

**Testimony before the U.S.-China Economic and Security Review Commission**

**The Chinese View of Strategic Competition with the United States**

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Commissioner Kamphausen, Commissioner Lewis, other distinguished members of the Commission, it is truly an honor to testify before you today on the U.S.-China strategic competition.

### Nature and Features of the U.S.-China Competition

As you well know, the strategic competition between the United States and China is multi-faceted, with economic, technological, political, ideological, and military dimensions. Any successful approach to this competition must take account of each of these dimensions.

**Economic Dimensions:** First and foremost, strategic competition between the U.S. and China is taking place between two globally integrated economies. The economic dimension of the competition is paramount and will set the conditions for all of the others. For about two decades, the United States premised its approach to China on the belief that integrating a rising China into the global economy and international institutions would increase the likelihood that Beijing would become a “responsible stakeholder” in the rules-based international order, and that this was in the U.S. interest. As a result, the U.S. and Chinese economies are now deeply intertwined. These connections provide benefits to U.S. business – markets, supply chains, investment, and talent – but also create vulnerabilities for U.S. enterprises and U.S. national security – via theft of intellectual property (IP) and data, and untrustworthy supply chains with ties to the People’s Liberation Army. I do not think wholesale decoupling is realistic or wise, but I do think we need to do a better job of using carefully targeted measures to protect our intellectual property and data and to secure and make more resilient critical supply chains.

**Technological Dimensions:** Second, the period of unrivaled technological superiority the United States enjoyed after the Cold War is over. China is investing tens of billions of dollars in a state-directed technology roadmap for emerging technologies – from hypersonics and robotics to quantum computing and artificial intelligence. This tech race is a primary area of competition on which the United States must focus, as it is this competition that will determine whether we keep our military edge and will have the most profound and enduring impact on U.S. prosperity and security over the next half century. In the quest to maintain our edge in key technologies, we must be clear-eyed about the risks that our open economy poses and take steps to reduce them: China is trying to use foreign investment and espionage to gain access to nonpublic IP and leveraging its role in U.S. supply chains to introduce vulnerabilities into our systems.

**Political and Diplomatic Dimensions:** Third, competition between the U.S. and China will be shaped in large part by our success in developing and sustaining close relationships with allies, partners, and other countries in the Indo-Pacific region. It is in Beijing’s interest for Washington to view the U.S.-China competition in purely bilateral terms. Instead, we must be laser focused on strengthening our existing relationships in the region as well as building new ones. The United States will be far more effective if we join forces with allies and partners who share our interests and values. Yet we must seek to avoid forcing countries to choose between the United States and China; given the deep economic relationships countries in the region have with China, our allies and partners will not sign up to a virtual Berlin Wall separating the Indo-Pacific into openly competing U.S. and Chinese spheres of influence. The best ways the United States can bolster these relationships are to: show up and lead in the region more often and more effectively, including in regional fora; invest in bilateral and multilateral cooperation with key allies and partners; strengthen trade, investment, and military-to-military ties; and cooperate on global issues like climate change, nonproliferation, pandemic prevention and economic development. Smart U.S. policy on China must be based on a smart strategy and robust diplomacy for the region as a whole.

**Ideological Dimensions:** Fourth, competition between the U.S. and China has a strong ideological and narrative element. The number one objective of the Chinese leadership is to maintain the Communist Party’s control of its system of government, and the number one threat to their system would be for

economic liberalization and rising expectations of the Chinese people to spark some kind of democratic movement like the one we've seen in Hong Kong. The Chinese government spends considerable time and effort attempting to shape both a domestic and global narrative about China, often as compared to the U.S., through a robust (dis)information campaign. The Communist Party has tried to argue, for example, that China's system is superior to that of the West in fighting COVID-19. Too often the United States is caught flat-footed in responding to the CCP's propaganda. We must do a better job of offering fact-based responses to Beijing's version of events as well as an alternative and compelling vision for the Indo-Pacific – one that is free of coercion; respects sovereignty, the rule of law, and human rights; and is open to the free flow of people, goods, and ideas.

**Military Dimensions:** Fifth, the resurgence of great power competition requires the United States to reimagine how we deter and, if necessary, prevail in a future conflict with China. America's military advantage is rapidly eroding in light of China's modernization efforts. In fact, if we stay the current course, a rising China will likely achieve overmatch in a number of key capability areas, calling into question our ability to credibly deter aggression; defend our interests, allies, and partners; and prevail in any future conflict at acceptable levels of cost and risk. The number one military objective for the United States today should be to re-establish credible deterrence; I will expand on this point below.

### Principles for Strategic Competition

China's principal objectives in strategic competition with the United States are to protect the continued rule of the Communist Party, displace the United States as the preeminent global political and economic power, and gain increased freedom of action by removing what it sees as strategic threats on its periphery. Some have recently argued that Beijing's ambitions are more modest, confined largely to the Indo-Pacific region. My view is that while the Chinese government's immediate aims focus on strengthening its position domestically and regionally, over the long term it seeks to wield influence globally to reshape international institutions and norms according to its interests and ultimately eclipse U.S. leadership on the world stage.

In the face of these Chinese objectives, the United States' central objectives must remain constant: to protect the American people, promote American prosperity, safeguard the American way of life, and advance American interests and values. With this in mind, there are four overarching principles that should guide the United States' approach to this strategic competition.

**Invest in American Competitiveness:** First, the most important thing for the United States to do is to invest more substantially in the drivers of U.S. competitiveness here at home. This includes science and technology, research and development, using federal funding to incent private sector investment in key technology areas (e.g., AI, robotics/autonomy, quantum computing, biotech, etc.), STEM education, broader access to affordable higher education, and 21<sup>st</sup> century infrastructure like 5G. We also need a smart immigration policy. The United States should welcome foreign-born talent that pose no risks to our national security and encourage them to stay and build innovative enterprises here in America. At the same time as we maintain the open system that drives our prosperity, we must protect the crown jewels that are essential to our security. This is a moonshot moment, and we need the national leadership, call to action, and smart investment plans to inspire and enable America to compete and win. As our history proves again and again, this is something we know how to do as Americans. It is imperative that Congress overcome its current partisan polarization to make urgently needed strategic investments in our future.

**Leverage Allies and Partners:** Second, the United States should leverage its unique, strategic advantage of having an unrivaled network of allies and partners around the world. The best way to deal with the challenges China poses is by making common cause with our allies and partners whenever possible. We

are infinitely stronger confronting China's violations of international trade regimes or security norms as a coalition of like-minded states committed to a shared set of rules of the road rather than as the U.S. alone. We would also be better positioned to compete technologically and economically if we worked more closely with other free-market democracies to shape international technology standards to favor free and open systems rather than the state-controlled systems favored by authoritarian regimes like China and Russia. On the security front, the United States should work closely with its allies and partners to assess what each country can contribute to stabilizing the Indo-Pacific environment and deterring the increasingly aggressive behavior of revisionist powers. This will also require reassuring our partners, with both words and deeds, that they can count on the United States to have their backs in disputes with Beijing and ultimately to help defend them against coercion or attacks.

**Protect and Adapt the International Order:** Third, the United States should lead in protecting and adapting the rules-based international order to the new realities of the 21<sup>st</sup> century. We should uphold norms like freedom of navigation and the peaceful resolution of disputes, in order to ensure “might does not make right” in the Indo-Pacific. An Indo-Pacific dominated by a revisionist power like China would be very different than the one we all live, trade, and travel in today. Ships that today can freely navigate the seas would be liable to possible harassment. Decisions made today by independent governments could increasingly fall prey to coercion. And failure to resist these coercive measures would, in turn, limit our collective ability to deter aggression or – if aggression takes place – to deny its success. The U.S. needs to do a better job of spelling out how different and detrimental international rules and norms shaped by Beijing would be compared to those the region has enjoyed to date.

**Invest in National Security Tools:** Fourth, the United States should invest in the national security tools that will enable us to better shape the international environment and deter Chinese coercion and aggression. For starters, the next administration must invest in rebuilding a strong diplomatic posture in the Indo-Pacific, including sending our best diplomats to lead fully staffed embassies in the region. The U.S. must deepen our bilateral relationships as well as show up and lead in the region's various fora. To prevent a miscalculation or escalation to conflict with a nuclear-armed rival, the United States must also prioritize the development, acquisition, and demonstration of those military capabilities essential to credibly deter Beijing's aggression, deny its ability to rapidly seize territory or create new facts on the ground, and be able to impose significant costs for any act of aggression. The Department of Defense (DoD) needs to pursue this with two timeframes in mind: deterrence in the near term (the next 5-10 years) and deterrence in the long term (10 years and beyond). Emerging technologies and new concepts of operations will enable potential adversaries to challenge us in new ways on the battlefield, but they can also greatly strengthen our ability to deter aggression and bolster our response capability should conflict break out.

### Lessons from Past Cases of Major Power Competition

There has been a lot of discussion recently about whether we are entering a “new Cold War” with China. While the Cold War is our most recent experience with great power competition, it is not necessarily the right conceptual frame for understanding the China challenge.

Certainly, there are some crucial lessons from the Cold War that may serve as a guide in this period of strategic competition. First, one of the keys to U.S. success against the Soviet Union was our sustained investment in the sources of our own competitiveness. The United States invested early on in math and science education, infrastructure, and space – and these investments allowed us not only to blunt Soviet advances, but also to bolster our own position. Second, we invested heavily in strengthening and sustaining deterrence. This is a critical task vis à vis Beijing. Third, one of the main reasons the Cold War did not end in a hot war was the commitment of successive presidents, both Republicans and Democrats, to arms control and strategic stability. It is vital that our leaders today not mistake bluster for strength;

they must understand the vital role that strategic dialogue and arms control can play in reducing the likelihood of conflict. Fourth, our success in the Cold War would have been far more challenging without our allies and partners, in Europe, Asia, and around the world. Allies and partners will be equally essential in dealing with the rise of China.

That said, there are critical differences between the Cold War and our competition with China that we should not ignore. First, in its modern history, the United States has not faced a competitor with an economy the size of China's, relative to our own. Second, China's economy is also deeply integrated into the global economy and closely intertwined with ours, with \$558 billion in bilateral trade in goods in 2019, \$18.9 billion in bilateral foreign direct investment (FDI) in 2019 (including both U.S. FDI in China and Chinese FDI in the U.S.), and interdependent supply chains across multiple sectors. This kind of economic relationship is dramatically different than that which existed between the United States and the Soviet Union. It is neither possible nor in our interests to completely "decouple" from or try to "contain" China. Third, other countries will be hesitant to choose between the United States, often the preferred security partner, and China, often the dominant trade partner, like they did between the U.S. and the Soviet Union during the Cold War. There will be no Berlin Wall in Asia. Our alliance system in the Indo-Pacific will look less like NATO and more like a network of security relationships with countries who are deeply engaged economically with both the United States and China.

Others who seek historical parallels for our current moment have turned to pre-World War I Europe as a guide: specifically, the rivalry between Germany and Great Britain. While I believe many dimensions of Anglo-German competition are unique to that historical era, I do think that this case offers at least one major lesson for the United States: specifically, how to pursue sophisticated economic competition with a rising autocratic power. As Marks Brunnermeier, Rush Doshi, and Harold James have argued, the rivalry between Britain and Germany featured an established democracy with a free-market system facing a rising autocracy with a state-protected economic system. What Doshi and his colleagues argue, and I find compelling, is that blunt tools of competition, like tariffs, were far less successful than "competition over standards, technology leadership, and financial leverage."<sup>1</sup> Similarly, in competition with China, it is vital that we compete in ways that go beyond tariffs. We need to work with other like-minded states to actively set global standards on emerging technologies like AI, quantum computing, and 5G, and we need to compete with China on infrastructure – both physical and digital – across the Indo-Pacific.

### Prospects for Cooperation with China

The re-emergence of great power competition must not blind us to the continued importance of tackling vital transnational challenges, which in many cases will require U.S.-China cooperation. While COVID-19 has accelerated strategic competition, this was not fated to be so. The pandemic could have – and should have – been a moment for Washington and Beijing to cooperate on understanding the virus, accelerating vaccine development, and preventing the spread of COVID-19 to other countries, particularly those with less developed healthcare systems. Our failure to do so has left us all less safe. This should be a lesson: Even as we compete with China, Beijing may also serve as a critical partner to address global challenges like climate change, global health, and the proliferation of weapons of mass destruction.

**Climate Change:** The Obama-Biden administration's Paris Agreement was an illustrative case of how, with strong U.S. leadership, cooperation with China is possible. Future climate action must be even more ambitious. It will be impossible for us to reach aggressive global emissions reduction targets without cooperation with China and other major powers. After all, China accounts for 28 percent of the world's CO<sub>2</sub> emissions, the most of any country, according to the Union of Concerned Scientists. It is, therefore,

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<sup>1</sup> Brunnermeier, M., Doshi, R., & James, H. (2018). Beijing's Bismarckian Ghosts: How Great Powers Compete Economically. *Washington Quarterly*, 41(3), 161-176.

essential for Beijing to meet or beat its Paris commitment of peaking CO<sub>2</sub> emissions around 2030, if not earlier. The U.S. and China might also jointly finance clean energy projects in the developing world, as a way to ease the burden for poorer countries transitioning to a more sustainable economy, as well as projects to protect low-lying countries from the effects of climate change.

**Global Health:** The United States and China must work together to prevent future pandemics and other global health challenges. There will inevitably be competition here, as well, but the existence of competition should not foreclose the possibility of cooperation. For example, senior medical personnel in the two countries could share information about best practices in managing and controlling outbreaks. The two governments could also facilitate the distribution of vaccines and therapeutics to countries in the developing world, which would serve everyone's interests.

**Non-Proliferation and Strategic Stability:** The inclusion of China as a party in the Joint Comprehensive Plan of Action (JCPOA) was a major success of the Obama-Biden administration and an example of how cooperation with China is possible on non-proliferation. China's help will also continue to be necessary in preventing the proliferation and use of WMD on the Korean Peninsula. As China continues to modernize its nuclear arsenal and invest in new weapons like hypersonic missiles, offensive cyber capabilities, and anti-satellite weapons, it is in U.S. interests to engage Beijing in candid discussions on strategic stability and avoiding miscalculation and unwanted escalation in crises. While the Trump administration has invited China to participate in U.S.-Russian strategic arms reduction talks, it is unlikely that Beijing will agree given the much smaller size of China's nuclear arsenal. A better approach would be to extend the New START agreement with Russia and address nuclear issues with Beijing as part of bilateral U.S.-China strategic stability talks.

#### Recommendations for Congress in Recalibrating Policy Toward China

As the United States recalibrates its policy toward China in the future, Congress has an important role to play in resourcing and overseeing whole-of-government efforts critical to competition. I will outline recommendations for Congress along four lines of effort: 1) supporting efforts to re-establish and sustain deterrence; 2) investing in and protecting U.S. competitiveness; 3) strengthening our relations with allies and partners; and 4) defending American values. I would also suggest that Members of Congress and their staffs read the Center for a New American Security's Congressionally-mandated *Rising to the China Challenge* report, which has shaped my thinking on this topic.

**Supporting Efforts to Re-Establish and Sustain Deterrence:** The number one U.S. military objective vis à vis China today should be to re-establish and sustain credible deterrence, and Congress must be a critical partner in this effort. Given the vast amounts of federal spending focused on COVID-19 response and recovery, there will be pressure on Congress to significantly cut the defense budget. But it would be a mistake to make draconian cuts to defense spending at a time when critical investments must be made to keep our military-technological edge relative to China and to prevent conflict between two nuclear powers. Any reductions to defense spending should be carefully considered in close consultation with DoD leaders to ensure that these cuts, if they occur, do not hamper the Department's ability to deter and prevail against China. Congress should support, resource, and oversee the Department's efforts to strengthen the U.S. military's edge and transform how the force fights in the face of great power threats. DoD is currently under-investing in the new technologies that will ultimately determine our success in the future security environment and is still over-investing in legacy platforms and weapons systems.

As a result, there are several actions I would recommend Congress take. First, Congress must hold DoD accountable for answering a fundamental question for every program of record: Where is the knee in the curve? Where is the point where it makes more sense to forgo the next major platform in order to invest those resources in the cutting-edge technologies and capabilities that will keep existing platforms

survivable, combat-relevant, and effective? Second, Congress should support pathbreaking efforts to develop and test new joint and service operational concepts, such as the US Marine Corps' Force Design 2030, the Navy's transition to distributed maritime operations, and the Air Force's investment in Joint All-Domain Command and Control. Third, advancing DoD's ability to develop new operational concepts and field the new capabilities necessary to implement them will require Congress to accept a small amount of risk to allow the services to acquire the prototypes needed for more robust field experimentation. Fourth, Congress and DoD should work together to bridge the "valley of death" between prototype and production contracts that deters many cutting-edge commercial tech companies from working on defense. Lastly, Congress should work with DoD to ensure it has the tech talent it needs and an acquisition cadre trained and incentivized for the rapid and agile development of new technologies.

**Investing in and Protecting U.S. Competitiveness:** Congress should invest in new funding for research and development of emerging technologies, including AI, autonomy, biotechnology, quantum computing, and 5G. Congress should also provide tax incentives for companies to invest in these areas and in 21<sup>st</sup> century infrastructure. To build the tech talent pipeline, Congress should expand programs (currently focused on cyber talent) that offer scholarships or debt relief to students in a broad swathe of tech fields in return for a government service commitment. It should offer tax incentives to employers who invest in upskilling their workforce to meet the demands of the new, more digital economy. It should make it easier for vetted foreign students who come to the United States and study STEM subjects to stay and contribute to the vitality of the U.S. economy and society. And it should evaluate whether the U.S. needs to diversify its supply chains to ensure that domestic manufacturing capacity can support the country's needs in a time of crisis, such as pandemic or war.

As we invest in our competitiveness, it is also important to protect our crown jewels – our most sensitive technologies and IP -- through foreign investment reviews and export restrictions. However, we must do so with a scalpel, not a sledgehammer. Our openness is a source of strength. This means Congress should not pursue blanket restrictions on all Chinese graduate students, and that it should ensure that foreign investment restrictions and export control reforms do not unnecessarily choke off passive Chinese capital in our innovation ecosystem. Here, the devil is in the details -- like the type of technology involved, whether it has national security uses, and whether or not the investment involves a controlling interest or access to non-public IP.

**Supporting our Alliances and Partnerships:** U.S. alliances and partnerships are among our greatest assets in strategic competition with China. Congress should increase the resources available to rebuild the cadre of U.S. government civilians focused on the Indo-Pacific (especially at State, Treasury, Defense and the Intelligence Community) in order to support increased engagements with allies, partners, and regional institutions. It should exercise close oversight over any efforts by the administration to withdraw or disengage from critical alliances, partnerships, or agreements. And it should substantially increase funding for security cooperation and critical infrastructure investment – both physical and digital – with key partners in the Indo-Pacific region. Supporting our alliances and partnerships will require that we rebuild diplomatic instruments that have been severely weakened during the Trump administration. This includes rebuilding and strengthening our Foreign Service, ensuring that key positions do not remain vacant for long periods of time, and re-dedicating ourselves to showing up and leading in key multilateral fora that are seen as markers of our commitment to the region.

**Acting in Alignment with our Values:** There is a strong ideological element to competition with China that Congress should not neglect. First and foremost, Congress should ensure that we are modeling the kind of behavior here at home that stands in stark contrast to China's repressive, authoritarian system. Racial injustice in America is not just unconscionable and antithetical to our values; it is exploited by strategic competitors like China to undermine the appeal of democracy and U.S. standing in the world. The United States should continue to support the people of Hong Kong. However, it should be careful not

to harm Hong Kongers themselves in the course of retaliating against China's recent national security law. For example, we might opt to provide visas to Hong Kongers suffering political persecution and, as former U.S. Consul General in Hong Kong Kurt Tong has suggested, take the matter of China's national security legislation for Hong Kong to the International Court of Justice. In the meantime, Congress should continue to implement the Taiwan Relations Act and support Taiwan's efforts to shore up its ability to deter and defend against Chinese coercion and aggression. The United States should also explore Taiwan as an alternative to mainland China for parts of its supply chains.

### Conclusion

In conclusion, strategic competition with China is more than a military contest – it has economic, technological, political, and ideological elements the United States must not neglect. The actions we take in the next few years could not be more critical. They must be driven by a broader strategic vision of the core interests and values we seek to protect. The United States must maintain its unique leadership role as a force for good in the world -- a defender of democracy, human rights, and a rules-based international order. The United States must maintain its ability to leverage all instruments of national power -- not only defense, but also diplomacy, development, economic influence, and information. Only by harnessing all of these levers can the United States demonstrate the resolve and capability to compete effectively on the world stage, deter war among the great powers, defend our interests, values, allies and partners, and compete and win in a far more challenging future.