

## Written Testimony of Senator Jim Talent

Mr. Chairman, Senator Menendez, and Senators,

Thank you for inviting me to share my views regarding the U.S.-China relationship. It's my understanding that the Committee intends to hold a series of hearings on this subject. I congratulate you on that.

The Committee's remit of course extends to every aspect of America's global foreign relations. But you are right to focus on U.S.-China affairs. The United States and China have the two largest economies and the two most powerful armed forces in the world; the two countries are in an era of competition, and the way that competition is conducted will have a decisive impact on the future security and prosperity of both countries, and indeed of the world, in the 21<sup>st</sup> Century.

I should say a word about the U.S.-China Commission on which I have served for the last six years. It was created by Congress in 2000 to provide oversight over the impact China's WTO accession would have on our economy and national security. It's a standing bipartisan Commission whose mandate is to hold hearings, produce papers, and publish a comprehensive Annual Report with recommendations to Congress for legislative action.

The Commission is a creature and servant of the Congress. While the views expressed in this testimony are my own, I speak on behalf of the Commission when I say that we stand ready to assist you or your staff in any way or in response to any request.

### **Background**

For 40 years after Richard Nixon's visit to Beijing in 1972, successive administrations and Congresses facilitated the rise of China, granting it diplomatic recognition, providing China access to the American market and to America's technology and educational system, and assisting the Chinese as they sought full participation in various international organizations and bodies. The initial reasons for this policy were largely geo-political; successive administrations wanted to play the China card in the Cold War against the Soviet Union.

By the time the Berlin Wall fell, China had fully emerged from the Mao era and, for over ten years, had been pursuing a new economic model which Deng Xiaoping had called “socialism with Chinese characteristics.” In the process, the Chinese state had relinquished a significant degree of direct control over the economy and introduced many of the features of a market system.

By the end of the 1990s, China was urgently petitioning to be admitted to the WTO; that hinged on being granted Permanent Normal Trade Relations (PNTR) with the United States. The Clinton Administration supported that change, and Congress approved it in May of 2000. I was serving in the House at the time, and I supported the Administration’s policy.

Many Senators will no doubt remember the vigorous debate over PNTR, particularly in the House. There were many vocal opponents, but the view that prevailed was that if the Chinese Communist Party (CCP) wanted China to grow economically, it would have to pursue further economic liberalization and continue the progress towards a market based system. While after Tiananmen Square it seemed unlikely that the CCP would ever voluntarily relinquish its control over the country, the belief was that economic liberalization in China would lead inevitably to greater political freedom in the country, or at minimum that full participation in the world trading system would make China a responsible player in the broader international order.

In other words, the dominant view at the time in our government, and for years afterwards, was that participating fully in the world trading system would change China. But it’s fair to say that the opposite happened – that China has succeeded in changing the world trading system.

Over time, Beijing developed a comprehensive set of policies that enabled it to enjoy the benefits of the system while evading many of its obligations. These include: enormous subsidies to Chinese firms in key sectors that lower the cost of doing business and enable them to control domestic markets and capture markets abroad, forced technology transfer as a condition of doing business in China, subterfuges to avoid Beijing’s commitments to liberalize its import regime, regulatory discrimination against foreign firms, foreign investment restrictions to keep out competition, and massive outright theft of vital technology.

The U.S. - China Commission has prepared a very useful summary of the tools which the CCP has developed and used to gain wealth through illicit methods. It's a short paper called "China's Technonationalism Toolbox: A Primer". I have attached it to this testimony and recommend it as a resource for Senators and staff.

It's certainly true that there is a great deal of legitimate competition and innovation by Chinese firms. No one should discount the energy and dynamism of the Chinese people. It's also true that many countries regularly try, on the margins, to game the WTO rules for their own benefit. But that does not change the fact that Beijing has purposely developed and implemented a comprehensive set of policies that, taken together and given the size and influence of the Chinese economy, constitute an unprecedented threat to both the spirit and the letter of the world trading system.

As China grew in economic power, the CCP was also engineering a massive, 25 year buildup of the People's Liberation Army (PLA). That effort has borne fruit over the last decade. Here are some features of the build-up.

- The PLA Navy is now larger than the navy of the United States, with modern multi-mission vessels, and far larger than the portion of the U.S. fleet assigned to the Indo-Pacific. China continues to build more ships annually than the United States, and its shipbuilding capacity is the largest in the world.
- The PLA has the world's largest inventory of sophisticated cruise and ballistic missiles capable of hitting sea or ground targets at great distances.
- The PLA is upgrading and growing its arsenal of nuclear missiles.
- The PLA Air Force has over 2,000 capable fighters, has introduced fifth generation fighters, and is developing a stealthy long range bomber capable of delivering nuclear weapons.
- The PLA has developed effective anti-satellite capability that can threaten America's space architecture in every orbital domain.
- The PLA is pouring resources and energy into developing advanced weapons, like hypersonics, and already has very substantial national cyber capabilities.

Beijing's purpose in this buildup was initially to develop the capability to exclude American forces from China's near seas during a conflict; hence the missile-centric focus of the effort. But in the last decade the PLA has also been investing in expeditionary capabilities in a way that clearly indicates the intention to achieve global reach.

I do not want to suggest that the PLA is ten feet tall. They have continued deficiencies and disadvantages. For one thing, they are operationally inexperienced compared to America's armed forces. For another, the United States has close regional treaty partners with substantial capabilities of their own that partially offset the PLA's advantage in proximity to the region.

But there is no question that the Chinese buildup has shifted the balance of forces in its near seas. By way of illustration, I have attached to this statement a graphic from a briefing at Indo-Pacific Command, then known as PACOM, that the Commission received several years ago.

This shift in forces, coupled with China's tremendous economic growth, has had profound consequences for the stability of the region.

As the Committee knows, Beijing systematically challenges the rights of its neighbors in the East and South China Seas and about eight years ago began increasing its confrontations. The list of recent provocations includes: using naval and air forces to encroach on the Senkaku Islands, declaring an ADIZ over the East China Sea, taking control of the Scarborough Shoal from the Philippines and threatening the Second Thomas Shoal, ignoring an adverse international arbitration decision, drilling for oil in contested waters while coercing its neighbors into abandoning drilling projects in their own exclusive economic zones, constant encroachment on the fishing waters of other nations, and reclaiming and militarizing a number of coral reefs in the South China Sea – the last in express contradiction of explicit commitments made to President Obama.

Fortunately, when these provocations began the Obama Administration reacted quickly with its Rebalance policy. The Rebalance was in *form* a recognition of the primary importance of Asia generally to America's long term interests, but in *fact* it was a signal that the era of wishful thinking about Beijing's intentions was ending. The Rebalance affirmed America's commitment to the region, led to closer relationships with our treaty partners and – most important of all -- made clear

that the object of our policy was to uphold the rights of the United States to trade and travel in the region and the integrity of the norm based global order.

The Trump Administration has refined and deepened the scope of the Rebalance. The new national security strategy properly identifies great power competition as the main focus of our foreign policy and explicitly and appropriately features China as a threat. In furtherance of the new strategy, the Administration is developing and applying a range of economic tools capable of imposing costs and consequences on Beijing.

In addition, Congress has played a vigorous role in the last few years. The following steps were of particular importance: lifting the defense sequester and increasing the budget for the armed forces, amending and strengthening CFIUS to provide greater protection against Chinese investments in the United States that threaten our national security, and passing the BUILD Act to enable the United States to contest the One Belt One Road initiative with an alternative that emphasizes respect for labor standards, the environment, and the interests of local workers and economies. Most recently, Congress passed the Asia Reassurance Initiative Act to deter aggression, including from China, promote partnerships in the region, and ensure the American budgetary commitment to the Indo Pacific more closely matches our national interest in the region.

Those were major achievements, and this hearing is a sign that more are coming. As a former Member and Senator, I'm proud of how Congress is responding.

### **Conclusion and Recommendations:**

We are now in a time of transition similar to the decade following the Second World War. At that time the Truman and Eisenhower Administrations recognized the danger of Soviet aggression, defined the nature of the threat and the strategy necessary to counter it, and built an architecture of tools necessary to carry out the strategy.

To be sure, it would be inaccurate and unhelpful to think of the U.S. - China relationship as a cold war. It's better framed as a competition between two powerful nations which have conflicting interests and very different visions of the world.

The CCP is seeking for China a kind of regional hegemony, with the broader and longer term goal of reshaping the world order. There are three sets of reasons motivating the regime:

- 1) Economic and strategic: Beijing wants to leverage its economic strength to capture markets, secure unfettered access to critical resources, attain technological dominance, and promote its economic model abroad.
- 2) Nationalistic and historical: The United States and its allies have midwived an international system that fosters, however imperfectly, free access to the international “commons,” neutral rules governing trade, and the peaceful resolution of disputes. China’s leaders are happy to accept the benefits of such a system but chafe at the constraints. Their vision is of a world where the powerful countries get most of the benefits, at least within their respective spheres of influence. They are moving to create such a sphere, at least in Asia.
- 3) Political: The CCP is well aware that it lacks the legitimacy of a democratically elected government. To strengthen its popular support, the Party believes it must deliver economic growth, a better quality of life, and a reassertion of China’s historic place as the Middle Kingdom in Asia and a leading power in the world. Success in those areas is therefore not just a matter of national interest, but vital, in the CCP’s view, to the continued stability of the regime.

These reasons are deeply rooted in the psyche of the CCP leadership and in their own interests as they have defined them. That means that we cannot expect China, as long as it is controlled by the CCP, to abandon either its hegemonic goals or the means it has used to achieve them, unless and until costs and consequences are imposed which channel the Party in a different and acceptable direction.

The problem is that the path which the CCP has chosen for China constitutes a serious threat to the peace of the region, the security and legitimate interests of the United States and its allies, and the norm based international order that promotes equal rights for all nations and the peaceful resolution of disputes.

That is the reason this national competition is now underway.

The immediate task for the United States government is to build on the progress made in recent years and, in concert with allies and partners, complete the creation of a national security architecture for the challenge that lies ahead.

Certain strategic considerations should be kept firmly in mind as this process unfolds.

- It will be necessary to sustain bipartisan agreement on what success in this national competition means, and on the highest order principles and methods that will be used to achieve it. Only such an agreement can sustain the kind of prolonged national effort that will be necessary to achieve a favorable result.
- China is a great power that is reassuming its place as a leading figure in the community of nations. The United States should welcome and respect that development. The problem here is not the aspirations of the Chinese people or the pride they take in the history and culture of their country. The problem is how the CCP is defining its ambitions for China and the coercive and illicit methods it is using to achieve them. In this context, it will be necessary clearly to communicate to the CCP leadership what is and is not acceptable and to impose real costs and consequences for actions which cross the line.
- Congress should focus on continuing to develop a range of flexible tools for imposing costs in a way that does not escalate confrontations into crises. The majority of those tools should be economic, diplomatic, or reputational. While it is vital to continue rebuilding our armed forces and to maintain a substantial forward presence in the region, the primary mission of American hard power should be to prevent escalating armed conflict so that the tools of soft or smart power have time to work.

Here are some specific recommendations for the Committee:

1. The Committee is right to be concerned about China's One Belt One Road (OBOR) program and generally about the PRC's use of investment and other incentives to interfere with America's bilateral relationships. I am particularly concerned about the maritime aspects of OBOR. An estimated 70 percent of the world's container traffic flows through Chinese owned or invested ports, generating substantial economic leverage China could convert into broader political and military influence. The Committee should consider investigating the details of those investments, or securing an assessment by the intelligence community or

- the Federal Maritime Administration, with a view towards developing an appropriate response.
2. The BUILD Act was a vital first step in creating a development alternative for countries targeted by One Belt One Road. The Committee should oversee the creation of the new agency to ensure that it works with other development bodies to maximize its impact, and to contest in appropriate ways the Chinese narrative regarding One Belt One Road.
  3. I am sure the Committee intends to vigorously oversee implementation of the Asia Reassurance Initiative Act. The authorization in the bill should be fully funded, and the Committee should press for additional funding after the program is up and running. The Committee might also consider encouraging colleagues on the Armed Services Committee to authorize an Indo Pacific Deterrence Initiative, modeled off the European Deterrence Initiative (EDI), to further enhance U.S. military presence and commitment to the region.
  4. The Chinese are actively using investments and promises of support, particularly in Eastern Europe, to fragment the EU's response to China's human rights record and unfair trade practices. Though the European Deterrence Initiative is directed mostly at Russia, it (and NATO) could be a good vehicle for increasing our influence in Europe in support of the EU where China is concerned.
  5. The Committee is aware of the CCP's use of "sharp" power to protect its narrative by manipulating opinion in other countries. A hearing directed to that subject, with a focus on the CCP's United Front activities, could be the basis for legislation expanding the capabilities of the State Department and other agencies to respond in a manner consistent with our values. Long term, this tool will be essential in the national competition.

I'll close by quoting the final paragraph of the introduction to the Commission's 2018 Report:

For several decades, U.S. policy toward China was rooted in hopes that economic, diplomatic, and security engagement would lay the foundation for a more open, liberal, and responsible China. Those hopes have, so far, proven futile. Members of Congress, the Administration, and the business community have already begun taking bipartisan steps to address China's subversion of the international order. Washington now appears to be calling with a unified voice for a firmer U.S. response



to China's disruptive actions. In many areas, the CCP will be quick to cast any pushback or legitimate criticism as fear, nationalism, protectionism, and racism against the Chinese people. As a new approach takes shape, U.S. policy makers have difficult decisions to make, but one choice is easy: reality, not hope, should drive U.S. policy toward China.

Again, I speak on behalf of the U.S. - China Commission when I say we want to assist you in any way we can as you move forward with your efforts.