

Testimony before the US – China Economic and Security Review Commission

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Panel III: Implications of China's Policies for US Interests

My thanks to the Commission for the opportunity to provide you with written responses to the following questions.

- **What challenges do China's leaders anticipate in strengthening China's global appeal and achieving its desired status of an international leader, and what obstacles have they failed to acknowledge? How will China's attempts to promote itself as a global leader impact U.S. interests?**

A leading Indonesian political figure once said to me that the PRC had no real soft power in Southeast Asia, but plenty of 'money power'. In many countries, Australia included, money power has an appeal all its own. The PRC is working hard to build soft power globally through its own foreign language media outlets, Confucius Institutes, many United Front Work Department-linked local organisations and, above all, financial relationships. One should not underestimate the attraction this holds for many people in our societies. In Australia, State Premiers, University Vice Chancellors, and many in the top end of the business community find the financial rewards of engaging with the PRC is all that is needed to justify and sustain close cooperation. The security and geopolitical risks of engaging with the PRC are understood inside the broad national security establishment but have less traction with those doing business with China.

For many countries around the world China's global appeal is calibrated against the global attractiveness and effectiveness of the United States. Key Southeast Asian countries will make judgements about the need to hedge their relations with Beijing based on the level of confidence they have that the United States is engaged with the region and committed (for reasons of its own interests) to Asian security. A Southeast Asia that doubts the longevity of American interest will get closer to the PRC regardless of the appeal of doing so.

While China's 'ace' in regional engagement is money rather than attractiveness, the Covid-19 experience and last few years of American policy is giving rise to a view in some quarters that the CCP model of Leninist authoritarianism connected to state-controlled capitalism, while not pretty, in some way works to deliver positive outcomes. It is often claimed that Beijing is not seeking to export its political model. That is changing. In countries less strongly committed to democracy we may see a growing attraction to the PRC political system. This is something that

Beijing can exploit, for example using so-called smart-cities technologies to support the growth of surveillance systems designed to strengthen political control over societies.

In recent years, the PRC has demonstrated that maintaining a global appeal doesn't matter to Beijing's leaders as long as key strategic objectives are met. On the face of it, Beijing simply did not care that Southeast Asia and much of the rest of the world rejected the PRC's illegal annexation of, and island construction in, the South China Sea. It did not seem to matter to Xi Jinping that he misled President Obama in September 2015 by saying he had no 'intention to militarise' the Spratly islands in the South China Sea. In recent dealings with Australia, Canada, France, India and other countries the PRC seems to have dispensed with any pretense towards friendly relations. With Machiavelli, the CCP has concluded that it is better to be feared than loved.

There may be a hint of frustration that, in the PRC's use of unashamedly rude 'wolf warrior diplomacy', China's soft power is not winning hearts and minds. However, we should not take much comfort from that. The PRC's money power, be it from open commercial arrangements or covert inducements that capture local elites, is helping China to promote and advance its interests in many parts of the world.

One possible outcome here is that the PRC may conclude it is too difficult to make soft power headway in robust democracies, that is, countries like Australia which will push back against unacceptable covert influencing attempts and not react well to aggressive wolf warrior diplomacy. Beijing may decide that it can make faster headway in countries where soft power is less important than money power, and where negative public opinion about the PRC won't sway elites that can be co-opted by Beijing. In effect this is what we have seen in several Pacific Island countries, where fragile governance systems struggle to withstand the influx of vast sums of money, promises of rapid and profitable infrastructure development and substantial PRC diplomatic and business footprints.

The Australian government would not put it in these terms, but the South Pacific and Southeast Asia are currently zones of intense competition for influence between the PRC and the United States and its allies. In this competition democracies are slower, poorer and unwilling to compromise the standards of development assistance in the way that the PRC does. A major Australian concern is that PRC infrastructure development and commercial assistance shapes the way for Chinese military and intelligence gain access to these countries. Throughout the Pacific region, Chinese companies are building, extending or maintaining airports and wharf facilities. We know that this type of infrastructure is consciously treated as potentially 'dual use' and military requirements (for runway lengths, for example) can be factored into construction. In addition, the PRC is actively looking for places to establish military facilities through the Indo-Pacific. We know this has included exploring opportunities for a military base to be established in Vanuatu and the Solomons. The establishment of a military facility would have a profound negative impact on United States and Australian interests in the Indo-Pacific.

The PRC's interest in multilateral organisations – everything from the World Health Organisation to the Paris Agreement on Climate Change to INTERPOL – shows that Beijing well understands the value of being able to shape the agendas of powerful international organisations to ensure they do not cut across key Chinese lines of effort. It is critically important that the United States and other democracies do not cede these fields to the PRC. Countries that support the international rule of law need to develop a strategy which regains the management and direction of international organisations rather than allow them to be reshaped for Beijing's purposes.

Overall, my conclusion is that the PRC's use of money power compensates for its soft-power failings. Beijing's agenda is to secure its key strategic aims regardless of whether this tarnishes their international image. But we shouldn't underestimate the extent to which money, coercion and the appeal of authoritarian regimes that 'get things done' has some attraction, especially in developing countries. This puts American and Australian interests at risk in many areas around the world.

- **What impact will the political pressure of the CCP's centenary have on the Party's willingness to use military force or other coercive measures abroad? How might it affect China's diplomatic posture? What are the implications for the United States and allies and partners in the region?**

Xi Jinping has pinned his own political fortunes to the two centenary dates of the founding of the CCP (2021) and the Party's accession to power (2049). He is 67 and therefore hardly likely to be in power in 2049. The hundredth anniversary of the Party presents an opportunity to better his 2012 aspiration that China should be 'moderately prosperous society' by 2021. As such, the June Party centenary is something which Xi can use to strengthen his personal position within the Party and the Party's position. It will be a major focus for propaganda. On current trends it seems clear that the position of the PLA will be central to that propaganda effort as will the contention that China is more aggressively promoting its interests around its borders, including by using military force.

Of course, there can be no certainty that Xi will seek to stage a major military activity against Taiwan or in the South China Sea, but it is directly observable that Xi is positioning to be able to use that option if he deems it advantageous. My judgement is that Xi is ready to exploit any opportunity for possible aggression against Taiwan. Whether that opportunity is exercised will depend on his calculation of risk, China's capacity to shape and carry out a military activity of some sort and the likely American response.

Risk

China's use of its military, Coast Guard and other security entities shows that Xi is willing to take on riskier activities, not least because Xi has shown this type of risk taking can pay off. Consider four examples: The decision in effect to annex and militarise features in the South China Sea was clearly risky because it cut across the interests of neighbours and many in the international community. Other than some negative publicity, Beijing has paid no price for its actions. Second,

Xi clearly misled the Obama administration in September 2015 when, on a visit to Washington DC, Xi publicly undertook not to militarise the southern part of the South China Sea and to reduce cyber-enabled intellectual property theft from American companies, universities and government. He did neither. His lying to the American President and people appeared to carry no repercussions.

Third, the CCP has largely had a consequence free ride since Covid-19, which originated in Wuhan, has devastated global economies and killed several million people. There has been an abject failure on the part of the United States and the global community to even establish a case that China should be held accountable for its failure to manage the virus domestically, and a failure to cooperate with the international community to manage the consequences.

Finally, over the course of 2020 Australia has been subject to the open use by the CCP of economic coercion as part of political warfare to 'punish' Canberra for a series of measures designed to protect our sovereign interests from being undermined by Beijing. All of the problems Australia has been dealing with – 5G; countering espionage and covert influencing; defending a free press; protecting our Pacific Island neighbours – are interests that all democracies share. But attempts to build an international response to the PRC's behaviour have only had limited success. In effect, Beijing took a risk to attack a G20 democracy by all means short of open warfare and has largely gotten away with it.

A lesson Xi Jinping may take from these experiences is that taking greater risk is, so far, rewarding China. China's normally more cautious international behaviour is taking on a flavour of Putin's Russia.

China's capabilities

The Commission understands the rapid buildup of Chinese military and security capability across all fields, but with particular emphasis on cyber, space and counter-space, missiles and strike weapons and maritime capabilities. Associated with this build up we see these capabilities being brought into operational service and high-tempo training and exercising to improve the PLA's overall skill and competence levels.

There are clearly deficiencies in capabilities and a lack of real-world operational experience, but it is undeniable that China is moving at pace to improve its capabilities. As the Pentagon's annual report to Congress acknowledges, The PLA is making good progress. The pattern of PLA (and Coastguard) operations in the South and East China Seas and around Taiwan also show a willingness to take more risky actions, in part to establish a self-defined 'new normal' of more intense and assertive Chinese military activity.

This shows that Xi has a wider range of military, para-military, overt and covert options to pressure China's neighbours. He can take more risks because he has the means at his disposal to do so. Whatever their deficiencies, the PLA is more capable now than it has ever been, including

with, in some areas, acknowledged preponderance over American capabilities around the Straits of Taiwan.

American responses

The final piece of the puzzle for Xi is the likely American response to an attempt to pressure Taiwan in the lead up to the June Party Centenary. My assessment is that we will continue to see China regularly testing US interest in and reactions to the PRC's actions inside the first island chain. An initial US failure in 2014 and 2015 to respond to Chinese military island building in the South China enabled Beijing to define its new normal of military activity in the region. The current stage of this testing is multiple PLA incursions into air and sea space around Taiwan and more broadly in the East and South China Seas.

- **How confident are CCP leaders in the PLA's ability to carry out its various missions, especially regarding the Party's sovereignty claims? Should we expect to see China significantly escalate the use of paramilitary and military coercion against its neighbors or even undertake an offensive military campaign in the region?**

In the previous section I offered some thoughts about the CCP leadership's views of PLA capability. Beijing does understand the PLA's very substantial limitations, particularly around command and control, leadership, training and the untested capabilities of their fielded force. These deficiencies are studied publicly and in-depth in Chinese military journals. From Xi Jinping as Commander-in-Chief, through all levels of the Party and military there is a sustained focus on strengthening PLA capabilities and bending China's research and development capabilities to that end. On any measure, the PLA is on a steep capability improvement path. Western analysts have tended to underestimate the PLA's capacity to rapidly field new technology and develop meaningful military capability with it. (Those assessments are rapidly being revised.) All militaries are imperfect and face daily capability deficiencies. Xi will understand that the point is not to reach for the perfect PLA, rather the aim is to have it fit for its designated purpose and more determined than their likely opposition.

The CCP will continue to test the boundaries of international patience about its operations against Taiwan and in the first island chain until such time as the United States and the allies feel compelled to attempt to limit Beijing's behaviour. At any stage in this process Xi has the option to step back, reduce the rhetorical tone, limit exercising and air incursions, but he loses nothing to keep testing the limits.

This gives rise, in my view, to a possible major crisis on Taiwan or the East China Sea in 2021. Beijing will have developed a menu of options that will pressure concessions from Taipei around their political autonomy. This does not have to involve a PLA amphibious assault of Taiwan's northern beaches, but it could involve maritime blockades, closing airspace, cyber assaults, missile launchings around (and over) Taiwan, use of fifth column assets inside Taiwan, use of PLA force in a range of deniable gray-zone activities and potentially seizing offshore territory –

Quemoy and Matsu, Pratas, and Kinmen Islands. Beijing will continue to probe with military actions, test international reactions and probe again.

- **The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What are your recommendations for Congressional action related to the topic of your testimony?**

I suggest six recommendations for the Commission.

1. Promote an alignment of democracies to counter malign CCP influence.

The Commission will rightly see its task as promoting the interests of the United States through the work of the Congress. But it is vital to understand that the CCP presents a profound threat to democratic systems and the international rule of law everywhere. The strategy most likely to successfully counter malign CCP activities is one that brings like minded democracies into an aligned and shared sense of purpose. As Australia saw over 2020, Beijing works hard to split democracies apart from each other and to weaken their resolve through bilateral pressure. My view is that the Commission can play an international role by cooperating more closely with like-minded democratic legislatures including, of course the Australian Parliament; sharing information and generally emphasizing that we must work together to address a global threat. The commission might consider establishing a regular dialogue on the PRC for legislatures from the Five Eyes Countries.

2. Reach out to capable counterpart democratic legislatures to develop a shared program of research.

Of course, this should include the Australian Parliament. I recommend the commission engages with the Speaker of the Australian House of Representatives and President of the Senate (being the two most senior leaders of our Parliament) to propose a shared research agenda. The Australian Parliament has a high quality and relatively well-resourced Committee system, which operates in a largely bipartisan way on national security matters. There would be great value in deepening connections with the Congressional Commission. The Australian Parliament might agree to develop a direct counterpart to the Commission to undertake work of shared interest, exchange staff, create shared educational resources, and provide a focus for Congressional/Parliamentary visits and meetings.

3. Research the CCP's activities in Southeast Asia as an emerging critical zone of strategic competition.

Southeast Asia is emerging as one of the most critical zones of global competition for influence between the United States and the CCP. Beijing sees the region as key to its security, which is why it made such an audacious move to annex the vast bulk of the South China Sea. For Japan and Australia, the free passage of trade through and over the South China Sea is an existential strategic interest. If the United States is denied access to the region (which also includes treaty allies Thailand and the Philippines) America's capacity to shape positive security outcomes in the

Western Pacific is deeply eroded. Beijing knows this and is actively engaged in trying to tilt the region away from the US.

What happens in Southeast Asia over the next two years will shape US success or failure in Asia more broadly. I suggest the Commission should make Southeast Asia a particular focus for the next two years. Of course, this should include building deeper knowledge about Beijing's efforts in the region, and a deeper appreciation of the strategic outlooks from the ten Southeast Asian capitals. Just as important will be determining how the US should engage in Southeast Asia and how like-minded democratic partners can work with Washington to shore up our strategic position. As much as China presents the immediate risk, America's challenge is to give the Southeast Asian countries a sense that they have a realistic alternative to accepting Beijing's dominance and that the democracies will continue to support in their sovereignty and security.

4. With Australia, develop a plan to assist the vulnerable Pacific Island Countries (PICs) to resist CCP-pressure.

Just as in the Second World War, the PICs remain strategically important to the United States in shaping how US forces can access and operate in the Western Pacific. Beijing understands this too, which helps to explain why the PRC has invested so quickly and substantially into building relations with PIC political elites. Through a policy known as the Pacific Step Up the Australian government is re-energising its own PIC engagement strategy, but all like-minded democracies can play a role. It is true that INDOPACOM and other US agencies have lifted their interest and activity with the PICs. This engagement could be further enhanced with more Congressional help and support.

The Commissioners should understand that the PICs are fragile societies, often with very limited infrastructure, economic and social opportunities. On the plus side the region overwhelmingly shares our values and have (mostly) stuck to democratic systems. Dealing with PRC money power is one of the biggest challenges the region faces. I suggest it would be valuable to consider a joint study with the Australian Parliament on how best democracies can assist the PICs in strengthening their own systems and reducing their vulnerability to coercion and cooption.

5. Develop a 'tool-kit' for elected politicians helping them to explain the risk presented by the CCP everywhere.

Across all our democracies, there is a need to explain to our citizens the nature of the challenges we are facing in dealing with an increasingly aggressive, nationalistic PRC. There is a significant gap between what executive government and security and policy specialists understand on the one hand (which is often based on classified material), and what back-bench politicians and their electors know. All politics (or much of it anyway) ultimately comes down to how our representatives put their case to their voters. The Commission could play an important role here by distilling its very deep strategic understanding of the issue into a 'tool-kit' for elected representatives designed to help them explain the strategic challenge we face to our citizens.

6. Help Taiwan, which is critical to regional security and to the United States' credibility as a security partner.

It seems clear that Taiwan will face yet more added pressure from the PRC in 2021 and later. It may be that President Xi calculates that a short-term window of opportunity is closing for the PRC to pressure Taiwan to make concessions on its future political status. We should not be surprised if Beijing confects a cross-straits crisis over the course of this year as the centenary of the CCP looms mid-year and the US faces a terrible domestic health situation. I suggest the Commission should urgently review what can be done to strengthen factors that will deter Xi from taking a disastrous strategic course on Taiwan. Again, this should lead to discussions with Japan and Australia among other important allies because the threat to Taiwan is really a threat to all democracies in the Indo-Pacific.

The Commission should develop a view on the merits of the current debate about the value of ambiguity versus clarity in setting out US responses if Taiwan is attacked. My view is that clarity is what is most needed at a time when the PRC might fail to correctly read American policy signals.

A key to achieving greater clarity of US (and allied countries) policy towards PRC aggression over Taiwan is to develop a shared appreciation of how to steer an effective One China Policy. In Australia at least the PRC has very effectively sold the line that Beijing determines what is appropriate for government-to-government contact between Canberra and Taipei. Of course, that should not be a driver of policy, but it has resulted in such limited Australian engagement with Taiwan that our policy thinking about the country and our capacity to make public statements about its security has become stunted. A Commission dialoge with Australian counterparts on options for engagement with Taiwan would be valuable.

I would expect the United States to stand by its long-held policy disposition to support Taiwan. On that expectation hangs the credibility of America's alliance network in the Pacific. To put it bluntly, if the US chose not to vigorously support Taiwan in the face of PRC coercion, this will do immense damage to the credibility of US engagement as viewed in Tokyo, Seoul, and Canberra. That could weaken resolve in these capitals to resist PRC coercion.

If the Commission chose to adopt any of these proposals, the Australian Strategic Policy Institute would be an enthusiastic partner, willing to assist you on any aspects of these suggestions.

My thanks for the opportunity to make this submission. Thanks also to the Commissioners and your staff for the excellent work you do, which is important well beyond the borders of the United States.

Peter Jennings

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