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U.S.-CHINA RELATIONS: STRATEGIC CHALLENGES AND OPPORTUNITIES

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U.S.-CHINA RELATIONS: STRATEGIC CHALLENGES AND OPPORTUNITIES

WEDNESDAY, APRIL 27, 2016

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

The committee met, pursuant to notice, at 10:34 a.m., in Room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Rubio, Flake, Gardner, Perdue, Isakson, Cardin, Menendez, Coons, Kaine, and Markey.

OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Committee on Foreign Relations will come to order.

I want to thank our distinguished witness today for being here. You may notice a significant absence on the other side of the podium. There was an all-conference meeting that was scheduled by Senator Reid at 10:30 a.m., so our colleagues on this side of the aisle I think may be a little late. But we certainly will welcome them when they come.

Again, we thank you, Tony, for being here today and testifying before us.

When President Obama and President Xi met at Sunnylands in 2013, the Obama administration was hopeful about a new direction with U.S.-China relations. Yet since then, it has been difficult to see a lot of cause for optimism. Whether it is China's militarization of the South China Sea or cyber theft or discriminatory trade and investment policies, there are far more downsides than upsides in the U.S.-China relationship over these last days.

Regrettably, as the strategic challenges increase, the opportunities for positive engagement diminish. I say this as someone who has always tried to take a balanced view toward China in the hopes of fostering a positive engagement, because this relationship remains one of the most consequential for U.S. political, security, and economic interests.

We have reached a point now, though, where there is no denying the fact that China has positioned itself as a geopolitical rival to the United States. The calculated and incremental strategy on the part of Beijing to challenge U.S. power is having real consequences for U.S. interests and international norms in the Indo-Pacific and

beyond. It is even more troubling that the administration still does not seem to have a coherent China policy.

For example, in the South China Sea, neither the rhetoric nor the freedom of navigation operations have deterred or slowed down China's land reclamation activities, including the stationing of military-related assets on these artificial islands.

Moreover, many experts assess it is increasingly likely that Beijing will declare an air defense identification zone in the South China Sea. China could undertake further destabilizing actions, if the international tribunal ruling, as expected, goes against Chinese interests.

I am also frustrated and concerned about the lack of progress on a number of economic and trade-related issues.

For more than 4 years, the U.S. and China have been engaged in a trade war over solar panels and polysilicon imports and exports to make those panels.

Tony, I hope, in particular, you are listening to these comments.

As this dispute drags on, it is hurting U.S. producers of polysilicon, one of the main components in the production of solar panels. China is the largest producer of solar panels, and, until this trade dispute, the country imported significant quantities of polysilicon made in the United States.

I know that Ambassador Froman, and I have talked with him about this, has raised this issue with China's Ministry of Commerce from time to time. But from what I understand, the latest offer from China on polysilicon imports is unacceptable, and it looks like simple protectionism.

This market obviously needs to reopen mutually beneficial trade, and I expect this issue to be resolved soon and in a serious way.

The reasonable request made by U.S. polysilicon industries here in the U.S. must be taken into account. Surely, the Chinese Government and the U.S. Government will be wise enough to fully resolve this problem before this committee considers the U.S.-China Bilateral Investment Treaty, should it mature and be ready to be put forth here.

As I have said previously, I fully appreciate the complexity of the U.S.-China relationship and the need for constructive engagement on a number of issues important to both Washington and Beijing. But merely managing differences with China is not a successful formula, particularly when such management cedes U.S. influence and places American interests at risk in the Indo-Pacific and beyond.

North Korea is one area where we hope that there is additional room for cooperation between the United States and China—I know Senator Gardner will certainly want to get into that with his questioning—and that Beijing will follow through on commitments to fully implement new multilateral sanctions. But only time will tell.

I hope we will be able to have a thoughtful discussion today, one that outlines tangible steps the administration plans to take in the coming months to safeguard U.S. interests, preserve international norms, and maintain peace and stability in the Indo-Pacific.

I want to again thank our witness. I want to thank him for working with us on the issue we talked about just before the meeting

started. I want to thank him for his service to our country. We look forward to your testimony.

As you know, without objection, your written testimony will be entered into the record. So if you would, if you could summarize in about 5 minutes or so, we look forward to questions. Again, thanks for being here.

STATEMENT OF ANTONY J. BLINKEN, DEPUTY SECRETARY OF STATE, U.S. DEPARTMENT OF STATE, WASHINGTON, D.C.

Mr. BLINKEN. Mr. Chairman, thank you very much. Members of the committee, thank you. It is very good to be back before this committee and have the opportunity to discuss our relationship with China, which, as you outlined very well, Mr. Chairman, is complicated, indeed.

I just got back this past weekend from what was my sixth visit to the Asia-Pacific region in a little over a year. I have seen with each trip that the rebalance efforts that we have been making to Asia have, in fact, advanced our interests and helped shape Asia's upward trajectory by bolstering our alliances, building new partnerships with emerging countries, strengthening regional institutions and the rule of law, advancing our economic ties, and engaging with China.

I am very pleased to discuss the last pillar of our rebalance with you today. Secretary Kerry has called our relationship with China our most consequential relationship, and it is, indeed, crucial that we try to get it right.

The approach that we have taken with China tries to do three things. It seeks to broaden and deepen practical cooperation on issues of shared concern. It directly confronts and then tries to resolve or at least narrow our differences wherever we can, and where we cannot, manage those differences peacefully.

Over the past year, we believe we have seen real progress on important issues that do advance our interests. The relationship that we have been working with China paved the way for a landmark joint announcement on climate change that galvanized the international community to reach a global climate agreement in Paris last December and signed in New York just last week. We engaged China in the global response to Ebola with positive effect. We grounded our work together to craft a deal that prevents Iran from developing a nuclear weapon far into the future. We produced new confidence-building measures between our militaries. And we sparked growing collaboration to meet development challenges from Afghanistan all the way to Sierra Leone.

From top to bottom, the administration has worked to expand and deepen our diplomatic, military, economic, and people-to-people ties to China.

Since the President took office, our exports to China have nearly doubled. China is now the largest market for American-made goods outside of North America. It is also one of the top markets for U.S. agriculture exports and a large and growing market for U.S. services.

These efforts to deepen bilateral ties have been designed to turn a challenging rivalry into healthy competition and to try to break out of zero-sum thinking on both sides.

We have seen results of this approach in our collaboration on some of the most difficult issues, including most recently North Korea and the provocative destabilizing and internationally unlawful actions it continues to take to advance its proscribed missile and nuclear programs.

While we have taken significant steps to make it more difficult for North Korea to acquire technology and equipment for those programs, or the resources to pay for them, the fact remains that their development continues. As a result, they get closer to the day when they have the capacity to strike at our allies, at our partners, and at the United States with a ballistic missile armed with a miniaturized nuclear warhead. That is simply unacceptable.

This threat, combined with an inexperienced leader who acts rashly, makes it an urgent priority not only for us but, increasingly, for China. While the United States and China share an interest in ensuring that North Korea does not retain nuclear weapons capability, we have obviously not always agreed on the best way to reach that objective.

In the last few months, however, we have worked together to draft and pass the toughest U.N. Security Council resolution in a generation to try to compel the leadership of the DPRK to rethink its pursuit of nuclear weapons and ballistic missiles.

If fully and effectively implemented, U.N. Security Council Resolution 2270 will significantly reduce the regime's ability to procure, pay for, or produce weapons of mass destruction, and will challenge the calculus of the leadership in North Korea, but, I want to emphasize, only if it is fully and effectively implemented.

As North Korea's largest trading partner, China has unique leverage. We welcome President Xi's commitment at the Nuclear Security Summit earlier this month to fully implement the Security Council resolution. It is too early to draw firm conclusions about China's enforcement, but there are some early trade restrictions that China has imposed that suggest that China is committed to following through on implementation of a resolution that it took the lead in producing at the U.N., but the jury remains out.

We have encouraged China to contribute more to apply its significant capabilities as a rising economic and political power responsibly in order to help meet practical needs in the international community, from wildlife trafficking to public health.

We have also seen China step up in a meaningful way to the challenge of conflict in fragile countries. In Afghanistan, we joined together, the United States and China, with Afghanistan and Pakistan to form something called the Quadrilateral Coordination Group on the Afghan peace and reconciliation process.

And the 2015 U.N. Leaders' Summit on Peacekeeping, at that summit, President Xi announced a new Chinese peacekeeping rapid response standby force, training peacekeepers from other countries, and $100 million for the African Union peacekeeping operations. China contributes more troops and police to peacekeeping missions than any other member of the permanent five members of the Security Council, and it is the second largest funder.

Of course, even as we try to build cooperation with China, we are directly engaging our significant differences with the goal to resolving or narrowing them while preventing conflict. Significant areas

of difference remain around China's assertive and provocative behavior in the South China Sea, its conduct in cyberspace, its denial of internationally recognized human rights and fundamental freedoms to its own citizens.

We, of course, are not a claimant to the territorial and maritime disputes in the South China Sea, but we have a clear national interest in the way those claims are pursued to include upholding freedom of navigation, respect for international law, and the peaceful resolution of disputes. And our alliance commitments remain ironclad.

We oppose the use of force or the threat to use force to try to advance maritime or territorial claims, and we call on all parties in the South China Sea, not just China, to resolve disputes in a peaceful manner.

These issues need to be decided on the merits of China's and the other claimants' legal claims, and adherence to international law and standards, not the strength of their militaries or law enforcement ships or the size of their economies.

For years, we clashed with China over our opposition to cyber-enabled theft for commercial gain by state actors. We persisted in engaging China on that issue. In the lead up to President Xi's visit last fall, China and the United States agreed to an unprecedented set of cyber commitments, including an agreement that neither government will conduct or knowingly support cyber-enabled economic espionage for commercial gain. We are watching very closely to ensure this commitment is followed by action.

We remain concerned by recent moves by China that reduce space for free expression, including a raft of new domestic legislation that, if enacted as drafted, could shrink space for civil society and academia, inhibit U.S. business activities, and result in further rights abuses. We are alarmed by the ongoing crackdown on lawyers, religious adherents, and civil society leaders, and by growing attempts to restrict internationally recognized fundamental freedoms, including the freedom of expression.

We are deeply troubled by China's willingness to threaten journalists with expulsion or the nonrenewal of their visas as a tool to influence their reporting.

The President, Secretary of State Kerry, and others regularly raise individual cases and systemic concerns with China. We will continue to reinforce the message that protecting human rights and fundamental freedoms of association, peaceful assembly, religion, and expression, and respecting the rights of members of minorities, will make China more stable, more secure, and more prosperous.

Mr. Chairman, for 7 decades now, and as you noted, the United States has invested in a system of international institutions and principles and norms designed to protect the right of all nations to pursue their interests irrespective of their size or strength. This international architecture has created a foundation of peace and stability that unlocked a period of unprecedented economic growth, and nowhere more so than in East Asia. It has not only benefited the United States, it has benefited China and all the countries in the region. It is our shared interest to see that these standards are strengthened, not undermined.

We have shown a readiness to welcome China as a global leader and responsible advocate for the international order. We want China as our partner in many endeavors, and we believe our nations and the world would be undeniably better for it. But in the end, only China can choose to assume that role and demonstrate the commitment to international law and standards necessary to achieve it.

Thank you very much, and I welcome your questions.

[Mr. Blinken's prepared statement follows:]

PREPARED STATEMENT OF DEPUTY SECRETARY OF STATE ANTHONY BLINKEN

Chairman Corker, Ranking Member Cardin, Senators, thank you for the opportunity to come before you today to discuss our relationship with China. I would also like to recognize this Committee's leadership on policy in the broader Asia-Pacific region.

This past weekend, I returned from my sixth visit to the Asia-Pacific in a little over a year. With each trip, I have seen growing dividends of President Obama's rebalance to Asia and our common efforts with our Pacific partners and friends to strengthen a rules-based, norms-based, institutions-based order that is advancing U.S. interests and addressing regional and, increasingly, global challenges.

Having inherited a nation immersed in the greatest financial crisis since the Great Depression, President Obama recognized from his first day in office that America's leadership in the Asia-Pacific was not merely peripheral to our future prosperity and security—it was indispensable.

Nowhere in the world are our economic and strategic opportunities clearer or more compelling than in the Asia-Pacific—home to three of our top ten trading partners, five of the seven of our defense treaty alliances, the world's largest and fastest growing economies, and some of the most wired and innovative people in the world.

The rise of Asia will help define this new century. How it rises—according to which rules, by which means, to what ends—will have significant impact on our national well-being, perhaps more so than any other region in the world.

Over the last seven years, our rebalance to Asia has helped shape and influence this trajectory by bolstering our alliances, building new partnerships, strengthening regional institutions and rule of law, advancing our economic ties, and engaging deeply with China.

Our intensive engagement in Asia has helped foster an increasingly broadly accepted vision for the future of the region, and for our role in it. A vision wherein countries come to each other's aid in times of disaster or crisis. Where borders are respected and countries cooperate to prevent small disputes from growing larger. Where disagreements are settled openly, peacefully, and in accordance with the rule of law. Where diversification of trade and investment flows allow countries to pursue their interests freely. And where the human rights of each and every person are fully respected.

This is the environment in which we are advancing our relationship with China. Secretary Kerry has called our relationship with China our "most consequential" relationship. It is crucial that we get it right.

As the President has said repeatedly, we welcome the rise of a peaceful, stable, and prosperous China that plays a responsible role in global affairs. We assess that we have more to fear from a weak and insecure China than from a confident and capable China.

Our approach to China seeks to broaden and deepen practical cooperation on issues of shared concern; directly resolve or narrow our differences wherever we can; and manage those differences peaceably where we cannot. We have encouraged China to contribute more—to apply its significant capabilities as a rising economic and political power responsibly in order to help meet practical needs in the international community, from peacekeeping to public health.

Over the past year, this approach has produced real progress on important issues that advance U.S. interests.

It paved the way for a landmark joint announcement on climate change that ignited momentum in the months leading to the historic Paris climate deal. And it brought city, state, and provincial leaders from China and the United States together to surface local solutions to combat global warming.

It engaged China in the global response to Ebola.

It grounded our work together to craft a deal that prevents Iran from developing nuclear weapons.

It produced new confidence-building measures between our militaries, and it sparked growing collaboration to meet development challenges in partner countries, from Afghanistan to Sierra Leone.

DEEPENING BILATERAL TIES

From top to bottom, this Administration has expanded and deepened our diplomatic links with China. Secretary Kerry and National Security Advisor Rice meet and speak regularly with their counterparts. The Secretary has even hosted State Councilor Yang Jiechi in his Boston home. Ambassador Baucus is among the most actively engaged U.S. ambassadors in the field, and he and his team work tirelessly in support of U.S. interests. And the Administration has created new multi-ministry engagement mechanisms, such as the U.S.-China Strategic and Economic Dialogue and the Strategic Security Dialogue, that force decisions that cut across an unwieldy Chinese bureaucracy and expand our access to the Chinese Politburo and State Council. In other words, we now have more direct and diverse channels of communication. This has led to a structural strengthening of the relationship—helping to lower the bar for identifying areas of cooperation, while at the same time enabling opportunities to narrow differences early on.

The same could be said for our colleagues at the Pentagon and the military-to-military relationship. This summer China will participate in the multinational RIMPAC exercise for the second time—an exercise that will include 27 countries working together to increase their collective capacity to cooperate on international humanitarian assistance and disaster relief operations.

We have also implemented confidence building measures that reduce the risk of incidents in the South China Sea or anywhere else our forces might come into contact. These measures are based on internationally recognized standards for safe and professional conduct—institutionalization of which may also reduce the risk of unintended incidents between the Chinese military and its neighbors.

With China hosting the G-20 this year, China's economy will be an important area of focus. An economically vibrant China that moves toward more sustainable and balanced growth benefits the global and U.S. economies. We continue to push China to implement much needed economic reforms to help unlock sustainable long-term growth.

We have also pressed China to change a number of discriminatory policies and practices that harm U.S. companies and workers, while also pushing for expanded opportunities for U.S. companies competing with Chinese companies. Since President Obama took office, our exports to China have nearly doubled, and China is now the largest market for American-made goods outside of North America. It is also one of the top markets for U.S. agricultural exports and a large and growing market for U.S. services. But there is more work to be done, and we will use every opportunity to create a more level playing field for U.S. firms, farmers, and workers.

The high-standards of the Trans Pacific Partnership (TPP) are increasingly eliciting interest within China itself, which is not a TPP signatory. I was in northeast Asia when the agreement on TPP was completed. In Beijing, I was struck by what I saw: a manifest turn from indifference to serious examination—and even interest in some quarters. Even a state-affiliated newspaper published an article highlighting the potential benefits of TPP for China.

And we have also made a significant investment in expanding our people-to-people ties, underwriting greater bonds of trust and understanding between the next generations in both of our countries. Last year more than 2.3 million Chinese nationals received a business or tourist visa to enter the United States and 304,000 Chinese students studied for credit at universities across the United States, a number representing around 30 percent of all foreign students in the United States. And through the Consultation on People-to-People Exchange, we have a new mechanism to promote additional opportunities for exchanges in both directions.

These efforts to deepen our bilateral ties have been designed to turn suspicious rivalry into healthy competition; to break free of zero-sum thinking and build a relationship with China that yields practical cooperation on regional and global issues.

STRENGTHENING REGIONAL STABILITY

We have seen results of this approach in our collaboration on some of the region's toughest issues, including North Korea and the provocative, destabilizing, and internationally unlawful actions it continues to take to advance its proscribed missile and nuclear programs.

While we have taken significant steps to make it more difficult for North Korea to acquire technology and equipment for those programs or the resources to pay for them, the fact remains that their development continues. As a result, they get closer to the day when they have the capacity to strike at our allies, at our partners, and at the United States with a ballistic missile armed with a miniaturized warhead. That is unacceptable. This threat—combined with an inexperienced leader who acts rashly and does not respect international law—makes it an urgent priority not only for us but also for China.

While the United States and China share an interest in ensuring that North Korea does not retain a nuclear weapons capability, we have not always agreed with China on tactics for engaging North Korea.

But in the last few months we have worked together to draft and pass the toughest UN Security Council Resolution (UNSCR) in a generation to compel the DPRK leadership to rethink its pursuit of nuclear weapons and ballistic missiles. It came about because China increasingly recognizes that North Korea's actions are the greatest source of instability in the region. At the same time, the United States has made clear it will take whatever steps are necessary to protect itself and its allies and partners—including steps that are not aimed at China but which raise its concern, such as the potential deployment of the THAAD missile defense system to the Republic of Korea.

If fully and effectively implemented, UNSCR 2270 will significantly reduce the North Korean regime's ability to procure, pay for, or produce weapons of mass destruction. More than any single previous expression of international opprobrium, UNSCR 2270 will challenge the calculus of the leadership in North Korea.

As North Korea's largest trading partner China has unique leverage in this regard. We welcomed President Xi's commitment at the Nuclear Security Summit earlier this month to fully implement the UNSCR. It is too early to draw firm conclusions about China's enforcement, but early trade restrictions that China has imposed suggest China is committed to following through on implementation.

The United States has demonstrated that it is prepared to engage countries with which we have the deepest of differences to advance our national security. The nuclear agreement with Iran is case in point. This was only possible because Iran took concrete steps to freeze, and in some regards roll back its nuclear program, while allowing international inspections, which created the time and space to negotiate the Joint Comprehensive Plan of Action—an agreement that, as a practical matter, ensures Iran cannot acquire a nuclear weapon far into the future.

China's commitment to reduce its Iranian oil purchases helped build the economic pressure that brought Iran to the negotiating table, and China continues to contribute to the JCPOA's implementation, playing a leading role in redesigning and rebuilding the Arak heavy water research reactor.

ADDRESSING GLOBAL CHALLENGES

Seven years ago, Chinese leaders were reluctant to take on significant responsibilities in dealing with regional and international challenges. With our engagement, they are increasingly tackling issues of global importance from climate change to wildlife trafficking, global health to peacekeeping.

As the two largest economies and carbon-emitters, the United States and China have long been indispensable to global climate agreement negotiations. When those negotiations failed to produce an agreement in Copenhagen in 2009, there was finger-pointing and recriminations, but no obvious path forward and little optimism we could achieve a future agreement.

Yet in November 2014, our presidents made a historic joint announcement of our post-2020 climate targets. That announcement galvanized the international community to reach a global climate agreement in Paris last December.

This came about through deep personal engagement from the President, Secretary Kerry, and others. But it also came about because China eventually concluded its own interests—in addressing domestic environmental concerns and projecting a global leadership role—coincided with those of the United States and the international community. And with a new joint statement on climate change last month from Presidents Obama and Xi, and our two countries signing the agreement in New York last week, we are encouraged that we will continue to lead global efforts on this issue moving forward.

China is also an essential part of global efforts to address other urgent environmental issues, including wildlife trafficking. China is the largest consumer of wildlife products such as ivory, and its continued legal ivory market has had theunintended consequence of fueling illegal ivory trafficking. As recently as a few years ago, our cooperation on this issue was nonexistent, but our persistent engage-

ment produced important results last September, including an agreement to implement near complete bans on the import, export, and domestic commercial trade of African elephant ivory in both countries.

We also engaged China in the global response to Ebola. American and Chinese healthcare specialists worked side-by-side in West Africa to help drive the cases of Ebola to near zero. China's significant contributions to the international effort far exceeded its responses to prior international crises, and, frankly, stunned many long-time China observers.

In an effort to build on our Ebola cooperation, during President Xi's State Visit to Washington last September, our countries announced a formal partnership on development that includes building health capacity in Africa. These efforts, as well as Xi's UN General Assembly pledge of $2 billion in support of the UN Sustainable Development Goals, will help address the great needs of developing countries while inculcating in China best practices in sustainable development.

And finally, we have seen China step up in a meaningful way to the challenge of conflict in fragile countries.

In Afghanistan, our alignment of interests has led us to join recently Afghanistan and Pakistan to form the Quadrilateral Coordination Group on the Afghan peace and reconciliation process. Chinese Foreign Minister Wang Yi joined Secretary Kerry last fall to co-host a high-level event on Afghanistan's reconstruction at the UNGA, and the $327 million that China has pledged for Afghan reconstruction will provide crucial support to the Afghan government and people.

At the 2015 UN Leaders' Summit on Peacekeeping co-hosted by President Obama, President Xi announced a new Chinese peacekeeping rapid response standby force of 8,000 troops, a commitment to train 2,000 peacekeepers from other countries, and $100 million in aid to the African Union for its peacekeeping operations.

While many of these developments are not the stuff of flashy headlines, that does not make them any less consequential. We are making methodical progress in pushing China to match its contributions to its capabilities on some of the world's most intractable challenges. And in the process, we are demonstrating that wewelcome China working alongside us—and investing with us—in strengthening the existing international order.

ENGAGING AND NARROWING OUR DIFFERENCES

Even as we build cooperation with China, we are directly engaging our differences with a goal to resolving or narrowing them while preventing conflict.

This is important, as significant areas of disagreement remain—in particular those concerning China's assertive and provocative behavior in the South China Sea, its conduct in cyberspace, and its denial of internationally recognized human rights and fundamental freedoms to its citizens, as well as in some cases nationals of other countries.

China's behavior in the South China Sea is a regular feature of our engagement with Beijing, and also our consultations with allies and partners in the region, who are concerned by dramatic land reclamation, construction, and increasing militarization on reefs and other features throughout the South China Sea.

While we are not a claimant to the territorial and maritime disputes in the South China Sea, we have a clear national interest in the way those claims are pursued—to include upholding freedom of navigation and overflight, unimpeded lawful commerce, respect for international law, and the peaceful resolution of disputes. And our alliance commitments remain iron-clad.

We oppose the use or threat of force to try to advance maritime or territorial claims, and we call on all parties in the South China Sea—not just China—to resolve disputes in a peaceful manner. These issues should be decided on the merits of China's and other claimants' legal claims and adherence to international law and standards, not the strength of their militaries or law enforcement ships or the size of their economies. The belief that all countries are entitled to equal rights irrespective of their size or strength is at the heart of our approach to this issue.

We continue working closely with China, other claimants, and others in the region to build regional consensus behind these principles.

At the East Asia Summit in December, 10 of the 18 leaders emphasized the importance of non-militarization of outposts, reflecting growing regional concerns about China's activities in the South China Sea and consensus around the need to lower tensions.

In February, the United States and ASEAN issued a joint statement at the Sunnylands Special Leaders' Summit, which reaffirmed their shared commitment to peaceful resolution of disputes in accordance with international law, including full respect for legal and diplomatic processes. Weeks later, ASEAN Foreign Ministers

issued their own statement, which reinforced the themes of the Sunnylands Summit. In March, the European Union issued a statement on the South China Sea. In April, G-7 Foreign Ministers released a statement on maritime issues.

China has heard this international chorus, and they don't like it. They know their actions are placing them at odds with the aspirations of the region, strengthening our alliances, and pushing others in the region to deepen security ties with the United States. The further China goes down this path, the sharper the choice it will face between adjusting its approach and clarifying its claims to be in accordance with international law, or instead, risking conflict, instability, and isolation.

Our progress on these challenges would also be improved with U.S. accession to the Law of the Sea Convention, as has been conveyed by our combatant commanders in their recent testimonies before the Senate.

China doesn't only face these tough decisions on the water but also within cyberspace. For years, we clashed with China regarding in our opposition to cyber-enabled theft for commercial gain by state actors. Following the 2014 indictment of People's Liberation Army members for cyber-enabled theft from U.S. entities to benefit their competitors in China, China suspended our bilateral cyber working group. But we persisted, making clear our understanding of acceptable State behavior and our intent to take action against bad actors. In the lead up to President Xi's visit last fall, China and the United States agreed to an unprecedented set of cyber commitments including an agreement that neither government will conduct or knowing support cyber-enabled economic espionage for commercial gain.

We are watching closely to ensure this commitment is followed by action, but it represents a significant step forward from China's previous posture of denying all activity emanating from China, and defying calls to rein it in. In short succession, the United Kingdom secured a similar agreement and the G-20 joined the United States,UK, and China in reaffirming that states should not conduct or support cyber-enabled theft for commercial gain.

While we seek to work with China to promote stability in cyberspace, we remain concerned about recent moves by China that reduce space for free expression, including a raft of new domestic legislation that, if enacted as drafted, could shrink space for civil society and academia, inhibit U.S. business activities, and result in rights abuses.

Along with international partners, activists, and business leaders, we have made clear our concerns, and there have been some signs that China may be listening: they have delayed the passage of the cyber-security and information and communications technology laws from last year, and made significant, albeit still insufficient, changes to other national security legislation. Again, implementation matters most.

We are alarmed by the ongoing crackdown on lawyers, religious adherents, and civil society leaders and by growing attempts to restrict internationally recognized fundamental freedoms, including the freedom of expression. Hundreds of Chinese citizens have been detained, formally arrested, or held in incommunicado without due process. This includes the apparent abduction of five individuals associated with a Hong Kong bookstore, an action that strongly suggests that China has taken extrajudicial or extraterritorial action that is inconsistent with its international commitments. We also are deeply troubled by China's willingness to threaten journalists with expulsion or the non-renewal of their visas as a tool to influence their reporting.

As China's human rights situation has deteriorated, we have raised our concerns directly and candidly, including at the highest levels. The President, Secretary Kerry, and others regularly raise individual cases and systemic concerns with Chinese leaders. We will continue to reinforce the message that protecting human rights and the fundamental freedoms of association, peaceful assembly, religion, and expression, and respecting the rights of members of minorities, will make China more stable, secure, and prosperous. These are freedoms that I believe American and Chinese citizens value; we are urging Chinese authorities to value them as well. We also urge respect for equal rights of ethnic minorities, including Tibetans and Uighurs. We call on China to engage the Dalai Lama or his representatives, because we believe such a step would be conducive to stability.

As part of our efforts, we have increased coordination with likeminded countries. Last month, we led the first ever joint statement on China human rights at the United Nations Human Rights Council. We will continue to coordinate our efforts with like-minded partners to encourage China to protect the rights of its citizens.

We view China's adherence to its international commitments as an important indicator of the type of power that China seeks to become. The 1984 Sino-British Joint Declaration and the Basic Law are the bedrock of Hong Kong's autonomy as a Special Administrative Region of China. We strongly support Hong Kong's high degree

of autonomy and rule of law tradition, as well as for the democratic development and protection of civil liberties in Hong Kong. This is why we are so concerned about China's actions involving the booksellers in Hong Kong. Beyond the immediate issue of the welfare of the five booksellers, this case called into question Beijing's commitment to "one country, two systems."

Taiwan will soon transition to a new administration. During this sensitive period, we have been clear with both Beijing and Taipei that we have a fundamental interest in maintaining cross-Strait peace and stability, and that we remain committed to our one-China policy based on the three joint communiqués and the Taiwan Relations Act. We have encouraged Beijing to exercise flexibility and restraint. We similarly have called on both sides to engage in constructive dialogue on the basis of dignity and respect, because we believe direct channels of communication reduce risk of miscommunication that could lead to miscalculation. We would like to see continued improvement in cross-strait relations.

CLOSING

For seven decades, the United States has invested in a system of international institutions and principles designed to protect the right of all nations to pursue their interests, irrespective of their size or strength. This international architecture has created a foundation of peace and stability that has unlocked a period of unprecedented economic growth, nowhere more so than in East Asia. This has not only benefited our nation, it has also benefited China. It is in our shared interests to see that these standards are strengthened, not undermined.

We welcome China as a global leader and responsible advocate for the international order. In areas ranging from climate to public health to peacekeeping, we have shown the benefits to both of our countries and the world when wecooperate. At the same time, we will continue to stand firm in defense of the rules-based international order. We want China as our partner in many endeavors and believe our nations and the world would undeniably be better for it. But in the end, only China can choose to assume that role and demonstrate the commitment to international law and standards necessary to achieve it.

I thank you for your time and look forward to taking your questions.

The CHAIRMAN. Mr. Secretary, thank you for your testimony.

As a courtesy to the committee, I am going to withhold, and wait for interjections along the way, my time.

So I am going to turn to Senator Gardner, and I look forward to his questions.

Senator GARDNER. Thank you, Mr. Chairman, for this hearing today. It is a very important hearing, one of the most important hearings that we will hold this Congress.

And thank you, Secretary Blinken, for your participation in this today. It is very important that we hear from you. I appreciate you taking the time to do this.

On February 18, 2016, President Obama signed the bill that Senator Menendez and I had worked together on, the North Korea Sanctions and Policy Enhancement Act. It became P.L. 114–122, expanding U.S. sanctions against Pyongyang and others who aid the North Korean Government. It was followed by the U.N. resolution.

As you know, the legislation calls for mandatory investigations and designations of entities, regardless of where they are based. We know that China is North Korea's largest trading partner. With over $1.2 billion in bilateral trade last year, that is a significant amount.

China has pledged to comply with the sanctions and has undertaken some new measures, according to the New York Times, including an article on March 31. "Cross-border trade, legal and illegal, flows pretty much as usual, and seems to be largely unhindered by the new rules, traders and local officials said." So

that would sort of counter the measures that they have said they have put into place.

On April 13, 2016, according to an announcement by China's General Administration of Customs, China's trade with North Korea rose by 14.7 percent in the first quarter of 2016, while imports from North Korea rose by 10.8 percent.

To what extent has the PRC so far complied with the relevant international restrictions on North Korea, including those imposed by the U.N. resolutions?

Mr. BLINKEN. Thank you, Senator.

Let me first thank you for the legislation, which we think has been a very, very valuable tool to put in play, along with the U.N. Security Council resolution. Indeed, as you mentioned, the President signed the executive order in order to implement both the legislation and the U.N. Security Council resolution.

We believe that the combination of the U.N. Security Council resolution and the authority in the legislation gives us the most effective tools we have had to try to compel a change in North Korea's calculus and also to strongly encourage other countries to fully implement their obligations.

So among those obligations, as you know, with regard to the U.N. Security Council resolution, are that all cargo in and out of North Korea should be subject to mandatory inspection. For the first time, we have sectorial sanctions that limit or ban even the exports of coal, iron, gold, rare earth materials, and also the import of aviation or rocket fuel. There are prohibitions on small arms and other conventional weapons imports, in addition to financial sanctions targeting banks, assets, and ban all dual-use nuclear and missile-related items.

So with regard to China's compliance, two things.

First, because China took a lead role in actually designing the resolution and caring it forth to the Security Council, we believe it would be logical for it to follow through on actually implementing the resolution. As you said, it has issued certain new regulations regarding restrictions on the importation of coal, rare earth, and other materials. Similarly, it has issued regulations with regard to exporting to North Korea jet fuel, including rocket fuel. It has said the right things as well.

But the proof is in the pudding, and what we are watching very carefully is whether, in fact, it will implement those regulations.

I saw the story that you referred to, Senator. I think it is a mixed bag. Clearly, there is trade that continues to go back and forth across the border. This is something we are looking at very carefully, along with our Japanese and Korean partners.

Some of the bigger ticket items, though, it appears as if, at least initially, there are efforts to stop the flow. Now, it is one thing to stop it even for a brief period of time. It is another thing to sustain that. That is the other challenge I think we have to face, to make sure that it is sustained.

Senator GARDNER. The administration was required to undertake mandatory investigations under the P.L. 114–122. Have those mandatory investigations begun?

Mr. BLINKEN. My understanding is that we are looking into any entities or individuals that we have evidence are violating the restrictions, the sanctions.

Senator GARDNER. So those mandatory investigations have begun?

Mr. BLINKEN. I believe so. But let me come back to you with that.

Senator GARDNER. Okay. And if so, do you know how many of these investigations are concerning entities that are located in China?

Mr. BLINKEN. I cannot give you a number, but I am happy to come back to you on that.

Senator GARDNER. And has the administration determined so far that any of the entities based in China, directly or indirectly, engaged in illicit conduct described in section 104(a) of the act?

Mr. BLINKEN. To my knowledge, we have not made any determinations as of yet, but I am happy, again, to come back to you with the status.

Senator GARDNER. Do you know any date of the findings to be released or the conclusions of the investigations?

Mr. BLINKEN. I do not have a date for you, but again, I am happy to come back with more detail.

Senator GARDNER. Does the administration plan to execute national security waivers provided under the law with regard to any of these entities, particularly those in China?

Mr. BLINKEN. Senator, I cannot say in advance. I think what we will have to see is where we are on the full implementation of the Security Council resolution and the requirements under the law and executive order, and make a determination as well on that basis.

If we are seeing strong, good, sustained cooperation, that might be something to factor in. But it is certainly something that we need to consider as we go forward.

Senator GARDNER. I am particularly interested in the status of the investigations and the status of any national security waivers that the President might determine under the mandatory investigations required by the act.

I want to shift now to the South China Sea. PACOM Admiral Harry Harris talked in February during his testimony before the Armed Services Committee that China is clearly militarizing the South China Sea. You would have to believe in a flat Earth to believe otherwise. I believe that was his quote.

China's continued reclamation activities in the South China Sea are a violation of international law. Militarization of the islands is a clear attempt to bully its smaller neighbors and to clearly challenge the United States as a Pacific power in one of the most important trade zones, navigation zones, in the world.

Do you agree that we need to dramatically boost our efforts underlined under various legislation that has been included in the NDAA and others?

Mr. BLINKEN. We share your concerns, and, indeed, this is something that we are intently focused on. We are working across-the-board to address this concern.

As you know, Senator, we are not a claimant ourselves. But as I said earlier, we have a profound national interest in the way the various claimants pursue their claims. Anything that threatens freedom of navigation, that threatens the peaceful resolution of disputes, or that undermines international law, including the Law of the Sea obligations, is a problem for us.

In addition to the extent China is making it more difficult for us to carry out our own commitments in our alliances, that is also a problem for us.

Senator GARDNER. Do you believe that our FONOP operations right now are what you would characterize as routine?

Mr. BLINKEN. Yes.

Senator GARDNER. Do you think the current pace of activity is a routine activity?

Mr. BLINKEN. I would say, Senator, we have seen a number of FONOPs, or freedom of navigation operations, increase over the last couple of years. I think you can anticipate that they will proceed on a regular basis.

Senator GARDNER. Do you believe the current pace of activity is what will indicate activities in the future as well?

Mr. BLINKEN. I do not want to anticipate how the pace may change, but I can say that we are engaged in regular FONOPs, and those will continue.

Senator GARDNER. I would hope that we would actually step up our pace of activities in the South China Sea and move to routine efforts, freedom of navigation operations. I believe that sending one a quarter is simply inefficient to send a strong message to China that we are not just putting some kind of lip service or some very minimal action, that we actually engage in routine activities in the region, that we would step up our activities and make these more than just a regular occurrence, but a routine, indeed, occurrence.

I also believe that we need to step up our asymmetric diplomatic efforts when it comes to the South China Seas activities.

Clearly, the freedom of navigation operations that we have undertaken in the South China Sea as of today have not sent the message to China that this is a navigable waterway under international law. And I believe, and I would be interested in your opinion on this, that they will ignore the decision. I would like to know our diplomatic strategy after the decision issued by The Hague on the Law of the Sea Treaty.

I would also be interested in hearing your thoughts on asymmetric diplomatic actions that we can take in theaters that are beyond the South China Sea in order to gain the attention of China to let them know that this is an egregious activity that must stop.

Mr. BLINKEN. Thank you, Senator. A couple things on that.

First, we have been very actively and very aggressively messaging China privately and publicly about its obligations, as well as obligations of other claimants. We have been working very closely with all the claimants to secure from them an understanding that, for example, the arbitration is an appropriate mechanism to resolve these disputes, and it will be binding on the parties, once it is issued.

We have been rallying support for these principles, including at the special summit, the first summit of the ASEAN countries with

the United States at Sunnylands. The declaration that came out of that affirmed the vision of a rules-based order. We have been strengthening, at the same time, the maritime capacity of most of our partners in the region.

As long as the United States remains fully present in the region, any tactical advantage that China derives from some of these outposts will be vastly outweighed by the net effect of surrounding itself with increasingly angry, increasingly suspicious neighbors, who are increasingly close to the United States. As a strategic proposition, China's actions are alienating virtually every country in the neighborhood, and they are looking to the United States increasingly.

So our engagement with those countries has reached, I think, unprecedented levels. If you go down the list of countries in Southeast Asia, as well as in Northeast Asia, the relationship with our treaty allies as well as with emerging partners is deeper and stronger than it has been. And, in particular, the cooperation on maritime security is greater than it has ever been.

So the arbitration decision is an important moment, and it is our hope that whatever the decision, China and the Philippines will respect the decision and adhere to it. Indeed, we have said to China, if the decision gives you reason on any of the different issues in dispute, we will be the first to defend it. But similarly, if the Philippines is given reason, we will defend that very strongly.

The CHAIRMAN. I think we are good. Thank you.

Mr. BLINKEN. Thank you.

The CHAIRMAN. I would, just before turning to Senator Menendez, say that freedom of navigation operations that happen once a quarter are viewed as nothing but symbolic. With the availability of vessels that we have in the region, I do not know why we are not doing it weekly or monthly to operationalize that in a real way.

I do not think there is any question but that China views that solely as a light-touch, symbolic effort. I have no idea why we are not cruising within those 12 nautical miles on a weekly basis.

But with that, Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Secretary, as the co-author with Senator Gardner on the North Korea sanctions act, I would ask you to give me the same set of answers you are going to give him. I would have asked you those lines of questions, and I appreciate that Senator Gardner did, so I will not belabor it other than to say I think it was a moment in which we saw how we can, in a bipartisan way, be a partner with the executive branch. I hope the executive branch would embrace that more in the future in similar sets of circumstances. So I would like to see those answers as well.

I see much of the United States political and economic future depending on the Asia-Pacific. That means robust engagement across the region, but that engagement needs to be strategic.

From my perspective in the region, China is dominating, leaving partners there fearful that the United States will stand by as China exploits the lack of Western challenges to its aggressive posturing. It seems to me that instruments of national power—diplomacy, economic, intelligence, and military—are only useful when they are fully deployed.

And while I have heard your comments and those of the administration, and the attempt to do your best, China is doing its worst.

It is not playing the role that it could be playing with respect to North Korea, a stabilizing influence.

It is constructing artificial landmasses and militarizing them—it is not just that they are trying to claim them; they are militarizing them—that threaten shipping lanes and international boundaries.

It is conducting cyberattacks and cyber espionage against the United States, including the high-profile theft of the personal information of 21 million Americans, including maybe yours and mine. Some would call that an act of war.

And on human rights, you yourself publicly noted at the U.N. Human Rights Council in March that the United States is "alarmed by the ongoing crackdown on lawyers, religious adherents, civil society leaders, and by growing attempts to restrict internationally recognized freedoms, including the freedom of speech," and, for that matter, China's consistent support for Russia against the United States and other Security Council members on important votes.

So is it that China does not understand that their activities are escalating threats against our national interests? Or has China chosen to push our limits, believing that we will not impose consequences?

Mr. BLINKEN. Senator, I think that in various areas, China, increasingly, but not dispositively, understands that its actions are potentially having repercussions that are undermining its interests.

So as it acts in the South China Sea in a manner that is aggressive, and, as you said very rightly, not only reclaiming pieces of land but building on them, and then not only building on them but militarizing them, they run the serious risk of alienating virtually everyone in the neighborhood and pushing those countries in the direction of the United States. That is not a good strategic proposition for China.

Now, whether it fully absorbs that lesson and works in a much more cooperative fashion to resolve these disputes, that remains to be seen.

With regard to North Korea, just to cite another example, we said for a long time to the Chinese that if they would not join us in trying to effectively use the leverage that they have over North Korea to try to move the regime and Kim Jong-un on the very objectionable and unlawful conduct they are engaged in with the nuclear missile program, we would be compelled to take steps to further defend our partners and allies, and ourselves.

While these steps would not be directed at China, they might well be things that China does not like. Indeed, that is exactly what we have done, including beginning formal consultations on the deployment of a THAAD missile defense system to North Korea, to which China objects, to include increasing our presence and posture in the region.

We now have in the Asia-Pacific region in general, overall, close to 60 percent of our entire Navy. We have our most sophisticated assets deployed in the region, F–22s, F–35s, Poseidons.

Again, this is not directed at China, but to the extent that China is not using its influence in a positive way, and the leverage that

it has in a positive way, we are going to continue to take additional steps to defend ourselves.

So I think China has to factor all of that in. But I would agree that the jury is still out.

Senator MENENDEZ. So let me ask you this, if their actions, as you say, are affecting their own interests, but they seem to be on a course that continues to affect their own interests in the negative, to take your view, then pushing countries within the region closer into association and commitment with the United States is one element, but the result of that is obviously those countries in and of themselves do not have the wherewithal to face the challenge that China presents economically and militarily.

So the question is, for example, other than that of course we appreciate the relationship with countries in the region, longstanding in many cases, notwithstanding whatever China does on our own bilateral basis and multilateral basis, but what is it that you do about the continuing escalation in the South China Sea of China's claiming of territories and militarizing them? What is it that you do to stop the continuous march that they are on? Because right now, I view us as observers of what is going on, maybe as protesters of what is going on, but not much beyond that.

Mr. BLINKEN. Senator, I think we are taking significant actions to uphold freedom of navigation, to uphold international law, and to encourage the peaceful resolution of disputes.

First, we have worked together with virtually all of the countries in the region to establish those principles and to create a greater understanding of what requirements are of international law.

Second, as we have discussed, we have been engaging in freedom of navigation operations. Their number has increased.

The CHAIRMAN. There is something wrong with the microphone.

Senator MENENDEZ. Hopefully, that was not the Chinese interfering. [Laughter.]

Mr. BLINKEN. Their number has increased. We have engaged in joint patrols, most recently with the Philippines. We have been engaged in air patrols over some of the land features that China has been acting on.

We have been working to build the maritime capacity of virtually all of the countries in the region. We have a significant program to build that capacity. It is focused intensely on the Philippines, Vietnam, and other countries that have expressed strong interest.

At the same time, we have strengthened our treaty alliances with all of the countries with whom we have alliances, and we are working to engage other partners.

So in all of this, we are both developing the capacity and asserting the principles of international law that we expect all of the countries in the region to adhere to.

Senator MENENDEZ. Let me make two observations, Mr. Chairman, in closing.

One is that some of us believe that we need a more robust engagement in this regard, and a more robust response. I would just simply say that part of our challenge, which I recognize, if we are going to be intellectually honest, is that, with China as our banker, that is an increasing challenge. And we need to liberate ourselves

from that in order to not have that as part of the equation going on here.

The second thing is I want to wave my saber early. I know you are not going to tell me what the 2016 TIP Report is going to be like, but I will tell you this, I want to know the standards, the material steps that China needs to take to demonstrate the kind of significant progress it would need to raise its ranking, because I am concerned about what happened in the last TIP Report, in general.

I would be extremely alarmed, after listening to your comments at the U.N. Commission on Human Rights, and others, that all of a sudden China does well. Passing a law is not enough, unless you have enforcement.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

First of all, I am always glad when my friends on your side of the aisle mention the indebtedness that we have. I want to thank you for that. I think it is still the greatest national security threat we have.

But to our Secretary, I just want to recite what you just said. We have 60 percent of our naval assets in the region, yet we conduct freedom of navigation operations once a quarter. China knows we have 60 percent of our assets there, and they know that what we are doing is playing. They understand that we are not really serious about this issue that you have been asked about now by two Senators.

I would just say it is evident that there is not much seriousness and really pushing on this freedom of navigation issue, when we have 60 percent of our vessels in the region and once a quarter we take them within 12 nautical miles of areas that they are improving.

With that, Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

I want to talk about two things that are redundant. One is North Korea, and one is the South China Sea. I apologize for continuing to bring those up. The other is sub-Saharan Africa, if I could, for just a second.

First of all, with regard to North Korea, you said, if I heard it right in your stated testimony, that China played a critical role in development of U.N. Resolution 2270. Is that correct?

Mr. BLINKEN. Yes, it is, Senator.

Senator ISAKSON. You then said that it was important that China demonstrate they would fully and effectively embrace that resolution. Is that correct?

Mr. BLINKEN. That is correct.

Senator ISAKSON. Does that mean they have yet to demonstrate they are going to fully embrace that resolution?

Mr. BLINKEN. It takes time to gauge whether any of the countries are fully implementing the resolution. We have to see countries take practical measures to fulfill their obligations, including with regard to inspections, including with regard to exports from North Korea. And China, of course, because of its unique relationship, is particularly important in this regard.

But this is something that takes some time to fully evaluate.

Senator ISAKSON. Which leads me to my point or question, every alcoholic needs an enabler. Every addict to any bad habit of human nature needs an enabler. I worry sometimes that China may be an enabler to North Korea, for reasons that benefit them by keeping the United States busy.

So if they are not fully and effectively a part of 2270, even if they tried to help develop it, then they are not helping us in a situation that is very dangerous to the United States.

And every time Pyongyang launches a missile or talks about nuclear fissile material or anything, it is always talking about it vis-a-vis the United States, never the Chinese, yet the Chinese are right there on the border.

I read yesterday somewhere, and I wish I had written it down because I did not, the Chinese put 2,000 more troops on their border with North Korea.

Is that right? That is what I understand.

Mr. BLINKEN. I saw that report.

Senator ISAKSON. Then you have a situation where the enabler, if they are the enabler—I am not making an accusation; I am making an observation—but if they are an enabler for North Korea, they are putting 2,000 troops on their border to send the signal, hey, do not mess with us. But yet we are looking to them to be the helpful arbiter in 2270.

China is having the best of both worlds. On the one hand, they are enforcing their security. On the other hand, they are not really helping us to enforce what we need for the world community. Can you address that?

Mr. BLINKEN. Thank you, Senator.

I would say that China is both increasingly frustrated with North Korea and its actions, and increasingly concerned about the implications of those actions for China's interests, not just our interests.

China does share an interest with us in seeing North Korea denuclearize, but it has chosen different means of trying to achieve that objective.

Is it is especially concerned, as you know, with the prospect of instability on the peninsula that leads to millions of North Koreans heading into China. It also has found utility in having North Korea as a strategic buffer between us and our ally, in this case, South Korea.

But what China seems increasingly to be recognizing is that the greatest source of instability in the region is North Korea and the actions of its regime. That is why it is taking a tougher line.

Similarly, it has repeatedly tried to get the North Koreans to stop the provocative actions. And instead of stopping those actions, North Korea has actually humiliated the Chinese by engaging in those actions on the very day or the day after senior Chinese officials were visiting Pyongyang to try to get them to stand down.

So for those reasons, as well as what I said earlier, the fact that we have made clear to China that we will take steps to better protect ourselves and our partners if this continues. And we have. Even though those steps are not directed at China, they are things that China is not enthusiastic about. For all those reasons, we think it is more serious.

Now, whether it does enough and whether it fully uses its leverage and whether it fully implements the resolution, that remains to be seen.

Senator ISAKSON. Following up on that point, I hope the State Department will send a signal to us, if they reach a point that they see that the Chinese are not fully and effectively engaging in their role in terms of 2270. If they are having it both ways—on the one hand, they are saying they are helping us and the U.N. to get a good resolution. On the other hand, they are looking the other way on the North Korean border, they are looking the other way on their responsibility, it does not help us at all and we need to call them out for it. That is my point.

I will skip the South China Sea, because I am going to run out of time, because I want to go to sub-Saharan Africa. But I want to associate myself with everything the chairman said with regard to the visibility of the United States naval assets in the South China Sea. The current visibility that we have is paltry at best, and we need to send the right signal to the Chinese that we do care about the South China Sea, and we do care about open and navigable waterways in that part of the world.

My last point is on sub-Saharan Africa. I have been there a number of times. I have seen the Chinese working in building roads, building buildings, building hospitals, building all kinds of things, and extracting a lot of rare earth minerals, extracting a lot of assets and energy and things of that nature.

Are they continuing on their push to do that in Africa?

Mr. BLINKEN. Yes.

Senator ISAKSON. What are we doing to match that from a standpoint of our own soft power interests?

Mr. BLINKEN. I would say two things, Senator.

First, we have seen in Africa—and, by the way, in other regions, including in Latin America—a significant increase over the last decade or so of China's economic and political engagement. It is typically driven by commodity exports to China. That is what they are mostly after.

We have seen an increase in loans from state-run banks in China to countries in Africa and other parts of the world.

From our perspective, if, and this is a big "if," if as China engages it actually upholds international trade and investment standards, if it upholds worker and environmental rights, intellectual property rights, if it does all those things, and if it engages in transparent transactions with good governance, then additional investment, particularly in infrastructure, for example, is a positive, and we would like to find ways to work with China, and in some places we have.

On the other hand, if it engages in practices that are a race to the bottom in terms of the way it invests, that is a bad thing, and something we have real concerns about, which we have expressed directly to the Chinese.

You are also seeing, I think, including as I know you have seen in your travels, that the initial bloom on the rose can wear thin. So a country gets significant investment from China, but then if it undertakes an infrastructure project but it imports all of the workers from China for that project, that is something that the host

country is usually not enthusiastic about. If the quality of the product that is built is underwhelming, that is something that the host country is eventually not enthusiastic about either.

So I think there is a sort of market signal that gets sent over time that China has to, if it wants to keep doing this, up its game to higher standards.

Now, the challenge that we have is that China has state resources that it can apply that we do not have. They have money that they can invest officially that we cannot match with our various programs.

We need to clear the way in particular for the private sector, our private sector, to be able to engage, to invest, to trade. That is our great strength, and that is why working to improve the business climate in these countries is so important.

We can be a facilitator. We can catalyze. But ultimately, I think the private sector is the key actor.

There, I am very confident that when these countries are able to work with our companies, to see our technology, our innovation, our products, that is where they are going to want to go.

Senator ISAKSON. My time is up, but I just want to underline what you just said. That is why this committee's work on AGOA and passing that last year was so helpful to the United States in terms of sub-Saharan Africa and the entire continent.

The second thing I would say is that I have seen some evidence that China's investment of money in some of the African countries has a little bit to do with their influence with those countries in the U.N., in leveraging those votes in the U.N. Although the U.N. is not a governmental body, per se, it is a body that has a lot of influence, and we have to be very careful to see that they are not buying influence in the U.N. for their own purposes.

Mr. Chairman, I yield back.

The CHAIRMAN. I want to thank you for that exchange. There is no doubt that, in many cases, China will invest in a metal-rich country, and then end up using their own workers and, over time, end up charging far more for repayment than was necessary. That is a totally self-interested model.

On the other hand, I will say there is something to be learned, and I appreciate this last exchange. What we did with Electrify Africa, what you did, what members of this committee did, was really empower the private sector to put in place processes that, over time, over the first 4 years, will allow 50 million people in Africa to have electricity—50 million people—and, over time, hopefully, 600 million.

So I do hope that this exchange will help us. Much of what we do in foreign aid is a Cold War model, let's face it, where we are trying to buy influence. But we are not really furthering our business interests. We are not really furthering the quality-of-life on a sustainable basis of the people we are dealing with.

So I do think there is something to be learned from this, and an evolution that we ourselves should make to benefit people that we are applying foreign aid to, and benefit our own businesses.

But with that, I want to turn to our ranking member. I know he had a very important day yesterday in Maryland and this morning

was still dealing with that. I appreciate him coming in and his participation in this committee hearing.

Senator CARDIN. Thank you, Mr. Chairman.

I do apologize for being late. This is the day after the primary election in Maryland. I had obligations in my State this morning and could not get here until just recently, so I apologize to our witness.

I wear two hats in regard to the Senate Foreign Relations Committee, one as the ranking Democrat on the full committee, but also the ranking Democrat on the East Asia and Pacific Subcommittee chaired by Senator Gardner.

The two of us have been working very carefully in regard to China, which was one of our biggest foreign policy challenges that we have on so many different dimensions. It is critically important we get this relationship right in the rebalance to Asia.

Some of this discussion has already taken place. Let me just underscore the military aspect of this.

Senator Gardner and I are very concerned about the use or threat of military force to address territorial and regional disputes in the China seas. We have seen repeated activities by China, which really defy the rule of law in resolving territorial issues, and also jeopardizes freedom of navigation as well as potential military conflicts.

There is currently a case pending by the Philippines under the Law of the Sea. It will be interesting to see how the response go to that particular action.

But this is the committee of jurisdiction as it relates to that issue, and Senator Gardner and I today will be introducing the Asia-Pacific Maritime Security Initiative Act, which will, we believe, give clear direction on the U.S. policies, as has been articulated by this administration and previous administrations, and our commitment to maintain the freedom of navigation and to protect our treaty obligations, as well as to make sure that the international waters are protected, in regards to commercial interests.

So it builds on the administration's Maritime Security Initiative and provides the Departments of State and Defense with strategic context and resources they need to take clear and concrete measures to support rule-based order for the Asia-Pacific region.

So, Mr. Secretary, we look forward to working with you. As many times the administration has said, we speak much stronger when we speak in a united voice and when Congress is giving you the clear direction you need in order to implement U.S. policy.

Now, there are other issues I want to make sure that we have a chance to talk about.

On the economic front, there are significant issues, particularly in light of China's declining economy and the realization of adjustments it needs to make. It is the United States and China, two largest trading countries in the world. Clearly, how they deal in international trade is of great interest to us. We have major concerns about currency manipulation and protection of intellectual property as we have seen in recent years.

But I want to concentrate on the good governance issue, just for one moment. There is a real concern whether China will open space for its citizens to express their own views and ideas, or will

continue to brutally oppress its own people. We have seen that in the stifling of the ability to disagree with your government, with the religious freedom, with access to the Internet, freedom of the media. There are corruption and fighting corruption issues.

All that, I think, very much affects the future relationship between the United States and China, and I would argue affects the long-term growth and stability of China itself.

So can you just share with us what steps the United States is taking to make it clear that we expect continued progress made on the governance side as it relates to human rights and anticorruption?

Mr. BLINKEN. Thank you very much, Senator.

We share this concern. We share the concern about the crackdown on civil society, on lawyers, on the media. More than 300 people over the last months detained, arrested, some incommunicado.

We have seen, most recently, the use of forced confessions in state media before people were put on trial or charges were issued against them, particularly in the case of those who were in Hong Kong and were apparently abducted by Chinese authorities.

And we have seen a raft of new laws that potentially, in their implementation, seriously infringe on human rights and civil liberties, the national security law, the cyber law, the NGO management law, et cetera.

We have, in public and in private, very vigorously expressed our concerns to the Chinese Government at the highest levels, starting, of course, with the President.

On my own most recent trip to China in January, I raised this with all of my counterparts. I met with a number of lawyers whose friends had been imprisoned. We mobilized 12 countries at the United Nations at the Human Rights Council meetings, to issue a joint statement expressing their concern and the concern of the international community.

We have, of course, our own human rights report, which you are very familiar with, that is very clear about our concerns about China's actions. We have called for the release of Falun Gong practitioners, more than 2,000 of whom are jailed, and religious freedom for Christians, Tibetan Buddhists, Uighur Muslims.

We had just recently the International Women of Courage Award issued to Ni Yulan, an extraordinary woman who, unfortunately, was not given a visa to come to the United States to receive the award. We gave her the award in Beijing, and then the authorities actually cracked down on her after receiving the award at our Embassy. But she wanted to receive it, and she wanted to help shine a light on those fighting for human rights, religious freedom in China.

So this is a regular, active, and high-level part of our engagement with China across-the-board.

We also have human rights dialogue with China that seeks to make progress on these issues.

Ultimately, though, I think it is exactly what you said. China has to come to the recognition that it will not fulfill its potential, if it continues to hold its citizens down, and that the stability it seeks is actually undermined, not advanced, by repressive actions. That realization has not yet taken hold.

Senator CARDIN. I thank you for that answer. I want to ask one other question in regards to North Korea. I was listening to your exchange with Senator Isakson, I think it was, on the North Korea issue.

Yes, they joined us in the United Nations Security Council resolution in regards to North Korea's activities, but it sort of defies logic. China has perhaps the most at stake as to what is happening, along with the Republic of Korea, in what is happening on the Korean Peninsula.

And yet it seems like we have seen this before. They get tough for a little while and then they relax. It seems like they worry about regime change in North Korea, and, therefore, they back off and they continue to reward North Korea, which sends a really mixed signal to their government about being able to get away with these types of international violations.

Is there any indication we have that China may, in fact, remain strong in condemning the type of activities we have seen in North Korea?

Mr. BLINKEN. Maybe, Senator, that the best guarantee are the ongoing provocations by the North Korean regime. We have seen since the resolution was passed further provocative actions. I think we can anticipate that there will be more to come. It is certainly possible in advance of the Korea Workers' Party Congress, which is to take place on May 6, that the regime will do something else, another missile test, maybe even another nuclear test.

Every single one of those provocations is another dig at China. I think it is, again, underscoring for China something we have been saying for a long time, and that it is now increasingly beginning to realize, which is that the greatest source of instability in the region is North Korea and the actions of its regime, and that if it fears instability, and we understand that it would, that it should use the leverage that it has, which is unique, to try to get the regime to change its conduct.

So we see increasing signs that it is doing that, but the resolution has to be fully implemented, and that implementation has to be sustained, as you rightly said.

That is what we are looking at.

Senator CARDIN. I would just encourage you to keep a big spotlight on what China is doing or not doing in regards to North Korea.

I believe Senator Perdue was next.

Senator PERDUE. Thank you.

Thank you for testifying again.

I lived in Singapore and Hong Kong years ago. I worked extensively in China the latter part of my career in business. I personally believe the adage that the 20th century was the century of the Atlantic and the 21st is the century of the Pacific. I really believe that.

So I welcome your heightened efforts to engage China, to deal with them diplomatically, because I think the 21st century, to a large degree, depends on what we do economically, socially, politically, with China.

So I think these are formative years right now. They have only been out since the late 1980s and reengaged in the modern world.

They have 20 provinces that have yet to really achieve the economic miracle of the 13 coastal provinces.

I met with Admiral Harris late last year, and he was explaining how, in his opinion, we are approaching parity militarily with China in the Asian theater, that they are spending upwards of $300 billion a year on their military, up some 10 percent each year the last few years. Our military expenditures have declined the last 5 years by about 14 percent.

Having said that, it is how they are using it and what that is enabling them to do in the South China Sea vis-a-vis North Korea, et cetera, in Africa, and so forth.

But I think one of the questions I have for you today is, I want to relate to the cyber issue and it relates to the military spending too, because I think the world is very dangerous on five different levels. You have the rise of Russia and China. You have ISIS. You have nuclear proliferation threat with rogue nations. You have cyber warfare and a hybrid warfare that we are dealing with right now. Then the arms race in space that we are not talking about.

So I want to put China and perspective in that, but relative to their efforts in cyber warfare, I know that President Obama and President Xi met in March of this year after the September agreement, that we had some cyber commitments back then that, and I quote, "Neither country's government will conduct or knowingly support cyber-enabled threat of intellectual property." That was in September last year.

Just a few days after the March 31 meeting between the two Presidents, Admiral Mike Rogers, commander of U.S. Cyber Command, testified before Congress, and I quote, "Cyber operations from China are still targeting and exploiting U.S. Government, defense industry, academic, and private computer networks."

Are you aware of specific cases that Admiral Rogers is discussing there?

And secondly, what are we doing diplomatically with them that you can talk about today in open session, relative to this cyber activity that they continue to conduct and enable?

Mr. BLINKEN. Thank you very much, Senator.

First, I very much share your views about the importance of the region as a whole, as well as China in particular.

Second, with regard to cyber, we, indeed, have profound differences with China over its behavior in this space. That really came to a head last year in advance of the summit, as you said, between President Obama and President Xi Jinping.

We have differences over the philosophy of how the cyberspace is managed, and, of course, we have differences over China's actions in cyberspace, especially a place we have drawn a very bright red line, and that is with regard to cyber theft for commercial gain.

It is no secret or surprise that countries seek to get information about each other. But what we do not do, what we will not do, and what we insist that others do not do, is to use cyber tools to gain information for commercial gain. We have tried to impress that on the Chinese.

Out of that meeting, because we elevated this issue, we got a series of commitments from China: a timely response to requests for assistance when there is malicious activity that we see emanating

from China in the cyber domain; no theft for commercial gain; working together to identify and promote norms of state behavior in cyberspace during peacetime; and then a minister-level, secretary-level mechanism to fight cybercrime.

Since that meeting, and in recent months, we have seen some positive steps toward making good on those commitments. There was a reaffirmation at the G–20 meeting most recently of international law, that it applies to state conduct in cyberspace—the Chinese signed on to that—and that all states need to abide by norms of responsible behavior, and no theft for commercial gain. That was reasserted.

We held the first secretary-level, minister-level dialogue. Our Secretary of Homeland Security as well as the Attorney General took part. There will be another one in June.

We have been engaged in tabletop exercises.

Senator PERDUE. I am sorry to interrupt. I recognize the commercial dimensions. I am going to run out of time.

Mr. BLINKEN. I am sorry.

Senator PERDUE. No, no. This is great information.

But we do have evidence that this is state involvement and that the PLA is involved, and so forth. Is that correct?

Mr. BLINKEN. So in the past, as you know, we actually indicted people affiliated with the PLA, or members of the PLA, for that conduct. We are working very actively when we see something happening to try to find the source of that and to act accordingly.

With regard to the cases that Admiral Rogers referenced, I am not exactly sure which ones those were, but I am happy to follow up, and there may well be active investigations.

Senator PERDUE. I have one other question in this area.

In September last year, there was a joint statement put out that included four points of this agreement, September 15, I believe it was. We reported the State Department, I think, and the White House reported that the agreement had four points. This is a small point, but I want to get clarity on it.

When it was reported in China, in Xinhua, their paper, they included a fifth point. So the question is, does the fifth point relate to the Office of Personnel Management specifically? Was there something in there that was a reason that we did not want to disclose that?

Mr. BLINKEN. There is an ongoing investigation of what happened with regard to the Office of Personnel Management. Certainly, I think we all share the concern, both as a matter of public policy and as a personal matter, since, as was referenced earlier, that intrusion gained access to the files of many people working in government.

Trying to attribute the exact source of that intrusion is an ongoing effort.

Senator PERDUE. I understand. Was there a fifth point in the agreement?

Mr. BLINKEN. I am not recalling, except other than to say we have made it clear to the Chinese that there are some actions in the cyber realm, again, understanding that countries try to get information from each other, that there are some intrusions that are

too big to ignore. And certainly, what happened with regard to OPM would fit into that category.

Senator PERDUE. When do you think we will have a definitive report on that intrusion?

Mr. BLINKEN. Let me, if I can, Senator, come back to you on that. I need to check with my colleagues. Thank you.

Senator PERDUE. Thank you, Mr. Chairman.

The CHAIRMAN. I apologize. We were in a little bit of conversation.

I want to take make a commercial announcement, if I could. I know there has been some discussion in the caucus regarding the Cotton amendment. I know we are going to have a cloture vote at noon.

I just want to say that I met with him earlier today. He dropped the provision in his amendment that was problematic relative to licensing, so that U.S. companies could still license the purchase of heavy water, relicense to purchase heavy water. The only provision that he still has in his amendment is blocking next year's appropriations money from being used to buy heavy water directly with U.S. Government funding.

I have talked to the Energy Secretary about it. There is no plan for that anyway. All the heavy water we are going to purchase is now in Oman, and the funds are set aside for that out of this year's money.

It seems to me he has shown some flexibility. I just wanted to share the other side of this. I appreciate that very much, and I hope that somehow, probably not at noon, I understand, but, later today, we will figure out a way to move ahead, because he is showing responsible flexibility on this. And I hope that we will not just take a dogmatic position that Congress cannot have its will, if you will, on some of these provisions that matter to folks.

Senator CARDIN. Mr. Chairman, first of all, thank you for the manner in which you have been trying to resolve these types of issues.

This is clearly within the jurisdiction of our committee, because it deals directly with the Iranian compliance with the JCPOA. So it is clearly a matter for our committee to take up.

I get a little prickly when there are appropriation amendments offered that are within the jurisdiction of the Senate Foreign Relations Committee. Taking the collective input of our committee I think would be useful. Of course, that is not available when we get these amendments and then we are asked to act on them.

There is going to be sensitivity to anything that is done, anything remotely related to the JCPOA. We know that. It is always helpful to be able to know the facts before we have to vote on it. Sometimes the Members that are not on this committee offer amendments that do not know all the facts.

I want to see the Appropriations Committee move forward, the appropriations process move forward. I just think they would be better off not offering amendments that are within the jurisdiction of another committee on an appropriations bill. That is regular order.

So I think we would have been better off if there was no amendment offered, and that this committee could take up this issue. If

there is a problem in regards to Iran's disposal of heavy water, let us take it up. Let us try to develop the right policy. But do not try to do it on an appropriations bill.

At least, that is my view, that we are better off using the order of this committee than trying to resolve it on the floor the Senate.

The CHAIRMAN. I appreciate the protection of our committee's jurisdiction. I would just say that it is also in the Energy Committee, and this is an appropriation for the Energy Committee. And the Energy Secretary is the person who is charged with purchasing heavy water from Iran. It is, actually, the way it is written now, in particular, a fairly thoughtful amendment, and I would hope that what would happen is the Energy Secretary and Chief of Staff at the White House and others would engage with all of us, and we would figure out a way to resolve this and move ahead.

Senator CARDIN. I am with on that. I agree.

The CHAIRMAN. So with that, Senator Markey?

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

It is just important to know that we purchased the nuclear warhead material from the Soviet Union, thank God we did, 500 metric tons. We used it to generate electricity in the United States. Thank God that we did that. It cost us $1.6 billion. It was a win-win for our country. Thank God that Libya dismantled its nuclear weapons program. Thank God that South Africa dismantled its nuclear weapons program.

So toward the goal of advancing our nonproliferation objectives, which are the highest that we have, ostensibly, in our government, repurchasing that heavy water from Iran advances that goal. I just think we have to keep that in mind. It has been a bipartisan goal that we have had over the years. We should not interrupt a program like this without understanding its long-term consequences.

Secretary Blinken, 2 weeks ago, the Department of Justice indicted China General Nuclear Power Corporation, a state-owned firm, of conspiring over the course of 2 decades to illegally obtain U.S. nuclear technology. The Justice Department has previously indicted five members of the Chinese military on charges of hacking into Westinghouse computers to steal reactor designs.

From your perspective, if proven, would allegations that have been made constitute violations of the U.S.-China nuclear cooperation agreement that entered into force last year?

Mr. BLINKEN. Senator, I would have to look at the very carefully. I would want to give you a considered opinion. If I can come back to you on that, I would appreciate it.

Senator MARKEY. That would be fine, but I just want to say, from my perspective, that these alleged thefts of U.S. technology are deeply alarming. They raise the question of whether China can be trusted not to divert U.S.-origin technology or fissile material to military purposes. And they underscore the imperative of tightening regulations on U.S. nuclear exports to China.

Together with the proliferation risks exemplified by the case of serial proliferator Karl Li, this latest indictment reinforces the concerns that I raised about the new U.S.-China civil nuclear agreement when the committee reviewed it last May. Although the agreement went into effect last year without the conditions that I suggested during our review, which I thought was a huge mistake,

I will soon introduce legislation that would, among other things, require the President to temporarily suspend nuclear technology transfers to China until violations like the ones cited in these indictments are, in fact, resolved.

We just cannot allow China to continue to steal U.S. nuclear secrets with impunity or turn a blind eye to proliferation by notorious scofflaws within its jurisdiction. That is where I really do feel that the U.S.-China agreement is still very weak, and we are just going to have to deal with it.

So I am going to be looking to work with members of this committee on a bipartisan basis so that we can police this and hopefully work together in order to advance the goal of nonproliferation.

I want to ask you some questions as well about the deadly influx into the United States of the synthetic opioid fentanyl from China. We are now seeing an alarming increase in the number of deaths caused by illicitly manufactured fentanyl and synthetic opioid painkillers.

They, unfortunately, are emanating as a percent very largely from China coming into our country.

Just in Massachusetts alone, 336 people died from fentanyl-related overdoses last year. You multiply that by 50 States, and you can see that this fentanyl crisis is absolutely overwhelming the numbers that we have historically been seeing from OxyContin, Percocet, or heroin. In fact, increasingly, they mixed the fentanyl in with the heroin.

But a new phenomenon has opened up where fentanyl itself alone is being sold on the streets. And it does not take one hit of Narcan to have someone survive. It takes two hits or three hits of Narcan. That is how serious this epidemic is in. And China is the epicenter of the problem, which is going to kill tens of thousands of Americans per year, unless we stop it.

So can you give me an update as to what the conversation is that is going on between the United States and China? And what additional actions are you planning on taking?

Mr. BLINKEN. Thank you very much, Senator.

Like you, we have seen the impact that this is having on communities across the country, including particularly in New England. It is devastating. We have also seen bipartisan leadership in Congress to try to address this problem, which is greatly appreciated.

Indeed, China has to be a big part of the solution. We have been engaging them both directly and in multilateral organizations to reduce the production and trafficking of fentanyl and also any precursor chemicals as well as synthetic drugs more broadly.

Last week, there was, actually, as I know you know, a meeting of more than 150 countries in New York at the U.N. special session on drugs. China took part at a very high level, its Minister of Public Security representative. The effort there is to work on both decreasing global demand, reducing the availability of these chemical precursors, and holding states accountable for their responsibilities under the three international drug conventions. China is, indeed, a party to all three of those conventions.

So we have been trying to encourage China to meet its obligations in these multilateral fora, but also in our direct conversations.

We have as well with China something called the Joint Liaison Group on Law Enforcement Cooperation. There is a working group, in particular, on counternarcotics where we also try to advance this effort.

We have seen some progress, but not enough. We have seen progress in terms of enforcement of cases. We have seen progress in terms of China putting, I believe, 116 drugs and psychotropic substances on their control list, including fentanyl. So that was a step forward.

The DEA has the primary lead on this, and I am happy as well to go back to them to be able to tell you——

Senator MARKEY. I do not know what the authority is that the DEA has to tell China to cut it out, to just stop it or else—or else—or else—or else. The same thing is true with the proliferation of nuclear materials—or else. I mean, we are dead serious about these things. These are ticking time bombs, the nuclear materials and the fentanyl. These are the things that are going to kill people—kill them.

So fentanyl is just the epidemic that is rising. China is at the center of it. And I am still not sure that fentanyl has been elevated to the level of intellectual property, for example, as an issue. It should be at least as high as intellectual property—at least. It is going to be killing tens of thousands of people a year in the United States.

So I just think it is critical that this conversation take place at the highest level, and that they know, Xi knows, and everybody else knows, that that this is the top priority.

So once you let nuclear nonproliferation and fentanyl go by, now you are talking about things which can be managed for the most part, but these things cannot be managed. They have long-term consequences that go far beyond the term of office of any one President or any one Cabinet officer.

So I just do not think the head of the DEA is a high enough level. I do not think anyone in China knows the name of the head of the DEA in the United States. With all due respect, even in the United States, he or she might as well be in the witness protection program. Who is that person?

They need to know that that person who is saying to you from the DEA that this is a huge problem for our country is being backed up at the highest levels. And if the Chinese leaders do not know, then we are going to suffer a world whirlwind of consequences in our country.

So I thank you for your service.

Mr. BLINKEN. I heard you clearly on that, Senator.

Thank you.

Senator MARKEY. I appreciate it.

The CHAIRMAN. Thank you. I hope the Senator at some point will indulge me and share with me the name of the head of DEA.

Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

Thank you, Mr. Secretary.

How would the U.S. efforts to address China's land reclamation activities in the South China Sea and also to defend freedom of

navigation in that part of the world be more effective if the Senate ratified the U.N. Convention on the Law of the Sea?

Mr. BLINKEN. It would certainly give us a stronger leg to stand on, because we constantly, in our engagements with the Chinese as well as other claimants, refer to the Law of the Sea Treaty and the obligations thereunder and, in particular, the arbitration that is now taking place between the Philippines and China, which is a critical moment in seeing if we can move to a place where these differences are resolved peacefully through mechanisms like arbitration. That is under the Law of the Sea Treaty. Under the convention, that arbitration should be binding on the parties. We continue to point this out to the Chinese.

The Chinese love to say to us, "You really have no standing to talk about the Law of the Sea, because you have not ratified it. So stop talking to us about it. You really are not in a good place to do that."

The last time I was in China talking at great length about the South China Sea with our counterparts, I said that we are in the ironic situation where the United States has not ratified the Law of the Sea, but we abide by it; China has ratified it, but ignores it.

But it would certainly help us in making the argument to actually proceed to ratification. I think we are hearing that across-the-board, from our military as well as from business leaders and others who have testified to that before this committee.

Senator KAINE. There has not been a focus on it during my time in the Senate, but just my recollection is 167 nations have ratified the convention, including China. The U.S. is the only major power not to have ratified the treaty. The past three presidential administrations, bipartisan, have supported ratification, along with all service chiefs, Secretaries of State, U.S. business community. There have been two positive votes in SFRC for ratification, one in 2004, one in 2007. But it has not seen a vote on the Senate floor.

The Law of the Sea Convention is not solely relevant to contemporary issues with China in the South China Sea. It is also relevant to claims being made by Russia in the Arctic for extracontinental drilling rights. The U.S. might be able to make such claims as well because of Alaska, but we cannot make those claims under the Law of the Sea without ratification.

So I appreciate your concern about that, and I hope that we might see the advantages of the U.S. taking it up.

We express concern in this committee frequently, and in other committees frequently, about Chinese island reclamation activities. I do not know why we would want to cut off one path for diplomatic challenge to those island activities.

Those are the only questions I had, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator MARKEY. Mr. Chairman, may I have 30 seconds?

The CHAIRMAN. You can. Let me just say, the Law of the Sea Treaty probably was brought up prior to you coming here, I think.

Just for what it is worth, there just was not a case made for it. In fairness, some of the companies that came up here to advocate for it, you would call them after their testimony, and they would say, "Look, on a list of 10 items we have, this would be number

11. It is just not on the radar. The administration asked us to testify."

So I think that there really was not much of a case made. There were some sovereignty concerns, no doubt.

But it seems to me that as we watch this case play out right now, we can learn about whether this process is one that has some degree of validity. So we will see what happens with the tribunal and go from there.

Senator Markey?

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

I was speaking, obviously, facetiously, when I was talking about the DEA. Chuck Rosenberg is the head of the DEA. He does a fantastic job, as do the DEA agents all across our country.

But right now, they are frightened about the impact that fentanyl can have on our country—frightened. And the pathway is China through Mexico up to Ohio, up to Massachusetts, to Virginia, to Tennessee, to Maryland. That is the route.

So Chuck Rosenberg needs help. The DEA needs help. The DEA cannot tell China what to do. We need officials at the highest level.

Americans are going to die from this. This is a national defense risk that is far greater than any other that China poses to us, and it is happening on a daily basis, this epidemic that is killing Americans.

So I just want to say that Chuck Rosenberg and the DEA agents are heroes, but heroes need help.

They are battling this every day. When a DEA agent goes into a home right now, the fumes actually from the fentanyl that they find in the house could kill them right there, the DEA agent, kill them right there, okay? That is how dangerous this stuff is. So even as they are trying to police it, they get killed as they walk into the house with the fumes.

That is China coming in through Mexico, and we owe these DEA agents, Chuck Rosenberg and his entire team, the help which they need.

Thank you, Mr. Chairman.

The CHAIRMAN. I think we may finish by noon, so I am hoping to do so, but I know——

Senator CARDIN. I just want to make a brief comment on the Law of the Sea, and I support the ratification of the Law of the Sea. I think it is unlikely we are going to get that in this Congress.

But I know the chairman is working with our staff to see whether there are certain treaties that we could not get completed this year to at least start a track record of how we consider treaties. There are some that are pretty much I think teed up for ratification, if you could get them through this Congress.

And then I would hope, early in the next Congress, the Law of the Sea would be one of the ones that we might want to have a hearing on and see where we are as far as the importance. Then we would have the experience of the Philippines case, which I thank the chair makes a very good point on.

The CHAIRMAN. So that my position is not misunderstood, the tax treaties that we have before us should have already passed, and they are hurting American companies right now, and they should pass. I have issues with the Law of the Sea. I do not want my dis-

cussion of the Law of the Sea, for people to think that I think it is a good treaty. I have some issues with it, and I do have some sovereignty concerns, and those have not been explained fully to me.

As always, on every issue, we want to make sure we fully understand what is at stake, and how it involves U.S. national interests. But I had significant concerns that were not answered last time. Again, I think we will have an opportunity to see how it works with this Philippines-Chinese issue.

Do you want to make a final statement of maybe 60 seconds before we adjourn?

Mr. BLINKEN. Thank you, Mr. Chairman. Let me just say that I very much appreciate this morning the opportunity to discuss a very complicated but vitally important relationship with China. I very much appreciate the leadership of this committee in working on many of the issues that flow from that relationship.

Indeed, I think the work that was done on the DPRK and, in particular, the legislation that gave us an important and powerful new tool is a very good example, as you have said, of the executive and this committee working closely together in the national interests.

So I just want to thank you, thank the ranking member, and all the members of the committee, for the good work that we have been able to do, and I hope we will be able to continue in the months ahead. Thank you.

The CHAIRMAN. Thank you. I think we have filibustered long enough that Rubio is going to step in, in just a second, so I think that is the case.

But if you guys need to head on down to the floor, I think that would be fine.

I guess one of the benefits of becoming a household name is the entire audience staying here, waiting to listen to your questions.

Senator RUBIO. I appreciate it.

I am sorry. I had to run over to Commerce. We have to get better elevators in this building. Is it my turn?

I appreciate you doing this. I really do. Thank you for being here today.

I want to just start out with a statement from an article I read. I just want to ask if you agree with this line: China is consistently pursuing a single long-term strategy with the effective control of the entire South China Sea as its ultimate goal.

Mr. BLINKEN. Yes, I think that is China's objective.

Senator RUBIO. Okay. I just wanted to make that clear, because at the end of the day, some of these things are covered as some sort of one-off experiments or explorations. This is, in fact, the pursuit of their nine-dash line position. You see it in their passport documents. For example, we saw today in the Wall Street Journal, I know this was discussed earlier, "U.S. Sees New Flashpoint in South China Sea Dispute." This time it is the Scarborough Shoal, which is only, I believe, 120 nautical miles off the coast of the Philippines, where they have now begun preliminary exploration.

I want to talk about human rights. There was a report earlier this week that China's overseas NGO management law is being considered by the National People's Congress standing committee. According to this report, the text is going to require NGOs to reg-

ister with the public security bureau, I guess indicating that the Chinese Government continues to see foreign NGOs as a potential threat to national security.

First of all, has the State Department expressed its concern over this proposed legislation?

Mr. BLINKEN. Yes, Senator, repeatedly and, indeed, at the highest levels, starting with Secretary Kerry. I have done it repeatedly. We share exactly that concern.

It sends a very bad signal to have NGOs overseen by the Ministry of Public Security. I think you are exactly right.

Senator RUBIO. There are also reports that there are possible carveouts for academic exchange programs in the new draft, which seems to indicate that some favored nongovernmental programs will continue while others are going to face more intense scrutiny.

Is the State Department going to seek carveouts for certain NGOs?

Mr. BLINKEN. No. What we are seeking to do is to make sure that the entire community of such organizations and institutions, whether they are academic, whether they are not-for-profit, whether they are business associations, whether they are professional associations, that are working in China to the benefit actually of China and the Chinese are all treated the same way and treated appropriately.

Senator RUBIO. Can I ask you, why has the President not met with any Chinese rights lawyers, activists, religious leaders, feminists, or others who have been harassed, detained, and repressed by the Chinese Government during what has been a marked deterioration in human rights and rule of law in China on his watch?

Mr. BLINKEN. Senator, I would have to go back and check and see the meetings that he has had. I have not been on those trips. I can tell you that on my most recent trip to China, I am obviously not the President, I made a point of meeting with lawyers whose colleagues and partners and, indeed, in one case someone that——

Senator RUBIO. You are pretty aware of the rights community within China. Are you aware of any meeting the President has ever had with any of them?

Mr. BLINKEN. I believe he has, but I need to go back to check. Certainly, other senior members of the White House, the National Security Advisor, and others have met with members of the human rights community.

Senator RUBIO. For some time, there has been this conversation regarding the utility of various human rights dialogues and concerns that these dialogues have yielded little in terms of substantive outcomes and have had the unintended consequence of ghettoizing human rights in U.S. foreign policy.

So can I ask, can you share with us any significant deliverables during the course of the Obama administration that have emerged as result of U.S.-China human rights dialogue?

Mr. BLINKEN. Senator, I think it is two things.

One, it is not either/or. It has to be both. In other words, these issues need to be and are raised not simply in the context of human rights dialogue, but at the highest levels by the President, by the Secretary of State, by other senior officials. At the same

time, having these dialogues and working groups can be a way to see if we can advance in practical areas. That is the idea.

Now, we have seen, over the course of time, various political prisoners released. Now, that may be in advance of a summit meeting or some other meeting, but we see that. We are looking, though, for systemic change as well as the release of political prisoners.

So it goes to laws, including the NGO law that you just cited. It goes to, across-the-board, the way the Chinese approach this issue. I think it is a process that just takes a lot of time to see progress.

We are doing two things—more than that, but, in particular.

First, this is something, again, that is on the agenda of every single meeting we have at every level with the Chinese.

Second, we are trying to put a spotlight on it internationally. We went to the Human Rights Council in Geneva. We led an effort by more than a dozen countries to show the deep concern that exists across the world about some of China's recent actions in terms of repression of lawyers, civil rights activists, religious leaders, et cetera. We have our human rights report, as you know, that tries to put the spotlight on it. We have given awards to leading members of the rights community to put a spotlight on it.

That is very important, too, because, at the end of the day, it goes to China's reputation around the world. That is a reputation that, as China engages more and more around the world, it cares more and more about.

Senator RUBIO. Okay, my last question is, I have been following the troubling developments in Hong Kong, including the long arm of Beijing's power on display most dramatically with the abduction of the booksellers. We have also seen shrinking space for press freedom and academic freedom all across China, particularly concerning the ongoing trials against several of the young pro-democracy activists like Joshua Wong, who was a leader in the Hong Kong Umbrella Movement of 2014.

Has the U.S. Consulate sent a representative to observe his trial?

Mr. BLINKEN. I am not aware that we have. Let me check and come back to you. We share your concern.

Senator RUBIO. Has the State Department expressed those concerns with his particular case with the Chinese Government?

Mr. BLINKEN. Absolutely. We are watching it very carefully. We are following the trial. Let me check. I believe we have, if we have had an opportunity. But let me come back to you on that.

Joshua Wong, Alex Chow, Nathan Law, all of these people.

Senator RUBIO. The last one is, is the U.S. working with our allies like Sweden to press for the return of bookseller Mr. Minhai, a naturalized Swedish citizen, Gui Minhai? He is a naturalized Swedish citizen. Have we worked with our allies to press for his return?

Mr. BLINKEN. Yes, and I have raised that myself directly with my counterparts when I have been there.

We find the actions that have taken place in Hong Kong to be of deep concern.

As you know, Senator, there are basic guarantees that were written into the Sino-British Joint Declaration to the Basic Law, and these guarantees go to freedom of expression, freedom of associa-

tion, freedom of assembly, an independent judiciary, an independent executive and legislative branch.

The only thing that is carved out for China in this is foreign policy and defense. And we have seen increasing Chinese encroachments on the rights that are established under the Basic Law.

And the bookseller's case is an egregious one, including apparently the abduction of people from Hong Kong to mainland China, and even the abduction of people from other countries. This is something that we have raised directly with senior Chinese leadership, and it is, I think, raising and ringing alarm bells not just here in the United States but around the world.

Senator RUBIO. Thank you.

The CHAIRMAN. We thank you for being here. I think what you have heard today from both sides of the aisle are significant concerns about territorial issues and claims, the militarizing of those; economic issues; the issues of human rights that was just raised; the lack of cooperation, which is almost beyond belief relative to the North Korean issue; and I think a sense on both sides of the aisle that where the administration has been with China is truly just managing differences.

I do not know if you are a short-timer or the election process ends up generating a longer tenure for you, but I would just say in the remaining months that you have here, I hope that you will take concerns that were expressed on both sides of the aisle and understand that I think most people who care about foreign relations matters here do you feel that we are lacking something that is more coherent on all fronts, and what we are really doing, again, is just managing differences as we move along.

I appreciate the committee's interest in China, in what they are doing, the concerns that they have about the relationship. I think all of us understand that it is still the most important relationship over time that we are going to have. And I think all of us hope that the administration will be more strident in their actions and more clear over time as to what the overall strategy is.

But we thank you for your testimony. The record will remain open until the close of business Friday. If you would answer questions fairly promptly, we would appreciate it.

The CHAIRMAN. Again, thank you for your service.

With that, the meeting is adjourned.

[Whereupon, at 12:14 p.m., the hearing was adjourned.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR MARCO RUBIO

Question 1. Do we have appropriate authorities to sanction Chinese companies working in the South China Sea? Are we prepared to use all authorities to respond to China's provocations?

Answer. We are prepared to use all available authorities, as appropriate, to respond to Chinese actions in the South China Sea that threaten U.S. interests. The President has authority under the International Emergency Economic Powers Act (IEEPA) to impose sanctions to deal with any unusual and extraordinary threat, which has its source in whole or substantial part outside the United States, to the national security, foreign policy, or economy of the United States, if the President

declares a national emergency with respect to such a threat. Although there are no current sanctions programs specifically targeting China over the South China Sea, the President has the authority to implement a sanctions response if the President determines it is necessary and appropriate under IEEPA.

Question 2. Can you state for the record that we do not accept China's attempt to distinguish between the freedom of navigation for civilian vessels and the generally recognized freedom of navigation for all vessels, including military vessels and aircraft? At what level of the Chinese government have we conveyed this policy?

Answer. Freedom of navigation, as we use the term, refers to all the rights, freedoms, and lawful uses of the sea provided for under international law. We consistently convey this to Chinese officials at all levels. We make clear that the same rules and standards that apply globally also apply to the South China Sea.

More specifically, we have made clear that we do not recognize or accept any Chinese attempts to regulate our military activities in ways that are contrary to international law, as reflected in the Law of the Sea Convention. These include unlawful attempts to regulate military activities in China's exclusive economic zone; demands for prior notification for foreign warships to exercise the right of innocent passage through China's claimed territorial sea; and attempts to warn foreign vessels and aircraft away from features China controls in various areas of the South China Sea without regard to whether those operations would be lawful under international law.

The United States is committed to upholding freedom of navigation for all vessels, from the largest aircraft carrier or container ship to the smallest boat operating at sea. We will continue to fly, sail, and operate wherever international law permits, and we welcome all nations to exercise these legitimate rights and freedoms as well.

More fundamentally, the U.S. military presence in the Asia-Pacific is more than a century old and has been instrumental in supporting the rules-based international system that has laid the foundation for peace and prosperity in the region and from which all countries in the region—including China—have greatly benefited.

Question 3. Reuters reported that in mid-March the United States agreed to China's request to remove four ships from the sanctions list. Why would we accept this weakening of the North Korea sanctions?

Answer. This is an example of sanctions working effectively to shut down commercial ties with a designated North Korean entity. In U.N. Security Council Resolution (UNSCR) 2270, the U.N. Security Council identified as blocked property (i.e., vessels that must be impounded) 31 vessels controlled by the U.N.-sanctioned North Korean shipping firm, Ocean Maritime Management (OMM). A key basis for identifying these ships as OMM-controlled was the presence onboard of North Korean crews contracted through OMM. After the UNSCR's adoption, the owners of four identified vessels asserted their vessels were not controlled by OMM. We did not simply take their word for it. We insisted the ship owners provide evidence to the U.N. Security Council's North Korea sanctions committee that they had replaced the North Korean crew onboard the ships, and provide assurances they would not hire any North Korean crew for the vessels in the future. Only then did the committee vote to remove these vessels from the list of blocked property.

By imposing these sanctions, we pressured these ship owners to sever contracts with OMM, thereby cutting off a source of revenue to the North Korean regime and ensuring these vessels could not be used to support illicit North Korean proliferation.

We continue to closely monitor maritime traffic to and from North Korea for any links to prohibited entities or activities. We will continue to pursue sanctions designations, as appropriate, through the U.N. Security Council and under U.S. law.

Question 4. Why have we not designated the jurisdiction of North Korea as a primary money laundering concern?

Answer. The Department of State remains concerned about North Korea as a destination for money laundering, narcotics trafficking, and other financial crimes, especially as it continues to fail to live up to its international obligations.

The North Korea Sanctions and Policy Enhancement Act of 2016 states that the Department of Treasury, in consultation with State and Justice, shall determine whether reasonable grounds exist for concluding that North Korea is a jurisdiction of primary money laundering concern within 180 days of its passage (August 16, 2016).

The Departments of State, Justice, and Treasury continue to evaluate this matter carefully.

Question 5. Why are State and Treasury briefing teams engaged in a worldwide campaign to tell companies and banks how to avoid U.S. sanctions?

Answer. As you know, under the Joint Comprehensive Plan of Action (JCPOA), the United States and the European Union (EU) lifted nuclear-related sanctions on Iran on Implementation Day, the day that the International Atomic Energy Agency confirmed that Iran had fulfilled key-nuclear related commitments. While we lifted nuclear-related sanctions, many of our non-nuclear-related sanctions, including those related to Iran's destabilizing activities within the region, human rights abuses, support for terrorism, and ballistic missiles programs, remain in place and continue to be enforced. In addition, the U.S. domestic trade embargo remains in place.

In an effort to provide greater clarity to the public and private sectors on what sanctions were lifted and what sanctions remain in place, the Departments of State and Treasury have been participating in extensive outreach with the public and private sectors, mostly at the request of other governments, in order to explain U.S. commitments under the JCPOA, inform stakeholders of what sanctions were lifted, and to inform stakeholder of which sanctions remain. Our engagement is focused on providing clear information about U.S. sanctions laws to assist companies in ensuring that their activities are consistent with U.S. law and therefore are not sanctionable.

Question 6. Can you state unequivocally for the record that the United States will not provide Iran access to the U.S. dollar? Can you state unequivocally that the State Department has not asked the Treasury Department to address this issue?

Answer. The United States did not commit to restoring Iran's access to the U.S. financial system under the Joint Comprehensive Plan of Action (JCPOA). Moreover, while the Department of the Treasury can speak to this issue in more detail, the Administration is not planning to reinstate the "U-turn" authorization as has been widely reported.

It is important to note, however, that under the JCPOA, the U.S. did commit to removing secondary sanctions on the provision of U.S. banknotes to Iran on Implementation Day, and this is now permissible activity as long as U.S. persons or the U.S. financial system is not involved. Further, while we continue to work with Treasury to ensure that Iran receives JCPOA-related sanctions relief, this effort does not involve assisting Iran in gaining access to the U.S. financial system, which we have noted is not a U.S. commitment under the JCPOA.

Question 7. The Financial Action Task Force (FATF) has called for counter-measures against Iran; can you confirm the United States will not facilitate Iran's ability to conduct U.S. dollar transactions until FATF rescinds its calls for counter-measures?

Answer. The Administration is not planning to reinstate the authorization for "U-turn" transactions or give Iran access to the U.S. financial system. The Administration fully stands by our previous statements, and on April 1, President Obama confirmed during a press conference that reports that the Administration will grant Iran access to the U.S. financial system are inaccurate. In fact, we will continue to vigorously enforce the sanctions that remain against Iran, including our primary sanctions that generally prohibit U.S. financial institutions from clearing U.S. dollars through the U.S. financial system for Iran-related transactions, holding correspondent account relationships with Iranian financial institutions, or entering into financing arrangements with Iranian banks.

Question 8. Iran continues to test ballistic missiles designed to deliver nuclear weapons, including a test earlier this month of an ICBM based on North Korean technology and a missile test on March 9 that included a missile reportedly emblazoned with the statement "Israel must be wiped off the arena of time" written in Hebrew. How can we continue to ignore such obvious threats to our ally Israel and the safety of the entire region?

Answer. We share the concerns of Congress about Iran's ballistic missile activity and its destabilizing effect in the region. Iran's efforts to develop increasingly capable ballistic missile systems are a significant nonproliferation challenge and a very real threat to regional and international security. We retain a wide range of multilateral and unilateral tools to address Iran's ballistic missile development efforts and we continue to deploy those tools.

Following Iran's October ballistic missile launches, the United States, on January 17, designated three entities and eight individuals involved in a network that has been procuring materials and other equipment for Iran's ballistic missile program. Iran conducted another set of dangerous and provocative missile tests in March. On

March 24, we designated two Iran-based entities directly involved with Iran's missile program. Designated entities and individuals are subject to U.S. asset-blocking sanctions, effectively cutting them off from the U.S. financial system, and potentially making any non-U.S. person who deals with them subject to secondary sanctions.

We continue to work with partners to interdict missile-related transfers to Iran and to target Iranian missile proliferation activities in third countries. This includes working multilaterally through our participation in the Missile Technology Control Regime and the Proliferation Security Initiative.

We also continue to work closely with our Gulf allies, as part of the Camp David process the President started last year, to develop missile defense capabilities and systems to mitigate the regional threat posed by Iran's missiles. This missile defense effort, of course, is complemented by our longstanding relationship with Israel to develop one of the world's most advanced missile defense systems.

Additionally, we are continuing our unprecedented level of security and intelligence cooperation with Israel. Israel remains the leading recipient worldwide of U.S. Foreign Military Financing (FMF). The current ten-year $30 billion Memorandum of Understanding between the United States and Israel, under which Israel currently receives $3.1 billion per year, is just one example of our strong, ongoing partnership and the United States commitment to Israel's security.

Question 9. Why did the U.S. agree to a lower standard of "calls upon" in the U.N. Security Council Resolution implementing the JCPOA rather than the previous outright ban using the stronger "decides" language?

Answer. Unfortunately, Iran has consistently ignored for years U.N. Security Council resolutions requiring it not to conduct ballistic missile activity. Thus, the prohibitions on Iran's access to missile technology and expertise are the most important and effective restrictions on Iran's missile program, and they remain in full effect. U.N. Security Council Resolution (UNSCR) 2231 maintains all legally binding requirements on states to deny Iran access to missile technology and expertise, and the international community continues to rely on these provisions to limit Iran's missile program.

Under UNSCR 2231, transfers of items to Iran that are contained on the Missile Technology Control Regime (MTCR) Technical Annex require approval in advance of the Security Council. As a permanent member of the Council, we have the ability to veto any such transfer. The MTCR Technical Annex was also the basis for the missile-related restrictions under previous UNSCRs targeting Iran (UNSCRs 1737, 1747 and 1929). Iranian ballistic missile launches remain inconsistent with UNSCR 2231, which is a clear and unanimous expression of the Council's position on Iran's ballistic missile programs.

Question 10. Is it the administration's position that any ballistic missile test is a violation of UNSCR 2231? If the UNSCR 1929 provision on ballistic missiles were still in effect, would the ballistic missile tests have been violations of UNSCR 1929?

Answer. In early March 2016, Iran conducted a series of ballistic missile tests, which included tests of the Qiam-1short range ballistic missile (SRBM) and Shahab-3 medium range ballistic missile (MRBM). United Nations Security Council Resolution (UNSCR) 2231 calls upon Iran not to undertake any activity related to ballistic missiles designed to be capable of delivering nuclear weapons, including launches using ballistic missile technology. As a general matter, ballistic missiles designed to be capable of delivering a payload of at least 500 kilograms to a range of at least 300 kilometers are inherently capable of delivering nuclear weapons. This is why the vast majority of missile-related items and technology that require explicit Security Council authorization to be exported to Iran under UNSCR 2231 (2015) are related to missile systems with these basic capabilities.

The Qiam-1 and Shahab-3 ballistic missiles tested by Iran clearly are designed to exceed these basic range and payload performance parameters and thus are inherently capable of delivering nuclear weapons. For this reason, on March 11, U.S. Ambassador to the United Nations Samantha Power made a public statement raising concerns about Iran's missile launches, calling them provocative and destabilizing and pledging follow-up in the Security Council. The U.S. requested the discussion of the launches that occurred in the Security Council on March 14. Along with France, Germany, and the UK, we also submitted a report on these launches to the Security Council, which asked for a meeting of the Security Council in its UNSC Resolution 2231 experts format to consider an appropriate response. We used the April 1 experts format meeting to underscore our concerns about these launches in defiance of UNSC Resolution 2231. We rejected the notion that it is in any way excusable for Iran—or any other country—to behave contrary to the clear and unan-

imous expression of the Security Council's will. U.S. missile experts briefed on the launches at this meeting to help make clear to our Council partners that the launches were inconsistent with the resolution. In parallel, the United States designated (sanctioned) two Iran-based entities directly involved with Iran's missile program pursuant to Executive Order (E.O.) 13382 on March 24.

The United States continues to use a number of tools to prevent transfers of equipment and technology to Iran's missile programs and impede Iran's missile development efforts. Unfortunately, these March 2016 launches continue a longstanding pattern of Iran ignoring Security Council resolutions targeting its missile activity. Under UNSCR 1929, which was in effect until January, 2016, Iran routinely conducted missile launches, including tests of the Shahab-3, which violated that resolution. As is the case with the March 2016 launches, the United States called attention to Iran's destabilizing missile activities, reported those launches to Security Council, and urged the Council to address Iran's testing of ballistic missiles designed to be capable of delivering nuclear weapons. Regretfully, a number of other Council members consistently blocked U.S. efforts to seek a more vigorous response to these violations of UNSCR 1929.

Question 11. Now that China's onerous new NGO law has officially passed, is the administration developing contingency plans for the USG-funded programming in China which will be negatively impacted beginning in January 2017?

Answer. The new Law on the Management of Foreign NGO Activities has created a highly uncertain and potentially hostile environment for foreign non-profit NGOs and their Chinese partners that will no doubt discourage activities and initiatives. We expect it will have a significant impact on U.S.-funded programming in China, and we are closely following Chinese government implementation plans as we continue to review our programming policies in light of the law's passage. Our implementing partners are also reviewing or carrying out contingency plans in response to this development.

We remain committed to supporting programs intended to have a direct and lasting impact in China, including projects promoting rule of law reform, human rights, and a free and flourishing civil society. We will continue to urge China to respect the rights and freedoms of human rights defenders, journalists, religious and ethnic minorities, business groups, development professionals, and all others who make up civil society, including by protecting the ability of foreign NGOs to operate in China.

Question 12. When was the last time the administration requested an American consulate in Lhasa and what was the official response? Are the Chinese presently seeking to open any additional consulates in the U.S.?

Answer. The Department continues to explore options to expand consular facilities in China. In 2005, China formally requested to open new consulates in Boston and Atlanta. In 2008, we responded with a diplomatic note expressing our interest in expanding our diplomatic presence in China, with Lhasa and Xiamen as top priorities. The Chinese government has not responded to the Department's request. We also continue to work to regularize our consular and diplomatic access to the Tibet Autonomous Region. For more detail, please see the "Report to Congress on Status of Efforts to Establish a United States Consulate in Lhasa, Tibet" transmitted to the Senate Foreign Relations Committee in 2015.

Question 13. Is the administration pressing the Chinese government in the lead-up to the G20 they'll be hosting this Fall to make tangible progress on certain human rights and rule of law issues, especially related to religious freedom violations in Zhejiang province where the summit will be held? Will there be any consequences if they fail to do so?

Answer. Secretary Kerry recently re-designated China as a "Country of Particular Concern" (CPC) under the International Religious Freedom Act for particularly severe violations of religious freedom, a designation first made in 1999.

On April 27, Secretary of State John Kerry highlighted ongoing official harassment of Tibetan Buddhists and restrictions on their faith as cause of great concern during public remarks.

On March 6, Deputy Secretary Anthony Blinken expressed his alarm over the ongoing crackdown on religious adherents in his public remarks to the United Nations Human Rights Council.

We remain particularly concerned by the ongoing detentions of church leaders and activists in Zhejiang province, many of whom were detained for protesting a government campaign to remove crosses from church buildings and demolish others. This includes human rights lawyer Zhang Kai and Pastor Gu "Joseph" Yuese, both of whom released earlier this spring but remain under restrictions.

The United States strongly believes that the protection of human rights and freedom of religion is critical to China's prosperity, security, and stability. We continue to raise our religious freedom concerns at the highest levels, both privately with Chinese government officials and in public forums. We will continue to call on the Chinese government to release all activists and pastors, ensure they are free from future harassment, and bring to an immediate end the cross removal and church demolition campaign.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD
SUBMITTED BY SENATOR DAVID PERDUE

Question 1a. You've stated that China needs to play a "constructive role" regarding North Korea. Indeed, given its historically close relationship with Pyongyang and continuing economic ties, China's strict implementation of the U.N. sanctions against North Korea is crucial to their effectiveness. Since 2010, China is believed to have accounted for more than two-thirds of North Korea's total trade. The Obama administration has credited China with helping to pass U.N. Security Council Resolution 2270, which imposes new sanctions on North Korea over its nuclear weapon and missile activities. China's Ministry of Commerce and General Administration of Customs went so far as to issue a public notice on April 5th, detailing not only what's banned under U.N. sanctions, but also what is still allowed. Specifically, to the Chinese business community, China has emphasized categories of trade that are still allowed under those sanctions—including trade imports of coal, iron ore, and iron that China deems to be completely for "livelihood purposes." I'm not sure exactly what China means when it says "livelihood purposes," given the fact that Chinese food and energy shipments to North Korea, which provide a lifeline to Pyongyang, are not covered by sanctions.

- When the Obama administration agreed to exemptions in sanctions for "livelihood purposes," what did it understand "livelihood purposes" to mean?

Answer. The United Nations' targeted sanctions against the Democratic People's Republic of Korea (DPRK) are designed to stem the flow of funds, materials, and expertise that the regime uses to further its nuclear and ballistic missile programs, while also minimizing the impact these measures have on North Korea's impoverished people. Some U.N. sanctions measures include an exemption for "livelihood purposes." This exemption is intended to allow for transactions that provide for basic necessities and other materials, consumer goods, and common equipment needed for DPRK citizens to carry out their daily lives and allow the North Korean people to maintain a reasonable level of sustenance and comfort, while not generating any revenue (for example, through resale) for prohibited regime activities, including its nuclear and ballistic missile programs.

Question 1b. Has the State Department been able to clarify how China defines the term?

Answer. It is too early to reach a definitive conclusion regarding China's interpretation and implementation of this term, only two months after the adoption of UNSCR 2270. We are actively working with all U.N. Members States, including China, to ensure that they vigorously implement the sanctions measures included in U.N. Security Council Resolution (UNSCR) 2270 and previous UNSCRs, including through bilateral consultations and engagement through the U.N. Panel of Experts for DPRK sanctions. UNSCR 2270 includes a request to member states to report domestic measures taken to implement sanctions. China has submitted such implementation reports in the past for previous resolutions, describing its view on sanctions measures, when requested in previous DPRK sanctions UNSCRs (1718, 1874, and 2094). These reports are available on the U.N. website. We will closely review China's submission for the 2270 report due on June 2, 2016, as well as what the U.N. Panel of Experts will uncover over the next year and report on in its 2017 Final Report expected in February 2017.

Question 1c. How concerned are you about China's public focus on trade that continues to be allowed under sanctions?

Answer. We continue to monitor closely China's trade with the DPRK. Chinese efforts to educate the public on sanctions measures, with respect to both permitted and proscribed activities, are expected and important to their effectiveness.

Question 2a. China has traditionally been unwilling to put strong economic pressure on North Korea over its nuclear and missile activities for fear of destabilizing

the regime in Pyongyang, and potentially unleashing refugee flows into China, among other consequences.

- Do you believe China's calculus has changed?

Answer. While the United States and China may not share a perfectly congruent set of interests with regard to North Korea, we have long agreed on the fundamental importance of denuclearization. China's actions in the U.N. Security Council—working with us to impose the strongest U.N. sanctions in a generation—demonstrate that China is particularly concerned by North Korea's recent behavior.

Question 2b. How committed do you believe China is now to seeking to change North Korea's behavior through economic pressure?

Answer. President Obama and President Xi discussed at length during their recent meeting in Washington the importance of effective implementation of U.N. Security Council Resolution 2270, and China's leaders have publicly committed to full enforcement. While it is too early to assess China's implementation of the UNSCR, we have seen some encouraging steps, such as the promulgation of trade regulations to implement the UNSCR's restrictions on coal and mineral trade.

China has now repeatedly called on the DPRK to live up to its international obligations and commitments, including by taking meaningful, concrete, and irreversible steps toward verifiable denuclearization. We will continue to urge China to do more until we see concrete signs that Kim Jong-un has come to the realization that the only viable path forward for his country is denuclearization.

Question 2c. Do you believe we can change North Korea's behavior through economic pressure?

Answer. We are realistic. Pyongyang has prioritized the pursuit of nuclear weapons over just about anything else, including the lives of its own people. We do not think economic pressure alone will automatically convince the regime's leader to cease. However, the DPRK has never before been subject to the kind of pressure contained in UNSCR 2270. This UNSCR is not "more of the same"—it represents a major increase in pressure compared to the previous UNSCRs.

To achieve our goal—complete, verifiable and irreversible denuclearization—we will need a serious and sustained campaign to enforce these sanctions, along with diplomatic efforts to negotiate credible denuclearization.

Question 3a. While I was pleased to see China support U.N. Security Council Resolution 2270, imposing new sanctions on North Korea for its nuclear weapon and missile activities, I'm curious if we made any concessions to get them to "yes."

- Do you believe China's decision to support UNSCR 2270 was related in any way to the discussions between the U.S. and Seoul over the deployment of a U.S. Terminal High Altitude Area Defense (THAAD) missile defense system to South Korea?

Answer. The United States and China have long agreed on the fundamental importance of a denuclearized North Korea. China's decision to support UNSCR 2270 was, in our view, the only responsible choice for a P5 member of the U.N. Security Council. It was also a logical response to the DPRK's repeated and dangerous provocations which increasingly threaten regional stability and thus directly affect China's own security.

We remain in contact with Chinese leaders at the highest levels, and have repeatedly confirmed to them that THAAD is a purely defensive system designed to counter short- and medium-range regional ballistic missiles and that its potential deployment in the ROK would not impact China's strategic deterrent.

Question 3b. To win China's support at the U.N., did the United States or South Korea make any commitments to Beijing related to THAAD?

Answer. The United States made no commitments or trades with Beijing related to THAAD in order to secure China's support for UNSCR 2270. THAAD is not a bargaining chip. As for South Korea, I don't want to speak for our ally, so I would refer that question to the ROK government. What I can say is that President Park has clearly stated the South Korean government will review a potential THAAD deployment based on its own security and national interests.

Question 4a. I'm very concerned by China's aggressive activities in the South China Sea. While President Xi said in September that China, "does not intend to pursue militarization" of the Spratly Islands, actions speak louder than words. Just last month, it was reported that China has deployed surface-to-air missiles and an anti-ship cruise missile battery on a disputed island in the Paracel Chain. And on the day of our hearing, the Wall Street Journal reported that a new potential

flashpoint has emerged-that Beijing is considering expanding the area where it is seeking to reclaim islands and extend its influence.

- Can you describe our diplomatic efforts aimed at lowering tensions in the South China Sea? What, if anything, is being done to discourage China's aggressive behavior?

Answer. We share the concerns outlined in your question. Our South China Sea strategy has several elements. First, we are actively strengthening our alliances and partnerships. This includes closer consultations with allies, upgraded diplomatic relations with ASEAN, new defense cooperation agreements, and providing equipment and training to help partners better patrol at sea. We are assisting our allies and partners in Southeast Asia to increase their maritime security capacity and enhance intelligence-sharing, especially in the area of maritime domain awareness. Second, we have raised our concerns in intense, high-level diplomacy with China. President Obama, Secretary Kerry, Secretary Carter, and I have had frank discussions with our Chinese counterparts about their provocative actions. Third, we are pushing for territorial disputes in the South China Sea to be resolved peacefully. We have consistently called on all parties to complete negotiations of a Code of Conduct in the South China Sea, which would build on the Declaration they made in 2002. And we publicly express our support the right of any country to use available international legal mechanisms, including arbitration, as the Philippines is doing. Fourth, we are strengthening our defense presence in the South China Sea. As part of a long-term strategy, we are positioning 60 percent of our Navy fleet to the Pacific and rotating more of our forces through friendly countries in the region. And fifth, we protest excessive maritime claims by any countries through our Freedom of Navigation operations, upholding the right of all to fly, sail, and operate everywhere the law allows.

Question 4b. Given the news about China's intent to expand the area where it's seeking to reclaim islands, is our current approach failing?

Answer. The short answer is no. Our relationships throughout the region are strengthening, support for a common vision of a rules-based regional order is deepening, and demand for us to play a more active role in upholding regional stability is increasing. From my discussions with counterparts in the region, it is becoming increasingly clear that China's actions have fueled renewed calls for a greater U.S. presence in the region. In February, ASEAN leaders joined the President in calling for maritime disputes to be resolved peacefully. We and our ASEAN friends also stressed the importance of international law, including the freedoms of navigation and overflight. These messages have been echoed elsewhere, most recently by the G-7.

There is no doubt China has heard our concerns. I have articulated them to my counterparts on numerous occasions, and I know that other countries within and outside the region have expressed similar concerns to China about its recent activities in the South China Sea. What is clear is that if China ignores these concerns and continues down its current path, its standing in the international community will suffer as will its relations with its neighbors.

Question 4c. Does there remain any doubt in your mind that China's ultimate objective is to claim disputed territories through the use of force?

Answer. We believe that China's strategic objective in the South China Sea (SCS) is ultimately to consolidate effective control over the area while avoiding armed confrontation with the United States or China's neighbors. China's leaders recognize that they must balance their ambitions in the SCS against their interest in continued economic growth and development, as well as in maintaining stable ties with the United States and their neighbors.

Question 4d. Can you explain why such behavior represents a flagrant violation of international law?

Answer. China is pursuing ambiguous and expansive maritime claims that it has yet to define in a manner consistent with international law, as reflected in the Law of the Sea Convention. China has also declared straight baselines, most notably in the Paracel Islands, that do not comport with the international law of the sea, unlawfully extending the limits of China's claimed internal waters and territorial sea. The Department of State has discussed China's maritime claims in depth in its Limits in the Seas series, in particular studies 117 and 143.

Unfortunately, there are also numerous examples of China's interference with freedom of navigation and overflight and other lawful uses of the sea. These include unlawful attempts to regulate military activities in its exclusive economic zone; demands for prior permission for foreign warships to exercise the right of innocent

passage through its claimed territorial sea; and attempts to warn foreign vessels and aircraft away from features it controls in various areas of the South China Sea without regard to whether those operations would be lawful under international law.

China has also declared an Air Defense Identification Zone in the East China Sea which (among other problems) unlawfully purports to apply to aircraft exercising the freedom of overflight in international airspace with no intention of entering Chinese national airspace.

Question 5. China recently announced that its defense budget would grow another 10 percent in 2015. Although official statistics are not reliable, a leading estimate suggests that Chinese defense spending sped past $200 billion per year in 2014, a six-fold increase over the course of 15 years. Meanwhile, the Pentagon's base budget has fallen by 14 percent over the past five years, and the 2015 Department of Defense report on military and security developments involving the People's Republic of China finds that "China's military modernization has the potential to reduce core U.S. military technological advantages." Further, President Xi has recently launched a plan to revamp China's armed forces, making them a more modern force capable of projecting power outside of China's traditional sphere of influence.

- In light of these facts, do you agree that the regional balance of power continues to shift in China's favor?
- Is it possible to begin shifting the balance back in our favor while sequestration remains in place?
- Does the continuing shift in China's favor undermine the U.S. ability to deter provocative behavior, such as China's intimidation tactics in the South and East China Seas?
- How do you view President Xi's plans to revamp China's military? If President Xi succeeds in this overhaul, how will this impact our calculus in the region, and in dealing with China? Do you predict we'd see an even more aggressive China and challenges to our military dominance worldwide?

Answer. We carefully monitor China's military developments and encourage China to exhibit greater transparency with respect to its capabilities and intentions. As Chinese economic and political interests expand beyond its own borders, it is not surprising China would seek to protect its overseas interests. For example, Chinese decisions such as building a logistics facility in Djibouti have been informed by their experience in evacuating Chinese citizens from Libya and Yemen, and by China's expanding role in international efforts like counter piracy and U.N. peacekeeping. China has also claimed that the need to protect its maritime and territorial claims in the South and East China Seas, as well as its position on Taiwan, drives the modernization and growth of its military forces.

For 2016, China has announced a military budget increase of approximately 7.6 percent. This followed 10 years of annual budget increases of more than10 percent. We encourage China to use its military capabilities, as we do with all countries, in a manner conducive to the maintenance of peace and stability in the Asia-Pacific region.

It is important that the United States and China have a constructive military-to-military relationship, one that focuses in particular on risk reduction as our forces come into closer and more frequent contact in the Asia-Pacific region. The Confidence Building Measures (CBMs) concluded with China in 2014 and 2015 on the rules of behavior of our ships and planes during unplanned encounters and on major military notifications will serve to reduce risk and increase transparency.

Regarding sequestration, as Secretary of Defense Carter has said, "under sequestration . . . our nation would be less secure," and "we would have to change the shape, and not just the size, of our military, significantly impacting parts of our defense strategy."

The United States has had a security presence in the Asia-Pacific since the end of World War II, a presence we believe has laid the foundation for peace and stability that has facilitated phenomenal economic growth for all countries in the region. We plan to continue that presence to ensure our allies and partners are free from coercion. We call on all parties in the region—not just China—to resolve disputes in a peaceful manner that is consistent with the rules-based international system that has laid the foundation for peace and security in the Asia-Pacific for the last 70 years and that includes the freedom of navigation and overflight, unimpeded lawful commerce, and the peaceful resolution of disputes.

As China's military capabilities have increased, we have not stood still. As part of the Rebalance, the United States has further strengthened our alliances with Japan, the Republic of Korea, and most recently, with the Philippines where we

signed an Enhanced Defense Cooperation Agreement on April 11to increase bilateral cooperation and long-term modernization of Filipino forces. We have also worked to develop new defense partnerships with countries like Vietnam, Malaysia, and Indonesia. We are now focusing on increasing the maritime security capacity of our allies and partners in Southeast Asia.

We continue to work closely with partners in the region—and China—to build a regional consensus behind the principles that undergird this rules-based order. China has been selective in its response. Elsewhere we are making notable progress. For example, in February, the United States and ASEAN issued a joint statement at the Sunnylands Special Leaders' Summit, which affirmed the shared principles of freedom of navigation and overflight and unimpeded lawful commerce, and affirmed the right of countries to pursue peaceful resolution of disputes in accordance with international law and the 1982 Law of the Sea Convention. China has heard this international chorus. It knows its actions are increasing China's isolation, strengthening our alliances, and pushing others in the region into security relationships with us. China will need to decide whether to join us in supporting the established rule-based international order or face greater instability and isolation.

We have noted China's recent military reorganization. Because of the increasing interaction between our two militaries, the administration has sought to pursue a constructive and productive military-to-military relationship with China as one part of an overall bilateral relationship capable of managing strategic differences, addressing common global challenges, and advancing our shared interests.

Question 6a. China has called for a "dual track" approach to the North Korean challenge, involving negotiations over denuclearization on one track, and negotiations over the replacement of the Korean armistice with a peace agreement in a separate track. The Obama administration has said that it will agree to return to comprehensive negotiations only after North Korea takes the initial steps of freezing its nuclear program and opening its nuclear facilities to international inspectors.

- If North Korea takes those steps, would the Obama administration be willing to return to talks that include a peace treaty on their agenda?

Answer. The United States has long made clear that we remain open to authentic and credible negotiations based on the September 2005 Joint Statement agreement reached with all members of the Six-Party Talks. The United States has long been committed to the full implementation of all facets of the Joint Statement, including its core goal of the verifiable denuclearization of the Korean Peninsula in a peaceful manner and other issues, which includes the establishment of a peace regime. But before we can enter such talks, North Korea must first take concrete steps toward denuclearization and demonstrate its willingness to live up to its commitments and international obligations.

Question 6b. China has called for a "dual track" approach to the North Korean challenge, involving negotiations over denuclearization on one track, and negotiations over the replacement of the Korean armistice with a peace agreement in a separate track. The Obama administration has said that it will agree to return to comprehensive negotiations only after North Korea takes the initial steps of freezing its nuclear program and opening its nuclear facilities to international inspectors.

- How realistic is this scenario?

Answer. North Korea's track record indicates it is neither serious about denuclearization or peace, nor that it would be a credible negotiating partner. In 2016 alone, North Korea has committed a spate of provocations, including conducting a nuclear test, launching a long-range ballistic missile, testing a submarine-launched ballistic missile, and conducting three mobile intermediate-range ballistic missile launches.

Question 6c. China has called for a "dual track" approach to the North Korean challenge, involving negotiations over denuclearization on one track, and negotiations over the replacement of the Korean armistice with a peace agreement in a separate track. The Obama administration has said that it will agree to return to comprehensive negotiations only after North Korea takes the initial steps of freezing its nuclear program and opening its nuclear facilities to international inspectors.

- Do you agree with Assistant Secretary Russel's comments that North Korea's efforts on a peace treaty are quote, "diversionary tactics to shift the international community away from denuclearization"?

Answer. We should judge North Korea by its actions, not its empty rhetoric. And North Korea's actions make clear that its purported openness to peace treaty discus-

sion is an attempt to deflect attention away from the fact that the biggest obstacle to peace and regional stability is the DPRK's continued pursuit of its nuclear and ballistic missile programs; penchant for provocative, destabilizing behavior; and failure to abide by its commitments and obligations.

Question 7. You delivered the United States' National Statement at the March 2016 session of the U.N. Human Rights Council, in which you expressed concern over China's domestic crackdown on human rights. In the same council session, the US organized an unprecedented joint statement on China-on behalf of 12 nations-criticizing China's "deteriorating human rights record."

- Why do you think more nations did not sign on to this joint statement on China?
- China dismissed the statement as, quote, "an attempt to interfere in China's domestic affairs and judicial sovereignty under the pretext of the human rights issue."
- What can the US do to overcome this "judicial sovereignty" argument globally?

Answer. China continues to pressure Human Rights Council (HRC) members not to support any effort to highlight its deteriorating human rights conditions. Although this tactic has been effective with some members, the United States was joined by 11 countries in delivering the first China-focused statement in the history of the HRC in March. We consider this to be a significant accomplishment, and judging by the reaction of the Chinese representative to the HRC, the Chinese too regarded it as significant. We will continue to work with international partners to call on China to uphold its laws and human rights commitments and make clear that China cannot use the "judicial sovereignty" argument to shirk its international obligations. The Universal Declaration of Human Rights, to which China is a signatory, stipulates that sovereignty does not provide a limitation on fundamental freedoms.

Question 8. China's legislature is also set to pass a law governing foreign NGOs, which would give the government broad latitude to regulate activities and funding of foreign NGOs operating in China.

- What can you tell us about the status of this law?
- To what degree does the latest text address concerns raised by the U.S. government and other U.S. entities?

Answer. The National People's Congress passed the Law on the Management of Foreign NGO activities on April 28. Although sustained U.S. engagement led to the law's passage being forestalled for over a year and some objectionable provisions being eliminated, the final version does retain problematic elements such as requiring foreign NGOs to register with and submit to the supervision of the Ministry of Public Security. The law also formalized criminal penalties for NGO activities deemed illegal by Chinese authorities. The United States will continue to work with likeminded countries as well as civil society actors to now urge China to implement the law in a way that addresses the concerns of the international community about the ability of foreign NGOs to operate in China, before the law goes into effect January 1, 2017.

Question 9. The State Department's most recent human rights report criticizes China for its treatment of North Korean refugees. A consistent issue is that China continues to consider all North Koreans as "economic migrants" rather than refugees or asylum seekers, and forcibly returned many of them to North Korea. The Chinese government also continues to prevent the U.N. High Commissioner for Refugees (UNHCR) from having access to North Korean and Burmese refugees in China. Reports continue to show that various exploitation schemes targeting North Korean refugees exist in China, such as forced marriages, forced labor, and prostitution.

- Can you tell me what is being done to press this issue of treatment of North Korean refugees and asylum seekers with China? Are we making any progress here?

Answer. The United States takes seriously reports of refoulement, whether in China or elsewhere. Prior to April 2015, there were credible reports that Chinese authorities forcibly repatriated North Koreans. Since then, there have been no confirmed reports, but NGOs continue to assert that repatriations occur along the China-DPRK border.

We continue to encourage the Government of China to provide appropriate protections for North Korean refugees and asylum seekers, including some who may have

been victims of human trafficking. Secretary Kerry has raised our concerns with Chinese officials on multiple occasions, and Ambassador King, Special Envoy for North Korean Human Rights, has reiterated these concerns with Chinese interlocutors in Beijing and at the Human Rights Council in Geneva.

Question 10. On March 18, 2016, President Obama signed into law legislation to require the Secretary of State to develop a strategy to obtain observer status for Taiwan in INTERPOL. The host country for the 85th INTERPOL General Assembly this fall is Indonesia.

- Has the State Department reached out yet to Indonesia on this matter? When do you estimate the State Department's strategy will be fully prepared?
- What more can the State Department do to help Taiwan expand its international space?

Answer. We remain committed to supporting Taiwan's membership in organizations that do not require statehood and promoting its meaningful participation in organizations where membership is not possible. We fully support Taiwan's engagement with the International Criminal Police Organization (INTERPOL), and we are continuing to develop a strategy aimed at helping Taiwan obtain greater access to INTERPOL resources, including observer status in the organization. We will continue to coordinate with all of the relevant parties at INTERPOL including this year's General Assembly host, Indonesia. It is our belief that enabling Taiwan to directly interact with INTERPOL and share pertinent information about criminals and suspicious activity contributes to regional and international security.

In June 2015, the American Institute in Taiwan (AIT) and the Taipei Economic and Cultural Representative Office in the United States (TECRO) launched the Global Cooperation and Training Framework (GCTF), an innovative initiative that showcases Taiwan's strengths and expertise by addressing global and regional challenges. Through GCTF, the U.S. and Taiwan jointly conduct high-impact training programs to build the capacities of experts throughout the region in key areas. Our priorities for this year include women's rights, global health, energy, and information and communications technology. We have held four major conferences under GCTF thus far, which have all helped Taiwan strengthen its relationship with its neighbors and dedicate resources to programs that increase regional stability.

Question 11. I appreciate our discussion regarding cybersecurity concerns with China and implementation of the cyber security commitments made between President Obama and President Xi in March of this year, and I wanted to follow up on your offer to clarify your answers on this subject. If you'll recall, during the hearing I posed a question about specific cases testified to by Admiral Mike Rogers where China continues to target and exploit key government, defense, academic, and private computer networks.

- Could you elaborate on these specific cases?
- With the understanding that multiple agencies are involved in the efforts to address the cybersecurity challenge from China, could you tell us how the State Department is addressing the challenge?

Answer. We refer you to our colleagues in the U.S. Intelligence Community for information on the remarks by Admiral Rogers.

As two of the world's largest cyber actors, we believe that the United States and China must have sustained policy engagement on cyber issues, combined with meaningful practical cooperation, in order to positively contribute to international stability in cyberspace. The Strategic Security Dialogue (SSD)—which takes place just prior to the Strategic and Economic Dialogue—has served as an important mechanism to raise cyber issues of strategic importance, including activities of concern that can lead to instability. Engagement via the SSD is complemented by two new dialogues established by the cyber commitments: a Senior Experts Group to discuss international security issues in cyberspace and the law enforcement and network protection-focused Cyber Ministerial, led for the United States by the Department of Justice and Homeland Security.

As we move forward, we will continue to monitor China's cyber activities closely and press China to abide by all of its September 2015 commitments as agreed to by President Obama and President Xi. We have been clear with the Chinese government that we are watching to ensure their words are matched by actions.

Question 12. We also spoke briefly on the discrepancies between the public White House version of the September 2015 cyber agreement, which includes four points, and the version circulated by China's state news agency, Xinhua, which refers to a five-point agreement.

- Is there in fact a fifth point in the agreement?
- If so, why did the administration choose not to make public this fifth point? (which appears to be related to the intrusion into OPM)

Answer. We refer you to the White House Fact Sheet on President Xi Jinping's State Visit to the United States, which outlines the U.S.-China Cyber Commitments. The Department is happy to provide further information in a classified setting.

Question 13. I would also like to follow up on what the administration has learned from China in relation to the OPM intrusion?

- Has China arrested suspects, as The Washington Post reported in December 2015?
- As you alluded in your testimony, when can Congress expect to see a definitive report on this incident?
- Will this report include action items for how the administration plans to respond to this incident? To future incidents, should they occur?

Answer. We are aware of Chinese media reports that China arrested suspects and that they believed the incident was criminal in nature. There is an ongoing investigation by the FBI over what happened in the OPM incident. I refer you to FBI for the status of that investigation. We will not comment on the attribution to specific actors.

Determining attribution is a complicated process, and publicly identifying those actors, once identified, is a step that the U.S. government will consider when we believe it will further our ability to hold accountable those responsible for an incident.

Question 14. Today, China is the United States' second-largest trading partner, its third-largest export market, its biggest source of imports, and the largest foreign holder of U.S. debt in the form of U.S. treasury securities, holding more than $1.3 trillion. China has recently seen slowing growth which has caused them to invest more of their foreign earnings domestically. However, the amount of U.S. debt held by China still concerns me greatly. In 2011, Admiral Michael Mullen said that the national debt is the greatest threat to our nation.

- How does China's holding of such a large portion of our debt impact our decision-making with regard to security? Particularly with security decisions in this increasingly violate region?

Answer. Foreign holdings of U.S. Treasury securities do not impact our decision-making with regard to security; this includes China's holdings. China holds U.S. Treasury securities for the same reason that other investors do—for their safety and stability, and because the market for Treasuries is deep, liquid, and not influenced by individual decisions to buy or sell. Externally owned U.S. debt is held by a diverse group of countries, and we are not overly reliant on any one overseas holder of U.S. Treasury securities.

Question 15. At an estimated $365 billion in 2015, the U.S. trade deficit with China is significantly larger than its trade deficit with any other partner. One problem we face now is that we have gotten out of balance on the trade front with China, and I'm concerned that this lack of balance on trade is causing China to act out more aggressively.

Answer. U.S. consumer demand and China's continued role as an exporter for a vast number of consumer and industrial goods for the developed world are at the heart of the trade deficit. These are structural problems in both our economies. China, as we have seen, has made some attempt to shift from its reliance on export-led growth toward increased domestic consumption. We continue to encourage China to make the reforms necessary for this economic shift. In addition, we are negotiating a Bilateral Investment Treaty that will greatly level the playing field for U.S. investors and ensure that U.S. products and services enjoy the necessary environment to increase our exports to China.

Question 16. Do you think that increased trade and economic dependency between our two nations might ease China's recent military behavior?

Answer. Examples in the Asia region indicate that China's strong economic ties with its neighbors do not preclude it from aggressive military behavior. China's military growth and expansion are byproducts of its economic development and growing international interests.

We welcome the rise of a peaceful and prosperous China that plays a responsible role in the international community. We don't seek to contain China, but rather seek to influence China's choices toward acting as a responsible member of the international rules-based system. We also recognize that in order to protect its citizens and its expanding interests overseas, China will seek to modernize and develop its military capabilities. We continue to encourage China to exhibit transparency regarding its military capabilities and intentions.

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