decisions that are made need to be made with that end state in mind, that we want to continue to be able to share the most sensitive and important information with our partners and making sure we can mitigate against any risk that evolves. So why don't I stop there?

TELLIS: Thank you, Randy. That was a really wide-ranging sort of menu of things that we have for consideration. Let me invite Tom just about to look at the economic dimensions of the challenges posed by China.

THOMAS J. DUESTERBERG: OK. Thank you, Ashley. And let me start by expressing my solidarity with the European people on the great tragedy of one of the icons and symbols of Western civilization that was all but destroyed yesterday in Paris. I'm a longtime student of French history and European history, and it's particularly painful to think about questions of our

longstanding relations on this day. I'm a longtime advocate of U.S.-EU cooperation. I wrote my first article on promoting a free-trade agreement with Europe in 1994. Most recently, I've been - written a fair amount on the reasons we share to cooperate on all of the issues related to the Chinese economic challenge. This includes WTO reform as well as bilateral and multilateral efforts to try to respond to Chinese mercantilism. Our two economies are the most threatened by the Chinese mercantilism. The United States alone probably lost, according to the most definitive study of job losses in manufacturing due to the Chinese juggernaut, is 2 million jobs in the United States. President Trump skillfully exploited the sum of the problems associated with that decline of the industrial sector to be elected president. That being said, I am nervous about and - the ability of the United States and Europe to work closely together, despite the many positive reasons that we should be doing so. And these stem from a lot of longstanding disputes on the trade front with Europe.

I'm also a little bit concerned that our cooperation on China has gotten off to a very slow start. The United States is at the tip of the spear taking on China, bilaterally. Europe has joined us in - especially on issues related to WTO reform - to take on China, forced technology transfer, addressing the SOE problem, IPR theft and the like. But it's in the typical European style - is moved fairly slowly. I would just note that - a couple of things. The best chance for a U.S.-EU free trade agreement was frankly under the Obama administration when politics were aligned on our side, I think, to get a deal done. But internal politics in Europe, especially in Germany and France, were so opposed to a deal that it just didn't get done. Now under the Trump-Juncker agreement, we're going to make another try at this. But it's taken Europe nine months to get a mandate to negotiate. And for that mandate, the French have voted against that. And so it's going to be tough to assemble a coalition in Europe, even if we - our negotiators do get an agreement. I'm also somewhat disappointed in cooperation on tough issues, like the Huawei 5G dispute and pushing back against the Chinese Belt and Road Initiative. Italy, Hungary, Greece have all - are all active participants with the Chinese. And it's affecting politics in Europe as well. I would also note that on the question of timing, Europe is somewhat slow to respond to WTO decisions. And I'm going to point to the iconic case of Boeing, which was an Airbus. The dispute started out in 2004, as most of you in this room know. On the U.S. side, our complaint has been judged three times - three separate times. And in 2011, the WTO panel concluded that the Airbus had benefited from about \$17 billion worth of launch aid, which was contrary to WTO rules. They appealed their decision, put in another \$5 billion for a total of 22 billion. There was a decision in 2018 reaffirming that, and it still hasn't been implemented because you can drag out the WTO process. People like Donald Trump are not especially patient with this sort of delaying tactic.

Now, there was a counter case against Boeing, we should admit. And there was a decision recently finding that in 1 out of the 29 charges, Boeing was guilty of contravening WTO support rules, and that was to the tune of about \$100 million a year. Europe now wants to announce they want to retaliate to the tune of \$22 billion on that - on that case. Now, this sort of aid to Boeing is not atypical of what goes on in the United States and I would suspect what goes on in other places in the world. Just to give two examples, when Airbus set up a plant in Alabama to assemble A320s, they got a package totaling \$154 million from the state and localities. When BMW went into South Carolina, the package they got was 130 million, plus 900 acres of land, which they were allowed to lease for a dollar a year. So there's got to be some sort of reciprocity in the way we think about these things, I think. People have all frequently noted the protectionism of the agricultural sector in Europe, which does date back to the early years of the

World Trade Organization and the efforts by the United States to cooperate with Europe in the face of the challenge of the Cold War and the Soviet Union. But Europe clings assiduously to the benefits they received back in the '50s, '60s and '70s. United States is not perfect exemplar of free trade in agriculture either, but the levels of tariff protection, for instance, in Europe or else - are much bigger than they are here. I would also note in purely economic terms that there's a problem with the trade surplus in Germany that has been pointed out many times. They're running a trade surplus of 7 to 8 percent GDP on an annual basis. And despite the rhetorical criticism by the European Commission, nothing is done about this. This is a problem not only for internal convergence and cohesion in Europe, it's a terrible problem for Southern Europe, for instance. But it's a problem that contributes to the trade deficit with the United States, which President Trump so frequently points out. I would note on this German trade surplus, the famous economist Thomas Piketty noted a couple of years ago, we must stress the fact that there is quite simply no example in economic history, at least not since the beginning of trade statistics - that is since the beginning of the 19th century - of a country of this size which has experienced a comparable level of trade surplus on a long-term basis, not even China or Japan, which in most instances have not risen above 2 to 3 percent of GDP.

Now, the informal - I think their informal EU rules suggest that trade surpluses or deficits of more than 3 percent of GDP should not be tolerated. Why is it being tolerated in Germany? It's a special irritant to President Trump. So unfortunately, I think that the prospects for flexibility on the part of the EU as part of the Trump-Juncker dialogue - and I point especially to agriculture since the president Mr. Lighthizer, the chairman of the finance committee, people like Senator Portman, the former USTR, have all noted that without some attention to agriculture, any agreement is probably a dead letter in the United States. I noted earlier it took a long time to get a mandate in Europe. I also noted that France is not a part of the mandate. Belgium also abstained. And I would say, given my understanding what popular movements in France, Germany, Italy, parts of Eastern Europe are also not all that sympathetic to doing a free-trade deal of any sort with the United States. So to me, that's not a formula for rapid action, to say the least, on the Trump-Juncker dialogue and a free-trade agreement. And I am not a supporter of using Section 232. I wasn't on steel. I'm not on autos. I am on some other more specifically security-related issues, such as perhaps on 5G technology or I've supported a uranium case - uranium mining case because that's so clearly in our national interests. But that being said, I'm very nervous that President Trump will look out over the horizon and see all these lingering problems with Europe, plus his own sense of impatience and could pull the trigger on 232 or some other things. The Europeans have also said if we retaliate on the Boeing case, which we've got three WTO rulings in our favor, they would pull out of this dialogue. So to me, that's not a formula for success. And so it's going to take a lot more flexibility than we've seen so far on the part of the EU. It's going to take some flexibility on the U.S. side as well. And so let's hope for the best on this.

TELLIS: Thank you, Tom. That was sobering. Let me invite Liselotte to offer the last remarks before we go to the floor.

LISELOTTE ODGAARD: Thank you. I think I'll stand. It's an honor to be in such a distinguished panel. My remarks will, as Ashley said, try to spell out how Europe can and indeed already is contributing to stability between the U.S. and China. As Jeppe has pointed out, recent challenges to Europe, you can argue, has actually made Europe stronger and in particular the European Union. When it comes to traditional, core EU issues such as trade, the European

institutions have demonstrated that they play a key role in devising common policies for the member states and that they cannot be bypassed without severe repercussions in terms of losing influence. However there are other issue areas where the EU have not traditionally played such a big role such as security issues in the Indo-Pacific and Chinese industrial and investment policies. However, also in this area, we see new initiatives and new partnerships that are emerging and that allow Europe to contribute in ways that we have not seen before.

So actually, Europe has today a greater footprint outside of their home region. The way I would argue that works is that a kind of division of labor has developed between the EU and groupings of member states so that the European Union decides general policies and then individual countries have the space to translate these policies into practical initiatives. And that is actually a desirable division of labor because it is still seen as Europe acting and not individual countries. And these groupings who take actions on the basis of common EU policies, they have greater freedom to work out initiatives that are effective and that will be followed up in practice because they are not stopped by the minority who disagrees on their actions. Such efforts do allow Europe to demonstrate support for core values that are shared with the United States and its allies. But it comes from an independent position that also allows Europe to align itself with international actors on the basis of European interests and priorities, such as, for example, addressing multilateral institutions such as the ASEAN or the Arab League and to link up European initiatives, such as the Euro-Asian connectivity plan that was adopted by the EU in October 2018.

To give a more specific example of how this works, you could look at the European operations in the Indo-Pacific that has taken place since 2016 and that Randy mentioned in his talk. The setting for Europe's engagement in the Indo-Pacific security environment is the growing strategic competition between India and China. China has a naval base in Djibouti. It has port access in Bangladesh and Myanmar and Pakistan and Sri Lanka that challenges India's and Western countries' position in the Indian Ocean. There are other - also other issues, such as the South China Sea. But this is one of the issues. The EU can only have a general policy on this because there are too many disagreements to have very specific, more action-oriented policies. But the EU has been active in addressing these problems. Europe, like India, sees the Indo-Pacific as strategically linked to Africa and to the Middle East. And this is indicated by the first joint EU-Arab League summit that took place in February 19 in Egypt that was seen as an opportunity to protect against growing Chinese-Russian influence at a time when the U.S. has not addressed this grouping very much. And the EU has also looked for closer relations to Asian states that are considered compatible with European liberal economic and political values. And it has been able to do that despite some countries' skepticism. So it has made an economic partnership agreement with Japan and also a strategic partnership to facilitate security cooperation.

The EU has a longstanding partnership with India, which from 2019 has turned into also a common security dialogue on common interests in the Indian Ocean. And the EU has approached Singapore, negotiated a free trade agreement with Singapore, which is seen as a possible precursor for a free trade agreement with ASEAN. So that's the sort of general frame the EU has made for other countries to take action. And this general policy has been supplemented by France, who, since 2016, have been joined by an increasing number of European member states in conducting maritime operations, naval diplomacy in the Indo-Pacific. And this year, the French-led carrier group will sail from the eastern Mediterranean off

the Middle East via the Suez Canal, to Bab el-Mandeb to the Horn of Africa, Yemen, then across to the Indian Ocean and via the Strait of Malacca to Singapore. There will be a rotating cast of allied ships from Portugal, from Denmark, from the U.K., Italy, Australia and the United States this year, also, who will participate to demonstrate trans-Atlantic unity concerning this French initiative. And during the deployment, the group will participate in maritime exercises with the Egyptian, the Indian and the Japanese navies, sailing via the Suez Canal, as I said, through the Indian Ocean to Singapore. This battle group will exercise with the Egyptian and Indian navy and the Japanese self-defense forces at a time when Europe is seeking to strengthen security, cooperation with the Arab League and also with the Asian democracies. India has opened a new air base in the Andamans in 2019 to counter China's increasing presence in the Indian Ocean, and Japan has supported India's strengthened military presence in the Indian Ocean. So the French tour kind of supports these efforts. It will exercise with these navies, and it also is a prolongation of the general EU rapprochement and agreements towards these countries, I would argue.

So this is a kind of division of labor between the EU and groupings of member states whereby the EU designs the general policy, and then individual countries have the space to translate the policy into practical initiatives. And I would argue that's a desirable division of labor because it's seen, as I said in the beginning, as Europe acting and not individual countries. And the groupings that do in fact take action also have greater freedom of action to work out initiatives that are effective and will be followed up. So such kind of efforts actually allows Europe to play a kind of middle-power role in between U.S. and Chinese strategic rivalry, on the one hand demonstrating support for core values that are shared with the U.S. and its allies, but again, from an independent position that allows Europe to take action on its strategic perspectives and priorities, such as the importance of the Arab League and ASEAN. So of course, these initiatives also serve the interests of individual countries, such as French arms sales. But at the same time, it helps Europe contribute to common trans-Atlantic strategic interests in the Indo-Pacific. And this kind of division of labor that allows Europe to proactively address common trans-Atlantic challenges is seen in more cases. It's also seen in the EU Commission's 10 action points of robust defensive policies against China's Belt and Road Initiative, which provides the member states with backing to adopt cross-border cooperation and industrial policies to deal with China's undermining of intellectual property rights, data security and so on.

However, it's of course important that these initiatives are coordinated between allies and partners. That's essential to avoid working at cross purposes. So for example, U.S. participation in European naval diplomacy is a desirable development. It's also important that various infrastructure projects in Asia are coordinated so that, you know, we ensure they work on - within the same sort of limits. And if that kind of action takes hold and becomes more pronounced, I do believe that trans-Atlantic relations will be seen as a kind of united front against the Chinese challenges that the other speakers were describing. And that will be a sufficiently powerful force that China can't just ignore it and will have to take note and comply with more of the U.S. and European demands for what should happen and should not happen in the Indo-Pacific and other areas. Thank you.

TELLIS: Thank you. Well, before I want to open the floor up to questions, I want to make two points based on the remarks that I heard in the last few minutes. First, the challenges that we face both in the Indo-Pacific and with respect to global order are a fundamentally trans-Atlantic project. Now, the United States does not have the capacity to deal with these alone, nor should

it because our oldest allies are across the Atlantic, and we have a common vision for what constitutes good order. And so we are condemned to work with this collaboratively, no matter what the political exigencies of the day may be. Point No. 2 - the fact that we have common values is no guarantee that we will not have disagreements. And if you listen to the presentations, there are subtle differences in national perspectives. But there is a huge difference between disagreements between friends who don't constitute core threats to each other's security and disagreements between competitors and adversaries. And that is something that we ought not to forget on both sides of the Atlantic. And it provides a basis for cooperation going forward. So with those remarks, I want to open the floor and invite you to explore issues that were raised by any or all of the speakers. Just two points of order - identify yourself when I call upon you, and keep your interventions - if possible - brief so that I can invite as many people as possible to the floor. Yes, sir. There's a microphone, sir. Just wait for that.

AUDIENCE MEMBER: Thank you. It's very nice to see a number of friends on the panel. It's been an excellent discussion. What I want to do is to expand on one of the points that, to me, was very important. There's been constant discussion in this town that the U.S. needs to sort of work more closely with allies on the problem. That's what we've been talking about today. The question is how to best work with the member states and at the commission level. The last speaker spoke a bit of a division of labor, she was talking about. I wonder if she or others on the panel could elaborate a little bit about the role of Brussels and the role of the member states, especially at a time when there clearly is a quite large difference - it seems to me - between some of the maybe southern member states and others, if we could speak a little bit about that.

TELLIS: Jeppe, do you want to - OK, yeah.

TRANHOLM-MIKKELSEN: Thank you very much. Thank you very much for the question, which is, I think, a highly, highly relevant one. And I agree very much also with the description made by Liselotte of this. This is a little bit complicated, but that's because the Union is complicated. The Union is not a state, but the Union has certain state-like qualities as an international axis but more so in some areas than in other areas. When it comes to trade, it's the Union that acts. And here I have to disagree with France not being in the mandate. Yes, the council has decided, and therefore it's a Union mandate that encompasses all member states, irrespective of how it was brought about. There, the Union is a relatively effective actor globally. There are other areas where the Union is almost absent. It is almost absent - or at least not very much present - when it comes to the other end of the spectrum, when it comes to the defense or military end of the spectrum. This being said, I think, however, that the Union is still very much relevant also for that type of security.

First of all, the Union plays an important role in helping building capacity. The Union has been developing a number of new initiatives lately in the defense area - not about building common forces but about helping member states to spend better than they do now. There's this discussion about the amount of spending. But another sort of fact is that we spent much less efficiently in Europe than you do in the U.S. We spend, I think, something like 40 percent of what you do. But we spent it on six times as many weapon systems as you do. And that is, of course, not particularly efficient. And there, the Union is relevant. I think the Union is also relevant in reaching out to its neighborhood - again, Liselotte mentioned this recent meeting with League of Arab States but also in the - in Asia. In Asia, we are maybe less visible, less present - also because of the military dimension. But we are strengthening our relations with a number of the countries also around China. And they are coming to us and are very keen to do so, also in

light of the role of China. So I think that, unfortunately, the answer to the question is a rather nuanced one and a complex one. But that's who we are. Sorry.

TELLIS: Yes, ma'am.

AUDIENCE MEMBER: Question's for Randy - if you could talk about Taiwan's role in technology competition between U.S. and China. And second question is, Chinese military aircrafts operated near Taiwan recently. Will DOD take further actions to maintain the stability in the region? Thank you.

SCHRIVER: Well, the second question - the responsibility to respond to those kinds of incursions rests first and foremost with Taiwan's military, as they did. They intercepted the two aircraft that you mentioned. Our approach is more sort of long-term and helping Taiwan maintain a certain self-defense capability. You might have seen yesterday, we notified a very large case to Congress - about \$500 million - for sustainment and training of Taiwan's F-16s and the training that goes on at Luke Air Force Base. So we have a security partnership through the Taiwan Relations Act that assists Taiwan in responding to those particular incidents, but more broadly, for Taiwan's deterrent capability. With respect to technology cooperation, we do have a strong history of industrial cooperation, including in the high-tech space. I think, again, just to repeat it, we have a dynamic environment where some of the risks are growing. And as we are active in China in the high-tech area and Taiwan is active, we - course - have parochial concerns about protection of intellectual property and the like. But I think we have growing security concerns with China's trajectory as a technological power themselves that we have to be mindful of. So I think those are discussions that representatives from Taiwan to the United States need to really mature.

AUDIENCE MEMBER: I'm going to talk about the Belt and Road Initiative on Europe's periphery. After seeing China invest in the Western Balkans, on the one hand, it always says - we want these countries to gain European perspective, eventually join the EU, presumably to gain greater access to European market. Then on the other hand, China gives out these loans with no-bid contracts and that don't meet EU environmental labor standards and which will most likely delay the eventual EU accession of - more immediately, Serbia and Montenegro, but the other countries down the road. Wondering if any of you have any thoughts on that sort of tension between those two notions. Thank you.

TELLIS: Anyone in particular? Jeppe?

TRANHOLM-MIKKELSEN: I'm happy to step in again. I mean, in the Union, we're very conscious of this issue. And I mean, part of that is the issue of, how do we go about the Belt and Road Initiative? From the EU side, we are, again, seeing both opportunities and challenges in something like the Belt and Road Initiative. But I think that we are waking up to, again, having to deal with this in a more comprehensive, strategic and long-term perspective. And that is why the Commission adopted last autumn - I think in October - a communication that is about, how do we go about connectivity? How do we ensure that such projects - if they take place - first of all, respect the rules we have in terms of how we go about public procurement and things like that in our own - within the Union? And also, how can we help other countries in our neighborhood to face up to that? How can we prevent undue dependence? And that's, of course, also about offering alternatives. If you go a little bit further south and look at Africa, the Union is still by far the biggest donor, by far the biggest investor, by far the biggest trading partner. So there, we are present, also, as an alternative. So that's also part of it. But again, we have been somewhat

inward-looking the last few years. But I think that we are waking up to this also and can play a constructive role in this - not in saying no to connectivity with China and with other countries along the way, but in doing it in a way that is compatible with the way we want to see this relationship develop.

ODGAARD: Can I just add that, if you look at the Italian case where they signed up to the BRI and this non-binding memorandum, they actually stayed within the confines of the general EU-China agreement that was just made. So though it's been given a bad press, it hasn't deviated from the common position. And it had also - has also ensured, for example, with regard to banks, that investments will be relying on AIIB. So you could see, in fact, some positive things about this agreement.

TELLIS: Yes, ma'am?

AUDIENCE MEMBER: Thanks to the panel - very interesting and compelling discussion. One quick question - how would you respond to the criticism that the EU is more preoccupied with going after American firms, like Google and others, on privacy issues than it is with ensuring the security of its own nations vis-a-vis China and China infiltration of the European market?

TELLIS: All defenders of the policy, please...

TELLIS: Jeppe, sure.

TRANHOLM-MIKKELSEN: Going after American companies - I don't think that that is how I would describe what is happening. I think that the way we apply our rules is blind to the nationality of where companies are coming from. And one of the latest example of that is the not-so-appreciated decision by the commission on Siemens and Alstom, which, as you know, did not go down so well in our two biggest member states. That's how we go about our rules. It is true that in the digital field, this very much becomes a matter of American companies. But that's because you have been so successful. That's because all the big IT, all the big digital companies are, indeed, American, and therefore I can understand this perception of going after American companies. But it's rather about trying to move into regulating something for which the rules we already have are not particularly apt because the whole digital sector is very different.

About security, I suppose you refer, among other things, to 5G and the question of Huawei. On this, the European Council in March welcomed that the commission was just about to come out with a communication on this. Again, this is a little bit complex because the Union cannot ban, say, a particular company or define national security for member states. That is a competence of the member states, but the Union, I think, is doing the maximum it can with the communication that came out as a response to this line also in the conclusions of the European Council setting out a framework for member states to evaluate the risks and calling on all of them to do so by the end of June, and at the same time establishing a process that will lead to a more collective risk assessment by the 1 of October. So it's not that the Union is not acting on this, but it is acting within the limits of what it is capable of doing given, again, this division of labor between the Union and its member states.

TELLIS: Yes.

AUDIENCE MEMBER: You have been following up - the Chinese government has detained more than 3 million Uighurs in so-called re-education concentration camp, including 23 members of my family, and many people are died, including three people in my family died

there. I have got the news last month. And my question is, why the - do you - don't the EU think that their cooperation with - economic and technological cooperation with China helps China to continue its crimes against humanity and strengthen its grip on power in outside China region (ph). Thank you.

TELLIS: Anyone want...

TRANHOLM-MIKKELSEN: The Union is very attentive and concerned about the situation when it comes to Xinjiang and the situation of the Uighurs. The Union has also been acting on this. The Union has had a delegation going to Xinjiang on this recently and is calling for opening up also for other observers to be able to go in there. And without going into details, I would say that this was also on the agenda and one of the things being discussed at the recent EU-China summit.

SCHRIVER: Yeah. Well, I'm incredibly sorry for what's happened your family and fellow Uighur citizens. As I said, we should not miss any opportunity, if we're speaking about China, to mention this. I don't know how 3 million people being thrown into concentration-camp-like conditions is under-reported, but it is. I think there was a second part of your question, which is, you know, if you're doing business with certain companies, in a way, you're an enabler to this kind of repression, and we can't ignore that. We shouldn't ignore that. Or - I should say it differently. We shouldn't ignore that. Huawei, ZT, other companies are themselves enabling the CCP in this repression. And if you're doing business with them, that's - you know, you're associated with this activity; I'm sorry. So we should take that into account and be mindful of it, in addition to the other concerns I mentioned.

TELLIS: Yes, sir.

AUDIENCE MEMBER: I have a question for Mr. Tranholm-Mikkelsen first and then maybe a second question for the broader panel. I'm curious whether you think the U.S. can be helpful at all to the EU in addressing some of the divisions on China, particularly in Eastern Europe. And my second question - do any of you think there's a need for different and new forums for dialogue on China between Europe, the U.S. and perhaps other countries - Australia, Japan, et cetera?

TRANHOLM-MIKKELSEN: Well, on divisions on China - again, I would not exaggerate those divisions. We have this 16+1 forum, which - as - a little bit like Liselotte explained about the Italian memorandum - this is not something that happens in a vacuum. And when a declaration like the one negotiated in that forum is being negotiated, you have the European External Action Service just behind, playing a very, very important role in that. More generally, I think that what we can and should do is to take up very much - which was present, also, in your intervention, Randy - that is to maximize the cooperation in those various areas which you outlined, and I think that we could even add to that list. There is a basis for that type of more cooperation. And if - I think that - I'm not sure that we need new forums or new instruments for that. I think that we just have to get down to it and do it.

ODGAARD: I would just have the same comment. When I look at the U.S. and Europe, sometimes relations have gone a little bit sour lately, and we - you know, we criticize each other. But, in fact, the basic objectives, to me, seem to be much the same. Sometimes we prioritize different instruments, but that's not necessarily a problem. That could be seen as a strength - you know, working through different channels towards the same thing. So I would also say

there's not so much a need for more dialogue fora, but more coordination and more, you know, alignment, you know, on - it's actually good you're doing this. Then I can do something else towards the same objectives. For example, with the Arab League - so Europe works with them. The U.S. can work with other instruments towards the same goal.

SCHRIVER: I would just add, if I could - from the U.S. perspective, when you're looking at why Italy, why Greece, why Hungary have latched on to the Belt and Road Initiative is because they have an economic need, or they perceive that they have an economic need that is not being fulfilled otherwise. The United States can't - shouldn't try to lecture the Europeans about how they handle their internal economic problems, but there may be ways for some sorts of cooperation for the sorts of economic development activities that these examples we've all cited are responding to. I mean, one example - we've all been critical of Huawei, but we don't jointly or individually - U.S. or the EU - have a really good economic alternative yet for Huawei. Huawei is - you know, they have technology. They come in with low-interest loans. They come in with construction companies. It's an attractive package they offer. We could work together on one side to challenge their procurement - the procurement policies, and that's up to Europe. But we might think about how we can work with our - the remaining providers we have in the United States and in Europe to help them offer better packages.

AUDIENCE MEMBER: I was interested when Assistant Secretary Schriver mentioned - I was general counsel of the Senate Banking Committee when we wrote the original CFIUS legislation. We put that in the 1998 trade bill. And the assistant secretary said we need another round of CFIUS reform. I'd be very, very interested in what he means by that. Secondly, I've never clearly understood - is CFIUS at the commission level within the EU, or is it at the member state level? 'Cause I see that Germany has done some things, but I - never clear to me, so I - would be helpful to get an understanding of that point.

SCHRIVER: Yeah. Thank you, and nice to see you again. I think what I said is, one round may not be sufficient. Maybe I said we need a second round. I....

MALLOY: No, you did. I even quoted. One round of CFIUS reform will not do it for us.

SCHRIVER: OK. Well, I think it's - I think what that - God, I hate that as an official - when your words are thrown back at you.

(LAUGHTER)

SCHRIVER: I think it's a reflection of just the environment and how dynamic the challenge is. And let me just give you one example. Assistant secretary of defense was in Los Angeles last week meeting with producers, directors, writers - people from the entertainment industry. Why in the world would I show up at something like that? Because, for China, the information space is part of the sort of comprehensive competitive space for them, and they are using the information space for perception management, influence operations. And lo and behold, everyone around the table I talked to had some story where the Chinese, through the strength of their market, through their investment in theater chains, through their direct investment in production was affecting script content, was affecting actors that could be used, and on and on and on. So I think the original CFIUS probably - you'd answer better than I - didn't envision such a sort of comprehensive challenge that we have from China across all these domains. It's not just, you know, hardcore military defense industry; it's not just high-technology; it's what's happening in our universities; it's what's happening in entertainment. And so I just think this - the nature of

this competition will require us to be nimble and equally dynamic in how we respond. And so I'll reclaim that sentence and say, we will probably need more CFIUS reform in the - pardon me, CFIUS reform in the future.

MALLOY: You are correct. We didn't understand this kind of a challenge when we wrote that law. And I - and then I need a broader understanding of what's going on in the EU. Thank you (inaudible).

TRANHOLM-MIKKELSEN: Well, at the EU level, when it comes to how to go about investments - again, the answer is complicated. When it comes to everything that has to do with national security, it is really at member states' level. But what we have been doing and what, again, the commission has been doing is to set out a framework for investment screening that has just been adopted. So that's a new thing. That is one of the things that are growing out of this increasing awareness about the sort of competitive environment in which we find ourselves. And that does provides a number of instruments for member states to go about this and to be more vigilant in terms of what they allow and what they don't allow. So - and this is work in progress, but I think that it is happening. And in some areas, again, there are also EU rules which are relevant, but when - if it is hardcore security concerns, then it is very much up to member states. But the fact that a framework is created for that, the fact that there is an organization of an extension of - exchange of information and best practices clearly helps in strengthening our overall posture on this, I would say.

TELLIS: Yes, sir?

AUDIENCE MEMBER: My question is for either of the European experts. Do we expect more European nations to sign up to the BRI? And how does the EU feel about that? Thank you.

ODGAARD: You start.

TRANHOLM-MIKKELSEN: Well...

(LAUGHTER)

TRANHOLM-MIKKELSEN: I mean, the Union does not have any ideological position on the BRI. We are happy to engage with China also when it comes to connectivity, but we have to make sure that it does not happen based only on the perspectives and reflecting the interests of one party. So therefore, we need to engage on that not as individual member states, but having, let's say, a more comprehensive and strategic view on this. And, again, here, I would refer you to the communication of the commission, which, I believe, is from October last year, which called for this broader, more conscious approach in order to ensure that what we built that brings together - better together China and our part of the world - that that is something that, again, reflects the interests of both parties, does not create any undue dependence. And I think that that's only natural. Again, I think that flows naturally from what I said initially about us being more serious about our interests, not at the expense of anybody, but also to be a more credible and useful partner.

ODGAARD: I think that more countries will sign up to the BRI, but that's not necessarily a bad thing because BRI isn't going to go away. You know, it's the way we sign up to it, I think, that's important. And, you know, if you look in other parts of the world, Japan is starting to have joint projects with China on infrastructure. I think that's necessary - you know, trying to ensure that, you know, we can work with China - not at any cost, but like Jeppe says, within certain rules. I

think that's the way forward 'cause we can't just say no to all Chinese initiatives. That would be sending the wrong signal. But we can insist on certain basic rules that needs to be maintained and that China itself is signed up to in various international organizations.

TELLIS: Yes, ma'am?

AUDIENCE MEMBER: Thank you for the opportunity. I would like to ask both Secretary Schriver and the EU commissioner, how would EU collaborate with the U.S. and the Indo-Pacific partners in the South China Sea, especially with Vietnam and ASEAN. I would like to talk about the international law to emphasize an UN clause because I would think that is a global issue that encompass all domains, including 5G, including information sharing and trade. So regarding the code of conduct, can we make it a global concerns and require the code of conduct for all passing through the South China Sea to be a global agreement? I think the EU position in this is tremendously important because U.S. alone cannot do it. I especially think Vietnam is reaching out to EU in many different ways. And we asking for EU to support Vietnam, especially in issues such as infrastructure - to help Vietnam to build (ph) that away from the proposal from China because Vietnam is being coerced into taking Chinese proposal in many infrastructures, especially at the port, where is the checkpoint's importance to the South China Sea. Would you think that is something that we can put on the table for both the EU and the U.S.? Thank you.

TRANHOLM-MIKKELSEN: Question.

SCHRIVER: Yeah, I think I addressed some of this, but just real quickly - through, I think, diplomacy, continued support for international law and international norms, and protection of the environment, by the way - another underappreciated, underreported story is how much coral reef and fisheries were destroyed with the land reclamation that led to the militarization of these seven outposts - presence operations, probably not from the EU itself, but the member states. If you're of my view that China claims everything within the nine-dash line, any presence operation is a FONOP - so presence operations and then capacity building. I think all these countries have a need to be able to see and sense and share because maritime security is inherently multilateral. So helping countries - and here, maybe the EU does have, as an organization, ways to help with capacity building and training. But I think that would be a great place to start in Vietnam and throughout maritime Southeast Asia.

ODGAARD: This is another case - the South China Sea is another case where the EU can only have a very general policy because of internal divisions. But it does have a policy on the South China Sea - you know, very general, but it has been followed up by individual groupings of countries again. So Europe - so France, again, has taken the lead. But a lot of other countries, such as Denmark, is also working with ASEAN on exactly capacity building. That's already happening. But it's individual countries who have to do it and groupings of countries. So I think a lot is already going on, but it has to be through this division of labor that Europe does something. But that can be more effective than just the Union acting, I'd say.

TRANHOLM-MIKKELSEN: Just very briefly - I mean, I agree with what both Randy and Liselotte said. And, I mean, on our policy on the South China Sea with the limitations in terms of the Union actually executing such a policy, it's very clear that it is that any solution here has to be based on international law. And we continue to call for arbitration and respect of arbitration decision in - decisions in this respect. Let me add specifically on Vietnam that Vietnam is one of the countries to which the EU is reaching out. And I'm happy that we also have agreement on -

new trade agreement that should be ready for signature this summer. So we are very attentive also to the needs and the interest of Vietnam and, again, do want to reach out to all countries in the region. And I'm very happy that quite a few countries are also coming to us these years and - so that it is a mutual desire to strengthen those relations.

TELLIS: Good.

NGUYEN: I have to follow up.

TELLIS: Ma'am, please.

NGUYEN: No, I - there's a code of conduct.

TELLIS: Ma'am. Ma'am, please.

NGUYEN: Would you address the code of conduct? That's the key issue I'm facing 'cause there need to be a global - regarding the rule of law. China is trying to press Southeast Asia to agree to the code of conduct within that area also, but it needs to be global. But this is the case that EU, with so many European countries sharing the same international law base - would you help the U.S. and ASEAN to make it a global code of conduct and not regional?

TRANHOLM-MIKKELSEN: For it to be global, of course everybody will have to be able to sign off to it. But our approach is clearly that this should happen within a multilateral framework and within the body of law which already exists. And therefore, it cannot just be a one-sided affair like you are describing.

TELLIS: I'm going to take two questions - the gentleman here and the lady there were last.

AUDIENCE MEMBER: I think we've spun off in a number of different forms in discussion so far, but China's a unitary actor. Everything is coordinated (unintelligible), whereas one of the strengths that we have - and also a weakness - is, we have a diversity of actors who have their own interests, and some not. In the case of economic relations in particular, is there a need to how the different companies, if you like, deal with China? Should they go together in some sense or should there be new kinds of rules or organizations that bring the larger picture to the attention of some of these major companies?

TELLIS: Ma'am, did you want to ask a question? And if you can make it brief, and then we'll close.

AUDIENCE MEMBER: Thanks for your presentation. I always think about, nowadays (ph), people always talk about global. But on the other hand, I think a lot of basic things are really ignored. Let's say that now we are talking about partnership; we are talking about securities. On the other hand, you see not only China have a concentration camp, but in the United States, you know, the prison population is the highest in the world. So instead of focusing maybe benefit a corporation or business or some kind of development by partnership, especially public-private partnership, this is very serious misleading terminology. It should really reflect a serious motive for all crime in justice (ph) network. And it's all - New York City in America is not only - the prison population is the highest, but they send a lot of people to the hospital, treat - rehab center, just about every - it's impossible. It's really abuse of false imprisonment and then deprivation of constitutional right and protection of people and their small businesses. I just wonder, can we really work on humanity and work on a general population to have a - develop

the agenda of peace and progress rather than just, every time, (unintelligible) a misreading of security or partnership or development? So can we work on it? Because it's just very serious.

TELLIS: Thank you.

AUDIENCE MEMBER: Thank you.

TELLIS: Anyone for the first one?

DUESTERBERG: Maybe I'll just say something about the gentleman from GW. You framed that in terms of companies. And...

AUDIENCE MEMBER: (Inaudible).

DUESTERBERG: Well, I mean, companies can express themselves. And on the issue of China, for instance, there is a U.S.-China Business Council. There's a big presence in China. There's a European-wide China business council. There's a German - specifically a German one. There's a - U.K., I think, has something in China. I mean, they can express their opinion, you know, in two ways - to their own home government, but also directly to the Chinese, which they're not shy about doing. Whether or not it can be unified, the - not to be too cynical about it, but we've talked a lot about values and interests. Companies more often have interests rather than values. So I'll just leave it at that.

(LAUGHTER)

TELLIS: Yep.

TRANHOLM-MIKKELSEN: Just one brief comment, also on the question from GW in particular - first part of your question about us being this unitary as actors and this being both a strength and a weakness, I agree very much with that. But I think that one of my messages today - main messages today - is that we in Europe are trying to be a little bit more coherent than we've been in the past on this spectrum. We try to move - while still being realistic in terms of what we can achieve - towards the more unitary end of the spectrum, and that we believe that that makes us a more credible and useful partner also for the U.S. in the discussions which we - on the issues that we are discussing here today. So I hope that that is the message you will be taking with you also from this event here today.

TELLIS: Well, I want to thank all of you because if there is anything that this conversation has highlighted are that the stakes are very high and that we need to continue this conversation because we are obviously not going to reach agreement in a single round, in a single conversation. So this is the beginning of a longer conversation on both sides of the Atlantic. I want to thank all of you for, you know, your attendance here, for penetrating questions. And very special thanks to our guests here - to Ambassador Tranholm-Mikkelsen, to Assistant Secretary Schriver, Mr. Duesterberg and Liselotte for having put this together. And I hope we will meet again at some not-too-distant future to continue this discussion. Thanks to all of you.

(APPLAUSE)