

# THE CHINA CHALLENGE

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON EAST ASIA, THE  
PACIFIC, AND INTERNATIONAL  
CYBER SECURITY POLICY

OF THE

COMMITTEE ON FOREIGN RELATIONS  
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SECOND SESSION

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# THE CHINA CHALLENGE

## PART 1: ECONOMIC COERCION AS STATECRAFT

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TUESDAY, JULY 24, 2018

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:47 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner [presiding], Risch, Young, Markey, Merkley, Murphy, and Kaine.

### OPENING STATEMENT OF HON. CORY GARDNER, U.S. SENATOR FROM COLORADO

Senator GARDNER. This hearing will come to order.

I want to apologize to the witnesses for the vote that is kind of making this a little bit discombobulated right now. I will be starting, making my comments, then asking you for your testimony. Senator Markey is voting on the second vote now. He will be joining us, making his statements, coming back after that. And then I will leave and go make the second vote. But we do not want to delay the hearing any further. Thank you very much for your understanding and starting this a little bit late to begin with.

Let me welcome you all to the eighth hearing for the Senate Foreign Relations Subcommittee on East Asia, The Pacific, and International Cybersecurity Policy in the 115th Congress.

This hearing will be the first hearing in a three-part series of hearings titled “The China Challenge,” and it will examine how the United States should respond to the challenge of a rising China that seeks to upend and supplant the U.S.-led liberal world order.

The Trump administration has been clear on the scope of the problem and gravity of the challenge before us. According to the National Security Strategy, for decades U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others.

According to the National Defense Strategy, the central challenge to U.S. prosperity and security is the reemergence of long-term strategic competition by what the National Security Strategy classifies as revisionist powers. It is increasingly clear that China and

Russia want to shape a world consistent with their authoritarian model, gaining veto authority over other nations' economic, diplomatic, and security decisions.

An opinion editorial in "The Wall Street Journal" last week noted the following. Xi Jinping has proclaimed that China has both the intent and capability to reshape the international order. Yet, much of what passes for Chinese global leadership to date is simply the pursuit of China's own narrow interests. He has yet to demonstrate the key attributes of true global leadership: the willingness to align and in some cases subordinate Beijing's immediate interests to the great global good and the ability to forge a significant agreement around a global challenge.

The question before us now is identifying the tools the United States has at its disposal to counter the disturbing developments posed by China's less than peaceful rise.

This is why Senator Markey and I and a bipartisan group of co-sponsors in the Senate joined in introducing the Asia Reassurance Initiative Act, or ARIA, on April 24th. The legislation sets a comprehensive policy framework to demonstrate U.S. commitment to a free and open Indo-Pacific region and the rules-based international order. ARIA provides a comprehensive set of national security and economic policies to advance U.S. interests and goals in the Indo-Pacific region, including providing substantive U.S. resource commitments for these goals. I am joined in this legislation on the committee by Senator Kaine, Senator Coons, Senator Cardin, Senator Markey, by Senator Rubio and Senator Young, as well as Senators Sullivan and Perdue and Graham.

This legislation has broad unanimous support. On June 4th, "The Wall Street Journal" editorial board endorsed ARIA, stating Congress is trying to help with the bipartisan Asia Reassurance Initiative Act. The Senate bill affirms core American alliances with Australia, Japan, and South Korea, while calling for deeper military and economic ties with India and Taiwan. It notably encourages regular weapon sales to Taipei.

The Chamber of Commerce has also endorsed ARIA, stating the U.S. Chamber of Commerce supports the Asia Reassurance Initiative Act of 2018 and thanks Senator Gardner for his efforts to strengthen U.S. strategic and economic relationships across the Indo-Pacific region. Particularly with regard to the legislation's economic goals, we appreciate the bill's focus on closer trade ties, stronger protections for intellectual property, and a renewed focus on trade facilitation. We look forward to working with Senator Gardner and the Congress to advance these important objectives.

On June 21st, we received a joint letter from the State Department and the Department of Defense formally endorsing ARIA. The letter, which is signed by Secretary Pompeo and Secretary Mattis, states: "We value the ARIA legislation's reaffirmation of the United States' security commitments to our Indo-Pacific allies and partners. Furthermore, ARIA's focus on promoting stronger regional economic engagement and its support for democracy, the rule of law, and the development of civil society is especially welcome as part of a diplomatically led, whole-of-government approach to the Indo-Pacific region."

I ask unanimous consent—I am going to ask myself. [Laughter.]

Senator GARDNER. We will put this in the record, both the letter, as well as the editorial.

[The information referred to above is located at the end of this hearing transcript.]

Senator GARDNER. I expect the full committee to mark this critical legislation up in the coming days, I hope, and hope for its quick passage by the full Senate in the near future.

When Senator Markey joins us, we will turn to him for his opening comments.

But I want to welcome both of our witnesses here today.

Our first witness is Senator—is Dan Blumenthal—I almost gave you a demotion there, Dan—who serves as Director of Asian Studies and Resident Fellow at the American Enterprise Institute. Mr. Blumenthal has both served in and advised the U.S. Government on China issues for nearly 2 decades. From 2001 to 2004, he served as Senior Director for China, Taiwan, and Mongolia at the Department of Defense. Additionally from 2006 to 2012, he served as a commissioner on the U.S.-China Economic and Security Review Commission, including holding the position of vice chair in 2007. Welcome, Mr. Blumenthal, and thank you for your time and testimony and being with us today.

I am going to go ahead and go to the next witness and stall just a little bit more, if we can, for Senator Markey.

Our second witness today is Ely Ratner, who serves as the Vice President and Director of Studies at the Center for a New American Security. Mr. Ratner served from 2015 to 2017 as the Deputy National Security Advisor to Vice President Joe Biden and from 2011 to 2012 in the Office of Chinese and Mongolian Affairs at the State Department. He also previously worked in the U.S. Senate as a professional staff member on the Senate Foreign Relations Committee and in the office of Senator Joe Biden. Welcome, Mr. Ratner. Welcome back to the committee. Thank you for being here.

And, Mr. Blumenthal, we will go ahead with your opening statement.

**STATEMENT OF DAN BLUMENTHAL, DIRECTOR OF ASIAN STUDIES AND RESIDENT FELLOW, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Mr. BLUMENTHAL. Thank you very much, Senator Gardner, and thank you very much for your leadership on these issues and with the bill that you have been working with your colleagues so fastidiously on, and I am so glad that it is getting the press it deserves and hopefully the support within the Senate that it deserves as well.

What I want to do in my short time—and I am sure there will be a lot of questions—is first, put in context the Chinese course of practices and its grand strategy, then focus on some of the most targeted countries of the Chinese course of practices, including the United States, and then turn to some actions that we might take both to defend ourselves, but also to be a little bit more proactive against the Chinese Communist Party and its coercive economic practices. And I do think we have a lot of leverage there.

So no surprise to anyone who has been following the subject: The party Secretary-General of the Communist Party and President Xi Jinping are following a very robust grand strategy of the China dream of national rejuvenation, rejuvenating the nation to become again the Middle Kingdom, the center of international politics, and perhaps international economics as well.

And he is doing things to effectuate this China dream. Building up a world-class military, of course, is known to everybody who follows this topic, which has proceeded to advance its unlawful claims in the South China Sea, in the East China Sea, and increasingly now does operations in India and further afield in the Gulf. And that military is a big part of its economic course of strategies as well.

So the military is one tool. Economic coercion is another tool of this grand strategy. We are waking up slowly to political warfare, political influence operations that seeks to build support and target nations for Chinese policies, or at least defend Chinese policies, united front tactics, the Confucian institutes, part of the things your colleagues have focused on as well.

So, economic coercion is the topic of the day. I have to state that the era of reform and opening in China is over. It has been long over. It has been over probably for 10 years. And China is back to being run by state-owned enterprises that are related to the party. The private sector is diminishing. That provides the Chinese state with a lot more control over economic coercive policies.

Some of the economic policies we do not like here in the United States are not necessarily coercive—they are predatory. It has to do with the mass subsidization of Chinese state-owned enterprises that make it uncompetitive for U.S. or other firms to compete with. It has caused great dislocations inside the U.S.'s and other countries' labor markets. It has to do with the outright theft, of course, of intellectual property and trade secrets. That is theft.

The coercive aspect, I think, when you talk about the United States, is the targeting of specific businessmen and businesses to get them to do Chinese bidding. So, for example, in the latest round of tariffs with respect to what we have levied on China, the first thing someone like Xi Jinping does is call on U.S. business friends to get them to go back home and lobby against any policies, whether you like them or not, that he does not see in Chinese interests. And if you do abide by them as a U.S. corporation or European corporation, you will probably get favorable market access. If you do not abide by them, then you will not. So, the specific targeting of U.S. businesses that China thinks can have influence in the U.S. political system is a major tool.

China uses that same tool very much against Taiwan, which is kind of ground zero for Chinese economic coercion. And here I would say it is military and economic coercion. So the military is used to demonstrate to Taiwan that the Chinese, if they want to, can cut off Taiwan completely, its economic lifelines. Taiwan is an island nation and completely dependent on seaborne trade. The Chinese constantly exercise the ability to cut off their ability to exercise that seaborne trade. They also target Taiwanese businessmen to go vote for parties in Taiwan that they think will be more favorable to China and are constantly cyber attacking, even just



harassing Taiwanese businesses, as well as attracting talent away from the top Taiwanese tech companies.

I am running out of time in my opening statement. So let me just go through.

Japan is another big target. Again, it is military and economic. We famously woke up to this in 2010 when there was a fishing dispute, and China decided that it was going to ban the exports of rare earth materials that were key to the Japanese economy. That woke up the markets, and there was a market response to that. But China has shown that it will continue to do so.

It did similar activities with respect to the Philippines in a dispute over the Scarborough Shoal. Not only does it use its military and quasi-military to cut off Filipino and Vietnamese fishermen from using fishing zones that they had lawfully allowed to use but also started to ban imports of important agricultural products from those two countries as well. And they are very dependent on those exports.

They have cut cables of exploration ships. They have announced unilateral fishing bans, and they just continue to put overt military and economic pressure on countries' exclusive economic zones.

Since I am out of time, let me quickly just offer a few ideas about how to fight back against this.

I think we have to be more directive against what the CCP, the Chinese Communist Party, cares about the most and use more scalpels rather than big jackhammers. So the Chinese Communist Party has favored state-owned enterprises that are part of patronage networks. We could certainly ban some of those from accessing the U.S. market and the European market. Those are the two markets that matter the most. The U.S. consumer still fuels the Chinese economy. Ban the ones that are the worst offenders in intellectual property theft. Ban the ones that have benefited the most. Ban the ones that are closest to the party.

Certainly we should consider, in terms of escalation, how much party elites want their kids to come here to study. And I am not saying ban all Chinese students. I am saying if you want the party to stop acting in certain ways, go after what they care the most about. So if we identify party elites' children and so forth and they want to come into the United States, we can certainly take a second and third look at their visas.

[Mr. Blumenthal's prepared statement follows:]

PREPARED STATEMENT OF DAN BLUMENTHAL

Mr. Chairman and Mr. Ranking Member, thank you for the opportunity to testify before you today.

We are slowly waking up to a set of strategies by the Chinese Communist Party (CCP) meant to enhance Party power internally and globally at our expense. The CCP has adopted a number of strategies to strengthen the Party's grip on the country so that it can lead China back to "Middle Kingdom Centrality." These strategies have been in place for a while, but have been accelerated by Communist Party Secretary General Xi Jinping.

The broad strategic context for Chinese economic statecraft includes:

China's Grand Strategy of the China Dream of Grand Rejuvenation, which requires:

- Building a world class military to challenge the United States and Allied military primacy;

- Strengthening political warfare and propaganda campaigns that interfere in target nations' politics to both block activities that the CCP does not like and to build more favorable support for China abroad.
- Advancing unlawful claims in the South China Sea and militarizing the seas to gain control of them.
- Challenging Japan's lawful claims in the East China Sea
- Building ports and facilities throughout the Indian Ocean
- Attempting to make certain countries dependent on China's loans and construction projects as part of the "One Belt One Road" initiative

I am not including more benign diplomatic initiatives that are also a tool in the CCP's broader strategy. And, as you can see, when I say "China's policies," I mean those of the Chinese Communist Party. We do not know what "China's policies" would be in a more pluralistic society that is not completely dominated by a Leninist regime. I imagine we would get along very well with a China that is not under the CCP's grip.

#### *Economic Coercion as a tool of the China Dream*

Here is some more context. The era of reform and opening is over. Now, state banks, state-owned enterprises (SOEs), and their associated links with Party officials are what drive the Chinese economy. The CCP is willing to accept slowing economic growth in exchange for a tighter grip on the Chinese economy.

Thus, China's economic coercion cannot be thought of as absent the needs of the CCP's grip on China, or its strategies for growth and influence—which as we now know include massive technology theft, the blocking of market access in key sectors, the control of capital flight, efforts to make exports cheaper (through subsidies and consumer repression), and other related measures.

The CCP has extensively targeted the United States and its key allies in the region with this economic coercion. Let's go through the CCP's tactics in each of these countries:

##### *1. The United States*

The CCP's unfair and illegal economic practices, such as mass subsidization of SOEs, gives China an unfair competitive advantage. This, coupled with the widespread theft of US intellectual property (IP), hurts the US economy. We are slowly challenging them on these fronts, and while these practices are the most harmful, they can be separated analytically from direct economic coercion. Instead, direct coercion includes:

*Forced technology transfers.* As U.S. Ambassador Dennis Shea highlighted at the World Trade Organization (WTO) in June 2018, China's "forced technology transfers" remain an implicit requirement for overseas companies hoping to access China's domestic market, especially through partnerships with SOEs.

*Pressuring U.S. business executives.* That same month, Xi Jinping also spoke with a number of top American business executives at the Global CEO Council in Beijing in an attempt to pressure U.S. executives to convince the U.S. government to ease trade tensions. A major form of coercion against the U.S. has been the attempts to force U.S. businessmen to lobby the U.S. government to adopt more favorable policies from China's perspective. This practice has been ongoing for decades. The CCP will split Americans into "friends of China" who might lobby on their behalf and others who refuse to do so will not be granted access to China's massive market.

##### *2. Taiwan*

Taiwan stands as "ground zero" for China's coercive economic activities.

- There is a longstanding practice by China of pressuring Taiwanese business people to vote for Taiwan political parties that are perceived to be more pro-China or else lose market access or face economic harassment, and to pressure the Taiwanese government to accept terms that are unacceptable to the vast majority of the Taiwanese people.
- As we have seen recently, the CCP is also pressuring international companies to not identify Taiwan by name in an attempt to erase Taiwan as a separate entity from the global "mental map." Examples of these include the incited apologies from Marriot and Delta for including "Taiwan" on the list of countries in which they operate.

- Chinese People's Liberation Army (PLA) military exercises in Taiwan's surrounding waters are meant to remind the people of Taiwan that the CCP can cut Taiwan off from international trade altogether.
- China consistently targets and lures away top Taiwanese talent from its information and communications technologies (ICT) industries in an attempt to hollow out and dominate these industries.

### 3. *Japan*

The CCP has used its military might and the blocking of exports and imports to pressure Japan on political disputes.

- China's combined military-economic coercive tools caught the world's attention in 2010, when a Chinese ship collided with two Japanese coast guard vessels during a standard fishing trip near the disputed Senkaku islands. The Japanese coast guard arrested the Chinese fishing trawler, which led to combative rhetoric on both sides and China halting rare earth mineral exports to Japan. At the time, China produced 93% of the world's rare earth minerals, and essentially had a monopoly on these materials. By halting these exports to Japan, Japanese products such as hybrid cars, wind turbines, and guided missiles were under threat.
- The CCP also incites the Chinese public into action after controversial events that paint China in a bad light. Given China's anti-Japanese sentiment that can be traced back throughout history, the Chinese population has served as an effective proxy that the CCP uses to indirectly pressure the Japanese government into making concessions.

For example, in 2012 as tensions between China and Japan became heated over the disputed islands, Japanese firms in China such as Toyota and Honda had to shut down their facilities after demonstrations and violent protests against Japanese businesses broke out across China. Such demonstrations reveal broader Chinese government attempts to "hold foreign businesses hostage to its political agenda."

### 4. *Philippines*

The CCP has done the same thing towards the Philippines, demonstrating a pattern in squeezing neighboring countries to achieve aims favorable to Chinese interests across the region.

- After the Philippines began challenging Chinese claims in the South China Sea in 2012, China restricted banana imports from the Philippines and abruptly cancelled several Chinese tour groups that were going to the Philippines.
- After the Philippines brought a case against China to the Permanent Court of Arbitration challenging China's expanding territorial claims in the South China Sea, China continued to squeeze the Philippines economically by tightening controls on Philippine fruit and continuing to cut the number of Chinese tourist visits to the Philippines. As the third-biggest export market for the Philippines and the fourth in foreign tourists, such cuts have a severe impact on the Philippine economy. In response to this, the Philippines was forced to "intensify [its] efforts to diversify [its] trade with other countries."

### 5. *South Korea*

The pressure on South Korea after the deployment of the Terminal High Altitude Area Defense (THAAD) anti-ballistic missile defense system reveals not only Beijing's pressure tactics, but also some of the organizations involved and more specific practices used by the CCP.

- For example, when the CCP decided to limit tourists to South Korea after announcements of the deployment, the China National Tourism Administration became a key organization in implementing the CCP's policies. Semi-private corporations such as Chinese airlines also limited the number of plane tickets sold or flights to and from the targeted country.
- When the CCP attempts to rally its citizens to boycott or protest foreign businesses, as it did against South Korean supermarket Lotte, Chinese state media will actively encourage it.
- As the CCP limits certain imports of foreign goods, the Chinese Customs agency will not approve shipments, while Chinese ports will wrap merchant ships up in new regulations delaying their shipment.
- Local governments and actors have also gotten involved in Chinese economic coercion efforts.

When the CCP targeted Korean supermarkets in China during a particularly strained period of Sino-ROK relations, it was up to the local governments to conduct “inspections” and shut down Lotte for “fire safety violations.” Or, “lone actors” in China conducted “patriotic hacks” against South Korean company databases to steal data from Samsung.

#### 6. Vietnam and the South China Sea

Lastly, there is the troubling category of combined military-economic coercive tactics that China employs particularly against smaller countries in the region. For example, the CCP has used its military and economic might against Vietnam and other nations that have ongoing disputed claims to the South China Sea areas. China has engaged in operations such as:

- *Cutting the cables of oil exploration ships in the South China Sea.* In 2012, two Chinese fishing vessels cut cables of a Vietnamese vessel doing seismic oil exploration work in the South China Sea.
- *Announcing and enforcing unilateral fishing bans.* In May 2018, China unilaterally announced a fishing ban in the South China Sea for two months, directly affecting the livelihoods of Vietnamese, Bruneian, Malaysian, and Filipino fishermen.
- Or even *directly threatening countries with overt military pressure*, as was the case when China placed an oil rig in Vietnam’s exclusive economic zone in May 2014 and surrounded it with an armada.

#### *Fighting Back*

Thus, China holds meaningful sway over most of the countries it targets and the scale of China’s economy and resources is its biggest strength. Many countries—particularly smaller countries in Asia that China actively targets—still hope for access to the China market or seek to receive investment from the PRC.

However, there are limitations to China’s economic coercion, particularly with respect to the United States. For one thing, China’s economy is more dependent on the U.S. economy than vice versa. Moreover, “good money” is leaving China to be invested here or other Western safe havens. In fact, one of the biggest complaints by Chinese elites is that the Xi administration is making it harder for them to get their money out of China.

Since the U.S. is not dependent on China for as much as we think, we should have plans for an economic coercion strategy of our own. Some of these measures would include:

- Limits on the children of party elite’s student visas;
- Bans on market access in accord with European actors on the worst-offending SOEs (for example, those that consistently engage in forced technology transfers);
- Targeted information campaigns within China in Chinese that advertise the corrupt patronage networks that exist between the CCP and key SOEs;
- Global armadas that convoy fisherman and oil exploration vessels to areas they are lawfully allowed to conduct their economic activities;
- Enhancing economic ties including the quick signing of a Bilateral Investment Treaty and cyber-cooperation with Taiwan.

But our approach to CCP economic coercion needs to be more comprehensive. Besides some of the defensive actions we could take listed above, the United States should consider a more proactive trade agenda that targets the countries that will become increasingly important to the U.S. in the future—Vietnam, Indonesia and the Philippines—as well programs to help strengthen the rule of law in these countries so that they are not as susceptible to outright Chinese bribery. The greatest economic coercion strategy we can place on China is helping to build free-market trade agreements and free-market economies in Asia whose standards are so high that a statist CCP will not be able to join.

Senator MARKEY [presiding]. Let me just stop you right there, if I may, Mr. Blumenthal. I think you can probably get into more detail when we get into the question and answer period. So let me just stop you right there so we can begin with Mr. Ratner.

Again, Mr. Ely Ratner is Vice President and Director of Studies, Center for a New American Security. We welcome you, sir. Whenever you are ready, please begin.

**STATEMENT OF ELY RATNER, VICE PRESIDENT AND DIRECTOR OF STUDIES, CENTER FOR A NEW AMERICAN SECURITY, WASHINGTON, DC**

Mr. RATNER. Great. Senator Markey, Senator Kaine, thank you for the opportunity to testify today.

Let me start by thanking Chairman Gardner and the other members of the committee for your efforts to reinforce America's enduring commitment to Asia. I am encouraged to hear that the bipartisan Asia Reassurance Initiative Act will be marked up by the full committee. It is an important piece of legislation, and I share Senator Gardner's hope for quick passage by the full Senate.

For the purposes of my opening statement today, I am going to focus on the increasingly common and consequential phenomenon of Chinese economic coercion whereby China is using economic punishments against governments and firms or threats thereof to advance its foreign policy and domestic political goals.

My home institution, the Center for a New American Security, CNAS, released a report in June that represents the most detailed and comprehensive study to date on this phenomenon. I would encourage interested members and staff to read the report in its entirety.

The report examines how Beijing is using economic coercion to advance its illiberal, authoritarian, and revisionist aims by employing a vast array of coercive economic tools, including import restrictions, popular boycotts, pressure on specific companies, export restrictions, limits on Chinese tourism, investment restrictions, and targeted financial measures. Beyond the immediate economic costs, these actions are having a damaging, chilling effect on the world. Facing the specter of Chinese retaliation, countries are less willing to stand up to China, and U.S. allies and partners are increasingly reluctant to work with the United States on certain diplomatic, economic, and military issues.

In terms of how best to respond, my written testimony provides a dozen specific policy recommendations for Congress. Here are a few highlights.

First, the Senate Foreign Relations Committee should hold hearings on the costs and benefits of rejoining the Trans-Pacific Partnership. Rejoining TPP is among the most important things we can do to advance our economic position in Asia and erode the effectiveness of China's economic coercion.

By contrast, U.S. withdrawal has done substantial damage to our standing in the region and is facilitating the development of a Chinese sphere of influence in Asia and beyond. Rejoining TPP would renew confidence in the credibility and commitment of the United States, help to reroute supply chains in the region, open new markets for U.S. companies, and ultimately reduce China's economic leverage. It would also provide a mechanism for coordinating with allies and partners to combat China's predatory policies.

Second, Congress should pass legislation to constrain President Trump's ability to levy tariffs against U.S. allies and partners on specious national security grounds. The United States will be far less successful if we attempt to address China's coercive actions on our own. Instead, we should be working closely with allies and partners, sharing information on Chinese activities, coordinating

on trade and investment restrictions, and rerouting global supply chains. Unfortunately, the Trump administration's tariffs against some of our closest allies and partners have diluted attention away from China's predatory practices and made it far more difficult to coordinate on the China challenge.

Third, we have to engender the focus and political will to enhance U.S. competitiveness. Bolstering our own national strength and staying at the cutting edge of technology and innovation are essential to reducing China's coercive capacity. This will mean continuing to support increases in basic research, investing in education, pursuing responsible fiscal policies, developing strategic visa and immigration policies, and generating a bipartisan consensus on the importance of rising to this occasion. Succeeding in the China challenge is ultimately about us, about our own national competitiveness, not just taking defensive measures to deal with China's predatory practices.

In this context, I also support bipartisan legislation cosponsored by members of this committee that mandates the administration to publish a national economic strategy.

Fourth, the effectiveness of China's economic coercion is based in large part on perceptions and often misperceptions of China's ascension and American decline. This leaves a vital role for greater U.S. public diplomacy, information operations, and strategic messaging to expound the strengths of the United States and to cast a more skeptical shadow on certain elements of China's leadership, government, and economy.

My written testimony includes several recommendations for Congress in this area, including reconstituting a 21st century version of the U.S. Information Agency, augmenting resources to the Broadcasting Board of Governors to bolster China-related content, carrying out Congress' essential role in publicly criticizing China's economic coercion, and providing resources and directing the Department of Defense to develop means to circumvent China's great firewall and to make it easier for Chinese citizens to access the global Internet.

Fifth and finally, we need to develop a stronger toolkit of our own to blunt and deter Chinese economic coercion. Congress can play a leadership role in limiting China's leverage over key nodes in the world economy, by developing regulations and export controls that build diversity and redundancy into critical supply chains. Moreover, Congress should call upon relevant U.S. departments and agencies to develop sharper retaliatory tools to deter and impose costs on Chinese companies and the interests of relevant Chinese Government officials. In short, as China deploys more sophisticated, nimble, and offensive tools of economic statecraft, so too should we.

Senator Markey, I will stop there and look forward to your questions. Thank you again for the opportunity to be here today.

[Mr. Ratner's prepared statement follows:]

PREPARED STATEMENT OF ELY RATNER

*I. Overall Assessment*

Chairman Gardner, Ranking Member Markey, distinguished members of the committee, thank you for the opportunity to discuss a topic of vital importance to the

United States. Before delving into the specifics of Chinese economic coercion, I want to begin with four topline observations on the current state of the U.S.-China competition:

1. *The United States and China are now locked in a high-stakes geopolitical competition.* How this competition evolves will determine the rules, norms, and institutions that govern international relations in the coming decades, as well as the level of peace and prosperity for the United States. There is no more consequential issue today in U.S. foreign policy.
2. *The United States, on balance, is losing this competition in ways that increase the likelihood not just of the erosion of U.S. power, but also the rise of an illiberal Chinese sphere of influence in Asia and beyond.* If current trends continue, Asia will see a future that is less democratic, less open to U.S. trade and investment, more hostile to U.S. alliances and military presence, and more often dictated by raw Chinese power rather than mutually-agreed upon standards of behavior. To avoid these outcomes, the central aims of U.S. strategy in the near-term should be to enhance U.S. competitiveness and prevent China from consolidating an illiberal sphere of influence.
3. *The U.S. government has failed to approach this competition with anything approximating its importance for the country's future.* Much of Washington remains distracted and unfocused on the China challenge. The Trump administration sounded some of the right notes in its first National Security Strategy and National Defense Strategy, but many of its foreign and domestic policies do not reflect a government committed to projecting or sustaining power and leadership in Asia and the world. On balance, I would characterize the Trump administration's China policy as confrontational without being competitive.
4. *Despite current trends, the United States can still prevent the growth of an illiberal order in Asia and internationally.* Washington's ability to muster the necessary strategy, attention, and resources will go a long way in determining the character of international politics in the 21st century. The foundations of American power are strong, and the United States can successfully defend and advance its interests if only Washington can manage to pursue the right set of policies.

## II. *The Phenomenon of Chinese Economic Coercion*

Mr. Chairman, I look forward to a broader discussion this afternoon on the wide-ranging question of China's economic statecraft-including its Belt and Road strategy, its ambitious industrial policy, and its continued use of unfair and illegal trade and investment practices-but for the purposes of my opening statement today, I'm going to focus on the increasingly common and consequential phenomenon of Chinese economic coercion.

Economic coercion has become a fundamental part of Chinese economic statecraft and has had a chilling demonstration effect on the world. If left unchecked and unanswered, the shadow of Chinese coercion will continue to undermine U.S. interests not just in terms of immediate economic costs and changes in behavior, but more profoundly through a future deterrent effect. Facing the specter of economic punishments from Beijing, countries and companies are increasingly wary of standing up to Chinese illiberalism and revisionism, and several U.S. allies and partners are less willing to cooperate with the United States on certain diplomatic, economic, and security matters. We already see these damaging effects in a variety of regions and forums-in the South China Sea and ASEAN; on human rights, including in Europe; and even in the United States with U.S. companies, universities, think tanks, and state and local officials reluctant to speak truth to Chinese power. If the United States is going to rise to the China challenge, Washington will have to find a way to blunt this particularly pernicious element of China's toolkit.

In June of this year, a team at the Center for a New American Security, the bipartisan national security-focused think tank where I work, published a landmark study on China's use of economic coercion.<sup>1</sup> I would encourage Members and their staff to read the report in full. The report defined economic coercion as the use, or threatened or latent use, of economic punishment for foreign policy and domestic political ends. To achieve such aims, China has used a vast array of coercive economic tools, including import restrictions, popular boycotts, pressure on specific companies,

<sup>1</sup> Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, "China's Use of Coercive Economic Measures," Center for a New American Security, June 2018, <https://www.cnas.org/publications/reports/chinas-use-of-coercive-economic-measures>.

export restrictions, limits on Chinese tourism, investment restrictions, and targeted financial measures.

Although Beijing has employed these tactics primarily over sovereignty disputes and other particularly sensitive areas for the Communist Party, the set of issues that evoke Chinese coercion is growing and the tools are being deployed more frequently. This reflects China's expanding economic and security interests around the world, greater coercive power enabled by its burgeoning economic clout, and Communist Party Chairman Xi Jinping's more assertive, ideological, and revisionist approach to international affairs. At times, this international bullying is intended primarily for China's domestic audiences, seeking to demonstrate the power and nationalism of the Communist Party.

A series of incidents over the last decade have illuminated the manner and circumstances in which Beijing uses economic coercion: Banning the export of rare earth minerals to Japan in 2010 during a clash over the disputed Senkaku Islands; freezing imports of Norwegian salmon after Chinese dissident Liu Xiaobo received the Nobel Peace Prize in 2010; restricting imports from and tourists to the Philippines during a standoff over Scarborough Reef in the South China Sea in 2012; initiating popular boycotts and placing import and tourism restrictions against South Korea following the deployment of a U.S. missile defense system in 2016 and 2017; and imposing restrictions on imports from Mongolia after a visit by the Dalai Lama in 2016. The message has been clear: Don't oppose Chinese revisionism in Asia, and don't question the Communist Party's worsening authoritarianism.

Over the last year, China has also attempted to coerce large Western companies into toeing Beijing's line on Taiwan and Tibet. For example, China has been pressing international airlines to stop listing Taiwan as a separate country on their websites. And in February of this year, Mercedes Benz was compelled to apologize to China for quoting the Dalai Lama on a corporate social media account.

Chinese economic coercion differs in notable ways from U.S. economic coercion. Beijing has largely used informal and extra-legal measures, providing deniability and the flexibility to escalate and deescalate at will. Moreover, as should be clear from the examples above, China is often using its newfound power and influence to advance narrow national and regime "core" interests, rather than to uphold and enforce international rules and norms. Beijing was content to sit quietly when Russia invaded Crimea, but has lashed out with economic punishments when foreign leaders met with certain internationally-recognized religious leaders or Nobel Prize laureates.

It can be difficult to gauge the relative success of these actions. On the one hand, China's bullying does have negative repercussions: publics resent the pressure and economic hardship, and governments have at times sought ways to reduce future vulnerabilities. It is my firm belief, however, that we should not overstate the downsides for China. Beijing is making steady progress at building a sphere of influence in Asia, even if in a manner that is two steps forward, one step back. Indeed, even when an individual Chinese coercive action has little immediate effect, Beijing can still succeed in sending a powerful deterrent message to other countries making clear that they could be next. It would be a considerable mistake to sit back and allow these practices to go unchecked under the assumption that they will eventually backfire for Beijing.

### *III. Guiding Principles*

Blunting China's economic coercion is a strategic imperative for the United States. As the United States embarks on addressing this problem, it should do so with the following tenets:

1. *The foundations of American power are strong:* We should be approaching the China challenge from a position of confidence. Despite all the pessimism about American decline, the United States continues to possess the attributes that have sustained its international power and leadership for decades. Our people, demography, geography, abundant energy resources, dynamic private sector, powerful alliances and partnerships, leading universities, democratic values, and innovative spirit give us everything we need to succeed if only we're willing to get in the game.
2. *Rising to the China challenge is ultimately about us, not them:* Since the end of the Cold War, U.S. policy toward China has sought to open its society and economy, while also encouraging it to become a responsible member of the international community. Instead, we find ourselves today confronting an increas-



ingly illiberal, authoritarian, and revisionist power,<sup>2</sup> and we should expect that China will continue heading in this direction (at least) as long as Xi Jinping is in charge. It is therefore no longer viable for the United States to predicate its strategy on changing China. Rather, how the United States fares in its strategic competition with China will ultimately depend on our own competitiveness, and we should be bolstering our own national strength and influence to gear up for this challenge.<sup>3</sup> In short, even as we strengthen our defenses against China's predatory economic practices, our China strategy should be focused on enhancing American competitiveness.

3. *Tariffs should not be the principal economic policy tool against China:* U.S. tariffs raise prices on American consumers and businesses, invite retaliation, and are unlikely to lead to significant changes in China's economic policies. Although limited tariffs are appropriate under certain circumstances, a better strategy would put more weight on a combination of high-standard multilateral rulemaking, investment restrictions, export controls, targeted public diplomacy, sanctions against Chinese companies guilty of stealing U.S. technology, investments in U.S. domestic competitiveness, regulations that encourage supply chain resilience and diversification, and closer coordination with allies and partners.
4. *We need a comprehensive China strategy across all domains of the competition:* Regardless of the specific topic—Chinese economic coercion, human rights, or the South China Sea—the United States needs a comprehensive strategy that enhances U.S. competitiveness across all domains of the competition, including military, economics, diplomacy, ideology, technology, and information.<sup>4</sup> It would be a mistake to approach our China policy as siloed and tactical responses to particular problems. Succeeding on any individual issue will require strength and skill across all areas of the competition.

#### *Recommendations for Congress*

1. *Congress should hold hearings to re-examine the costs and benefits of rejoining the Trans-Pacific Partnership (TPP).*

Rejoining TPP (now the Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP) is the single most important thing the United States can do to advance its economic position in Asia, and to erode the effectiveness of China's economic coercion. Joining a high-standard trade and investment regime will incentivize companies, including in the United States, to diversify their supply chains away from China, thereby lowering their dependence on and vulnerability to Beijing. Returning to a multilateral trade mechanism will also renew confidence in the credibility and commitment of the United States, while leaving China as an outlier as long as it pursues a state-led mercantilist model. The politics of this are obviously difficult right now in the United States, but both political parties need to find a way back to the deal. By not joining and stewarding an agreement with strong U.S. buy-in and protections, the United States is inviting continued Chinese economic coercion and, ultimately, Chinese dominance of Asia.

2. *Congress should constrain the ability of the Trump administration to levy tariffs against U.S. allies and partners on national security grounds.*

The United States should be working with—not alienating—allies and partners to address the China challenge, including sharing information on Chinese activities, coordinating on trade and investment restrictions, and re-routing global supply chains. It will be exceedingly difficult to address China's coercive, unfair, and illegal trade and investment practices on our own. It was a mistake to lead with Section 232 tariffs on some of our closest allies, and similarly misguided to threaten auto tariffs against the European Union or withdrawal from NAFTA or KORUS. Instead, the United States needs an international economic strategy that differentiates between allies and strategic competitors. Congress should therefore set limits on the

<sup>2</sup>Kurt M. Campbell and Ely Ratner, "The China Reckoning," *Foreign Affairs*, March/April 2018, <https://www.foreignaffairs.com/articles/usa/2018-02-13/china-reckoning>.

<sup>3</sup>Daniel Kliman, Elizabeth Rosenberg, and Ely Ratner, "The China Challenge," 2018 CNAS Annual Conference, June 21, 2018, <https://www.cnas.org/publications/commentary/the-china-challenge>.

<sup>4</sup>Ely Ratner, "Rising to the China Challenge," Testimony before the House Armed Services Committee, February 15, 2018, <https://www.cfr.org/report/rising-china-challenge>.

Trump administration's ability to levy damaging tariffs on close U.S. allies and partners on specious national security grounds.<sup>5</sup>

3. *Congress should play an active oversight role on U.S. economic policy toward China by mandating that the administration produce a National Economic Security Strategy.*

The U.S. government is not institutionally configured to deal with the China economic challenge. The issue of economic coercion, in particular, lacks a natural institutional home in the U.S. government. This dearth of U.S. government coordination invites further Chinese coercion and increases the likelihood that U.S. companies will buckle to China's demands. Congress should use its oversight authority to urge the U.S. government to organize institutionally for the China economic challenge, including by passing proposed bipartisan legislation requiring the administration to publish a National Economic Security Strategy.

4. *Congress should focus on enhancing American competitiveness by continuing to support increases in funding for basic research, formulating strategic immigration and visa policies, and investing in education, among other priorities.*

Ensuring America's continued economic strength and technological leadership is vital to reducing U.S. vulnerability to Chinese economic coercion.<sup>6</sup> The U.S. government should therefore continue its long tradition of providing seed funding for critical technological breakthroughs. Additional domestic policies focused on enhancing American competitiveness will be critical to the strategic competition with China, including responsible fiscal policies, strategic immigration and visa policies, skills retraining for workers adversely affected by China's predatory economic policies, emphasis on improving STEM education, and efforts to build a bipartisan consensus on the China challenge.

5. *Congress should explore reconstituting a 21st-century version of the U.S. Information Agency.*

The United States should revive its ability to engage in information operations and strategic messaging, which have not featured prominently in U.S. China policy for decades. The goal should be to provide a counterpoint to the billions of dollars China spends each year in propaganda to sell a vision of its own ascendancy and benevolence, alongside U.S. decline and depravity. The resulting perceptions of the inevitability of China's rise and of future dependence on China have reinforced Beijing's coercive toolkit. More U.S. media and information platforms could provide a degree of level setting about the facts and fictions of China's power, expound the strengths of the United States, and cast a more skeptical shadow on certain expressions of Chinese influence, including its governing model, its ideological assertions, and the overall strength of its economy. U.S. information operations could also highlight Xi Jinping's deep unpopularity around the world, as well as his mismanagement of China's economy and failure to deliver on much-needed economic reforms.<sup>7</sup> If creating a new institution like the U.S. Information Agency is not feasible, the U.S. government will still need more modern and sophisticated information dissemination tools.

6. *Congress should increase funding for the Broadcasting Board of Governors to augment China-related content in Asia and beyond.*

<sup>5</sup>Peter Harrell, "Congress must rein in White House economic national security powers," *The Hill*, June 7, 2018, <http://thehill.com/opinion/national-security/390958-congress-must-rein-in-white-house-economic-national-security-powers>.

<sup>6</sup>Elsa Kania, "China's Threat to American Government and Private Sector Research and Innovation Leadership," Testimony before the House Permanent Select Committee on Intelligence, July 19, 2018, <https://www.cnas.org/publications/congressional-testimony/testimony-before-the-house-permanent-selectcommittee-on-intelligence>.

<sup>7</sup>This would not require the use of disinformation. For example, a recent Pew Research Center poll found that only 28 percent of respondents around the world had confidence in Xi "to do the right thing regarding world affairs." (<http://www.pewglobal.org/2017/06/26/u-s-image-suffers-as-publics-around-world-question-trumps-leadership/#trump-putin-and-xi-all-unpopular-merkel-gets-highest-marks>.) Similarly, recent analysis by the Rhodium Group and Asia Society Policy Institute on the pace of Chinese economic reforms found that, "fourth quarter 2017 indicators continued to diverge from official reports: fundamental reforms are lagging while stated growth never seems to change. This does not make good sense, statistically or logically. We see eight of our ten policy assessments in neutral or negative territory." (<https://aspi.gistapp.com/china-dashboard/>.)

Current efforts to enhance U.S. government broadcasting and information operations in response to Russian disinformation campaigns should be expanded to develop more China-related content in strategically significant countries. A larger budget would allow Radio Free Asia to bolster its regional offices and employ more journalists throughout Asia to report on China's activities of concern, including those related to the Belt and Road strategy. More resources for U.S. strategic messaging could also help U.S. entities to operate with greater sophistication on China's own social media platforms, such as WeChat. Alternatively, failing to augment U.S. resources in the information space will make it much more difficult to succeed in other areas of the competition.

7. *Congress should provide resources and direct the Defense Department to develop the means to circumvent China's "Great Firewall" and make it easier for Chinese citizens to access the global Internet.*

It will be important at times for the United States to be able to communicate directly with the Chinese people. The U.S. government should therefore invest in developing and deploying the technologies necessary to circumvent authoritarian firewalls, including in China. This would involve both developing cyber capabilities to disrupt China's censorship tools, as well as finding new ways for citizens inside China to access a free and open Internet.

8. *Congress should reinforce the Trump administration's public reproach of China's economic coercion by passing sense of the Senate resolutions criticizing China's actions.*

It is critical for the U.S. government to publicize and criticize Chinese economic coercion. If the United States remains silent during incidents of Chinese economic coercion, it is unlikely that others will be brave enough to stand up. Public statements by the Trump administration that highlight and diminish China's actions in this area—including labeling China's bullying "Orwellian nonsense"—is good policy. Official U.S. statements should also show support for targets of Chinese coercion. Congress has a role to play in naming and shaming acts of Chinese coercion, supporting U.S. allies and partners, while also holding private companies publicly accountable if they are compromising U.S. values and interests for commercial gain.

9. *Congress should task the Congressional Research Service with publishing a regular report on Chinese economic coercion that outlines the incidents, costs, and policy tools used by Beijing.*

As part of a broader public diplomacy campaign, the United States government should make available data on Beijing's coercive measures to highlight the tools, methods, and consequences of Chinese economic coercion, limit Beijing's plausible deniability, and facilitate further study by outside experts.

10. *Congress should support the economic pillars of the Trump administration's Indo-Pacific strategy by passing the BUILD Act, reviving the Export-Import Bank, and increasing foreign assistance in strategically significant sub-regions.*

Bolstering U.S. economic competitiveness in the Indo-Pacific will require additional resources. Beyond simply criticizing China's predatory policies, it is vital for the United States to offer concrete alternatives to China's economic statecraft. Although the Trump administration has been slow to develop its strategy for a "free and open Indo-Pacific," certain elements of the policy are now coming into view. It will not be necessary (or possible) to match China dollar for dollar. Instead the Trump administration should—in concert with allies if possible—pursue discrete development projects that showcase attributes of transparency, good governance, skills transfer, debt sustainability, and environmental protections, all in contrast to China's way of doing business. Trump administration officials at the working level should be commended for beginning to advance an economic agenda for Asia despite strong headwinds. The upcoming "Indo-Pacific Business Forum" on July 30 is a good start, and Members from both parties should attend and participate if possible.

11. *Congress should pursue measures to support supply chain diversification and redundancy and consider a counter-coercion fund to compensate targets of Chinese economic coercion.*

The United States can take proactive steps to reduce the salience of China's coercive economic power. Building diversity and redundancy in critical supply chains, for instance, could help to limit China's leverage over key nodes in the world economy. Congress can assist by considering regulatory changes that reduce incentives for companies to source critical inputs from China. The U.S. government should also study the feasibility of creating a funding vehicle—possibly in cooperation with other developed economies—to compensate, in real time, targets of Chinese economic coercion.

12. *Congress should call upon Commerce, Treasury, and other departments and agencies to develop tools to retaliate against Chinese firms and the interests of relevant government officials.*

The United States government needs more tools to retaliate against acts of Chinese economic coercion, thereby helping to deter and, if necessary, impose costs on Chinese companies and the political interests of relevant Chinese officials. As a result, Congress should call upon departments and agencies to come forward with proposals for additional retaliatory economic measures. Otherwise, there is little reason why Beijing will hesitate from bullying American firms. Areas for consideration should include U.S. anti-trust statutes, export controls, licensing requirements, and investment restrictions. When appropriate, Congress should also urge the Trump administration to employ Executive Order 13694, which provides authorities for sanctions against companies that have stolen intellectual property for commercial gain.

Senator MARKEY. Great. We thank both of you for your testimony.

And because of the roll calls, I was not able to make my opening statement, which I will do here for a few minutes awaiting the return of the chairman. And then we will begin the question and answer period.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. For good reason, Congress has spent considerable time working on the threats from North Korea lately. But for those who follow the Asia Pacific region closely and increasingly for those who do not, China has become a significant strategic challenge that demands our attention.

We are witnessing a growing Chinese willingness to bend and break longstanding rules, rules that the United States helped create in an effort to spread peace and stability across the globe in the wake of devastating world wars, rules that created a level playing field and allowed the ingenuity and productivity of American workers to flourish, creating high-paying jobs and expanding our economy.

Unfortunately, the Chinese Government is undertaking coercive activities across the board, economically, militarily, and politically that threaten to alter this playing field in China's favor.

So as Chairman Gardner mentioned, we intend to hold a series of hearings on what these developments mean for the United States. And today we are focusing on the Chinese Government's coercive activities in the economic realm.

There are good reasons why we should be closely following these issues. The Chinese Government has used this economic coercion against our allies and partners undermining U.S. foreign policy, and it has targeted American companies directly threatening the livelihoods of American workers and expropriating American innovation and ingenuity. Taken together, these actions are eroding the

principles of the international rules-based system in an unprecedented way.

For example, the Chinese Communist Party is directing targeted economic pressure against smaller countries to achieve specific diplomatic goals. It has even been bold enough to target American allies. In response to an alliance effort to defend South Korea from North Korean missiles, China began an economic pressure campaign targeting the South Korean Government and people. This month's long, high profile campaign reportedly caused the country more than \$15 billion in damage. Dollar figures like that tend to change minds. And this blatant coercion should concern us all.

And this is not an isolated incident. China has used similar measures against other U.S. allies like Japan and the Philippines, and I fear that we will only see more of this activity in the future.

It also is using economic pressure to persuade countries to isolate Taiwan diplomatically and attempting to compel companies to refer to Taiwan as a part of China. According to media reports this morning, U.S. airlines are expected to cave to the Chinese Communist Party's demands for them to refer on their websites to Taiwan as a part of China. Many foreign airlines have already capitulated.

And through its Belt and Road Initiative, or BRI, China is burdening countries receiving infrastructure loans with debts so extreme that they begin to undermine their own very sovereignty. According to a recent "New York Times" report, this Belt and Road Initiative amounts to a debt trap for vulnerable countries around the world, fueling corruption and autocratic behavior in struggling democracies.

The Chinese Government also is targeting U.S. and other foreign companies in its bid to acquire technology that China deems strategically important for its economic development. The list of American companies on the receiving end of China's ever-more aggressive economic coercion is long and growing.

In one example, American Superconductor, an energy technology company from my home State of Massachusetts that produces chips for wind turbines, partnered with a Chinese company partially owned by the Chinese Government, which then stole its intellectual property and used it against them.

These practices have victimized numerous other companies in Massachusetts and across the country, including many that do not want to be named for fear of retribution by the Chinese Government.

This must stop. And the American Government must help protect American businesses from being bullied by China. And while the administration has sought to counter some of China's efforts through tariffs, there are broader strategic objectives that we need to keep in mind. Across the board, these coercive measures hurt companies and their workers, damage our international relations, and create vulnerabilities, and they damage the international system that keeps peace and stability.

This is not about making China out to be the enemy, and it is not, as China likes to complain, about constraining China's rise. But rather, it is about all countries following the rules of the road

because these rules give every country, including China, a chance to prosper and compete from an equitable playing field.

So it is of the utmost importance that we stand up for the interests, principles, and values that we care about. There is no place in the modern world for powerful countries coercing others, whether they be smaller neighbors or companies trying to provide for their workers. There simply is no room for the old ways of might makes right. We must ensure that we protect U.S. economic and security interests, as well as the broader international system that has helped provide peace and stability across the globe. The United States cannot afford to cede leadership on this issue.

So I thank you, Mr. Chairman. The witnesses have completed their testimony, and we are ready to begin a round of questions.

Senator GARDNER [presiding]. Thank you, Senator Markey.

Again, thank you both for your time and testimony today, and I thank the members for their time in participating in the committee.

Mr. Blumenthal, you mentioned in your opening statement—you talked about the economic opening in China being over. Could you go into a little bit more detail of what you mean by that?

Mr. BLUMENTHAL. So the period of reform and opening, which Deng Xiaoping began in 1978 and allowed for the great growth of China, the great growth of the private sector, private sector entrepreneurs and brought so many Chinese out of poverty and benefited the world, ended probably 10 years ago. We now know the Chinese have gone back to the state sector dominating, taking out room for entrepreneurs to grow. They have gone back to things like price controls. They have gone back to things like lending on the basis of non-market, non-profitable lending, but rather through patronage from the party to state-owned enterprises. They certainly have not moved any further than they were 10–12 years ago on market access, things that we have been pressing for. They have not stopped subsidizing. In fact, they have doubled down on subsidizing their state-owned enterprises, which is probably the single biggest cause of probably the WTO stalling as much as it has. And Xi Jinping is certainly not taking China down the road of another round of market reforms. Quite the contrary, he is statist and favoring state-owned enterprises and the subsidization of state-owned enterprises over the private sector.

Senator GARDNER. It was the first opportunity I had through the committee to visit China I think in 2015, and while I was there, I met with a number of U.S. businesses. In those conversations, these U.S. businesses said just give China more time. There is just a little bit more time than now to see if the reforms will work. And I think you have said it has been about 10 years now where those reforms quit and then they kind of went back. They have gone back to some of the bad actions of the past.

I do not hear the same thing from American businesses today. I do not hear give them time, just wait a little bit longer. What I hear now is that the U.S. needs to act on the predatory economics.

You have also talked about coercion. Could you explain the difference between sort of coercion and predatory economics?

Mr. BLUMENTHAL. Sure. So the Chinese economic system in many ways is set up to be predatory without necessarily trying to

fulfill a geopolitical imperative. So when I talk about coercion specifically, I am talking, for example, about trying to stop U.S. tariffs to take an example right now. So call on U.S. businesses—Xi Jinping calls on CEOs of U.S. businesses and says, if you do not get the Trump administration to stop these tariffs, your businesses will pay. They cannot do business here. We will squeeze them out. That is coercion.

The same thing with Taiwan. If you, Taiwan CEO, do not go back to Taiwan and vote for a more pro-Beijing party, you cannot do business here. That is coercion. That is trying to obtain a geopolitical objective.

The predatory nature of the Chinese economy is just inherent and structurally in the system. The state-owned enterprises and the state banks lend on a predatory nature and a non-profitable nature. And the subsidization that they rely so heavily upon in China in order to export is causing structural stresses in the world trade system. So that is how I divide it up analytically.

Senator GARDNER. Supports in something like Sri Lanka would be predatory economics.

Mr. BLUMENTHAL. In that case, it could be both. So if you are setting up—it is predatory in the sense that Sri Lanka needs the funding for the port, and they will get favorable terms at first from the Chinese. But then the Chinese will come back and call for something in return like access to a port. It can be coercive if the Sri Lankans do not actually deliver that port, and they could more and more pressure on the Sri Lankans politically to deliver. A lot of the BRI cases are cases of both, a confluence of both those strategies.

Senator GARDNER. And I mentioned before that I do not hear from U.S. businesses just wait a little bit longer to see if those reforms take effect. But yet, as Senator Markey mentioned in his opening dialogue, we do see coercive efforts by China on U.S. airline companies trying to get them to change their websites, a word on a website, as it relates to Taiwan. And so that is a coercion tactic. Is that correct?

Mr. BLUMENTHAL. That is absolutely correct. The target there is isolation of Taiwan using U.S. businesses as a proxy to get at Taiwan.

Senator GARDNER. And what is the ultimate consequence if U.S. businesses, like U.S. airlines, start capitulating to China and their demands over changing their website? That is not the end of it. Right? It continues. There is something else. There is something more.

Mr. BLUMENTHAL. On Taiwan, there is a multifaceted coercive strategy. It involves military coercion that constantly exercises to demonstrate to Taiwan that if they want to, they can cut their economic lifelines off from ports and increasingly in the airspace. They are trying to wipe Taiwan off the mental map of all of us, and that is what they are doing with airlines and other types of companies, as well as websites. They are trying to get the State Department and others—they are constantly fighting with them over how to mention Taiwan, the Olympics. What they want to do is wipe Taiwan off the map as a separate entity.

Senator GARDNER. I know in both of your statements, you make recommendations for policies that we could put in place that would help the United States address the rise of China. And as Senator Markey said, the goal is not to try to make people choose between friends but to have multiple friends to have in a system that actually abides by international norms and rules of the road that we all agree to. And so I look forward to getting into those recommendations a little bit more.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Mr. Ratner, where are we in this trade war? Just help us to step back and get a perspective as to where this is likely to lead.

The U.S. Department of Agriculture today announced they are planning to announce \$12 billion in emergency aid for farmers that were hurt by President Trump's escalating trade war. And obviously, there is going to be a line of other industries' employees who are going to be showing up looking for aid as well as part of this war. We might as well call it kind of a trade defense budget. You need a whole defense budget here. It is not just going to be for the ag sector. It is going to be for every other sector, steel, aluminum, you name it. All the way down the line are industries affected by those industries who are all going to be looking for some help.

So can you talk a little bit, Mr. Ratner, where you see this going and what the end game is from your perspective?

Mr. RATNER. Sure, Senator Markey. The direct answer is I think we are about 20 years into this trade war. So this is not something that Donald Trump started. This is something that China started decades ago. And I do not agree with all the ways that the Trump administration is going about dealing with this problem, but I do think they should be commended for highlighting it, and business as usual was not going to work. So it is important I think.

And one of my critiques of the Trump administration is that it was a serious mistake for them to lead with the section 232 tariffs against our allies and partners because it muddied the message of Chinese predatory practices, and that is what we should be focused on as a country in terms of our economic strategy as we are thinking forward. That is what the Trump administration should have been talking about from day one. And I worry now that the message is very confused with both the American people and the international community in terms of where the China economic challenge and China's predatory practices—

Senator MARKEY. So you are saying instead of imposing tariffs on Canadian steel and aluminum that actually hurts many sectors of our economy, that instead the President should have been focusing on China right from the very beginning. Is that your point?

Mr. RATNER. That is absolutely right. The term that I used to describe the Trump administration's China policy is that it is confrontational without being competitive. Tariffs are quite confrontational, but there is a better basket of tools that we could be using associated with high standard rulemaking, investment restrictions, export controls, public diplomacy, sanctions against particularly bad actors, investing at home, rerouting supply chains, coordinating with allies and partners. There is a whole suite of eco-



conomic policies we should be making here to be more competitive with China. That is what we should be focused on.

Senator MARKEY. Okay.

Now, do you see any threat that this economic trade war could spill over into national security areas as well?

Mr. RATNER. It depends what you mean by that, sir. I think part of what the Trump administration—

Senator MARKEY. We need the Chinese for cooperation on many national security issues. Do you think this could reduce the likelihood that there would be cooperation where the United States is looking for it most ardently?

Mr. RATNER. I think we may see issue linkage. Certainly both President Xi and President Trump have drawn such issue linkage.

I think one of the questions is what is the goal of the Trump administration here, and they have not articulated that. There are folks inside and the President himself who talk about trade deficits. There are others who talk about restoring American manufacturing, and there are others who talk about tech transfer and intellectual theft. And then there are others who talk about that the goal here is not actually to get a deal that makes our economies more interdependent but one that leads to less dependence between us that sees interdependence as the problem.

So I think one of the reasons why I like the idea that Senator Young and others have talked about about a national economic security strategy is that it would force the administration to be clear about what its aims are and then put forward a strategy to achieve those aims because we have not heard that yet clearly from the Trump administration.

Senator MARKEY. So, again, do you think that in the absence of that, that we could just wind up with a never-ending cycle of increased tariffs on both sides that ultimately harm the global economy perhaps while not, in fact, achieving the result, which the President says that he is aiming to achieve?

Mr. RATNER. Well, again, I do not think we know what the result is exactly, but certainly tariffs are a blunt instrument. They raise prices for consumers and businesses, and they invite retaliation. And I do not think they are necessarily going to achieve the types of concessions from the Chinese on their industrial policies or their economic model that some are talking about. So to me, they may be a small part of a broader economic policy, but they should not be the central tool of our economic approach to China, which should be predicated on a more competitive strategy by the United States.

Senator MARKEY. So in terms of what the Chinese did to the South Korean economy after the deployment of the THAAD system, hitting it to the tune of \$15 billion, what does that teach us about China and its relationship with national security issues from their perspective in terms of linking economic sanctions as a response to those national security issues?

Mr. RATNER. Well, I think what it teaches us, Senator, is that China is going to use its economic clout to try to achieve its geopolitical aims, which include dividing American alliances and eroding the influence of the United States in the region. So I think that was a very important episode. It was very revealing.

I think we can talk about trying to incorporate China into a rules-based order. I do not think that is where we are going to be in the next several years. I think what we have to do is pull up our socks, get more competitive, slow down Chinese momentum in its efforts to develop the sphere of influence. That is a much more urgent task than a long-term goal of developing a rules-based order.

Senator MARKEY. Looking at what happened in the Singapore summit, there were reports before Singapore that the Chinese had already increased trade with North Korea, and then there were comments coming out of leadership inside of China that they could now increase trade because of the, quote/unquote, success of the Singapore summit. How do you view that? How do you view the Chinese in terms of their use of trade or withdrawal of it as a tool in their relationship with the United States, South Korea, but with the North Koreans?

Mr. RATNER. Well, to link this question with the earlier one, I tend to believe that China's behavior vis-a-vis North Korea is predicated on its own narrow interests as it relates to the peninsula and its geopolitical interests. I do not think they are going to be more or less cooperative on North Korea as a result of U.S. trade policy. In general, they may share the hope in the long term of denuclearization of the Korean Peninsula, but I do not think they are particularly interested in any kind of instability that might come along with that. So I tend to think they have been looking for any opening to get where we are today, and they are going to push in that direction and essentially support the United States and the Trump administration when it is in their interests and oppose it when it is not.

Senator MARKEY. Thank you, Mr. Chairman.

Senator GARDNER. Thank you, Senator Markey.

Senator Young?

Senator YOUNG. Well, I thank our witnesses for being here today.

Mr. Ratner, thanks for your testimony. As I reviewed your written statement, you seemed to be making a pretty simple argument with very serious implications. In short, you seem to be saying we are in a high stakes competition with China, that China does not accept this rules-based international order we had hoped to welcome them into back in 2000. The legitimacy of that order and the institutions that were stood up to oversee that order are not respected by China. China instead respects power. And we as a nation have insufficient leverage, it seems, to be able to effect the sort of change we want with respect to intellectual property theft, joint licensing requirements, dumping, and so many other things. What we lack—and this is language you employed—is a comprehensive strategy.

Is that a fair summary of your viewpoint, Mr. Ratner?

Mr. RATNER. Yes, Senator.

Senator YOUNG. Well, I appreciate your reference in your prepared statement to my legislation, and I, of course, would welcome my cosponsorship. I already know that Senator Gardner has signed on to the national economic security strategy. You have called on Congress to pass this legislation.

Why specifically do you believe Congress should pass this legislation? And why do you believe the administration should produce a national economic security strategy?

Mr. RATNER. Senator, my answer would be twofold.

First, clearly the economic dimensions of the geopolitical competition are only becoming more important. You know, it is common to say now that we are seeing the return of great power politics. The role of economics in the strategic competition will be greater I think than they were in the past for a variety of reasons, in no small part because that is at the leading edge of Chinese power and influence. So that is where the United States needs, among other areas, to rise to this challenge. So the economic component is very important and it is a particular area where our government is not well configured institutionally and where this particular administration is not coordinating particularly well. And if we are going to get serious about this, we are going to need the government with a coordinated strategy where the different elements are working together toward the same purposes.

Senator YOUNG. So is it fair to say that you believe that this legislation and the requirement that this and future administrations produce a national economic security strategy would catalyze critical thinking across different departments of government? They would synthesize their different priorities and objectives, and that would lead to a coherent and cohesive whole-of-government economic strategy that would advance our national interests.

Mr. RATNER. I think it could certainly help, Senator. I will say to your last point, I am at times disappointed when the Trump administration is taking actions that do not represent its National Security Strategy or its National Defense Strategy, which I think are actually quite good documents. So it does not solve the problem in and of itself, but having served in the White House and worked closely with the National Security Council, these planning processes are incredibly important for the kind of coordinating mechanisms you are describing.

Senator YOUNG. But any infirmities that might exist in the strategy would then be exposed for lawmakers, academics, and critics alike to remedy in a classified setting where a classified annex would be required for the security strategy. Is that how you see this?

Mr. RATNER. Yes. And frankly, I think there are new tools that the United States is going to need. So this is not just the process of digging up and putting together, cobbling together old parts of our strategy. I think we need these processes to bring together the foreign policy and security dimensions of our foreign policy apparatus with the economic and finance dimensions, and that is not something that we do well. I will say again at my time at the White House in my role as Deputy National Security Advisor to the Vice President, I attended the deputies' committee meetings. There was an economics pillar to those that were run by an entirely different group of people than the normal national security process, and it led to relatively incoherent policies at times. And those worlds need to be brought together, and this type of strategy process is one way to do that.

Senator YOUNG. What I find coherent in, say, the National Security Strategy is how they have been able to, through an established process, look across the State Department, Treasury, Department of Defense, and other agencies of government. Their handiwork is synthesized within the National Security Council. And that is what we envision working hand in glove with the National Security Council and the National Economic Council doing a similar sort of thing on the economic front.

Would there be a signaling function by production of a national economic security strategy, that is, a signaling to our adversaries about what precisely our policy is and to the American public who I find consistently asking back in Indiana, whether they are farmers or manufacturers or others, what is the plan?

Mr. RATNER. I think that is right. And just to inverse your question to make the same point, I think the lack of coordination, as I say in my testimony, I think invites Chinese economic coercion because they see those divisions. And I think it makes it harder for companies that are under the duress of Chinese economic coercion to stand up for themselves because when they look back, they are not sure anyone is behind them standing firm either. So both for our folks and for our competitors, I think it would send an important signal.

Senator YOUNG. Thank you.

Mr. Ratner, in your prepared statement, you write, quote, the United States should be working with not alienating allies and partners to address the China challenge.

Now, look, I acknowledge that our trading partners could give some with respect to their policies related to trade, other economic policies, regulatory policies. But our differences are marginal in comparison to the state capitalist model that, say, China has adopted.

So why do you believe we need international partners like the Europeans, like the Canadians, for example, in addressing China's economic coercion despite the fact that we may have some differences with those partners?

Mr. RATNER. Well, there are multiple functions that we can do to address Chinese coercion and some of these predatory practices with our partners. One, of course, is sharing information and intelligence, which is a key part of this effort, and then coordinating on things like investment restrictions. For instance, if there were a company from Indiana, whether it was a high tech company that was trying to be bought by a Chinese company and CFIUS or its successor were to block that, if the Chinese could then just go to the Europeans and buy a similar technology or a similar company, then your company in Indiana would lose out from that. So I think to maintain our competitiveness and protect our IP is going to be a team effort with our allies and partners. It is not something we can do on our own.

Senator YOUNG. And there is additional leverage as well, which is a related point to yours. As we try and bring China closer to what we would consider good behavior or a fair trade model, enhancing our leverage by joining together with the Europeans or our Asian friends and trading partners might make sense. Would you agree with that assessment?

Mr. RATNER. I would agree with that, and when it looked like the United States was going to join the Trans-Pacific Partnership and that agreement was going to pass, the Chinese were starting to ask questions quietly at senior levels with American officials about what they would need to do down the road to improve their practices to join that agreement, and obviously, those conversations are no longer happening today.

Senator YOUNG. So lastly, Mr. Chairman, if I could just follow up on that. I noted that one of your recommendations, Mr. Ratner, in your testimony was rejoining TPP or finding a way into the Trans-Pacific Partnership. And I commend the President of the United States for having indicated that he was open to that prospect in the last State of the Union Address.

When I was in the House of Representatives, I co-chaired the TTIP Caucus, the Transatlantic Trade and Investment Partnership Caucus. And I wonder. Should the United States to gain more leverage, in addition to the economic benefits, also be vigorously pursuing TTIP negotiations in parallel with some of these other efforts?

Mr. RATNER. Yes, Senator. I think if we were part of the Trans-Pacific Partnership and we knitted that together with TTIP, we would be in an extremely strong position in terms of our economic competitive position toward China, and we would not be having these discussions today.

Senator YOUNG. Thank you, sir.

Senator GARDNER. Senator Merkley?

Thank you, Senator Young.

Senator MERKLEY. Thank you, Mr. Chairman.

Mr. Ratner, under WTO, is China allowed to offer subsidies to its businesses?

Mr. RATNER. Senator, I am not a trade lawyer, so I cannot get into the weeds of WTO law. But I think the answer is no, and there are several other dimensions in which they are not in compliance with the agreement.

Senator MERKLEY. Under the WTO, China is required to do an annual report of all of its subsidies to different enterprises. Does it do that report?

Mr. RATNER. I believe not, Senator.

Senator MERKLEY. So when it fails to do the report, we are, under the WTO, allowed to do a report on their subsidies. I did an amendment a few years ago that said if China does not produce a report, our trade representative will be directed to produce our report. And before that amendment—the ink could dry on it, our trade rep under President Obama produced a list of 200 Chinese subsidies, subsidies we are well aware of but rarely kind of articulated. So we certainly have an understanding of massive Chinese subsidies that are not allowed under WTO.

How about to offer loans at non-market rates?

Mr. RATNER. I believe not, sir.

Senator MERKLEY. Or to provide land for free as a form of subsidy?

Mr. RATNER. I think that is right as well as forced technology transfer and number of other practices.

Senator MERKLEY. And how about being required—for our companies to be required—to locate in a particular part of China where the infrastructure is inferior to other locations?

Mr. RATNER. Correct.

Senator MERKLEY. A couple of years ago when I was part of a delegation to China, we were at a meeting of the U.S. Chamber of Commerce in which many of these practices were highlighted. But one company in particular stood up and said—and I will not name the exact company because they probably did not want it too much publicized at the time. But they said they were basically told we have to put our manufacturing center in this far western city, far from the port infrastructure. We are told we cannot build any size of item that is in direct competition with the Chinese items. They were told they only could build larger versions that the Chinese were not yet building or they would be shut down and shut out of the country.

Is that type of activity by the Chinese legal under the WTO?

Mr. RATNER. No, sir.

Senator MERKLEY. And what about requiring American companies to do joint venture arrangements in order to be able to locate in China?

Mr. RATNER. Also not part of the agreement.

Senator MERKLEY. And you are familiar with how these joint venture agreements are often used as a way to drain U.S. technology.

Mr. RATNER. Yes, sir.

Senator MERKLEY. So what does one say to the American citizen who says China is violating all of these rules, and the WTO has no mechanism by which we appear to be able to hold them accountable? Why should we not work intensely to create an ability to hold China accountable to the structure of the WTO?

Mr. RATNER. I think that was the intention of the Trans-Pacific Partnership. The WTO was written at a different time. It was never designed for this type of state-led mercantilist power, and it was not designed around investment issues and other e-commerce issues and IP issues that we are facing today. So certainly, a need for an updating. But, again, I think the TPP, the Trans-Pacific Partnership, was the institutional answer to many of these shortcomings.

Senator MERKLEY. Well, perhaps we can have that debate another day because I do not share your opinion on that.

But turning back to the flaws in the WTO, what is the average Chinese tariff on our manufactured goods?

Mr. RATNER. I do not know that off the top of my head, Senator.

Senator MERKLEY. Are you familiar, in general, that their tariffs are significantly more on average on our manufactured goods than our tariffs on theirs?

Mr. RATNER. They are absolutely much, much higher. I think the fact that again this is not well known among the American people or in the international community is a shortcoming of our public diplomacy and communications on this issue, and I think we need to think about how we can do a better job of telling this story domestically and internationally. But absolutely, there is clear data on this particular finding.

Senator MERKLEY. And the Chinese are continuing to use a lot of state-owned enterprises as a strategy to provide subsidies that are rather hidden.

So under the WTO, if China engages in these practices and says to our companies, you have to be part of a joint venture, why do we not say, well, China, you want to locate in the U.S., you have to be part of a joint venture. Why should we give them such easy access when they are putting up such fierce obstacles to our investments in China?

Mr. RATNER. I do not think we should, and I think these types of reciprocal rules would be fair and would likely cause them to change their practices in certain ways. I think the fact that they have been able to get away with these kinds of practices for so long and take advantage of our open markets is what all of us collectively are trying to solve here. But I think a principle of reciprocity is a great one to apply to this problem.

Senator MERKLEY. In my various trips to China, I have seen China with bicycles. I have seen China with cars, and now I have seen China with bullet trains, massive new metro systems being built across the country, roads, bridges. Meanwhile, they are investing massively in defense. They are proceeding to buy up strategic minerals around the world. They are proceeding to buy into a lot of companies in the United States.

Is China eating our lunch?

Mr. RATNER. I do not think they are eating our lunch. You know, one of the things that I like to remind folks—and I know you all share this confidence and I put it in my statement—is that we ought to keep reminding ourselves that the foundations of American power are strong. And the reason why, if they are eating our lunch, I think we are losing this strategic competition among almost every parameter, whether it is economic or military or informational or ideological, is primarily because we are not competing. I think if we got our act together, we would be doing just fine.

Senator MERKLEY. As long as our market is very open to the Chinese, and as long as they can pay wages that are much lower than ours and have environmental laws that are virtually nonexistent or non-enforced, is it not always going to be pretty much cheaper for manufacturers to move their manufacturing to China or to other states that have similar low-wage, low enforcement, low environmental standards?

Mr. RATNER. I think that is right, which is again—it sounds like we have differences about the Trans-Pacific Partnership. But one aspect of that was to increase labor standards and environmental standards and otherwise so as to prevent countries from being able to race to the bottom and to level the playing field for American workers.

Senator MERKLEY. Well, just as a reminder, we were giving Malaysia access, which has some of the worst labor standards in the world, but that is a conversation for another day. Thank you.

Senator GARDNER. Thank you, Senator Merkley.

And this discussion on the TTIP and TPP I think is very important because I think we have laid out a lot of concerns we have with Chinese predatory economics, Chinese coercion, state-owned enterprises, market access requirements. There were reports sev-

eral months ago about requiring certain people to be in the chain of command of a business that is located in China. Obviously, technology transfers are a part of it.

And that is how the administration responded through—that is why the administration responded through, at least in part, the tariffs that it has. But I believe a more appropriate action would have been to get global communities, likeminded interests, allies together through the Trans-Pacific Partnership and other trade agreements to put pressure and isolate China. Do you agree, Mr. Ratner?

Mr. RATNER. Absolutely, Senator Gardner. I think that is the path forward. I think from a strategic perspective, it is the obvious solution. From a political perspective, it is more difficult. But this one is a no-brainer.

Senator GARDNER. Mr. Blumenthal?

Mr. BLUMENTHAL. I just have to correct a few things on the Trans-Pacific Partnership. Free trade is mostly to the good, but it would do nothing on Chinese coercive practices. We have a free trade agreement with South Korea, and yet it was the target of some of the harshest coercive practices in Asia. The TPP is gone, and it is becoming kind of an excuse to do nothing else. We have to take on Chinese coercive practices directly in ways that hurt the Chinese Communist Party, and we know how to do that. We have enormous leverage over China. China is stagnating as an economy. China is dependent on the U.S. consumer. I hope we do not go full bore into a tariff war, but they will lose because they export more than we do.

So the answer to everything nowadays seems to be the TPP that, again, may be an intrinsic good in and of itself. It may or may not. That is debatable. But it is not the answer to Chinese coercive practices.

Senator GARDNER. I think it is important to point out too that when it comes to South Korea, I believe at least in the Korean National Assembly—conversations I had with members of that legislative body—that the retaliation for THAAD cost around \$12 billion to South Korea's economy, including—

Mr. BLUMENTHAL. Right, right.

Senator GARDNER. So I think you make an interesting point.

I do want to get into, though, remedies. And, Mr. Ratner, when you say the foundations of U.S. leadership are strong, I think that is incredibly important. We should not be walking around with our heads down on this. That is why I want to get into remedies.

So, Mr. Blumenthal, then followed by Mr. Ratner, if you would like to talk about some remedies that we should be pursuing. How should we be responding to denials of market access? How should we be responding to theft and forced transfer of intellectual property? A lot of talk goes into reciprocity. Is there an understanding of what reciprocity would look like and what effect it would have, or would the message be lost?

Mr. BLUMENTHAL. Well, first of all, I disagree that there is no strategy. For the first time, the National Security Strategy mentioned China as a strategic competitor. It had a big part of it that is protecting the national innovation base. These tariffs are coming out of a section 301 investigation that took a year and a half that



was getting bipartisan acclaim. And then next week, we are unveiling a big free and open Indo-Pacific strategy, part of which is building resiliency in the countries that are most targeted.

So there is nothing you can do if, in Indonesia, for example, they are open to bribery except to build the rule of law in Indonesia. The Trans-Pacific Partnership cannot do anything about that. That is the work that the State Department is going to roll out next week.

What you can do remedy-wise is, again, go out—

Senator GARDNER. But I do think strong standards, though, in agreements like TPP will help force people to abide by those standards.

Mr. BLUMENTHAL. It could. It could. It could. But it is also the work of the State Department, USAID, and things that you will see rolled out next week in terms of resiliency within. Any other strategies on top of that are obviously welcome.

But, again, if we want to—you know, the era, to a certain extent, of strategies—the Chinese broke the WTO. The Trans-Pacific Partnership was a response to a broken WTO. The era of more documentation is over. It is time to go after CCP entities that are benefiting.

Senator GARDNER. What should we do in the case of denial of market access?

Mr. BLUMENTHAL. So we should pick some of the companies that have benefited the most from IP theft or forced technology transfer and through the enhanced CFIUS process that is already passing its way through the Congress and working with the Treasury deny them access to the U.S. market in coordination with the European market. That is how you get results from Xi Jinping. You target things that he cares about.

Senator GARDNER. Mr. Ratner?

Mr. RATNER. Senator, I guess one thing I would say, another thing that I mentioned in my written testimony, is that I do think it is important that as we think about any discrete China challenge, whether it is their predatory practices, the South China Sea, human rights, et cetera, what we need is a comprehensive strategy across the board. And that is what we need rather than simply sort of specific targeted responses only to these problems. So we need to be thinking about the entire pie here.

Again, you stepped out of the room, but thank you for the legislation that you are leading on this, and it is important. And the fact that it is comprehensive across military and economic and human rights and governance is exactly what we need to be doing. So I would be thinking of these in terms of a comprehensive package.

But as it relates the targeted piece, I completely agree with Dan. TPP is not the complete answer. It should be part of a broader answer set. I would start with investment restrictions. As you know, the 301 decision was meant to include potentially both tariffs, as well as investment restrictions, and the Treasury Department—Secretary Mnuchin came back with nothing on the investment restriction side. And I think that is quite disappointing, particularly as the new CFIUS reforms will take time to get implemented. So I would start with investment restrictions and whether it is related to reciprocal areas or areas that we are worried about for economic security or military security reasons, I think we ought to tighten

up, as I know Congress is doing our export control laws so that American companies actually cannot transfer their technology even if they want to.

I agree with Dan. We need to think about sanctions against companies that have benefited from IP theft. There is an executive order on the books that was put in place during Obama's second term that has not been used against Chinese companies, even though Treasury has packages ready to go. And I think it is unacceptable that we have not employed that executive order yet.

And I think we need to think about regulations to diversify supply chains and, again, coordinating with our allies and partners. It is going to take a whole suite of policies.

But I do agree with Dan that the retaliatory tools are ones that we need to think about, and if China is threatening American airlines, our U.S. airlines, then we ought to have tools in our back pocket, again, whether it is sanctions or antitrust statutes or licensing agreements that we can say quietly to the Chinese, if you do that, we are going to do this. And until they see, what incentive do they have not to keep going down this road? So we need to be able to strike back in a way that is nimble and offensive.

Senator GARDNER. Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

ZTE. President Trump says he wants to be tough on China, call them into account, but then he tweets out, Commerce Department should find a way to give ZTE, quote, a way to get back into business fast. And that is despite the serious security issues that were raised by Trump national security officials themselves, that there were violations of American sanctions, widespread bribery committed by the company to expand its footprint.

For both of you, do you believe that China is going to, in fact, receive the wrong message by not imposing tough measures on ZTE because of its allegedly close relationship with President Xi and as a result, it is going to escape the types of sanctions that would have sent a strong message to the Chinese economic sector that no games are going to be allowed to be played in the future? Mr. Ratner or Mr. Blumenthal?

Mr. BLUMENTHAL. ZTE is a big mistake. It is a violator of sanctions and also a threat to U.S. national security.

But I think right now we are focusing a lot on the U.S. reverberations from the tariffs, not focusing enough on how much China is suffering and how much of a panic they are in about these tariffs. So I do not think Xi in any way views Trump as a partner on economics. I think they idiosyncratically got a pass on ZTE, but I think Xi very much views Trump as somebody who is going to harm the Chinese economy if they cannot export these goods. That is what their economy is based on.

Senator MARKEY. Mr. Ratner, Mr. Blumenthal thinks it is a mistake. Do you think it is a mistake?

Mr. RATNER. I think it was a mistake. I think it is important to send the message that we are going to implement our laws and hold these companies accountable. I will say there are experts who have told me privately that when it comes to ZTE, if we had taken that action, they would have reconstituted the company under another name, over which we would have no penalties and no control

and that it is actually better—the devil you know is better than the devil that you do not know. I do not know if that is a correct argument or not. I think it is worthy of consideration.

But separate from that detail, I do think we should be approaching this as a law enforcement matter. They violated export control laws, and they ought to face punishment for it. The idea that they can somehow buy their way out of these violations sends a really disturbing signal.

Senator MARKEY. So what are the implications of this, though? We are seeing this erosion of response from the West, including airlines which are now all going to be forced to change the way in which they designate landing in Taiwan. So what does that mean in terms of this never-ending inexorable pressure which China is applying in the private sector in order to enhance its overall leverage and its relationship with everyone, including us?

Mr. RATNER. I think the question of what does it mean for the future is the right question because often in these instances the specific, near-term economic consequence is not what matters. What matters is that down the road countries or companies are going to be self-deterred from standing up to China, and that is what I worry about. And I think we see that every day of the week now in the South China Sea. It is what we see on human rights, even in countries in Europe that should know better. I think, as I said, there has been a chilling effect from this type of intimidation, and I think if the United States does not lead the way on standing up to it, then we are only going to see it get worse and worse as time goes on.

Senator MARKEY. All right.

For you, Mr. Blumenthal, China's Belt and Road Initiative, which aims to position China as the, quote, uncontested leading power in Asia, may further coerce its neighbors through loans that they cannot repay. So, for example, in a highly publicized example, Sri Lanka's government struggled to make payments on the debt it had taken on as a part of a deal with China under heavy pressure, and after months of negotiations with the Chinese, the government handed over Hambantota Port and 15,000 acres of land around it to a Chinese company partially owned by the Chinese Government for 99 years. Transferring this land gives China control of territory near India and a strategically important commercial and military waterway. And this is but one example of what appears to be a growing trend around the world with regard to a Chinese leveraging of their economic might as a way of then extracting concessions that have longer-term profound implications.

So what are the risks of increased debt burden amongst companies and countries receiving loans from the Chinese, Mr. Blumenthal?

Mr. BLUMENTHAL. It is very high. I would also point out, though, that the BRI is a mixed bag for China. So China is incredibly indebted, probably 270, something like that, percent of GDP. And a lot of what BRI is is forcing debt burdened Chinese state-owned enterprise is to go and invest or do construction in places that otherwise other countries would not do and draw down their foreign reserves to do so. So there are certain cases where we should just ig-

nore and tell the Chinese, please, go ahead, do construction in Pakistan as much as you would like.

When it comes to strategically placed countries like Sri Lanka or Bangladesh or certain countries in the Gulf, that is a different story because they are, indeed, trading investment on bad terms for those countries—well, first for good terms but then with a cost for strategic access and for geostrategic space.

Senator MARKEY. Mr. Ratner?

Mr. RATNER. I would agree with most of that. Again, the Chinese are making progress with BRI in part as a communications strategy and a public relations win, and it is incumbent upon us to do some level setting about the facts on the ground.

That being said, I think it is important also that the United States put forward its own positive vision. I think the Trump administration, as I understand, is thinking about ways to do that with the BUILD Act and strategic use of foreign assistance. And I am hopeful that they will come forward with some demonstration projects that put forward what U.S. and Western development looks like in terms of being environmentally safe and anti-corruption and skills transfer and good governance and all these issues. So we need to put something forward in comparison. We cannot just spend our time criticizing what they are doing out there.

Senator MARKEY. Okay, great.

We thank both of the witnesses.

I want to thank you again, Mr. Chairman, for your great work on the Asia Reassurance Initiative Act. I think it is something that hopefully can bring our committee and the Congress together and backing before the end of the year. Thank you.

Senator GARDNER. Thank you, Senator Markey.

Thank you to the witnesses. I think, as we wrap this up, do you have—

Senator MARKEY. No, no.

Senator GARDNER. I think just to leave the concern that we started with, and that is, what we can do to show U.S. leadership to make sure that we do not fall behind. In recent writings in “The Wall Street Journal,” quotes from President Xi, China has its own ideas about how the world should be run and, as he put it, to lead in the reform of global governance.

Another statement. In at least eight African countries, as well as some Southeast Asia, Chinese officials are training their counterparts in how to manage political stability through propaganda and how to control media and the Internet and that the China model provides a new option for other countries who want to speed up their development while preserving their independence.

And finally this. China has committed to train 10,000 political elites in Latin America by 2020.

All of this speaks to the need for what you have described, Mr. Ratner, what you have described, Mr. Blumenthal, is U.S. leadership and U.S. response, whether it is the BUILD Act, whether it is legislation that Senator Young has described, the legislation that we have cosponsored together, the Asia Reassurance Initiative Act, this is a time for U.S. leadership. And it is a time to stand boldly for our values that have empowered the world to be a better place, that has lifted up hundreds of millions of people around the globe

up and out of poverty through a system of rules and standards that do not favor one country over another, but that give people a chance to participate in global governance and that global rise. So now is the time for U.S. leadership.

I thank both of you for your time and testimony today. And I have a homework assignment here today somewhere, if I can find my closing script here. Basically we will keep the record on till the end of the week. I think I am screwing it up here. We are going to hold the record open till Thursday afternoon. If members have questions for the records, they will submit them. I would ask for your prompt response. They will be made a part of the record.

And with that and the thanks of this committee, this hearing is adjourned.

[Whereupon, at 4:02 p.m., the hearing was adjourned.]

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### Additional Material Submitted for the Record

CHINA'S MILITARY ESCALATION: MATTIS AND CONGRESS PUSH  
BACK AGAINST BEIJING'S SOUTH CHINA SEA DEPLOYMENTS

*Wall Street Journal Editorial, June 4, 2018*

While President Trump focuses on trade and North Korea, China is aggressively building military outposts beyond its borders in the South China Sea. Beijing wants to push Washington out of the Indo-Pacific, and the Trump Administration and Congress may finally be developing a serious strategy to respond.

Trillions of dollars of trade annually float through the Indo-Pacific, which stretches from East Africa through East Asia. In recent years China has built military bases on artificial islands hundreds of miles from its shores, ignoring international law and a 2016 ruling by a United Nations tribunal.

The buildup has accelerated in recent weeks, as China has deployed antiship missiles, surface-to-air missiles and electronic jammers on the Spratly islands and even nuclear-capable bombers on nearby Woody Island. This violates an explicit promise that Chinese President Xi Jinping made to Barack Obama in 2015 that "China does not intend to pursue militarization" on the Spratlys.

The next step could be deployed forces. At that point "China will be able to extend its influence thousands of miles to the south and project power deep into Oceania," Admiral Philip Davidson, who leads the U.S. Indo-Pacific Command, said in April.

In the face of China's buildup, the U.S. has shown uneven commitment. Mr. Obama limited freedom-of-navigation patrols to avoid a confrontation and never committed the resources to make his "pivot to Asia" a reality. China saw Mr. Obama's hesitation and kept advancing. The growing concern is that China will begin to dictate the terms of navigation to the world and coerce weaker neighboring countries to agree to its foreign policy and trading goals.

Defense Secretary Jim Mattis lately has been putting this concern front and center. He recently rescinded an invitation to the Chinese navy to participate in the multinational Rimpac exercises off Hawaii this summer. And at the annual Shangri-La security dialogue in Singapore this weekend, Mr. Mattis said that "the placement of these weapons systems is tied directly to military use for the purposes of intimidation and coercion."

He pointed to the Rimpac cancellation as a "small consequence" of this behavior and said there could be "larger consequences," albeit unspecified, in the future.

One such consequence could be more frequent and regular freedom-of-navigation operations inside the 12-mile territorial waters claimed by China. Joint operations with allies would have an even greater deterrent effect, and the U.S. should encourage others to join. Beijing will try to punish any country that sails with the U.S., but that will underscore the coercive nature of its plans.

Believe it or not, Congress is also trying to help with the bipartisan Asia Reassurance Initiative Act (ARIA). The Senate bill affirms core American alliances with Australia, Japan and South Korea, while calling for deeper military and economic ties with India and Taiwan. It notably encourages regular weapons sales to Taipei.

The bill authorizes \$1.5 billion a year over five years to fund regular military exercises and improve defenses throughout the region. It also funds the fight against Southeast Asian terror groups, including Islamic State. This will help, but more will be needed. This year's \$61 billion military spending increase was more backfill than buildup, and China recently boosted its defense budget 8.1%.

ARIA also tries to address Mr. Trump's major strategic blunder of withdrawing from the Trans-Pacific Partnership trade deal, which didn't include China. The Senate bill grants the President power to negotiate new bilateral and multilateral trade deals.

It also calls for the export of liquefied natural gas to the Indo-Pacific and authorizes the U.S. Trade Representative to negotiate a deal with the Association of Southeast Asian Nations (Asean). If the U.S. had a trade rep who believed in trade, this could strengthen the U.S. relationship with Vietnam and the Philippines—countries at odds with China over its territorial claims and militarism.

The bill is backed by Republicans Cory Gardner and Marco Rubio and Democrats Ben Cardin and Ed Markey, which is a wide ideological net. China's rise, and Mr. Xi's determination to make China the dominant power in the Indo-Pacific, is a generational challenge that will require an enduring, bipartisan strategy and commitment. A firmer stand to deter Chinese military expansionism is an essential start.

*Appeared in the June 4, 2018, print edition as "The Other China Challenge."*

LETTER SENT TO SENATOR CORY GARDNER OF COLORADO FROM SECRETARY OF DEFENSE JAMES MATTIS AND SECRETARY OF STATE MIKE POMPEO, REGARDING SUPPORT FOR S. 2736, THE ASIA REASSURANCE INITIATIVE ACT (ARIA)



The Honorable Cory Gardner  
United States Senate  
Washington, DC 20510

JUN 21 2018


Dear Senator Gardner:

We write to express our appreciation for your support to sustain and enhance United States leadership in the Indo-Pacific region. As discussed two weeks ago in Singapore, United States is an Indo-Pacific nation. The continued bipartisan support of Congress is vital to our efforts to buttress American interests in the region.

In this spirit, we welcome S.2736, the Asia Reassurance Initiative Act (ARIA). As we finalize our Departments' Indo-Pacific strategy, we value the ARIA legislation's reaffirmation of United States security commitments to our Indo-Pacific allies and partners. Furthermore, ARIA's focus on promoting stronger regional economic engagement -- and its support for democracy, the rule of law, and the development of civil society -- is especially welcome as part of a diplomatically-led whole-of-government approach to the Indo-Pacific region.

We are jointly committed to strengthening our diplomatic stance by maintaining a free and open Indo-Pacific. The State Department and the Department of Defense look forward to working with you and your staff as the legislative process moves forward to strengthen the measure, including to ensure adequate flexibility, such as by adding a national security interest waiver. Thank you for your leadership on this significant issue.

Sincerely,

  
James Mattis  
Secretary of the Defense

  
Michael Pompeo  
Secretary of State

Cc:  
The Honorable Bob Corker  
The Honorable Edward J. Markey  
The Honorable Marco Rubio  
The Honorable Ben Cardin





# THE CHINA CHALLENGE

## PART 2: SECURITY AND MILITARY DEVELOPMENTS

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WEDNESDAY, SEPTEMBER 5, 2018

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:34 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner, Risch, Markey, and Kaine.

### OPENING STATEMENT OF HON. CORY GARDNER, U.S. SENATOR FROM COLORADO

Senator GARDNER. This hearing will come to order.

I welcome all of you to the ninth hearing of the Senate Foreign Relations Subcommittee on East Asia, The Pacific, and International Cybersecurity Policy in the 115th Congress.

This hearing is the second hearing in a three-part series of hearings titled “The China Challenge,” which will examine how the United States should respond to the challenge of a rising China that seeks to upend and supplant the U.S.-led liberal world order.

During our first hearing on July 24th, dedicated to Chinese economic coercion, one of our distinguished witnesses testified that we are slowly waking up to a set of strategies by the Chinese Communist Party meant to enhance party power internally and globally at our expense. The CCP has adopted a number of strategies to strengthen the party’s grip on the country so that it can lead China back to middle kingdom centrality. These strategies have been in place for a while but have been accelerated by Communist Party Secretary-General Xi Jinping.

The Trump administration has come to see the same conclusion regarding the China threat. According to the National Security Strategy released in December of 2017, for decades U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international world order would liberalize China. Contrary to our hopes, China has expanded its power at the expense of the sovereignty of others.

According to the National Defense Strategy released in January, it is increasingly clear that China and Russia want to shape a world consistent with their authoritarian model, gaining veto au-

thority over other nations' economic, diplomatic, and security decisions.

And according to the most recent Department of Defense report on Chinese military power released in August, in support of the goal to establish a powerful and prosperous China, the China Dream includes a commitment to developing military power commensurate with that of a great power. Chinese military strategy documents highlight the requirements for a People's Liberation Army able to secure Chinese national interests overseas, including a growing emphasis on the importance of the maritime and information domains, offensive air operations, long-distance mobility operations, and space and cyber operations.

So today's hearing will examine these security and military developments and the U.S. policy options to prevent China's coercion from undermining peace and stability in the Indo-Pacific and beyond.

Countering China's less than peaceful rise represents a grave challenge for the United States' national security. I am pleased that both the administration and Congress are now recognizing this reality and taking steps to rebuild our military to meet the challenges of tomorrow, including those emanating from Beijing.

In the Senate, Senator Markey and I are leading a bipartisan effort—Senator Kaine is also a cosponsor of the legislation—called the Asia Reassurance Initiative Act, or ARIA, which will set a new course for U.S. policy toward the Indo-Pacific, including significantly boosting U.S. security presence in the region and enhancing partnerships to resource and meet the administration's goal of a free and open Indo-Pacific.

We are expecting the full committee to consider the legislation in the coming weeks and passage through the Senate soon thereafter.

When signed into law, ARIA will become a generational approach that will put American interests first by reassuring our allies, deterring our adversaries, and securing U.S. leadership in the region for future generations.

Now I will turn it over to Senator Markey, the ranking member, for his comments.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, very much, and thank you for convening another very timely and important hearing.

And I want to thank our excellent witnesses today as well for your willingness to participate in this very important conversation that you are running, Mr. Chairman. While both of them are here as outside experts, both have served in government throughout their careers and have worked to further U.S. foreign policy and national security interests.

As you have stated, Mr. Chairman, this is the second in our series of subcommittee hearings on the evolving challenge China poses to the United States, to our allies and partners, and to the international system we built together to ensure stability, prosperity, and equality of all.

For those who follow the Indo-Pacific region closely and increasingly for those who do not, China's concerted efforts to institute economic security and domestic policies that advance its interests alone are significant and demand our attention. And I think our shared goal for these hearings, Mr. Chairman, is to increasingly shine a light, a bright light, on China's efforts in this regard and to try to understand their implications for the security and wellbeing of us all.

In our last hearing, we investigated China's efforts to use economic coercion across the board to advance its interests. We discussed how predatory loans contained within its Belt and Road Initiative threatened to bury countries in debt and undermine their sovereign decision-making. We explored how China uses access to its vast markets to pressure American companies into sharing sensitive intellectual property or even changing the way they refer to Taiwan on websites and maps. And in its most blatant form, we discussed the pure economic retaliation Beijing is now willing to openly impose against countries whose policies it does not like.

In the future, we will address China's human rights record and several recent and concerning developments in that arena, but today we are exploring China's extensive military modernization and expansion, as well as its implications which, given China's size and influence, are potentially quite large.

Beijing is no longer content just to exert its influence behind closed doors. Instead, it is building an evermore capable military increasingly able to undermine the international rules and norms that, thanks to American leadership, have governed the Indo-Pacific since the end of World War II.

According to the recently released Defense Department report on Chinese military and security developments, "in support of the goal to establish a powerful and prosperous China, the China dream includes a commitment to developing military power commensurate with that of a great power." And as a result, the People's Liberation Army is, "undergoing the most comprehensive restructure in its history." As part of these efforts, China is building a blue water navy. It is streamlining and modernizing its ground forces. It is updating its nuclear arsenal and developing hypersonic weapons, and it has built military bases on artificial islands in contravention of international law in the South China Sea.

These developments, taken together, are significant. In some cases, the United States should continue to proactively build its economic and diplomatic toolkit to ensure that no one military advancement upends the established order.

In other cases, we must respond, but we need to start by better understanding what these Chinese developments mean so we can ensure that they do not undermine peace and stability so that countries throughout Asia and beyond are not physically bullied and coerced, and that Americans can continue to uphold and support the fundamental right to which we believe all people are entitled.

At the same time, however, we need to maintain a realistic view of the challenges. We are not heading to war with China tomorrow, nor should we be. Conflict is in no one's interest. So we should be

sober in our assessments and resist the urge to err too far towards alarmism.

But as the values we hold dear come under increasing threat from an ever larger and more assertive Chinese military, it is incumbent upon us to consider thoughtfully how best to ensure no effort, military or otherwise, undermines the values we and so many other Indo-Pacific countries hold dear.

To do this, we must invest time, yes; resources, yes; and above all, leadership. No other country can bring to bear on this challenge the breadth of resources that we can.

But an America-alone strategy will not lead to the peaceful outcomes that we seek. Now more than ever, we must work even more closely with the allies and partners who share our values throughout the region and around the world. We must show them that they are not fighting for these values on their own. And we must do it through more than military might.

It is equally important that we adequately fund the State Department, USAID, and others so that our diplomats and our foreign assistance advisors can provide a better, more durable alternative to quick Chinese inducements.

Only such a multifaceted approach will truly help us meet the growing challenge that China poses. We simply cannot afford to cede leadership on this. Doing so risks being confronted with a situation where defending our values, our interests, and our allies raises the risk of conflict to unacceptably high levels. Understanding and then solving these challenges are upfront investments that will pay immeasurable dividends in the end.

So I thank you, Mr. Chairman. I look forward to exploring these issues with our witnesses today. And again, I thank you for your willingness to participate.

Senator GARDNER. Thank you, Senator Markey, and thank you to Senators Risch and Kaine as well for your participation.

I will introduce our witnesses. I greatly appreciate your willingness to be here today.

Our first witness is Dr. Oriana Skylar Mastro, who is the Jeane Kirkpatrick Visiting Scholar at the American Enterprise Institute, where she focuses on Chinese military and security policy in the Asia-Pacific. She is also an Assistant Professor of Security Studies at the Edmund A. Walsh School of Foreign Service at Georgetown University and serves in the United States Air Force Reserve as a political military affairs strategist at Pacific Air Forces. Previously, Dr. Mastro was a fellow in the Asia-Pacific Security Program at the Center for a New American Security. Welcome, Dr. Mastro. Thank you very much for your service and for being here today.

Also joined on the panel by Abraham Denmark, who is Director of the Asia Program at the Woodrow Wilson International Center for Scholars. Prior to joining the Wilson Center, Mr. Denmark served as Deputy Assistant Secretary of Defense for East Asia where he supported the Secretary of Defense and other U.S. senior government leaders in the formulation and implementation of national security strategies and defense policies toward the region. Mr. Denmark also previously worked as Senior Vice President for Political and Security Affairs at the National Bureau of Asian Research, a fellow at the Center for a New American Security, and

held several positions in the U.S. intelligence community. But most importantly he is from Fort Collins, Colorado, home of the great Colorado State University, welcome Mr. Denmark. Thank you for your service.

And Dr. Mastro, if you would like to begin.

**STATEMENT OF DR. ORIANA SKYLAR MASTRO, JEANE KIRKPATRICK VISITING SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC**

Dr. MASTRO. Thank you. Thank you, gentlemen, for giving me the opportunity to provide testimony today, and the views I am about to present are my own and do not represent any of those institutions which you mentioned in your introduction.

The annual report to Congress that the Defense Department put out is a crucial tool for putting together information and maintaining awareness about China's growing military capabilities. And in the questions and answers, I am happy to answer any questions about specific platforms and developments and what they mean for the United States' ability to operate militarily in the East China Sea, South China Sea, and Taiwan.

But today I want to talk about something I think that the United States Government is less adept at doing, and that is assessing the implications of these military developments, what they bode for the future, and the best way for the United States to respond. Specifically, I want to talk about two issue areas: cooperation and then competition.

The term "cooperate" and its various derivations are used three times more often than "competition" in the 2018 annual report. And I think this is indicative of the underlying logic of U.S. military strategy and national security strategy, which highlights the importance of pursuing cooperation with China, and in my written testimony, I speak specifically about the military-to-military exchanges we have with the PRC.

However, I think there is a number of misconceptions that make it so the United States is failing to effectively leverage cooperation as a tool of our national strategy. And in my written testimony, I list five of these misconceptions, though given time I will highlight two of them here.

The first is that there is a common belief that cooperation in some areas will lead to a reduction in tensions and perhaps increase cooperation in other areas. Specifically, there is this underlying belief that if we cooperate with China on less contentious issues, for example, humanitarian aid and disaster relief, perhaps global endemics, for example, that this will build goodwill and help us move forward in other issue areas that have more tension like the South China Sea and East China Sea.

This might be the case of the primary driver of the tension between the two countries with strategic mistrust, but unfortunately, it is actually conflicting interests. And so this dynamic in which we are hoping to build cooperation by building good will does not work.

So in the written testimony, I recommend that we should not think about cooperating militarily with China for the sake of generating this good will or momentum for cooperation in other areas. If we are hoping China is going to give us something in return for

a concession we make, we need to make that explicit because those implicit issue linkages never really work with the PRC.

There is another problematic assumption, which is that cooperation, and the benefits of cooperation, are going to outweigh the costs. Now, many people have probably talked about the costs of cooperation, but not enough people have questioned the actual benefits. I think there is a lack of consideration for what Chinese capabilities, tactics, and preferences might do in certain issue areas. Specifically, there are areas like counterterrorism, for example, in which I think the lack of Chinese capabilities, a weakening of those capabilities could actually hurt U.S. efforts if we invite Chinese cooperation. And so in the cases in which Chinese interests clash with those of the United States or where China lacks any relevant capabilities, I think it is fine for the United States to continue to encourage Chinese free-riding in these areas.

The other problematic assumptions I lay out in my written testimony have to do with the global nature of the threat. And the basic bottom line is, I think, that the United States should be cooperating more with other militaries outside of the region to help us confront and provide a united front to China on the global stage, as well as enhance our contacts with China outside of the Indo-Pacific Command to other theater commands.

The second area I want to talk about is competition. And specifically, my main concern is that even though in the annual report to Congress and in general we are recognizing the Chinese global influences increasing, we fail to understand what this increase in influence means. We have a tendency to mirror image, which means we misinterpret Chinese behavior. And specifically, I want to talk about something which I label entrepreneurial actions.

In every case of a rising power over the course of history, the United States included, Great Britain before that, and the Mongolian empire—in every case, the rising power will try to accumulate power in a new way, in a different way and tap new sources of power to delay a reaction on the part of the great power. And they do this by creating uncertainty in two ways. The first is that the United States might not recognize what China is doing because it is new, and the second is that the United States might think that the payoffs of that strategy are going to be low.

I think the Belt and Road Initiative is a good example of this, and I list other examples in my written testimony. But when it was first announced, the bottom line of commentators was “this was going to be a failed strategy because it was not economically viable.” Also, even though now the United States is paying close attention to economic coercion, this has been a part of Chinese strategy for over 2 decades, and it was mentioned for the first time in 2015.

So the fact of the matter is that China is pursuing power in a new, different way. So even if BRI did not turn out to have strong military dimensions, it does not mean it is not designed to limit U.S. power.

So I list a number of recommendations that I think could help us deal with this.

The first is that we need a whole-of-government approach. We need a USAID report on foreign aid. We need a State Department

report on Chinese diplomatic efforts in addition to the DOD annual report.

We need a new type of red-teaming, in which we not only look at things from China's perspective, but we also look at how they might be trying to create this uncertainty. We are too quick to assume the U.S. way is the best way and that China will follow suit if it can, which makes us blind to new ways China is seeking to overtake the United States.

The last two recommendations, since I am out of time.

The first is just that the United States needs to be entrepreneurial in its own right. We cannot just do more of the same, doubling down on building capability with allies and partners. We need to think more about building our relationships with other countries in new ways.

And lastly, I think we need a China tsar of sorts. We need a point person on this great power competition to ensure the United States is taking appropriate matching actions.

So the bottom line is that we find ourselves in an unprecedented situation. China is rising and it has primarily accumulated and exercising political and economic power for now. And it is facing the United States, which is more constrained than any leading power before it. So what we need is new approaches, new institutions, and new processes to ensure that this rise does not come at the expense of the United States.

I welcome any questions. Thank you.

[Dr. Mastro's prepared statement follows:]

PREPARED STATEMENT OF DR. ORIANA SKYLAR MASTRO

On August 18, 2018, the Department of Defense released its seventeenth Annual Report to Congress on Military and Security Developments Involving the People's Republic of China. Since 2002, the annual reports have addressed the current and probable future course of the military-technological development of the People's Liberation Army (PLA), as well as the development of Chinese grand strategy, security strategy, military strategy, military organizations, and operational concepts through the next quarter-century.<sup>1</sup> Since 2012, the reports have tripled in length to incorporate more information on China's force modernization and special topics. This year's report includes five special topics: China's expanding global influence, China's approach to North Korea and its diplomatic history and objectives, the PLA's progress in becoming a joint force, overwater bomber operations, and Xi's innovation-driven development strategy and the push to turn China into a science and technology powerhouse by 2050.

The annual report to Congress is a crucial tool for collating information and maintaining awareness of China's growing military capabilities. Its systematic collection of data is a useful resource for scholars like me, and in this testimony I do not challenge the facts or assessments it presents. However, the U.S. government generally is less adept at understanding the implications of these developments, what they bode for the future, and the best way to respond. Therefore, in this testimony, I will discuss several misconceptions about cooperation and competition with China that may hinder U.S. attempts to deter Chinese aggression and compete effectively with China regionally and globally. I will also present recommendations about what Congress should do to improve the U.S.'s ability to interpret and respond to China's challenge. The bottom line is that great power competition requires expanding U.S. efforts beyond traditional friends and allies, and the U.S. needs a whole-government approach to identifying and responding to the China challenge.

*Cooperation with China*

The term "cooperate" and its various derivations are used three times more often than "competition" in the 2018 annual report. This highlights the central role of co-

<sup>1</sup>"S. 1059—106th Congress: National Defense Authorization Act for Fiscal Year 2000," 1999.

operation as a longstanding part of U.S. strategy in navigating the potential challenges of a rising China. As the report states: “The United States seeks a constructive and results oriented relationship with China. U.S. Defense contacts and exchanges conducted in 2017 were designed to support overall U.S. Policy and strategy toward China. They are carefully tailored to clarify and develop areas of cooperation where it is in our mutual interest and to manage and reduce risk.”<sup>2</sup>

One way the United States seeks to enhance cooperation with China is through military exchanges. The annual report to Congress describes three goals of developing military-to-military contacts with China: “(1) building sustained and substantive dialogue; (2) promoting risk reduction and risk management efforts that diminish the potential for misunderstanding or miscalculation; and (3) building concrete, practical cooperation in areas of mutual interest.”<sup>3</sup> Overall, military-to-military contacts between the two nations are meant to be a “stabilizing element” for the U.S.-China relationship.<sup>4</sup> In 2017, these contacts “focused on risk reduction” and “developing the capacity to cooperate in multilateral settings.”<sup>5</sup>

In furtherance of these aims, the U.S. and China engaged in high-level military contacts to facilitate the “exchange [of] views, identify common interest areas, manage differences, and facilitate common approaches to shared challenges.”<sup>6</sup> In addition, the U.S. and China have engaged in recurring military exchanges through forums such as the Defense Policy Coordination Talks, the Army-to-Army Dialogue Mechanism, the Joint Staff Dialogue Mechanism, and the Asia-Pacific Security Dialogue.<sup>7</sup> The U.S. and China also maintain functional and academic exchanges that “focus on advancing risk reduction, understanding, and communication channels to promote deconfliction and coordination,” in addition to conducting ship visits and exercises to “promote trust between the two sides and improve the ability to interact and coordinate in providing international public goods in areas of mutual interest.”<sup>8</sup>

While cooperation is thus a critical pillar of U.S. strategy, in practice it comes with at least five key assumptions that must be recognized and moderated.

First, there is the common belief that cooperation in some areas will lead to reduced tensions in others. Specifically, this is the belief that the two countries should establish greater cooperation in less contentious (but also less important) areas, and that this will facilitate cooperation in more contentious areas that are currently driving the tense relationship. This would be the case if the source of tension were strategic distrust; then greater dialogue and interaction could mitigate this obstacle. But my view is that the problems in the U.S.-China relationship are primarily the result of conflicting fundamental interests, not misunderstandings. Therefore, cooperation in areas such as global health or humanitarian assistance is unlikely to lead to breakthroughs in dealing with the critical security challenges in the South China Sea, East China Sea, Taiwan, and North Korea. This does not mean, however, that the two sides should not pursue cooperation when possible, but rather that we need to adjust our expectations and strategies. In other words, cooperation is not a good for its own sake, but a means to accomplish specific policy goals.

**Recommendation 1:** *The United States should consider working more closely with China only when Chinese involvement decreases the costs and/or increases the likelihood of success of a particular U.S. policy. We should not cooperate simply for the sake of generating goodwill or momentum for cooperation in another area.*

The second problematic assumption is that there are more benefits than downsides to cooperation when it can be obtained. In fact, there are situations in which the benefits of cooperation outweigh the costs. Currently, the goal of cooperation seems to be greater Chinese involvement with insufficient consideration of Chinese capabilities, tactics, and preferences. In some spaces, like global health, Chinese involvement is crucial because of the transnational nature of the threat. But in other spaces, like counterterrorism, Chinese involvement depends largely on Chinese capabilities and preferences. There are two situations in which it would be better to discourage Chinese involvement. First, when China has the capability to contribute but has goals that conflict with those of the United States. Second, when China shares the same goals as the United States but possesses limited capability.

<sup>2</sup> Office of the Secretary of Defense, “Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2018,” U.S. Department of Defense, iii. Hereafter cited as Annual Report to Congress 2018.

<sup>3</sup> Annual Report to Congress 2018, 105.

<sup>4</sup> Annual Report to Congress 2018, 105.

<sup>5</sup> Annual Report to Congress 2018, 106.

<sup>6</sup> Annual Report to Congress 2018, 106.

<sup>7</sup> Annual Report to Congress 2018, 108.

<sup>8</sup> Annual Report to Congress 2018, 108-09.



This is because in the security realm, operational missteps can worsen a situation on the ground.

**Recommendation 2:** *If China's interests clash with the U.S.'s, or if China lacks relevant capabilities, the United States should encourage Chinese 'free-riding' on certain security issues. Only when Chinese preferences and capabilities contribute to U.S. policy goals should the United States actively seek cooperation with China. An exception to this is when China is already involved, in which case the United States may pursue cooperation as a means to shape the nature and degree of its involvement.*

The third problematic assumption is that the U.S.-China relationship can improve only with active cooperation. Here I define cooperation as the process of working together for greater benefits, even if each side has somewhat differing interests. But another mechanism for improving bilateral military relations is coordination, a situation in which states may be agnostic about which policy to adopt, but would be better off if they did the same thing (for example, it does not matter which side of the road we drive on, only that we all choose the same side). And then there is deconfliction, a situation in which each side simply ensures that its independent policies have no negative impact on the other side. We unnecessarily narrow the prospects for U.S.-China relations when we focus only on cooperation.

**Recommendation 3:** *The U.S. should welcome the use of use of deconfliction and coordination with the PLA, rather than always seeking only active cooperation on security issues.*

Deconfliction, for example, is desirable for military operations to ensure that our forces do not unnecessarily come into contact with each other in the South China Sea or the East China Sea, or in the event of a crisis on the Korean Peninsula. Notification of operations and exercises, coupled with military dialogues and exchanges about the nature of both sides' military operations, could reduce the likelihood of an accident. With coordination, there is a lower likelihood of operational risk if China is operating separately from the United States. The Gulf of Aden operation is a good example of coordination: China coordinates with the international community to ensure that its participation contributes to the broader goals, but its navy does not conduct operations with other navies.

A fourth troublesome assumption is that there are generally laws or norms against which we can measure Chinese behavior and hold China accountable. According to the annual report, "the military-to military relationship seeks to encourage China to act in a manner consistent with international law and norms."<sup>9</sup> But in reality, certain aspects of the international order are nonexistent, weak, unstable, ambiguous, or incomplete. Cybersecurity norms are one example. And China will exploit this uncertainty to its benefit. In such cases, the U.S. must work hard to forge an informal consensus among countries and present that united front to China on the global stage.

**Recommendation 4:** *In addition to documenting the bilateral U.S.-China exchanges, the Defense Department should report on military contacts with other countries and the ways they are being used to establish broader consensus on contentious issues in the U.S.-China relationship.*

In the past year, the United States has had high-level military-to-military exchanges in which China would invariably have been a central topic of discussion - but the outcomes of such exchanges are not systematically collated with reference to China. Chairman of the Joint Chiefs of Staff Gen. Joseph Dunford visited his Thai military counterparts in February to discuss "opportunities to strengthen the alliance and interoperability between the two militaries," and with Australian military officials in April to discuss "the global threat of terrorism and security in the Pacific region."<sup>10</sup> Dunford also visited South Korea in October 2017 to discuss the

<sup>9</sup>Annual Report to Congress 2018, 105.

<sup>10</sup>"Readout of Chairman of the Joint Chiefs of Staff Gen. Dunford's Visit With Thailand Counterpart Royal Thai Armed Forces General Tarnchaiyan Srisuwan," Joint Chiefs of Staff, February 7, 2018, <http://www.jcs.mil/Media/News/News-Display/Article/1435026/readout-of-chairman-of-the-joint-chiefs-of-staff-gen-dunfords-visit-with-thaila/>; "Readout of Chairman of the Joint Chiefs of Staff Gen. Dunford's Visit with Australian Counterpart Chief of the Defence Force Air Chief Marshal Binskin," Joint Chiefs of Staff, April 20, 2018, <http://www.jcs.mil/Media/News/News-Display/Article/1499720/readout-of-chairman-of-the-joint-chiefs-of-staff-gen-dunfords-visit-with-australia/>.

North Korean crisis.<sup>11</sup> The Commander of U.S. Pacific Command visited the Philippines in August 2017, followed by a visit from the Chief of Staff for the Armed Forces of the Philippines to Pacific Command headquarters in October of that year.<sup>12</sup> New Zealand and Vietnam have also received visits from high-level U.S. military officials in the past year.<sup>13</sup> The United States and India have established an ongoing Military Cooperation Group that will be “the primary forum for developing, implementing, and refining a 5-year mil-to-mil plan, in support of the emerging 2+2 U.S.-India ministerial dialogue and the Defense Policy Group.”<sup>14</sup> However, none of the readouts from these bilateral military contacts refer to China as a topic of discussion (although many refer to the topic of regional security).

Fifth, the U.S. has traditionally considered China an actor only in the Indo-Pacific, when in fact it is an increasingly global actor. As a corollary, the scope of U.S.-China military exchanges remains largely confined to bilateral issues, when in fact the PLA increasingly has a routine global presence. For example, it is likely that in the future U.S. naval forces will have greater (or even routine) interaction with the PLAN in the Indian Ocean and the Mediterranean Sea, and that U.S. ground forces will increasingly encounter PLA ground forces through peacekeeping actions and potentially in counterterrorism and stability operations.

**Recommendation 5:** *U.S.-China military exchanges should not be limited to U.S. Indo-Pacific Command; they should include other relevant geographic combatant commands, such as Central Command and Africa Command. These exchanges should focus on confidence-building and awareness of operational methods to mitigate the risk of unintended consequences or crises.*

#### *Competition with China*

China’s expanding global influence is changing the contours of great power competition. With millions of Chinese nationals overseas and hundreds of companies doing business abroad, it is not surprising that one mission of the PLA is to secure Chinese interests abroad.<sup>15</sup> The 2018 DOD annual report to Congress notes that China’s “international interests have grown,” and that its military modernization is “more focused on investments and infrastructure to support a range of missions beyond China’s periphery, including power projection, sea lane security, counterpiracy, peacekeeping, humanitarian assistance/disaster relief (HA/DR), and noncombatant evacuation operations.”<sup>16</sup> The 2018 report also predicts that China will look to follow its establishment of a base in Djibouti by expanding its military logistics agreements with friendly countries around the world.<sup>17</sup> China’s growing global mission is also seen in PLAN’s mission expansion to include “open seas protection” in addition to its previous limited focus on “offshore waters defense.”<sup>18</sup>

There are, however, a range of other Chinese activities that may portend different forms or arenas of competition in the future. The 2018 DoD report recognizes that China’s trillion-dollar Belt and Road Initiative (BRI), which has already funded serious projects across Africa and Asia, is part of an effort to “leverage China’s growing economic, diplomatic, and military clout to establish regional preeminence and expand the country’s international influence.” The report notes that countries participating in the BRI might “develop economic dependence on Chinese capital, which

<sup>11</sup>Tara Copp, “Dunford, Mattis Visit South Korea Amid Heightened Tensions,” *Military Times*, October 26, 2017, <https://www.militarytimes.com/news/your-military/2017/10/26/dunford-mattis-in-south-korea-amid-heightened-tensions/>.

<sup>12</sup>“Commander of U.S. Pacific Command Visits the Philippines,” U.S. Embassy in the Philippines, August 24, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1289109/commander-of-us-pacific-command-visits-the-philippines/>; James D. Mullen, “Armed Forces of the Philippines and U.S. Pacific Command Reinforce Historic Alliance,” U.S. Pacific Command, October 2, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1331886/armed-forces-of-the-philippines-and-us-pacific-command-reinforce-historic-allia/>.

<sup>13</sup>“Commander U.S. INDOPACOM Visits New Zealand,” U.S. Embassy & Consulate in New Zealand, August 17, 2018, <https://nz.usembassy.gov/commander-u-s-indopacom-visits-new-zealand/>; “COMPACAF Visit to Vietnam Affirms Growing Partnership,” U.S. Indo-Pacific Command, December 21, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1402716/compacaf-visit-to-vietnam-affirms-growing-partnership/>.

<sup>14</sup>Cassandra Gesecki, “Readout of the 16th U.S.-India Military Cooperation Group,” U.S. Indo-Pacific Command, November 30, 2017, <http://www.pacom.mil/Media/News/News-Article-View/Article/1384848/readout-of-16th-us-india-military-cooperation-group/>.

<sup>15</sup>Annual Report to Congress 2018, ii. For more on how overseas interests drive Chinese military modernization, see Oriana Skylar Mastro, “China Can’t Stay Home,” *National Interest*, November/December 2014: 38-45.

<sup>16</sup>Annual Report to Congress 2018, ii.

<sup>17</sup>Annual Report to Congress 2018, ii-iii.

<sup>18</sup>Annual Report to Congress 2018, 46.

China could leverage to achieve its interests.”<sup>19</sup> On the face of things, the Chinese are using this economic initiative to build infrastructure for developing countries. But the money comes with strings attached. Many of these developing nations are susceptible to Chinese influence on the political, military, and economic levels. For example, in July 2017, Sri Lanka and China signed a 99-year lease for the Hambantota Port, which is both a militarily and economically strategic location in the Indian Ocean.<sup>20</sup>

Given our tendency to mirror-image, we may misinterpret Chinese behavior and craft ineffective policy responses as a result. Over the course of history, great powers have relied on a particular model of interaction with other states to accumulate, exercise, and maintain power. The Mongol empire connected lands through trade for the first time to fuel its growth; the Qing dynasty built a tributary system; Great Britain built an empire of colonies; the Soviet Union expanded by land, creating a Communist bloc in Eastern Europe and various spheres of influence around the world; the United States established an institutionalized order and a global military presence. In the same way, China is accumulating and exercising power in a way that is different from that used by the United States.

These examples highlight a common feature of countries that successfully rose to great power status: entrepreneurial actions. A rising power is entrepreneurial if it looks for new sources of power and accumulates and exercises power in a way not previously attempted. There are many types of actions that could be considered entrepreneurial. A country can introduce new types of international organizations, provide new services or benefits to other countries, or increase influence in a different geographic area. A rising power can also attempt to do something that other countries do, such as provide foreign aid, but do it in a different, more efficient way. Lastly, like corporations, countries can identify supply shortages and respond to them by providing knowledge, products, or services that the incumbent power cannot or will not supply.

China has, in recent years, displayed an effective entrepreneurial strategy. The BRI is the centerpiece of its strategy to accumulate and exercise power in a way that diverges from historical patterns and that therefore does not elicit a proportionate backlash. China would probably have met greater resistance if it sought to build colonies, as Britain did in the nineteenth century, or to establish a global institutional framework, as the U.S. did in the twentieth. Instead, China has built influence in novel ways. Its provision of advice to autocrats on best practices in internal surveillance and its provision of aid without any strings attached are good examples of this type of entrepreneurial action.<sup>21</sup> Delaying military modernization and then focusing on asymmetric defensive capabilities, coupled with conducting non-threatening military operations such as the UN peacekeeping and antipiracy missions in the Gulf of Aden, have also been innovative ways to create ambiguity about its intentions.

Entrepreneurial action allows China to accumulate power and influence without triggering a strong response, because it creates uncertainty that hinders the U.S.’s ability to respond. This uncertainty is about the nature of the action itself - an action may go undetected because the United States understands power accumulation according to its methods and therefore is looking for actions similar to its own. For example, the DoD is looking for indicators that “China require[s] access to selected foreign ports to pre-position the necessary logistics support to sustain naval deployments,”<sup>22</sup> because this is how the U.S. projects power, failing to realize that China may seek to strengthen its position in a different way. In other words, even if the BRI did not turn out to have strong military dimensions, that does not mean it is not designed to limit U.S. military power. China could use its economic clout to more efficiently constrain the U.S. Also, even though China has overseas interests, it may not pursue a global military presence like the U.S.’s, choosing instead to rely primarily on local authorities to protect its interests.

China’s entrepreneurial actions may also delay a U.S. response if the U.S. is skeptical about whether these actions will be successful. When the BRI was first announced, for example, many commented that the initiative was likely to fail. The BRI’s infrastructure development is carried out by Chinese state enterprises, which do not fear bankruptcy because they expect to be bailed out by the government.

<sup>19</sup> Annual Report to Congress 2018, i.

<sup>20</sup> Maria Abi-Habib, “How China Got Sri Lanka to Cough Up a Port,” *The New York Times*, June 25, 2018, <https://www.nytimes.com/2018/06/25/world/asia/china-sri-lanka-port.html>.

<sup>21</sup> This discussion on types of entrepreneurship is inspired by Curtis M. Grimm, Hun Lee, and Ken G. Smith, *Strategy as Action: Competitive Dynamics and Competitive Advantage* (Oxford University Press, 2006), 112.

<sup>22</sup> Annual Report to Congress 2018, 111.

Thus, these Chinese firms are economically and politically incentivized to invest in countries where they have little to no experience compared to their Western counterparts, and are likely to invest in projects that are deemed unprofitable or risky to other investors.<sup>23</sup> Moreover, countries that benefit from long-term loans can easily default on loans from China and put China's economy in a dangerous position.<sup>24</sup>

We can see the delaying effects of entrepreneurial actions in the DoD report to Congress itself. China has been leveraging its economic power to achieve its national goals for almost two decades now, but the 2015 annual report to Congress mentions this fact for the first time, identifying China's use of punitive trade policies and limits on foreign direct investment as instruments of coercion in low-intensity conflict.<sup>25</sup> U.S. analysts have a viewpoint about how threatening countries will behave and how the international system operates based on U.S. experience and thus may misjudge China's challenge by applying traditional critical success criteria without recognizing how these criteria have changed.<sup>26</sup> My research shows that countries like the United States may recognize the challenge posed by a rising power, but tend to underestimate the rising power's capabilities and the effectiveness of its strategies.

China's strategy of diversifying the types of power it accumulates coupled with its efforts to build power in an entrepreneurial way leads me to three policy recommendations.

**Recommendation 6:** *The United States needs a whole-government approach to ensure that we are accurately and completely identifying what China is doing across domains. There should be not only a DoD annual report to Congress on Chinese security and military developments, but also a USAID report on Chinese foreign aid, a State Department report on China's diplomatic efforts, a Commerce Department report on its growing economic clout, and so on.*

**Recommendation 7:** *All agencies need to engage in a type of red teaming not only to evaluate the strategic environment from China's perspective, but also to explicitly ask how China may approach an objective given that its main goal is to create uncertainty about what it is doing and the payoffs associated with that action. We are too quick to assume that the U.S. way is 'best' and that China will follow suit if it can, which makes us blind to new ways China is seeking to challenge the U.S.*

**Recommendation 8:** *Engaging successfully in great power competition with China (per the NSS) requires a global strategy, not a U.S.-China strategy. The United States needs to look beyond its traditional partners and allies to increase its influence across the board. Also, the U.S. needs to be entrepreneurial in its own right, identifying what countries need and providing those services in new ways instead of defaulting to what the U.S. currently has to offer.*

**Recommendation 9:** *Once we get the collection of information and interpretation right, we need a point person on great power competition, a China Czar of sorts, to ensure that the U.S. is taking appropriate matching actions and counteractions to maintain its influence and power around the globe. This could be an expansion of the current role of the National Security Council's Senior Director for Asian Affairs. However, given the additional responsibilities of coordinating with all agencies on U.S. policies beyond Asia (with a focus on what China is doing in those countries), across all issue areas, an additional position may be necessary.*

The bottom line is that while we can learn from history and experience, we find ourselves in an unprecedented situation. China as a rising power that is primarily accumulating and exercising political and economic power (for now), within an institutionalized and integrated international system such as we have never had, facing the United States as a hegemon more constrained than previous ones, in a region that is also rising on the whole. As a result, we need new approaches, new institu-

<sup>23</sup> David G. Landry, "The Belt and Road Bubble Is Starting to Burst," *Foreign Policy*, June 27, 2018, <https://foreignpolicy.com/2018/06/27/the-belt-and-road-bubble-is-starting-to-burst/>.

<sup>24</sup> Christopher Woody, "China's Massive 'Belt and Road' Spending Spree Has Caused Concern Around the World, and Now It's China's Turn to Worry," *Business Insider*, July 2, 2018, <https://www.businessinsider.com/belt-and-road-spending-and-growing-debt-cause-for-concern-in-china-2018-7>.

<sup>25</sup> Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2015," U.S. Department of Defense, 3.

<sup>26</sup> Report to Congress 2018, 53.

tions, and new processes to ensure that China's rise does not come at the expense of the United States.

Senator GARDNER. Thank you, Dr. Mastro.  
Mr. Denmark?

**STATEMENT OF ABRAHAM M. DENMARK, DIRECTOR, ASIA PROGRAM, WOODROW WILSON INTERNATIONAL CENTER FOR SCHOLARS, WASHINGTON, DC**

Mr. DENMARK. Thank you very much, Chairman Gardner, Ranking Member Markey, other members of the committee. I appreciate the opportunity to express my personal view regarding China's remarkable military modernization and its implications for American interests.

The People's Liberation Army, or PLA, today is large, increasingly modern and sophisticated, and capable of operating far from China's mainland. While it still faces several significant challenges, the PLA today has the ability to challenge the U.S. military to defend its interests in East Asia, the Western Pacific, and beyond.

I will summarize my prepared testimony by making three main analytic points.

First, China's military modernization supports Xi Jinping's broader objectives to achieve the so-called Chinese dream of national rejuvenation. This means ensuring that China is stable and prosperous at home, dominant in Asia, and influential around the world in a way that ensures that the Chinese Communist Party, or CCP, is able to pursue its interests and prerogatives without restriction.

Since coming to power, Xi has overseen a significant transformation of the PLA in terms of composition, structure, and missions. Ultimately these changes are intended to enhance the PLA's ability to conduct joint operations, improve its ability to fight short duration, high intensity regional conflicts at greater distances from the Chinese mainland and a diverse set of contingencies, and strengthen the Chinese Communist Party's political control over the military.

My second point. China's military modernization program has significant implications for the United States, our allies, and our interests in the Indo-Pacific. China's rise is already changing the balance of power in the region and will have profound implications for the future of the liberal international order. For the United States, for our allies, for our partners, a more capable Chinese military should be a major issue of concern.

The result of China's military modernization is a force that presents a layered set of capabilities spanning the air, maritime, space, electromagnetic, and information domains designed to conduct long-range attacks against adversary forces that might deploy or operate within the Western Pacific Ocean. China is also increasingly capable of projecting power further afield from China's mainland, enhancing Beijing's ability to assert its preferences, defend its interests, and potentially to coerce its adversaries at great distances.

These developments raise the risk of U.S. operations throughout the Indo-Pacific and especially within what Chinese strategists refer to as the first and second island chains. In peacetime, these

risks are in my estimation manageable, but in war, while personally I believe that the U.S. retains the ability to prevail against China in every conceivable contingency, such victories will likely come at an increasingly high cost.

In my prepared testimony, I focus on Taiwan, the Korean Peninsula, and the East and South China Seas as examples of how China's military modernization already poses significant challenges for the United States, for our allies, and for our interests.

Most distressingly, in each of these areas, Chinese assertiveness and its burgeoning military capabilities raise fundamental questions about critical aspects of traditional American foreign policy, such as freedom of navigation, and implicates explicit U.S. commitments to its allies. A miscalculation by Beijing in either of these areas could rapidly escalate into a crisis and confrontation with the United States.

My third point. The U.S. has several options it could utilize to enhance its ability to address the security challenge posed by China. Sustained significant investments in relevant military capabilities will be essential for the United States to sustain its advantages and address emerging challenges vis-a-vis China. This does not just apply to the U.S. defense budget. The U.S. competition with China encompasses all elements of national power, and all tools of competition will require resources.

There are other areas where the U.S. has the opportunity to significantly enhance its ability to compete militarily with China. Specifically, the U.S. could develop policies and initiatives to enhance its posture in the region while also developing initiatives designed to empower its regional allies and partners to do more, to contribute to public goods and enhance their defense capabilities. Allies and partners have played an important role in American foreign and national security policy since before the founding of our nation, and we should continue to play to our strengths. By implementing such a strategy, the United States has an opportunity to proactively address regional challenges and sustain American power and leadership in the region.

At the geopolitical level, this will mean sustaining the key attributes of the international order that has been supported by the United States since the end of the Second World War, which were described by Dr. Henry Kissinger as, "an inexorably expanding cooperative order of states observing common rules and norms, embracing liberal economic systems, forswearing territorial conquest, respecting national sovereignty, and adopting participatory and democratic systems of government."

As Secretary of Defense James Mattis said during his confirmation hearing, "History is clear: nations with strong allies thrive, and those without them wither." I entirely agree and strongly believe that a focused and engaged United States, along with empowered and capable allies and partners, are our best answer to the significant challenges posed by an increasingly capable Chinese military.

Thank you very much. I look forward to your questions.  
[Mr. Denmark's prepared statement follows:]

## PREPARED STATEMENT OF ABRAHAM M. DENMARK

Chairman Gardner, Ranking Member Markey, members of the Committee, I appreciate the opportunity to give testimony today to examine China's remarkable military modernization and its implications for U.S. interests. The strategic challenge posed by China is one of the most profound foreign policy issues the United States will confront in this century, and I commend the Committee for devoting appropriate time and attention to this critical subject.

Forty years after Deng Xiaoping's decision to embrace reform and opening, China has emerged as a major player in international politics. Its rise has resulted in a rapid and profound shift in the global balance of power, with China today representing our most significant long-term strategic challenge.

A significant aspect of the China challenge is the implications of its military modernization program. From a single-service force of "millet plus rifles," the People's Liberation Army (PLA) today is large, increasingly modern and sophisticated, and capable of operating far from the Chinese mainland. While it still faces several significant challenges, the PLA today has the ability to challenge the U.S. military to defend its interests in East Asia, the Western Pacific, and beyond.

*Advancing Military Modernization*

While China's leaders have to date refrained from publicly detailing a specific vision of a grand national strategy, a review of their statements and official Chinese state media suggests a fairly clear vision for the future. At the heart of this vision is a revitalized China that is stable and prosperous at home, dominant in Asia, and influential around the world in a way that ensures that the CCP is able to pursue its interests and prerogatives without restriction or interference—what I refer to as the establishment of a neo-tributary system.

In his major address to the 19th National Congress of the CPP, Chinese President Xi Jinping encapsulated much of these objectives as the "Chinese dream of national rejuvenation." To achieve his objectives, Xi has laid out a two-stage development plan to realize socialist modernization between 2020 and 2035, and between 2035 and the middle of the 21st century to develop China into a great modern socialist country "that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful."<sup>1</sup> These broader objectives correspond to similar objectives for the PLA identified by Xi in the same speech: "that by 2035, the modernization of our national defense and force is basically completed, and that by the mid-21st century our people's army forces have been fully transformed into worldclass forces."<sup>2</sup>

Since coming to power, Xi has overseen a significant transformation of the People's Liberation Army in terms of composition, structure, and missions.

- *Composition.* While Beijing does not publish authoritative statistics on its military investments, it is clear that recent years have seen a significant shift in the PLA away from its traditional ground-centric orientation toward air power, naval power, and other capabilities that are essential to projecting power and fighting advanced adversaries. Indeed, while the overall size of the PLA has reportedly shrunk by 300,000 in recent years, the size of the PLA Navy and Air Force has actually increased. Indeed, the PLA Navy, Chinese Coast Guard (CCG), and the People's Armed Forces Maritime Militia (PAFMM) form the largest maritime force in the Indo-Pacific today.<sup>3</sup>
- *Structure.* Beginning in late 2015, the PLA began to implement the most significant set of reforms it has seen since the founding of the PRC in 1949. It included the disbanding of the old general departments, establishing a ground force headquarters, restructuring seven military regions into five joint theater commands aligned against specific regional challenges, transitioning the PLA service headquarters to an exclusive focus on "organize, train, and equip" missions, establishing a Strategic Support Force and a Joint Logistics Support Force, and establishing a new joint command and control structure to coordi-

<sup>1</sup> Remarks by Xi Jinping Delivered at the 19th National Congress of the Communist Party of China, *Secure a Deceitful Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era*, Delivered October 18, 2017, <http://www.xinhuanet.com/english/download/Xi-Jinping's-report-at-19th-CPC-National-Congress.pdf>, 2425.

<sup>2</sup> *Ibid.*, 48.

<sup>3</sup> U.S. Department of Defense, *Annual Report to Congress: Military and Security Developments Involving the People's Republic of China*, 2018, 16.

nate China's responses to regional crises and conduct preparations for wartime operations.<sup>4</sup>

- *Missions.* The PLA has dramatically expanded the aperture of missions and contingencies it must prepare for. According to the U.S. Department of Defense, Taiwan contingencies remains the PLA's main "strategic direction," while other focus areas for the PLA include the East China Sea, the South China Sea, and China's borders with India and North Korea. In 2015, China outlined eight "strategic tasks" that the PLA must be prepared to execute:
  - Safeguard the sovereignty of China's territory;
  - Safeguard China's interests in new domains such as space and cyberspace;
  - Maintain strategic deterrence;
  - Participate in international security cooperation;
  - Maintain China's political security and social stability; and,
  - Conduct emergency rescue, disaster relief, and "rights and interest protection" missions.<sup>5</sup>

These represent a broad mandate for the PLA. Safeguarding sovereignty, and conducting "rights and interest protection" missions, are clear references to Chinese efforts to assert its claims in the East and South China Seas. Moreover, the 2017 establishment of China's first overseas military base in Djibouti, and expanded PLA Navy operations in the Indian Ocean and the Mediterranean, are further examples of how broadening national interests are driving PLA operations at increasingly greater distances from the Chinese mainland.

Xi has also sustained decades of significant investments in the military. China's announced 2018 military budget—\$175 billion, an increase of 8.1 percent from 2017<sup>6</sup>—sustains decades of spending increases, making China the second-largest military spender in the world after the United States. Yet it does not tell the entire story; China's announced military budget omits several major categories of expenditure, making China's actual military-related spending significantly greater. The Department of Defense estimates China's actual military-related spending at more than \$190 billion in 2017.<sup>7</sup>

Ultimately, these dramatic changes are intended to enhance the PLA's ability to conduct joint operations, improve its ability to fight short-duration, high-intensity regional conflicts at greater distances from the Chinese mainland in a diverse set of contingencies, and strengthen the CCP's political control over the military.<sup>8</sup> As a result of these changes, Xi has declared that China has "initiated a new stage in strengthening and revitalizing the armed forces."

It is also important to note that other Chinese security forces such as the People's Armed Police, the CCG, and the PAFMM also play significant roles in defending and advancing Chinese security interests.<sup>9</sup> This is especially true of China's efforts to take advantage of the "gray zone" to advance China's claims in the East and South China Seas.

#### *Continued Challenges*

While some in the United States may in the past have not appreciated the significance of the challenge posed by China's growing military power, it would also be a mistake to overestimate China's military capabilities. Despite the incredible transformation we have seen from the PLA in recent years, it continues to face significant challenges—many of which Xi has sought to address with his recent reforms.

- *Experience.* the last time the PLA fought a war was against Vietnam in 1979. While it some units of the PLA have gained operational experience by conducting Peacekeeping Operations or counter-piracy operations off of East Africa, such experience is necessarily limited. Unfortunately, the U.S. military has much more experience in conducting combat operations and extended power projection—though not against an advanced military like the PLA.

<sup>4</sup>Joel Wuthnow and Phillip C. Saunders, *Chinese Military Reform in the Age of Xi Jinping: Drivers, Challenges, and Implications*, (Washington, D.C.: National Defense University press, 2017).

<sup>5</sup>U.S. Department of Defense, Annual Report to Congress, 45-46.

<sup>6</sup>Brad Lendon, "China boosts military spending 8 percent amidst ambitious modernization drive," *CNN*, March 5, 2018, <https://www.cnn.com/2018/03/04/asia/chinese-military-budget-intl/index.html>.

<sup>7</sup>U.S. Department of Defense, *Annual Report to Congress*, 82.

<sup>8</sup>*Ibid.*, 1.

<sup>9</sup>See Conor M. Kennedy and Andrew S. Erickson, "China's Third Sea Force, The People's Armed Forces Maritime Tethered to the PLA," *China Maritime Report*, No. 1, March 2017.



- *Political Loyalty.* Party officials and PLA leaders repeatedly admonish officers and enlistees not to heed calls for “getting the Party out of the Army,” “depoliticizing the military,” or “nationalizing the armed forces.” These repeated remonstrations, as well as Xi Jinping’s focus on enhancing the PLA’s political loyalty as part of his reforms, suggests that these are issues of particular salience for China’s leaders. Yet as scholars at RAND have pointed out, “for the CCP leadership, the PLA’s status as a Party army is an important strength, not a weakness.”<sup>10</sup>
- *Joint Operations.* Like the United States, China is likely to find joint operations easier to describe on paper than to conduct in reality. I expect that achieving true effective “jointness” will be a long-term objective for the PLA.
- *International Relationships.* Unlike the United States, China does not enjoy a network of alliances. Indeed, in my experience, Chinese scholars and officials often describe these relationships as fundamentally transactional and coercive in nature, suggesting that Beijing will be hard-pressed to establish the kind of close relationships that Washington has cultivated for decades. This will likely impose a fundamental limit on the PLA’s ability to project and sustain power, especially during a conflict.

#### *Implications for the United States*

China’s rapid and significant military modernization program has significant implications for the United States, our allies, and our interests in the Indo-Pacific. China’s rise is already changing the balance of power in the Indo-Pacific, and will have profound implications for the future of the liberal international order. While China does not seek to fundamentally undermine this order, it does seek to exempt itself from the restrictions and responsibilities that such an order would entail—a version of “Chinese exceptionalism”—to a degree that would render it largely irrelevant. For the United States, its allies, and its partners, a more capable Chinese military should be major issue of concern and a driver of some significant shifts in policy and investment.

I agree with the current administration’s explicit recognition of the great power competition that is currently underway between China and the United States.<sup>11</sup> Military issues play a significant role in that competition—the United States will not be able to sustain a “Free and Open Indo-Pacific” unless it accounts for the challenges posed by an increasingly capable PLA.

Unlike the United States, China does not have global responsibilities or the need to defend interests around the world against the full spectrum of military threats. Rather, the PLA can focus its investments and strategies in a relatively limited geography (e.g., China’s periphery and vital maritime sea lanes) against a relatively limited number of potential external threats (e.g., China’s neighbors and the United States). As a result, the PLA has been able to tailor its capabilities to exploit the perceived vulnerabilities of its potential adversaries while maximizing China’s geographic advantages in various contingencies.

The result is a layered set of capabilities spanning the air, maritime, space, electromagnetic, and information domains designed to conduct long-range attacks against adversary forces that might deploy or operate within the western Pacific Ocean.<sup>12</sup> China is also increasingly capable of projecting power further afield from China’s mainland, enhancing Beijing’s ability to assert its preferences, defend its interests, and potentially to coerce adversaries at great distances.

These developments raise the risk of U.S. operations throughout the Indo-Pacific, and especially within what Chinese strategists refer to as the “first and second island chains.” Every day, U.S. forces likely fly, sail, and operate within range of advanced Chinese military capabilities. Our military bases in Japan and the Republic of Korea similarly live within range of Chinese military power. In peacetime, these risks are in my estimation manageable—we simply must reacclimate ourselves to life with an advanced military competitor. Still, even in peacetime, China’s growing military power will be a significant asset for Beijing in their efforts to assert territorial claims, undermine or adjust international law, and coerce nations smaller, less powerful, and with less capable militaries than the United States.

In a war, China will also pose significant challenges. While I will leave official military estimates to my former colleagues in the U.S. military, I will convey my

<sup>10</sup>Michael S. Chase, Jeffrey Engstrom, et. al., *China’s Incomplete Military Transformation* (Monterey: RAND Corporation), 2015, 44.

<sup>11</sup>President Donald J. Trump, *National Security Strategy of the United States of America*, December 2017; Secretary of Defense James Mattis, *Summary of the 2018 National Defense Strategy of the United States of America*.

<sup>12</sup>U.S. Department of Defense, *Annual Report to Congress*, 59.

personal assessment that the U.S. retains the ability to prevail against China in every conceivable contingency. Yet as the PLA grows increasingly capable, such victories will likely come at an increasingly high cost.

Several recent scholarly works have focused on the potential for conflict between rising great powers and established powers.<sup>13</sup> Yet one point often lost in these historical analyses is that major power conflicts often include, and at times are triggered by, interventions in peripheral geographical areas. It is for this reason that I am most concerned about the potential for crisis and conflict between China and the United States along China's periphery, and why I will focus on three of those areas to illustrate the implications for the United States of China's military modernization.<sup>14</sup>

#### Taiwan

After years on the strategic back burner, Chinese pressure on Taiwan is re-emerging as a major issue in East Asia and in relations between China and the United States. Since Tsai Ing-wen was inaugurated as President of Taiwan in 2016, five countries have switched diplomatic relations from Taipei to Beijing: Sao Tome and Principe, Panama, the Dominican Republic, Burkina Faso, and El Salvador. Cross-strait tourism has dropped dramatically, and Beijing has dramatically increased military pressure on Taiwan. As described by the U.S. Department of Defense, the PLA continued to develop and deploy increasingly advanced military capabilities intended to coerce Taiwan, signal Chinese resolve, and gradually improve capabilities for an invasion. These improvements pose major challenges to Taiwan's security, which has historically been rooted in the PLA's inability to project power decisively across the 100nm Taiwan Strait, the natural geographic advantages of island defense, Taiwan's armed forces' technological superiority, and the possibility of U.S. intervention.<sup>15</sup>

As a result of China's military modernization effort, Taiwan's historic technological and geographical advantages have significantly eroded. Taiwan has made important shifts in both investments and strategy to account for these changes, and is reportedly working to develop new concepts and capabilities for asymmetric warfare. According to the Department of Defense, some specific areas of emphasis include offensive and defensive information and electronic warfare; high-speed stealth vessels; shore-based mobile missiles; rapid mining and minesweeping; unmanned aerial systems; and critical infrastructure protection.<sup>16</sup> Yet more will need to be done to develop an effective asymmetric and innovative strategy for Taiwan to defend itself. One critical aspect will be in the defense budget: Taiwan has consistently under-invested in its military, and costs associated with transitioning to an all-volunteer force have already diverted resources away from defense acquisition programs as well as training and readiness.<sup>17</sup>

Unlike with its formal allies, the United States does not have a formal commitment to defend Taiwan. Rather, as codified in the Taiwan Relations Act, it is the policy of the United States "to maintain the capacity of the United States to resist any resort to force or other forms of coercion that would jeopardize the security, or the social or economic system, of the people on Taiwan."<sup>18</sup> As China's military grows increasingly capable, the United States will need to make the necessary investments to ensure it retains the capacity to defend Taiwan, enhance Taiwan's ability to defend itself, and make it clear to Beijing and to the rest of the world that Taiwan is a priority.

#### Korea

The Korean Peninsula has been at the center of East Asia's geopolitics for centuries. Since the late 19th century, the question of which regional major power would dominate the peninsula has been a central issue for three major regional

<sup>13</sup>Graham Allison, *Destined for War: Can America and China Escape Thucydides's Trap?* (New York: Houghton Mifflin Harcourt, 2017); Evan B. Montgomery, *In the Hegemon's Shadow* (Ithaca: Cornell University Press, 2016); Kori Schake, *Safe Passage: The Transition from British to American Hegemony* (Cambridge: Harvard University Press, 2017).

<sup>14</sup>Chinese officials and scholars would likely dispute that it is appropriate to include Taiwan as part of China's periphery, arguing that Taiwan is part of China itself. I have not included Taiwan in this analysis as a way to make a statement about Taiwan's formal status, but rather to point out the geographic realities of a potential conflict between China and the United States over Taiwan.

<sup>15</sup>U.S. Department of Defense, *Annual Report to Congress*, 93.

<sup>16</sup>U.S. Department of Defense, *Annual Report to Congress*, 102.

<sup>17</sup>*Ibid.*

<sup>18</sup>Taiwan Relations Act of 1979, Pub. L. 96-8, 22 U.S.C. 3301 *et seq.*

wars.<sup>19</sup> Considering the historic significance of the Korean Peninsula as a flashpoint in U.S.-China relations, and the pressing realities generated by North Korea's illegal nuclear weapons and ballistic missile programs, demand a careful consideration of U.S.-China military dynamics on the Korean peninsula.

Beijing's objectives for the Korean Peninsula are to maintain stability, to denuclearize the Korean peninsula, and over the long-term to diminish U.S. power and influence in the Peninsula. But the first objective—maintaining stability—is the fundamental driver of Beijing's approach, and has two aspects. First, China seeks to avoid a war on the Korean Peninsula. Beijing sees both Pyongyang and Washington as dangerous and potentially destabilizing, and modulates its strategy over time to ensure neither side goes too far. Concurrently, Beijing seeks to prevent severe economic sanctions that could threaten to undermine the stability of the Kim regime in Pyongyang.

Relations between China and North Korea may have seen a nadir in 2016 and 2017, as Pyongyang conducted a series of ballistic and missile tests in direct contradiction of UN security council resolutions and despite China's publicly-expressed "grave concern and opposition."<sup>20</sup> Yet it is clear that relations have improved since that time, and relations between China and North Korea have warmed considerably. Xi Jinping has met with North Korean leader Kim Jong Un three times in 2018, and the propaganda produced by both sides from those summits sent a strong signal of two leaders with a close working relationship. While it is doubtful that relations between Beijing and Pyongyang will ever return to the "lips to teeth" alliance of decades past, it is clear that China sees significant value in keeping relations with North Korea productive—at least while Pyongyang continues to refrain from taking provocative and destabilizing actions.

Should a crisis or conflict occur on the Peninsula, China's leaders would have several military options to choose from, including securing the China-North Korea border and coming to the defense of North Korea to defend Kim Jong Un. As my friend and colleague Dr. Mastro has written, China's military modernization has given its leaders more options than before—China now has the ability to manage instability on its borders while also conducting major military operations in the Peninsula. I agree with her assessment that China may intervene extensively and militarily on the peninsula.<sup>21</sup> But any decision by Beijing to intervene in a Korea contingency would not be taken out of a legalistic commitment to the 1961 Sino-North Korea Mutual Aid and Cooperation Friendship Treaty, but rather as the result of a calculation of China's likelihood of success, of the potential for escalation, and which option is believed to maximize China's geopolitical position in the region vis-à-vis the United States.

Today, the threat of war on the Korean Peninsula is diminished compared to the "fire and fury" rhetoric of 2017. I expect Beijing is pleased that Pyongyang has refrained from taking any provocative actions, and that both Washington and Pyongyang are committed to a diplomatic process that involves the suspension of U.S.-ROK joint military exercises. By conducting three summits at the leader level, Beijing has sent a clear signal that it has a major role to play on this issue, and it will not just go along with Washington's preferences.

#### *The East and South China Seas*

In recent years, China has dramatically enhanced its capabilities and intensified its operational posture in the East and South China Seas. Beijing's goal is to advance its territorial claims in those areas, and more broadly to expand its geopolitical power at the expense of its neighbors.

In the East China Sea, Beijing's efforts to advance its claims has involved the use of low-intensity coercion operations by the PLA Navy, the CCG, and the PAFMM. These so-called "gray zone" tactics fall below the level of a confrontation that would demand a traditional military response, yet over time have the effect of gradually increasing pressure on Tokyo and testing its resolve and that of the U.S.-Japan Alliance.

Similarly, in the South China Sea, Beijing seeks to use its military and paramilitary forces to assert its claims and gradually intensify pressure on its neighbors. Yet unlike in the East China Sea, Beijing in the South China Sea has conducted a campaign of island reclamation and military construction that is unprecedented

<sup>19</sup>The First Sino-Japanese War (1894-1895), the Russo-Japanese War (1904-1905), the Korean War (1950-1953).

<sup>20</sup>Holly Ellyatt, "China has 'grave concerns' about North Korea's latest missile test," *CNBC*, November 29, 2017, <https://www.cnbc.com/2017/11/29/china-north-korea-missile-reaction.html>.

<sup>21</sup>Oriana Skylar Mastro, "Why China Won't Rescue North Korea," *Foreign Affairs*, January/February 2018.

in terms of speed and scale. China has added over 3,200 acres of land to the seven features it occupies in the Spratly Islands, and has constructed aviation and port facilities, barracks, weapons stations, sensor emplacements, and communication facilities.<sup>22</sup>

These outposts are undeniably military in nature, and are capable of supporting military operations in the Spratly Islands and throughout the region. As described by the U.S. Department of Defense, “This would improve China’s ability to detect and challenge activities by rival claimants or third parties, widen the range of capabilities available to China, and reduce the time required to deploy them.”<sup>23</sup>

During his confirmation hearing earlier this year, Admiral Philip Davidson stated that China’s militarization of the Spratly Islands means “China is now capable of controlling the South China Sea in all scenarios short of war with the United States.”<sup>24</sup> I agree with the Admiral’s assessment, and I would note that this has significant implications for the other claimants in the South China Sea and for the United States. As we are currently engaged in a peacetime competition with China, it is incumbent on the United States to make it clear that it will not be cowed or coerced. This is why it is critical that the United States—and its allies and partners—continues to fly, sail, and operate in the South China Sea and wherever else international law allows—it is an undeniable demonstration to our competitors, allies, and partners of U.S. resolve and capability.

Most distressingly, China’s assertiveness in the East and South China Sea both questions fundamental aspects of traditional American foreign policy—freedom of navigation<sup>25</sup>—and implicates explicit U.S. commitments to its allies in Japan and the Philippines. A miscalculation by Beijing in either of these areas could rapidly escalate into a crisis and confrontation with the United States.

I do not see China’s actions in the East and South China Seas to date as fundamentally altering U.S. calculations when it comes to China. At the most, these actions increase the potential for, and severity of, crises between Beijing and Washington. Though I can no longer state so authoritatively, my expectation is that U.S. will and ability to defend its allies and interests in the region are unchanged. The challenge for Washington is to develop realistic and effective strategies to counter China’s “grey zone” tactics and to enhance relationships with its allies and partners to form a more effective resistance to Chinese assertiveness.

#### *U.S. Options*

Sustained, significant investments in relevant military capabilities will be essential for the United States to sustain its advantages and address emerging challenges vis-à-vis China. This does not just apply to the U.S. defense budget—the U.S. competition with China encompasses all elements of national power, and all tools of competition will require resources. This includes diplomacy, security assistance, and trade and investment policies that deepen ties between the United States and the rest of the Indo-Pacific.

There are other areas where the U.S. has the opportunity to significantly enhance its ability to compete militarily with China. Specifically, the U.S. should develop policies and initiatives to enhance its posture in the region. This could include a multi-billion dollar initiative to enhance deterrence and U.S. posture in the Indo-Pacific by investing in new capabilities, new exercises, and new infrastructure tailored to enhancing U.S. capabilities in the Indo-Pacific.<sup>26</sup>

Additionally, the U.S. could develop initiatives designed to empower its regional allies and partners to do more to contribute to public goods and enhance their defensive capabilities. Allies and partners have played an important role in American foreign and national security policy since before the founding of our nation, and we should continue to play to our strengths. By implementing a strategy to empower its allies and partners in the Indo-Pacific and more effectively drive them to contribute to the health and success of the regional liberal order, the United States has an opportunity to proactively address emerging regional challenges and sustain American regional power and leadership. Such a strategy would not only enhance

<sup>22</sup> U.S. Department of Defense, *Annual Report to Congress*, 17.

<sup>23</sup> U.S. Department of Defense, *Annual Report to Congress*, 17.

<sup>24</sup> “Advance Policy Questions for Admiral Philip Davidson, USN Expected Nominee for Commander, U.S. Pacific Command,” April 2018, <https://www.armed-services.senate.gov/imo/media/doc/Davidson-APQs-04-1718.pdf>.

<sup>25</sup> This is about more than international law as codified by the UN Convention on the Law of the Sea (UNCLOS). Recall that the first war ever fought by the United States—against the Barbary Pirates (1801-1815)—was fought over freedom of navigation.

<sup>26</sup> For this and other ideas, see Eric Sayers, “15 Big Ideas to Operationalize America’s Indo-Pacific Strategy, War on the Rocks, April 6, 2-18, <https://warontherocks.com/2018/04/15-big-ideas-to-operationalizeamericas-indo-pacific-strategy/>.

regional stability and prosperity—it will also enhance the ability of the United States to compete with China. While this would not necessarily be an anti-China strategy, it does recognize the extent of the challenge posed by China and would represent a positive approach to advance the interests of the United States and its allies and partners.

This approach was suggested by Secretary of Defense Ash Carter’s speech at the 2016 Shangri-La Dialogue in Singapore. Secretary Carter described the U.S. role in the IndoPacific as providing, with its network of allies and partners, the “oxygen” of regional stability that has underwritten rapid economic growth and the development of security ties. He advocated for the further development of the increasingly interconnected region into a “principled security network.” Such a network would entail “nations building connections for a common cause, planning and training together, and eventually operating in a coordinated way.”<sup>27</sup> The United States would continue to serve as the primary provider of regional security and a leading contributor to the region’s principled security network, while at the same time empowering its allies and partners in the region to do more for themselves.

Considering the challenges it faces, the United States should work with its allies and partners to preserve the key principles that have enabled the region’s stability and prosperity, while also adapting its approach to reflect the requirements of a changed world. At a geopolitical level, this will mean sustaining the key attributes of the international order that it has trumpeted since the end of World War II, which were described by Henry Kissinger as “an inexorably expanding cooperative order of states observing common rules and norms, embracing liberal economic systems, forswearing territorial conquest, respecting national sovereignty, and adopting participatory and democratic systems of government.”<sup>28</sup>

As Secretary of Defense James Mattis said, “History is clear: nations with strong allies thrive, and those without them wither.”<sup>29</sup> I agree entirely, and strongly believe that a focused and engaged United States, along with empowered and capable allies and partners, are our best answer to the significant challenges posed by an increasingly capable Chinese military.

*The views expressed are the author’s alone, and are not necessarily those of the Wilson Center or of the U.S. Government.*

Senator GARDNER. Thank you, Mr. Denmark.

And we will begin with questions I think starting where you and Mr. Denmark talking about an engaged United States, talking about empowered allies.

The legislation that I mentioned in my opening statements that Senator Markey, Senator Kaine, and others on the committee are all a part of, the Asia Reassurance Initiative Act, aims at sort of building that long-term strategy into law where the Congress and the executive branch can speak with one voice. I think under the Obama administration, the Asia pivot or rebalance was a good idea in concept, but what more can we do to actually back that up in law through policy and funding and other opportunities to engage diplomatically not just from a security standpoint?

So the bill focuses on three pillars: security and the economy and human rights, rule of law. Under the security provisions of the bill, it authorizes, the Asia-Pacific Security Initiative funds at \$1.5 billion over the next 5 years. From an economic standpoint—it has language dealing with North Korea, Taiwan, continuing our commitment to the Six Assurances, the Taiwan Relations Act, and other languages to help build up counterterrorism capabilities,

<sup>27</sup>Secretary of Defense Ash Carter, “Remarks on ‘Indo-Pacific’s Principled Security Network’ at 2016 IISS Shangri-La Dialogue,” U.S. Department of Defense, June 4, 2016, <https://www.defense.gov/News/Speeches/Speech-View/Article/791213/remarks-on-Indo-Pacificsprincipled-security-network-at-2016-iiss-shangri-la-di/>.

<sup>28</sup>Henry Kissinger, *World Order*, (New York, NY: Penguin Publishing), 2014, 1.

<sup>29</sup>“Stenographic Transcript Before the United States Senate Committee on Armed Services To Conduct a Confirmation Hearing on the Expected Nomination of Mr. James N. Mattis to be Secretary of Defense,” January 30, 2017, <https://www.armed-services.senate.gov/imo/media/doc/17-03—01-12-17.pdf>

training efforts, maritime domain awareness, issues in the South China Sea. From an economic perspective, it highlights the importance of multilateral, bilateral trade engagement using USAID opportunities to develop better trade capacity and, of course dealing with the human rights issues, whether that is Uighurs and the situation facing them in China or the challenges we face in Myanmar and the Philippines.

Is an approach like that something that we ought to be pursuing? What more can we be doing within legislation like that to show our commitment and meat on the bone, so to speak, to an Indo-Pacific strategy? Dr. Mastro and then Mr. Denmark.

Dr. MASTRO. So I think that is a good start to what the United States could do, but it does fall somewhat in the category of what I would label of doing just more of the same. Specifically, we focus on our partners and allies, and that is important. But what China is doing is exploiting gaps in the order. So we talk about the U.S.-led international order and whether China is challenging it or not. But in reality there are many areas of the order that lack certainty, are ambiguous, do not have consensus. I would label cybersecurity as one of these areas. And so what China does is it is trying to build consensus or work on the periphery of the order. So, for example, when they did One Belt, One Road and they initially moved into Central Asia, they were not challenging the United States because the United States was not there. And so I would say that in addition to strengthening our relationship with traditional partners and allies, the United States needs to think more broadly about its relationships with countries around the globe.

Also, in terms of the security initiatives, I would recommend that we think more about demand not supply in kind of business terms. You often—at least in my experience, you think about what the United States has to offer in terms of security assistance. And then we try to put together packages, whether it is visits, port visits, or a rotation of a squadron, or what have you, instead of looking at what those countries actually demand. And so we should move away from this model of increasing advertising and hoping that countries around the world will decide they want what we have to offer and instead try to look at what they actually want and start supplying that.

Senator GARDNER. Mr. Denmark?

Mr. DENMARK. I think Dr. Mastro has some very good points there.

If I could build off of what she said, in my conversations that I have had over the past 2 years in Asia, there is a broad sense amongst both our allies, our partners, and other countries that the United States is easily distracted and is not devoting the kind of resources that would be required in order to effectively compete. While in some areas some countries what to see the United States being open about its competition with China, other countries find themselves uncomfortable with such an idea. So it is difficult to develop a strategy for an entire region in which one size fits all. So I agree with Dr. Mastro that we need to be able to tailor our approach to various countries based on their interests, based on their objectives.

But broadly speaking, there is a sense across the region that the United States is not as powerful as we once were, that China is more powerful, and that they need to have a good relationship with China. But I think what is interesting, that despite those conceptions of American and Chinese power, universally each country wants to engage the United States. They want us there. In terms of demand signal, the main demand signal I see broadly speaking for most of these countries in the Indo-Pacific is they want the United States engaged. They want us to be doing more in the region.

So while I welcome the idea of additional resources being devoted to these things not just on the defense side but across all elements of national power the way you described, I also do think that we need to be careful at how we tailor these initiatives to make sure that they are implemented in a way that is acceptable and sustainable for countries that have at times very different interests than the United States and at times have interests that are not necessarily compatible with one another.

So while I personally welcome more resources for these issues, I often say that there is a difference between competing verbally or competing in a document and actually competing in terms of resources. I think this would help in that direction. But at the same time, I completely agree with Dr. Mastro. They need to tailor those investments for really what is needed both in terms of our potential adversaries but also what our allies and our partners are looking for.

Senator GARDNER. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

A recent survey conducted by the Chicago Council of Global Affairs said that China is a rising military power. 62 percent of all Americans believe that. But at the same time, only 39 percent see China's military power as a critical threat facing the United States of America.

So could you each deal with that issue in terms of the public perception and, I guess, answer the question of whether or not China's growing military might is, in fact, a critical threat to U.S. interests? Mr. Denmark?

Mr. DENMARK. Well, I do agree with the minority of Americans who see China as being a critical threat in the military sense, but I would say more over the long term. At the current time, I think China is a military challenge in ways, as I explained in my testimony, both to American security, American interests and those of our allies. And I would focus especially on China's threat to our allies, Japan and the Philippines being most immediate. And I discuss this in my prepared testimony.

I do think that the nuances of these issues are generally lost on the American public about why China and Japan are having problems or why what China is doing in the South China Sea is a challenge. And it is difficult to explain to the American people why a few thousand acres in the South China Sea represents such an important and critical challenge. I am sorry. While I believe that China is a critical threat, I also understand the phenomenon that

the majority of the American people do not see it as critically as maybe as those who focus on it do.

Senator MARKEY. Dr. Mastro, so how do we close that gap, if you agree with Mr. Denmark's conclusion that it is a real threat? How would you recommend that the Congress or those that care about this issue ensure that there is a full understanding of what is happening?

Dr. MASTRO. So I am not an expert on American domestic politics. But I think the big point here is that what this poll represents is that China has done a very good job at what I have mentioned, which is creating a great deal of uncertainty about its intentions.

Senator MARKEY. They have done a very good job of doing what?

Dr. MASTRO. So what they are doing is they diversified power, and they did it in a sequential way such that anything that you point to, for example, a certain military threat, someone could equally point to how they are cooperating in the Gulf of Aden, for example. Or if you talk about them undermining the international order, someone could equally point to, well, they are actually a part of the WTO or they support the United Nations—

Senator MARKEY. So you are saying that results in the 39 percent thinking that it is not that big—that only 39 percent believe that it is a big threat to us.

Dr. MASTRO. Exactly. It creates a delay. Most of our threat perceptions come from identifying military forces, and Chinese military modernization only began in a big way about 10 to 15 years ago and the United States has been focused on other issues. And so because of this, I think that is why the American public is not focused on the potential for conflict with China.

I would just like to conclude that by saying we are too focused, I think, on the possibility of war with China. If you look historically, the big question is not only whether or not the United States and China is going to fight a war, but that 80 percent of rising powers overtake the great power. So I doubt that we would think it is a mark of successful U.S. policy if China even peacefully became the dominant global leader and we were second to them.

Senator MARKEY. Well, we do not want to over-hype that threat, though, that we are the world power and they are the rising power and that they would overtake us. Is that what you are saying? Eight out of 10 times that is what happens.

Dr. MASTRO. Eight out of 10 times that is what happens peacefully or through war.

Senator MARKEY. So we do not want to over-hype that, though, because we clearly have a far superior military right now. So what is your recommendation to us that we undertake as a strategy in order to make sure that we avoid that result?

Dr. MASTRO. I think we need to switch from a deterrence by punishment to deterrence by denial strategy.

Senator MARKEY. Deterrence by what?

Dr. MASTRO. By denial strategy.

So we have this understanding based on our decades of experience with our superior military force, as you mentioned, sir, that we could force China to give up in certain scenarios by inflicting a lot of costs on them. But my understanding of Xi Jinping and his military strategy is if they can succeed, they do not care what the



costs would be. And so instead of trying to convey that it would be costly for them, for example, to invade Taiwan, we need to start building military forces and positioning them such that no matter what level of resolve China has, they could not physically accomplish their goal.

Senator MARKEY. Great.

So do you agree with that conclusion, Mr. Denmark, that Xi Jinping just does not care what the cost is? They are going to do whatever they want and there can be complete indifference to what the impact is upon the fiscal wellbeing of their country?

Mr. DENMARK. I think that Xi Jinping has demonstrated himself to be willing to take risks, willing to accept turbulence in relations with the United States and with his neighbors, willing to assert Chinese interests. But at the same time, China's leaders are also careful to avoid outright conflict and confrontation.

I do believe that China remains sensitive to risk and to cost. I also believe that the idea of the two versions of deterrence that Dr. Mastro mentioned, deterrence by denial, deterrence by punishment, are not necessarily mutually exclusive.

To get to the fundamental question, though, and I think one of the challenges we have when talking about this—and, Senator, you gave an example of this—is that when Americans I think who are not specialists in this—when they think about what would be a threat to the United States, they think about a military that is roughly equivalent to the United States, a global military power capable of defeating a wide variety of forces all around the world.

And the point that I make in my testimony that other China specialists have made in the past is that in order to cause significant problems for the United States, for our allies, for the broader liberal order, China does not need to equal the United States as a military power. Even as a dominant regional power or even an equal regional power in the Indo-Pacific, they still have tremendous capabilities to cause challenges and to be potentially a threat to the United States and their allies. And that is the challenge that we face in describing the threat, that they do not need to be equal to the United States in order for it to be a significant challenge.

Senator MARKEY. Okay, thank you.

Thank you, Mr. Chairman.

Senator GARDNER. Thank you, Senator Markey.

And along the lines of cost, you know, in the past several years we have seen increased investment in new military equipment by China, increased arms, armaments, aircraft carriers. We have seen the expansion of Chinese military operations, the South China Sea expansion. We have also seen the base now in Djibouti. We have seen the efforts that China is aggressively undertaking as it relates to Taiwan, which is an ebb and flow it seems like, but recently, though, we have seen their successful efforts in El Salvador, Panama, the DR, and others as they have led to sort of de-recognition of Taiwan at the behest of China.

You look back to efforts during the Cold War, U.S., Russia, and the U.S. efforts to sort of follow this cost imposition model where we would invest in arms, we would invest in ballistic missile defense systems and ideas, military placements to impose costs on the Soviet Union and how that led to the end of the Cold War be-

cause, in part, they simply could not keep up with the cost that they were being placed under.

Do you see that same kind of threat, though, that we face from China right now where you mentioned they do not have to spend equal to the United States? Do we face sort of a Cold War-like cost imposition challenge where China forces us to spend money in investing arms, basing that we simply cannot keep up with? And what does that mean for the U.S. long-term competition with China? Dr. Mastro?

Dr. MASTRO. I think that is a very important point. We cannot outspend China. This type of competitive strategy is something that China has learned about and they are dead set on not being tricked into spending more money on things that they think they do not need. Even if the United States has superior technology, which we absolutely do—I would put my bet on a U.S. pilot over a Chinese pilot any day—given the fact that they are also developing technologies that are not so sexy that we do not hear about in these hearings but are cheaper and they can develop more of them means that we are playing this numbers game that even if we shoot down, for example, you know, 10 aircraft for every one they shoot down of ours, they still win because they have so many of them.

And so this is what goes to the point of having maybe a new approach, not thinking about what we did in the Cold War but thinking if we cannot outspend them, what would we possibly do in the Asia-Pacific. I know politically it is not very feasible, but I would encourage us at least as an exercise to think about if we were to engage in military operations in the Asia-Pacific, where would we want forces in Asia? And I will tell you we would not want them in Japan and Korea. Those are not places from which we can operate effectively against the Chinese threat.

And so maybe it is time that, in addition to strengthening our relationships with our partners and allies, we think about new ways to be doing military operations, new ways to position our forces in that region so that we actually are more effective at dealing with this China challenge that Mr. Denmark laid out.

Senator GARDNER. Mr. Denmark, do we face a sort of cost imposition parallel with China?

Mr. DENMARK. I think there are some examples of particular cost challenges that we face within the military challenge. For example, a Chinese ballistic missile costs a lot less than a U.S. anti-missile defense system, for example. But more broadly, I do not see that dynamic at play yet.

I think there are questions, though. There are challenges about how the United States prioritizes its spending. The Department of Defense estimates that China spent about \$190 billion in 2017 on defense, which is less than a third of what the United States is spending on defense. And I have not seen examples of China having a guns versus butter debate yet. To me the sustained increases in China's defense budget seem fairly sustainable.

Senator GARDNER. But I guess I mean that they would force us to spend money, so the reverse of the Cold War.

Mr. DENMARK. So the question to me—I think personally speaking that within a \$700 billion defense budget, I believe that we

would have the ability to out-compete with China, but it would require for the United States to prioritize investments specifically tailored to the China challenge rather than funds going elsewhere. And that is a question for the executive branch. That is a question for the Congress about where our priorities lie.

There are multiple examples of where the United States—in our documents, we say the Indo-Pacific is important. We say that we want to compete with China. Yet, in several measures of budget expenditure, the numbers tell a different story. For example, look at the numbers for security assistance in which U.S. security assistance towards East Asia is lower than—I think it is the lowest region that the United States spends than any other region in the world, including like Latin America. So to me it speaks to the old Washington axiom of show me your budget and I will show you your strategy.

I think the language of competition, the strategy of competition is very important. As you said, Senator, the Obama administration's rebalance I thought was a good start to those prospects, but I think we will need to continue to shift our budget allocations or begin spending more in order to be able to effectively compete.

Senator GARDNER. Dr. Mastro?

Dr. MASTRO. And if I can just add to that by saying if the United States is successful in its spending and builds a military that China cannot challenge, we still have to have a whole-of-government approach because what China is going to do is shift to different tools in its toolbox like economic coercion, like political persuasion. If China gives some benefits to our allies and partners such that they kick out the United States military, it does not matter how advanced our systems are. So we also have to be very cognizant and look for those indicators as well.

Senator GARDNER. Thank you.

In your testimony, you both talked about increasing engagement to China around the globe. Their interests have increased, you know, the concern over sea lane security, anti-piracy efforts, investments in that within their military, their business location around the globe, the Chinese business community now global indeed. If you look at its actions in El Salvador, you look at some of the agreements that it appeared that they may have made or at least El Salvador was asking them—Taiwan in order to deny China's request involving money, dollars, financing of political parties, those kinds of things—and perhaps I am going to turn it over to Senator Markey. Maybe we can get back to this because I am out of time. But I want to get into a little bit about the threat perhaps that we face within this hemisphere of Chinese military operations, basings in a place like El Salvador if that is part of it. But Senator Markey. We will come back to that.

Senator MARKEY. Great. Thank you.

So I am trying to get a frame for this. So let us just say roughly for the sake of the discussion that we are having that the United States military budget is in the ballpark of \$700 billion, and the Chinese military budget is in the ballpark of \$180 billion to \$200 billion per year. Do you agree with that? And that the bulk of their dedication of that \$180 billion to \$200 billion is in the Asia-Pacific area, while ours is spread out, although they are beginning oper-

ations in other parts of the world, but still the large concentration is in that region.

So talk about that in the context of President Trump's America First policy and our need for alliances to deal with the fact that while our budgets may look very different in that region, the gap is not nearly as great and why it would be important for us to keep our alliances intact and in fact to enhance them. Mr. Denmark?

Mr. DENMARK. So thank you, Senator.

I think that the fundamental assessment from my point of view is that U.S. alliances in Asia are fundamental to our power, our access, and our interests in the region. Not only do they host tens of thousands of U.S. service people, but they also act alongside us. Their security forces, their militaries operate shoulder to shoulder with ours, providing public goods, maintaining stability, allowing for the stability and prosperity that we have enjoyed in Asia for so long.

The challenge, of course, as Dr. Mastro has pointed out, is that for our allies and our partners, this is not just a military question. This is a whole-of-government question. And other aspects of American power, particularly trade and investment, have geopolitical effects. We have entered a situation now for most countries in Asia. They see China as the main source of economic opportunity and the United States as the main source for security. And the dilemma that these countries face is that they want to avoid being forced to choose. There is not necessarily a lot of trust towards China, even as the dollars come in. In fact, my sense is that the more renminbi that comes into a country in terms of Chinese aid, the more worried they get about maintaining their own independence, their own sovereignty.

Senator MARKEY. Just in the context of that region when we are talking about the Quad, the multilateral security arrangement with Japan, India, Australia, the United States in that region as a pact, how important is that and what do we have to do to make sure that it does not deteriorate?

Mr. DENMARK. So I would say the Quad is important in conception but so far is very limited in terms of what it actually brings primarily because the different countries have very different approaches to China and very different geopolitical orientations. So, for example, India—they are worried about China. They want to improve their relations with the United States, but at the same time, they have no interest in being seen as an ally of the United States. They have no interest in being seen as directly trying to confront the Chinese. They want to have a more independent approach. And because these countries have such different orientations, it complicates the effectiveness of these mini-laterals.

But I do think that the various institutions springing up in Asia, be it ASEAN, the various trilaterals, the bilateral alliances involving the United States, the emerging relationships between various countries like India and Vietnam, for example, I think are all important as part of building a network of alliances and partnerships that help strengthen the international order but also complicate Chinese efforts to put themselves at the center of regional geopolitics.

Senator MARKEY. So should the United States abandon the rules-based international system? And what would the concessions be that we would try to extract in order to take such a step? Dr. Mastro?

Dr. MASTRO. So, sir, I do not think we should abandon it. Instead, what I am arguing for is an expansion of that system. I think that actually the rules-based international order is very limited. If you look at the definition, the party to that order, the amount of countries that actually might be involved in certain treaties, it is not every country possible. For example, India has very different views on things like cybersecurity than the United States does. And so I think if we could manage to build consensus in these areas of uncertainty, we could actually shape China's choices.

And to that end, that gives the United States a lot of political power because the bottom line is one of the main differences between today and maybe 10 years ago is for the United States, the security benefits that we give to our partners, allies in the region are no longer enough to outweigh the economic benefits that they get from interacting with China. And so we need a security benefits-plus type of strategy in which we think also about the economic benefits, which is difficult under the current administration given the trade policy, but also those political benefits by building new international institutions and building new norms and consensus around areas where that consensus has failed to date.

Senator MARKEY. Thank you.

Thank you, Mr. Chairman.

Senator GARDNER. Going back to the question I started to talk about, just the investments that China has made in South America, the investments China is making in Central America, if you look at investments in Panama and El Salvador and at least apparently in El Salvador as perhaps part of an agreement as it relates to the decision El Salvador made on Taiwan, look at the sale of submarines to countries, Thailand, do we see that as a continued opportunity for China's military expansion? Will we see military basing affecting U.S. operations in Thailand? Will we see perhaps opportunity for military entrance into Central America, into South America, China basing even perhaps? Mr. Denmark?

Mr. DENMARK. Well, I think there is a lot that remains to be seen. I do not think there is a definitive yes or no answer to that question, but I do expect that Djibouti, being the first overseas base that China has established—I fully expect that that will not be the last. Where additional facilities may pop up remains to be seen. I personally would expect more facilities to be established along the trade routes from the Western Pacific through the Indian Ocean into the Middle East. I would expect to see more there before I would expect to see them in Latin America primarily because of China's economic interests, but it remains to be seen.

I do think—and I addressed this in my prepared statement—that China's thinking about overseas basing and especially thinking about alliances and partnerships is very different from how the United States thinks about it. Based on my conversations with Chinese academics, my sense is that Chinese officials and Chinese academics see these relationships as fundamentally transactional and fundamentally coercive to a degree. And so I think that will ulti-

mately limit the effectiveness and the breadth of these facilities in peacetime and especially during potential conflict and crisis when these countries will suddenly be forced to make a choice to allow Chinese military forces to operate from their country. When there is a longstanding, deep, values-based alliance, that calculation for an ally is very different when the arrangement is purely transactional.

Senator GARDNER. Dr. Mastro?

Dr. MASTRO. I do not think China is going to pursue the same type of global military presence that the United States has. This goes to one of the points in my written testimony about entrepreneurial actions. China sees what the United States does globally as something that is ineffective being largely not only with a global military presence but being very intimately involved in the politics of countries and then supporting different sides to ensure that you have someone in power that is supportive of your military operations or your general policies in that region. A lot of Chinese strategists will write that this is what is costing the United States so much money and will ultimately lead to our demise. And so I think China is going to pursue a different way, not because they do not have the capabilities to emulate the United States, but because they think that is actually what is leading to the U.S. decline.

What might that different thing look like? I think, for example, China is much more likely to rely on local authorities to protect their interests abroad than the United States would feel comfortable with. We already know that they are indifferent to who is in power in whatever country. They are more than happy to change whatever deal they had with the previous administration or leader to a different one right after that.

Also, I think it is telling that Mr. Denmark referred to facilities, not bases because the fundamental structure of a lot of what China is doing is more right now logistics-focused and they are not prepositioning offensive systems there. So I think that is important as well.

The main point is if they do move any sort of military operations beyond their immediate region, the purpose is going to be not so much to impact U.S. operations but to facilitate their own. But the bottom line is, when I saw the National Security Strategy and its promotion of this idea that we are in a great power competition with China, to me that signaled that what becomes important is no longer the U.S.-China competition, but the United States' relationship with the rest of the world, and it enhances the influence of countries like Djibouti in U.S. strategy. So more resources, military or otherwise, need to be focused on some of these smaller countries.

Senator GARDNER. Mr. Denmark, you talked a little bit about the security versus economic sort of relationship, that they look at the United States as a security relationship, they may look at China as an economic relationship. But eventually that cannot sustain itself because if there is no sort of economic interest—or can it sustain itself I guess is the question. If there is no economic opportunity and if the benefit of the relationship is flowing one way and the expense of the relationship is flowing another way, can that continue and will nations—and regional in particular—look at that

and say there is a danger in not having any kind of a—of moving too far down the path of a security versus an economic relationship?

Mr. DENMARK. Yes, sir. I believe that countries are generally uncomfortable with such a scenario in part because they want to avoid being forced to make a choice informed by their distrust of Chinese intentions, informed by longstanding relations that many of them have with the United States. And to me, this points out to the need for the United States to enhance other aspects of its engagement with these countries. Having worked in the Pentagon, I tried to enhance our security relationships with these countries as best I could. But the need to enhance other aspects of this engagement, particularly on the trade and investment side, is geopolitically critical in my estimation to ensure that these countries are not put in the difficult position of needing to choose between Washington and Beijing because for many of these countries, they may not like China, they may prefer to work with the United States, but the reality is that China is close, China is large, and the United States is far away. And so making sure that they have the ability to avoid that choice I think is an important aspect for American strategy in the region.

Senator GARDNER. Thank you.

Dr. Mastro?

Dr. MASTRO. I also just add that I think it is important to communicate to our partners and allies that we will not negotiate their security with the People's Republic of China. For example, when President Trump announced that we had reduced military exercises in South Korea, this was music to China's ears. This was their key strategy to enhance their relationship with North Korea in order to use that to get the United States to reduce their military presence. And so if we want to maintain those strong security relationships, we have to demonstrate to our partners and allies that we are not going to sacrifice, for example, our security relationships for the sake of economic benefits or cooperation in a different area with China.

Senator GARDNER. That is an interesting point. I think a question, Dr. Mastro, that I would have to follow up with that is if China sees an opening to reduce—and I think testimony before us today talked about the interests in the Korean Peninsula, China's interests in the Korean Peninsula. I think, Mr. Denmark, it was your testimony. You talked about sort of the three varying interests of U.S. involvement in the peninsula with the ultimate hope of getting the U.S. out of its involvement in the Korean Peninsula. Why do you think China has not pushed further on North Korea to perhaps widen that expectation that President Trump said that he would pursue fewer exercises? There have been discussions of whether or not troops would be removed from the peninsula. Why has China not pushed harder on North Korea to actually denuclearize in hopes that perhaps President Trump would further withdraw from the Korean Peninsula?

Dr. MASTRO. I think China's assessment is that what North Korea is doing, making the promises to consider denuclearization, was enough already to get the United States there. And so potentially by pushing it too much, you are really calling attention to the

fact that—I do not want to create this image of China as a puppet master, but that this is part of a bigger strategy for China to overall reduce U.S. military presence and operations in the region. If that is what the discussion is about on the Korean Peninsula more openly, I think the United States would smartly be more resistant to making those types of changes. So I think that is why China is kind of indirectly behind the scenes trying to pursue these types of strategies.

Senator GARDNER. Senator Markey?

Senator MARKEY. Great. Thank you.

Let us go to North Korea and China and the promise that we would end or curtail those military operations and kind of reports that China would like to increase trade with North Korea just as a way of kind of maybe getting closer to them on the one hand but also kind of undermining our objectives with North Korea at the same time.

Could you talk about that issue and what you think China's goals are in North Korea at this time?

Dr. MASTRO. I have written extensively on this issue, sir, and I think that China's goals are very similar to ours if we are looking just in the context of North Korea. Obviously, they would prefer a denuclearized Korean Peninsula.

The difference is that China sees the Korean issue in the context of its broader competition with the United States. And so that denuclearization no longer becomes the top priority. So initially about a year ago, China was actively preparing for military contingencies in which they were going to invade North Korea without a North Korean invitation. The relationship between China and North Korea was very bad at that time, and they felt like if there was some sort of contingency involving the United States, they would have to get involved to protect their own interests.

Once the diplomatic options became more viable and President Trump agreed to talk to Kim and Kim agreed to talk to President Trump, China shifted its strategy to try to use diplomacy to get the United States to decrease its presence in the region.

So in the end, China would be more than happy, one, for North Korea to denuclearize, but two, Xi Jinping himself has said that the ideal scenario in the future is a unified Korea under South Korean control. Their views of North Korea have changed significantly. The issue is they do not want to pay costs to get rid of North Korea if that is to the benefit of the United States, if all that means is an increase of U.S. influence. And so I firmly believe that—and I am not advocating for this, but if the United States promised to leave the Korean Peninsula if North Korea no longer existed, that China would push North Korea so much and be more than happy to risk its collapse.

Senator MARKEY. Your thoughts, Mr. Denmark.

Mr. DENMARK. I am less confident in my reading of Chinese intentions. I do broadly agree with Dr. Mastro about that China's approach to this has changed fairly radically, but I do think there are some differences between how China approaches the North Korea issue and how the United States does.

First, I think fundamentally China seeks to manage the nuclear issue, not to solve it. And a piece of that is to prioritize stability



over denuclearization. And within that, when the Chinese talk about stability on the Korean Peninsula, traditionally they seek to avoid the collapse of the North Korean regime.

Yet, at the same time, they also have seen the United States as dangerous as well, the United States as a potential driver of instability. And so historically when the United States has appeared to Beijing to be more unpredictable or more likely to begin a conflict, China tries to placate the United States and tries to do things to reduce the potential that the United States would start a war.

So I do think they have very different approaches to this issue than the United States. But I think right now the ultimate sense from Beijing right now is that they see the dynamics on the Korean Peninsula fundamentally through the lens of geopolitical competition with the United States.

Senator MARKEY. Thank you.

In September of 2013, China began a concerted effort to build artificial islands in the South China Sea by crushing coral reefs into sand. It built land features where none previously existed. On top of that, China expanded small outposts into military bases capable of conducting operations.

Admiral Philip Davidson, the Commander of the United States Indo-Pacific Command, stated this year that China's militarization of the Spratly Islands in the South China Sea means, quote, China is now capable of controlling the South China Sea in all scenarios short of a war with the United States.

Ms. Mastro, what considerations or challenges do these bases pose for other claimants and the United States in peacetime in the gray zone or in conflict? In other words, what are the implications of China's military bases in the South China Sea?

Dr. MASTRO. So militarily, sir, they expand the range of Chinese capabilities. And so I think I made the point previously that it is difficult for us to conceive of fighting a war with China using our bases in Korea and Japan, and that is primarily because of the range of conventional precision-guided munitions that China has that can reach those bases and render them inoperable.

In the South China Sea, which is about the size of the United States, China's power projection capabilities historically have been quite limited. And in the report, for example, one thing that was highlighted was the H-6K, one that has LACMs now. China can extend its range to 3,300 kilometers. But if you actually have bases there coupled with carriers, then China is able to sustain combat sorties, for example, for longer periods of time at farther ranges than it was before. And this is what allows it to be able to control, as the quote suggested, large areas of the South China Sea, the air and the sea.

I would just mention on the gray zone side that China can engage in gray zone activities only because the United States allows it to. As far as I understand it, there is nothing that tells us that, for example, if China says, well, this is a coast guard, then we cannot respond with the use of the U.S. Navy. We are too concerned about escalation, and Chinese knows this. They do not believe in miscalculation and inadvertent escalation, and so they use this to their advantage. And we should start being very clear about what

our red lines are and obviously being then able to follow through with that.

Senator MARKEY. So how does their presence there alter our military calculations in that region? What is changing now in your opinion because of their enhanced presence out in the South China Sea?

Dr. MASTRO. So there is a debate, sir, about how the United States will operate in that contingency. So certain bases or areas that used to be safe would no longer be safe as the Chinese are able to operate farther and farther out. So something like should the United States be dispersing its forces more or should we be spending more money on the defense of our bases once China is able to meet them, this is the type of debate that then extends beyond Japan to areas farther and farther out.

Senator MARKEY. Mr. Chairman, thank you.

Mr. Denmark, what do you make of China's apparent plans to use floating nuclear power plants to provide power to these bases in the Spratlys? What are the implications of floating nuclear power plants out in the ocean?

Mr. DENMARK. I have heard those reports too, Senator. I think it is concerning to me, both the idea of adding nuclear materials into an already very complex situation that also involves tremendous environmental problems created by China.

I worry both about the sustainability of potentially introducing nuclear power into the South China Sea primarily because of the very dangerous weather that happens in the South China Sea. Personally, I would not want to be stationed on any of these islands with a nuclear reactor floating a few hundred yards off of the coast. And I think it would be irresponsible on the part of China to introduce nuclear materials, fissile materials, hazardous materials into the South China Sea in an area that does not need them and is already very much environmentally damaged by their actions.

Senator MARKEY. Thank you.

Senator GARDNER. Thank you, Senator Markey.

The South China Sea—obviously in the conversations we have had today, we have talked about the positioning of U.S. troops or forces, making different strategic decisions on where we place our investments from a defense perspective and an ally perspective.

What are we left with in the South China Sea? I mean, they have militarized the islands. They have built the islands. What are we left with? Are we relegated simply to a freedom of navigation operation? Is there more that we should be doing? Should we talk with other—we should talk with other nations about other opportunities, but what are those other opportunities? Dr. Mastro?

Dr. MASTRO. So, first I will say that this militarization of the South China Sea is not over. In my discussions with Chinese Government officials, what I have been told is that movement of weapon systems to those islands has barely begun, and what they are going to do is maybe wait for a freedom of navigation operation or some excuse so that they can say they are responding to U.S. action in order to help them move more of their forces there. So what we are going to see is a hardening and also the movement of more weapon systems to these islands over the next few years.

That being said, what can we do about it? This goes back to my previous point about sort of deterrence by denial versus deterrence by punishment. There is no amount of freedom of navigation operations which will stop China from militarizing these islands. Either we decide we are going to physically stop the supply or we do not have those other options.

So what I would recommend is we promote something like a coalition that we had in the Gulf of Aden. I mean, we could even invite China to be a part of it for legitimacy reasons, but the idea would be that we have multinational patrols of the South China Sea waters to ensure freedom of navigation because right now no one doubts that the United States has freedom of navigation. So our ability to conduct these operations—they do not actually reassure anyone. Is the United States prepared to protect vessels that fly a Vietnamese flag, that fly a Malaysian flag? My understanding is we are not there yet, and as long as we are not there, then we are not actually going to be able to deter Chinese actions.

Senator GARDNER. Mr. Denmark?

Mr. DENMARK. So I agree that conducting freedom of navigation operations does not send a very robust reassurance signal, but I would say that to not conduct the operations would send a terrible—

Senator GARDNER. I agree.

Mr. DENMARK.—lack of reassurance, de-surance maybe, if that is a word.

So I do think it is important for the United States to continue freedom of navigation operations and beyond that to fly, sail, and operate wherever international law allows. I think the key message to send is that China may be doing these things in ways that are incompatible with international law, but it does not change the United States' behavior or it does not intimidate us, that we are going to continue to do what we do.

But I do think there are things that we could do in response to China's actions in terms of enhancing the ability of our allies and partners to defend their islands. Also, I think there are legal options to use the arbitration tribunal ruling on the South China Sea as a diplomatic tool against the Chinese.

And another piece of this is that the U.S. has been very ambiguous in its take on which country rightfully owns which islands. And I think one of the challenges that we have had in the South China Sea is that we have called on the Chinese to comply with international law, to restrain themselves, but we have not had a statement on what happens if they fail. What happens if they continue to ignore our requests and the requests of the entire international community? And to my mind, one of the things that could come after that with the Chinese failure to comply with international laws and norms is to clarify where the United States has been ambiguous in the past and to use those sorts of diplomatic capabilities in order to show China that their behavior has consequences.

Senator GARDNER. Now, are you suggesting that we actually then would side with a claimant? Is that what you are saying?

Mr. DENMARK. What I would do is to look at what the arbitration tribunal ruling says in terms of China's rightful claims and the

rightful claims of other countries and the rights of other countries and to use that as the basis for American policy going forward and to actively demonstrate U.S. commitment to that ruling.

In terms of whether one country should control that island or not, I am not there yet, but I do think we need to be able to show the Chinese that their actions have consequences. And by enhancing the ability of our partners to defend themselves by maintaining a robust presence and expanding that presence and by using international law as a tool of diplomacy, I think we can show that their actions do have consequences.

Senator GARDNER. As our attention is drawn to the Korean Peninsula, as our attention is drawn in the South China Sea, where else is China actively pursuing a, either on land or by sea, South China Sea, another one, the South China Sea 2.0, so to speak? Is there another area that we are not paying attention to right now sufficiently with either a strategy or concern that they are encroaching, building, developing in the same manner or a similar manner?

Mr. DENMARK. To me, the area that is most like the South China Sea would be in the East China Sea. And there are some important differences. China is not conducting island building. They are not doing military construction there, but there is a very heated dispute between China and Japan over those islands in the East China Sea. China has been doing more to elevate their presence—

Senator GARDNER. We have given a security guarantee to the East China Sea. We have not to the Philippines on Scarborough. Should we be putting the same kind of security guarantees in place?

Mr. DENMARK. Well, it is a bit different because the language of the treaties are different. The treaty with Japan specifically refers to territory that is administered by Japan, in which case the Japanese islands clearly fall within that. The treaty with the Philippines is worded differently. So I think the way we talk about territory controlled by the Philippines would necessarily be different.

But I do think that the Obama administration decision to clarify the U.S. position at the top level on Japan in the East China Sea definitely sent a strong signal to the Chinese and, at least for a time, my belief is decreased the amount of pressure that China was putting on the East China Sea. But I also think that is an area that we need to keep an eye on in terms of Chinese efforts to put pressure on our allies and to expand their claims into other people's territorial areas.

Senator GARDNER. Senator Markey?

Senator MARKEY. Thank you.

Now I would like to turn to nuclear weapons in China. The Defense Department reports that China is now in the process of completing their nuclear triad and is updating all legs of that nuclear force. The People's Liberation Army Rocket Force is enhancing its intercontinental ballistic missiles, of which it has between 75 and 100, to make them more survivable, more mobile. Among other updates, China is building a new stealth bomber, and the People's Liberation Army Air Force is upgrading its aircraft with two new air-launched ballistic missiles, one of which may include a nuclear

payload. And at the same time, the PLA Navy is improving its submarine-launched ballistic missiles.

Are China's nuclear force developments destabilizing? Do you see any indications that the Chinese Communist Party intends to reduce the role of nuclear weapons in its national security policy, or is it on an upward trajectory that would perhaps suggest to us that we should engage in nuclear arms control talks with the Chinese as we have traditionally with the Soviet Union and Russia? Ms. Mastro?

Dr. MASTRO. Thank you, Senator, for that question. It gives me the opportunity to say some things for which I am optimistic about the U.S.-China relationship.

China's modernization of their nuclear forces, both quantitative and qualitative, is actually a stabilizing force in the U.S.-China relationship. For many decades, China has been uncertain about its second strike capabilities, specifically whether or not if the United States launched a first strike, they would have the capabilities to retaliate. And this has led to a number of rethinkings about Chinese nuclear strategy, which has traditionally been a no first-use strategy and a launch on attack versus launch on warning in terms of their exercises.

And so from the United States' perspective, there has always been this gray area. There has been a concern that if the United States attacks, given Chinese conventional capabilities, this might be misconstrued as a first strike, causing China to launch other nuclear weapons because they do not have that second strike. So the development of the triad at sea and in air hopefully will make the Chinese more optimistic about their survivability of their nuclear forces and can actually lead to stabilization in a crisis.

Senator MARKEY. You are saying that it reduces the hair-trigger relationship between the United States and China with regard to its nuclear arsenal, that because they are deploying in a triad, because they are enhancing their capacity to withstand a first strike, that they are less likely to just push the button in a use it or lose it situation that may be ambiguous, that may ultimately trigger an accidental nuclear conflict between the United States and China?

Dr. MASTRO. Yes, sir. If it does change the perception of their ability to conduct a second strike, yes, it would be stabilizing.

Senator MARKEY. So from your perspective—to get your comment as well, Mr. Denmark—Dr. Mastro, do you believe that we should begin to have arms control negotiations with the Chinese?

Dr. MASTRO. Sir, if we could, that would be a good idea, but there is no way the Chinese would be willing to talk to us about arms control over nuclear weapons because their position is when the United States reduces its arsenal to reach the level that China currently has, then they can begin those types of negotiations.

Senator MARKEY. And do you agree with that, Mr. Denmark?

Mr. DENMARK. I do. The only other reason I would add for Chinese reluctance both because they see a wide disparity of nuclear capabilities and the size of our nuclear programs, but also they tend to see arms control negotiations, as we had with the Soviet Union, as evidence of a Cold War relationship. So if we were to begin to engage with them in some dialogue about nuclear weapons, whatever it may be, it would have to be couched in a way that

is clearly different than how we handled these issues with the Soviet Union.

Senator MARKEY. That is interesting.

And of their military budget, do you know what percentage they are now putting into their nuclear triad?

Dr. MASTRO. I do not have specific numbers for that, but I would say that has been a lower priority of their military modernization. They have allowed it to go this long without having a secure second strike, and I think it is only because they do not have to make those tradeoffs between butter and guns at this point that they are starting to modernize their nuclear force.

Senator MARKEY. Mr. Denmark, do you have any idea?

Mr. DENMARK. I have nothing else to add on that.

Senator MARKEY. Great. Thank you, Mr. Chairman.

Senator GARDNER. Thank you, Senator Markey.

And the final question for me. We talked a little bit about Taiwan earlier. China's intention as it relates to Taiwan. Today Senator Markey and I and Senator Rubio, Senator Menendez introduced a bill called the Taipei Act, which would create a U.S. strategy to work with countries that have relationships with Taiwan, what we can do to encourage those relationships to continue to counter Chinese efforts as it pursues the policy toward Taiwan.

What is the ultimate goal of China as it relates? Is this an actual invasion force we are going to see? Is this continued economic rattling of the sword that we will see further pull Taiwan back into its policies, in line with its policies? What do you believe the ultimate goal is as it relates to Taiwan, Dr. Mastro?

Dr. MASTRO. The ultimate goal is reunification ideally by peaceful means. However, Xi Jinping made a number of statements in which he promised to the Chinese people that that reunification was going to happen I think he said by 2035.

I was less concerned originally about those statements. I thought they were just something rhetorical that a leader says originally because I thought Xi Jinping was going to be stepping down in a couple years and no one could hold him accountable to those statements. But now that he has extended his tenure indefinitely, it does change the picture for when he made those statements about Taiwan and whether or not he thinks he is going to be held accountable to actually live up to them.

I think the bottom line is China is prepared and is going to be willing to use force if they have to for that reunification, but they want to do it peacefully in the meantime.

In terms of what the United States can do, I just want to highlight a basic point, which is provocation is not necessarily a bad thing. We are always worried about some action that is going to provoke China. Provocation can lead to escalation or tension, but it can also lead to the opposite, depending on what China learns from U.S. actions.

Senator GARDNER. So the legislation we introduced would also allow the administration to downgrade diplomatic relationships with the country that were to follow China as it relates to Taiwan. Is something like that an approach that you would agree with?

Dr. MASTRO. I think that, if the bottom line is we want to signal that we are willing to stand by Taiwan and that we do not want

China to successfully engage in coercion vis-a-vis other countries the United States has to be willing to either impose costs on those countries, as you suggested, or provide certain benefits or positive inducements to get them—

Senator GARDNER. You mentioned provocation.

Dr. MASTRO. Yes.

Senator GARDNER. Give me an example.

Dr. MASTRO. So something like that, if you wanted to, for example, improve your relationship with Taiwan—I have heard maybe putting military members in uniform that are stationed out in Taiwan—or have high level leaders of the United States visit, that is really going to upset Beijing. But that is not necessarily going to be a bad thing in the end. It might mean that they understand that now is not the time to push the United States on Taiwan policy.

Senator GARDNER. Mr. Denmark?

Mr. DENMARK. So I agree the ultimate goal is unification with Taiwan preferably by peaceful means although China has never renounced the use of force.

Senator GARDNER. Have the odds increased that they would use force under Xi Jinping?

Mr. DENMARK. I think that the potential for Chinese force is dependent on several different factors, and they have talked about publicly what those factors may be. They are fairly vague, but I think broadly speaking so long as China's leaders believe that there continues to be progress made towards unification, that time is on their side. So long as they believe that it is possible that any military intervention would fail, I think those are some of the issues that they look at.

But I do think it is important that when the United States thinks about its relationship with Taiwan, that the primary question is focused on what helps our relationship, what helps Taiwan. And questions of how China may react should be at most secondary, if considered at all.

But the corollary to that to me is that to recognize that China will react. So I tend to look for policies related to Taiwan that substantively and substantially help Taiwan, that are not symbolic alone because what often happens and what I would hope to avoid is symbolic gestures that feel good for a bit to help Taiwan but ultimately drive a Chinese response that does not hurt the United States substantially but hurts Taiwan. So I tend to favor policies that are substantive and less symbolic.

In terms of options on how to maintain Taiwan's international space, I do think that we are talking to a lot of these countries to maintain the relationship is important to convey that maintaining that relationship with Taiwan is in the U.S.'s interests. There is a bit of an awkward piece of it for our diplomats to handle is that we do not have an official relationship with Taiwan, but I think that is manageable.

The key, though, to me for all of this is to think fundamentally: How does this help Taiwan? How does this maintain Taiwan's international space? And how do we convey to Beijing that maintaining a robust if an unofficial relationship with Taiwan is in the interest of the United States?

Senator GARDNER. Thanks, Mr. Denmark.

Senator Markey?

Senator MARKEY. And I just have one final area of questioning, if I may, and that just goes back to the Belt and Road Initiative which has resulted in a very generous policy by China of loaning money to countries, which they then cannot pay back, which then results in China being able to extract huge long-term concessions from those countries, Sri Lanka is just a perfect example where they have now had to give up a 99-year lease to the Chinese company, which is partially owned by the Chinese Government, 15,000 acres of land.

And now it appears there are more countries that are deciding to reconsider how far in debt they want their countries or companies to be to a Chinese entity. But at the same time, President Xi just in the last few days has announced a new \$60 billion program of grants, of loans around the world on top of the \$60 billion program that they have had in the past that now has these consequences.

So what are the implications for the United States, for global security of these Chinese strategies in country after country to gain access to or control over ports in countries? And what would you recommend to the United States that we do to try to make sure that we minimize the ability of this Belt and Road program to build economic and security relationships with companies in a way almost giving them offers they cannot refuse so that they become deeper indebted and more entangled into Chinese foreign policy objectives? Dr. Mastro?

Dr. MASTRO. I think just like we mentioned that the Chinese military does not have to be as strong as the U.S. military to be competitive, the United States does not have to offer as much money as China does to be competitive in the economic sphere. We really just have to show up and this is because one you already mentioned, that there is an increasing backlash against what China is doing, but also locally Chinese business practices lead to a reduced quality of a lot of these things.

So I was in Djibouti last year, in Ethiopia, and this made me actually very optimistic about the United States' ability to compete when it comes to aid because while the United States was—for example, our base in Djibouti hires over a hundred Djiboutians and we insert hundreds of millions of dollars into the economy, the Chinese base hires zero Djiboutians and does not contribute to the economy. And they have built a railroad that does not even extend to the port, and the only reason they got that contract was through bribery.

So I think what we are seeing now is that countries are learning. These economic policies on the part of China are relatively new and if they had the opportunity, they would rather have a road built by—at least what I heard in Ethiopia—like Japan that actually will last them longer versus a road built by China which they know they are going to have to rebuild in 5 years. And so at least in this area, I think it would actually be very easy for the United States to be competitive if we were contributing time, resources, and effort to being competitive in the economic sphere.

Senator MARKEY. You are saying “made in China” may not be exactly what people are looking for in these countries after they have



experienced some of the early examples of what that means for their country.

Dr. MASTRO. Yes, sir. In a lot of cases, like in the Japan example I gave with Ethiopia, our allies or partners have a lot stronger presence or relationships with countries than we do. And so it might be the case that instead of the United States trying to give aid or investing in these infrastructure projects, we would be working with our allies and partners to do the similar type of thing.

Senator MARKEY. So, Mr. Denmark, Dr. Mastro says we have got to show up. We have got to have something that we are presenting here that demonstrates the United States' interest in these countries. So what do you recommend?

Mr. DENMARK. Thank you, Senator.

Every year several senior Chinese officials will go to China with CEOs in tow, have a high level meeting with dozens of presidents, announce all these big deals, announce infrastructure projects, and it is a consistent high-level engagement. I completely agree with Dr. Mastro that we got to show up, but I would add that we need to show up with something in hand. Good intentions are not going to be sufficient in Africa.

I think the Chinese miscalculate or overestimate the geopolitical effects of their economic moves. One of the problems I think of being a Marxist is that you tend to overestimate the political effects of economic ties.

As I said, my sense is that as countries become more and more economically tied to China, the more they are worried about maintaining their own independence. So I do think they are looking for the United States. I do think they would rather work with the Americans or the Japanese or the Europeans or whomever, but we do need to show up.

The initiative announced several weeks ago by Secretary of State Pompeo in this vein to enhance U.S. economic engagement in these areas I thought was a good indication of seeing the problem and trying to address it, not trying to copy the Chinese system, but playing to American strengths of the free market and American corporations. Secretary Pompeo received some criticism for the number he announced of \$113 million. I think that is sort of an unfair comparison to what the Chinese announced especially in an off budgetary cycle announcement. But I do hope that as this initiative becomes more funded we are able to put more resources behind it because I do think it is the beginning of a very important geopolitical response to a lot of these challenges.

Senator MARKEY. Thank you.

Senator GARDNER. Thank you, Senator Markey.

Thanks to Senators Risch and Kaine for participating in the hearing today.

And I think, Mr. Denmark, Dr. Mastro, the Asia Reassurance Initiative Act that I talked about at the very beginning of the hearing is something that will allow the U.S. to show up with policies and resources in hand to develop greater economic ties, greater security alliances and help on human rights and democracy throughout the region. And so with the Asia Reassurance Initiative Act, with the BUILD Act, I think that is a great step towards U.S. lead-

ership and presence in Asia providing opportunities for a strategic balance and continued economic growth for the region.

So thanks to both of you for your time and testimony today. Your homework assignment: the record will remain open for members to submit questions through Friday, until the close of business on Friday. I would ask that you return your answers to those questions as soon as possible.

And with the thanks of the committee, the hearing is now adjourned.

[Whereupon, at 4:05 p.m., the hearing was adjourned.]

### **Additional Material Submitted for the Record**

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD  
SUBMITTED TO DR. ORIANA SKYLAR MASTRO BY SENATOR CORY GARDNER

#### *Sensitive Technologies*

*Question 1.* There have been instances of U.S. technology companies willingly partnering with Chinese entities in critical technology sectors, including with state-owned Chinese entities or entities tied to the People's Liberation Army.

- Do you believe that the United States companies should continue to partner with Chinese entities, including in sensitive areas such as processor memory chips? Should the U.S. Government be concerned about such partnerships?
- What is the appropriate role of government when a U.S. company willingly partners or transfers technology to a Chinese entity that may threaten overall U.S. competitiveness in that sector or raise national security concerns? What options should Congress and the U.S. Government consider in such cases?

*Answer.* First, there needs to be a distinction between private sector activity that hurts U.S. economic competitiveness and that which raises significant national security concerns.

I do not believe the U.S. Government should regulate the former if done willingly. However, Washington needs to continue to pressure China on issues of industrial espionage and cyber-enabled IPR theft. An FBI investigation in 2015 indicated that China paid Chinese nationals to work at U.S. technology companies where they became insiders and transferred sensitive technology back to China. Cyber theft is another area where China has targeted U.S. assets. The report for IP Commission in 2013 showed that 96% of the world's cyber theft was from China which resulted each year in 100 billion in lost sales, 2.1 million in lost jobs, and \$300 billion worth of stolen intellectual property.

In the case of the latter, if technology transfer improves PLA lethality, it should be prevented, even at significant economic cost to U.S. companies. This issue is that currently the U.S. Government does not have a system to monitor venture investing or transferring early-stage technology. More importantly, the Committee on Foreign Investment in the United States (CFIUS), one of the primary tools to mitigate foreign investment, is only partially effective in protecting national security since transactions that do not result in a foreign controlling interest cannot be reviewed by CFIUS. This is the first step in monitoring and investigating the partnerships and transactions between U.S. and Chinese companies that work in sensitive sectors—this can potentially be done by expanding the authority of CFIUS.

#### *UAS/MCTR*

*Question 2.* The recent Department of Defense report to Congress on Chinese military power notes that the Chinese continue to exploit the void left by the U.S. in the unmanned aerial system (UAS) space, due to U.S. Government concerns about the Missile Technology Control Regime (MTCR).

- How should the Trump Administration ensure that we quickly respond to the urgent UAS requirements of our partners and allies given the MTCR restrictions, especially considering the growing Chinese role in the UAS market?
- What are the concerns about our partners and allies obtaining Chinese UAS technology?

*Answer.* There are three main concerns with partners and allies obtaining Chinese UAS technology: 1) Foreign Military Sales are often used as a tool of diplo-

macy, and thus U.S. allies and partners could become closer to, and more technologically intertwined, with China; 2) If allies are reliant on China for certain platforms and technologies, then in a conflict scenario they may not have access to needed replacements, refurbishments and maintenance, which could impact their military effectiveness, 3) External sales provides financial support to the

Currently, MTCR constrains U.S. ability to export UAS. Since China does not sign the MTCR, China can sell drones to all nations without clear standard and regulations, including countries in the Middle East that the U.S. does not sell to due to national security concerns. For instance, in 2015, China sold CH-4s to Iraq, Saudi Arabia, UAE and even U.S. allies such as Jordan and Egypt. While the U.S. had a deal to sell UAVs to Jordan and Egypt, its slow approval processes forced its allies to purchase China's drones instead.

MTCR has played an important role in limited the proliferation of missile technology—and the United States should continue to support the control regime. A unilateral U.S. move that violates its MTCR commitments could weaken the regime. If possible, the best course of action is to work within the regime to change, update and specify its coverage over UAS and aspects of its emerging technology.

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RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD  
SUBMITTED TO ABRAHAM M. DENMARK BY SENATOR CORY GARDNER

*Sensitive Technologies*

*Question 1.* There have been instances of U.S. technology companies willingly partnering with Chinese entities in critical technology sectors, including with state-owned Chinese entities or entities tied to the People's Liberation Army.

- Do you believe that the United States companies should continue to partner with Chinese entities, including in sensitive areas such as processor memory chips? Should the U.S. Government be concerned about such partnerships?
- What is the appropriate role of government when a U.S. company willingly partners or transfers technology to a Chinese entity that may threaten overall U.S. competitiveness in that sector or raise national security concerns? What options should Congress and the U.S. Government consider in such cases?

Answer. Partnerships between American and Chinese companies, if structured correctly, offer significant opportunities for both sides. Yet China's practices of demanding technology transfers, its history of using any means to steal intellectual property, and the close relationship between many large Chinese companies and the Chinese Communist Party raises national security concerns that cannot be ignored. I personally have significant concerns about partnerships between Chinese entities and U.S. companies that manufacture components of critical infrastructure and/or the defense industrial base for the United States.

The U.S. Government would need to balance the interests of maintaining a free market and supporting legitimacy trade and international investment with national security considerations of defending critical technologies from theft or exposing critical infrastructure to potential malign activities. Personally, I would argue that government should focus on the national security implications of any particular partnership or technology transfer between an American company and a Chinese entity.

*UAS/MCTR*

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- What are the concerns about our partners and allies obtaining Chinese UAS technology?

Answer. UASs offer unique capabilities at a lower cost than some manned systems, making them particularly attractive for countries that face significant security challenges but limited resources. Reclassifying UAS as aircraft, rather than missiles, could help the U.S. Government bypass MTCR restrictions. Yet further and more stringent end-use constraints may be required to ensure that such capabilities do not proliferate. Yet I would argue that this decision should be made from a national security perspective—to build the capabilities of, and maintain interoperability with, key allies and partners.

My primary concern would be regarding a lack of interoperability. One of the reasons U.S. forces are able to operate so effectively with those of our allies and partners is because our platforms are often built for interoperability. By acquiring Chinese UAS capabilities, allies and partners may limit the ability of their forces to operate effectively with their American counterparts. Even if work-arounds could be developed, the U.S. military would need to examine any potential vulnerabilities involved with operating Chinese-origin UAS on U.S. networks.

## THE CHINA CHALLENGE

PART 3: DEMOCRACY, HUMAN RIGHTS, AND THE RULE OF LAW

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TUESDAY, DECEMBER 4, 2018

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 10:33 a.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner, Rubio, Markey, and Kaine.

### OPENING STATEMENT OF HON. CORY GARDNER, U.S. SENATOR FROM COLORADO

Senator GARDNER. This hearing will come to order.

Let me thank you all, all the witnesses, to the 11th and final hearing for the Senate Foreign Relations Subcommittee on East Asia, The Pacific, International Cybersecurity Policy in the 115th Congress.

I first want to again thank Senator Markey for being an incredible partner, absolutely incredible partner, on this subcommittee. You could not have asked for anybody better to work with.

The East Asia has held the most hearings of any Foreign Relations subcommittee in the 115th Congress. It is quite an achievement for the American people who sent us here to conduct vigorous oversight over our nation's foreign policy. And I thank Senator Markey for the work that we have done together throughout the Indo-Pacific region.

In conjunction with this hearing, we authorized the Asia Reassurance Initiative Act, or ARIA, the landmark legislation that will strengthen our alliances and deter our adversaries in the Indo-Pacific for generations to come. To inform this legislation, we conducted five hearings, examining a range of national security, economic, and rule of law challenges in the Indo-Pacific. We concluded with a hearing on May 15th, 2018 featuring State Department and Department of Defense officials. On June 21st, 2018, Secretary Pompeo and Secretary Mattis formally endorsed ARIA in a letter to this committee. ARIA passed this committee unanimously on September 26th, 2018, and I am hopeful that it will be signed into law before the end of the year.

In this subcommittee, we also held two hearings on North Korea, examining the shift from strategic patience policy of the last ad-

ministration to the maximum pressure and engagement policy of this one. We agreed that clearly much more work needs to be done to achieve complete, verifiable, and irreversible denuclearization of the North Korean regime, as required by U.S. law.

We also held an important hearing on cybersecurity policy, examining state-sponsored threats in cyberspace as a vital national security concern for the United States that needs to be seriously and immediately addressed.

This hearing today will be the final hearing in a three-part series of hearings titled “The China Challenge” that examines how the United States should respond to the challenge of a China that seeks to upend and supplant the U.S.-led liberal world order.

Our first two hearings focused on security and economic aspects of China’s authoritarian rise. Today’s hearing will focus on democracy, human rights, and the rule of law, values that have been fundamental to the conduct of U.S. foreign policy for generations.

As these values relate to China, the Trump administration has been clear on the scope of the problem and gravity of the challenge before us. According to the National Security Strategy, for decades U.S. policy was rooted in the belief that support for China’s rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, the report stated China expanded its power at the expense of the sovereignty of others.

According to the National Defense Strategy, the central challenge to U.S. prosperity and security is the reemergence of long-term strategic competition by what national security strategy classifies as revisionist powers. It is increasingly clear that China and Russia want to shape a world consistent their authoritarian model and gaining veto authority of over nations’ economic, diplomatic, and security decisions.

The so-called authoritarian closing under President Xi Jinping has resulted in an unprecedented and intensifying crackdown on civil society, ethnic minorities, and religious freedom in China. The news of mass concentration camps for Uighur Muslims in the Xinjiang autonomous province has shocked the conscience and necessitates a serious response from the United States and the international community.

The crackdowns in the Tibet autonomous region is intensifying while Beijing continues to refuse negotiations with the Central Tibetan administration. Human rights defenders are routinely jailed, tortured, and otherwise deprived of liberty. A genuine freedom of speech and assembly are nonexistent. Corruption and abuse of power are rampant. The judicial system is a tool of the state and the party and not an impartial arbiter of legal disputes.

So today, we have three distinguished administration witnesses to shed light on how the United States should approach democracy, human rights, and the rule of law as they relate to strategic competition with China and how the United States should advance these values on Chinese soil.

With that, I will turn it over to Senator Markey for his opening comments.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, very much. And again, thank you for this incredible set of hearings which we have had in this subcommittee over the past 2 years. They've been just absolutely fantastic, and I want to compliment you for that.

This hearing is just a continuation of them, looking at Chinese policies and influences. These challenges are not insurmountable, but they do require our thoughtful study and close attention.

Around the world, all countries, including the United States, rely on the rules-based international order to underpin security and prosperity, to help provide a level playing field, to provide the maximum opportunity for the greatest number of people, and to defend and protect certain fundamental rights. So, it is of the utmost importance that we do everything in our power to ensure that this system remains.

Our first hearing focused on economic policies of the Chinese Government that ran counter to these tenets.

The subsequent hearing explored China's military modernization and expansion and its implications for the security interests of America, our allies, and the fundamental peace and stability of the Indo-Pacific.

Today's hearing seeks to capture developments in Chinese domestic policy that could have broad implications for the way people are treated around the world. After all, what has made American foreign policy strong and effective is not just our economic and military strength, but our commitment to certain values. The world has looked up to the United States. It watched as our democratic experiment developed—one that prioritized the promotion of basic individual freedoms and liberties.

But we must make clear that this was not just an experiment, that American democracy is not obsolete, and that U.S. leadership on human rights is not temporary. While American democracy has been messy at times, it has also been the envy of the international community. It is what has allowed us to be a moral leader in the eyes of the world.

As China rises, it grows evermore influential around the world, and elements of China's policies have challenged long-established concepts of rights and freedoms.

I, like many others, at one point believed that China's entry into the international community would lead to increased political openings, the promotion of freedom of expression, and greater commitment to human rights.

Unfortunately, we are seeing just the opposite trend. We are seeing the Chinese Government's authoritarian attitudes influence five key areas.

First, it seeks to politically curb dissent through censorship of all types of freedom of expression, including online. This approach is drawing American companies such as Google into this way of thinking and, along the way, compromising data privacy provisions on their online platforms in exchange for greater market access for American companies.

Second, it is employing extrajudicial tactics to intimidate citizens, including those from the United States. Along with Senators

Cardin, Rubio, and Gardner, I am concerned that this administration is not raising these issues with the Chinese Government, including its use of exit ban policies to prevent innocent Americans from leaving China, which violate international conventions and bilateral agreements. We have to do more.

Third, we are seeing the continued ethnic and religious repression of minority communities in China. The Chinese Government's tactics to repress Tibetan Buddhists is being replicated in Xinjiang. There are reports that as many as 1 million Muslim Uighurs have been forced to take part, quote, in reeducation camps where they must renounce their religious and ethnic identity. This policy is an abomination and defies all forms of basic human rights principles. This sadly falls into a pattern of state behavior as the Government's policies to target Christians and members of other faiths is well known.

Fourth, the Chinese Government is now exhibiting the bold behavior of targeting activists and dissidents overseas. In one case, Chinese authorities have threatened the family members of Radio Free Asia's Uighur news service journalists, should they continue to report on the activities inside of China.

And finally, China's Government has protected other governments accused of significant human rights violations. China is working through the United Nations Security Council to protect the Government in Burma from international condemnation for its brutal assault on the Rohingya. It is weakening the international efforts to pressure the Hun Sen regime in Cambodia by offering financial loans. It is giving lucrative lines of credit to Venezuela as the world tries to isolate President Maduro. And it is noticeably silent on President Duterte's drug war in the Philippines, as it strengthens the economic and security partnership with Manila. Such policies undermine established human rights standards internationally, and they challenge the individual freedoms and liberties the majority of the world holds dear.

So it is imperative that we confront this challenge. We must engage with our Chinese counterparts head-on about our concerns and work with our allies and partners to establish a collective front against this malign behavior. And we have to do it at the highest levels, starting with the President, because we cannot credibly defend human rights without the backing of the Office of the President.

And there are many unanswered questions about how this administration is dealing with China's authoritarian behavior. How effective are we in calling out Chinese behavior? Especially when we pull out of institutions like the Human Rights Council, which can serve as an effective venue to applying pressure. How are we raising our concerns with the Chinese Government, and what is our President saying to President Xi about human rights? Did this come up at the G20, and if so, how did the conversation go? If not, why not? We do not know.

We need to shed light on these questions if we want to help stem the tide of its authoritarian challenges to democracy, human rights, and the rule of law. We must ensure our diplomatic efforts are comprehensive and effective. Our moral leadership of the planet depends upon it.



So I thank you, Mr. Chairman, once again, and I thank this very distinguished panel for being here today. And I yield back.

Senator GARDNER. Thank you, Senator Markey.

And I am going to introduce all three witnesses, and then we will begin with you, Mr. Busby.

Our first witness is Scott Busby who serves as Deputy Assistant Secretary of State at the Bureau of Democracy, Human Rights, and Labor. Previously he served as Director for Human Rights on the National Security Council in the White House from 2009 to 2011 where he managed a wide range of human rights and refugee issues. Welcome to the committee and thank you for your service.

Our second witness is Laura Stone, who serves as Acting Deputy Assistant Secretary of State at the Bureau of East Asian and Pacific Affairs. Previously she served as the Director of the Office of Chinese and Mongolian Affairs, Director of the Economic Policy Office in EAP, and Economic Counselor in Hanoi, Vietnam. Thank you for being here.

Our third witness is Gloria Steele, who serves as Acting Assistant Administrator at the Bureau for Asia of the United States Agency for International Development, or USAID. A career member of the U.S. Senior Executive Service, she was USAID Mission Director for the Philippines and the Pacific Islands prior to her appointment. I look forward to your testimony.

Secretary Busby, please begin.

**STATEMENT OF SCOTT BUSBY, DEPUTY ASSISTANT SECRETARY, HUMAN RIGHTS AND LABOR, U.S. DEPARTMENT OF STATE, WASHINGTON, DC**

Mr. BUSBY. Thank you, Mr. Chairman and Ranking Member Markey, and members of the subcommittee. We very much appreciate your attention to the human rights situation in China and the invitation to appear before you today.

Defending universal rights and fundamental freedoms has been and will continue to be an essential element of American foreign policy. Governments that respect human rights remain the best vehicle for promoting prosperity, happiness, and peace.

Vice President Pence aptly summed up the current human rights situation in China in his recent speech at the Hudson Institute where he said, quote, "For a time Beijing inched toward greater liberty and respect for human rights. But in recent years, China has taken a sharp U-turn toward control and oppression of its own people." I think you both fully described that situation in your own remarks this morning.

As both of you mentioned, some of the most widespread and worst human rights abuses taking place in China right now are occurring in the Xinjiang Region. The U.S. Government assesses that since April 2017, Chinese authorities have indefinitely detained at least 800,000 and possibly more than 2 million Uighurs, ethnic Kazakhs, and members of other Muslim minorities in internment camps. Reports suggest that most of those detained are not being charged with crimes, and their families have little to no information about their whereabouts.

At first, China denied the existence of such camps, but as public reports have emerged, Chinese authorities now assert that they

are, quote, vocational education centers, closed quote, which glosses over the fact that many renowned Uighur intellectuals and retired professionals are also detained in these camps.

Former detainees who have reached safety have spoken of relentless indoctrination and harsh conditions. For example, praying and other religious practices are forbidden. The apparent goal is to force detainees to renounce Islam and embrace the Chinese Communist Party.

The recent testimony of Marigall Terson is a chilling and heart-wrenching account of just how badly the Chinese Government is mistreating many of the people who have been detained in the Xinjiang Region.

Life outside the internment camps is not much better. Neighborhoods have entry and exit checkpoints manned by armed police. Families have been forced to accept Chinese officials into their homes for extended home stays. Thousands of mosques have been shuttered or destroyed. Some have even been converted into communist propaganda centers.

Unfortunately, fleeing China is not enough to escape the long arm of the Chinese Government. China has routinely pressured other countries to return Uighurs, ethnic Kazakhs, and members of other Muslim minority groups, which has often proven successful. Even when such individuals reach safety, China continues to harass and intimidate them.

China's repression of minority groups does not end in Xinjiang. Its policies have spread hundreds of miles away, for instance, to Hui Muslim communities. Tibetans also face continued repression and pervasive surveillance. Indeed, the Tibetan Autonomous Region was the testing ground for many of the techniques now used in Xinjiang.

Chinese authorities also continue to restrict the freedom of religion of Christian communities and others. Protestant house churches are being shut down, and even officially registered churches are under increased government scrutiny. In September, the Holy See and China signed a 2-year provisional agreement on the selection of bishops in China, which raises additional religious freedom concerns. Falun Gong members and members of the Church of Almighty God also reportedly continue to face detention, forced labor, and torture.

As both of you noted, the Government also continues to abuse lawyers, human rights defenders, and other activists. We are particularly concerned about the cases of Wang Quanzhang, Jiang Tianyong, and Huang Qi, who have been imprisoned and abused for their efforts to fight for the rights of others and to document abuses.

Any organizing to raise collective concerns or advocate for social change, it seems, including the efforts of women's, LGBTI, labor, and migrants' rights groups runs the risk of intimidation and harassment.

Journalists also continue to have their practices restricted and rights abused.

As members of this committee have previously noted, China's system of repression is exacerbated by the Government's increasing technological sophistication.

In sum, we see a concerted effort to use both new advanced technology and old-fashioned repression to control all aspects of Chinese society.

Despite these developments, the United States continues to advocate for human rights in China. While Laura will speak to how we seek to advance human rights in the bilateral relationship, my bureau, DRL, is implementing \$10 million of fiscal year 2018 economic support funds to support human rights in China, just as we have done for the past several years. Nevertheless, such programs are increasingly challenged by the difficult operating environment in China, including the new and highly restrictive foreign NGO management law.

We are also working with our allies and using multilateral fora to encourage China to improve its human rights situation, as demonstrated through our recent engagement in China's universal periodic review. And we, along with the U.S. Agency for Global Media, continue to push back against China's closed Internet by, among other things, funding programs that support anti-censorship technologies and promote digital safety.

We welcome the spotlight that this hearing shines on the human rights situation in China, and we will continue to work closely with this subcommittee to support the efforts of those in China, who are seeking to stand up for their rights.

Thank you.

[Mr. Busby's prepared statement follows:]

PREPARED STATEMENT OF SCOTT BUSBY

Chairman Gardner, Ranking Member Markey, and members of the subcommittee, thank you for the invitation to appear before you today to testify on the human rights situation in China. This hearing is particularly timely coming one week before the 70th anniversary of the United Nation's adoption of the Universal Declaration of Human Rights. This Declaration, which the General Assembly adopted by consensus, states that every individual has the rights to freedom of thought, conscience, religion or belief, expression, peaceful assembly and association.

Defending these universal rights and fundamental freedoms has been, and will continue to be, an essential element of American foreign policy, including U.S. policy toward China. As the President's National Security Strategy states, "the United States supports those who seek freedom, individual dignity, and the rule of law . . . and we will advocate on behalf of religious freedom and threatened minorities." Governments that respect human rights remain the best vehicle for prosperity, human happiness, and peace.

Vice-President Pence aptly summed up the situation in China in his speech at the Hudson Institute on October 4: "For a time, Beijing inched toward greater liberty and respect for human rights. But in recent years, China has taken a sharp U-turn toward control and oppression of its own people."

Today, the Chinese Communist Party is implementing a system where, to quote President Xi Jinping, "the Party exercises overall leadership over all areas of endeavor in every part of the country." Space for civil society and free thought continue to shrink. There is mass detention of Uighurs, ethnic Kazakhs, and members of other Muslim minority groups in the Xinjiang Uighur Autonomous Region (Xinjiang). Surveillance is intrusive and omnipresent, not only in Xinjiang but also in many other parts of China. The Government blocks U.S. press and social media websites and imprisons its own people for sharing their opinions online. Those who call on China to live up to its own laws and commitments to protect human rights have been punished. And China is doing the same to Chinese citizens abroad, including harassing political dissidents on foreign soil, detaining journalists' family members who remain in China, and coercing members of Chinese Muslim minority groups to return from overseas.

Some of the worst human rights abuses are occurring unchecked in the Xinjiang Uighur Autonomous Region. Since April 2017, Chinese authorities have detained at

least 800,000, and possibly more than 2 million, Uighurs and members of other Muslim minorities in internment camps for indefinite periods of time. This is the U.S. Government assessment, backed by our intelligence community and open source reporting. Reports suggest that most of those detained are not being charged with crimes, and their families lack information about their whereabouts, their well-being, and for how long they will be held. The reasons given for detention appear to vary widely; in some cases, police have claimed they are detaining someone merely because they travelled abroad, or because they have family abroad. There appears to be no ability to contest such detention.

At first, China denied such camps existed. As numerous public reports emerged through the testimony of brave victims and intrepid researchers and journalists, the international community began to speak out about the mass internments. Chinese authorities have recently asserted that these internment camps are “vocational education centers” designed to help young, unemployed people in Xinjiang learn job skills and the Chinese language, glossing over the fact that renowned Uighur intellectuals and retired professionals are also detained there. Former detainees who have reached safety have spoken of relentless indoctrination and harsh conditions. They report mandatory classes where detainees are required to recite Communist slogans and sing songs praising the Chinese Communist Party. Failure to quickly learn these lessons leads to beatings and food deprivation. There are reports of the use of stress positions, cold cells, and sleep deprivation in the camps. We have also seen reports of other forms of torture or cruel, inhumane or degrading treatment, including sexual abuse. One common goal in reports from former detainees seems to be to forcing detainees to renounce Islam and embrace the Chinese Communist Party. For example, praying and using common Muslim greetings are forbidden in the camps. There are reports that authorities constantly surveil detainees to ensure that they do not pray, even in their own beds in the middle of the night. Detainees are reportedly forced to eat pork and drink alcohol. Some have reported being forcibly medicated with unknown substances.

Life in Xinjiang outside these internment camps is not much better. The Chinese Government is engaged in an effort to monitor every aspect of life for Uighurs and members of other Muslim minority groups. Families have been forced to accept Communist officials into their homes for extended “home stays.” Thousands of mosques have been shuttered or destroyed; some have even been converted into Communist propaganda centers. Those that are still open are often guarded and monitored, and entry is limited via checkpoints with electronic ID scanners. Neighborhoods also have entry and exit checkpoints manned by armed police. The pervasive surveillance in place across Xinjiang today has been frequently described as an “open-air prison.”

Unfortunately, fleeing China is not enough to escape the long arm of the Chinese Communist Party. China has routinely pressured other countries to return Uighurs, ethnic Kazakhs, and members of other Muslim minority groups to China, many of whom are seeking asylum overseas. In 2015, Thailand returned nearly 100 Uighurs to China and roughly 50 remain in detention in Thailand today. In July 2017, Egyptian authorities deported two dozen Uighurs, who promptly disappeared upon arriving in China. According to civil society groups, most Uighurs involuntarily returned to China face arbitrary imprisonment, disappearance, torture, or summary execution. In some cases, most recently in Malaysia, foreign governments have resisted Chinese pressure—often at the urging of the United States and other like-minded countries—and refused to deport or return Uighur individuals to China, instead considering their asylum claims or allowing them to travel onwards to safe destinations.

Even when Uighurs, ethnic Kazakhs, and other members of Muslim minority groups reach safety, Chinese security services and their proxies continue to harass and intimidate them. In 2017, Uighurs worldwide reported being contacted by Chinese police and ordered to return home. Those who complied often disappeared; those who did not received calls from family members begging them to return, for fear of retribution. The Government also threatens the family members of Uighurs abroad whose work the Government opposes. For example, six Uighur journalists for Radio Free Asia (RFA) living in the United States have reported that family members have been disappeared or detained. Of those, five have said Chinese authorities raised their work at RFA with their families prior to the disappearances and detentions of family members. China has also exploited international law enforcement cooperation mechanisms, like INTERPOL, in attempts to persuade countries to arrest Uighur dissidents on politically motivated charges. For instance, Dolkun Isa, the president of the World Uyghur Congress, has been repeatedly detained and harassed around the world due to an INTERPOL Red Notice issued

based on China's false accusation of terrorism. INTERPOL rescinded this Red Notice in February.

While the focus is often on Uighurs, who at 45% of the population of Xinjiang are the largest of the Muslim minority groups targeted by China's repressive campaign, it is not limited to them. Several ethnic Kazakh Chinese nationals have given public interviews about their own experiences in camps. We also have reports from family members in the United States that ethnic Uzbeks have also been detained by Chinese authorities.

China's repression of minority groups does not end in Xinjiang. China's repressive policies toward minority Muslim groups have spread hundreds of miles away to Hui Muslim communities with plans to shut down mosques in the Ningxia Hui Autonomous Region. Tibetans also face continued repression and pervasive surveillance; the Tibetan Autonomous Region (TAR) was the testing ground for many of the techniques now used in Xinjiang, especially the pervasive surveillance based on ethnicity. Outside the TAR, the Chinese Government maintains harsh controls on Tibetans and religious and educational centers focused on the study of Tibetan Buddhism. For example, within the past few years, authorities have reduced the number of people living in the monastic communities of Larung Gar and Yachen Gar by forcibly evicting thousands of monks, nuns, and laypersons and destroying thousands of their homes. According to RFA, authorities forced many monks and nuns evicted from Larung Gar to attend patriotic re-education classes for up to six months, with eerie parallels to the repressive practices on Muslims in Xinjiang.

Chinese authorities also continue to restrict the freedom of religion of Christian communities in China. Unregistered Protestant "house churches" like the Zion Church in Beijing and the Early Rain Covenant Church in Chengdu continue to be shut down throughout the country; in one notable case in January, authorities used dynamite to demolish a house church in Shanxi province. Even officially registered churches are under increased government scrutiny, with the Government requiring the removal of crosses and, in some cases, the hanging pictures of Xi Jinping and Mao Zedong inside the church and the installation of surveillance equipment. We have received reports of officials destroying or limiting the access to religious materials, like the allegations that Chinese authorities have burned both Bibles and Qurans. In September, the Holy See and China signed a two-year provisional agreement on the selection of bishops in China. The agreement has not been made public, however reports suggest the Vatican committed to filling vacant bishop positions from a slate of candidates selected by the Chinese Government-run Chinese Catholic Patriotic Association (CCPA). Such procedures raise concerns regarding the freedom of religion. Falun Gong members and members of the Church of Almighty God also reportedly continue to face detention, forced labor, and torture on account of their religious beliefs.

China's repression is not limited, though, to members of religious groups or ethnic minorities. The Chinese Government continues to abuse lawyers, human rights defenders, and other activists. Despite the restrictions China puts on information gathering, the Congressional-Executive Commission on China maintains a database with detailed information on more than 1,400 current Chinese political prisoners. I would like to highlight a few of the most egregious cases. Authorities have held Wang Quanzhang incommunicado for over three years because of his work defending in court those whose human rights were abused. In April, his wife, Li Wenzu, attempted to walk the 100 kilometers from their home to Beijing to the Tianjin detention facility where Wang was rumored to be held. Chinese authorities forced her to turn around and placed her under house arrest instead. Her courage and dedication in the face of adversity is inspiring, and we highlighted Li Wenzu's story during our series on women human rights heroes in March.

Huang Qi, who founded the Tianwang Center for Missing Persons, later renamed the Tianwang Human Rights Center, is another priority case. His initial mission was to stop trafficking in persons, and he created a website to track missing persons thought to have been trafficked. Over time, the site began tracking all manner of human rights abuses. Since 1998, Huang has been in and out of prison, but has not given up his fight for human rights. In 2016, authorities arrested him again. Reports suggest he is suffering from a number of illnesses and is at risk of dying in prison. Despite this, the Government reportedly has stopped providing him with necessary medical care. Moreover, officials have reportedly tortured him to extract a confession to "leaking state secrets overseas." Despite this, he has persevered and refused to confess.

Students, independent labor activists, and others advocating for fair and safe working conditions are also increasingly under threat. For example, in August, authorities in Guangdong, Beijing, and other parts of China detained approximately 50 workers and students from several universities who had been supporting workers

that had been dismissed for trying to organize an independent trade union. This case is only the latest in a long-standing crackdown on independent labor organizers, which includes coordinated efforts by the Chinese Government at all levels to disrupt labor rights advocacy. Workers' ability to freely associate and advocate for decent working conditions are both human rights and critical to ensuring a level playing field in global supply chains. The only unions allowed in China are affiliated with the All-China Federation of Trade Unions, or ACFTU, which is a Chinese Communist Party organ chaired by a member of the Politburo. This ban on independent unions contravenes workers' freedom of association.

We also have ongoing concerns about forced labor in China. Despite China officially ending its "re-education through labor" system, we continue to receive reports of detainees compelled to perform menial labor in "administrative detention facilities" and "drug rehabilitation centers" without appropriate compensation or judicial processes. And though information is limited, we've also heard anecdotal reports about forced labor in Xinjiang's internment camps as well. Every year, the Department addresses forced labor around the world in our Trafficking in Persons report; China remains a Tier 3 country, the lowest ranking.

Any organizing or political mobilization in China to raise collective concerns or advocate for social change runs the risk of intimidation and harassment by Chinese authorities. Women's rights advocates are routinely evicted from their homes on the orders of police. LGBTI content is routinely removed from the Chinese internet. Prior to one event to celebrate "International Day Against Homophobia," students were warned to avoid the event as it was being organized by "an illegal organization that may collude with Western powers." In November 2017, Beijing authorities evicted tens of thousands of migrant workers without advance notice, despite the freezing weather. When locals organized to assist those evicted, authorities evicted them from their homes and offices as well.

And despite changing the infamous one-child policy to a two-child rule, coerced abortions and sterilization continue across China. National Public Radio recently published a story about Chinese authorities forcing an ethnic Kazakh woman to abort her baby, because she already had two children, by threatening to detain her brother in the internment camps in Xinjiang. After she had the abortion, officials detained him anyway.

Journalists also continue to have their rights abused. The Committee to Protect Journalists ranks China as the country with the second highest number of journalists jailed. The Government controls most media outlets, dictating what stories journalists can cover and often the language they must or cannot use. Regulations passed in 2017 requires online content providers to obtain licenses from the Government or be shut down, subjecting online content to censorship. China's restrictions are not limited to domestic media outlets. U.S. and international journalists in China face various undue restrictions and harassment, including limitations on visa issuances or renewals in retaliation for objectionable content.

China's weak adherence to the rule of law only exacerbates these issues. The new "liuzhi" detention system, which replaced the Party "shuanggui" system by formally combining Chinese State and Communist Party investigatory mechanisms, does not represent any improvement. Under the old system, Party members could be informally held and subjected to solitary confinement, beatings, sleep deprivation, and stress positions to force a confession. The new system, legally codified under the National Supervision Law, can target any public official, and those held are not entitled to appeals or to file suit against their captors. This is the rule by law, not the rule of law.

China's human rights abuses are being assisted by the Government's increasing technological sophistication. For example, Chinese authorities have many capabilities to filter and block access to objectionable online content, known collectively as "the Great Fire Wall." These techniques include the ability to inspect data at a deep level in transit, to reset connections with sites sending data with blacklisted keywords, and to identify and block the use of encrypted protocols. China is also capable of attacking sites it dislikes and it employs various methods to interrupt or intercept online content. The online activities of Tibetans, Uighurs, and others are frequently subject to monitoring.

China is also investing heavily in artificial intelligence and machine learning, especially in pattern recognition software. The security services seek to use facial and voice recognition to rapidly identify and track individuals in a crowd. To support these systems, the authorities have initiated the mass collection of biometric information including voice samples, pictures, fingerprints, and DNA.

In total, we see a concerted effort by the Chinese Communist Party to use both new advanced technologies and old-fashioned repression to intensify control or constraints on social interaction and civil liberties in China. One concerning example

is the creation of a “social credit system” to provide real-world incentives to people for being “good citizens” and punish those who are not.

The United States continues to advocate for human rights in China. While my colleague, Acting Deputy Assistant Secretary of State Laura Stone, can speak better to the bilateral relationship, our bureau is implementing \$10 million of FY2018 Economic Support Funds for human rights in China. This funding will support programs that improve rights awareness, strengthen citizen participation in policy formation, promote transparency and accountability, increase the ability of rights-focused civil society groups to work together, promote internationally recognized labor rights, and engage on rights-focused issues of broad concern to the Chinese public. Our strategy is to support existing reform trends within Chinese society where they exist, seeking out reformers and activists who are already having success advocating for and protecting the rights of their fellow citizens, and giving them the tools and support they need to deepen and expand their impact.

The operating environment in China continues to be highly constrained due to the intensified Chinese Government crackdown on civil society organizations, lawyers, and activists; increasing restrictions on and closures of organizations receiving foreign funding and partnering with foreign organizations; and heightened scrutiny of foreign NGOs and their staff. The Foreign NGO Management Law that went into effect on January 1, 2017 also has cast a shadow over the operating environment by subjecting international NGOs to greater scrutiny, leading many international funders to suspend their China programs. In the face of these difficulties, Chinese activists, lawyers, and civil society continue to request U.S. Government support for their work, and DRL programs make progress within their areas of focus as implementers work creatively and courageously faced with these Chinese Government restrictions.

We are also using multilateral fora to encourage China to improve its human rights situation. Prior to China’s Universal Periodic Review in November, for example, we submitted advance questions to push China to answer for its human rights abuses on a range of topics, including Xinjiang, Tibet, religious freedom, and the rule of law. During our intervention at the review, we specifically stated our concern about the situation for Muslim minority groups in China and called on China to abolish arbitrary detention, including within the internment camps in Xinjiang; cease the harassment, detention, and abduction of human rights defenders; amend the definition of subversion to remove all exercise of an individual’s human rights and fundamental freedoms from its scope; and cease interference in the selection and education of religious leaders, such as Tibetan Buddhist lamas.

We also continue to push back against China’s vision of a closed internet under state control. The United States, through the State Department and the U.S. Agency for Global Media, is funding several programs, including proven anti-censorship technologies and the creation of protocols to be adopted by tool developers to make their technology less susceptible to censorship or interception.

We welcome the spotlight that this hearing shines on the human rights situation in China. The Chinese people deserve a government that respects their human rights and governs under the rule of law. We continue to call on the Chinese Government to end the counter-productive repression in Xinjiang, to release all political prisoners, and to respect the fundamental freedoms of all in China. We will continue to work closely with this subcommittee to support the efforts of those in China who are seeking to realize their rights.

Senator GARDNER. Thank you, Mr. Busby.

Ms. Stone?

**STATEMENT OF LAURA STONE, ACTING DEPUTY ASSISTANT SECRETARY OF STATE, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC**

Ms. STONE. Chairman Gardner, Ranking Member Markey, distinguished members of the subcommittee, I truly appreciate the invitation to appear before you today on this important issue.

The United States wants a constructive, results-oriented relationship with China, grounded in the principles of fairness, reciprocity, and respect. China’s protection of human rights and fundamental freedoms is essential to our ability to achieve this vision and to realize a sustainable U.S.-China relationship.

Today, however, China is clearly doubling down on repressive domestic controls in stark contrast to the universal values that the United States and its partners have championed for many decades. In recent years, we have witnessed a regression in terms of China's respect for human rights and fundamental freedoms, including religious freedom, the rule of law, and civil society.

While my colleague, DAS Busby, can speak more to many of these items in more detail today and written statements highlight them as well, today I will share with you some of the action the State Department is taking to reinforce our support for human rights and fundamental freedoms in China in the face of these challenges.

In Xinjiang, we are particularly alarmed by reports of China's mass detention of Uighurs, Kazakhs, and other members of Muslim minority groups in so-called camps. We consistently urge China to reverse counterproductive policies that conflate terrorism with peaceful expression of religious beliefs or political views.

I have received reports that U.S. lawful permanent residents, family members of U.S. citizens, and individuals who have participated in State Department exchange programs have been detained in camps. We regularly raise these cases with Chinese authorities and insist that China provide information on the locations and medical conditions of those detained and, more importantly, immediately release them.

Secretary Pompeo with Secretary Mattis highlighted these very issues just last month in Washington at the Diplomatic and Security Dialogue press event. The Vice President spoke about this issue publicly in early October, and U.N. Ambassador Haley did the same in speaking about the security challenges that China's campaign in Xinjiang poses to the international community.

The State Department is leading interagency efforts within the administration to review and develop a U.S. whole-of-government strategy to address the campaign of repression in Xinjiang. Elements of the strategy could include utilizing a number of tools to promote accountability by Chinese officials for human rights abuses, preventing China's use of U.S. goods and services to perpetuate its egregious activities in Xinjiang, and strengthening our diplomatic and public diplomacy efforts throughout the world to attract like-minded partners.

Department officials continue to meet with members of the Uighur diaspora and coordinate with U.S. law enforcement agencies to prevent the harassment of Uighurs in the United States. The Department has conducted outreach to U.S. and Chinese companies with business in Xinjiang to draw attention to the risks of their exposure to Chinese abuses and to underscore the U.S. commitment to avoid complicity.

U.S. embassies around the world are providing assistance to survivors of Xinjiang's camps. We have engaged dozens of foreign governments to successfully prevent the refoulement to China Uighurs and other members of Muslim minority groups whose lives or freedom would be threatened. If we are to fundamentally change China's behavior in Xinjiang, the international community must act together.

Beyond Xinjiang the Department of State officials regularly attend the trials and sentencing of Chinese human rights lawyers



and activists, and I and others have met with the wives and family members of those who have been detained. We press for the release both publicly and privately of all political prisoners, and many of their names appear in my written testimony. Though we were unsuccessful in our intensive efforts to secure the freedom of Liu Xiaobo, persistent public and private advocacy secure the long-sought release of his widow, Liu Xia, in July this year. Ambassador Branstad has been especially active in engaging China's leadership on cases such as these.

When we speak up, we try to do so in concert with allies and partners throughout the world that are similarly concerned. Again, though, speaking out publicly is just one tool we have. A Chinese security official was among the first ever tranche of foreign officials sanctioned using Executive Order 13818, which builds on the Global Magnitsky Human Rights Accountability Act for his role in the death of an activist held in government custody.

America's critical role in protecting and promoting human rights and fundamental freedoms in China is in many ways more important today as China attempts to take a global leadership role. And there is more the United States can do.

We look forward to working closely with this subcommittee to support the efforts of the Chinese people to realize their human rights and fundamental freedoms and to promote accountability for those who seek to violate or abuse those rights and freedoms.

Thank you for the invitation to testify today on these very important issues. And, of course, I am happy to answer any questions that you might have.

[Ms. Stone's prepared statement follows:]

PREPARED STATEMENT OF LAURA STONE

Chairman Gardner, Ranking Member Markey, and distinguished members of the subcommittee, I appreciate the invitation to appear before you today to testify on the human rights situation in China. President Trump wants a constructive, results-oriented relationship with China grounded in principles of fairness, reciprocity, and respect. Improving China's respect for and protection of human rights and fundamental freedoms is essential to our ability to achieve this vision and realize a sustainable U.S.-China relationship.

Today, however, China is doubling down on repressive domestic controls in stark contrast to the universal values that the United States and its partners have championed for many decades. In recent years, we have witnessed a regression in terms of China's respect for human rights and fundamental freedoms, including religious freedom; the rule of law; and civil society. China's mass detentions of members of Muslim minority groups in Xinjiang, while perhaps the most egregious example, is only one of many recent actions taken by the Chinese leadership that run counter not only to China's international human rights commitments, but also to Chinese law.

Today I will share with you the actions that the State Department is taking to reinforce our support for human rights and fundamental freedoms in China in the face of these challenges.

*China's Human Rights Situation*

The State Department's annual Human Rights Report and its International Religious Freedom Report document how China routinely and severely restricts freedoms of expression, peaceful assembly, association, and religion or belief. Deputy Assistant Secretary Busby outlined many of them in his testimony.

Chinese security officials reportedly elicit forced confessions through torture and other abuse, target members of religious and ethnic minority groups, arrest human rights lawyers, censor media and online speech, and restrict citizen participation in the political process. The death of Nobel Peace Prize Laureate Liu Xiaobo while in custody in July 2017, and the prolonged, unfounded house arrest of his wife, Liu

Xia, are glaring symbols of China's mistreatment of those seeking to defend the rights of all individuals to exercise their fundamental freedoms.

Beijing is also significantly strengthening censorship controls on the internet, media, and academia. Its 2016 law on foreign nongovernmental organizations (NGOs) constricts the activities of these groups by imposing stringent registration requirements and granting supervisory authority to public security agencies. Many of the American NGOs that have been negatively affected by this law have contributed significantly to China's economic and social development over several decades and have facilitated important people-to-people exchanges between our two countries.

There have been continued reports that Tibetan Buddhists have been subjected to forced disappearance, physical abuse, arbitrary detention, and arrest. The Chinese Government asserts authority over the selection, approval, and veneration of reincarnations of Tibetan Buddhist lamas and supervises their religious education. We remain concerned about the lack of meaningful autonomy for Tibetans, and we regularly urge China to cease restrictions on the rights of Tibetans, as well as their unique religious, linguistic, and cultural traditions and practices.

Recently, oppressive activities aimed at residents of the Xinjiang Uighur Autonomous region reportedly have severely intensified, as documented by the dogged reporting of diplomats, reporters, academics, and Muslim communities abroad. The concluding observations on China by the U.N. Committee on the Elimination of Racial Discrimination further shined a spotlight on the worsening human rights crisis there. Under the guise of fighting "terrorism" and so-called "religious extremism," China's leadership is intensifying long-standing repressive policies targeting individuals who practice non-violent cultural and religious practices in Xinjiang, including by reportedly torturing and abusing prisoners held for their beliefs and forcing individuals to renounce their religion and pledge allegiance to the Communist Party.

We are particularly alarmed by reports that since April 2017, extremely large numbers of Uighurs and other members of Muslim minority groups have been detained in camps. Detainees are reportedly trained to diminish their ethnic identities, religious beliefs, and nonviolent cultural and religious practices. There are reports of abuse, including torture, and deaths in these camps. China's claims that these camps are all "humane job-training centers" are preposterous. These brutal tactics risk creating the very radicalization to violence that China seeks to avoid. We consistently urge China to reverse its counterproductive policies that conflate terrorism with the peaceful expression of religious beliefs or political views.

We have received reports that U.S. lawful permanent residents (LPRs), family members of U.S. citizens, and individuals who have participated in State Department exchange programs have been detained in these internment camps. This treatment of U.S. citizens, U.S. LPRs, and their family members is unacceptable. We regularly raise these cases with Chinese authorities and insist that China provide information about the locations and medical conditions of those detained and immediately release them.

We are also concerned by Chinese security services harassing Uighurs abroad in order to compel them to act as informants against other Uighurs, or return to Xinjiang, sometimes by detaining their family members in these centers, or keep silent about the situation there. This includes harassment of American citizens, LPRs, and individuals legally residing in the United States.

China has applied similar pressure to dual nationals or family members of citizens in other countries. The detention and persecution of Uighur and other Muslim minorities in Xinjiang reportedly have compelled them to stop communicating with their family and friends based abroad, including in the United States, for fear of retribution by authorities.

#### *U.S. Policy and Advocacy Regarding Human Rights*

The administration regularly condemns human rights violations and abuses in China. We routinely raise and advocate for individual cases of concerns with our Chinese counterparts. The Secretary has made clear in his engagements, including this past month with his counterpart in the Politburo and China's Defense Minister, that the United States would continue to advocate for human rights and fundamental freedoms. The Vice President spoke about this publicly in early October, and U.N. Ambassador Haley did the same in speaking about the security challenges that China's campaign in Xinjiang pose to the international community.

Department of State officials regularly attend the trials and sentencing of Chinese human rights lawyers and activists, and hold meetings privately with the wives and family members of those who have been detained. We press for the release of all political prisoners, including but not limited to prominent figures like Ilham Tohti, Tashi Wangchuk, Li Yuhuan, Yu Wensheng, Pastor Cao "John"

Sanqiang, and Huang Qi. Last July, State Department officials highlighted the third anniversary of the Chinese Government's nationwide campaign of intimidation against defense lawyers and rights defenders and the fact that Wang Quanzhang has been detained more than three years without trial. We expressed concerns about the detention of Swedish citizen and Hong Kong bookseller Gui Minhai, the sentencing of Chinese human rights defenders Wu Gan and Xie Yang, and the conviction of human rights lawyer Jiang Tianyong. Though we were unsuccessful in our intensive efforts to secure the freedom of Nobel Peace Prize Laureate Liu Xiaobo, persistent, public and private advocacy secured the long-sought release of his widow Liu Xia in July this year. Ambassador Branstad has been especially active in engaging China's leadership on cases such as these.

Speaking out publicly is just one tool we have. The Department of State has also taken actions to promote accountability for those responsible for human rights abuses in China, including Chinese Government and party officials. In December 2017, the Department of Treasury, in consultation with the Department of State, designated a former Chinese prison official, Gao Yan, for the detention and torture of human rights activist Cao Shunli using Executive Order 13818, which builds on and implements the Global Magnitsky Human Rights Accountability Act. We have also used our high-level meetings with the Chinese to urge China to address our concerns on China's foreign NGO management law and unfair exit bans placed on U.S. citizens.

Last month in Geneva, the United States delivered comprehensive and strong recommendations on human rights at China's Universal Periodic Review. At every opportunity, we urge China to address policies in Tibetan areas that threaten the rights and distinct religious, cultural, and linguistic identity of the Tibetan people, and to end counterproductive policies in Xinjiang that restrict peaceful expression and religious freedom and risk inciting radicalization to violence.

The United States will continue to stand up and speak out when the Chinese Government cracks down on civil society, imprisons peaceful reformers, silences legitimate dissent, or enacts legislation at odds with the freedom of religion and expression, including for members of the press. When we speak up, we will do so in concert with allies and partners throughout the world that are similarly worried about China's human rights abuses.

#### *U.S. Policy and Advocacy Regarding Xinjiang*

The most severe human rights crisis in China—perhaps since the Cultural Revolution—is the mass detention and deployment of high-tech surveillance technologies to systematically repress Uighurs, Kazakhs, and other Muslim minority groups in Xinjiang. In April, Spokesperson Nauert met with the six brave U.S.-based Radio Free Asia (RFA) journalists, who shared troubling reports of Uighurs and other Muslims in Xinjiang, including their families, who have been harassed and arbitrarily or unlawfully detained. Secretary Pompeo and Vice President Pence highlighted our concerns about the situation in Xinjiang at the Ministerial to Advance International Religious Freedom in July, where they also met with Survivors of Religious Persecution representing China's Christian, Uighur Muslim, and Tibetan Buddhist communities. The Secretary raised this again at the U.S.-China Diplomatic and Security Dialogue last month.

Department officials meet with members of the Uighur diaspora and coordinate with U.S. law enforcement agencies to address the harassment of Uighurs in the United States. The Department of State has conducted outreach to U.S. and Chinese companies with business in Xinjiang to draw attention to the risks of their exposure to China's abuses and to underscore the U.S. commitment to avoid complicity. There is a steady drip of asylum seekers from Xinjiang seeking refuge outside of China for fear of detention, torture, or worse. U.S. embassies around the world are providing assistance to survivors of Xinjiang's camps, including Ms. Miriguli Tuerson Mahmoud, who testified here before Congress last week and spoke about the horrifying abuses in these camps. In addition to consistently pressing China to end its campaign of repression, we have engaged dozens of foreign governments to successfully prevent the refoulement to China of Uighurs and other members of Muslim minority groups whose lives or freedom would be threatened on account of their religion or where there are substantial grounds to believe they are in danger of being subjected to torture.

The State Department is leading interagency efforts within the administration to review and develop a U.S. whole-of-government strategy to address the campaign of repression in Xinjiang. Elements of this strategy could include utilizing a number of tools to promote accountability of Chinese officials for human rights abuses, preventing China's use of U.S. goods and services to perpetrate its egregious activities in Xinjiang, and strengthening our diplomatic and public diplomacy efforts through-

out the world, not just in the West. If we are to fundamentally change China's behavior in Xinjiang, the international community must act together.

*Conclusion*

America's critical role in protecting and promoting human rights and fundamental freedoms in China is more important today than in many years. There is more the United States can do to lead on global human rights; this is part of our moral responsibility as Americans, and it is profoundly in our interests. We look forward to working closely with this subcommittee to support the efforts of the Chinese people to realize their human rights and fundamental freedoms and promote accountability for those who seek to violate or abuse those rights and freedoms.

Thank you. I look forward to your questions.

Senator GARDNER. Thank you very much for your testimony.  
Ms. Steele, please proceed.

**STATEMENT OF GLORIA STEELE, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR ASIA, UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC**

Ms. STEELE. Chairman Gardner, Ranking Member Markey, Mr. Kaine, thank you very much for this opportunity to talk about democracy, human rights, and rule of law in China.

In support of America's foreign policy, the U.S. Agency for International Development leads the U.S. Government's international development and disaster assistance. Our work saves lives and helps countries to become more self-reliant and stronger partners to America.

For the purposes of today's hearing, I will first highlight USAID's work with the Tibetans and then provide a brief overview of our support to strengthen democracy and respect for human rights and rule of law in Asia.

Thanks to strong bipartisan support in Congress, USAID partners with Tibetans to help them protect and preserve their threatened way of life. Within China, we support the preservation of Tibetan culture, the development of sustainable livelihoods, and assistance with environmental conservation. To date, USAID has supported the preservation of nearly 7 million Tibetan cultural heritage items. And in part, due to our environmental conservation support, Tibetan communities are empowered to lead the management of their natural resources from rangelands to rivers.

In India and Nepal, USAID helps Tibetan communities strengthen their self-reliance and resilience. This includes strengthening their health and education systems. For example, our work in training teachers in modern methods has benefited more than 21,000 students at 75 Tibetan schools in India and Nepal.

We are helping Tibetans maintain the vitality of their communities and institutions while sustaining their unique identity and culture. We have bolstered the public service leadership of more than 330 Central Tibetan Administration staff. And in support of sustainable livelihoods, USAID has launched a pilot program to help garment vendors sustain or grow their businesses through small, low-interest loans. In fiscal year 2017, the program benefited over 800 micro-enterprises and boasted a 100 percent on-time repayment rate.

Next, I will highlight our democracy, human rights, and rule of law work in Asia.

Over the last 5 years, democratic institutions across Asia have been significantly tested. Some foreign influences have overtly and covertly co-opted political leaders and exploited institutional weaknesses. This has given rise to increased corruption, opaque commercial deals, and subversions of national sovereignty. We are seeing competing development models that can lead to unsustainable debt or limit economic, political, and social freedoms. These unfortunate developments undermine the long-term stability of our partner countries. In contrast, the U.S. Government offers an alternative development approach that fosters strategic partnership and self-reliance, not long-term dependence.

In support of the Indo-Pacific strategy, USAID promotes democratic citizen-centered governance that is representative of the will and interests of the people and is infused with democratic principles of participation, inclusion, transparency, and accountability. We promote adherence to international rules and standards, and we support legal institutional respect for human rights, the protection of which is a cornerstone of strong democratic governance.

We have achieved some notable progress. However, we recognize that we still have a lot of way to go and must remain steadfast in our engagement.

Before closing, I would like to mention our work concerning improving governance in the natural resource sector. The natural resources, upon which many of our partner countries depend for their long-term economic growth, are increasingly threatened by irresponsible extraction, predatory behavior, and poor governance. That is why USAID prioritizes improving the management of natural resources across Asia. We promote transparent government policies, regulations, and transactions that foster adherence to internationally accepted standards, including environmental safeguards that help to mitigate the entry of predatory players. Of particular note is a new 3-year program that we are launching called Mekong Safeguards that will support responsible infrastructure development in the lower Mekong Region.

There is no doubt that China is increasingly exerting its influence across the region. This presents challenges to our partner countries' sustainable development and can threaten countries' sovereignty. The strategic partnership we offer provides a clear alternative development choice, one that invests in increasing country self-reliance and sustainable prosperity and helps countries to make informed decisions about their own futures.

Thank you and I look forward to your counsel and questions.

[Ms. Steele's prepared statement follows:]

PREPARED STATEMENT OF GLORIA STEELE

Chairman Cory Gardner, Ranking Member Edward Markey, and members of the subcommittee: Thank you for inviting me to this important hearing on democracy, human rights and rule of law in China.

On behalf of the American people, the U.S. Agency for International Development (USAID) promotes and demonstrates democratic values abroad, and advances a free, peaceful and prosperous world. In support of America's foreign policy, USAID leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, strengthen democratic governance, assist countries with emerging from humanitarian crises, and help partner countries move forward on their journeys to self-reliance.

For the purposes of today's hearing, I will first highlight USAID's support for Tibetans and then speak more broadly about our support for democracy, human rights and rule of law in the Asia region.

*Support for Tibetans in China, India and Nepal*

As an oppressed religious minority in China, Tibetans face restrictions on their rights, as well as their unique religious, linguistic and cultural traditions and practices. With strong bipartisan support in Congress, USAID partners to help protect and preserve Tibetans' threatened way of life. For nearly 20 years, USAID has supported Tibetan communities in and around the Tibet Autonomous Region and in other areas of China. Since 2012, we have supported Tibetan communities in India and Nepal.

Within China, we support the promotion and preservation of Tibetan culture and the resilience of Tibetan communities. This includes the development of sustainable livelihoods and assistance with environmental conservation. We are helping Tibetan communities preserve their cultural and religious traditions, including the Tibetan language. To-date, USAID has supported the preservation of nearly seven million Tibetan cultural heritage items, including documented cultural traditions and historically important Tibetan texts—many previously unknown, including text composed by the Fifth Dalai Lama. All items have been digitized and made available online. Thanks to our environmental conservation support, Tibetan communities are empowered to lead the management of their natural resources, including grasslands, rangelands and rivers, which are important to maintaining their traditional way of life.

We have helped advance sustainable livelihoods for Tibetans. For example, we have helped nearly 4,000 Tibetans secure new or better employment opportunities. We have helped Tibetan-owned small- and medium-sized businesses attract investment valued at approximately \$2 million. And we have developed the life skills of thousands of Tibetans, including hundreds of English Language Program graduates over the past decade. These individuals are now widely recognized as leaders in their communities and hold critical roles within NGOs and local civil society organizations.

Outside of China, in India and Nepal, USAID helps Tibetan communities strengthen their self-reliance and resilience, including by strengthening their health and education systems. This support is managed by our mission in India and implemented primarily by The Tibet Fund. On health, we are working to improve the Tibetan health system in ways that help expand access to care, including maternal, child and tuberculosis-related care. The Tibetan health system serves a population of approximately 107,000 Tibetans in India and Nepal. On education, we are working to strengthen the Tibetan education system in innovative, replicable ways. We have provided training and professional development to more than 1,100 teachers at 75 Tibetan schools, benefitting more than 21,000 students in India and Nepal.

We are helping Tibetans thrive economically, become effective leaders and maintain the vitality of their communities and institutions while sustaining their unique identity and culture. We have bolstered the public service leadership and management of more than 330 Central Tibetan Administration (CTA) staff through high-quality trainings. And, in support of sustainable livelihoods, USAID launched a pilot program to help garment vendors make their businesses viable or grow their operations through small, low-interest loans. In fiscal year 2017, the program benefited over 800 microenterprises and boasted a 100 percent on-time repayment rate.

*Supporting Democratic, Citizen-Centered Governance in Asia*

Across Asia, USAID sees countries making short term economic decisions that can lead to unsustainable debt, undermine sovereignty, or limit economic, political and social freedoms, which ultimately undermines a country's path to self-reliance. Put simply: the alternative choice we offer is one of strategic partnership, not strategic dependence.

Over the last five years, democratic institutions across Asia have been significantly tested. Some foreign influences overtly and covertly have co-opted political leaders and exploited institutional weaknesses, giving rise to increased corruption, opaque commercial deals and subversions of national sovereignty. These developments consequently undermine the democratic institutions and the long-term stability of our partner countries.

Across Asia, and in support of President Trump's vision of a Free and Open Indo-Pacific region, USAID promotes democratic, citizen-centered governance that is representative of the will and interests of the people, and is infused with the democratic principles of participation, inclusion, transparency and accountability. We support legal and institutional respect for human rights—the protection of which is

a cornerstone of democratic governance and ensures meaningful citizen engagement. We promote adherence to international rules and standards and the integrity of electoral processes. Our work helps protect human rights and promote religious freedom, support the independence of media and information integrity, strengthen reliance on evidence-based policy analysis and advocacy, and foster anti-corruption initiatives. We advance these objectives through support for like-minded civil society leaders and strategic alliances between current and emerging democratic leaders.

We have seen some promising developments. For example, in the Philippines, USAID improved the independent detection, investigation and prosecution of corruption in the public and private sector. The conviction rates for Office of Ombudsman cases increased from 45 percent to 77 percent from 2012 to 2017 while simultaneously increasing the number of cases filed against high-ranking government officials from 395 to 2,513 over the same period. And in Indonesia, USAID helped the country rebuild, launch and expand its first-ever integrated national complaint handling system. The system now processes more than 20,000 citizen complaints per month—a tenfold increase from fewer than 2,000 a month in 2015 before USAID’s assistance—and has been formally adopted by the national government. Despite this and other progress, we recognize that we are far from where we’d like to be and must remain steadfast in our engagements.

We are also working to improve governance in the natural resource sector. The natural resources upon which many of our partner countries depend for their long-term growth and economic sustainability are threatened by a variety of factors, including irresponsible extraction, predatory behavior and poor governance. That’s why USAID prioritizes improving the management and resilience of natural resources across Asia. We promote transparent government policies, regulations and transactions that foster adherence to internationally-accepted standards, including environmental safeguards, and mitigate the entry of predatory players. For example, some poorly conceived infrastructure projects on the Mekong River threaten the food, water and livelihoods of 60 million people who live downstream in Southeast Asia. USAID is launching a three-year program called Mekong Safeguards that will support policies that lead to high-standard, high-quality infrastructure development in the region. Under the Indo-Pacific Strategy, we are also supporting the Infrastructure Transaction and Assistance Network (ITAN), which aims to promote sustainable, private enterprise-driven infrastructure development in the region.

#### *Conclusion*

Mr. Chairman, there is no doubt that China is increasingly exerting its influence across the region. This presents challenges to our partner countries’ sustainable development and can threaten country sovereignty. The strategic partnership we offer to countries throughout the region provides a clear, alternative choice—one that invests in increasing country self-reliance and sustainable prosperity, and helps countries to make informed decisions about their own futures.

Thank you for the opportunity to appear before you today. I look forward to your counsel and questions.

Senator GARDNER. Thank you for your testimony. I think the testimony from the three of you has presented one of the most damning views of China’s rise the committee has heard. And I want to go through some of Secretary Busby’s statement again because I think it is important in this context to again reiterate what was said here.

We are talking about mass detention of Uighurs, ethnic Kazakhs. Surveillance is intrusive and omnipresent.

Harassment of political dissidents, not just in China but by Chinese on foreign soil.

Detaining journalist family members who remain in China to harass those abroad.

Coercing members of Chinese Muslim minority groups to return from overseas.

Reports that suggest that most people detained are not charged with crimes. Their families lack information about their whereabouts, their wellbeing, or for how long they will be held. Some are being merely detained because they traveled abroad or because

they have family abroad. There appears to be no way to contest such detentions.

Failure to quickly learn the lessons taught in these camps leads to beatings and food deprivation in your testimony.

Reports of the use of stress positions, cold cells, and sleep deprivation in the camps.

Reports of torture or cruel, inhumane or degrading treatment, including sexual abuse.

One common goal in the reports from former detainees seems to be forcing detainees to renounce Islam and embrace the Chinese Communist Party. You said that.

Reports that there is constant surveillance of detainees to ensure they do not pray even in their own beds in the middle of the night.

Forced to eat pork and drink alcohol.

Reportedly being forced to medicate with unknown substances.

Civil society groups say most Uighurs involuntarily returned to China face arbitrary imprisonment, disappearance, torture, or summary execution.

One case you cite in your testimony, authorities in China used dynamite to demolish a house church in Shangxi province.

They are requiring the removal of crosses, in some cases the hanging of picture of Xi Jinping and Mao Zedong inside the church and the installation of surveillance equipment inside the church.

Reports of officials destroying or limiting the access to religious materials like the allegations that Chinese authorities have burned the Bibles and Korans.

We are talking about one of the most significant trade partners this country and many countries around the globe have with over a billion people. We are not talking about some tin-pot dictatorship. We are talking about a country that people look to more and more for leadership around the globe. What you have described are damning evidence of horrendous human rights violations.

Could you please explain, Secretary Busby, some of the steps this administration has taken to hold people accountable for these actions and what we are doing at the United Nations and other places to perhaps provide inspectors, access, and pressure from these kinds of activities from continuing—to prevent these kinds of activities?

Mr. BUSBY. Thank you, Chairman Gardner for the question.

First of all, we have been trying to raise public awareness about the situation. At the first-ever religious freedom ministerial that Secretary Pompeo hosted in July, both he and the Vice President called attention to the abuses in Xinjiang province. And we circulated among other attendees a statement on human rights abuses in China that talked about the abuses in Xinjiang province. Ever since then, we have been trying to continue to spread the word about what is going on in Xinjiang province.

In the United Nations, we recently participated in the universal periodic review, which is something that every country has to go through. And in our brief statement—it had to be brief because of the number of folks who wanted to speak at this event—we called attention to the human rights abuses in China, in Xinjiang province in particular, and called for them to cease.



As my colleague, Acting Deputy Assistant Secretary Stone, mentioned, there is a very robust interagency process underway, led by the National Security Council, to look at specific concrete steps we can take to respond to the horrific things happening in Xinjiang province and try to bring them to a stop.

Senator GARDNER. Thanks, Mr. Busby.

Secretary Stone, have any sanctions been leveled against any Chinese officials involved in these suspected or confirmed events, actions? Has any passport been suspended? Has any official action been levied against the Chinese Government?

Ms. STONE. Thank you very much for the question, Chairman.

I obviously share, at a personal level, our concerns about what is going on in Xinjiang. I do not think anybody who is working on these issues for a long time could have any other position.

The tools that the Congress has given us—we really do appreciate them. They are the kind of things that we can use.

It is a little frustrating. I understand. It is frustrating for us as well. The process sometimes is not as fast as we would like. That is actually a good feature of our system.

Senator GARDNER. I am going to run out of time, and I want to give Senator Markey—just quickly. So I apologize. Has any action been taken?

Ms. STONE. Okay. So we are working through a process right now in order to get through to the appropriate actions, using the tools that you have given us. And the process is moving along. We hope to move on those issues and we hope to take action as soon as the process has continued.

Senator GARDNER. Well, I hope those processes move quickly. I know Treasury is involved in those decisions as well, but I encourage action to be taken quickly.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

I want to raise the issue of the missing Chinese-based relatives of six Radio Free Asia Uighur reporters. What is the administration doing about this? How are we raising that issue? It undermines, obviously, the credibility of that whole mission, and it creates a chilling effect in terms of our ability to be able to deliver an honest message about what it is that we see happening in that region. So what are we doing to protect these relatives?

Mr. BUSBY. Well, first off, we have raised the cases with the Chinese Government so far to no avail. Our spokesperson, Heather Nauert, met with the RFA journalists here to hear about the situation of their relatives. And at that meeting, she called out again the Chinese Government for undertaking these actions against the relatives. So it is an issue we continue to track and we continue to press—

Senator MARKEY. But thus far, we have been unsuccessful in receiving any change in policy by the Chinese Government. Is that correct?

Mr. BUSBY. So far, to my knowledge, we do not have any relatives who have been released as a consequence of these efforts.

Senator MARKEY. What else could we do in this area in order to get the proper response?

Ms. STONE. Obviously, there is a lot we can do, and many them are, as I referred to, tools that have been provided by Congress, which we are very appreciative of. I referred to in my testimony some of the actions that we are considering. I cannot prejudge exactly the process. Obviously, we are a country—we really are a country ruled by law. So we are going through that process. We want to make sure that these are actions that can stand up under legislative scrutiny, judicial scrutiny. And we will continue to move forward on those actions.

I mean, I think the real point on this, though, is that even if we do not have an immediate impact on what we are doing, I think that it is still important that we take these actions.

Senator MARKEY. I agree with you. Just more must be done.

Ms. STONE. Yes.

Senator MARKEY. I want to move on to online censorship. Google, Apple, and Facebook are reported to have aided the Chinese Government Internet censorship efforts as part of their efforts to access the Chinese market. For example, Google disables domain fronting capacity used to evade censors and is working on a censored version of the search engine Dragonfly to launch in China. Apple has removed more than 400 virtual private networks while handing over their China iCloud user data to the Chinese state-owned mobile operator.

Has the State Department engaged the administration to monitor and discourage these corporate behaviors which go against the fundamental value of freedom of expression?

Mr. BUSBY. Thank you for the question, Senator.

Yes, we have. Indeed, we recently met with senior officials from Google in the wake of the news story about the development of the Dragonfly application and expressed our strong concerns that any collaboration by them with the Chinese Government to develop a censored version of their search tool would be very problematic for us.

Senator MARKEY. I think that must continue to escalate in terms of the pressure that we are applying. We just cannot separate ourselves and our corporations from the goals which we have in China and other countries.

And, Ms. Stone or Mr. Busby, there are some calls for Uighurs to be given temporary protected status to ensure Uighurs are not sent back to China to face repression. Other European governments have halted extraditions of Uighurs. Do you support that move?

Mr. BUSBY. I mean, that is one of many options that is being considered.

Senator MARKEY. Do you support that move? We are not extraditing people back to a country which is repressing them.

Mr. BUSBY. We are generally opposed to return of any Uighurs back to China, and the issue of TPS itself, again, is one of the many options being considered.

Senator MARKEY. Yes. Well, I think it is the option, which should be considered and implemented. We just cannot, as a country, be sending people back to what we know is repression.

And what is our diplomatic strategy to engage Muslim majority countries to condemn Chinese behavior? It seems like there should

be more of an outcry from the Muslim world. We have not heard them. These are Muslims who are being oppressed inside of China. What is the United States strategy to get more cooperation from Muslim countries to speak up for their co-religionists?

Mr. BUSBY. Senator, a very good question point.

I was recently in Malaysia and raised this very issue with the Government there and we have been raising with other Muslim majority countries, again with a goal of establishing a likeminded—

Senator MARKEY. Have we raised it with Saudi Arabia?

Mr. BUSBY. I cannot speak to Saudi Arabia.

Senator MARKEY. Do you know, Ms. Stone, if we have?

Ms. STONE. We would be happy to get you a list of the countries that we have raised it with. I know it has been the majority of Muslim majority countries. So I assume so, but I would have to check.

[Ms. Stone's response to Senator Markey follows:]

Ms. STONE. The Department of State has a global diplomatic campaign to raise awareness about China's human rights violations and abuses against Uighurs, ethnic Kazakhs, and members of other Muslims in China. We have directly reached out over 50 governments to raise the issue of China's crackdown in Xinjiang.

There has been a focused effort, led by U.S. embassies and visiting senior officials, to reach out to Western allies on human rights issues, China's neighbors worried about the security threat of radicalization to violence, and Muslim majority countries across Asia and the Middle East.

We have asked these governments to:

- Support stronger diplomacy and public messaging about China's abuses
- Support all those affected by this repressive campaign;
- Comply with their respective obligations under international law; and, where applicable,
- Ensure respect of the non-refoulement principle.

Senator MARKEY. This is a lot of Muslim clout out there. We just do not see it at work here. I do not think China is going to respond unless they know that in the Muslim world—from government to government, we should be telling Saudi Arabia and other countries we expect that as their policy.

Thank you, Mr. Chairman.

Senator GARDNER. Senator Rubio?

Senator RUBIO. Thank you.

This whole topic of China I think is so much more than just the balance of trade. President Xi certainly views himself as a historic and transformational figure, and one of their goals is to remake the global order more in their image and more advantageous to them. And many of the things that are being talked here today are a part of it. If you look at the record, the abuses that are well documented against the Uighur Muslims, trying to strip the people of Tibet of their identity and their religion, the longstanding attacks on Falun Gong practitioners. Obviously, we know the stress that Christianity has faced.

And then on the field of democracy, we have seen the erosion of it in Hong Kong, the disqualification of four pro-democracy lawmakers from the ballot, the jailing of three prominent pro-democracy student leaders. And then you see sort of what the global reaction has been to it, and there is reason to be concerned that this post-World War II pro-democracy, pro-human rights, global norms are being eroded and reshaped and that China is using its geo-

political heft and its economic power to push it in that direction. Senator Markey just mentioned the silence of the Muslim world in the face of the forced internment of hundreds of thousands of Muslim Uighurs.

And the U.N., for example, in April security forces ejected an ethnic Uighur representing an accredited nongovernmental organization, clearly at the request of somebody. He was accredited.

And Greece blocked the European Union from issuing a statement or a position at the Human Rights Council for the first time I believe ever a definitive statement—delivering a statement. And we can all surmise why. They own every port in Greece. They have incredible economic leverage on Greece.

I mean, the list goes on. In 2017, the U.N. Secretary-General introduced President Xi at an event that was closed to civil society, by the way, and he made no reference of the human rights environment in China.

The EU Council and Commission at a summit in Brussels on the first and second of June publicly, quote/unquote, expressed concern about human rights abuses in China, but did not call for the release of political prisoners, including their own citizens, citizens of the EU, or even the repeal of abusive laws.

This is all from a report, I believe, from Human Rights Watch. But in June Italian police briefly detained and later released the same ethnic Uighur NGO representative who had been invited to speak at the Italian Senate, and they briefly detained him, even though he had been invited to be there. Again, it is not clear whether the Chinese requested it.

On issue after issue, it appears to us you can see around the world that even nations that long have been committed to democracy and human rights, when it comes to China are either being quiet, looking the other way, or frankly are now leveraged to the point where they cannot speak out.

And so that is why it is so important for the United States to be forceful about it because no one else can or wants to. And whether others do want to, you are concerned when we do not join them.

So as an example, earlier this month, there were 15 Western ambassadors in Beijing, spearheaded by Canada. They reportedly sent a letter to Xinjiang's Communist Party Chief, Chen Quanguo. He is seeking a meeting and expressing deep concern regarding the growing crackdown. No one thought that meeting was going to happen per se.

But I am curious, Ms. Stone, why did the U.S. not sign onto that letter? Do you know?

Ms. STONE. So we agree with you completely. Thank you very much for the question and the clear statement of support for the U.S. speaking out strongly on the human rights conditions in China and also the conditions in Xinjiang.

The specific letter—sometimes the countries involved—they are likeminded partners, and we may or may not join on any kind of particular measure that is coming out of the embassies in Beijing. But I do want to assure you that we are working consistently with those likeminded partners to do real action. And the thing is we

have many more tools and we also have a lot more spine sometimes to be able to take real action—

Senator RUBIO. And I appreciate it. I am running out of time.

I just want to make the point that if we are here complaining, on the one hand, about how all these countries are not doing enough, when they actually do something, we cannot even sign onto a letter. I do not know if that decision was made here in D.C. as part of the broader relationship with China or made by the Ambassador. But I think it was a big mistake.

In your written testimony, you mentioned the fact that Chinese security services are harassing Uighurs abroad. We have heard firsthand from people who say this is the case.

Can you tell us if the Department is working with other agencies on this issue, in particular, protecting U.S. citizens and legal permanent residents? And what sort of outreach is anyone doing to these communities who feel like the long arm of China is reaching them here within the United States?

Ms. STONE. Yes, we are. We are working closely with the FBI to make sure that any information that comes our way goes to them. And we would be very happy if you hear of anything additional to also work with you to pass that along.

And in terms of making sure that the message gets out, whenever we meet with the communities, we do everything we can. We also ensure that we are constantly updating our travel guidance to make sure that people are aware of the situation.

Senator RUBIO. Well, again, my last question is in this particular case, these are people inside the United States. But I agree with the travel part.

Finally, in your written testimony, you indicated that the Department of State had conducted outreach to U.S. and Chinese companies with businesses in Xinjiang to draw attention to the risks of their exposure to these abuses.

There is a company, Thermo Fisher Scientific, which has sold DNA sequencers to the police there. This is against the backdrop of these grave human rights violations including, by the way, mandatory data banking of the entire population. I had testimony last week at the Bicameral Commission on China that they are forcing people to turn over blood to get a passport or just compelling it. Thermo Fisher Scientific, an American company, is selling them DNA sequencers. That is what it is used for.

Can you tell us whether that is one of the companies that the Department of State has reached out to and expressed concerns about how their technology could be used by the Chinese to do these horrifying things?

Ms. STONE. I cannot speak to that particular company, but I can tell you that is the kind of company that we are definitely speaking with.

Senator GARDNER. Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

And thanks to the witnesses for your service and your testimony.

Senators Gardner, Markey, Rubio, Daines, Warner, and I wrote a letter to Secretary Pompeo about the Radio Free Asia journalists' families on the 26th of July. To my knowledge, we have not received a reply to this letter. It was a letter to ask Secretary

Pompeo to brief us on the status of the cases and what is being done to try to help the family members who are detained. Four of the six journalists are residents of Virginia.

I would like to introduce the letter into the record hopefully without objection.

Senator GARDNER. Without objection.

[The information referred to above is located at the end of this hearing transcript.]

Senator KAINE. Secretary Pompeo is busy. We are not expecting him to drop everything and do a response. But somebody needs to respond to this letter. It is more than 4 months old.

And it may not be within any of your purviews to do that response, but I hope you would take back to the committee that when we write a letter like this, we are not just doing it for our health. I mean, take it back to the State Department. We would like an answer.

Do you know, for example, whether—has Secretary Pompeo raised the issue of the imprisoned journalists' families directly with his counterpart? Are you aware of whether he has or has not?

Ms. STONE. Sir, on that specific issue, he obviously has raised it in Xinjiang, as you could see in the diplomatic and security dialogue press conference with the Chinese standing right next to him. Whether he has raised that particular case, could I take that and get back to you?

Senator KAINE. Please.

[Ms. Stone's response to Senator Kaine follows:]

Ms. STONE. As he mentioned publicly following the U.S.-China Diplomatic and Security Dialogue, November 9, 2018, Secretary Pompeo highlighted to his Chinese counterparts the strong concern of the U.S. and the international community with respect to China's repression of religious groups.

In addition to Department officials' regularly raising the specific case of the Radio Free Asia journalists and their families with Chinese counterparts, senior officials have publicly spoken out regarding China's harassment or imprisonment of the Radio Free Asia journalists' families:

- State Department Spokesperson Heather Nauert in April 2018 spoke publicly about the case following her meeting with the RFA journalists,
- Secretary Pompeo mentioned the case in a July 24, 2018 USA Today OP-ED titled "Religious Persecution in Iran, China Must End Now," and
- Vice President Pence cited the case in an October 4, 2018 speech at the Hudson Institute.

Senator KAINE. I would like to also know whether Ambassador Branstad has directly raised the issue of these journalists' families with his counterpart, and I would like to know an answer to whether President Trump has directly raised this issue in dialogue with the Chinese. And again, we would appreciate a response to this letter, which is now more than 4 months old.

And I got to tell you I am nervous about this issue and these journalists' families. Just last week, the Secretary of State wrote an editorial in the "Wall Street Journal" with respect to another journalist, Virginia resident Jamal Khashoggi, who was murdered by the Saudis. And this is a quote from his editorial. Quote: The October murder of Saudi national Jamal Khashoggi in Turkey has heightened the Capitol Hill caterwauling and media pile-on.

You know, we are not raising this issue about journalists who are being targeted and their families being targeted just to score

political points. It is not about caterwauling and media pile-on. We put it in the First Amendment for a reason here in this country. We put it in the First Amendment for a reason. And when people living in Virginia, my home State, living in this country lawfully are being murdered or their families are being targeted and we are silent, we are not taking ample steps, it raises questions about whether we are being faithful to a value that we proclaim.

I will give Secretary Pompeo credit. The first paragraph of that editorial suggests that our raising the question of Khashoggi is caterwauling. In the eleventh paragraph, he says, well, of course, the murder of a journalist is against American values. But I do not like being accused as a Member of this body when I raise a question about the murder of a journalist who lawfully lives in my State of being engaged in caterwauling or media pile-on. And I do not think my colleagues appreciate it either.

Let me switch for a minute and ask this. Do you have a good estimate of the number of Uighurs that are currently being detained in detention camps in China?

Mr. BUSBY. Thank you, Senator, for the question.

In my statement, what I said—and this is derived from what our intelligence bureau has estimated, that there are at least 800,000 and possibly up to a couple of million folks in these detention facilities. It is hard for us to get precise data because we do not have full access to that region, but that is our current—

Senator KAINE. That is staggering. And I have seen public reports or press reports that it is a million. And I think you right. It is hard to get a fix on the exact number, but that is a staggering number.

Press reports also indicate that a million Han Chinese have been recruited to essentially forcibly occupy the homes of Uighurs. So those who are not in detention camps are having Han Chinese placed in their homes so that people will be studied to make sure there is not a Koran visible, they are not praying during the day.

You know, we have a constitutional provision, the Third Amendment, that is one of the least used of all, which prohibits the quartering of government troops in people's homes. It has never really been used because no government is stupid enough to try to do it. But the notion of a million Han Chinese being deployed into Uighur homes—and you have also indicated other things, guarding checkpoints into Uighurs neighborhoods. I mean, this is very significant.

The last thing I would like to ask, if you would—I am over, Mr. Chair. But the situation of the Falun Gong is also an interesting one. What exactly is the Chinese Government's rationale for imprisoning Falun Gong members? Is it just a general suspicion of any kind of concerted or coordinated activity, or is there a Chinese Governmental belief that the Falun Gong ideology is somehow counter to the state? Explain that to me please.

Mr. BUSBY. Thanks for the question, Senator.

I think your analysis is right. The mere fact that there is a group of people meeting independently with views that independent of the Communist Party is viewed as a threat by the Communist Party. I think that is the primary source of their suspicion of the Falun Gong.

Senator Kaine. So there is no allegation that Falun Gong are participating in terrorist activities or things like that, as far as you know.

Mr. BUSBY. Not to my knowledge.

Senator Kaine. All right. Thank you very much. I appreciate your testimony.

Senator Gardner. Thank you, Senator Kaine.

I want to go back to one of the comments that I made during my first round of questions. I talked about inspectors, U.N. observation, ambassadorial visits to the region.

Secretary Busby, in your opening statement, you talked about the universal declaration of human rights. Have official U.N. envoy, inspectors visited the region?

Mr. BUSBY. Not to my knowledge recently, Senator. There are people called special rapporteurs who are mandated by the Human Rights Council to look into issues like freedom of expression, freedom of association and assembly, freedom from torture. My understanding is that virtually all of them have asked for access to China in recent years, but none of them have been granted such access. So to my knowledge, no U.N. official charged with looking into human rights issues has been allowed access to China.

Senator Gardner. Has the U.S. presence at the U.N. pushed for such access with China and attempted to build a coalition, encouraging China to accept such—

Mr. BUSBY. We have regularly raised that issue with the Chinese Government, urging to receive such special—

Senator Gardner. Has our ambassador asked to visit the region?

Ms. Stone. We have not asked recently. It is on a list of places that we do want to visit. The United States diplomats do occasionally visit Xinjiang. It is not a closed area. Our concern is that we need an independent body from the United Nations to be able to go in and do a proper investigation.

Senator Gardner. And I would encourage the ambassador to visit, to request such a visit. I would encourage us to do everything we can at the United Nations to the rapporteurs or whoever it is responsible—inspections to get in there immediately. This is not acceptable. I mean, again, this is somebody that we are doing billions upon billions of trade with each and every day. And some of the most heinous human rights violations are occurring right before our very eyes.

Mr. BUSBY. Mr. Chairman, that is a very good point.

Unfortunately, such access obviously depends on the assent of the Chinese Government, and so far we have not been able—

Senator Gardner. Let me ask you this. In the trade discussions that are taking place, the tariffs that have been levied—has human rights ever been associated with those tariffs in the trade conversations?

Ms. Stone. I actually have not been in the trade meetings. In the discussions that I have been in, they have been at a technical level. But I do want to reassure you that whenever we are doing preparations for any visit, I always raise these issues. I feel very strongly about it, and I also feel that the U.S. Government has a real role in making sure that China knows that to the extent that they want to play a greater role in the world, that this is just es-



sential. These are the kinds of international norms that they have to abide by.

Senator GARDNER. Perhaps I will follow up with this question too on China and North Korea. Is China still receiving laborers from North Korea?

Ms. STONE. I am sorry, sir. I would have to get back to you with the exact information, the latest on that.

Senator GARDNER. I guess one of the concerns that I have had over the past several years, China's willingness to accept laborers and basically violations by North Korea of human rights. Are you familiar with any of the actions China has taken regarding the laborers?

Ms. STONE. I am familiar with the fact that in the past, China certainly accepted a large number of laborers from North Korea. Because the North Korean laborers do not have the ability to keep their own salaries and have any kind of freedom, we do consider them to be slave laborers. And one of the things that we worked with our likeminded partners in the U.N. Security Council resolutions was to ensure that the laborers and new laborers going into countries has to be tapered off.

But in terms of where the exact situation is at the moment, I am afraid that I would have to get back to you.

Senator GARDNER. Thank you.

[Ms. Stone's response to Senator Gardner follows:]

Ms. STONE. Thousands of North Koreans are sent abroad every year to work in slave-like conditions, earning revenue for the regime. We remain deeply concerned about the condition in which these workers live and work and regularly raise these concerns with other governments.

There continue to be reports of North Koreans working in China. We maintain an ongoing dialogue with China regarding their UNSCR obligations, which include capping the number of North Korean workers at levels as of August 5, 2017, not issuing new work authorizations after September 11, 2017, and expelling all North Koreans earning income in their jurisdiction as soon as possible, but no later than December 22, 2019. Simultaneously, we have engaged with the business community to remind them that all goods made in whole or in part by North Koreans are banned from import into the United States and to urge them to carefully review their supply chain for North Korean workers.

The international community must remain united in implementing U.N. sanctions until the final, fully verified denuclearization of the DPRK is achieved. The United States and our allies and partners are committed to the same goal—the final, fully verified denuclearization of the DPRK.

Senator GARDNER. Administrator Steele, when it comes to Tibet, conversations regarding the Dalai Lama and the Catholic Church's decision to agree with the Chinese Government about positions within the Catholic Church in China, how does that affect the Dalai Lama and future actions taken in Tibet?

Ms. STEELE. We have been working in Tibet for over 20 years and helping them with livelihood development and environmental conservation. We have stayed around the same areas that they have indicated that is of interest to them, and we believe we will continue to stay in those areas.

Senator GARDNER. And that is probably not the best question for you, but perhaps, Ms. Stone, if you would like to comment about that question as well.

Ms. STONE. So in terms of the recent agreement with the Catholic Church and the Chinese, obviously it is something that we are watching very closely. The U.S. Government has not taken a posi-

tion in the actual agreement. But we are very aware of the fact that the Chinese Government in the past has taken a very aggressive and oppressive role towards religion, and so we do want to track this very closely.

Senator GARDNER. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

I would like to turn to the United Nations, the Security Council, China blocking condemnation of the Burmese Government over their treatment of the Rohingya in Burma and in Bangladesh.

So what is the strategy which the United States has to put pressure on China using our other allies in order to ensure that there is maximum pressure which is imposed upon the Chinese Government so that they do not continue to block official statements of global condemnation about the Burmese policy?

Mr. BUSBY. Thank you for the question, Senator.

As you have seen, Ambassador Haley in New York has raised Burma on multiple occasions in the context of the Security Council. Indeed, when our report on abuses in Rakhine State was first finalized, she was the one who raised the conclusions in that report in the Security Council.

So we continue to raise our concerns about what has happened in the Security Council. We continue to discuss with our allies how to raise the situation of Rakhine State and Burma in the U.N. generally. But obviously, so long as China has a veto, it is very difficult to overcome that in any way.

I believe there have been discussions with the Chinese about this. China has an interest in stability in the region. But so far, they have not indicated a willingness for a concrete Security Council action when it comes to Burma.

Senator MARKEY. Did President Trump raise these human rights issues with President Xi in his discussions at the G20? What was that conversation, if any, that took place between President Trump and President Xi on the issue of human rights in Burma, and other countries around the world where China is actually helping governments to engage in repressive behavior?

Ms. STONE. So, unfortunately, I was not—well, maybe not unfortunately. I was not in the room, and so I do not know the discussion that went on during the meeting between President Trump and President Xi. But I can assure you that on the margins, we certainly raised these issues, and we certainly raised the exit bans as well. We acknowledge that the State Department's most important role is the protection of American citizens, and so we certainly raised that as well.

Senator MARKEY. I appreciate that, but I think you used the right phrase: "on the margins." There is no guarantee, no evidence that the President raised the issue himself, and that is the only level, ultimately at which it works, especially if President Trump is meeting with President Xi. That is the point at which American values are restated very strongly and that Xi understands that the United States is willing to pay a price for our maintenance of our leadership of human rights issues around the planet. So, that clearly has not taken place.

Now, with regard to the issue in Tibet that Chairman Gardner raised and what we are saying to the Chinese Government about the Dalai Lama, and the protection of religious liberty in Tibet, could you give us, again, a summary of what our statement of policy is that we are sending to the Chinese Government?

Ms. STONE. Thank you very much for that important question.

The United States is deeply concerned about the lack of meaningful autonomy for the Chinese people. We have certainly pressed for the release of detained activists throughout the entire country, but very importantly on the Tibetan plateau and in historical Tibet. And we have been pushing for reciprocity of access. I know that that is an important issue. We do want to work with Congress on that shared goal. And we do continue to have very serious concerns about the ability of the Tibetan people to continue to have the ability to express their unique culture, their unique language, and their religious practices.

Senator MARKEY. So it is pretty clear that there is a systematic effort by the Chinese Government, not just inside of China, but around the world, to back those policies which are most repressive and allow for a compromise of human rights. It may be Facebook or Google, it may be the Uighurs, may be the Rohingya, or it may be other countries like Venezuela. Anyplace they are putting their footprints is a place where they are willing to turn a blind eye, use economic power, and encourage repression by a government of human rights—the natural aspirations of human beings to express their views to be able to be who they were born to be.

So we have high expectations for you, but we have higher expectations for Donald Trump to express those views clearly, concisely, powerfully, insistently, and persistently with the Chinese leadership. We have not seen evidence of that thus far, but we thank you for your service.

Thank you, Mr. Chairman.

Senator GARDNER. Senator Kaine?

Senator KAINE. Briefly. Mr. Busby and Ms. Stone, will you endeavor to get us a response to the letter that we sent the Secretary in July?

Mr. BUSBY. Senator, I am sorry there has not been a response. I do not believe I have seen the letter, but we will take it back and we will get you a response.

Senator KAINE. That would be appreciated. Thank you.

Senator GARDNER. Thank you, Senator Kaine.

I want to follow up a little bit on the questions on Tibet. I asked the question regarding Catholic Church policy, the agreement they reached with China and the Dalai Lama. China has said that they will pick the next Dalai Lama.

The Tibetan Policy Act of 2002 mandated that American officials should visit Tibet on a regular basis.

I want to get into both of these.

If China proceeds and tries to impose a Dalai Lama, what will the U.S. response be?

Ms. STONE. Thank you very much, and I think that is a very important question because the fact that you are asking that question is an important signal in itself to the Chinese Government that

this is the kind of issue that we are watching very closely and at very senior levels.

The United States has a very clear position that religious decisions should be made within religious organizations, that this is not the role of the state. I would not want to prejudge exactly how a future scenario would roll out, but I would like to lay a marker that that is the clear position of the United States Government and I think widely supported within American society that those are the kinds of decisions that should be made by religious communities on their own and without outside interference.

Senator GARDNER. Thank you. I think it is clear that this Congress would not recognize a Chinese imposition.

The 2002 Tibetan Policy Act mandated that American officials should visit Tibet on a regular basis. We know that very few diplomats, officials have been able to visit Tibet to date primarily because issues of the Chinese Government refusing to grant access.

Could you describe perhaps the level of access to Tibet that your agency has received over the last 3 years? If anybody else wants to answer this on the panel as well.

Ms. STONE. I am sorry, sir. I do not have at my fingertips the exact number of visitors. So I would ask that we be allowed to get back to you on that.

But I do want to state very clearly that I do understand that the Senate is considering the Reciprocal Access to Tibet Act. We do want to continue to work very closely with Congress and with your staff with the goal of seeing that Americans do have access to Tibet.

Senator GARDNER. Well, thank you. I think it is important that we know what exact access we have had to Tibet from our diplomatic corps.

I know Chinese officials who purport to represent Tibet have freely come to the United States. I do not know if you know that number, but I would like to know those numbers.

You mentioned the legislation itself. I think we need to consider reciprocal access as part of our policy and approach to Tibet and China and what is being done to address this and to promote our access to Tibet.

Do you share the goals of our reciprocal act?

Ms. STONE. We certainly share the goals, and we do look forward to working with you to figure out how best to achieve those goals.

Senator GARDNER. And if passed, you would work to implement it?

Ms. STONE. Of course.

Senator GARDNER. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman.

I just have one final question, and that is on the Human Rights Council. We are trying to push China on their human rights abuses, and the Human Rights Council is one aspect of our ability to coordinate with allies to put pressure on those who are violating human rights.

We are now pulling out of the Human Rights Council. How does that hurt our ability to rally other nations to put together a plan that targets China and do so in a comprehensive way using that

Human Rights Council as a mechanism to accomplish that goal?  
Mr. Busby?

Mr. BUSBY. Thank you for the question, Senator.

Well, as you know from Secretary Pompeo's and Ambassador Haley's statement at the time of the decision to withdraw from the council, our concerns had to do with the membership on the council which, as you point out, included China—China has been a member of the council for a lot of the council's years—as well as the process by which members are elected to the council.

And our second concern was the fact that the council pays disproportionate attention to Israel, and after years of trying to fix both of those problems, we were not succeeding. And that is what prompted the decision to withdraw.

However, the fact that we have withdrawn from the council does not mean we are withdrawing from advocacy around human rights in China. Indeed, in New York on multiple occasions at the U.N. there, we have raised our concerns about China. We have raised it in multiple statements publicly. In the case that Senator Rubio raised in which China sought to preclude a Uighur representative from joining a meeting, our mission there actually pushed back and succeeded in getting that person access to the U.N. in New York. So we continue to look at any and all venues in which we can push back on China's own situation and China's own efforts to influence the U.N.

Senator MARKEY. Well, I do not think “any and all” is accurate. I do not think we have any evidence the President is using his leverage with President Xi to communicate our values at the highest level. So, it is in that short list of considerations for the Chinese Government as they are trying to decide what their relationship with our country is.

And I disagree. I think that being in the Human Rights Council does help because it is the organizing principle, and we might not be happy with all aspects of it. But on this China issue I think it is an additional point of significant pressure, which we should be using as an organizing principle to send a very strong message on human rights. I think down the line, there are many tools that just are not being used from the Oval Office right down to the Human Rights Council as well, and there is evidence that as a result, we are not really seeing any response from the Chinese on these issues. So I just think that a change in direction is absolutely necessary.

So thank you.

Mr. Chairman, thank you for your incredible leadership on this committee, and we thank the witnesses as well for your input.

Senator GARDNER. Thank you.

Secretary Busby, you talked about some of the dollars used toward democracy training. I would point out how important that those efforts are, a civil society, teaching about democracy, teaching young leaders about the values of human rights. And the bill that Senator Markey and I have introduced, Asia Reassurance Initiative Act, would greatly increase dollars for democracy, human rights, rule of law programming, training, and I hope that you will work with us on implementation of those dollars to provide a better, stronger voice for that.

Administrator Steele, I do not know if there is anything you would like to add. It looks like you do.

Ms. STEELE. Yes, I did. Strengthening democratic institutions is a major component of the administration's Indo-Pacific strategy which was part of my testimony here. We all realize that development assistance can play an important role in counterbalancing the effect that China has in weakening countries through its own very adversarial methods. I just wanted to confirm and verify that it is going to be a very important component of the administration's Indo-Pacific strategy.

Senator GARDNER. Very good. Thank you for that.

Thank you again to all of you for your time and testimony today, providing us with your testimony.

For the information of members, the record will remain open until the close of business Thursday for members to submit questions for the record. I would ask that the witnesses respond as promptly as possible. Your responses will be made a part of the record.

With the thanks of this committee, the hearing is now adjourned.

[Whereupon, at 11:48 a.m., the hearing was adjourned.]

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#### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

##### RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO LAURA STONE BY SENATOR CORY GARDNER

*Question 1.* Since 2010, the Chinese Government has suspended the official dialogue with the Dalai Lama's representatives to resolve the Tibetan issue. Secretary Mike Pompeo has said that he "will express publicly, and at the highest levels of government, that Chinese authorities need to engage in meaningful and direct dialogue with the Dalai Lama or his representatives, without preconditions, to lower tensions and resolve differences." What has the State Department done so far to encourage the facilitation of this dialogue?

Answer. The United States continues to encourage engagement in meaningful and direct dialogue, without preconditions, to lead to a settlement that resolves differences.

We urge Chinese authorities to resume a dialogue with the Dalai Lama or his representatives without preconditions.

The Government of China continues to characterize the Dalai Lama as a separatist and to assert that it will not allow "outside interference" in Tibetan issues.

*Question 2.* The Tibetan Policy Act of 2002 mandates that American officials should visit Tibet on a regular basis. What is the level of access to Tibet that U.S. Government officials have received? Can you provide a list of visits by U.S. Government officials in the last three years?

Answer. Below is a list of visits by U.S. Government officials to the Tibetan Autonomous Region (TAR), although it may not be comprehensive. U.S. Government access to the TAR is not regular and is more restricted than travel to other regions or provinces of China. During the past three years, Chinese officials have denied multiple U.S. Government requests to meet with TAR officials. Regular trips granted to other U.S. officials are heavily scrutinized.

## Visits by U.S. Government Officials to the Tibetan Autonomous Region (TAR)

Date	U.S. Official	Purpose	Location
May 2015	Ambassador Max Baucus	Met with TAR officials	Lhasa
November 2015	Consular officer	Routine consular visit	Lhasa
November 2015	CODEL Pelosi	Met with TAR officials; discussed TAR access	Lhasa
June 2016	Consular officer	Routine consular visit	Lhasa and Shigatse
December 2016	Consular officer	Routine consular visit	Linzhi
April 2017	CODEL Daines	Met with TAR officials	Lhasa
August 2017	Consular officers	Routine consular visit	Lhasa, Shigatse, and Everest Base
November 2017	Consul General in Chengdu as well as Political/Economic and PAS officers	Met with TAR officials; raised religious freedom and U.S. Business access issues	Linzhi, Lhasa
April 2018	Consular officer	Routine consular visit	Shannan
May 2018	Regional security officers	Advance for Ambassador Brandstad's trip	Lhasa
October 2018	Consular officers	Routine consular visit	Lhasa
November 2018	Consul General in Chengdu and Political Officer	Met with Lhasa Party Secretary; raised TAR access issues for U.S. citizens and U.S. businesses, religious freedom, as well as cultural and education exchanges	Lhasa

*Question 3.* Tibetan-Americans, attempting to visit their homeland, report having to undergo a discriminatory visa application process, different from what is typically required, at the Chinese embassy and consulates in the United States, and often find their requests to travel denied. Are you aware of this practice and have you investigated these allegations, as they represent a clear discrimination against certain U.S. citizens?

*Answer.* We have received anecdotal reports that Tibetan-Americans must undergo strict screening and meet conditions required only of Tibetans when applying for visas at Chinese embassies. We do not have a means to collect comprehensive data about how many applications are submitted, accepted, or denied by the Chinese Government.

We are aware of instances when Chinese authorities have denied Tibetan-Americans' entry into China despite those individuals possessing valid Chinese visas and travel documents. For example, On February 22, 2018, according to Radio Free Asia, authorities at Shuangliu International Airport in Chengdu denied entry to a U.S. citizen of Tibetan ethnicity who possessed a current and valid Chinese visa. Radio Free Asia journalist Palden Gyal reported that in August 2017 customs officials at the Baiyun International Airport in Guangzhou, China detained him at the airport, seized his electronic devices, and denied his entrance into China.

The Consul General at the U.S. Consulate General in Chengdu has raised the issue of U.S. citizens' access to the Tibetan Autonomous Region (TAR) in every meeting with TAR officials, including on specific cases such as these.

*Question 4.* The Foreign Correspondents Club of China reports that: a) 2008 rules prevent foreign reporters from visiting the Tibet Autonomous Region without prior permission from the Government of such Region; b) such permission has only rarely been granted; and c) although the 2008 rules allow journalists to travel freely in other parts of China, Tibetan areas outside such Region remain "effectively off-limits to foreign reporters." Do you monitor the number of requests made by U.S. jour-

nalists to travel to Tibet and how many have been rejected over the last three years?

Answer. While we do not have the means to monitor comprehensively the requests made by U.S. journalists to enter Tibet, we regularly engage with U.S. journalists to discuss this issue, including the Foreign Correspondents' Club. We understand that U.S. journalists seek access to Tibet on a regular basis.

In the last three years there have been a limited number of instances in which Chinese officials selected and escorted U.S. journalists to pre-designated places in the Tibetan Autonomous Region (TAR). Outside of these trips, U.S. journalists are not allowed to go to the TAR.

*Question 5.* How many visas have you granted to Chinese journalists over the last three years?

Answer. Below are the number of I Visas issued to Chinese nationals for the last 3 years:

FY 2018: 587  
 FY 2017: 732  
 FY 2016: 836

Please note that the FY 2017 and FY 2016 data (along with prior years) is available on <http://Travel.State.Gov> on the Nonimmigrant Visa Statistics page (<https://travel.state.gov/content/travel/en/legal/visa-law0/visa-statistics/nonimmigrant-visa-statistics.html>) under the section called Nonimmigrant Visa Issuances by Visa Class and Nationality. FY 2018 data is not publicly available yet.

FY 2018 data are preliminary and subject to change. Any changes would not be statistically significant.

*Question 6.* The Government of the People's Republic of China does not grant United States diplomats and other officials, journalists, and other citizens[] access to Tibet on a basis that is reciprocal to the access that the Government of the United States grants Chinese diplomats and other officials, journalists, and citizens. Have you already or do you plan to identify who are the Chinese officials both at the local level in Tibet and at the central level in Beijing, who are responsible for blocking access to Tibet for American citizens?

Answer. The Chinese Government does not disclose the names of officials who are involved in issuing travel permits to American citizens to access the Tibetan Autonomous Region (TAR).

The Department will fully implement the Reciprocal Access to Tibet Act, if it is signed into law.



LETTER SENT BY SENATOR TIM Kaine TO MIKE POMPEO, U.S. SECRETARY OF STATE, REGARDING CHINA'S RETALIATION AGAINST THE FAMILIES OF RADIO FREE ASIA JOURNALISTS

United States Senate  
WASHINGTON, DC 20510

July 26, 2018

The Honorable Michael R. Pompeo  
Secretary of State  
U.S. Department of State  
2201 C Street, N.W.  
Washington, D.C. 20520

Dear Secretary Pompeo,

We write to express our urgent concern about an alarming situation affecting six U.S.-based journalists with Radio Free Asia's (RFA) Uyghur Service. As you may know, RFA is one of five media networks under the Broadcasting Board of Governors (BBG), the U.S. agency responsible for international media. Its Uyghur-language news service provides roughly 12 million of China's mostly Muslim, Turkic-speaking Uyghur population with trustworthy, accurate news on the deteriorating human rights situation in China's Xinjiang Uyghur Autonomous Region (XUAR).

RFA's Uyghur Service journalists, most of them U.S. citizens and residents of Virginia, have relatives in China—including elderly parents—who have been detained, jailed, or forcibly disappeared in what appears to be an act of direct retaliation against these U.S. journalists for their work in exposing the deteriorating human rights situation in the XUAR. We are deeply concerned that these cases illustrate that a foreign nation is pursuing extreme measures in an attempt to interfere with Radio Free Asia's congressionally mandated mission of bringing free press to closed societies.

Most relatives are believed to be held in re-education centers or camps that began appearing in the XUAR in the spring of 2017, but have greatly expanded since then. Media and think tank reports estimate that hundreds of thousands of individuals—men and women of all ages—have been arbitrarily detained in these facilities that operate much like open-air prisons under the ostensible purpose of rehabilitation. In recent months, reports and first-hand accounts have surfaced about their cramped, over-crowded and gulag-like conditions, and poor medical care.

Radio Free Asia's in-depth journalism has provided some of the world's most effective reporting about the XUAR, a region increasingly restricted to outside news organizations, diplomats, and NGOs. RFA's journalists understand that their work carries risks, but they also know that they are providing an important service through their work at RFA. It is an unfortunate irony that these same journalists who have already endured great risk and sacrifice have now become part of the stories that they report on. The fact that they have been targeted while living and working in the United States is even more troubling.

In your capacity as the United States' senior diplomat, we urge you, at every opportunity, to raise this urgent issue in your diplomatic communications with your Chinese counterparts, seek answers as to the whereabouts and well-being of these missing, detained, and jailed relatives, and

appeal for these individuals to be unconditionally released. We ask you to make clear to the Chinese government that these cases are a priority for the U.S. Government. We also ask that you brief our offices within the next few weeks with an update on their cases, to include specifics about your engagement with the Chinese government to-date, and your plan for future engagement.

Thank you in advance for your consideration, and most of all, for your action.

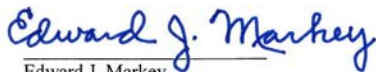
Sincerely,



Mark R. Warner  
United States Senator



Tim Kaine  
United States Senator



Edward J. Markey  
United States Senator



Cory Gardner  
United States Senator



Marco Rubio  
United States Senator



Steve Daines  
United States Senator

U.S. DEPARTMENT OF STATE'S RESPONSE TO SENATOR TIM KAINE'S  
LETTER REGARDING CHINA'S RETALIATION AGAINST THE FAMILIES  
OF RADIO FREE ASIA JOURNALISTS

UNITED STATES DEPARTMENT OF STATE,  
*Washington, DC 20520*

Hon. Tim Kaine,  
*U.S. Senate, Washington, DC 20510*

DEAR SENATOR KAINE, Thank you for your letter of July 26 on the worsening human rights crisis in China's Xinjiang Uyghur Autonomous Region (Xinjiang), and its impact on six U.S.-based journalists with Radio Free Asia's (RFA) Uyghur Service and their family members. We regret the delay in responding. The Department of State shares your deep concerns about the growing crackdown on and mass detention of Uighurs, ethnic Kazakhs, and members of other Muslim minority groups in China.

China's harsh repression of ethnic and religious minorities' expressions of their cultural identity and religious practices throughout Xinjiang has the potential to incite radicalization and recruitment to violence. Secretary Pompeo highlighted the Administration's concerns at the State Department's Ministerial to Advance Religious Freedom in July, and raised the issue directly with the Chinese government at the Diplomatic and Security Dialogue in November.

The Department is particularly alarmed by reports of the mass detention of at least 800,000 to possibly more than two million Uighurs, ethnic Kazakhs, and other members of Muslim minorities for indefinite periods in internment camps for so-called "patriotic re-education." Former detainees have said publicly that they were regularly subjected to beatings, stress positions, sleep deprivation, and other forms of abuse and were aware of deaths in the camps. U.S. officials have consistently called on China to immediately release all those arbitrarily detained.

In April, Spokesperson Nauert met with those RFA journalists, who shared reports of Uighurs and other Muslims in Xinjiang, including their families, who have been harassed and arbitrarily detained. Spokesperson Nauert publicly called on China to release all those unlawfully detained and to respect fundamental freedoms. Department officials continue to meet regularly with these journalists and other U.S. citizens and lawful permanent residents whose family members have disappeared or been similarly detained in Xinjiang, and press for information on their cases with Chinese officials.

The Department will continue to raise its grave concerns to the Chinese government about its repression of Muslims in Xinjiang, and to urge China to provide information about the locations and medical conditions of those detained and immediately release them and to lift the martial law-like restrictions in the region.

We hope this information is helpful to you. Please let us know if we can be of further assistance.

Sincerely,

MARY ELIZABETH TAYLOR,  
*Assistant Secretary, Bureau of Legislative Affairs*

