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# CHINA'S GROWING INFLUENCE IN ASIA AND THE UNITED STATES

## HEARING

BEFORE THE

SUBCOMMITTEE ON ASIA, THE PACIFIC, AND NONPROLIFERATION

OF THE

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# CHINA'S GROWING INFLUENCE IN ASIA AND THE UNITED STATES

**Wednesday, May 8, 2019**

**House of Representatives,**

**Subcommittee on Asia, the Pacific, and Nonproliferation**

**Committee on Foreign Affairs,**

*Washington, DC*

The subcommittee met, pursuant to notice, at 2:15 p.m., in Room 2200, Rayburn House Office Building, Hon. Brad Sherman (chairman of the subcommittee) presiding.

Mr. SHERMAN. I thank everyone for attending. Members will have 5 days to submit materials into the record. We will depart from precedent a little bit here and hear the opening statement of our ranking member and others who would want to give short opening statements, and then I will give my opening statement, then we will hear from the witnesses.

Mr. YOHO.

Mr. YOHO. Thank you, Mr. Chairman.

Thank you all for being here. Good morning and thank you, Chairman Sherman—good afternoon—for calling this hearing. And I appreciate the opportunity to address the mounting political and economic aggression by China and discuss ways the United States and our allies can challenge their aggression.

In recent years, China has experienced rapid economic growth and is currently the world's second largest economy. While this level of economic success would typically deserve praise, we must not forget that this growth was achieved through predatory practices that have drastically harmed other nations, including the United States. As a preeminent world leader, the United States is now engaged in a great power competition with China as the Chinese Communist Party under Xi Jinping attempts to challenge American influence and erode American security and prosperity.

Xi's leadership seeks to advance China's interests, not within the prevailing global order but added expense. For now, it is working. China has no peer competitors along its immediate periphery to be concerned about and plenty of cash to advance its interests in other parts of the world.

An example of this expansion is China's Belt-Road Initiative, an effort to boost infrastructure development and economic connectivity and expand China's influence. On surface value, it sounds OK among more than 65 countries on three continents, but if you look deeper, you find predatory lending practices that have beholden other countries to give up strategic ports, land, and infrastructure.

In speeches given by Xi, the leader often associates the BRI with the idea of building a community of common destiny. The party believes it is their mission to achieve a great rejuvenation while spreading socialism with Chinese characteristics, otherwise known as communism, to poor and vulnerable nations around the world.

Xi regularly promotes this massive westward infrastructure program as a win-win undertaking that will fill infrastructure gaps in less developed countries for mutual benefit. But major components of the BRI have proven to be debt traps, predatory lending practices that endanger participant sovereignty and increases China's political influence while benefiting the corrupt officials and bringing few opportunities to the average citizen.

Through these projects, China gives large unviable loans to poor countries. When the loans are not repaid, China seizes physical infrastructure or commodities for their own gain. In some places, it also is apparent that the BRI is a cover for military expansion. Data from Centers for Global Development suggest that China has already left eight countries drowning in debt.

If we do not address this situation and help other countries realize this, the countries in the Indo-Pacific region and around the world, and if we do not offer viable alternatives, more countries will be held financially beholden to China.

In response to China's economic rise, Congress and the Trump administration has been focused on tailoring American defense and economic policies to counter China's growing influence in the Indo-Pacific region and show Beijing that the international community recognizes China's imperial ambition and is determined to stand against it.

American investment alternatives, such as the BUILD Act, which received wide bipartisan support and was signed into law by President Trump in 2018, will advance U.S. influences in developing countries by incentivizing private investments as an alternative to State-directed investment projects like the BRI.

It is important that developing nations around the world are given investment alternatives that do not leave them economically and politically indebted to China. We must continue to craft policies that create environments conducive to democratic ideals and free market economic growth that are resistant to aggression by communist powers like China.

I look forward to hearing from these witnesses today and discussing solutions to counter China's aggression and preserve, not just American influence in the Indo-Pacific region, but to empower nations to empower their people to grow economically and have free will in their nations.

Thank you, Mr. Chairman. I yield back.

Mr. SHERMAN. Does anyone else seek time to make an opening statement?

My God, I have never seen such a shy group of members. Yes, well, I have got a few things—I know this will shock you—a few things to say.

The trade deficit we have with China is the largest trade deficit in the history of mammalian life. For several decades, we had administrations telling us to ignore it, not worry about it, and that it did not matter. But we have lost 3.4 million jobs as a result of

it, and it puts China in a tremendous position of power over the United States. Although we have power over them, we could deny them access to our markets, something that we have, up until now, been reluctant to do.

My record is not one of unwavering support for the current occupant of the White House, but I want to commend the President for at least focusing our attention on China's unfair trade practices and the horrific results to the United States. Unfortunately, one would expect that in areas of national security, the powerful interests at the Pentagon would control our policy, and they see a real opportunity. Fan the concerns about the South China Sea, exaggerate them, and justify multibillion dollar, multihundred billion dollar increases in the Pentagon budget.

There are literally dozens of disputes involving sea territory and control. There is a major one between Timor and Australia that somehow the United States does not get concerned with; but somehow, those affecting China are matters of great principle while we ignore all the others.

These islets in the South China Sea, et cetera, have not been inhabited, although they are off the shores of the most teeming populated continent in the world, for a good reason. There is no reason to be there. They are useless. There is no oil. If there was oil, it would not be ours, and there is no oil. Trillions of dollars of trade go close to those islands, yes, in and out of Chinese ports. And if China were to control these islands, they could blockade their own ports. There may be a few oil tankers that get close to these islands that could easily not get close to these islands on their way to Japan or South Korea.

But we are told the way to get tough with China is to ignore the devastation done especially to our Midwest by their trade policies, and instead, spend a few hundred billion dollars fighting over islets that are both useless and, in any case, not ours.

Wall Street has tremendous power over our economic policy. They would like us to do a few things to increase their profits, which coincidentally might create a few jobs, but they basically want us to go back to the policies of ignoring China's wrongdoing altogether.

We had a policy all of last century never to grant most favored nation status to a managed economy, because we understood that a managed economy will manage to exclude our exports in so many different ways that just getting them to agree to reduce their tariffs is a fiction. But this fiction turned out to be useful, and many hundreds and hundreds of billions of dollars have been made as a result of granting most favored nation status to China, which I might add, 65 percent of all Democrats voted against at the time. We were right then. We should not change now just because Trump also seems to be interested.

So, for example, if we want to sell airplanes to a Chinese airline, that airline can—if the government said, you have to build a factory here, that might violate WTO. We would never be able to prove it, because he would say it orally. But instead, the airline says it. Pretty much the same thing as government, they are in government control. That may not even be a violation of WTO. Still

cannot prove it, it is done orally. So what happens? Boeing is forced to move a factory to China in order to have access to those exports.

So even in those cases where we have some exports, they have got control. And so that is one way they control us. They control us because they are a substantial market. That market is not open. To the extent they accept American exports, they do so only by demanding a chance to turn American businesses into their pawns.

Another example of this is Hollywood. We do not have access to their market. They limit us to 35, 40 different pictures. So every studio is turning over trying to figure out how to get one of their pictures in. So which studio is going to make a movie about Tibet? I think Richard Gere may go a long time before he makes a sequel. No Hollywood studio dares offend Beijing, because Beijing controls access to their market and we accept it.

A couple of narrow areas to focus on. One is the Uighurs. The ranking member and I have introduced the UIGHUR Act of 2019. Not only does this focus on the use of U.S. technology to commit violations of human rights, but it also focuses on the Chinese Government's surveillance of the Chinese diaspora in the United States, especially the Uighur diaspora. And, of course, I introduced the U.S.-China Economic Security and Review Act, along with Congressman Gallagher, to examine Chinese influence on the United States.

But China is one of the biggest markets in the world. That is what we are told over and over. It happens to be true. They control access, and any American company that does not do their bidding can be cutoff from access. That is what we are up against, and that is why we do not need a rules-based system with China. We can never enforce those rules.

We need a results-based system, where for every billion dollars of goods they send us, they have to accept a billion dollars of U.S. exports. If they are not willing to do that, then they will simply prove to us what we knew all of last century, and that is you cannot have a rules-based system with a managed economy. If you do that, they will control trade, they will control access to their markets, and they will control your companies. We have spent 20 years proving how right we used to be.

And, with that, I will once again ask to see if there is anyone else who has an opening statement.

Seeing none, we will go to our witnesses. The first is Shamila Chaudhary, a senior South Asia fellow at New America and a senior adviser at Johns Hopkins University School of Advanced Studies.

Please give us a 5-minute summary, and we will move on to the next witness.

And your entire statement, without objection, for all witnesses will be put into the record.

**STATEMENT OF SHAMILA CHAUDHARY, SENIOR ADVISOR, SCHOOL FOR ADVANCED INTERNATIONAL STUDIES, JOHNS HOPKINS UNIVERSITY, SOUTH ASIA FELLOW, NEW AMERICA**

Ms. CHAUDHARY. Thank you, Chairman Sherman, Ranking Member Yoho, members of the subcommittee. I appreciate the opportunity to testify today.

Mrs. WAGNER. Is your mike on?

Ms. CHAUDHARY. There it is. Thank you.

Thank you for the opportunity to testify today. I will be discussing Chinese influence in Asia, with a focus on Pakistan. And the views I am expressing today here are my own.

I am going to start with a quote from a contact of mine in Pakistan. "Maybe about 10 years ago, America was an important voice. Today, America sounds like a very distant voice. There is a striking view over here that the sun is rising in the east and setting in the west."

And this view has multiple manifestations, which the chairman spoke about already, that we are seeing globally, and they are happening in Pakistan as well: The visible increase of Chinese nationals in the country, the arrivals desk at the airport in Islamabad designated for Chinese nationals, Chinese language schools, a Chinese-operated port, and Chinese participation in Pakistani security politics like they have never done before.

All this takes place under the umbrella of CPEC, the China-Pakistan Economic Corridor, a collection of infrastructure and development projects intended to improve trade and investment. In Pakistan, a once dominant United States is now overshadowed by growing Chinese influence, for which CPEC is the primary vehicle.

Should we welcome this as the United States? We should to a certain extent. China's intentions to fix Pakistan's economy and fight Islamic radicalism help us. After all, we attempted to do the very same thing in South Asia after 9/11, but did not accomplish such goals. During those years, the United States encouraged China to get more involved in stabilizing Pakistan. Those requests have been answered, and we must now contend with our consequences, in particular on geopolitics and security.

While U.S. and Chinese security interests in South Asia may seem to overlap at the moment, they are by no means shared. The two countries view terrorism and terrorist actors differently. China remains singularly focused on militants that impact only their stability and their business interests. CPEC, meanwhile, hurts U.S. regional interests by disrupting fragile India-Pakistan ties, a nuclear-fueled dynamic that demands U.S. stewardship from time to time during times of crisis.

China's provision of surveillance, data collection capabilities, and new hardware to the Pakistani military may seem like it improves security, but such tools also increase the likelihood of invasive data collection, misuse of information, and violations of privacy.

The notion that the Pakistani military might start to mimic Chinese authoritarianism is no longer theoretical. Pakistani civil society and media report more aggressive tactics by the military to silence critical voices. They share a common refrain, that the military is more powerful than ever and that is because of China.

China plays a game familiar to the United States, which also strengthened Pakistan's military after 9/11. However, it did so alongside an international community that shared an understanding of the threat, values, and burden associated with fixing the problem.

Today in Pakistan, Chinese influence stands alone, changing the rules of the game for everyone else. For example, Pakistan no

longer publicly discloses the terms of its loans from China. Indeed, CPEC pretends immense geoeconomic and geopolitical advantages for China and Pakistan, but its repercussions will dwarf any comparable American influence.

At present, the Trump administration has tough rhetoric and a collection of policies that address aspects of China's rise, but it does not have the political will, financial resources, ability to assume risks, and interest-based vision of South Asia needed to compete with Chinese influence a la CPEC. Instead, the United States has reduced its policy to a singular thread, ending the war in Afghanistan. And while it is appropriate at the moment, over time, that singular focus will lock the United States out of productive channels of engagement with Pakistan that China will have already strengthened.

Countering this means going beyond Afghanistan and even complementing CPEC's economic efforts. To protect U.S. geopolitical options in the future, the U.S. should also support Pakistani and regional actors most threatened by Chinese influence. Ultimately, countering China's rise will require the United States to create policies that both address and benefit from the needs of other countries.

To be clear, a revitalized American approach to Pakistan and South Asia should not aim to replace China, instead, follow its example. China's engagements in the region show it is not playing a zero-sum game, and neither should the United States. Otherwise, America will isolate itself from a historical process of regional economic integration.

And by the way, the door is not shut in Pakistan, where government officials and political leaders still privately hope for sustained American attention in the country and, ironically, are using China to get it. The U.S. should take note and start to make policies that ensure it does not become an afterthought in South Asia's new competitive geopolitical environment.

Thank you.

[The prepared statement of Ms. Chaudhary follows:]

May 8, 2019

Shamila N. Chaudhary
Senior South Asia Fellow, New America and
Senior Advisor, Johns Hopkins University School of Advanced International Studies

**Testimony before the House Foreign Affairs Committee, Asia Subcommittee Hearing on Chinese Influence in Asia and the United States**

## Introduction

In May 2008, I flew to Islamabad, Pakistan's hilly tree-lined capital city, for a temporary duty assignment at the U.S. Embassy. As a civil servant in the State Department's South and Central Asia Bureau, I worked on the Pakistan account, which since the 9/11 attacks remained heavily defined by heightened U.S.-Pakistan cooperation on fighting terrorism. That cooperation translated into a significant American footprint on the ground in Pakistan, one that was superficially reflected in the many other American faces on the commercial flight that brought me to Islamabad. A similar pattern transpired at the country's elite hotels where foreigners typically stayed. As many Pakistanis would say, the Americans were everywhere, for better or for worse.

During my most recent trip to Pakistan in February of this year, I felt like I had entered a parallel universe where the Americans had been supplanted by the Chinese. Changes in the U.S.-Pakistan relationship have led to a smaller American footprint in the country. Meanwhile, the Chinese presence has grown, a result of the establishment of the China-Pakistan Economic Corridor (CPEC) initiative in 2015. CPEC occurs within a broader global context of China's Belt and Road Initiative (BRI), defined by increased Chinese economic engagement throughout the world. Engagements within South Asia center largely in Pakistan, with additional activities underway in Afghanistan, Bangladesh, Nepal, and Sri Lanka.

**The once dominant presence of the United States in Pakistan is now overshadowed by China's extensive reach** into the country's power and infrastructure sectors with long-term plans for expansion into multiple other sectors such as agriculture and mining. A Pakistani journalist I spoke with said:

> **"Maybe about ten years ago, America was an important voice. Today, America sounds like a very distant voice now. There is a striking view over here that the sun is rising in the east and setting in the west."**

* * * *

Drawing superficial comparisons between China and the United States in Pakistan come easily, as does the conclusion that China's engagement in Pakistan comes at America's expense. Pakistani officials and supporters of CPEC have often reinforced these views both publicly and privately in hopes of reversing America's waning attention on Pakistan. But the message is also for domestic consumption, promoted by elected leaders to show constituents and political

opponents alike that while the Americans may have left them, they still have China. This message feeds into American fears of China's rise while distracting from understanding the true nature of Chinese influence in Pakistan – perhaps the ultimate goal of both China and Pakistan who continue to guard details of CPEC with intense secrecy.

**The United States *should* worry about growing Chinese influence in Pakistan. Some of the many consequences include further disruption to nuclear-fueled tensions between India and Pakistan; threats to Pakistani democratic culture, ethnic minorities, and civil society; and ultimately the introduction of unserviceable debt burdens for the state.** But these consequences matter only if the United States prioritizes such issues in its relationship with Pakistan.

Instead, the Trump Administration has reduced engagement with Pakistan to a singular thread – ending the war in the Afghanistan. At this point in time, that may be what the situation demands, especially given unsuccessful attempts by the Obama administration to use a comprehensive package of inducements to improve the bilateral relationship. **However, over time that singular focus will lock the United States out of productive channels of engagement with Pakistan that China will have already strengthened.**

Unpacking Chinese influence in Pakistan requires a nuanced approach that considers the complex political and economic realities that push countries to work with China, which is more willing and able to assume the attendant risks than so many others nations in the world, including the United States. Doing so reveals a multifaceted and pragmatic relationship driven by internal forces in both countries as well as by external global catalysts. It also shows that while China's influence in Pakistan come at America's expense in some significant ways, aspects of it may also benefit U.S. interests in South Asia.

In that vein, this testimony will categorize Chinese influence in Asia with a focus on Pakistan. It will address the impacts of specific forms of Chinese influence on Pakistan and the region, identifying risks and opportunities. And finally, it will address the question of how Chinese influence in Asia affects U.S. interests now and in the future.

## The China-Pakistan Economic Corridor: The Dominant Vehicle for Building Chinese Influence in Pakistan

**For over six decades, China has stood by Pakistan's side as a pillar of its foreign policy;** a major developer of its military and nuclear capabilities; an ally in the region and multilaterally; and a trusted intermediary when tensions with the United States and India flare up. The foundation of the relationship greatly expanded when mutual needs for greater economic diversification, energy security, and regional connectivity grew, leading to the establishment of CPEC, the dominant vehicle for building Chinese influence in Pakistan.

Defined officially by the Pakistani government as a "framework of regional connectivity," CPEC allows for people to people exchanges; enhanced academic, cultural, and regional understanding;

and higher volume of trade and business.[1] It includes a suite of projects in energy generation and infrastructure development expected to cost US$75 billion.

At its outset, Pakistanis welcomed the initiative, viewing CPEC as a possible solution to severe energy shortages, macroeconomic instability, and job growth demands. The government also viewed growing Chinese engagement as a safeguard against the breakdown in relations with the United States, persistent threats from India, and instability in the Middle East. It also served as a morale booster for the government and ordinary Pakistanis alike. The CPEC partnership portrays Pakistan as solution to regional problems rather than a failed state which is, in the view of many international capitals, a state sponsor of terrorism.

**An Intertwined and Opportunistic Economic Vision**

**Through CPEC, Pakistan's economic prospects are now far more intertwined with China than any other nation.** CPEC's regional connectivity mantra builds upon a longstanding Pakistani idea that the country can serve as a gateway to Central Asia for the Middle East as well as for other parts of South Asia. Pakistan provides the shortest route from landlocked Central Asia to the Arabian Sea and Indian Ocean.

As part of this vision, the Pakistani government promised that CPEC would create greater economic opportunities and jobs for Pakistanis along the physical routes associated with CPEC. The projects, the majority of which will be operational by 2023, are scheduled for final completion by 2030, at which time the Pakistani government claims CPEC would have created almost 700,000 jobs for Pakistanis.

**Pursuing this vision requires extensive Chinese economic support, with China reportedly financing 80 percent of the $62 billion needed for CPEC projects.**[2] The terms of Chinese financing remain largely unavailable to the public. Given Pakistan's macroeconomic challenges, this has led to domestic and international worries over the potential debt distress Pakistan may suffer due to CPEC-related financing. As reported by the Center for Global Development in March 2018, "Unlike the 2-2.5 percent 'concessional rate' given to some China Exim Bank customers, reports indicate that some of Pakistan's loans reflect rates as high as 5 percent."

This will be extremely difficult to maintain for Pakistan, which faces rising external debt, soaring current account deficits, and falling foreign capital flows and currency reserves. Pakistan believes a new program with the International Monetary Fund will pull it out of its latest round of macroeconomic instability. Additionally, the Pakistani government is quick to remind us that the CPEC debt servicing is a long-term endeavor, noting that "CPEC outflows would start from the year 2021 and spread over 20 to 25 years with a maximum in the year 2024 and 2025."[3] By

[1] Official website for China-Pakistan Economic Corridor, http://cpec.gov.pk/
[2] Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective, Center for Global Development Report. https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf
[3] Pakistan – IMF could either kill CPEC or help build it right, October 28, 2018. https://www.forbes.com/sites/panosmourdoukoutas/2018/10/28/imf-could-either-kill-cpec-or-help-build-it-right/#617bf775cbc7

that time, Pakistan stresses, the economic benefits of CPEC will be tangible and outweigh the costs of debt servicing.

In the meantime, asking China for debt restructuring or loan forgiveness will always remain a fallback option. The project most likely to push Pakistan in that direction is the development of Gwadar Port. Pakistan must service the $16 billion in loans from Chinese banks to develop the port, free-trade zone, and associated infrastructure at a rate exceeding 13%, while over 90% in gross revenues and 85% from the surrounding free-trade zone will reportedly go to China.[4]

However, in debt restructuring or forgiveness conversations, there is no guarantee China will follow any internationally-accepted standard. It does not adhere to multilateral frameworks of debt relief, such as The Paris Club. Instead, China may use its economic influence over Pakistan to make a deal similar to the one it made with Sri Lanka. Unable to service a $8 billion loan at 6% interest that financed the construction of Hambantota Port, Sri Lanka entered a debt-for-equity swap which involve transferring to China a 99-year lease for managing the port. Some experts point out that the Sri Lanka example is an outlier in comparison to most examples of Chinese financing overseas.[5] **Still, it demonstrates the worse-case scenario of vulnerable countries falling under a China that is not yet fully integrated into the multilateral frameworks and international standards many creditor countries are obliged to follow.**

Debt servicing concerns are not the only adverse effects of Chinese economic influence in Pakistan. The initial excitement among Pakistan's business community over CPEC's economic promise has now transformed into discontent with the government. Initially promoted as a mutually-beneficial partnership, many in the business community now view the initiative as a one-way street for China's economic benefit. Some business leaders claim they were not invited to the table on possible joint ventures or partnerships. They also point to the mostly one-way traffic of goods and people, with Pakistan's largest trade deficit being with China and the difficulty of the Pakistani trader community to obtain visas to China.

Reports indicate that China is working on ways to improve the flow of people and goods, hinting at the extensive backroom policy work required to facilitate CPEC's ambitious goals. With the early harvest power plan and road projects now complete, China and Pakistan can now move to adjusting the policy framework to increase investments from and exports to China. Despite the political hype and media frenzy, CPEC remains a long-term endeavor whose ultimate ambitions of connectivity depend on more than just construction of roads and ports and, in some cases, require an entire reevaluation of policy frameworks.

The next phase will also include the development of the special economic zones across the country, in particular the one surrounding the Gwadar Port in Balochistan province, as well as socioeconomic development and job growth efforts. The risks associated with this phase are well documented, the most significant of which remains the security challenges posed by protecting a greater number of Chinese workers in Pakistan.

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[4] Bad terms: Pakistan's raw deal with China over Gwadar Port, November 29, 2017. https://cms.ati.ms/2017/11/bad-terms-pakistans-raw-deal-china-gwadar-port/

[5] Is China the World's Loan Shark? April 6, 2019. https://www.nytimes.com/2019/04/26/opinion/china-belt-road-initiative.html

**How China Plans to Secure Pakistan**

Improving the security environment is a primary impetus of CPEC. Since the late 1990s, China-Pakistan economic ties have strengthened, partially due to a convergence of American, Pakistani, and Chinese security interests on the rising threat of Islamic radicalization. During former President Pervez Musharraf's tenure from 1999 to 2008, China began to view its "stake in Pakistan's economic success as a safeguard against the infiltration of Islamic radicalism into its restive Xinjiang province."[6] Likewise, Pakistan

> "began to recognize the need for economic growth as a remedy against the rising menace of Islamic radicalization within society and subsequent risk of state failure…This took on new urgency, not least because of pressure from Washington, following the September 11 attacks on the US."[7]

When President Asif Ali Zardari was elected in 2008, he continued where Musharraf left off. Despite the broadly held view in Pakistan that Zardari was unpopular with the Chinese, he took several private and official trips to China to discuss the possibility of many of the outcomes we witness today in CPEC. When the business-friendly government of Prime Minister Nawaz Sharif was elected in 2013, the tenor of the China-Pakistan relationship became markedly more positive in both public and private settings and CPEC was born.

Prime Minister Imran Khan's 2018 electoral victory provoked questions about the sustainability of CPEC. Many in Pakistani political circles believed the initiative had been strengthened by Chinese closeness with and influence over the Sharif family. Even though he secured emergency loans from China in response to the current balance of payments crisis, Khan's attempts to build personal channels to the Chinese have yet to yield results.

Though sometimes beneficial, civilians tend to play little role in advancing CPEC.[8] The merging of Chinese economic and security interests in Pakistan brought Pakistani civilians into greater contact with China, but it never changed the fact that the Pakistani military remains the primary steward of the China relationship and driver of CPEC. Its private channels with China allow the military to streamline CPEC projects that directly advance the military's financial and strategic interests.

For example, CPEC describes the Pakistani-owned and Chinese-operated Gwadar Port as a pillar of its regional economic connectivity vision. **But the growing Chinese military presence there and sales of Chinese submarines to Pakistan suggest a deeper military cooperation previously undisclosed as part of CPEC. All this directly serves to strategically pressure**

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[6] Matthias Hartpence, "The economic dimensions of Sino-Pakistan relations: an overview" in The Journal of Contemporary China September 1, 2011; p. 583.

[7] Shannon Tiezzi, "China Powers Up Pakistan: The Energy Component of the CPEC", January 13, 2016, Available at: http://thediplomat.com/2016/01/china-powers-up-pakistan-the-energy-component-of-the-cpec/ (Accessed March 1, 2016)

[8] Even though the military is the primary drivers of CPEC, any progress will translate into a significant amount of work for civilian leaders in dealing with new policy frameworks and administrative actions to be taken.

**India to the benefit of China and Pakistan while triggering American fears about worsening U.S.-China tensions at sea.**[9]

Beyond maritime cooperation, news of China-Pakistan efforts to jointly build "navigation systems, radar systems and onboard weapons" in special economic zones inside Pakistan point to potential changes in Pakistani military capabilities that pose new strategic threats to the region. **They may result in an even more intractable Pakistan for the United States to deal with on issues such as India, possibly leading to more brinksmanship in cross-border tensions and less interest in resuming dialogue.** As Pakistan becomes less dependent on U.S. hardware and military assistance, CPEC offers it access to China's new hard power capabilities, including naval vessels, fighter jets, drones, nuclear warheads, tools of cyber warfare, and a variety of missiles.

Other CPEC collaborations on security and technology promise to eliminate terrorism and make Pakistan safer. A fiber optic cable linking Rawalpindi to the Chinese border and a second link connecting the Gwadar Port is expected to provide information for CPEC projects as well as utility in environmental protection, disaster management, and emergency response. Another benefit of the satellites is that they may provide the military with a window into centers of activity around terrorism and militancy – and to avoid having its outbound traffic traverse India.[10] However, they could be also used to destabilize the political environment by increasing the likelihood of invasive data collection, misuse of information, and violations of privacy.[11] The same applies to CPEC's Safe Cities projects which, in partnership with Huawei, intend to secure multiple Pakistani cities from terrorism and violence by installing facial recognition software and cameras throughout urban areas.

CPEC could effectively become the primary vehicle for China to export tools of authoritarianism and state control to Pakistan, threatening democratic culture, minorities, and political dissidents.[12] The notion that the Pakistani military might start to mimic Chinese authoritarianism is no longer theoretical. Already, since the signing of CPEC, Pakistani civil society and journalists in particular report more aggressive tactics by the military to silence critical voices. Indeed, during my last trip in February, I heard a common refrain among the voices of politics, culture, and media in the several cities I visited: *the military is more powerful than ever – and that's because of China.*

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[9] China's 'Belt and Road' Plan in Pakistan Takes a Military Turn. December 19, 2018. https://www.nytimes.com/2018/12/19/world/asia/pakistan-china-belt-road-military.html

[10] https://www.eurasiareview.com/19072018-double-edged-sword-china-and-pakistan-link-up-with-fiber-optic-cable-analysis/

[11] "China has various reasons for wanting a terrestrial fiber optic link with Pakistan, including its own limited number of submarine landing stations and international gateway exchanges which can serve as a bottleneck to future growth of internet traffic. This is especially true for the western provinces…Moreover, China's telecom services to Africa need to be transferred in Europe, so there is certain hidden danger of the overall security" says the plan. Pakistan has four submarine cables to handle its internet traffic, but only one landing station, which raises security risks as well." https://www.dawn.com/news/1333101

[12] Ibid. "The proposal, confirmed by officials at the Ministry of Planning and Development, would expand China and Pakistan's current cooperation on the JF-17 fighter jet, which is assembled at Pakistan's military-run Kamra Aeronautical Complex in Punjab Province. The Chinese-designed jets have given Pakistan an alternative to the American-built F-16 fighters that have become more difficult to obtain as Islamabad's relationship with Washington frays."

While it may be powerful in suppressing its own people, the Pakistani military has a long way to go before the country is a safe place for the Chinese to operate, at least in the foreseeable future. The Pakistani military has devoted over 15,000 of its own troops to the protection of Chinese workers and firms, many of which are located in restive parts of the country.[13] But anti-state groups have still managed to kill numerous Chinese laborers working on CPEC projects since 2014. We should expect such threats to grow as China plans for a much larger physical footprint in the area surrounding the Gwadar Port in Balochistan, where it plans to construct a nearly 4 million square foot "International Port City" with an airport, multimillion dollar luxury golf resort, and "$150-million gated community for the anticipated 500,000 Chinese professionals who will be located by 2022 and work in its proposed new financial district in Gwadar."[14]

For the roughly 260,000 Pakistanis who call Gwadar home, being outnumbered in their own territory by privileged Chinese nationals will no doubt be cause for concern. [15] For the Chinese arriving to live in their gated enclave, they will not be bothered by the lack of fresh water, sporadic electricity, spikes of waterborne illness and hepatitis, and unavailability of medical doctors. The Pakistani military and its civilian counterparts will have facilitated their access to all the basic necessities of life and more.

**Planting the Seeds of Cultural Influence**

Now in its fourth year of application, CPEC activities have translated into tangible Chinese influence on the ground. Details about the Chinese footprint in Pakistan vary, but a source in Pakistan's foreign ministry "said about 71,000 Chinese nationals visited in 2016," and an immigration official stated that "27,596 visa extensions were granted to Chinese in that year alone."

Despite the growth of its physical footprint in Pakistan, **China does not share the same cultural connections that the United States and Pakistan enjoy. From the English language to a western-education elite and affinity for American television, music, and media, the people of Pakistan are far more familiar with western culture than they are with that of China.** For the Chinese that currently reside in Pakistan, their short-term residency in the country (typically 1-2 years) does not warrant assimilation, resulting in extremely limited interactions between Pakistanis and Chinese.[16] Pakistan's U.S.-educated westernized elite appear to view growing Chinese influence with concern, worrying that Pakistan's tilt towards China will

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[13] The military faces challenges in managing security along portions of the CPEC route in disputed Kashmir and Balochistan, where there is an ongoing local insurgency against the Pakistani military. Chinese workers and citizens face specific threats from Pakistani Islamists and by Baluch nationalists who view China's presence as an extension of Punjabi economic encroachment in the province. China also fears backlash from its own Uighur separatists residing in Pakistan. Additionally, setting up a CPEC military unit is serious move by the military that testifies to ongoing Pakistani worries that if CPEC implementation takes too long, is too dangerous, or is overly complicated, that China may pursue other options, such as routes in Iran.

[14] https://thediplomat.com/2018/10/gwadar-emerging-port-city-or-chinese-colony/

[15] Population of Gwadar Census 2017. http://www.pakinformation.com/population/gwadar.html

[16] For details see "The Increasing Chinese Footprint in Islamabad," *The Herald,* accessed 5 May 2019. https://herald.dawn.com/news/1398787

eliminate all options to engage a United States that is ramping up its heated global competition with China.

But the consequences of tighter immigration controls in the United States after 9/11, and the negative narratives associated with U.S. counterterrorism activities in Pakistan, have created space for political affinities, cultural exposure and appreciation, and educational opportunities to grow with China – and it is keen to take advantage of them.

The CPEC-funded fiber-optic cable network will provide access to predetermined programs promoting Chinese culture to Pakistani households. At the China Market in Rawalpindi, the military cantonment city in the north, middle-class Pakistanis thank the Chinese for the ability to buy copies of luxury knock-off goods at affordable prices.[17] While English remains the language of choice among educated elites and those Pakistanis seeking to expand their financial opportunities, Chinese language learning is increasingly available to Pakistani children. The Roots International Schools in Pakistan offer a Chinese language curriculum for grades 1-10 with syllabus and materials provided by the Confucius Institute, based in the Pakistani capital of Islamabad. Lower and middle-class Pakistanis who cannot afford to travel to the United States for education or work now consider China a cheaper and politically friendlier destination.[18]

Despite the public downplaying of U.S. ties and growing Chinese influence, **many Pakistani political insiders and government officials state the country is still keen to keep building a bilateral relationship with the Americans but do not think the United States is interested. As a result, some view the expanded relationship with China more as a compulsion than a choice.** As one Pakistani official told me, "No one was willing to come help us during the 2013 power shortages. China did."

**The Impact of Chinese Influence on U.S. Interests**

If CPEC delivers on its stated promises, it will stabilize Pakistan's economic and security environment, albeit with unequal distribution of benefits to the country. If it succeeds in its undisclosed strategic aims, as discussed in this testimony, it also portends immense geo-economic and geopolitical advantages for China and Pakistan that stand to dwarf any comparable American influence – **as long as the United States continues on its current policy trajectory in South Asia which lacks a comprehensive, integrated, and long-term economic and political vision of the region that advances present and future U.S. interests.**

Already, with the exception of Afghanistan, Chinese assistance and engagement outpaces that of the United States in all of the South Asian countries combined. **While the United States under the Trump Administration certainly has the rhetoric to compete with China, it lacks the political will, financial resources, ability to assume risks, and interests-based vision needed to compete with Chinese influence à la CPEC or BRI.**

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[17] "Mother China: A Chinese Revolution Sweeps Across Pakistan" https://herald.dawn.com/news/1153413

[18] "With almost 19,000 students from Pakistan studying in China in 2017, Pakistan is the ninth-largest source of China's international students. https://www.dawn.com/news/1317973/19000-pakistani-students-studying-in-chinese-universities

To be clear, a revitalized American approach to Pakistan should not aim to replace China's efforts or presence. Pakistan and China's respective economic and political engagements with other regional stakeholders, like Iran, Afghanistan, Saudi Arabia, and India, show they are not playing a zero-sum game and neither should the United States. Competing with China in this way will require the United States to think about the region as an interconnected network of economic, socio-cultural, political, and security relationships that inform one another. It means understanding that when China helps Pakistan build navy submarines, India will react in kind, and that U.S. policy must consider its own actions with each nation in parallel to regional dynamics.

I trust that the American intelligence community continues to thoroughly analyze the world through complex prisms such as these, but that is not reflected in the Trump Administration's simplistic pressure tactics which, on the subject of this testimony, seeks to coerce China anywhere at any expense, and in the process holding all U.S. foreign policy hostage.

Viewing CPEC in zero-sum terms means the United States will isolate itself from an historical process of regional economic integration that it cannot stop. And, the more Pakistanis buy into the view that the "sun is rising in the east and setting in the west," the further the United States will find itself locked out of productive channels and engagements with Pakistan and possibly other BRI countries.

But we still in the early stages of growing Chinese influence in Pakistan and the United States can still engage and reshape it. Competing with Chinese influence will require the United States to use a combination of pressure tactics, use of multilateral platforms and mechanisms, revitalized bilateral ties, and creative thinking. Pakistan's pending request for a new stabilization package from the International Monetary Fund (IMF) offers one such example.

Facing yet another balance of payments crisis, Pakistan asked the IMF for a multi-billion-dollar macroeconomic stability package. It might feel like Groundhog Day, since this is the 13th Pakistani request for an IMF program since the late 1980s. But this request is different. Taking place in the midst of the expansive but opaque terms of CPEC, it triggered U.S. Secretary of State Mike Pompeo to state that:

> "there's no rationale for IMF tax dollars, and associated with that American dollars that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself."[19]

Secretary Pompeo is right. Why should the United States subsidize Pakistan's questionable debt deals with China? He promised to watch the IMF closely, implying that the United States could pressure the IMF to say no to Pakistan. But there's another angle to consider for why IMF dollars *should* go to Pakistan – they can demand insight into the nature of CPEC. The latest reporting from Pakistan suggests an IMF deal is imminent and that Pakistan finally acquiesced to one of

[19] https://www.reuters.com/article/us-imf-pakistan/us-pompeo-warns-against-imf-bailout-for-pakistan-that-aids-china-idUSKBN1KK2G5

the last sticking points – IMF demands of full disclosure of China-Pakistan financial cooperation and details on more than $6.5 billion of commercial loans since 2017.[20]

Public statements about China's debt-trap diplomacy are not enough. They must be matched by coordination with the international community and multilateral partners who largely share the view that China's growing influence worldwide comes with significant economic and political risks to many countries.

That being said, China itself assumes a great deal of risk itself when it enters places like Sri Lanka, Afghanistan, and Pakistan, just to name a few of the BRI countries where it has faced weak political leadership, threats to security of Chinese workers, and basic infrastructure challenges in pursuit of implementing its projects.

It also has assumed certain policy risks by going outside of its traditional mantra of staying out of its partners politics. For example, China is involved in peace and reconciliation discussions with the Afghan Taliban and the Government of Afghanistan. Pakistan would probably like China to assume an intermediary role in future flare-ups between India and Pakistan. While China may privately advise Pakistan to minimize tensions, it is less likely to formally involved itself given the nature of its own relationship with India.

In a variety of ways, the United States and its international partners have already attempted to do what China currently aims: to improve security by way of economic prosperity and connectivity in South Asia. The United States should welcome China assuming the region's economic, developmental, and policy risks on its behalf. It means that the United States is not the lone voice when whispering to the Pakistanis that they need to sort it out with India, or when they need to secure the border with Afghanistan.

**We should acknowledge, however, that while the security interests of China and the United States in South Asia do overlap for now, they are by no means shared.** The two countries have different definitions of terrorism and of which groups within the region's toxic cocktail of militants are deemed terrorists. And ultimately, the United States and China have different ideological and practical approaches of how to pursue their security interests. The technologies and tools of authoritarianism that China intends to use to get there are a direct threat to U.S. interests and should be for Pakistan as well. We must also consider to what extent greater Chinese influence in Pakistan relates to the ongoing development of Pakistan's nuclear program, of which China continues to be a staunch supporter of.

On the India-Pakistan front, some experts believe that an economically prosperous Pakistan will find India less threatening and as a result, will minimize Indo-Pak tensions and result in a win-win for everyone, including the United States. A counter to this view is that Pakistan's Chinese-enhanced military capabilities coincide with a deepening anti-Muslim Hindu nationalism movement in India, acknowledgement and fears of which has taken root in the Pakistani military and other policy circles. This could lead both countries to become further entrenched in their

[20] This would include infrastructure development assistance, nuclear power plants, joint manufacturing of warplanes, and procurement of submarines; https://www.rferl.org/a/imf-team-to-visit-pakistan-for-talks-on-support-package/29882017.html

hostile positions rather than soften them, especially if political strength of the governments depends on reacting strongly to religious tensions. Ultimately, we should not presume that economic factors alone can solve regional conflicts that are rooted in complex histories and politics.

Chinese influence in Pakistan changes the rules of the game for the United States and other countries seeking engagement and cooperation with Pakistan. The parameters within which the United States and Pakistan have dealt with one another since 9/11 have largely been defined on American terms and Pakistani acquiescence. But they may now come to be defined increasingly by Chinese ones as well. The United States must be prepared for how that transforms the political, economic, and cultural systems that it has become accustomed to understanding and working with in Pakistan. Simply put, after CPEC is said and done, what kind of Pakistan does the United States want to end up having to contend with and, more importantly, why?

Growing Chinese influence begs for a sustained American effort to observe and collect information (intelligence and otherwise) on the actual economic, political, and cultural impacts of CPEC. It also demands different kind of foreign aid and suite of policy measures in Pakistan that speak beyond counterterrorism and Afghanistan to include a focus on the institutions, stakeholders, and values most threatened by Chinese influence.

As this testimony shows, the door is not shut for the United States in Pakistan. Despite its complicated historical relationship with the United States, Pakistan understands it is not in a position to isolate the United States through China. The United States should consider the arrival of CPEC as a reminder of its failure to think long-term and strategically about a part of the world it can no longer ignore. Rethinking U.S. policy in South Asia will not only contend with growing Chinese influence, it will also ensure that the United States does not become an afterthought in the region's new competitive geopolitical environment.

Mr. SHERMAN. Thank you.

Dan Kliman—Dr. Dan Kliman, when we invited him, was with the Center for a New American Security. I believe just yesterday, he became director of the Asia-Pacific Security Program at CNAS.

Dr. KLIMAN.

**STATEMENT OF DANIEL KLIMAN, PH.D., SENIOR FELLOW, ASIA-PACIFIC SECURITY PROGRAM, CENTER FOR A NEW AMERICAN SECURITY**

Mr. KLIMAN. Thank you very much, Chairman Sherman, Ranking Member Yoho, distinguished members of the subcommittee. I am grateful for this opportunity to be here today to speak to China's expanding influence in the Indo-Pacific. Today I will focus my remarks on Southeast Asia.

If Southeast Asia succumbs to China's vision of a world defined by might makes right—might makes right, State-driven economic interactions, and creeping authoritarianism, America's approach to the larger challenge posed by China in the Indo-Pacific and beyond will encounter a significant setback. Conversely, if most nations in Southeast Asia can chart their own freedom of choice and move toward more democratic types of governance, the United States will demonstrate in Beijing's periphery that a rules-based order can still endure. The stakes could not be higher.

I want to now make five quick observations about the regional State of play. First, Beijing has adopted an approach to Southeast Asia that leverages every instrument of national power. Second, physical and digital connectivity has emerged as a key component of China's approach to the region. Third, China is corroding democracy in Southeast Asia. Under what it now calls the Digital Silk Road, China is exporting technology to the region for surveillance and censorship, and also promoting its model of online governance.

Fourth, Southeast Asia generally perceives that China has momentum on its side, which brings me to my fifth point, that the reality is more nuanced. The United States retains significant strengths in the region, both diplomatic and economic, and most countries in Southeast Asia do not want to see a Chinese sphere of influence extended over their region.

Today, America's approach to Southeast Asia contains a number of promising areas, but falls well short of matching the scope and scale of the China challenge. Here are 10 steps that Congress could take to strengthen America's approach going forward. First, Congress should appropriate resources to establish a new U.S. digital development fund that would support information connectivity projects across the developing world, including in Southeast Asia. This fund, potentially through leveraging lines of credit, could drive down the price of American digital infrastructure to the point where they could compete with Chinese companies like Huawei.

Second, Congress, through its oversight function, should encourage the executive branch to come together with U.S. ally and partner governments around an international certification for high-quality infrastructure. A clear set of criteria defining high quality would both help U.S. firms differentiate what they offer and also serve as a basis for countries in Southeast Asia to evaluate potential Chinese projects.

Third, Congress should convene a hearing to weigh the merits of future high-quality, multilateral trade and investment agreements.

Fourth, Congress should host U.S. industry executives to explore the possibility of opening a wing of a marquee U.S. hospital in the Philippines or Indonesia. Given the lack of a world-class health system in these countries, a U.S. medical presence would deliver significant diplomatic payoffs.

Fifth, Congress should appropriate additional funds to enhance youth engagement with Southeast Asia as people-to-people ties are fundamental to U.S. engagement with the region.

Sixth, congressional delegations to Tokyo, Canberra, and New Delhi should emphasize the importance of cooperation with these countries in Southeast Asia.

Seventh, Congress should send a letter to the Secretary of Defense requesting a classified briefing on U.S. military options to supplement freedom of navigation operations in the South China Sea. During this briefing, Members should encourage the Department to deploy new types of capabilities to the region that demonstrate the flexibility of America's military presence.

Eighth, Congress, recognizing Vietnam's strategic importance, should exempt it from CAATSA sanctions, and also hold a hearing on how to strike the right balance between advancing America's relationship with Hanoi and also upholding human rights.

Ninth, Congress should submit a letter to the Secretary of State to request an update on the U.S. Government's efforts to help countries in Southeast Asia both detect and counter Chinese disinformation campaigns.

And then tenth and finally, Congress should appropriate additional resources to strengthening civil society, rule of law, and freedom of the press in Southeast Asia. Even a modest increase in U.S. funding would go a long way toward shoring up these countries against China's influence.

I will end there, and thank you again for this opportunity.

[The prepared statement of Mr. Kliman follows:]

Center for a New American Security

May 8, 2019

**Addressing China's Influence in Southeast Asia: America's Approach and the Role of Congress**

Prepared statement by
**Daniel Kliman***
*Acting Program Director and Senior Fellow*
*Asia-Pacific Security Program, Center for a New American Security*

Before the
**U.S. House of Representatives Committee on Foreign Affairs**
**Subcommittee on Asia, the Pacific, and Nonproliferation**

**Hearing on "China's Growing Influence in Asia and the United States"**

Chairman Sherman, Ranking Member Yoho, distinguished members of this subcommittee, I am grateful for this opportunity to address you about China's expanding influence in the Indo-Pacific. This region – encompassing a majority of the world's population and many of its top economies – has become the epicenter of a U.S.-China competition to shape the rules and values of the 21st century. Although China's expanding influence presents a broad and pressing challenge to American interests across the region, I will focus my remarks today on Southeast Asia.

## I. WHY SOUTHEAST ASIA

Compared to the rest of the Indo-Pacific, Southeast Asia has emerged as a uniquely contested space. A region where geopolitical orientations remain fluid, Southeast Asia lies at the front line of Beijing's expanding diplomatic influence, economic leverage, and military capability. China's geographic proximity and ambitions to carve out a geopolitical sphere of influence – coupled with the lack of a major power within Southeast Asia that is highly capable and inclined to vigorously resist Beijing's hegemony – renders the region particularly vulnerable.

If Southeast Asia succumbs to China's vision of a world defined by might makes right, state-driven economic interactions, and creeping authoritarianism, America's larger approach to the challenge posed by Beijing in the Indo-Pacific and beyond will encounter a major setback. U.S. security, prosperity, and values would in turn come under pressure. A Chinese sphere of influence centered in Southeast Asia would diminish America's alliances and partnerships in the region, place U.S. companies at a disadvantage in critical markets, and radiate illiberalism outward.

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* The views presented in this testimony are mine alone and do not represent those of CNAS or any other organizations with which I hold an affiliation. My testimony draws heavily on a report co-authored with Patrick Cronin, Abigail Grace, and Kristine Lee – I am indebted to them. In putting together this testimony, I have leveraged CNAS research supported by a number of funders, including the Government of Japan, the Sasakawa Peace Foundation, the U.S. State Department, and the Quadrivium Foundation. CNAS is a national security research and policy institution committed to the highest standards of organizational, intellectual and personal integrity. The Center retains sole editorial control over its ideas, projects, and productions, and the content of its publications reflects only the views of their authors.



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Conversely, if most nations in Southeast Asia can retain their economic sovereignty and freedom of choice and move toward more open and democratic forms of governance, the United States will demonstrate to China and the world that even in Beijing's periphery, a rules-based order can endure. The success or failure of America's approach toward Southeast Asia thus looms large.[1]

## II. CHINA'S APPROACH TO SOUTHEAST ASIA

This section contains three observations about China's approach to the region.

1) Beijing has adopted a well-resourced and comprehensive approach to Southeast Asia that aims to draw large segments of the region into its sphere of influence. China's strategy toward the region leverages every instrument of national power. Militarily, Beijing has enhanced its capacity to project power into Southeast Asia through building artificial island outposts more than 500 miles from its southern coast. China has also vastly expanded its coast guard and maritime militia, creating a new, more flexible tool to pressure Southeast Asian countries while minimizing the risk of a military clash.[2] Economically, Beijing has offered countries across Southeast Asia inducements in the form of regional trade liberalization and investment pledges. The flipside has been the omnipresent threat – and occasional use -- of economic coercion by China to achieve its priorities.[3] Diplomatically, China has sown enduring divisions among members of the region's premier multilateral organization, the Association of Southeast Asian Nations (ASEAN), by providing political cover to country leaders willing to tow Beijing's line. With more limited success, China has attempted to drive wedges in U.S. alliances with the Philippines and Thailand. Lastly, Beijing has leveraged traditional public diplomacy and other influence tools such as Confucius Institutes to promote more favorable views of its regional objectives.[4]

2) Infrastructure connectivity has emerged as a key component of China's approach to the region. Southeast Asia is a primary focus of the Belt and Road – Beijing's vision of a world connected by a web of Chinese-funded physical and digital infrastructure. Through its infrastructure investments, China has obtained leverage over some countries in Southeast Asia: projects in Malaysia, Burma, Cambodia, Indonesia, and Laos, among others, have come under scrutiny for saddling recipient countries with unsustainable debt to Chinese state-owned enterprises (SOEs). Through the construction and operation of strategic ports in Southeast Asia, China also probably seeks to put in place a network of support and replenishment facilities for the People's Liberation Army (PLA) Navy, though it is unlikely to succeed in obtaining a Djibouti-style base. China is now contending, in Southeast Asia and beyond, with a backlash against the Belt and Road stemming from the debt, corruption, erosion of sovereignty, and environmental degradation associated with some projects, and has made tactical adjustments when necessary.[5] While

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[1] Large parts of this testimony include excerpts, language, analysis, and policy recommendations from Patrick Cronin, Abigail Grace, Daniel Kliman, and Kristine Lee, "Contested Spaces: A Renewed Approach to Southeast Asia" (Center for a New American Security, March 2019), https://s3.amazonaws.com/files.cnas.org/CNAS+Report_Contested+Spaces_Asia_Final+(2).pdf.

[2] Andrew Erickson et al., "Surging Second Sea Force: China's Maritime Law-Enforcement Forces, Capabilities, and Future in the Gray Zone and Beyond," *Naval War College Review*: Vol. 72: No. 2, Article 4. (2019), https://digital-commons.usnwc.edu/nwc-review/vol72/iss2/4.

[3] Peter Harrell, Elizabeth Rosenberg, and Edoardo Saravalle, "China's Use of Coercive Economic Measures" (Center for a New American Security), 9, https://s3.amazonaws.com/files.cnas.org/documents/China_Use_FINAL-1.pdf?mtime=20180604161240.

[4] Prashanth Parameswaran, "China Plays Up ASEAN Confucius Institute Presence With Laos Project," *The Diplomat*, October 6, 2017, https://thediplomat.com/2017/10/china-plays-up-asean-confucius-institute-presence-with-laos-project/; Cronin, Grace, Kliman, and Lee, "Contested Spaces."

[5] Daniel Kliman, Rush Doshi, Kristine Lee, and Zack Cooper, "Grading China's Belt and Road" (Center for a New American Security, April 2019), https://s3.amazonaws.com/files.cnas.org/CNAS+Report_China+Belt+and+Road_final.pdf; Yuichi Nitta, "Myanmar

seeking to rebrand the Belt and Road, Beijing has placed a growing emphasis on digital connectivity in Southeast Asia and globally. Chinese-involved projects in the region range from telecommunications equipment to data centers to urban public security networks to undersea cables.[6] Finally, the growing digital thrust of the Belt and Road will enhance Beijing's ability to set information technology standards in the region and has the potential to compromise the networks of American allies and partners in Southeast Asia.[7]

3) China is increasingly shaping domestic governance across the region in ways inimical to democracy. Beijing has backed authoritarian leaders in Southeast Asia to advance its interests. In advance of the July 2018 Cambodian election, Chinese hacking groups compromised multiple Cambodian election entities and political groups critical of Prime Minister Hun Sen, one of ASEAN's strongest defenders of Beijing's influence. China has also frustrated U.S. efforts to reverse democratic backsliding by its allies. The prospect of closer economic cooperation with Beijing has reduced America's ability to exert pressure against the military junta in Thailand and the government of Rodrigo Duterte in the Philippines. In Southeast Asia – as is the case elsewhere – the Belt and Road has served as a conduit for corruption. For example, projects in Malaysia appear to have been contracted at inflated prices so that some of the surplus funds could be used to cover up embezzlement by top political leaders.[8]

Looking forward, the digital element of the Belt and Road will become a critical vector for China to reshape governance in the region. Under what it now calls the "Digital Silk Road," China is exporting information technology for surveillance and censorship. Beijing's high-tech illiberalism is especially pernicious because many countries in Southeast Asia remain ambivalent about models of online governance. As China's information technology companies become key players in the region, Beijing is increasingly positioned to nudge Southeast Asia toward a more statist vision of the internet, where governments curate content and other stakeholders in the digital space, such as civil society, are sidelined. Southeast Asia in 2018 registered a democratic decline. Although Beijing's activities are only one factor contributing to this outcome, China is well-positioned to bend the arc in the region toward a future that is less open and free.[9]

## III. THE REGIONAL STATE OF PLAY

This section makes three observations about regional dynamics and trends in Southeast Asia amid U.S.-China great power competition.

1) Southeast Asia generally perceives that China has momentum on its side. Beijing's actions across multiple domains and issue areas have convinced large parts of Southeast Asia to accept – even if grudgingly – the need to accommodate rising Chinese power. Most visibly, Beijing in the South China Sea has systemically demonstrated to the region American unwillingness to confront its expansion. In recent years, China has militarized its artificial island outposts in this strategic waterway, even as the United States has criticized its actions and undertaken more regular freedom of navigation operations (FONOPs). In the economic domain, China has emerged as Southeast Asia's largest trading partner and advanced a vision for regional

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Cuts Cost of China-funded Port Project by 80%," *Nikkei Asian Review*, September 28, 2018, https://asia.nikkei.com/Spotlight/Belt-and-Road/Myanmar-cuts-cost-of-China-funded-port-project-by-80.

[6] For a comprehensive rundown of Chinese-involved projects, see "Mapping China's Tech Giants," Australian Strategic Policy Institute, accessed May 6, 2019, https://chinatechmap.aspi.org.au/#/map/.

[7] Cronin, Grace, Kliman, and Lee, "Contested Spaces"; Daniel Kliman and Abigail Grace, "Power Play: Addressing China's Belt and Road Strategy" (Center for a New American Security, September 2018), https://s3.amazonaws.com/files.cnas.org/documents/CNASReport-Power-Play-Addressing-Chinas-Belt-and-Road-Strategy.pdf?mtime=20180920093003.

[8] Cronin, Grace, Kliman, and Lee, "Contested Spaces."

[9] Cronin, Grace, Kliman, and Lee, "Contested Spaces"; Tomomi Kikuchi, "Southeast Asian democracy in decline under repressive regimes," *Nikkei Asian Review* (January 19, 2018), https://asia.nikkei.com/ Politics/International-Relations/Southeast-Asian- democracy-in-decline-under-repressive-regimes.

infrastructure connectivity under what Beijing calls "One Belt, One Road." This occurred against the backdrop of American withdrawal from the Trans-Pacific Partnership (TPP) trade and investment agreement and left Southeast Asian countries without a perceived economic alternative to China. Beijing's narrative to publics and elites across the region reinforces its actions on the ground, emphasizing the need to accept China's inevitable ascent.[10]

2) But the on-the-ground reality in Southeast Asia is more mixed. Beijing's influence within the region has expanded in significant ways that at times place the United States on the strategic back foot. Yet the emergence of a Chinese sphere of influence over Southeast Asia is not preordained. Indeed, the United States retains significant areas of strength. Between 2010 and 2017, it was the largest external source of cumulative foreign direct investment (FDI) in the 10-member Association of Southeast Asian Nations (ASEAN).[11] Moreover, the United States together with its allies – Japan, Australia, and the European Union – occupy a larger share of ASEAN's trade than China does.[12] Compared to China, the United States remains the security provider of choice for most of the region, and its network of alliances and partnerships – though eroding in some cases – remains unrivaled. Washington remains more popular than Beijing in key countries such as Vietnam and the Philippines, and where China comes out ahead of the United States in opinion polling, it trails Japan.[13] Most importantly, grudging accommodation of Beijing differs sharply from actively abetting the consolidation of Chinese power across the region. Countries in Southeast Asia generally prefer a future in which they can chart their own destinies. This vision is ultimately more closely aligned with America's vision than with China's.[14]

3) Despite their discomfort with China's ambitions in the region, many countries in Southeast Asia remain reluctant to align overtly against Beijing. This dynamic reflects a number of factors. Even if not fully grounded in reality, perceptions of China's inevitable ascent and America's concomitant decline reduce willingness to cooperate with the United States in ways that might antagonize Beijing. At the same time, dependence on China for trade and investment renders countries fearful of, and vulnerable to, Beijing's use of economic coercion.[15] In addition, countries in Southeast Asia worry about the military spillover of a revived great-power competition centered in the region. Lastly, enduring commitment to the centrality of ASEAN inclines countries to dismiss new groupings – in particular, the quadrilateral dialogue that brings together the United States, Japan, Australia, and India (the "Quad") – that could help serve as a counterweight to China. The net result is that countries across the region are refraining from taking action – unilaterally, within ASEAN, with the United States, and with other external powers – to become more resilient to pressure from Beijing and to reinforce alternative visions of regional order, to the detriment of their long-term freedom of choice.[16]

## IV. GETTING AMERICA'S APPROACH TO SOUTHEAST ASIA RIGHT

Over the past decade, America's policies toward Southeast Asia have been overwhelmingly influenced by its geopolitical priorities in neighboring regions. This approach has resulted in a piecemeal vision, never quite amounting to a resounding U.S. presence within the region, but sufficient to maintain core aspects of

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[10] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[11] "ASEAN Investment Report 2018," (United Nations Conference on Trade and Development, November 2018), 55, https://unctad.org/en/PublicationsLibrary/unctad_asean_air2018d1.pdf.
[12] Calculation based on figures from "ASEAN Key Figures 2018," (The ASEAN Secretariat, December 2018), 34, https://www.aseanstats.org/wp-content/uploads/2018/12/ASEAN-Key-Figures-2018.pdf.
[13] Richard Wike et al., "U.S. Image Suffers as Publics Around World Question Trump's Leadership," (Pew Research Center, June 2017), https://www.pewglobal.org/2017/06/26/u-s-image-suffers-as-publics-around-world-question-trumps-leadership/
[14] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[15] Kliman et al., "Contested Spaces: A Renewed Approach to Southeast Asia."
[15] Harrell, Rosenberg, and Saravalle, "China's Use of Coercive Economic Measures."
[16] Cronin, Grace, Kliman, and Lee, "Contested Spaces."

political, security, and economic engagement. For Southeast Asian countries nervous about the long-term implications of an ascendant China, the perceived absence of a U.S. vision for the region has heightened immediate fears of abandonment. U.S. oscillation in its assessment of ASEAN as the primary vehicle for regional engagement has also fed broader concerns that America's approach to the wider Indo-Pacific could jeopardize ASEAN centrality.[17]

After reaching a high point during the Obama presidency, U.S. engagement with the region lost momentum at the outset of the Trump administration. That has since changed, as the Trump administration has come to recognize that its overall effort to compete with China will falter if it fails to get Southeast Asia right.[18] Today, America's approach toward the region contains a number of promising areas, including infrastructure financing, digital connectivity, energy, and a broad interest in working with allies and partners across the diplomatic, economic, and military domains. Even so, America's approach at present falls well short of matching the scope and scale of the challenge China poses to U.S. interests and values in Southeast Asia and the Indo-Pacific more generally.

Although the Executive Branch bears primary responsibility for American foreign policy, Congress can play a vital role in shaping the U.S. approach to Southeast Asia. This section advances ten targeted recommendations that directly involve Congress.

<u>Economics</u>

1) **Congress should convene hearings to weigh the merits of the United States rejoining the TPP – now called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).**[19]

For countries in Southeast Asia, U.S. participation in multilateral trade and investment agreements remains the gold standard for American economic engagement. With bipartisan recognition of the China challenge, there is a unique opportunity for members of Congress on both sides of the aisle to draw a sharp distinction for domestic audiences between China's unfair trading practices, which have directly undermined the livelihoods of large numbers of Americans, and the overwhelming benefits derived from economic engagement with U.S. allies and partners.[20]

2) **Congress through its oversight function should encourage the executive branch to come together with U.S. ally and partner governments around an international certification for high-quality infrastructure.**

A clear set of criteria defining high-quality infrastructure projects would help to differentiate the activities of U.S. companies operating in Southeast Asia and beyond. An internationally-recognized certification would also establish a benchmark whereby Southeast Asian countries could assess the pros and cons of future infrastructure projects involving China.[21]

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[17] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[18] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[19] Ely Ratner also makes this recommendation in his testimony before the Senate Armed Services Committee. See "Blunting China's Illiberal Order: The Vital Role of Congress in U.S. Strategic Competition with China," Statement to the Senate Armed Services Committee, Hearing on "China and Russia," January 29, 2019, https://www.armed-services.senate.gov/imo/media/doc/Ratner_01-29-19.pdf.
[20] Kliman and Grace, "Power Play."
[21] Kliman and Grace, "Power Play."

**3) Congress should appropriate resources to establish a new U.S. digital development fund that would support information connectivity projects across the developing world, including Southeast Asia.**

With the Digital Silk Road as a vector for spreading China's high-tech authoritarianism and compromising the telecommunications security of American allies and partners, it is imperative that the United States respond. In Southeast Asia, as in much of the developing world, this means driving down the price of American digital infrastructure in order to compete with subsidized Chinese firms such as Huawei. Congress could play a vital role by enacting legislation to stand up a new U.S. digital development fund that would support – potentially with lines of credit – information connectivity projects in the developing world undertaken by companies that are headquartered in countries committed to rule of law and globally recognized norms of online freedom and privacy.[22]

Diplomacy

**4) Congress should call for the U.S. government to elevate health care as an area for engagement with Southeast Asia.**

Access to quality health care remains a significant challenge throughout much of Southeast Asia. Consequently, increased U.S. backing for key health care programs in the region would deliver significant diplomatic dividends. Beyond appropriating additional resources for U.S. health care outreach in Southeast Asia, Congress could host U.S. industry executives to explore the possibility of opening a wing of marquee American hospital in the Philippines or Indonesia, countries of regional strategic importance where access to world-class health care is entirely lacking.[23]

**5) Congress should appropriate additional funds to enhance youth engagement with the region.**

Although U.S. bilateral ties with specific countries in Southeast Asia vary widely depending on electoral outcomes and human rights track records, people-to-people ties forged through established scholarship programs are a foundational component of U.S. regional engagement and can serve as ballast when official relations are in flux. The U.S. State Department's Young Southeast Asian Leaders Initiative (YSEALI) and other consortium-based initiatives such as Fulbright University Vietnam have proved successful models for engaging the rising generation of Southeast Asians, but the United States needs to expand and invest more into these types of programs.[24]

**6) Congress should promote cooperation between the United States and its Indo-Pacific allies and partners in Southeast Asia.**

Deepening American cooperation with Japan, Australia, and India – bilaterally, trilaterally, in the context of the Quad, and with additional partners – holds significant potential to contribute to a favorable power balance in Southeast Asia that enables the region to chart its own course. Areas for U.S. coordination with these Indo-Pacific allies and partners run the gamut from infrastructure financing to capacity building to upholding international maritime law. Congressional delegations to Tokyo, Canberra, and New Delhi should emphasize the importance of cooperation in Southeast Asia.

Security

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[22] Kliman and Grace, "Power Play."
[23] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[24] Cronin, Grace, Kliman, and Lee, "Contested Spaces."

**7) Congress should encourage the U.S. Department of Defense to supplement FONOPs in the South China Sea.**

Although U.S. FONOPs continue to send a welcome signal of reassurance to Southeast Asia and American allies and partners in the wider Indo-Pacific and beyond, they have diminishing marginal returns. Nations have become accustomed to them, and FONOPs have not fundamentally altered Beijing's course in the South China Sea. Congress should send a letter to the Secretary of Defense requesting a classified briefing from senior civilian and uniformed leaders on U.S. military options to supplement FONOPs. During the briefing, members of Congress should encourage the Department of Defense to deploy new types of capabilities to the region that demonstrate the flexibility and variability of America's rotational military presence.[25]

**8) Congress should revisit U.S.-Vietnam relations through the prism of great power competition with China in Southeast Asia.**

Among the nations of Southeast Asia, Vietnam is best positioned to develop capabilities to complicate PLA operations in peacetime, crisis, and conflict, due to a combination of its geography, existing force structure, growing military expenditures, and threat perceptions of China. The U.S.-Vietnam relationship has improved markedly in recent years, but challenges remain, including Hanoi's purchase of Russian arms imports, and its human rights track record. Congress should continue to exempt Vietnam from economic punishment under the Countering America's Adversaries Through Sanctions Act (CAATSA), as the consequences to the larger U.S. security relationship with Vietnam would be devastating. In addition, Congress should convene a hearing on Vietnam with a focus on how to strike the right balance between advancing a strategic relationship with Hanoi and upholding American values.[26]

<u>Information and Values</u>

**9) Congress should conduct oversight of U.S. government efforts in Southeast Asia to bolster resilience to Chinese disinformation campaigns.**

As Chinese technology companies become a growing part of the digital ecosystem in Southeast Asia, societies in the region will confront a heightened risk that Beijing will seek to shape their domestic information environment to advance its geopolitical ambitions. The United States should help countries across the region identify Chinese online influence campaigns and counter disinformation emanating from Beijing. Congress should submit a letter to the Secretary of State to request a written update and briefing on the U.S. government's activities to inoculate countries in Southeast Asia against Chinese disinformation campaigns.[27]

**10) Congress should appropriate additional resources for the National Endowment for Democracy, the National Democratic Institute, and International Republican Institute, expressly for strengthening good governance in Southeast Asia.**

As elsewhere, in Southeast Asia, Beijing has a relatively freer hand in countries where it can capture elites and make backroom deals. Conversely, countries with robust domestic institutions are best positioned to engage China on their terms. Even a modest increase in U.S. funding to support rule of law, transparency, accountability, freedom of the press, and civil society in Southeast Asia would go a long way toward shoring up countries against Chinese influence.[28]

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[25] One potential model for this is the participation and test firing of the U.S. High Mobility Artillery Rocket System (HIMARS) during the 2016 Balikatan exercise in the Philippines – the first time this capability had deployed to the Pacific. Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[26] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[27] Cronin, Grace, Kliman, and Lee, "Contested Spaces."
[28] Kliman and Grace, "Power Play."



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**Biography**

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**Daniel Kliman** is the Acting Program Director and Senior Fellow in the Asia-Pacific Security Program at the Center for a New American Security (CNAS). He is an expert in Asia-Pacific strategy, with a particular focus on U.S. competition with China. Kliman is also an officer in the U.S. Navy Reserve.

Before joining CNAS, Kliman worked in the Office of the Under Secretary of Defense for Policy, where he served as Senior Advisor for Asia Integration. He was the principal Asia expert for development and implementation of the Third Offset strategy and executed multiple international engagements focused on defense innovation. He also advised DoD leadership on maritime security issues.

Prior to his time at the DoD, Kliman worked at the German Marshall Fund of the United States (GMF), first as a Transatlantic Fellow, and then as a Senior Advisor with the Asia Program. At GMF, Kliman launched a new line of research on emerging powers. He also created the Young Strategists Forum, a program to educate emerging leaders from the United States, Japan, and other major democracies about geopolitical competition in the Asia-Pacific region.

Kliman has authored two books, *Fateful Transitions: How Democracies Manage Rising Powers, from the Eve of World War I to China's Ascendance*, and *Japan's Security Strategy in the Post-9/11 World: Embracing a New Realpolitik*. He has also published in prominent outlets such as *The Washington Post*, *The Wall Street Journal*, *Politico*, Foreignpolicy.com, and CNN.com.

Kliman received a PhD in Politics from Princeton University and holds a BA in Political Science from Stanford University. He lives in Washington, DC, with his wife and daughter.

Mr. SHERMAN. Thank you. And I am particularly interested in the idea of the U.S. Government setting standards for a high-quality infrastructure. That was perhaps the least expensive but I think one of the most intriguing of your suggestions.

We will now go on to Peter Mattis, who is a research fellow in China studies at the Victims of Communism Memorial Foundation.

**STATEMENT OF PETER MATTIS, RESEARCH FELLOW IN CHINA STUDIES, VICTIMS OF COMMUNISM MEMORIAL FOUNDATION**

Mr. MATTIS. Thank you, Chairman Sherman, Ranking Member Yoho, and distinguished members of the subcommittee. It is a pleasure and an honor to return to the subcommittee today to speak on this particular topic.

I will make a few points before going on to the impact on the United States. The first is that the Chinese Communist Party attempts to build political influence on a global scale to bring about, first, the great rejuvenation of the Chinese nation, which essentially means China's rise on its terms and its way while maintaining its own political system. And the second is to keep the Chinese Communist Party in power to do that.

The party's view of threat is defined by its absence, the absence of threats to the party's ability to govern, which when you think about that is a very expansive definition. We think of national security as being our ability to manage threats and resilience in the face of catastrophe. The absence of threats is a never-ending goal that forces them to look outward.

The second aspect of it that is important is that threats to the party's ability to govern includes the world of ideas. What does the party say that those ideas that are threatening? It includes freedom of press, freedom of association, academic freedom, rule of law, constitutionalism, among many others. So as long as these are practiced somewhere and can be translated or transmitted into the PRC, then there is going to be conflict and there is going to be an effort by the party to reach out.

This effort to shape the world beyond the party is part of the party's day-to-day routine. It is not an influence campaign. It is not a one-off operation. It is simply what the party does. It is visible in the structure, it is visible in the resources, it is visible in the staff. Wherever you see a party committee, whether it is at the center of the Chinese Communist Party itself, whether it is in a ministry, whether it is in a State-owned enterprise, or whether it is in a joint venture, you are likely to find a piece of this influence effort being bureaucratically designated inside that apparatus.

So since, again, wherever the party is, this is something that you are going to find and see, how have these efforts affected us? We have been persuaded that the Chinese Communist Party is not ideological, it is not Marxist or Leninist, but is really some variation of capitalist. We have not responded to violence, coercion, or intimidation by or instigated by PRC officials against U.S. citizens and residents on U.S. soil. We often debate our China policy in binary terms, engagement versus containment, a trade war versus negotiation, accommodation versus war.

And last, we are persuaded that China's rise is inevitable, not something that is contingent, meaning we do actually have choices and we do have options and we have not given up our agency.

What is the harm of not dealing with these kinds of operations? The most obvious one to me is that when elected representatives in a democracy go through the Chinese Communist Party proxy groups that are operating in the U.S. or Australia or wherever else, and that is their access to their ethnically Chinese constituents, you are becoming a tool of the party, because those images that are transmitted back into China paint the picture that the West cares about liberalism and protection of human rights for themselves, but it does not matter for Chinese people. They are becoming political props that the party can hold up and say, see here, they could rescue you, they are on our side.

The second major piece of harm is that they distort the marketplace of ideas, whether it is the kind of examples that Chairman Sherman pointed out with Hollywood, or it is the effort to control Chinese language media platforms, or to influence what think tanks and research institutes and universities are doing and saying. It is not that they are necessarily just turning these things into propaganda platforms, but they are ensuring that critical voices and the full spectrum of views are not aired, thereby distorting the debate.

A key part of this influence effort is not about the dissemination of disinformation or propaganda. It is about the medium and controlling the medium before dealing with the message. How should we deal with this going forward? I would offer a couple of principles. The first is that we need transparency, a conversation/discussion about what the party is doing, what people's interactions with the party are, what kind of money they take and for what purpose.

The second is that consequences create risk. Beijing has not overstepped. It has not gone too far, because it has not faced consequences. Until there are real consequences for these issues, there will never actually be a risk that they have to take into account.

And the third and final one is simply that if you think about a foreign political party operating in our communities and on our streets, this is as much a civil liberties issue as it is a national security one, and so we should use the full toolkit of the U.S. Government to protect our citizens and to preserve the integrity of our democracy.

[The prepared statement of Mr. Mattis follows:]

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# "China's Growing Influence in Asia and the United States"
# May 8, 2019

*House Foreign Affairs Committee*
*Subcommittee on Asia, the Pacific, and Nonproliferation*

Prepared statement by
Peter Mattis
Research Fellow, China Studies
Victims of Communism Memorial Foundation

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## I. OVERVIEW

Chairman Sherman, Ranking member Yoho, distinguished members of the Committee, thank you for inviting me to appear before you again. The Chinese Communist Party's influence and, particularly, its political interference in the United States is an important topic as we establish a new baseline for U.S.-China relations. Any sustainable, long-term strategy for addressing China's challenge requires the integrity of U.S. political and policymaking processes. This requires grappling with the challenges posed by the party's efforts to shape the United States by interfering in our politics and domestic affairs.

The United States, its political and business elite, its thinkers, and its Chinese communities have long been targets for the Chinese Communist Party. The party employs tools that go well beyond traditional public diplomacy efforts. Often these tools lead to activities that are, in the words of former Australian prime minister Malcolm Turnbull, corrupt, covert, and/or coercive. Nevertheless, many activities are not covered by Turnbull's three "Cs" but are still concerning and undermine the ability of the United States to comprehend and address Beijing's challenge.

Here are a few of the ways in which the Chinese Communist Party has shaped the ways in which Americans discuss, understand, and respond to the People's Republic of China, its rise, and its activities:

- We have been persuaded that the Chinese Communist Party is not ideological and has substituted its Leninist tradition for a variation of capitalism.
- We have not responded to violence, coercion, and intimidation committed or instigated by PRC officials on U.S. soil. These are allegedly criminal acts committed by a foreign

government against our people on our soil, and U.S. authorities did not open criminal investigations.

- We have not responded to PRC education officials intimidating Chinese students on university campuses, despite this activity not being consistent with their diplomatic status.
- We have changed our laws at the state level to facilitate the Confucius Institute program to help the party build beachheads inside universities.
- We often debate our policy options toward China in binary terms: engagement vs containment; trade war or negotiation; accommodation or war; etc.

Most of my statement will focus on the policies and actions of the Chinese Communist Party for two reasons. First, as Americans, we are still not prepared to accept the party has sought to shape and influence U.S. political and business elite for decades. We are still in a process of building awareness and consensus about the nature of the problem. Second, it is not my place to name names of individuals and institutions before Congress. The U.S. Government has the resources and authority to investigate and analyze the party's challenge.

The central element to understanding what the Chinese Communist Party is doing and why to shape the world outside the party is united front work. Mao Zedong described the purpose of this work as mobilizing the party's friends to strike at the party's enemies. In a more specific definition from a paper in the 1950s, the Central Intelligence Agency defined united front work as "a technique for controlling, mobilizing, and utilizing non-communist masses." Put another way, united front policy addresses the party's relationship with and guidance of any social group outside the party. The most important point here is that what needs to be shaped is not just the Chinese people or world outside the People's Republic of China, but rather those outside the party.

United front work also is a tool of political struggle. It is not just a question of activities that we would call propaganda or public diplomacy. Nor is it limited to what we would call covert action. As Mao wrote in 1939: "Our eighteen years of experience show that the united front and armed struggle are the two basic weapons for defeating the enemy. The united front is a united front for carrying on armed struggle. And the Party is the heroic warrior wielding the two weapons, the united front and the armed struggle, to storm and shatter the enemy's positions. That is how the three are related to each other." Mao's basic framing of united front work within the party's toolbox remains the core understanding within the party today. Jiang Zemin, Hu Jintao, and Xi Jinping all have characterized united front work as a "magic weapon" to facilitate China's rise in the midst of an international ideological battleground.

United front activities help the party resolve several dilemmas of the post-Mao era and that became ever more apparent after the Tiananmen Massacre and the passing of Deng Xiaoping. These are

fundamental questions for the Chinese Communist Party, and they speak to why the party must spend so much effort trying to shape the world beyond the membership of the party.

1. How to motivate and mobilize the Chinese population without the ideological fervor of the Mao Zedong era?
2. How to benefit from the outside world while screening out influences and ideas that might damage the party's positions?
3. How to enlist the outside world in supporting China's rise and keeping those doors open even as the party continues to be repressive?

## II. MAGIC WEAPON FOR NATIONAL REJUVENATION

Achieving the "Great Rejuvenation of the Chinese Nation" (中华民族伟大复兴) has two significant components. The first is making China a great power with global reach. The second is doing so with the Chinese Communist Party at the helm.

The party defines the "Great Rejuvenation of the Chinese Nation" as having three components. The first is building "a great, modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious, and beautiful." Although many of these words are self-explanatory, others like democratic, culturally advanced, and harmonious mean something very different in the party's context than in the American context. "Democratic" is consultative democracy in which the party leads, and other political inputs are provided through controlled mechanisms like the united front policy system. "Culturally advanced" and "harmonious" define the party's relationship with society and the ways in which Chinese people conduct themselves. The second is national reunification of all areas claimed by Beijing, regardless whether they were traditionally by China. The third is China's emergence as a global leader in terms of comprehensive national power and international influence.

The following quote from Xi Jinping in 2016 explains what united front work is intended to accomplish in bringing together a unity of effort. When U.S. intelligence officials describe Beijing as presenting a "whole-of-society" challenge, they are describing an important element of what the united front policy system is doing.

> "Attaining the 'Two Centenary Goals' requires that our entire society works together in one heart and one mind. It requires that people of all ethnic groups focus their thoughts and their efforts towards the same goal. A society that lacks common ideals, goals, and values, and that finds itself in permanent disorder will never achieve anything. China has a population of more than 1.3 billion people, and neither the people nor the country would benefit if we ended up like that. To attain our goals… [we must rally] all Chinese people under the leadership of the Chinese Communist

> Party, and motivating all parties to engage in a concerted effort to bring about the rejuvenation of the Chinese nation."

The United Front Work Department, the executive agency for conducting and coordinating these operations, provided a similar description of its purpose and activities:

> "The history of China and foreign countries shows that whether a political power or a political party is good or not, its success or failure ultimately depends on the back of the people. Paying attention to the people's sentiments, obeying the public's will, striving for the people's hearts, maintaining proper flesh-and-blood ties with the masses, and winning the sincere support of the masses is a solid foundation for our country's long-term stability and a fundamental guarantee for the sure victory of our cause."

The second important component of the "Great Rejuvenation of the Chinese Nation" is maintaining the leadership of the Chinese Communist Party. The most important threats to party that must be addressed are the diaspora communities and potentially threatening great powers. The former have the cultural knowledge to introduce subversive ideas that resonate. The latter have the material power to undermine or topple the party-state.

The desire to control the political landscape and protect the party's position found clear definition in China's National Security Law (2015). The law describes security in broad terms that go well beyond physical threats to the territory of the PRC. Security comes from the inside out. Articles Two and Three of the law state: "National security refers to the relative absence of international or domestic threats to the state's power to govern, sovereignty, unity and territorial integrity, the welfare of the people, sustainable economic and social development, and other major national interests, and the ability to ensure a continued state of security. National security efforts shall adhere to a comprehensive understanding of national security, make the security of the People their goal, political security their basis and economic security their foundation; make military, cultural and social security their safeguard…"

This definition has two notable features. First, security is defined by the absence of threats, not by the ability to manage them. This unlimited view pushes the Chinese Communist Party toward preempting threats and preventing their emergence. Second, security issues extend to the domain of ideas—what people think is potentially dangerous. The combination of these themes — preemption in the world of ideas — creates an imperative for the party to alter the world in which it operates—to shape how China and its current party-state are understood in the minds of foreign elites.

One way of making this more concrete is to look at party documents about security threats. In April 2013, "Document No. 9" — "Communiqué on the Current State of the Ideological Sphere" — identified ideas that undermine the party-state's security. Among them were the promotion of constitutional democracy, civil society, and Western concepts of journalism. In the circular's final paragraph, it stated the party should "allow absolutely no opportunity or outlets for incorrect thinking or viewpoints to spread." Although it would be easy to dismiss this document as a one-off or unenforced, in 2015 Beijing abducted and held five Hong Kong booksellers, including foreign passport holders, who sold books ostensibly banned in China. Moreover, Beijing issued new regulations on counter-espionage last December that clarified the Counter-espionage Law (2014) and defined activities threatening national security apart from espionage. Among these was "fabricating or distorting facts, publishing or disseminating words or information that endanger state security." Influencing the outside world, therefore, is not just a historical activity of the party, but an ongoing requirement for national security as defined by the party-state.

## III. INTRINSIC TO THE PARTY'S DAY-TO-DAY OPERATIONS[1]

The Chinese Communist Party's management of political influence operations — evaluated on the basis of the united front policy system — runs to the very top of party, involving senior leaders directly. The policy systems extends through the party's hierarchy and spills over into the government ministries of the People's Republic of China as well as other state-owned and -administered organizations. Put simply, united front work is conducted wherever the party is present. Moreover, united front work is not an "influence operation" or a campaign. It is the day-to-day work of the party. There are not special orders explaining what to do to achieve what objectives or the equivalents of a presidential finding.

At the leadership level, four elements point to the importance of united front work and shaping the world outside the Chinese Communist Party.

1. A Politburo Standing Committee Member Oversees United Front Work: The senior-most united front official is the Chinese People's Political Consultative Conference (CPPCC) chairman, who is the fourth-ranking PBSC member. A look at the leaders who have held the CPPCC chairmanship suggests that Western observers have been far too quick to condemn the CPPCC as a mostly-useless advisory body. The list is a who's who of the party, including

[1] Much of this section draws from a forthcoming report for the Australian Strategic Policy Institute co-authored with Alex Joske as well as "An American Lens on China's Interference and Influence-Building Abroad," *Asan Forum*, April 30, 2018 <http://www.theasanforum.org/an-american-lens-on-chinas-interference-and-influence-building-abroad>; and ""Russian and Chinese Political Interference Activities and Influence Operations," in Richard J. Ellings and Robert Sutter, eds., *Axis of Authoritarians: Implications of China-Russia Cooperation* (Seattle, WA: The National Bureau of Asian Research, 2018).

Mao Zedong, Zhou Enlai, Deng Xiaoping, and Li Xiannian. The current CPPCC chairman, Wang Yang, continues a tradition of competent leadership at the top of the united front system. He exemplifies the need of united front personnel to be highly-disciplined party cadre, who are nonetheless capable of handling themselves among diverse people and feigning ideological flexibility.

2. A State Council Vice Premier Has a United Front Portfolio: The vice premier position serves as the bridge between the party center and the State Council ministries. The vice premier provides prestige to the united front system as well as a necessary position of authority to direct and coordinate the ministries' united front activities. The position often looks as though the portfolio covers education and culture, because of the overlap with united front work. At meetings of the united front policy system, this vice premier appears in protocol order between the CPPCC chairman and United Front Work Department director. Currently, the position is held by Sun Chunlan.

3. Two Members of the Central Secretariat Have United Front Policy Roles: The directors of the party's United Front Work Department (UFWD) and Propaganda Department serve on both the Politburo and the Secretariat of the 19th Central Committee of the Communist Party of China. Because the Politburo does not meet regularly—its far-flung membership includes both central party bureaucrats and provincial party secretaries—the secretariat is empowered to make day-to-day decisions related to policy that has already been settled. This group is also responsible for moving paperwork among the central leaders and coordinating the party's actions. Secretariat membership is not related to relationships that the current UFWD and propaganda chiefs—respectively, You Quan and Huang Kunming—have but rather reflects the structure of post–Deng Xiaoping politics.

4. In 2015, Xi Jinping Established a United Front Leading Small Group: As part of the effort revitalize and better coordinate united front activities under Xi Jinping, the party established a leading small group. It functions as platform to coordinate and raise the status of united front work across the bureaucracy, bringing together senior officials from numerous state and party agencies for united front study tours across China. Interestingly, the last time the party created a united front leading small group — in 1986 under the leadership of Xi Jinping's father Xi Zhongxun — it coincided with a similar description of problems to be resolved: expanding scope and responsibilities coinciding with a lack of central direction.

The Chinese Communist Party bureaucracy at the central level has four key bodies for building and exercising political influence outside the party — and especially outside China. The United Front Work and the Propaganda departments also have subordinate elements at the provincial and local levels.

1. United Front Work Department: The UFWD is the executive and coordinating agency for united front work. It has a variety of responsibilities at home and abroad, including in the following areas: Hong Kong, Macao, and Taiwan affairs; ethnic and religious affairs; domestic and external propaganda; entrepreneurs and non-party personages; intellectuals; and people-to-people exchanges.17 The department also takes the lead in establishing party committees in Chinese and now foreign businesses. The UFWD operates at all levels of the party system from the center to the grassroots, and the CCP has had a united front department dating to the 1930s.

2. Chinese People's Political Consultative Conference (CPPCC): The CPPCC, according to the organization's website, is "an organization in the patriotic united front of the Chinese people, an important organ for multiparty cooperation and political consultation." The advisory body mediates between important socials groups and the party apparatus. The CPPCC is the place where all the relevant united front actors inside and outside the party come together: party elders, intelligence officers, diplomats, propagandists, military officers and political commissars, united front workers, academics, and businesspeople. They are gathered to receive instruction in the proper propaganda lines and ways to characterize Beijing's policies to both domestic and foreign audiences. Many of these individuals, particularly if they hold government positions, are known for their people-handling skills and have reputations for being smooth operators. CPPCC membership offers access to political circles, political protection for business, and minor perquisites like expedited immigration. The CPPCC standing committee includes twenty or so vice chairpeople who have a protocol rank roughly equivalent to a provincial party secretary. At the central level, the CPPCC includes more than 2,200 members, but the provincial and local levels include another 615,000.

3. International (Liaison) Department: The International Department, founded in 1951, is the party's diplomatic arm, handling relationships with more than 600 political parties and organizations as well as individual, primarily political, elites. The department previously handled the CCP's relationships between fraternal Communist parties and cultivated splinter factions of Moscow-dominated Communist parties after the Sino-Soviet split. The activist bent of the International Department disappeared as the department began re-establishing itself in 1970–71 following the tumultuous early years of the Cultural Revolution. Interestingly, the department originated as a UFWD bureau before being carved out into an independent entity.

4. Propaganda Department: The Propaganda Department has been a core part of the CCP since 1924. The official description of its duties includes conducting the party's theoretical

research; guiding public opinion; guiding and coordinating the work of the central news agencies, including Xinhua and the People's Daily; guiding the propaganda and cultural systems; and administering the Cyberspace Administration of China and the State Administration of Press, Publication, Radio, Film, and Television. The Propaganda Department cannot be regarded as an entirely internal organization that broadcasts outward to the extent that it is involved in influence-building abroad. For example, China Radio International developed in the 2000s a covert international network of radio stations to hide the CCP's direct role in broadcasting Chinese-language propaganda inside target countries. The Propaganda Department presumably also plays a role in the cooptation, intimidation, and purchase of Chinese-language print media outside China.

The State Council ministries and many other organizations with a party committee also conduct united front work. These organizations all offer unique platforms and capabilities that the united front policy system can draw upon for operational purposes. Below are a few of the examples of the organizations outside the party that perform united front work or have united front work departments attached to their party committee:

1. Ministry of State Security
2. Ministry of Foreign Affairs
3. Ministry of Civil Affairs
4. Ministry of Education
5. Ministry of Culture and Tourism
6. Chinese Academy of Sciences
7. China Baowu Steel Group
8. China National Overseas Oil Corporation (CNOOC)
9. State-owned Assets Supervision and Administration Commission (SASAC)

**IV. WHAT IS THE HARM?**

The harm caused by Beijing's political influence and united front operations takes several forms, even if we accept many of these activities as being legitimate actions of a foreign state inside the United States or other countries.

1. Western Politicians Become Symbols for the Chinese Communist Party's Rule: By using party-controlled community organizations for their outreach to ethnically-Chinese constituents, Western politicians become propaganda fodder for the Chinese Communist Party. Politically-aware Chinese in the People's Republic of China (and sometimes abroad) can recognize these groups for what they are: pawns of the party. The reason for the

publicity surrounding these meetings and fundraisers is to broadcast back into China the message that Western politicians care about liberalism at home, but not for Chinese people, and that they stand on the side of the party. They reinforce the image of the party's strength.

Vaclav Havel captured this dynamic in his essay *The Power of the Powerless* by describing a greengrocer placing a slogan of regime loyalty in his shop window. He does not believe in the regime or its ideology, but he does so to make his life a little bit easier. Nor do people necessarily notice or read the slogan, because similar slogans can be "found in other shop windows, on lampposts, bulletin boards, in apartment windows, and on buildings." The presence of these slogans becomes part of the "panorama of everyday life." This panorama "reminds people where they are living and what is expected of them. It tells them what everyone else is doing, and indicates to them what they must do as well, if they don't want to be excluded, to fall into isolation, alienate themselves from society, break the rules of the game, and risk the loss of their peace and tranquility and security." By participating even inadvertently in united front-sponsored events, U.S. politicians and their foreign counterparts help the Chinese Communist Party build Havel's "panorama of everyday life" for the Chinese people.

2. The Chinese Communist Party Mediates Between Chinese Citizens and Their Elected Representatives: The network of united front "community organizations" creates a fake civil society. The community which is supposedly represented is supplanted by the Chinese Communist Party, unless politicians reach directly to membership or deal with uncompromised organizations. The party's interests become the constituency interests that are presented to officials.

3. The Marketplace for Ideas is Distorted: Having a pluralistic, democratic society means engaging with differences of opinion. There is a natural ebb and flow. As noted above, the defining feature of the party's united front operations is the effort to control platforms rather than just the narrative. As platforms are compromised, the voices and messages they carry change. They may not specifically represent the Chinese Communist Party, but they will avoid criticisms or subjects that are intrinsically damaging to the party's image, standing, and legitimacy.

4. The Party Suppresses Discussion of China's Future: The Chinese Communist Party's control inside China means that any version of China's future without the party must be discussed and decided beyond China's borders. The extent to which the party monopolizes the social space of Chinese people — especially those who would like to return to their home country — is the extent to which the party can preempt the transmission of liberal political values into China and discussion of China without reference to the party.

5. Undermining the Integrity of Policymaking: At its worst, the party's political influence and united front operations distort policymaking and the process of gathering information to feed into the policy process. The primary targets of united front work are socially influential individuals, such as politicians, prominent businesspeople, intellectuals, and sometimes even celebrities.

   There is some reason to suspect that the united front system plays a role in feeding foreign intelligence services information. In conversations with former U.S. intelligence officials and serving foreign ones, they described questionable sources over the years whose information seemed to good to be true. The sourcing for their political reporting appeared sufficiently plausible and good to encourage officers to avoid placing too much scrutiny on the policy implications of the reporting or how it seemed to slant the party's politics and positions.

6. Facilitating Intelligence Operations and Technology Transfer: The united front network of organizations and relationships in overseas Chinese communities has been used to facilitate the theft and transfer of technology from the U.S. companies and research institutions. For example, as Alex Joske of the Australian Strategic Policy Institute explained at recent conferences in Canberra and Melbourne last month, Tesla's problem with Chinese theft of its intellectual property was entirely predictable. Those involved were nested within and had even established UFWD-linked organizations related to talent recruitment and technology transfer. Current and former intelligence officials inside and outside the United States believe the Chinese intelligence services make use of the spotting and assessing opportunities created by united front system-sponsored visits to China for education, culture, and business.

## V. THE U.S. PROBLEM WITH UNITED FRONT WORK

The United States has long been a target for the Chinese Communist Party's efforts to build political influence. The risks in the United States largely stem from our dismissive attitudes about the dangers we face and the seriousness with which the party has sought to influence U.S. opinions, especially at elite levels.

The United States is often juxtaposed against Australia and New Zealand. U.S. analysts are dismissive that the kinds of problems that happened in those countries could happen in the United States. One of my former colleagues at the Central Intelligence Agency dismissed united front work as a largely tangential issue in an interview. The way in which this analyst described the problem — or rather its absence — is symptomatic of a larger malaise within the communities with

responsibility and competence to evaluate Beijing's attempts to build political influence and interfere in other countries' politics:

> "You know when I was working in the government we didn't care that much about the activities of the United Front Work Department and I think there's still a reason why we really shouldn't care that much about their activities. You know, this is not Australia … So the United Front Work Department is of course the group under the Communist Party whose job it is basically to work on overseas Chinese and get them to support the government, basically. In short, that's what they do. And, you know, look, there was some serious things going on in Australia. You know, they were doing this. But I think it's important for us to remember that the Chinese population in Australia is a much larger portion of a much smaller total population. There were some interesting challenges in Australian campaign finance laws that allowed foreigners to contribute directly to, you know, these elections and so on, but we don't have these things in the United States. And from my observations I do not see, for example, the Chinese diplomatic presence here or even some of their, you know, think tanks and so on doing anything like what they were doing down there. Maybe not yet, and maybe that's what the concern is, but I find it over- overwrought."

I want to take apart some of the problems in that statement, because they highlight the mix of arrogance and ignorance typical of American attitudes about the party's potential to have a real impact in the United States. First, it inaccurately characterizes united front work as getting overseas Chinese to support the Chinese Communist Party and the People's Republic of China. Overseas Chinese are a focus of the party for the reasons identified above; however, they are not the sole focus and they never have been. For example, when Beijing began planning how to handle Japan diplomatically in the 1950s, two of the party's most senior and experienced influencers were given the responsibility: Zhou Enlai and UFWD deputy director Liao Chengzhi. They made the decision to cultivate Japanese businesspeople by helping them succeed in China, even as Tokyo was frozen out diplomatically. The businesspeople would then form a natural constituency to push Japanese leaders toward Beijing, giving the latter the leverage to hold out for more generosity from Tokyo.

Second, the statement treats our ethnic Chinese citizens and residents as undeserving of their full freedoms, because they are not a significant enough part of the U.S. population. They deserve to have their rights protected and crimes against them investigated, regardless of race or creed.

Third, the United States does have stronger campaign finance laws than Australia previously had (a problem they rectified last year), but that has not meant immunity from the problem of the Chinese Communist party trying to directly influence U.S. politics. We might recall the Clinton campaign finance scandal involving China in 1996, which may not have had a substantial impact on U.S. policy

given that the Democratic National Committee was able to return the Beijing-linked donations without financial difficulty. The legal protections and the publicity of the campaign finance scandal forced the party's efforts underground and to work through American proxies who could legally donate to political campaigns.

Fourth, even well-informed people are mostly unaware of the scale of the Chinese Communist Party's operations inside the United States. Below are just a few facts about what is taking place in the United States that I consider to be relatively solid and reflect what is actually happening (or happened) rather than analysis.

1. The Chinese Communist Party pressures Chinese students — either directly or through their families — to conform to the codes of speech and behavior acceptable inside China.

2. In the space of a few hours, my research assistant and I identified more than 250 organizations in the United States with individuals who actively and probably wittingly work to support the party's united front activities.

3. The party's united front system has sponsored dozens of visits by hundreds of local and state government officials, journalists, and students to China. Such visits are used to influence and evaluate the participants for their future usefulness.

4. Beijing pressured MSCI to expand the share of Chinese stocks on its emerging markets index. The move will likely move more than $1 trillion into China.

5. U.S. thinks tanks and civil society groups have conducted surveys of American attitudes toward China and U.S.-China relations on behalf of the influence bureaucracies outlined above. Major Chinese multinational companies have discussed with U.S. lobbying and consulting firms projects to map U.S. policymaking on China beyond the scope of their business and investments in the United States.

The United States also has a limited capability to respond to the Chinese Communist Party's efforts to build political influence. We have built-in resilience because we are large country with diverse centers of political, economic, cultural, and intellectual power. The natural churn of democratic politics also bolsters the natural resilience of the United States. However, the limited capability to generate and sustain a public conversation

1. Civil Society Capacity: The United States, as it stands today, is woefully short of journalists and researchers who can bring these issues into the public light. The United States is more than ten times more populous than Australia; yet, we have less than half the number of

journalists who have reported the issue. The same is true of Canada relative to the United States. Most U.S. reporting has been done by a columnist, a freelancer, and a journalist who is currently unemployed. I am hopeful that this will change as experienced China correspondents return home and report China-related stories from inside the United States.

The Chinese-language media landscape in the United States also has succumbed almost entirely to the party's efforts to co-opt and control media outlets. Wealthy proxies or party-controlled front organizations sometimes directly purchase the outlets. In other cases, Beijing organizes advertising boycotts to drive the media outlet out of business or into compliance with the party's wishes. The only independent outlets seem to be run by the Falungong, and they have not been able to maintain a consistent quality of journalism to make them credible sources of information.

Academic research provides a disappointing picture. The research skills and language capability is present, but the knowledge and output is not. The last book published by an American scholar on united front work was by a Stanford professor in 1967. The united front system also has not featured in most of the general textbooks on Chinese policymaking, even in areas, such as the party's relationship with business, where the system's importance is clear. A growing cadre of researchers also is emerging, but they are too junior at the moment to carry the weight of public discussion. They also have had to pay the burden of building this expertise on their own.

2. Government Capacity: As a former government analyst, I wish I could say with full confidence that the U.S. Government has the resources and knowledge it needs across the board. I do not think that is the case, despite some pockets of excellence and a few outstanding individuals with a long period of time on target.

   The Intelligence Community needs to think through what it means to have an analytic and operational career in counterintelligence and countering foreign political influence/interference. Laws and principles may be country agnostic, but the capabilities to enforce will be specific to each country. There are some general skillsets common to all forms of security intelligence — including counterintelligence, counterterrorism, counter-narcotics, and counter-proliferation — but linguistic and regional/area studies knowledge is required to research, understand, and unravel the networks.

   The U.S. Government also needs to think through how to push information into the public realm to drive the conversation, to explain its actions, and build public support. Open source researchers can do quite a bit to map to the Chinese Communist Party's united front system and the networks of front organizations at the intersection of technology transfer,

intelligence, and political influence. However, such work requires having solid pegs into the system from which to begin. Some of the very open political influence operations are relatively easy to track because of the individuals public affiliations with the united front system. Identifying, for example, the Ministry of State Security operations for political influence is much more difficult if not frequently impossible. Government identification — either through some sort of regular public report, taking cases to trial, etc. — allows researchers to expand off of what the government has done, providing even more context and possibly more leads to additional activities of concern. Having more of this information available also helps justify U.S. government actions, especially administrative responses that can be opaque even within government, in ways that lay and expert communities can understand and debate .

## VII. GUIDING PRINCIPLES IN RESPONDING

1. **Transparency**: Sunlight is the best disinfectant. Out in the open, people have to make choices about whether to continue on in their conflicts of interests or compromised relationships. This applies equally to government and law enforcement responses to political interference. Administrative responses done quietly are not as effective as public prosecutions and explanations, which help create risk and inject new information into the public sphere for discussion.

2. **Conversation and Debate**: The legislature draws the line between legal and illegal. Federal government resources always will focus predominantly on the illegal side. In a democracy, we would not want it any other way. What is unacceptable or improper, however, is not necessarily what is illegal. Civil society must be able to discuss in reasonable terms what is taking place

3. **Protect Space for Critical Discussion of China**: Whether it is Chinese-language media outside of China, university spaces, or any other platform where discussion of contemporary China takes place, they all are vulnerable to the party's pressure. And they all are targets of the Chinese Communist Party. They need support, protection, and sometimes even cultivation.

4. **Consequences Create Risk**: Until the Chinese Communist Party faces consequences for its actions, they are not in danger of overstepping the mark or overestimating their ability to influence or intimidate. Without successfully taking cases to and winning at trial, without administrative penalties, Americans who actively assist the Chinese Communist Party at the expense of U.S. interests will have no reason to scrutinize their actions or to desist. Risk is required to deter behavior that undermines democracy.

5. **Civil Liberties as much as National Security**: Because the Chinese Communist Party puts so much emphasis on overseas Chinese communities and individuals, countering Beijing's efforts means ensuring ethnically-Chinese citizens and residents can enjoy equal protection under the law. National security and the resources brought to bear in its name are negative, defensive powers rather than positive or creative. Civil liberties protections and the resources deployed for this purpose, however, are the latter. They serve to guarantee constitutional freedoms, creating and preserving the free space for speech and association. Enabling democratic practices is at least as important preventing the exploitation of democracy.

6. **Maintain the Integrity of Rules and Processes**: When relationships with Chinese Communist Party organizations go awry or become exploitative, most cases — excepting those involving recruited or compromised agents — involve foreign partners who do not monitor and enforce their own guidelines and procedures. To protect against conflicts of interests and outright compromise, organizations that seek to do business, promote exchanges, collaborate on research, or otherwise have institutional relationships need to establish and stick to rules and procedures. Exceptions and exemptions need to be done in the open with clear explanation; otherwise, it is too easy to slip toward compromise and exploitation.

## VIII. RECOMMENDATIONS FOR CONGRESS

1. **Revise the Foreign Agent Registration Act (FARA) to include more robust reporting requirements, more robust penalties for non-compliance, and a publicly-accessible database of FARA registrants updated frequently.**

   Others have more fully outlined the fixes that need to be made related to the Foreign Agent Registration Act, but I would like to emphasize a few points. First, the reporting requirements for describing the activities are quite minimal. Companies and individuals that wish to be safe provide more; however, that is not the general rule. Expanding the reporting requirements to include more substance and specificity about the messages delivered or services provided would make the reporting mechanism more transparent. Separately, additional reporting could be made a part of Congressional ethics standards. Second, non-compliance with FARA seems to have few if any consequences. The current approach to enforcement is largely about voluntarily self-policing. Third, the United States should revise its approach to presenting FARA data, modeling its public-facing database on the Australian Foreign Influence Transparency Scheme (FITS). The FITS database is updated

on a regular, rolling basis rather than the quarterly approach to FARA. The database and accompanying documentation is comparatively clear and accessible.

2. **Request a review of the Department of Justice's decisions not to prosecute espionage-related cases.**

   The intelligence, law enforcement, and prosecutorial capabilities for responding to espionage are the same resources that will be used to address the greyer areas of political influence and interference. A review of decisions not to prosecute should be completed to understand what problems — whether investigative competence, resources and funding, political expediency, or any other factors — undermined taking the cases to trial. This review should be undertaken by Congress, and the Department of Justice should be encouraged to do their own review and report it to the appropriate committees.

3. **Expand the mandate of the Congressional-Executive Commission on China (CECC) to include the civil liberties and human rights of ethnic Chinese living outside the People's Republic of China.**

   Congress created the CECC in 2000 "to monitor China's compliance with international human rights standards, to encourage the development of the rule of law in the PRC, and to establish and maintain a list of victims of human rights abuses in China." The treatment of overseas Chinese at the hands of Beijing is closely related to this mandate.

   The human rights of overseas Chinese would be a logical expansion, given that they are subject to two issues. The first is Beijing's willingness to surveil and apply pressure to these communities as well as to subvert community organizations. The second is the absence of a response from their home governments to the Chinese Communist Party's actions. The former is the infringement of the rights of overseas Chinese; the latter is the absence of often constitutionally-guaranteed protections.

4. **Develop and fund educational programs to support mid-career expertise building and language skill maintenance.**

   Existing programs focus almost exclusively on undergraduate and graduate students, most often at the beginning of their careers. Creating space and time for experienced professionals to brush up on language skills or pursue useful personal projects would help ensure continued learning. Government employees have some access to similar programs, but there needs to be greater recognition of the value of education and being away from the desk.

Private sector employees need new programs and sources of support to be able to take the time to study and return to work.

5. **Create a national training center for community workers to support language training and understanding foreign government operations in ethnic communities within the United States.**

Community outreach programs in the United States are decentralized owing to the federal, state, and local government structure. Unifying these programs would be unnecessarily complicated and put the different levels of government at odds with one another. To ensure awareness of issues in ethnic communities, Congress should create a national training center for community workers. Overseas Chinese communities are not the only ones subject to harassment or infringement of their civil rights by a foreign government. The center should support language training, either through residency programs or individual grants for local programs.

Those most affected by a coercive foreign government do not have a ready outlet for reporting the problems they face. Law enforcement works best when officers are dealing with familiar issues and challenges. Building a cadre of informed community workers outside the justice system serves at least two purposes. First, it provides navigators for those individuals willing to stand up and report the problems. Community workers can help such an individual navigate law enforcement when they may be reluctant to come forward. Second, community workers can serve as an important source of information outside traditional law enforcement and intelligence channels.

6. **Use Congress's institutional powers to press the executive branch for transparency on actions taken against China, especially where the actions are administrative.**

American opinions are shifting about China, but much of the public discussion remains caught in limbo between the old policy paradigm and the uncertainty of today's new era of competition. Consequently, the administration needs to be more transparent than the executive branch typically is inclined.

The visa denials for Chinese scholars is a perfect example from recent news. Many U.S. and international scholars have been dismayed by the news, and the merits of excluding those individuals or revoking their visas is not obvious to the public. The particular of case of Zhu Feng, a Nanjing-based professor, having his visa revoked shows why the executive branch needs to be more transparent publicly. Although he is a well-known scholar known for his amiable humor, Zhu also has been supported by and done work for the political warfare

element of the People's Liberation Army. This is available from open sources. Putting a few simple criteria out in public for visa denials and alerting inviting institutions what criteria was triggered would be a useful positive step for handling the visa issues going forward. Without such information, many otherwise knowledgeable people about China assumed the worst about the administration's intentions and actions.

The administration also should be encouraged to use the legal system and press charges where appropriate. The legal process forces the U.S. Government to commit to a course of action and making some information public. That information, especially after a conviction, becomes as close to ground truth as a possible on sensitive subjects for which there is not much clear, public information.

7. Recommendation

   Summary

8. Recommendation

   Summary

Mr. SHERMAN. Thank you, Mr. Mattis. And I will point out that while today we are told that the world domination of China is inevitable, 25 years ago, when I was just beginning to run for Congress, I could find 12 books that told me that Japan would be dominating the world right about now.

David Shullman is a senior adviser at the International Republican Institute, where he focuses on China and other autocracies' influence on democratic institutions and governance around the world.

Dr. SHULLMAN.

**STATEMENT OF DAVID SHULLMAN, PH.D., SENIOR ADVISOR, INTERNATIONAL REPUBLICAN INSTITUTE**

Mr. SHULLMAN. Thank you.

Chairman Sherman, Ranking Member Yoho, distinguished members of the subcommittee, thank you for the opportunity to testify today and for organizing a hearing on this topic critical to U.S. interests and the future of democratic governance across the Indo-Pacific.

I want to begin with a description of China's expanding interests in developing Asia and a key means by which the Chinese Communist Party is increasing its influence to advance those interests. First and most basic, China and its $14 trillion economy are trading and investing more than ever before across Asia.

Beijing seeks to use this growing economic leverage to establish dependency on China across the Indo-Pacific. Such dependence helps China advance geostrategic goals, such as the protection of critical sea lanes and the establishment of military facilities to protect China's growing global interests. The party also seeks to legitimize its autocratic system of governance and development, looking to achieve acceptance as a great power without democratizing. Since this prospect is not welcomed by the developed West, Beijing hopes to first popularize China's model in the developing world.

The party is using multiple means of influence to advance these expanding interests. I will focus my remarks on China's influence in the economic and the information domains. First, Beijing is expanding trade and investment with countries hungry for both. However, there are malign aspects to China's growing economic engagement.

As has been discussed, many projects undertaken and financed by China saddle countries with unsustainable debts, creating a cycle of dependence. Corruption is also rampant in these deals. Corruption is not a bug of the Belt and Road Initiative but an inherent feature of the program, with the goals to ensure China's companies secure contracts to carry out projects at inflated costs, and also to cultivate elites to ensure a country's dependence, otherwise known as elite capture. In some countries, the resulting leverage has created significant Chinese sway over domestic legislation to suit China's interests.

In the case of the Maldives, China's pervasive influence and corrupt ties with the former Yameen regime resulted in a change to the Constitution to allow the sale of land, including entire islands, to foreign parties passed without public consultation within the space of 3 days. The China-Maldives free trade agreement, con-

sisting of thousands of pages, was passed through parliamentary committee in just 10 minutes.

The party is also exerting influence over countries' information space, manipulating the narrative through what the National Endowment for Democracy has termed "sharp power." China is stepping up efforts to shape countries' internal debates about their engagement with China, including by suppressing criticism of China's activities.

The party has a large and expanding set of tools it uses to shape foreign media coverage of China and cultivate thought leaders, including through some of the united front tactics that Peter just described. China's simultaneous influence and the country's economic and informational domains is a toxic mix.

Beijing's information manipulation ensures the neutering of institutions, such as civil society and a free media, which in a healthy democracy would expose the negative consequences of China's economic influence tactics. Beijing's efforts are encouraging a trend toward authoritarianism in Indo-Pacific countries. China's no-strings investments bolster the fortunes of illiberal actors eager to take credit for delivering much-needed infrastructure projects. The party also provides authoritarians training on China's repressive cybersecurity policies and offers sophisticated surveillance and monitoring technology.

Beijing's influence efforts are only likely to intensify throughout the Indo-Pacific. As China's domestic challenges continue to grow, Chinese leaders are even more likely to seek quick profits abroad and use sharp power to protect China's interests. A continued decline in U.S.-China ties is also likely to intensify Beijing's influence efforts. In a potential bifurcating global economy and technological landscape, China would view developing countries' dependence on China as ensuring that if they must choose, they choose Beijing.

So how can the United States respond? China will not change its aggressive approach to developing countries unless it has to. To achieve this goal, Washington should focus attention on the countries targeted by China. This does not mean forcing countries to choose and side with the United States or reject Chinese investment even implicitly, because such efforts are destined to fail.

But throughout the Indo-Pacific, there are stakeholders determined to protect their democracies from the malign consequences of Chinese influence. The United States and its partners should empower these actors, investing resources and bolstering the resilience of countries targeted for influence. This can be accomplished through two complementary efforts.

First, as mentioned, the United States, along with its allies and partners, should offer developing democracies alternatives to China's investment and financing practices and technical assistance on project negotiation and evaluation.

Second, the United States must dedicate resources to bolstering the capacity of civil society, political parties, and independent media. Transparency is critical to countries' resilience against Chinese influence efforts, permitting broad public debate about how to engage China in a way that protects a country's interests.

For our part, IRI is working directly with our partners in the Indo-Pacific to shine a spotlight on China's influence efforts and

give them the tools to protect their institutions and their independence. It will not be possible to counter China's malign influence without a sustained U.S. commitment to bolstering democracy. Doing so is critical to preventing the spread of authoritarianism and defending U.S. interests in the Indo-Pacific.

Thank you.

[The prepared statement of Mr. Shullman follows:]

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**China's Malign Influence Across the Indo-Pacific**
**TESTIMONY OF: David Shullman**
*Senior Advisor*
**International Republican Institute**

**U.S. HOUSE OF REPRESENTATIVES FOREIGN AFFAIRS COMMITTEE**
**SUBCOMMITTEE ON ASIA, THE PACIFIC, AND NONPROLIFERATION**
**May 8, 2019**

## Introduction

Chairman Sherman, Ranking Member Yoho, distinguished members of this subcommittee, thank you for the opportunity to testify today. Thank you, also, for organizing a hearing on this topic critical to US interests and the future of democratic governance across the Indo-Pacific.

## China's Means of Influence in Developing Countries

I want to begin with a description of China's expanding interests in the developing world and the key means by which the Chinese Communist Party (CCP) is increasing its influence across the Indo-Pacific to advance those interests.

China for decades has gradually increased engagement with countries throughout the developing world, seeking critical resource inputs and new markets for its rapidly growing economy as well as portraying itself as a leader of developing country interests on the global stage. However, today, we see China pursuing an unprecedented level of influence in developing countries, with decidedly mixed results for the recipients of China's attention.

This uptick can be attributed to China's desire to advance an expanding set of interests in the developing world. First, China and its $14 trillion economy are trading and investing more in the developing world than ever before. While the overseas component of the Belt and Road Initiative (BRI), China's ambitious global infrastructure and connectivity program, is small relative to China's domestic economy, there is an expectation of economic benefit for Chinese companies—typically state-owned enterprises (SOEs)—and their workers engaging in debt-financed BRI projects in numerous developing countries.

In the Indo-Pacific in particular, Beijing seeks to use its growing economic leverage to establish greater dependency on China and help reestablish the country as Asia's preeminent power. Such dependence gives China greater leeway to advance geostrategic goals such as the protection of sea lanes critical for the transport of energy and the establishment of military facilities to protect China's growing global interests.

The CCP also seeks to legitimize its autocratic system of governance and development. Chinese leaders recognize that Beijing must expand its normative power abroad to achieve China's rise and rejuvenation as a great power. They also recognize that to achieve global legitimacy as a responsible great power without democratizing—a prospect not welcomed by the developed West—they must first popularize China's model in the developing world.[1]

Given these growing interests, it is not surprising that the CCP is using multiple means of influence to advance them, in the process undermining governance, prosperity, and open

[1] At the 19th Party Congress in October 2017, Xi left no doubt that he regards China's illiberal concepts of political and economic order as superior to so-called Western models, and that he seeks to popularize "Chinese wisdoms" to the world as a "contribution to mankind."

discourse in a way that encourages democratic backsliding in many countries. I will focus my remarks on China's means of influence in two key domains, the economic and the informational. I will then offer some key examples of how China exerts influence in different country contexts. I will conclude with some thoughts on how the United States can best counter such influence.

**1) Economic Influence**

Much of China's influence today can be ascribed to its leverage as a $14 trillion economy and the world's largest commodity importer. Beijing is expanding trade and investment with countries hungry for both. However, there are malign aspects to China's growing economic engagement that render its influence harmful for many developing countries. This influence occurs through licit economic activity such as BRI projects financed through opaque deals that saddle some countries with debt and few alternatives to dependence on China to continue financing those debts.

At the same time, Chinese companies and other entities also use illicit means including high levels of corruption to achieve their ends. As I will illustrate, corruption and elite capture is not a "bug" of BRI but an inherent feature of the program, with the goal of ensuring Chinese SOEs secure contracts with highly favorable terms to carry out projects financed by Chinese policy banks. The CCP cultivates "friends" among elites in many countries who are only too willing to sign up to opaque investment deals that undermine their country's long-term prosperity in return for personal enrichment.

**2) Influence Over Information**

Such elite capture through corruption also facilitates the CCP's ability to exert influence in a second area, the information space. Beijing's foreign propaganda and censorship efforts have traditionally focused on promoting China's political and economic system while suppressing coverage of its domestic human rights abuses and religious persecution. But the Chinese government and its proxies are now also attempting to tilt other countries' internal debates about their relationships with China, including by suppressing criticism of Chinese activities within their borders. Many governments, including our own, engage in vigorous public diplomacy campaigns, but the CCP's methods are frequently covert, coercive, and harmful to democratic institutions.

China's manipulation of the information environment in countries around the world, which the National Endowment for Democracy has termed "sharp power", is critical to the Party's ability to protect its growing investments and legitimize China's authoritarian development model abroad. Ensuring the presentation of a positive "China story," as President Xi has put it, helps to

smooth the path for investments that benefit China's economy.[2] The CCP recognizes that a more positive perception of China heads off criticism of Chinese investments and corruption of a country's elites, thereby preventing Chinese influence from becoming an election issue as it has in many countries, including Zambia, Sri Lanka, and Malaysia. Through media cooperation agreements with BRI countries, Beijing advances information sharing intended to influence foreign journalists covering the BRI, including through conferences sponsored by the state-affiliated All-China Journalists Association.

The CCP has a large and growing set of tools it uses to advance its narrative in developing countries and to quiet critics, including pervasive but overt official propaganda and media outlets, investment in foreign media outlets, funding of research and academic institutions, covert efforts to cultivate thought leaders, and more aggressive use of united front work, including through the Party's increasingly powerful United Front Work Department (UFWD), to cultivate non-Party actors and squelch anti-China narratives by "enemy forces" abroad.

## Negative Consequences for Developing Democracies

The CCP's use of these different means of influence simultaneously has a pernicious effect on developing democracies. Beijing's manipulation of the information space and discourse ensures the neutering of institutions such as an independent media and civil society that in a healthy democracy would expose the negative consequences for a country of China's opaque deal making and corrupt practices.

Beijing's influence plays a clear role in encouraging democratic backsliding throughout the Indo-Pacific.[3] China's efforts bolster the fortunes of illiberal actors eager to take credit for delivering Chinese investment in much-needed infrastructure projects, no matter the long-term costs of deals signed behind closed doors. The Party also provides training on China's repressive cybersecurity policies and offers increasingly sophisticated surveillance and monitoring technology to authoritarian governments.[4] Taken together, these activities give credence to authoritarian actors' claims that they can deliver economic development, security, and stability. The CCP also conducts large-scale trainings of foreign officials about its governance and development model.

China's approach to exerting influence has some common themes across countries. As noted, in most every case China's economic engagement involves opaque economic

[2] CCTV, "President Xi Urges New Media Outlet to "Tell China Stories Well," December 31, 2016. See http://english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml

[3] See https://freedomhouse.org/report/freedom-net/freedom-net-2018/rise-digital-authoritarianism#fotn18-section-china-remakes-the-world-in-its-techno-dystopian-image.

[4] This relates to the more fundamental question of whether and how China is now proactively exporting authoritarianism to achieve acceptance of the CCP's model of governance. See https://www.spf.org/jpus-j/img/investigation/The_Authoritarian_Challenge.pdf and https://www.bloomberg.com/opinion/articles/2018-06-11/china-s-master-plan-exporting-an-ideology.)

investment deals that ensure China lends and is repaid at a premium to hire Chinese companies and workers. This lack of transparency sets a foundation for rampant corruption. Beijing seeks to ensure that reporting and information on China and its engagement with a country remain largely positive.

But China's influence tactics differ in countries depending on Beijing's strategic interests and the different circumstances in which it is operating. In certain strategically located countries, Beijing's interests may be served by encouraging an accumulation of unsustainable debt. It is no coincidence that the eight countries identified last year by the Center for Global Development as at high risk of debt distress based on projected BRI lending are all of relatively high strategic value to China.[5] In at least one infamous case, that of Sri Lanka, Beijing leveraged a country's inability to pay its debt to acquire a long-term lease on a strategic port. In many others, China may not lend as freely to countries that clearly cannot pay their debts.

Chinese financing and SOE practices are noticeably inconsistent with accepted international standards in countries with looser regulation practices, public procurement rules, and labor regulations. Understanding the nature of CCP influence in a certain environment is therefore critical to understanding the threat to a country and the ways in which it can be mitigated.

## Case Studies of CCP Influence in Indo-Pacific Countries

The International Republican Institute has compiled in-depth case studies of CCP influence efforts completed by researchers in 15 countries around the world. This effort has yielded not only important data for understanding how China exerts influence in different contexts but has also been integral to designing programming to effectively counter such influence.[6]

Across the Indo-Pacific there are numerous examples of the malign and varying effects of China's influence. I will highlight three case studies in particular:

### 1) Sri Lanka

China's malign influence in Sri Lanka is typically viewed through the lens of the now infamous case wherein Colombo, struggling with debt repayments to China, gave a state-owned Chinese firm a controlling share in the strategically-located Hambantota Port, on a 99-year lease. Indeed, China's acquisition of the Hambantota Port is a singular example of the potential risks

[5]John Hurley, Scott Morris, and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective", Center for Global Development Policy Paper 121, March 2018. https://www.cgdev.org/sites/default/files/examining-debt-implications-belt-and-road-initiative-policy-perspective.pdf

[6] The case studies presented here were compiled by three researchers each with deep expertise in their country of focus.

of BRI for recipient countries, particularly strategically important countries led by corrupt leaders willing to take on unsustainable debt.

What is most notable, however, about China's approach in Sri Lanka is the way in which it was able to manipulate an opaque system and undermine democratic institutions over many years, ensuring the country's long-term dependence. China's growing engagement and influence in Sri Lanka can be traced back more than a decade, to when the island was governed by the administration of former two-time President Mahinda Rajapaksa, long before China had devised plans for the BRI. Sri Lanka in 2009 found itself increasingly isolated by the international community for its conduct during the country's civil war. China offered financial and military aid and used its veto power to ensure that allegations of state-sanctioned human rights violations were not brought before the UN Security Council.[7]

The Rajapaksa years were associated with a lack of government transparency and accountability, high-level corruption, and nepotism – much of which was facilitated by a deepening relationship with China. Sri Lanka's foreign debt exploded from 36 percent of GDP in 2010 to 94 percent in 2015, prompting to pursue debt relief from the IMF in 2016.[8] While China was not responsible for providing all of this credit, the problem was significantly exacerbated by its willingness to offer Sri Lanka fresh loans at high interest rates, despite its inability to pay such loans back. In return China secured special terms. For example, China Harbor Engineering Company, the firm behind the massive Colombo Port City project, reportedly is to receive 1.16 square kilometers of Port City land on a 99-year lease.[9][10]

Rajapaksa's ultimate loss, however, did not prove a hurdle to CCP interests. The incoming Sirisena-Wickremesinghe government, initially critical of China-funded projects, ultimately was convinced of the utility of close ties with China.

China's ability to protect and ultimately advance its interests in Sri Lanka despite this change in government is a testament to the deep economic influence China has cultivated in the country.

Sri Lanka's new government ultimately determined the country had little choice but to seek further credit to finance its debts to China and complete unfinished projects.[11] Sri Lanka's reliance on China to fund major infrastructure projects and meet payments was underscored earlier this year, when it was announced Sri Lanka would receive a fresh loan of $1 billion from China.[12] Furthermore, it is likely Chinese entities sought to cultivate the new government through corruption, a factor which also allegedly played into the new government's decision in 2016 to lease the Hambantota Port to Beijing.

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[7] Peter Popham, "How Beijing won Sri Lanka's civil war," *The Independent,* 23 May 2010.
[8] https://www.imf.org/external/pubs/ft/scr/2016/cr16150.pdf
[9] Dulip Jayawardane, "Critical Analyses of Colombo Port City Project," *Daily Mirror,* 16 February 2015.
[10] Chathuri Dissanayake, "Tripartite agreements for Port City investments," *Daily FT,* 15 January 2019.
[11] Shihar Aneez and Ranga Sirilal, "Sri Lanka to allow Chinese port city project after delay," *Reuters,* 12 January 2016; Debasish Roy Chowdhury, "Let bygones be bygones, Colombo urges Beijing, as Chinese loans take their toll," *South China Morning Post,* 18 October 2015.
[12] Shihar Aneez, "Sri Lanka to receive $1 billion Bank of China loan this quarter," *Reuters,* 17 January 2019.

China's long-term lease of Hambantota Port has drawn global attention as evidence that Beijing seeks to "trap" countries through debt, highlighting the drawbacks and potential dangers of BRI for countries around the world. It should therefore come as no surprise that China has sought to manipulate the information environment in Sri Lanka and cultivate thought leaders to quiet such criticism and ensure a positive narrative around China. Beijing has intensified efforts at official and diplomatic outreach, increased scholarships for visits to China to Sri Lankan students, and established Confucius Institutes in Sri Lanka.[13][14]

China has also notably increased funding for, and official ties with, research centers and think tanks in Sri Lanka.[15] Such institutions have grown in importance in Sri Lanka but remain under-funded, leaving them particularly vulnerable to welcoming foreign funding that may include tacit understanding regarding the expected tenor of China-related research.[16]

The lack of objective critiques of China's influence in Sri Lanka is also linked to longstanding gaps in Sri Lanka's media sector. Many institutions are owned by individuals or families with strong ties to political figures and parties, some of which have become close to China. China is investing in Sri Lanka's media sector, as it has in other countries, raising the prospect for even greater influence in the country's information space. China not only sponsors 'media tours' for local journalists to visit China and meet with top officials, but has also established facilities in Sri Lanka for Chinese universities to train journalists and shape their views on China.[17] According to local media workers, China employs such tactics to build a rapport with Sri Lankan journalists, in exchange for positive coverage in local media.

This combination of China's entrenched economic influence, cultivation of elites, and growing sway over the narrative in Sri Lanka demonstrates the potential malign effects of CCP influence on a strategically important country's prosperity, governance, and independence.

### 2) The Maldives

A small but strategic archipelago nation in the Indian Ocean, the Maldives took on massive amounts of debt financed by China as a part of a slew of infrastructure development contracts signed under former President Abdulla Yameen, who took power in 2013. As with Sri Lanka, numerous government officials viewed the influx of Chinese investment as a means of personal enrichment.

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[13] P. K. Balachandran, "China's Confucius Institutes in Asia ready to meet local needs," *Daily FT*, 30 June 2018.
[14] "22 Sri Lankan students awarded Chinese Government Full Scholarship," *Daily* FT, 28 August 2018.
[15] "Pathfinder Foundation opens 'China-Sri Lanka Cooperation Studies Centre'" *Daily FT*, 18 December 2018.
[16] http://www.ft.lk/news/National-Security-Think-Tank-of-Sri-Lanka-ranked-in-the-Global-Think-Tank-Index/56-672945
[17] "Chinese University signs MoU with Journalism Forum in SL," *Daily News*, 14 December 2018.

Chinese government-funded infrastructure projects that would mire the Maldives in debt became a signature feature of the Yameen years, with three large projects standing out.[1819] The Maldives' borrowing from China for just these projects eventually rose to equal 40% of the country's GDP.[20] The Maldives' new Minister of Finance has estimated that the country owes China $1.4 billion, and a visiting IMF mission to Maldives in March 2019 announced that the "Maldives remains at a high risk of debt distress."[21]

The consistent allegation of corruption and malfeasance is a crosscutting theme in projects financed by China under Yameen. Such corruption enriched Yameen and his compatriots and resulted in contracts completed at significantly inflated cost. As the current Minister of Finance puts it, the previous government knowingly engaged in "willful corruption" by "getting kickbacks from contractors", explaining the high project costs.[22] The overwhelmingly opaque nature of the deals struck with China was the permissive factor allowing for so much corruption. Information on the terms of deals were not disseminated in the Maldives, with local media sources reliant on Chinese newspapers and contractors' websites for information.[23]

China's growing influence in the Maldives was facilitated by changes to the Maldives' laws, often passed without adequate or customary means of public comment and designed to permit even greater Chinese domination of the country's economy. For example, an unprecedented change to the Constitution to allow the sale of land to foreign parties was passed without public consultation within three days.[24] An amendment to the Tourism Act facilitated the lease of

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[18] "China-Maldives Friendship Bridge project launched", 31 December 2015, *Maldives Independent*, https://maldivesindependent.com/business/china-maldives-friendship-bridge-project-launched-121081 (accessed : 28 February 2019)

[19] "President launches US$400m airport runway project", 27 February 2017, *Maldives Independent*, https://maldivesindependent.com/business/president-launches-us400m-airport-runway-project-129040 (accessed : 28 February 2019)

[20] "The Maldives : Investments Undermine Democracy", 7 February 2018, Amit Bhandari and Chandni Jindal, Gateway House, https://www.gatewayhouse.in/chinese-investments-in-the-maldives/ (accessed : 03 March 2019)

[21] "Maldives owes China $1.4bn, says finance minister", 20 December 2018, *Nikkei Asian Review* https://asia.nikkei.com/Politics/International-relations/Maldives-owes-China-1.4bn-says-finance-minister (accessed : 18 March 2019); *IMF Staff Completes 2019 Article IV Mission to Maldives*, 05 March 2019, IMF Press Release No.PR19/64 https://www.imf.org/en/News/Articles/2019/03/05/PR1964?cid=em-COM-123-38466 (accessed : 25 March 2019)

[22] "Maldives seeks to renegotiate with China over Belt and Road debt", 31 January 2019, *Financial Times*, https://www.ft.com/content/fcab0410-2461-11e9-8ce6-5db4543da632 (accessed : 01 Feb 2019)

[23] See, for example: ދިވެހިރާއްޖެ ސަރުކާރުން 434 ބިލިއަން ރުފިޔާގެ ފްލެޓް ތަރައްގީ ކުރުމަށް ޗައިނާ ސްޓޭޓް ގެ ކުންފުނިއާ ގުޅިގެން ވެ [Translation : USD434m mega project to build flats goes to China State] 21 November 2017, Mihaaru News, https://mihaaru.com/news/27024 (accessed : 01 March 2019).

[24] "Amendments raise fear of Chinese military expansion in the Maldives", 22 July 2015, Maldives Independent, https://maldivesindependent.com/politics/amendments-raise-fear-of-chinese-military-expansion-in-the-maldives-101207 (accessed : 26 February 2019)

islands without competitive bidding, which the opposition alleged to "legalize corruption."[25] Following this change, one island was indeed leased to a Chinese company for 50 years.

Similarly, the approval process for the China-Maldives Free Trade Agreement (FTA) was opaque and fast-tracked to the point of absurdity. The parliamentary committee to study the FTA was conducted behind closed doors and rushed through thousands of pages of FTA documents in just ten minutes.[26] The legislation was allegedly passed the next day in an impromptu meeting.[27] Despite widespread protests criticizing the lack of due process and transparency, and that the FTA itself undermined Maldivian sovereignty, President Yameen sealed the FTA on a state visit to Beijing in 2017.[28] Fortunately, the new government appears able to prevent its implementation.

China not surprisingly sought to help ensure Yameen's re-election in 2018.[29] But public and opposition awareness of rampant government corruption, including at the hands of Chinese entities, resulted in victory for new President Ibrahim Mohamed Solih. An active civil society and watchful media were critical to raising public awareness and achieving this dramatic electoral result despite the backdrop of democratic decline financed by China. The current government has sought to repair damage to the Maldives economy resulting from excessive reliance on Chinese credit.[30] The government is also investigating the Yameen government's

[25] "Government authorized to lease islands without bidding", 29 June 2016, *Maldives Independent*, https://maldivesindependent.com/politics/government-authorised-to-lease-islands-without-bidding-125083 (accessed : 03 March 2019)

[26] ތިލަ ފުނި ޗައިނާ ދިވެހި ފްރީ ޓްރޭޑް ޔަގީންކުރާ ކޮމިޓީ ކަންތައް ކުރާނީ ތަނާ ތަނުގައި

[Translation : Committee studying the China Maldives Free Trade Agreement will work behind closed doors] 29 November 2017, CNM.mv, https://cnm.mv/f/?id=66702 (accessed : 01 March 2019)

[27] "China-Maldives free trade deal rushed through parliament", 30 November 2017, *Maldives Independent*, https://maldivesindependent.com/politics/china-maldives-free-trade-deal-rushed-through-parliament-134382 (accessed : 01 March 2019).

[28] See "The MDP is Concerned over Free Trade Agreement with China", 29 November 2017, Press Statement, Maldivian Democratic Party (MDP), https://mdp.org.mv/archives/76357 (accessed : 02 March 2019); and *China FTA undermines Maldives' sovereignty, bad for region : Former President Nasheed* 03 December 2017, Times of India, https://timesofindia.indiatimes.com/world/south-asia/china-fta-undermines-maldives-sovereignty-bad-for-region-former-prez-nasheed/articleshow/61906756.cms (accessed : 01 March 2019)

[29] ޗައިނާ ގެ ސަރުކާރުން 35 ޖެނެރޭޓަރ ސެޓް ހަދިޔާ ކުރިއަށް ގެންދަ ގޮތް

[Translation : China gifts 35 generator sets] 7 September 2018, VFP (now CNM), https://cnm.mv/f/?id=75818 (accessed : 18 March 2019); "Graduations and bridge gazing in the Maldives", 04 September 2018, *Maldives Independent* https://maldivesindependent.com/society/graduations-and-bridge-gazing-in-the-maldives-140800 (accessed : 23 March 2019); See also *Opposition criticizes govt's MVR46 mln bridge opening expense,* 30 August 2018, Avas.mv https://avas.mv/en/53501 (accessed : 18 March 2019)

[30] "IMF Staff Completes 2019 Article IV Mission to Maldives", 05 March 2019, IMF Press Release No.PR19/64 https://www.imf.org/en/News/Articles/2019/03/05/PR1964?cid=em-COM-123-38466 (accessed : 25 March 2019)

lopsided deals with China and related abuses of power, as well as reviving economic ties with India and other countries.

### 3) Cambodia

Cambodia sits squarely in China's widening orbit and demonstrates the level of dependence and democratic decline that can occur as a result of the CCP achieving significant influence in a country. For the past two decades, Beijing has developed affectionate ties with the country's ruling Cambodian People's Party (CPP) and its paramount leader, Prime Minister Hun Sen, who has ruled the country under various guises since 1985. The relationship has been based on a steady convergence of strategic interests between the two governments: the Chinese state has offered Cambodia's government much-needed investment and financing—much of it for large-scale infrastructure projects—and thus given it an escape valve from Western pressures relating to democracy and human rights concerns. In exchange, Cambodia has supported China's core interests in the region, including Beijing's aggressive claims in the South China Sea.

China has achieved nearly pervasive influence in Cambodia by broadly engaging Hun Sen's government economically. This runs the spectrum from licit engagements—such as large infrastructure projects undertaken as part of BRI—to personal connections between Chinese business figures and prominent Cambodian tycoons and government officials, up to and including Prime Minister Hun Sen.

China was the country's largest foreign investor for five straight years from 2013 to 2017, with Chinese investment in the country totaling $5.3 billion over that period. In 2017, Cambodia attracted fixed-asset investment of $1.4 billion from China, which alone accounted for 27% of total FDI for that year.[31] Much of this engagement has since been subsumed under the BRI, of which the Cambodian government has been an enthusiastic participant. Hun Sen said he was "amazed by the initiative", praised Xi Jinping's "wisdom", and declared that the BRI gave "hope for countries that need capital."[32] To the Cambodian government, the speed with which it can obtain Chinese financing for large-scale infrastructure projects contrasts with the slower oversight processes and good governance conditionalities of its traditional donors.[33]

Under the aegis of BRI, China has proposed a plan to encourage the country to develop 2,230 kilometers of national expressways by 2040, at a reported cost of $26 billion.[34] The first of these is already underway: an expansion of National Road 4 from Phnom Penh to Sihanoukville,

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[31] Heng Pheakdey, "Are China's gifts a blessing or a curse for Cambodia?," *East Asia Forum*, August 29, 2018.
[32] "Belt and Road Initiative gives hope to developing countries in infrastructure development: Cambodian PM," *Xinhua*, May 11, 2017.
[33] One example is the controversial 400-megawatt Lower Sesan II dam, the country's largest hydro-electricity project, which a Chinese SOE pushed through on schedule in the face of complaints from environmentalists and protests from thousands of displaced villagers displaced by the project. "Cambodia hails opening of country's largest dam despite opposition," *Agence France-Press*, December 18, 2018.
[34] Vannarith Chheang, "Cambodia Embraces China's Belt and Road Initiative," (Singapore: Institute of Southeast Asian Studies, ISEAS Perspective, July 6, 2017), 6.

the home of Cambodia's only deep-water port, which has recently been transformed into a Chinese tourism hub dominated by dozens of unregulated casinos.[3536]

Despite the large influx of Chinese yuan, BRI loans have not yet placed an undue financial burden on the Cambodian government. By the end of 2016, Cambodia's total public debt stood at around $6.5 billion, nearly half of which was held by China.[37] For now, the total represents just 32% of the country's gross domestic product of $20 billion, a relatively sustainable debt load.[38] However, if it continues borrowing at the current rate, the country's debt-load could well become burdensome in the near future, especially if the country experiences a sudden economic recession or other external shock.[39]

Nevertheless, China's rising economic presence in Cambodia has had clear negative impacts on the country's development trajectory. While governance standards in Cambodia have always been poor, the ready availability of Chinese money has reduced the outside incentive for Hun Sen's government to improve these standards or make itself more democratically accountable to the Cambodian public. In Transparency International's Corruption Perceptions Index for 2017, Cambodia was ranked the most corrupt nation in Southeast Asia, coming in 161 out of 180 countries for popular perceptions of corruption.[40]

Chinese firms, many of them linked to the Chinese government, frequently work through the CPP's corrupt networks in order to forge alliances at the highest levels of the government. A prime example is Fu Xianting, also known as Big Brother Fu, a former PLA officer whose business interests have been greased by his "family-like" relationship to Hun Sen and key members of his inner circle.[41] In 2009, Hun Sen helped Fu and his company win a 99-year lease for a 3,300-hectare concession to build a $5 billion resort on Cambodia's coast. The government granted the concession after Fu's company made a series of donations to Hun Sen's bodyguard unit, a 3,000-strong private army.[42] The intertwining of private Chinese companies with the state and ruling party, and the willingness of these companies to work through the party's illicit economic networks, have been important factors in the expansion of Chinese influence.

Current Cambodian policy is so accommodating to China that the latter has so far found it unnecessary to resort to coercive influence tactics to shape the information space to advance its

[35] See Lindsay Murdoch and Kate Geraghty, "The next Macau? China's big gamble in Cambodia," *The Age*, June 20, 2018; Hannah Ellis-Petersen, "'No Cambodia left': how Chinese money is changing Sihanoukville," *The Guardian*, July 31, 2018.
[36] "Cambodia's bid to be 'New Macau' stirs old wounds as Chinese cash in," *Agence France-Presse*, January 27, 2019.
[37] John Hurley, Scott Morris and Gailyn Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," (Washington: Center for Global Development, March 2018), 28.
[38] Hurley, Morri, & Portelance, "Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective," 12.
[39] Robin Spiess, "Belt and Road could bring risks for Cambodia debt," *Phnom Penh Post*, March 27, 2018.
[40] Available at: https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table
[41] Daniel Pye and May Titthara, "Friends in high places," *Phnom Penh Post*, March 24, 2014.
[42] James Kynge, Leila Haddou, and Michael Peel, "How China bought its way into Cambodia," *Financial Times*, September 9, 2016. See Kali Kotoski and Sor Chandara, "Developer finds new partners for planned resort in Preah Sihanouk," *Phnom Penh Post*, March 21, 2016.

interests. Hun Sen has been able to ensure that the Cambodian information environment remains friendly to Chinese interests and generally conducive to a continued extension of CCP influence in Cambodia. Cambodia hosts just one Confucius Institute, at the Royal Academy of Cambodia in Phnom Penh.[43] *Xinhua* reported in 2016 that the institute plays "a big role in promoting China's Belt and Road Initiative in the kingdom."[44]

Even so, China has offered considerable technical support to the Cambodian information technology, telecommunications, education, and media sectors, which taken together, have increased China's potential to shape the Cambodian information environment while bolstering the regime's control over the population. [45] In April 2017, Cambodia and China signed an agreement initiating regular media exchanges, under which Cambodian journalists and Ministry of Information officials would be offered specialized reporting and technical training in China.[46] A Cambodian journalist who went on one such trip recalled being put up in four-star hotels and ferried to organized interviews with Chinese officials.[47] Chinese firms have also directly invested in state-run Cambodian media.[48]

Chinese influence has allowed Hun Sen the freedom to roll back the country's partial media freedoms and quash the independent outlets most critical of his government.[4950] The value of Chinese support was on display in the run-up to national elections held in July 2018, when the CPP launched a severe crackdown on its opponents. shuttering critical media outlets and arrested opposition politicians and human rights defenders. In September 2017, opposition leader Kem Sokha was arrested and charged with treason. Facing little effective opposition, the CPP won all 125 seats[51] in the Cambodian National Assembly. When Western nations suspended support for Cambodia's 2018 election following Kem Sokha's arrest, China voiced its full support for the electoral process, donating laptops, computers, voting booths, and other items to the Cambodian National Election Committee.[52] On election day, China sent an observer mission.[53]

The supportive environment in Cambodia has also given China potential control over strategically important assets throughout the country. The most significant is a massive economic land concession in Koh Kong province on Cambodia's southern coast. Granted to the Tianjin-based

[43] "Spotlight: Confucius Institute in Cambodia serves as platform for promoting China's Belt and Road Initiative," *Xinhua*, October 13, 2016.
[44] *Ties That Bind: Quantifying China's public diplomacy and its 'good neighbor' effect* (Williamsburg, VA: AidData at William & Mary, 2018), 21.
[45] "Cambodia, China ink cooperation deal on telecom, ICT," *Xinhua*, January 27, 2015.
[46] Aun Pheap, "Ministry, Cambodian Journalists Strengthen Links to China," *Cambodia Daily*, April 11, 2017.
[47] Cited in "With Cambodia's free press under fire, 'China model' makes inroads," *Agence France-Presse*, June 3, 2018.
[48] "First Chinese-invested TV channel launches in Cambodia," *Xinhua*, September 29, 2017.
[49] Richard C. Paddock, "The Cambodia Daily to Close (After Chasing One Last Big Story)," *New York Times*, September 3, 2017.
[50] Julia Wallace and Mike Ives, "A Newspaper Is Sold, and Cambodians Fear the End of Press Freedom," *New York Times*, May 7, 2018.
[51] The number of seats in the National Assembly was increased to 125 after the 2013 election.
[52] "China pledges support for Cambodia election after EU, U.S. withdraw," *Reuters*, December 28, 2017.
[53] "China pledges support for Cambodia election after EU, U.S. withdraw."

Union Development Group (UDG) in 2008 for the development of an industrial and commercial tourism project, the 36,000-hectare concession includes 20% of Cambodia's coast.[54] UDG's Dara Sakor resort includes plans for an international airport, hospitals, international schools, five-star hotels, and—most controversially—a deep-water port large enough potentially to handle cruise ships, bulk carriers, or naval vessels.

## China's Influence Efforts Likely to Intensify

As these case studies demonstrate, China's expanding influence throughout the Indo-Pacific has significant implications for U.S. interests, undermining democratic principles and sovereignty in strategically important democracies.

These cases also illustrate the significant differences between each country's experience with malign Chinese influence. The United States and its partners therefore must not take a cookie-cutter approach to responding to such influence in Asia and around the world. Neither should Washington try to force countries to side with the United States against China and reject Chinese investment. For most countries in the region this is simply not an option. According to the Asian Development Bank, developing Asia needs about $26 trillion in infrastructure investment through 2030 maintain its growth momentum, tackle poverty, and respond to climate change.

Beijing's influence efforts are only likely to intensify in developing countries throughout the Indo-Pacific. This approach to the developing world is integral to the Party's efforts to ensure China's promised "rejuvenation" to great power status and protect inputs needed to fuel its economy – both deemed key to the Party's continued legitimacy. If economic and internal stability challenges continue to grow, Chinese leaders are even more likely to seek quick returns on investments abroad and use heavy-handed propaganda and "sharp power" efforts to shape the narrative to protect China's interests.

Furthermore, if U.S.-China ties continue to decline, with Washington more vocally criticizing China's internal political system and challenging its drive for a larger voice in global governance, the CCP is likely to redouble advocacy in the developing world for China's authoritarian development path. Longer term, Chinese leaders may respond to a bifurcating global economy and technological landscape by more proactively institutionalizing developing countries' economic relationships with China, ensuring that if they must choose, they pick Beijing. China's provision of a greater array of tools to friendly governments will help ensure their ability to remain in power.[55]

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[54] Andrew Nachemson, "A Chinese colony takes shape in Cambodia," *Asia Times*, June 5, 2018.
[55] A National People's Congress Standing Committee session in late October discussed the need for China to dominate AI through, in line with BRI, providing it to developing countries.

Recommendations for Countering China's Malign Influence

**The CCP's approach will not change unless it sees fewer benefits to aggressively acquiring influence in developing countries.** Chinese officials and companies take a harder line in countries where governance, transparency, and the rule of law are lacking. On the other hand, there are increasing indicators that China moderates its influence efforts in the face of pushback by recipient governments.

- For example, in Burma, where loans from China account for approximately 40% of the country's total government debt, the country has renegotiated China's initial Chinese terms for development of the Kyaukphyu Deep Sea port project to significantly reduce the resulting debt burden.[56] Myanmar has also reportedly drafted plans to protect itself from China's potential influence resulting from BRI-related investments, including by insisting that identified projects be selected through a public tender process and that Myanmar be allowed to borrow from multiple sources when financing projects.[57]

**The United States and its partners therefore must invest resources in changing the context in the countries China targets for influence.** This can be accomplished through two complementary efforts: 1) offering countries alternatives to Chinese investment and assistance on how to structure future deals with China; and 2) building the resilience of developing democracies to the malign effects of CCP influence.

**First, the United States should offer developing democracies both alternatives to China's investment and financing practices and technical assistance on project evaluation and negotiation.** The administration and Congress have taken some important steps, including the passage of the Better Utilization of Investments Leading to Development (BUILD) Act creating the new U.S. Development Finance Corporation (DFC). The DFC must not be viewed as directly competing with a massive state-financed infrastructure initiative like the BRI. Instead, through targeted support for private enterprise in critical countries limited in their financing choices, the U.S. can help establish higher common standards for transparency and sustainability that both regional government officials and their publics may increasingly demand over time.

The US should work closely with likeminded partners and allies to offer such training and alternatives. Japan is already the main competitor to Chinese infrastructure largesse in countries like Cambodia, offering the country an alternative to Beijing's BRI funding for infrastructure mega-projects.[58] Wherever possible, the United States should work with multilateral development banks and partners such as the EU, Japan, India, and Australia to offer

[56] Bertil Linter, "Poor and isolated, Myanmar backs into a China debt," *Asia Times*, 4th February 2019; https://www.theguardian.com/world/2018/aug/02/myanmar-scales-back-chinese-backed-port-project-over-debt-fears

[57] https://www.irrawaddy.com/news/analysis-deft-diplomacy-required-china-japan-court-myanmar.html

[58] Kiyoshi Takenaka, "Japan pledges $6 billion to Mekong nations as China prepares new bank," *Reuters*, July 3, 2015; Gwen Robinson, "Japan's Indo-Pacific push galvanizes Mekong region," *Nikkei Asian Review*, March 29, 2018.

infrastructure alternatives to developing countries. There are encouraging signs that this sort of collaboration is increasing and yielding some results.

**Second, the United States must dedicate resources to bolstering the capacity of civil society, political parties, and independent media in developing countries.** These democratic institutions are critical to recipient countries' ability to monitor and evaluate Chinese project implementation practices and promote the rule of law. Transparency and investigative journalism in particular are essential to ensuring the resilience of recipients of Chinese financing, particularly in countries with leaders happy to conclude deals behind closed doors.

The availability of accurate information permits broad public debate about how to engage China amongst business, civil society, government officials, and local communities affected by infrastructure projects. In so doing, national interests are protected and equitable benefits assured across a society. Washington should provide additional assistance for countries that are deemed particularly vulnerable to Chinese influence. The U.S. should also work with its country partners to raise awareness of China's influence efforts in think tanks, universities, NGOs, and media where impartial expertise on China and the nature of the CCP is lacking.

None of these efforts to counter the malign aspects of CCP influence will be easy or achievable without a sustained US dedication to working with and assisting democracies across the region. There is no alternative, however, if Washington hopes to prevent the spread of authoritarianism and defend its interests in the Indo-Pacific. The United States must recommit to the hard work of defending democracy around the world.

Mr. SHERMAN. Let me point out that China's policies are so extreme, so outrageous, that they have done the impossible. They have gotten Democrats and Republicans to agree. In 2019, they got me to say something nice about the Trump administration. They are more powerful than the mega wattage necessary to reduce the temperature to refrigerate Hades to below 32 degrees. Think about it.

We have got a great firewall in China, and one might—and I probably want to get some technical experts to respond to this. I realize that is almost another committee. You know, for way less than the price of one aircraft carrier group to cruise within 6 miles of an uninhabited islet, we might very well be able to blow a lot of holes in the great firewall of China and make sure that every Chinese citizen could see anything the world had to offer. I am going to have that be a question for the record.

And I want to ask our witnesses, why are Muslim countries so silent with regard to the Uighurs? Anybody have a comment?

Yes.

Mr. SHULLMAN. I can comment on that. I mean, part of what we have discussed here today with the influence and the leverage that China achieves through the Belt and Road Initiative and its growing just gravity, center of gravity as an economic powerhouse has an impact, obviously, on a lot of these Muslim countries. I believe 50 percent——

Mr. SHERMAN. And it is universal. It is not like Mali has done something, or Indonesia or, you know, Morocco. The only Muslim country to say anything—and they were kind of forced into it—was the Turkish Government, and that is just because the Uighurs are not just Muslims but also Turkic.

Mr. SHULLMAN. And that was a change.

Mr. SHERMAN. So you are saying this fear of China exceeds Muslim solidarity from North Africa through Southeast Asia?

Mr. SHULLMAN. I think that China is the No. 1 trading partner for over half of the countries in the Organization for Islamic Cooperation, yes.

Mr. SHERMAN. Legitimacy, governmental legitimacy is critical, because the question the people always ask is, why are those folks running things? Monarchy answers the question, worked for several millennia. Theocracy works. In Iran, it answers the question why are these folks running things. Marxist-Leninism was a theocracy. But nobody in Beijing is the vanguard of the proletariat. It is as if what happens to Iran if the ayatollahs are still running things, but they become a group of pork-eating atheists. So they have to delegitimize democracy in order to prevent themselves from being relatively delegitimate, and they have to support authoritarianism in its many forms as an alternative.

I want to turn the attention of the panel and my colleagues to a bill that I am working on. I call it the China Debt Trap Act. And what it would do is just tell countries that have, like Sri Lanka, signed these deals where they owe a huge amount of money for an infrastructure project that will not pay for it and just say, renounce the debt. Now, why do not countries renounce the debt? Well, 100 years ago, they did not renounce the debt, or 150 years ago, because the Marines would land and take over the port and make the

country pay its debt. We do not do that anymore. You do not have to pay your debt if you are a country, unless you worry about your credit rating.

So what this act would provide is that no U.S. person could give somebody a lower credit rating or fail to make a country a loan just because they had renounced Chinese debt trap debt, which would be defined as debt where—we would give the Chinese a chance to bring the deal to us for evaluation in advance. So if we certify that it is a fair deal, that is it, but any other time, if there is this debt, we could look at the deal, decide it was unfair, and invite the country to renounce it.

Any comment?

Mr. SHULLMAN. Sir, I will——

Mr. SHERMAN. It would serve them right, by the way.

Mr. SHULLMAN. I will take a stab at that. I think it is a good idea. I think I would point out two thoughts, which is, one, in a lot of these countries, including Sri Lanka and others where they have gotten into serious debt to China, part of the problem is that once they get into this cycle of debt, they need to continue to finance these projects that have been started, and unless there are alternatives, they feel like they have to go back to China. So in the case of Sri Lanka, once the Rajapaksa regime is kicked out——

Mr. SHERMAN. Fine. Borrow the first, then borrow the second, then borrow the third. Raise your debt to $10-, $20 trillion, and then renounce it all, and then still have complete access to all the Western financial institutions. Sounds like a plan.

Mr. SHULLMAN. If there are alternate institutions that are willing——

Mr. SHERMAN. Well, yes. I mean, not that we would build another harbor for them for free, but they would be no worse off for wear. They could take all the money China extends in tranche one, two, three, and four, and then not have to pay and still have total access to us.

Ms. CHAUDHARY. May I respond, just to piggyback off of Dr. Shullman's comments. I think any avenues for countries that are working with China to talk about China in multilateral settings or in other bilateral relationships are welcome. And I will give you the example of the IMF in Pakistan as something to follow.

We do not have a lot of information on Pakistan's loans with the Chinese; they stopped sharing it. But they are cash-strapped and they needed to approach the IMF, because they are in a foreign exchange crisis. And the IMF said, we will not give you a deal unless you share information about these loans. And the deal is almost complete, and it is my understanding that that information has actually been shared. And so, you know, what Pakistan will not share publicly as part of a bilateral deal with the Chinese, I think it is more willing to share when it needs it.

Mr. SHERMAN. I think you have got a good focus on disclosure. I want more. I want disclose the bad deal, borrow more in a second bad deal, borrow more in a third bad deal, and then renounce all the debt.

With that, I yield to the ranking member for 5 minutes.

Mr. YOHO. I want you to be my banker. Debt forgiveness. But it is a strategy. And I want to applaud the chairman for giving credit

to this administration. I think—no, I hope that does not go—I hope it does go public for you, because I think it is a good thing, because it shows that we are focused on what is best for America.

And I think the chairman brings up an important point about the Spratly and Paracel Islands in that it is a worthless piece of real estate I think you said. But I think of it differently, in that it is a strategic area for China for the Indo-Pacific. When you have a country like China that lays claim to their historical nine-dash lines, and they said that this is where we sail so it is our land, even though the World Court has ruled against China and they make claim. And I think, Ms. Chaudhary, you brought this up, or it might have been Dr. Kliman. Nobody has challenged them.

You know, the Philippines sued them in the World Court. China lost. They built. The world stayed idle. They have imprisoned, you know, 1-to 3 million Uighurs with concentration camps, possibly crematoriums. The world has stayed silent.

And if we do not challenge them, they are going to continue to grow, and they have got their eyes on the Arctic now. And so the Paracel Islands is what I see as a second line of defense for mainland China. Then they are going to move to the Micronesia countries or Oceania, and then that will be a third line of defense. And I think it is important that we as a Nation, not just us, but the free world stands up to China.

And I have got a question here about the ASEAN bloc of nations. What can countries in the Indo-Pacific do to curtail Chinese influence and deter interference, specifically the ASEAN bloc of nations? Does anybody want to talk about that?

Mr. KLIMAN. Sure. I am happy to jump in on that. I mean, China has made a systematic effort to divide ASEAN through cultivating certain leaders in countries like Cambodia to torpedo the organization from having unity.

I think from a kind of U.S. perspective, I mean, this often gets back to the kind of funding journalists on the ground and trying to create societal conditions that will make it harder for China to capture elites in places like Cambodia and elsewhere, and essentially be able to use ASEAN members against the larger organization. So I think, to me, I mean, ASEAN, until we can get at some of these members having been co-opted, it is not going to be a terribly effective organization as a whole pushing back on China.

Mr. YOHO. All right. And what we have seen is a very aggressive China buying off influence or buying influence, breaking diplomatic ties with other countries like Taiwan, and they are going to continue to do this until we push back.

And we have been very vocal on this committee and individually. When I have talked to the ASEAN leaders of their bloc, you know, we know that the original 10 blocs said that we do not interfere with the politics of another nation. But we are at a different time and place in history, with world powers juggling for preeminence. And China has got a very clear Stated position that they want—it is time for China to take the world center stage, according to Xi Jinping.

And we have implored the chairman of the ASEAN bloc of nations that you need to come together as a bloc of nations to resist the aggression of China, especially in the South China Sea or the

East Sea, and understand it is not just you. It would be us, Canada, Great Britain, France, Japan, South Korea, India, and Australia. And if we collectively stand up against China, China will get the message in one sense, militarily. You know, that is a formidable force.

The other thing is—and nobody wants a kinetic conflict. I think we need to have economic repivoting in manufacturing in the world, and I like to refer to it as ABC, manufacture anywhere but China and encourage our manufacturers to go. Because we are feeding the very machine that is having this aggressive nation—or aggressive actions, and the only reason they can do that is because so much is made in China. And so I think we need to repivot the manufacturing hubs of the world so that we are not indebted to a China that produces pretty much everything.

And we had the AmCham come in. And we have said this to multiple organizations that do manufacturing in China, and they all freak out. Oh, it is such a big market, 1.3 billion people in China. We have got to have this market. But they sell their souls for profits for the boards, you know, for the stockholders. I want to take them by the shoulders and point them to the rest of the world. There are 6-point-some billion people over here. Let's focus on this market and move manufacturing over there, because if we hit China economically—and I do not want to damage China. I want the Chinese people to be successful but not at the expense of my Nation or our allies. And I want countries free to choose the system they want.

And what are your thoughts on that, to get manufacturers to leave, or how realistic is that, if I may?

Mr. KLIMAN. I think it is a very interesting idea. I mean, you could even think about with supply chains now anecdotally. Anecdotally, we have heard of companies now rethinking about the tariffs. Do you keep your manufacturing in China, because suddenly people are hoarding key supplies with the tariffs? You could even imagine, for example, legislation that would essentially give tax breaks to companies that are U.S. in China, but then are taking their supply chains there and slowly moving them to, essentially, whether it is here or other regions. So I think it is a very intriguing idea.

Mr. YOHO. I am out of time.

Mr. SHERMAN. Thank you.

I would point out that America does not seek a $300 billion trade surplus with China. We would be fair. You know, fair and balanced is fine with us, although the fair and balanced slogan may already be taken.

And we give 5 minutes to the gentlelady from Pennsylvania.

Ms. HOULAHAN. Thank you, guys, for coming. I have a couple of questions. I had the opportunity of meeting with some businesspeople in my community last week who have been working for the better part of a decade with outreach to Asia and specifically to China to bring joint ventures together, to find sister city relationships; and they were very excited and enthusiastic about the opportunities that they saw in sort of growing businesses with a very large market.

And this was not necessarily in the manufacturing space. I personally have a great deal of experience in the Asia and particularly China manufacturing world. But this had to do with farming and agriculture, it had to do with tech transfer and that kind of thing.

So my question to you all is, I recognize, as a businessperson, I recognize for my community that growing your businesses and expanding to newer markets, large markets is really essential; but I also approach this with a degree of cynicism and a little bit of uncertainty about how we can educate the folks in our communities, the businessmen and women in our communities to be cautious in their outreach. And how should I bring that message without seeming as though I am depressing the economy of my community? Anybody who can answer that for me?

Mr. KLIMAN. I am happy to jump in on that. I mean, there are probably a few ways. I mean, one, I think more and more businesses are going to see they are producing within China for China, and thinking about essentially segmenting your business. Where China is a big market, of course, companies will need to be there, but really having kind of your presence there for the local market, not using it as a basis for your kind of global supply chain, not necessarily putting your best technology there.

And so I think that would be how I would frame it and just, I mean, all the sort of cautions up front. With technology, I mean, going eyes in, knowing that, ultimately, China wants to keep its market for its own companies. It will take technology if they are putting it there, try to squeeze it from these firms, and ultimately they will find the Chinese competitor here. So being cautious. But I fully understand your point, which is it is a large market and so companies are going to have to navigate it, but I think with a lot of care.

Ms. HOULAHAN. I guess would you recommend that I maybe even have roundtables such as this where experts are kind of communicating the cautionary tales? It feels as though the conversation has been sort of Belt and Road and at the level of other countries and their relationship with China. And we need to be bringing it, in my opinion, down to the everyday of my community. Is there something that I could be doing to be helpful in educating my community?

Mr. KLIMAN. I would imagine more so certainly than myself here but, I mean, business experts who have been there for a long time are navigating the market, understand it. I mean, I think there would be a lot of benefit. I am sure you would find folks who could give kind of a best practices who have been there for a while.

Ms. HOULAHAN. Does anybody else have anything to add to that?

Mr. MATTIS. Yes. If you want to do business in China, do business in China. Go there and make the relationships yourself. If it is coming through one of these organizations, whether it is a Chinese chamber of commerce, whether it is a tongxiang hui, the hometown association, whether it is a sister city type of relationship, this is actually controlled by the influence bureaucracy.

If a foreign country was thinking about doing business in the United States and CIA was sort of the vector for making that happen, people would sort of say, ah, maybe not. So why should it be

any different when we are dealing with the PRC? And so if you want to do business, do business.

But, as you said, you know, some of these are about tech transfer. This influence system is as much about building talent recruitment and tech transfer and making sure that that expertise is available.

You mentioned in agriculture. Dutch security officials, Spanish security officials, Australian security officials, Taiwanese security officials have all told me about how they were kind of puzzled how agricultural products, seeds, also in the United States, that these have been targets for the intelligence system, for the influence system, to bring that expertise back.

So it is a question of are you seeing an opportunity that is genuinely there or is it an opportunity that is being given to you to sort of suck you into the PRC so that you can be exploited.

Mr. SHULLMAN. Just quickly on that too, to bring it back to the developing Asia perspective. This is the same thing that is happening in all these countries, in these developing countries. In Asia, where people will think that they are engaging with the friendly business association.

And so part of what IRI and others are doing is, you know, trying to educate on, you know, this is not exactly who you think you are dealing with. This is related to the party, to the united front sort of work, and you need to go into this with eyes wide open, perhaps; and, as Peter said, perhaps go to China and create those relationships on your own as opposed to letting these organizations with this background come to you.

Ms. HOULAHAN. Thank you. I yield the balance of my time back.

Mr. SHERMAN. The gentleman from Florida I guess has left, so we will go to the gentlelady from Missouri.

Mrs. WAGNER. Thank you, Mr. Chairman, for hosting this hearing, and thank you to our witnesses for their time.

With tensions over trade escalating and the Chinese Vice Premier headed to Washington Thursday for resumed talks, I appreciate this timely opportunity to learn more about China's attempts to erode America's influence. I come from a trading State, the State of Missouri, where exports support 88,000 jobs. That is 18 percent above the national average.

I strongly believe that China must be held accountable for its malign trade and investment policies, but we must be targeted. American consumers and businesses should not be the ones shouldering the consequences. I believe our trade policy toward China should be aimed at curbing the predatory behavior of China's State-owned enterprises, these SOEs.

Dr. Kliman, how should U.S. negotiators address this issue in talks?

Mr. KLIMAN. That is a great question, certainly very timely. I mean, my view is that, ultimately, U.S. and Chinese economic objectives are squarely nonaligned, that China ultimately wants to dominate kind of the key industries of the future. And if you look at sort of any deal on the table already this week, it became apparent the Chinese were walking back from their commitments. To me, that is deeply unsurprising.

I think any deal, if one is struck, will be unsatisfying, I think, to the House, to the Senate, to the American people, given the nature of what China wants relative to the United States.

So I do not think there is a straightforward sort of answer to your question. I mean, I think at the end of the day, it will be about sort of protecting the industries here where China is going to exploit us trading in select areas that perhaps are not as competitive with them. But I do not think there is sort of a very easier painless path forward.

Mrs. WAGNER. Oh, clearly. And, obviously, the Vice Premier is on his way, and the President is saber-rattling. So we will see if we make any inroads here this week. I want to make sure, though, that my farmers and my consumers are not inadvertently and overly affected by this.

Beijing allows its State-owned enterprises to borrow at extremely low interest rates from public financial institutions. As a result, SOEs have dominated project bids in Southeast Asia, a primary target of the Belt and Road Initiative. I am co-chair of the congressional ASEAN Caucus, and I am deeply concerned that these policies are designed to draw Southeast Asian countries into Beijing's sphere of influence.

Dr. Kliman, how should the United States work with Southeast Asian countries to prevent these State-owned enterprises from boxing out more responsible investors?

Mr. KLIMAN. Congress has already taken an important step in that direction, passing the BUILD Act. I would say I am cautiously optimistic with our new development finance corporation that some of the tools it has, including new tools like equity as well as, of course, the new lending cap, if targeted, could help to move the needle. I think many of the countries in Southeast Asia understand what Chinese SOEs bring is not necessarily well-engaged with our economy. There is not the skill transfer they want. The debt issue.

So I think the problem for the U.S. until now has been we did not have an alternative easily available. That may change with this new DFC. I think there is a critical role for Congress to make sure the DFC is lending in some of these countries in support of U.S. companies in competitive sectors, but I would say I am optimistic that we now actually have that tool.

Mrs. WAGNER. Dr. Shullman, the Xi regime faces internal pressure stemming from demographic issues, simmering dissent and high expectations regarding economic performance. Given these dynamics, I think it is important to remember that the Belt and Road Initiative was originally a domestically oriented initiative designed to spread economic growth to quickly growing cities in China's interior. Belt and Road Initiative has now evolved far beyond its domestic origins and threatens to undermine democracy and good governance in developing countries.

Do you think the shift was opportunistic or accidental? And how should China's internal pressures inform our thinking on the Belt and Road Initiative?

Mr. SHULLMAN. Thank you for that question. I think it is absolutely right to point out the fact that the Belt and Road initially was very much domestically focused to benefit China's west in particular.

I think it is important to note that, you know, in terms of why it has become such a big deal in terms of external economic engagement, China is looking to create external markets to be able to sell its goods elsewhere. They are also trying to export its overcapacity in a lot of industries. But it is important to note that, actually, you know, when you look at the data, the Belt and Road actually has not been very beneficial for China's domestic economy going forward.

What I think we need to look to is, going forward, as I mention in my remarks, if China's economy continues to face mounting challenges, as we see that it is with the massive amounts of debt that they are taking on domestically, China is going to continue, I think, to look to the Belt and Road as a way to get them out of this problem, right, to create new markets and all, so to try to continue to saddle countries with these debts.

And to come back to your question to Dr. Kliman, it is not just that SOEs are getting subsidized and, therefore, able to come in with lower bids. It is that the Chinese policy banks that are financing these projects are then going in with these governments and saying, OK, and there is going to be one bid and it is going to be from a Chinese SOE, or maybe two bids, both of them Chinese SOEs. And so you are going to have a situation where you have very inflated costs, with corruption inherent in all of these deals.

So it is not just the subsidizing, it is also the opaque nature in the way in which these deals are done. And to expose that through civil society and investigative journalism is really critical.

Mrs. WAGNER. Thank you, Dr. Shullman. I know my time has elapsed.

I have a really awesome question for you, Ms. Chaudhary, and I am going to make sure that it gets submitted to you—it is about India—that I would love if you could respond in writing. And I thank the chair for the hearing.

Mr. SHERMAN. We all look forward to reading the awesome question and the even more awesome answers.

Two items for the record. First, tomorrow China's Vice Premier Liu will be in Washington, DC. This subcommittee has invited him to either meet with the subcommittee or the full committee, his choice. He has not responded, and my fear is that if he watches this tape, he is even less likely to respond.

And for the record, I will comment that while I have commended President Trump for not ignoring the problems with China—and I think Ted's got it right in some ways—there are other areas where I disagree with his policies. And if the committee demands that I spend 15 minutes explaining that, I will accede to that demand. But in the meantime, we will recognize for 5 minutes the gentlelady from Virginia.

Ms. SPANBERGER. Thank you very much, Mr. Chairman. Thank you to the witnesses.

I was struck by what you said, Mr. Mattis, in talking about the Chinese believe that national security is achieving the absence of threats, and further continued your discussion to say that there are really no consequences to China, so they take no risk in a lot of what it is that they are doing.

So I was curious if you could expand upon that kind of premise of thought. What do you see are some of the consequences that the United States could put in place or could expand upon that could create risk for China that might impact their behavior and positively impact our national security situation vis-a-vis China?

Mr. MATTIS. So one of the easy ones that has been in the news for the last, I think, year and a half is the issue of visas and Chinese Government officials coming through the United States, whether in some cases to intimidate people or, say, education officials going to universities for the purpose of overseeing a party committee meeting or to directly send messages to students. That strikes me as activity that is inconsistent with diplomatic convention. In some cases, this may fall afoul of some of our civil liberties legislation, and these are clearly grounds for declaring a diplomat persona non grata.

If it is someone who has come in without diplomatic accreditation, then you are talking about something that is akin to visa fraud. It does not mean that you necessarily have to arrest them and hold them. Maybe you charge them after. But making the point that this is something that is considered off limits is important. If it actually does involve sort of more direct criminal acts, as might have been the case in, say, the Olympic torch relay, then it does mean that we are going to have to bring those tools to bear.

Four Chinese companies that have been on the receiving end of stolen intellectual property, they still have been able to do business in the U.S. and elsewhere. You know, whether it is—I know there is legislation being considered to punish those companies directly. Again, what is the possibility of using criminal indictments for the people involved and restricting their travel abroad?

I think in many of these cases, when we try to make the issue about the PRC or the party writ large, we end up looking at this big complicated mess when the response might actually best be made to make it personal, so that the individuals that are involved have to make the decisions and have to calculate for themselves.

Ms. SPANBERGER. Thank you.

And my next question is for Dr. Chaudhary. You talked briefly about the counterterrorism efforts and the different pivot that China has versus Pakistan. And so I am curious, from a U.S. counterterrorism perspective, where do you see that our relationship with Pakistan working to address the threat of terrorism could be potentially impacted by the relationship that Pakistan continues to develop with China, and whether or not that might sway/change/impact their focus on the terrorist threat, and how that might impact our relationship with Pakistan in addressing that threat?

Ms. CHAUDHARY. So, in general, I think that it has been a good thing for U.S. interests that the Chinese have gotten involved in Pakistan security issues. They always have been involved a little bit, but more privately.

And what we have seen in the past decade, as the threats have expanded and become more amorphous and with, you know, also ISIS expanding, we have seen the Chinese become more interested in Pakistani stability. And that coincides with, you know, the State becoming increasingly fractured, relations between civilians and military not going well, as they do in Pakistan.

And so I think the Chinese realize that they have to become a little bit more engaged and active, and also at the prodding of the United States. I mean, we really—and I was in the administration at that time. We really were curious why the Chinese we are not concerned about Pakistan stability. It is their neighbor, frankly speaking. They have much more skin in the game for the long term than the U.S. does, ironically, with the thousands of troops that we had.

So, in the short run, I would say it is a benefit for us, especially because the Chinese have gotten involved with talks with the Taliban. They have different avenues into that conversation on the conflict in Afghanistan that the U.S. can benefit from. We really have lost a lot of influence and leverage in our relationships with everyone in the region. And so anyone else who shares or overlaps with those values, I think that is a benefit.

Over time, it is going to be much more difficult to pursue our counterterrorism interests in Pakistan, and this is because we do not have the relationships with the institutions and also with the individual leaders that we had, say, 10 years ago or 15 years ago. And that is simply because we are not putting that much money into the country, and we are not focusing beyond counterterrorism.

And I am not here to argue that we should put more money at this point. I think that we really tried everything we could. But as the Chinese are pursuing a very specific focus on security related to the Uighurs, they are not concerned about overall stability for the country, only for their projects.

And so with that, I think the U.S. has to think about the nuclear proliferation threats, the possibility of China and Pakistan working more closely together on that, and what do you do about anti-India militants in Punjab, which do destabilize the region. And China is not really doing anything about that yet.

Ms. SPANBERGER. Thank you.

Thank you very much. I yield back.

Mr. SHERMAN. Thank you.

I now recognize the gentleman from Florida.

Mr. MAST. Thank you, Chairman.

Listen, I just wanted to give you all the opportunity to sound off on this. If you have anything profound, anything mind-blowing that you would like to say about what you perceive some of the biggest—a biggest weakness of China to be that you might think we are missing. Do you have anything mind-blowing or profound to say about a weakness you think we are missing on China?

I hear crickets, so I might have to move on.

Mr. KLIMAN. I am happy to jump in on that. I think at the end of the day, I mean, the economic model they are pedaling, while it has gained some success, I mean, it ultimately has enormous downsides. And you have seen the backlash.

I think if the U.S. takes advantage of the rising concern about Belt and Road investments and, again, emphasizes what we do best, which is skill transfer, things even like women's empowerment—we have an initiative for that run by OPEC—there is a real opportunity here.

I think sometimes it is easy even here in the U.S. to be sort of dismissive of our ability to rise to the China challenge. I think ulti-

mately China has great weaknesses, especially sort of the long-term appeal of their economic Statecraft. So I would definitely put that as a vulnerability.

Mr. SHULLMAN. I mean, I would just add, I do not know if this is something that anyone is missing, but it is really important to note whenever we talk about China and the party how insecure they are about their continued grip on power going forward.

I think, you know, this is something that underlies everything that they do domestically, but also their approach to these issues internationally. And so even though we see a much stronger China on the world stage and a lot more aggressive rhetoric and a lot more aggressive programs and the Belt and Road in countries all around the world, it is important to remember that, you know, when China holds meetings at the Politburo level, they are frequently talking about what are the risks that we are facing long term in terms of staying in power and maintaining stability.

Ms. CHAUDHARY. I would also add that something we have not talked about today is Chinese kind of people-to-people relationships, and that is something that I think is an inherent weakness if you compare it to the U.S. and our ability to use our soft power influence through our entertainment. Everything about American life that appeals around the world, the Chinese do not have that.

And the Chinese nationals that are going to, say, Pakistan, for example, they are not there to become part of the culture or learn about the communities or have cross-cultural dialog. They are there to make money, and they live in enclaves and essentially what people call Chinese colonies and go to their own restaurants. And that is not something that is going to favor China, Pakistan, or China in cooperation with any country, for that matter, over the long run. Local communities will be very upset by those things, I believe.

Mr. MAST. Interesting enough. I appreciate that. I wanted to go back to you for a question. I was interested by a lot of what you had to say, but I wanted to expand the scope of some of what you spoke about. Do you see any place specifically in your analysis that you see China wanting to change existing territorial borders outside of, let's say, the South China Sea?

Ms. CHAUDHARY. I do not believe I could speak to that in the context of South Asia, no. I have not seen that.

Mr. SHERMAN. If the gentleman would yield, I will point out that there is a significant territorial dispute between India and China, and in the 1960's, there was more than one armed conflict over that.

Mr. MAST. Certainly. Is there any place that you are assessing this?

Ms. CHAUDHARY. On that note, I would say so there is a part of CPEC that involves Gilgit-Baltistan, which is a disputed territory; and India takes claim to it, as does Pakistan. And a good chunk of CPEC activity will be conducted in that space. It is the beginning of CPEC, in fact, for China.

There is some push to incorporate that part of Pakistan officially into Pakistan. It is now just an administered territory; it is not an actual province. So there is talk of that, which has made the Indians really upset. But this is a very complicated issue and it is not

just connected to CPEC. It is connected to Kashmir. It is connected to other India-Pakistan relations.

So I think specifically because China has involved itself in that particular kind of territorial dispute that it is going to delay the benefits of CPEC to anybody, especially local communities, but even for the Chinese.

Mr. MAST. Chairman, I honestly have no idea. Has my time expired or not?

Mr. SHERMAN. Your time has expired.

Either I have such incredible love for the gentleman from Florida that I have let him go 5–1/2 minutes over or, in fact, he has actually only held the floor for 5–1/2 minutes and somebody hit the red button as opposed to the green button.

But we will now yield 5 minutes to the gentleman from Virginia. And, yes, good, the green button has been pushed.

Mr. CONNOLLY. I thank the chair. And welcome to our panel.

I want to ask about China's Belt and Road Initiative. We are seeing signs of backlash to that project in recipient countries. For example, I was in Sri Lanka 2 years ago and what was predicted occurred. The Chinese State-owned company had to take over or wanted to take over Hambantota, a brand new port on the southern tip of the island. And the government, of course, otherwise would have been insolvent, unable to pay back huge multibillion dollar loans to the Chinese.

Malaysia's new prime minister questioned the value of these deals, Chinese deals signed by his predecessor and made it an issue in his successful election. In the Maldives, the new President strongly criticized his predecessor's decision to agree to more than a billion dollars to China for their projects.

We do know locally, and I saw it not only in Sri Lanka but in Mongolia and Kyrgyzstan, resentment by local labor pools, because the Chinese are so insulated, so parochial, they do not use local labor. The ripple effects to the projects do not go far in the economy, and it is resented.

Is this just anecdotal or is there reason to believe that this huge project actually is going to be a lot less than the Chinese think it is going to be, in terms of their foreign policy, their building friends and influencing people? And let me start with you, Ms. Chaudhary, and you, Dr. Kliman. And then if you would like to comment, feel free.

Ms. CHAUDHARY. So it is a wonderful question, and I have to say during my last trip to Pakistan in February this year, I heard the same sense of resentment and anxieties coming from everyone, even people that I would not expect I thought they would be benefiting from Chinese involvement.

Now, there are reasons, there are things behind that. Those things might be anecdotal, the experiences that people are sharing with you, but there are things that we can look at and say, that is why those people are feeling that anxiety. One is that, you know, we should not let these governments off the hook. China is doing a lot of things that they should not be doing, but these are, you know, Pakistan, Sri Lanka, elsewhere. These are governments that are weak politically and that are dominated by elites who have captured the economic system and are benefiting from those relation-

ships with China. And then they get voted out of power or kicked out of power or there is a coup, and then the next government is able very easily to use the relationship with China as a political tool. And once it gets into that space, there is no going back, right?

Now, there are some structural things as well. I mean, a lot of these countries, they have heavy borrowing from foreign lenders. They are cash-strapped. They are desperate for foreign exchange. And they have their own inefficient companies running these ports, for example. They are not bringing in outsider experienced companies that are doing it.

So there are both kind of political and also structural factors that contribute to those anxieties, and people are not seeing the financial benefits in their pockets as they have been touted by their governments. And I think that is another reason why that everyday person——

Mr. CONNOLLY. I guess I would just say to you, though, in the case of Hambantota, I went there. It was a brand-new port, and it was pristine. Not a single ship had docked. There was not a single cargo unloaded. There was not a container in acres and acres and acres of a port. And I have been to ports. I was shocked.

And so the Sri Lankan Government bought, an American expression, a pig in a poke. And the Chinese were only too happy to offer to take it over and manage it for the next 50 or 90 years, and a strategic location where 30 percent of the world's shipping passes, and that ought to concern India and it ought to concern us.

The backlash, though, it seems to me, from a foreign policy point of view, serves U.S. interests. So they are spending all this money and they are unhappy as recipients, or at least the successor government is. Maybe we let that unfold. I do not know.

You wanted to comment, Mr. Shullman.

Mr. SHULLMAN. Yes, I would just like to jump in on that. I mean, I think the Sri Lanka example is a really important one, because I think when I have gone there, contrary to what I would have expected when we talk, you know, in the China community about what happened at the Hambantota port, you would maybe expect people to be clamoring and saying, oh, save us from China, but, in fact, you have a situation where China is actually quite still popular among the Sri Lankan public. And the new government has actually continued to take financing. They just got a $1 billion loan from China Development Bank recently from the Chinese.

The Hambantota port deal was, yes, partially about the fact that Sri Lanka could not pay back. I have heard there was also some corruption involved with the new Sirisena government, not just the Rajapaksa government.

Mr. CONNOLLY. When I was there and this was being debated, you know, but it had not been resolved yet, there was open discussion by everybody, including at high levels of the government, about huge payments by the Chinese to win over friends and to get an agreement.

Mr. SHULLMAN. So you have that elite capture aspect, but you also have this information manipulation aspect, where China is now, it is rational, right, that they are going into Sri Lanka now and throwing a ton of money into Sri Lanka to try to shape the

debate, because they know that Sri Lanka is now the poster child for the debt trap. It is sullying the BRI brand around the world.

And so when I went in and tried to find a researcher for our project on Sri Lanka to talk, to just look into objectively the nature of Chinese influence in the country, it was quite hard to find someone, because all these institutions are now taking Chinese money and they know where their bread is buttered and they do not want to take that risk.

So that just goes to the point that even though we see externally a lot of the downsides of BRI for these countries, internally, because of what China is doing and because of the relationships they form with elites, the message is not as widespread as you might think it is.

Mr. CONNOLLY. Thank you.

Mr. Chairman, I do not know if you would allow—I am done—Mr. Kliman or Mr. Mattis to comment.

Mr. KLIMAN. If there is time.

Mr. SHERMAN. Briefly, very briefly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. KLIMAN. China is very much making tactical adjustments, whether it is—China is making tactical adjustments. So whether you look in Malaysia, essentially reducing the cost of their projects. They are also at the recent Belt and Road forum, trying to play out sort of new aspects of their investments, whether it is what they call high-quality, green, financially sustainable.

I think a key emphasis of U.S. diplomacy has to be going forward to call China on it, that they are not making real changes, and emphasize what real change would look like. For example, massive debt forgiveness to countries, including those like Sri Lanka, that are strategic for China; or terminating some of these really problematic projects; or bringing in international partners to the point where they are reducing their ownership below 50 percent. So U.S. diplomacy could play a big role there.

Mr. SHERMAN. Thank you.

We will now recognize the gentleman from Pennsylvania.

Mr. PERRY. Thanks, Mr. Chairman. I would like to yield a moment to Mr. Mast, who has got a question for the chairman.

Mr. MAST. Yes. Mr. Chairman, I just wanted to yield you a quick moment if you wanted to elaborate on you advocated for a policy of countries borrowing from China and then not returning those funds. Would you advocate for that for the United States of America?

Mr. SHERMAN. We do not engage in debt trap financing. When a U.S. Government entity makes a loan, it is with the expectation that the loan is affordable, can be repaid, and can be repaid normally out of the project's revenues.

Mr. MAST. Glad to hear you say that.

Mr. SHERMAN. When China tries to get extraterritorial power over Sri Lanka through a debt instrument, we should respond appropriately.

Mr. MAST. I just wanted to make sure.

I yield the time back to the gentleman from Pennsylvania.

Mr. PERRY. Reclaiming my time. Thanks, Mr. Chairman, and thanks to the panel for being here.

I just wonder, in this whole negotiation regarding trade and other things, do you think that China was watching very carefully the outcome of the special counsel's report? And do you see that as maybe affecting how they would have comported themselves in the continuing negotiations, depending on the outcome? Anybody?

OK, nobody.

Well, if you think about it and you have an answer, I would be interested in hearing it.

Just watching, recently China has been accused again of intellectual property theft regarding military secrets at colleges. They have been delinquent in enforcing North Korean sanctions, continued unabated at their human rights violation, continued its incursions in the East China Sea, and abused the goodwill of America by encouraging intelligence collections of its visa holders in the United States.

And I wonder, will China or would China view differently sanctions versus tariffs? I am not a fan of tariffs, but we have limited options, from my viewpoint, vis-a-vis China. But I wonder—sanctions has a different flavor, to me, as punitive. It is punishment for bad behavior. And the sanction might be a quasi-tariff, but I wonder if China would view it differently if it were a sanction, and I would like to get your view if anybody has.

Mr. SHULLMAN. Well, I would just say I think you are on the right track in terms of thinking that they would take a tougher view of sanctions. Obviously, they are not a fan of tariffs, but China traditionally has been very opposed to unilateral sanctions, whether it is related to the North Korea issue, when it has come up in relation to Chinese companies that are involved in the South China Sea.

I think that would be something that they would react to very strongly and see as a direct attack and perhaps would take action to take some sort of retribution to show their displeasure and say that China is now, you know, at a certain level as a great power and cannot be treated this way. And that is how China tends to approach these things, especially when it is unilateral sanctions and not sanctions that come from a multilateral body, on themselves or others.

Mr. PERRY. So the sanctions, based on that, if they were going to have the positive effect the United States would be seeking, would be better served if it was not unilateral but if it was multilateral.

And what kind of actions other than being dissatisfied and, for lack of a better way of saying it, crying like a bear that is sore, what kind of actions would they take vis-a-vis the United States if they were sanctioned? And I wonder too, even if it were fines, because, you know, China is known to be washing dirty money, dirty North Korean money through our financial markets, and we do not have to abide that. We can fine them for that. We can track that and source that and fine them for that.

And I understand that administrations leave space for negotiation, but we could start there and the fines could be pretty robust. And then we could freeze out certain components of their society from our financial system. And there is a downside to the United

States as well to that, but they are in it for the long haul here and we better get serious about it.

So I am just curious what they might respond to in that regard, how they would respond, and if you think that that would have potential significant impact, the financial sanctioning, so to speak, or fining.

Mr. SHULLMAN. Well, I cannot speak specifically to, you know, how they would respond without knowing exactly which sanctions and which subject we would be talking about, but, you know, it is certainly entirely possible that they would take some action to even further restrict access to the Chinese market, to be even more difficult in any kind of diplomatic engagement or negotiations.

But there is a whole range of ways in which China could try to take some kind of punitive action. Obviously, one of them, especially if it is related to North Korea, would be to play even harder ball in terms of allowing all sorts of things to be—oil and other things to reach its way into North Korea and not even trying to pretend that they are upholding sanctions. That is one way in which they might respond.

Mr. PERRY. Well, I have exceeded my time, but it almost seems like—with all due respect, it seems like we are in a position where—and I understand it is delicate regardless, but every day that goes by that we do not respond or act proactively regarding China, we are in a worse position. And so if we are going to do it, the time is now as opposed to later.

Mr. SHULLMAN. Yes. No, I agree. I do not mean to be giving the impression that I am saying it is necessarily the worst course of action. I am just laying out that I think that the reaction would be much stronger than to tariffs.

Mr. PERRY. Thank you.

Mr. SHERMAN. And now, last but certainly not least, the gentleman from Michigan.

Mr. LEVIN. Thank you, Mr. Chairman. Thank you all for coming.

I want to turn back to the Belt and Road Initiative and focus on a couple particular aspects of it. First of all, human rights. There are several examples of Belt and Road projects that have had negative implications for human rights in Asian countries. Take, for example, the big dam project in Myanmar or Burma. Is it the Myitsone, or how do you say that?

Mr. SHULLMAN. Myitsone Dam.

Mr. LEVIN. Myitsone, OK. So, as Human Rights Watch reported last month, critics say the mega dam would cause large-scale displacement, and I am quoting, loss of livelihoods, wide-scale environmental damage, and destruction of cultural heritage sites, significant to the ethnic Kachin people.

Ms. Chaudhary and Dr. Kliman, in general, have Chinese authorities consulted with communities that would be affected by BRI projects like, for example, communities that might be displaced by major projects like this dam?

Mr. KLIMAN. I am happy to jump on that. So we just did a global study in my think tank, the Center for a New American Security, on China's Belt and Road, looked at 10 projects globally. And there was a pattern of disregard for local economic needs, local environmental challenges, local people, that was not just in Asia and Latin

America, Africa. So it is a global issue. So the answer is, broadly, no.

Ms. CHAUDHARY. So we see the same pattern kind of unfolding in Pakistan as well. There are two areas of concern. One is in Gilgit-Baltistan, which I previously mentioned, and then two is in Balochistan. Both are these areas where the populations have not been well-served by their governments, both their local or their national.

And so there are fears of land grab and abuses of local workers, not enough local workers being hired. And the government really has—my view is that in Pakistan, China has really outsourced its consultation to the Pakistanis. And because the Pakistanis do not really do any kind of extensive consultation, none of that has happened, and it just aggravates kind of all of the center-periphery kind of tensions that have already existed in the country for a long time.

Mr. LEVIN. Right. So in the Myitsone Dam situation, my understanding is that there are protests of people opposing the project, including one in February, that drew an estimated 7,000 people.

So is this kind of opposition from the local population in an organized way like that unique? Did you find it elsewhere in your study? What have you found here? How have governments responded when people object like that?

Ms. CHAUDHARY. When people object. So that is a very good question. And my comments earlier on kind of critical voices being suppressed speak to that. Rarely will you read an article that is critical about CPEC in the Pakistani media, very rarely. There has been a media capture, essentially. And there is only one CPEC narrative, because people are scared or they have been intimidated or threatened not to do certain pieces.

At the very local level, people who critique CPEC are often labeled terrorists. There are antiterrorism laws that can be used against them. Worse things could possibly happen. So it is a very real threat and it has already done a lot of damage to civil society and democratic culture that is fairly vibrant, despite the country's history with democracy.

Mr. LEVIN. And in other places?

Mr. KLIMAN. So in general, the trend is in countries with less transparency, more corruption, you tend to, even if there are protests, they do not actually accomplish a lot. They do not slow the Chinese down. In places that had more rule of law accountability, you saw fewer of these kinds of actions.

So I would say it really varies. In places like Indonesia, where there have been concerns about their high-speed rail, my understanding is civil society has played more of a role and maybe slowed that project down; but in other places where you do not, like Burma, it ultimately is going to not move the needle.

Mr. LEVIN. So let's talk about the environmental ramifications of BRI projects. In Sri Lanka, the construction of the Colombo Port facility has faced criticism over the land reclamation needed for construction and concerns that result in coastal erosion might affect local fish populations, threaten fishermen's way of life.

Have other Belt and Road projects posed environmental threats, and are there some examples of this, and how do you see this issue?

Mr. SHULLMAN. If I could comment on that. I think absolutely, that is an excellent question, because, you know, China is trying to paint itself as having the now green Belt and Road. No. 1, a lot of the projects that they underwrite are obviously in the energy sector and supporting lots of, you know, coal and other sorts of projects that are not beneficial for the environment in these countries.

And then you also need to raise the fact that in a lot of these countries where China is financing projects that these countries cannot sustain, you ultimately get a result where the countries need to tear down or go crosscut more, cut into more of their forest. A perfect example of this is in Ecuador where, because China was able to get Ecuador into a situation where it owed a massive amount of debt and ultimately now needs to pay back that debt in oil—80 percent of Ecuador's oil is now going to China despite the fact that the dam they built for them is nonfunctioning—the Ecuadorians now are needing to go and cut into more of their rainforest to try to find more resources to pay back those loans.

Ms. CHAUDHARY. So the reason why China is so welcome in a lot of these countries is because they do not have roads or any infrastructure in these areas where the government is essentially giving land to do these projects. And so, of course, there is always going to be the ecological damage. I think the problem is that the studies—or the feasibility studies or the assessments are not being done in advance. And I think that is a real opportunity for other countries like the United States to participate or just have their own kind of process of evaluating the damage of BRI to these countries.

Mr. LEVIN. In advance.

Ms. CHAUDHARY. Yes.

Mr. LEVIN. Yes, great point.

OK, I am sure my time is up. Thank you so much, Mr. Chairman.

Mr. SHERMAN. Thank you.

I want to thank our witnesses for coming, thank the members for participating, and we stand adjourned.

[Whereupon, at 3:47 p.m., the subcommittee was adjourned.]

# APPENDIX

**SUBCOMMITTEE HEARING NOTICE**
**COMMITTEE ON FOREIGN AFFAIRS**
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

**Subcommittee on Asia, the Pacific, and Nonproliferation**
**Brad Sherman (D-CA), Chairman**

May 8, 2019

**TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS**

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held by the Subcommittee on Asia, the Pacific, and Nonproliferation in Room 2200 of the Rayburn House Office Building (and available live on the Committee website at https://foreignaffairs.house.gov/

**DATE:** Wednesday, May 8, 2019

**TIME:** 2:00 p.m.

**SUBJECT:** China's Growing Influence in Asia and the United States

**WITNESSES:** Daniel Kliman, Ph. D
Senior Fellow
Asia-Pacific Security Program
Center for a New American Security

Ms. Shamila Chaudhary
Senior Advisor,
School for Advanced International Studies
Johns Hopkins University
South Asia Fellow
New America

Mr. Peter Mattis
Research Fellow in China Studies
Victims of Communism Memorial Foundation

David Shullman, Ph.D.
Senior Advisor
International Republican Institute

**By Direction of the Chairman**

*The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.*

# COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON ASIA, THE PACIFIC, AND NONPROLIFERATION HEARING

Day *Wednesday* Date *May 8, 2019* Room *2200*

Starting Time *2:15 PM* Ending Time *3:47 PM*

Recesses ____ (____to____) (____to____) (____to____) (____to____) (____to____) (____to____)

**Presiding Member(s)**

*Chairman Brad Sherman*

*Check all of the following that apply:*

**Open Session** ☑
**Executive (closed) Session** ☐
**Televised** ☑

**Electronically Recorded (taped)** ☑
**Stenographic Record** ☑

**TITLE OF HEARING:**

***China's Growing Influence in Asia and the United States***

**SUBCOMMITTEE MEMBERS PRESENT:**

***Attendance form attached.***

**NON-SUBCOMMITTEE MEMBERS PRESENT:** *(Mark with an * if they are not members of full committee.)*

**HEARING WITNESSES: Same as meeting notice attached? Yes** ☑ **No** ☐
*(If "no", please list below and include title, agency, department, or organization.)*

**STATEMENTS FOR THE RECORD:** *(List any statements submitted for the record.)*

***QFR- Sherman***
***QFR- Wagner***

**TIME SCHEDULED TO RECONVENE** _____
**or**
**TIME ADJOURNED** *3:47 PM*

**Subcommittee Staff Associate**

## HOUSE COMMITTEE ON FOREIGN AFFAIRS

*ASIA, THE PACIFIC AND NONPROLIFERATION COMMITTEE HEARING*

| *PRESENT* | *MEMBER* |
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# RESPONSES TO QUESTIONS SUBMITTED FOR THE RECORD

Questions for the Record from Congresswoman Ann Wagner
House Committee on Foreign Affairs Subcommittee on Asia, the Pacific, and Nonproliferation
Hearing: "China's Growing Influence in Asia and the United States"
May 16, 2019

**Question:** Ms. Chaudhary, the United States is in the process of assembling a coalition to balance China's growing influence in the Asia-Pacific. It seems clear that India, the world's largest democracy, should play a key role. However, some outstanding issues remain unresolved in the U.S.-India relationship, including disagreements over trade, the U.S.-Pakistan relationship, and the role India should play in balancing China. What is the path forward with India?

**Answer:**

**Shamila N. Chaudhary**: China does not view its relations with any one country in South Asia as a zero-sum game – and neither should the United States. The U.S. relationship with India can still move forward on balancing China even as it experiences disagreements over a variety of issues. The path forward for the U.S.–India relationship will depend heavily on the extent to which trade relations improve between the two countries. If relations improve, over time both countries could increase economic pressure on China.

Indian Prime Minister Narendra Modi, who recently won reelection, campaigned on boosting a slowing economy and creating jobs. The United States can, therefore, leverage the economic benefits that would come from improved trade relations as a solution to Prime Minister Modi's election promises.

The United States could surpass China as India's main trade partner by leveraging U.S. oil markets as well as U.S. tech industries. Recently imposed tariffs on India by the U.S. are damaging the United States ability to use India as a balance to China's growing influence in the Asia-Pacific. As one of the world's fastest-growing economies and consumers of energy, India could be a key importer of U.S. oil. India's value to the U.S. outweighs disagreements on trade, which risk improved India-China relations that drive the U.S. out of the region.

However, the United States should not allow improved trade with India to push aside other regional allies. China has expanded its reach to neighboring countries as well, including India's biggest rival, Pakistan. China has been gaining influence in Pakistan by investing in its power and infrastructure sectors. Pakistan is critical to the U.S. counterterrorism strategy across South Asia. As such, the U.S. must work to build trade and diplomatic relations with Pakistan as well as India.

Finally, the United States will from time to time be asked to privately intervene should tensions between India and Pakistan rise. The United States is no stranger to doing so – and it remains in its interest to engage. However, it should steer clear from leading the charge to resolve outstanding issues such as the Kashmir dispute, which, if pursued, would hinder U.S. abilities to engage both countries constructively. And that is primarily because the role the United States can assume as an honest broker is extremely limited, given Indian concerns over U.S. policies

towards Pakistani militants and also because of Pakistani concerns over the strategic nature of U.S.-India relations.

**Congressman Brad Sherman**
Questions for the Record
House Committee on Foreign Affairs Subcommittee on Asia, the Pacific, and Nonproliferation
Hearing: "China's Growing Influence in Asia and the United States"
May 16, 2019

**Question** for Dr. Daniel Kliman, Senior Fellow Asia-Pacific Security Program, Center for a New American Security; Ms. Shamila Chaudhary, Senior Advisor School for Advanced International Studies, Johns Hopkins University and South Asia Fellow, New America; Mr. Peter Mattis, Research Fellow in China Studies, Victims of Communism Memorial Foundation; and dr. David Shullman, Senior Advisor, International Republican Institute.

It seems to me that for less money than the cost of operating an aircraft carrier, we could probably develop cyber tools that could blow a lot of holes through China's great firewall, ensuring that every Chinese citizen could see anything the Internet has to offer. Do we have this capability and is this something you believe the United States should try to acquire?

**Answer:**

**David Shullman:** The USG has historically limited its provision of tools for Chinese citizens to access the open internet in order to avoid crossing a line that would result in a significant response from the Chinese Communist Party (CCP). This is based on the assumption that unfettered access for a critical mass of Chinese netizens would be immediately detectable in China and unacceptable to the CCP. Historically, tools for open internet access have been quietly provided by the State Department and other agencies to USG partners in China, including activists and proponents of democracy, on a limited basis to enable their work on a relatively modest scale. These tools largely consist of virtual private networks (VPNs), technology for redirecting and anonymizing communications through TOR (the onion router), and domain name system (DNS) spoofing to mask the provenance of communications or activity. The general assumption is that the Chinese government is aware of these tool dispersals and allows them on a limited basis, to provide certain citizens a "short leash" — easy enough to monitor and limited in scope and impact (perhaps a few million Chinese citizens are able to get around the Great Firewall). Chinese cyber activists have also developed their own circumventions and shared them on code-sharing sites like GitHub, but they usually don't stay up for long.

Were the USG to deem it appropriate to expand its efforts and attempt to provide open internet access to larger swaths of the Chinese population, it would have to engage in alternative techniques that are less incremental. For example, the USG could dump satellite enabled internet connections at a much greater scale if it wanted to reach millions or hundreds of millions of Chinese citizens at a time. Alternatively, the USG could design a computer virus to attack the infrastructure that maintains the Great Firewall itself. In both cases, the CCP would detect the changes in internet access immediately and work to shut them down, and could potentially launch a severe counterattack. Ergo, such efforts would only be useful if the goal was a precise and time-bound communication to the Chinese population. For example, in advance of a kinetic

action, or to alert the population of a government scandal previously concealed by censorship, if it were determined that this information had the potential to spark a regime change that was in the public interest and the interest of the United States. Some have argued that a large scale breach of the Great Firewall could also be used to demonstrate to the CCP that its prized social control system is not impenetrable, as a warning against further hacks of USG data (this was raised as a possibility after the OPM hack). In all scenarios, retaliation is a near certainty.

**David Kliman:** It seems to me that for less money than the cost of operating an aircraft carrier, we could probably develop cyber tools that could blow a lot of holes through China's great firewall, ensuring that every Chinese citizen could see anything the Internet has to offer. Do we have this capability and is this something you believe the United States should try to acquire?

Congress should provide resources and direct the Defense Department to develop the means to circumvent China's "Great Firewall" and make it easier for Chinese citizens to access the global Internet. At times, it will be important for the United States to be able to communicate directly with the Chinese people. The U.S. government should therefore invest in developing and deploying the technologies necessary to circumvent authoritarian firewalls, including in China. This would involve both developing cyber capabilities to disrupt China's censorship tools, as well as finding new ways for citizens inside China to access a free and open Internet.

