"ADVANCING U.S. ENGAGEMENT AND COUNTERING CHINA IN THE INDO-PACIFIC AND BEYOND"

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Chairman Risch, Ranking Member Menendez, and Members of the Committee:

Thank you for the opportunity to testify before the Committee to discuss the threat posed by the Chinese Communist Party (CCP) to the United States and the global order, and what we are doing about it. I am joined by my Department colleagues, PDAS Julie Chung from our Bureau of Western Hemisphere Affairs, and A/S Philip Reeker from our Bureau of European and Eurasian Affairs. The fact that the three of us are testifying on CCP malign influence, representing three different geographic regions, is a testament to the global challenge we face and how the Department is adjusting to meet this challenge.

As Secretary Pompeo has repeatedly said, China is the first foreign policy challenge he thinks about each morning. Every one of us at the Department of State is focused on succeeding in this critical effort. I will center my testimony on an overview of our China policy, the CCP's actions globally and how State is responding, and then focus specifically on what we are doing in the East Asia and Pacific region.

How We Got Here

For years, we and the international community operated under the assumption that facilitating China's entry into the rules-based international order would lead to increasing domestic reform and opening. We agreed that China, under the CCP, would abide by its international commitments at the WTO and elsewhere. The persistent flouting of these commitments, increasing under President Xi Jinping, demonstrated that it has failed to meet those expectations. It is now clear to us, and to more and more countries around the world, that the CCP under General Secretary Xi Jinping is not seeking to join the free and open international order we and our allies and partners have fought and died to defend for generations. Instead, PRC foreign and security policy seeks to disrupt and reshape the international environment around the narrow self-centered interests and authoritarian values of a single beneficiary, the Chinese Communist Party.

Today we are engaging with the Chinese Communist Party as it is, not as we wish it to be, or as it seeks to present itself rhetorically. Secretary Pompeo summed up this strategic shift in his

October 30, 2019 speech: "It is no longer realistic to ignore the fundamental differences between our two systems and the impact that...the differences in those systems have on American national security...Today, we are finally realizing the degree to which the Communist Party is truly hostile to the United States and our values." This requires a clear-eyed view of the CCP's motives and actions around the world, not only by the U.S. government, but by our companies, our institutions, and by our citizens. And to be truly successful in this effort, it requires that we work together with our allies and partners around the world to recognize and meet the CCP challenge.

We must also be clear what is at stake: The United States has maintained a position of global leadership for generations because our actions have benefited countless nations around the world and strengthened the international system. The CCP is now using any and all means to undermine the international rules-based order and project power across the world, especially in the Indo-Pacific region. All nations should worry how this outcome would negatively affect the global community and the values we share.

Increasing CCP Aggression

A few months ago, as the world was coming to grips with the reality of the global pandemic, one of China's leading virologists warned that the coronavirus was "just the tip of the iceberg." She was speaking as an epidemiologist and urging a global response to prevent future outbreaks, but that analogy is a useful way to think about CCP aggression and malign activities globally.

For each visible example of CCP malign activity worldwide, there are many more lurking beneath the surface. Part of our job in the Department, and especially in the EAP Bureau, is to help bring more of that iceberg into the open for other nations to see the CCP for what it truly is – an aggressive, autocratic, ambitious, paranoid, hostile threat to free and open societies and the free and open international order.

Beijing's aggressive behavior takes many forms, including assaults on foreign companies and governments; manipulation of international organizations; silencing of critics abroad; buying, stealing, or forcing the transfer of technology to further its military and economic ambitions; and spreading disinformation. Beijing's cover-up of the outbreak of COVID-19 has made urgently clear to the international community the dangers of the CCP's lack of transparency and use of disinformation to global health and security. This is not an aberration; this is a reflection of how the CCP operates.

The past several months alone have seen particularly egregious examples of Beijing's conduct: violence on the border with India; aggressive moves in the South China Sea and around Taiwan and the Senkakus; a push to wipe out Mongolian and Tibetan culture and language in China; and a continued campaign of repression and forced labor in Xinjiang. Australian journalists have fled China due to harassment by security services. Beijing unilaterally imposed a draconian National Security Law in Hong Kong, including clauses that allow the PRC to issue extraterritorial arrest warrants for those criticizing the government while in other countries. These are not the actions of a responsible global actor but a lawless bully.

How Our Policy Has Changed

At the Department of State, we are working hard every day to counter the CCP's malign activities around the world. In implementing the President's 2017 National Security Strategy, we are pushing back on revisionist powers, such as the PRC, who use technology, propaganda, and coercion to shape a world antithetical to our interests and values. We are holding the CCP to its commitments, both to us and to global rules, norms, and organizations. We will call them out publicly when they fall short. And we will vigorously defend our interests and those of our friends and allies when they are threatened. Not since the Cold War have we focused our efforts so intently on a single foreign policy challenge, and I can assure you we are firing on all cylinders across the full spectrum of the China challenge.

Let me be clear: The American and Chinese people have close ties going back generations, and we continue to welcome Chinese students, visitors, investors, and immigrants. We have an important relationship with China, as do most countries in the world. We are not asking countries to choose sides, but rather to stand up to protect their own national sovereignty, security, values, and economic well-being. We are also asking the international community to join us in standing up for the international rules, norms, and organizations that have provided for our collective peace, security, and prosperity for generations.

This clear-eyed approach to China means we are insisting on reciprocity across the entirety of our relationship, from trade and investment to visas and diplomatic access. We will continue to uphold the rights and freedoms the United States has always stood for, whether exposing human rights abuses in Xinjiang and Tibet, fighting for press freedom, or supporting individual freedoms and democratic processes in Hong Kong.

Our competition with the People's Republic of China need not lead to conflict. In fact, by competing, we are restoring balance and stability in areas where the United States and the world previously allowed Beijing to foment imbalance and instability, to the detriment of us all. We will also seek to cooperate with China in those areas where our interests align, and remain committed to achieving progress on a broad range of topics, including resolving trade inequities, achieving DPRK denuclearization, and stemming the deadly, unacceptable flow into the United States of fentanyl, whether manufactured in China or made elsewhere with Chinese precursors.

Internal Policy Framework and Reorganization

Our China policy efforts at the Department of State are guided by the 2017 National Security Strategy (NSS) and grouped around the four pillars laid out in that strategy: 1) protect the American people, homeland, and way of life; 2) promote American prosperity; 3) preserve peace through strength; and 4) advance American influence. On May 20, the White House published a report on the United States Strategic Approach to the People's Republic of China detailing efforts across the government.

Within the State Department, we have organized to ensure that all of our bureaus, offices, and posts around the world have sufficient policy clarity, training, resources, data, and messaging direction to successfully tackle the China challenge in their areas of operation. This has meant

breaking down bureaucratic barriers, shifting resources, and developing new coordination mechanisms.

I co-chair a new coordination body with all of our regional and functional bureaus to coordinate our lines of effort on China policy across the Department. Other agencies also coordinate on these lines of effort. The mechanism has a special focus on bringing together the policy and messaging sides of the house to ensure the two are working hand in glove. We've also asked all of our posts around the world to designate reporting and public diplomacy officers to focus specifically on the China policy portfolio in their host country, and to ensure posts' interagency leadership teams are sufficiently focused and coordinated on our number one foreign policy challenge.

On the analytical side, we've developed new data-driven diplomacy tools to give our officers the information and analysis they require. Our posts have also drastically increased their diplomatic reporting on CCP activities and influence in every country, providing a trove of additional information to inform our understanding of the China challenge. We're also tripling our cadre of forward-deployed, regionally focused China experts, who play a critical role in supporting our posts and identifying regional trends in CCP behavior.

General State Department China Policy Areas

Public Diplomacy and Counter Propaganda and Disinformation

The battle against CCP malign activities requires messaging that is well-informed, well-crafted, and well-executed all around the world. Accordingly, our public diplomacy teams are working in partnership with the Bureau of Global Public Affairs and the Global Engagement Center (GEC) to promote a positive vision of U.S. leadership, expose malign conduct, and counter propaganda and disinformation.

From the Secretary on down, all of our leaders and public diplomacy practitioners are empowered to convey these messages. Our Ambassadors in the field across all geographic regions have been particularly effective in taking this challenge on. The Bureau of Global Public Affairs (GPA) supports our team in the field by regularly disseminating topline messages and senior leader statements. GPA also publishes original content that describes American values and contrasts CCP behavior with global norms.

The GEC has significantly expanded its work on the China challenge over the last year. GEC works in partnership across the Department, our posts overseas, the NSC, and relevant departments and agencies to coordinate strategies and tactics. GEC's efforts to counter CCP propaganda include increasing awareness of the problematic aspects of the One Belt One Road initiative, human rights abuses in Xinjiang, Tibet, and elsewhere in China, and Beijing's abuse of open research and academic environments to achieve its military objectives. GEC programs build global resilience to PRC disinformation through media training and other support to investigative journalists and to map PRC influence in the information environment to guide current and future approaches.

The GEC also supports efforts to provide accurate information about U.S. policies and contributions of U.S. businesses to local communities to restrict the space where CCP propaganda can take root. Across the Department, we leverage GEC's analytical tools and networks of credible partners and local voices overseas.

Economic Actions

Globally, one of the CCP's most insidious and powerful influence vectors is its economic clout, which it uses as leverage in other strategic areas. PRC state-led lending and investment often distort markets, encourage corruption, avoid transparency, and create an uneven playing field for American companies and local competitors. PRC initiatives like "One Belt One Road" seek to fuse Beijing's economic and strategic goals to the detriment of host country sovereignty, security, and sustainable economic growth. The United States has been on the forefront of raising global awareness about the dangers of this type of PRC lending and investment.

The United States levels the playing field for American companies by promoting free enterprise and transparent, private sector investment through improved market access and competitiveness and increased business-to-business ties. With bipartisan congressional support, the United States Government is deploying new and innovative mechanisms in key areas:

- Strategic Infrastructure: The Department works across the U.S. government to maximize resources to attract more private sector investment into emerging markets, such as through the Development Finance Corporation (DFC) and USAID. The Infrastructure Transaction and Assistance Network (ITAN) is another great example of this. This group of 11 agencies has identified and advanced more than \$125 billion in infrastructure deals in the Indo-Pacific. We have launched complementary efforts like the Strategic Ports Initiative to focus on infrastructure that is critical to U.S. interests.
- **Energy Sector:** Programs like Asia EDGE, Power Africa, and America Crece advance the energy security of partners and create new markets for U.S. liquefied natural gas (LNG).
- **Blue Dot Network**: The Blue Dot Network, or BDN, launched at the Indo-Pacific Business Forum in November 2019 with partners Japan and Australia, is a multi-stakeholder initiative to certify quality infrastructure investment projects.
- **Deal Teams**: Through the Deal Team initiative launched by the Departments of State and Commerce in February, we are improving interagency collaboration at posts and between our overseas missions and Washington, to help U.S. firms win projects abroad against firms that use unfair practices to capture contracts.

We also seek to equip states to resist coercive economic practices, unsustainable debt burdens, and other dangers:

- **Investment Screening Outreach:** The Department works closely with the Treasury Department to encourage foreign governments to implement investment-screening mechanisms that are rigorous, transparent, and national-security focused.
- **Debt Service Suspension Initiative:** The United States is faithfully implementing the G20-Paris Club Debt Service Suspension Initiative (DSSI) by suspending official

bilateral debt payments from the poorest countries to year-end 2020. This provides countries fiscal space to fund social, health, and other measures to respond to the pandemic. With partners, the World Bank, and the IMF, we are leveraging the DSSI to increase debt transparency and tackle opaque and unsustainable PRC lending.

Military-Civil Fusion and Sensitive Tech

Through its Military-Civil Fusion development strategy the PRC is working to "fuse" its economic and social development strategies with its security strategies to build an integrated national strategic system and capabilities in support of Beijing's goals. In doing so the PRC exercises subterfuge in its international economic and academic collaboration, as well as in its investments in key advanced, sensitive, and emerging technologies. The PRC's intent is to divert technology acquired through civilian trade and/or exchanges – including through both licit and illicit means – to military end uses. The PRC seeks to render ineffective traditional U.S. tools to protect our economy, such as export controls, visa screening, and investment screening for proliferation risk.

The Department has taken important measures to safeguard our critical infrastructure and technology and deny the PRC the ability to target and acquire sensitive technologies in the United States to further its military and commercial capabilities. These included the suspension of entry of certain PRC students and researchers seeking J and F visas for work in fields relevant to military modernization.

For over two years, the United States has called on countries around the world to secure their 5G networks from untrusted vendors, such as the PRC's Huawei and ZTE. On April 29, Secretary Pompeo announced the 5G Clean Path initiative to protect the voice and data traversing 5G standalone digital cellular telecommunications systems and networks that service U.S. diplomatic communications at home and abroad. More and more countries and companies around the world are putting in place strong measures to secure their 5G networks.

But 5G infrastructure is only one part of a broader telecommunications and emerging technology landscape and these same risks of untrusted vendors subject to the unchecked powers of compulsion of authoritarian states like the PRC apply across this ecosystem. To address this broader threat, on August 5 Secretary Pompeo announced the Clean Network initiative, a comprehensive approach to safeguarding citizens' privacy and companies' most sensitive information from manipulation or disruption by foreign adversaries. This Department and interagency effort addresses important and previously overlooked technology areas including apps and app stores, cloud services providers, and undersea cables.

Combatting Malign Influence

Malign CCP influence manifests itself through a diversity of organizations, from PRC diplomatic missions to propaganda outlets, Confucius Institutes, United Front organizations, state-owned enterprises and more.

On the media front, since February we have designated the U.S.-based operations of nine PRC propaganda outlets—including Xinhua, People's Daily, and China Global Television Network – as *foreign missions*. In March, we capped the number of PRC nationals allowed to work at these designated state media outlets to more closely match the number of independent American journalists Beijing allows to operate in the PRC.

We have likewise designated the Confucius Institutes U.S. Center (CIUS) as a foreign mission. While claiming no other aim than to teach Americans about Chinese language and culture, the Confucius Institutes also promote the Chinese Communist Party's agenda and subvert academic freedom.

We must recognize these entities for what they are -- organizations under Beijing's control and vectors for CCP propaganda and influence. Americans should know that they are not independent media or simple educational institutions. We are also encouraging social media companies to label PRC official media accounts clearly so that everyone recognizes them as propaganda tools of the CCP. In July, we closed the PRC Consulate in Houston due to serious concerns about the inappropriate activities of its diplomats. We now require senior PRC diplomats to seek permission for many meetings, large events, and visits to academic institutions. Of course, the longstanding barriers that Beijing imposes on U.S. diplomats in China remain far more severe.

We appreciate Congressional leadership in establishing the new Counter Chinese Influence Fund (CCIF) in the FY 2020 appropriations bill. This very important provision provides the U.S. interagency with a flexible mechanism that will bolster our efforts to strengthen our partners' resiliency to China's malign influence worldwide.

The Director of Foreign Assistance at the State Department is currently leading the effort to review proposals from Washington and posts around the world. The Department and USAID are prioritizing proposals in four areas: Commercial Engagement, Good Governance, Promoting Security and Resilience, and Winning the Technology Competition. There is strong demand from the field. The initial round of CCIF funding solicitation resulted in over 400 project submissions from around the globe, with demand far outstripping the appropriated funding. Initial allocation decisions are planned by early October.

Hong Kong

We have led the global response to the PRC's crackdown in Hong Kong, including by spearheading joint statements with like-minded countries, imposing financial sanctions and visa restrictions on PRC officials in both Beijing and Hong Kong, including Chief Executive Carrie Lam, cancelling our extradition treaty and exchange programs, and instituting export restrictions. Our efforts paved the way for many other countries to speak out against PRC actions, and to take similar measures of their own.

Xinjiang

More than any other government, the United States has taken concrete action to respond to the human rights crisis in Xinjiang. In October 2019, the Department announced visa restrictions on officials responsible for, or complicit in, human rights abuses. This complements the Department of Commerce's addition to its Entity List of 48 entities in the PRC, including elements of the Public Security Bureau and commercial companies, implicated in human rights abuses.

U.S. Customs and Border Protection has issued Withhold Release Orders (WROs) prohibiting imports of specified merchandise produced by several companies who operate in Xinjiang based on information that reasonably indicated the use of forced labor in their operations. We issued a business advisory to caution businesses about the risks of supply chain links to human rights abuses, including forced labor, in Xinjiang and elsewhere in China. The Treasury Department sanctioned two PRC government entities and six current or former government officials in connection with serious rights abuse against ethnic minorities in Xinjiang, including Politburo member Chen Quanguo.

Indo-Pacific

The resilience and strength of our global alliances and partnerships is paramount to addressing strategic competition with China, and in no region is this more true than the Indo-Pacific – a region that accounts for more than half the world's population and GDP. As we take account of China's efforts globally, we must continue to remember that the Indo-Pacific is the frontline in our strategic competition with China.

In recognition of the geopolitical importance of the Indo-Pacific, President Trump announced the U.S. Strategic Framework for the Indo-Pacific three years ago in Da Nang, Vietnam, to advance a vision for the Indo-Pacific region in which all countries prosper side by side as sovereign, independent states. The Indo-Pacific Strategy is fundamentally about supporting the autonomy of Indo-Pacific states facing PRC attempts to dominate the region. It rests on cooperation with allies and partners, as well as the centrality of ASEAN, APEC, and other institutions in the regional architecture.

The Indo-Pacific Strategy has defined a shared vision for a region that is open to trade and investment, free from coercion, and secure. The United States and a diverse cohort of allies and partners now speak clearly in terms of the "Indo-Pacific." This is significant in semantic and strategic terms. Similar concepts have been put forward by Japan, India, Australia, South Korea, and Taiwan, as well as the "ASEAN Outlook on the Indo-Pacific," showing remarkable alignment across our partners. These efforts set forth consistent principles to guide the region's future that push back on the PRC's authoritarian, state-led development model.

We have advanced our economic initiatives in lockstep with our allies and partners. I have already mentioned the Blue Dot Network—launched with Australia and Japan—as one example. In the Indo-Pacific region, we are working together on the ground, for example through a fivecountry partnership with Japan, Australia, and New Zealand, to bring electricity to the people of Papua New Guinea.

To promote good governance, which is integral to U.S. foreign policy and national security interests and in line with U.S. values, we launched the Indo-Pacific Transparency Initiative two years ago. With it, we are optimizing longstanding programs and launching new ones focused on particular vectors of PRC influence, including corruption, disinformation and information control, and coercive financing. These programs promote civil society, rule of law, respect for human rights and fundamental freedoms, and transparent and accountable governments across the region.

We are also reinforcing our security commitments. Our security assistance to South China Sea claimant states helps partners protect their autonomy and maritime resources.

State and USAID have doubled development assistance to our Pacific Island partners through the Pacific Pledge. Never before have we had so many people on the ground, in so many Pacific Island countries.

We are developing new arrangements to coordinate with like-minded partners. In September 2019, the first ministerial-level meeting of the United States, Australia, India, and Japan at the Quadrilateral Consultations marked a new milestone in Indo-Pacific diplomatic engagement.

Mekong

Building on the successes of the Lower Mekong Initiative, the five Mekong partner countries and the United States launched the Mekong-U.S. Partnership on September 11 as a strategic forum for cooperation.

The Partnership will continue existing work and expand our areas of cooperation, including economic connectivity, energy security, human capital development, and transboundary water and natural resources management. This includes supporting these countries in holding the CCP accountable for sharing water data from China's massive upstream dams in Tibet and elsewhere.

We will also cooperate on emerging threats such as health security capacity building and pandemic response, countering transnational crime, cyber security, and countering trafficking in persons, illicit drugs, and wildlife.

South China Sea

On July 13, Secretary Pompeo announced a change in U.S. policy on maritime claims in the South China Sea, making clear that Beijing's claims to offshore resources across most of the South China Sea are unlawful, as is its campaign of coercion to control them. We are standing with Southeast Asian states to uphold their sovereign rights under international law. We welcomed your joint statement on the South China Sea, Chairman Risch and Ranking Member Menendez, reflecting our resolve in clarifying the United States' position that the PRC's

maritime claims in the South China Sea are unlawful. We have seen Southeast Asian countries speak out more vocally as a result of our policy change.

On August 26, the Secretary announced visa restrictions for certain employees of PRC SOEs involved in South China Sea militarization and land reclamation activity, including the China Communications Construction Co. (CCCC), which was coordinated with Department of Commerce additions to its Entity List. And we've seen results. In the Philippines, in Malaysia, and as far afield as Panama and Costa Rica, media, think tanks, and even government officials have raised questions about CCCC activity and its impact on their economies. We can expect them to subject future dealings with CCCC to greater scrutiny, and to think a bit more deeply about the potential downsides of PRC infrastructure assistance in the future.

Taiwan

Notwithstanding China's aggressive behavior in the region, our relationship with Taiwan stands on its own and our relationship with Taiwan is not a subset of U.S.-China relations. We have made clear that the United States will continue to advance our engagement with Taiwan. The recent visit by Secretary Azar to Taiwan demonstrates that the United States will work with Taiwan on international issues, such as global health, and upcoming economic engagements will further deepen our robust ties.

We also will continue to vigorously support Taiwan's meaningful participation in international organizations, especially where public health, safety, and security are concerned. Taiwan's commendable COVID-19 response demonstrates it has much to offer to the global community, as does its commitment to democracy, human rights, and free markets.

On July 9, the Administration formally notified Congress of a defense arms sale to Taiwan, just one recent example of how, consistent with the Taiwan Relations Act (TRA), we will continue to provide Taiwan defense articles and services to enable Taiwan to maintain a sufficient self-defense capability. The U.S. commitment to implementing the Taiwan Relations Act and the Six Assurances is firm, as is our commitment to the U.S. one-China policy, including our insistence that cross-Strait issues be resolved peacefully and without coercion or intimidation.

Indo-Pacific Business Forum

We also engage closely with the private sector in advancing our policies and values. The Indo-Pacific Business Forum has emerged as a premier annual event bringing together leaders from the private and public sectors from economies across the Indo-Pacific region, including the United States, to share knowledge, build relationships, and explore opportunities. This year we are co-sponsoring the IPBF together with the government of Vietnam and with leading business organizations as a virtual conference in late October.

The IPBF supports and extends our Indo-Pacific strategy, as one important tool to make our economic case to the region for the transparent, private sector-driven model we promote, and its proven track record for delivering sustainable growth, reducing poverty, and fostering technological innovation. This model provides a clear and compelling alternative to the PRC's

state-led approach to development that all too often leaves countries in the Indo-Pacific region saddled with unsustainable debt and vulnerable to political and economic pressure. American businesses also find significant value in new markets in this dynamic region.

Global Outreach Successes

In all of our policy efforts, outreach to other countries is critical. We have been vigorously engaging our allies and partners on the full scope of CCP malign activities, including 5G, military-civil fusion, human rights abuses, environmental degradation, propaganda and disinformation, and international organizations, among many other issues.

In the technology realm, dozens of countries have now taken action to restrict untrusted Beijinglinked vendors from their 5G networks. We've also seen stricter investment screening mechanisms instituted in the EU and more than a dozen other countries to help protect critical technology or infrastructure, including from CCP control. On international organizations, some 54 countries came together to deny the PRC candidate the top leadership position of the World Intellectual Property Organization. Twenty-three countries joined us in co-signing a joint statement on Xinjiang at the UN Third Committee. Allies and partners have also joined together to oppose Beijing's efforts to insert language promoting CCP ideology and unilateral policy initiatives in United Nations documents.

Regarding CCP influence and interference, more and more countries are taking action against Confucius Institutes, United Front organizations, and other vectors of CCP malign influence and disinformation, including CCP influence efforts on university campuses. On Hong Kong, we have released several joint statements with allies and partners, many of which have also suspended extradition treaties with Hong Kong and imposed export controls. In line with what we have done in these areas, we encourage all countries to push for transparency and reciprocity in their relations with the PRC, and to expose and counter CCP vectors of influence and interference, including by PRC state media and PRC diplomats.

Conclusion

The United States has an important relationship with the PRC, as do most countries in the world. We are not asking countries to choose sides but simply to hold Beijing accountable for its malign behavior, and in the process to protect their own national sovereignty, security, and long-term economic well-being. We are also asking the international community to join us in standing up for universal rights and the rules-based international system that have provided for the world's collective peace, security, and prosperity for generations. We are making great strides toward this goal, and we deeply appreciate the Committee's support of our continued efforts.