

15 April 2021

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Testimony Before the United States-China Economic and Security Review Commission

Chairman Bartholomew, Vice Chairman Dr. Cleveland, and all Commissioners, thank you for the opportunity to speak about the Chinese Communist Party's economic strategy, and to touch on a few principles that I believe the United States and other free nations should apply as we hone our collective counter-strategy.

The Communist regime's ambitions really shouldn't be a mystery to us anymore. If we listen to what China's leaders have been saying in their own language, to their own Party members, and cross-reference their rhetoric with their actions, we can see that their plans are hiding in plain sight.

China's latest Five-Year Plan, published last month, institutionalizes an audacious strategy for offensive decoupling. In short, Beijing intends to decrease China's dependency on the world while making the world increasingly dependent on China—and then use the resulting leverage to advance Beijing's authoritarian political aims around the globe.

The first step of Beijing's strategy is to use massive subsidies, non-tariff barriers, and the continued theft of our intellectual property to wean China off of high-tech imports from industrialized nations, while making those nations heavily reliant on China for high-tech services and supplies. Second, Beijing will continue to purchase raw materials from the outside world, but it will work assiduously to ensure that any import from one country can be easily substituted with the same import from another country.

This strategy leverages the size of China's economy – what Chairman Xi Jinping calls China's "powerful gravitational field" – while exploiting the economic vulnerabilities of other countries.

As Xi said in a seminal economic policy speech last year: "We must give full play to the significant advantages of our country's socialist system that concentrate power on large undertakings, and successfully fight tough battles for the key core technologies." In a related speech, Xi said: "We must sustain and enhance our superiority across the entire production chain ... and we must tighten international production chains' dependence on China, forming a powerful countermeasure and deterrent capability against foreigners who would artificially cut off supply [to China]."

Don't be fooled by the seemingly defensive phrasing. A "deterrent" is almost by definition an offensive capability. And Beijing is already demonstrating that it is more than willing to use its economic leverage offensively in pursuit of political objectives.

Consider the case of Australia. When Australia proposed last spring that the World Health Organization investigate the origins of the Covid pandemic, the idea was supported by almost every other member of the WHO. Everyone, that is, except for Beijing, which was so annoyed that it began restricting imports of Australian beef, barley, wine, and coal. Australia depends on China to buy more than a third of Australian exports, and you can't export anything to China without the Communist Party's say so. But the Communist Party wasn't content with simply making this point and then moving on.

What happened next shows that Australia is a guinea pig on which Beijing is experimenting with Xi's new strategy of offensive decoupling. After punishing Australian businesses for months, Beijing released a list of 14 "disputes" that are, in effect, political demands made of the Australian government. They include a demand Australia repeal its laws designed to counter Beijing's covert influence operations; that Australia muzzle its free press to suppress news critical of Beijing; and that Australia make concessions to Beijing's outrageous territorial claims in the South China Sea.

Australia's travails, which continue today, are a foretaste of what Beijing has in store for the rest of the world.

Fortunately, the United States, our allies, and much of the world has wised up to Beijing's goals. The policy approaches of the Trump Administration and the Biden Administration have more in common than not. Allies are generally following America's lead. And new legislation, including the Strategic Competition Act and Endless Frontiers Act, are expressions of the bipartisan

consensus on Capitol Hill to counter Beijing's economic and other forms of aggression.

As these and other bills are fine-tuned before making their way into law, there are a few principles that I believe would be useful to keep in mind.

First, in every budget the United States adopts, in every bill Congress introduces, and in every partnership that government and industry undertake, we should always ask first whether the new measure *increases* our leverage in this competition or *surrenders* leverage to our opponents in Beijing.

For example, as Congress considers the Biden Administration's plan for \$174 billion in electric vehicle incentives, it must ascertain whether that plan can simultaneously move our entire supply chain for batteries to the United States. As Dr. Nadia Schadlow illustrated in a recent article in *The Hill*, Beijing currently dominates those supply chains. It would be the height of irony and strategic folly if, having recently achieved American energy independence after decades of costly reliance upon the Middle East, the United States suddenly were to make ourselves dependent upon a hostile dictatorship in China for our energy needs.

Second, and related to the first principle, is the need to confront the reality that no U.S. counterstrategy is likely to succeed if it doesn't curtail the mighty flow of American capital into China's military industrial complex. Somehow Wall Street missed the memo that Beijing is waging an existential fight whose objective is "the eventual demise of capitalism and the ultimate victory of socialism," to quote Chairman Xi.

It's not too much to require American index funds, university endowments, pensions, and venture capital firms to stop funding the expansion of the Chinese empire. Let Beijing finance its own bid for world domination. We should turn into law the executive orders that President Trump signed prohibiting U.S. investment into Communist Chinese Military Companies as well as into China's military-civil fusion enterprise. While we're at it, Chinese companies that the Departments of Commerce or Treasury have sanctioned—including those on the "entity list"—should likewise be banned from accessing U.S. capital markets.

At the same time, we should explore ways of reinvigorating American anti-monopoly authorities to use not only against American companies, but against Chinese state-backed monopolies that do at least as much harm to American workers. The Department of Justice indicted the Chinese telecom company Huawei under RICO statutes, which is to say the Justice Department views that company as akin to a criminal enterprise. How many other Chinese "national champions" play by the same rules as Huawei? Let's ask the Department of Justice to find out.

Third and finally, our democratic ideals have the virtue of being not only the thing we fight to protect, but also the sharpest tool in our toolkit. Beijing has weaponized almost everything it can think of—trade, data, loans, fishing vessels, social media, diplomats, genetics, you name it. The one thing the Communist Party can't weaponize effectively is what it stands for, because the only thing it stands for is its own power.

We must never, ever neglect the advantage of our values in this fight. A quick aside: Of the hundreds of actions the Trump

Administration took against Beijing, including levying hundreds of billions of dollars in tariffs, ejecting many of its spies and closing one of its consulates, the one thing that upset the Communist rulers above all others was that we called them out publicly for crimes against humanity and genocide of its own people. That should tell you something about the vulnerability and catastrophic anxiety of the Communist Party. Congress has an important role to play here by using every opportunity to speak with candor to our businesses, our allies, and our adversaries about what Americans stand for, and who we stand up for.

Thank you.