

## US China Commission testimony

- Thank you. I want to say how much I appreciate and support this Commission. Your hard work has given us the information we need to get an accurate picture of the very puzzling issue of China's growth. I have long followed your work, and continue to utilize your expertise.
- Last year I gave four floor speeches on China's growing global influence and the impact this has on our national security. These issues covered a broad spectrum, from alarming military modernization to the lack of economic accountability. I testified before this Commission--it was a very concerning picture then, and while the media has turned its attention to other issues, the threat continues to grow.
- China is sustaining a 10% economic growth for some years now. Their oil consumption (and need) continues to rise exponentially, doubling and doubling again. China's military spending growth has been in the double-digits for almost two decades, and that isn't including large portions that we know they are hiding.
- Yet the threat here is not the simple fact that China is growing, but it is doing so by using some unhealthy practices that threaten the world community and will undercut any long-term progress they hope make.
- Allow me to emphasize some areas that I view with particular concern:
  - **Human Rights:** China continues to repress certain religious groups, including Christians. They have brutally cracked down on any organized groups that they view as a threat to Party rule.

- **Proliferation:** China is a proven violator of non-proliferation treaties that keep such countries from access to delivery system technology. In 2003 the CIA reported to Congress, that “firms in China provided dual-use missile-related items, raw materials, and/or assistance to ... countries of proliferation concern such as Iran ...and North Korea.” Look at the countries we are having problems with today: Iran is developing nuclear capabilities, and North Korea continues to develop its long-range missile program. We know China uses proliferation as a tool to gain influence.
  
- **Iran:** China has continued to support Iran:
  - China gets 13% of its energy resources from Iran. Naturally, China has dragged its feet to allow the U.N. Security Council to holding Iran economically accountable for its nuclear program.
  - Two days ago, China has signed a 2.7 billion dollar oil refinery upgrade deal with Iran.
  
- **Africa:** We know that China is developing Africa as a source of resources, export markets, and diplomatic support.
  - Gulf of Guinea, oil reserves
  - Benin: conference center
  - Congo: stadium
  - “US gives us what we need, China gives us what we want”
  
- **South America:**
  - In Venezuela, anti-American President Hugo Chavez enjoys a \$3 billion trade strategy with China, including provisions for oil and gas.

- Army General Bantz Craddock, who heads the United States Southern Command, stated that China is increasing its influence in South America, filling a vacuum left by the U.S. In his March 9, 2005 House testimony, General Craddock called China's progressing interest in the region "an emerging dynamic that could not be ignored."
  - **Industrial Base:** Some experts believe that China is attempting to undermine the U.S. industrial base and likewise, the defense industrial base. I have a direct quote from the book *Unrestricted Warfare*, written by two PLA (People's Liberation Army) senior Colonels:
    - "Military threats are already no longer the major factors affecting national security... traditional factors are increasingly becoming more intertwined with grabbing resources, contending for markets, controlling capital, trade sanctions and other economic factors...the destruction which they do in the areas attacked are absolutely not secondary to pure military wars."
- Unless our relationship with China is backed up with strong action they will never take us seriously. We will certainly see more violations of proliferation treaties. They will continue to manipulate regional and global trade through currency undervaluation and other unhealthy practices. They will develop unreliable oil sources and energy alliances with countries that threaten international stability. They will continue to escalate the situation over Taiwan, raising the stakes in a game neither country can win. In today's world we see how the unpaid bills of the past come back to haunt us in full; ignoring these problems is unacceptable.

- I am not saying that we are doomed to a confrontation with China. I believe that if we properly address these problems, like pruning a tree, we will encourage China to become a responsible stakeholder and enable a healthy relationship between our countries. But we must act.
- I haven't come today to just deliver bad news:
- **North Korea:** China has recently made steps in the right direction by
  - Publicly condemning the recent missile tests by signing the UN Security Council resolution
  - Freezing North Korean bank accounts in Macao last week
- Another area where some good steps have been made is in addressing the shortcomings of the **CFIUS** review process. Last year we discussed how the process is “broken”. I believe that I can come before you today and say that we have made headway.
- As you know, the Committee on Foreign Investment in the US (CFIUS) is the panel that reviews foreign transactions and buyouts of US companies. This raised great concern because, quite simply, they weren't doing their job.
  - Out of over 1500 transactions reviewed, only one merger was stopped. This reflected a porous system which allowed companies to participate and withdraw when it suited their best interests.
- I pushed hard to change this, introducing a stand alone bill to make some of the necessary changes, and it was since taken up by Banking Committee. The bill that they voted out was approved in the Senate by Unanimous Consent on July 26. Allow me to go over some of the changes:

- The Secretary of Defense is named Vice Chairman of CFIUS
- Defines national security and the factors CFIUS and the President need to take into consideration before rendering a decision in the process.
- Notification related to transactions affecting national security are now mandatory
- Investigations of transactions shall be completed even if the filing is withdrawn by the applicant
- Submission of a yearly, cumulative report of all acquisitions to oversight committees
- These are just a few of the changes that I believe will go a long way in ensuring the security of our dual use technology and economic base. It's not perfect, but it's a start.
  
- We must deal with China now, because right now we have leverage. We are a major supplier of technology to China, and the key leader on the world scene. This is the time we have to affect change if we ever will.
  
- The US-China Economic and Security Review Commission was created to give us in Congress a clear picture about what is going on—and you have done your job well. Now we in Congress must do ours. Thank you.