U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

ROBIN CLEVELAND, CHAIRMAN
CAROLYN BARTHOLOMEW, VICE CHAIRMAN

Commissioners:
HON. CARTE P. GOODWIN               DR. KATHERINE C. TOBIN
DR. GLENN HUBBARD                   MICHAEL R. WESSEL
HON. JONATHAN N. STIVERS            DR. LARRY M. WORTZEL
HON. JAMES TALENT


The Commission’s full charter is available at www.uscc.gov.
April 27, 2018

The Honorable Orrin Hatch  
President Pro Tempore of the Senate, Washington, DC 20510

The Honorable Paul Ryan  
Speaker of the House of Representatives, Washington, DC 20515

Dear Senator Hatch and Speaker Ryan:


At the hearing, the Commissioners received testimony from the following witnesses: Erik Brattberg, Director, Europe Program, and Fellow, Carnegie Endowment for International Peace; Thomas Wright, Ph.D., Director, Center on the United States and Europe, and Senior Fellow, Project on International Order and Strategy, Brookings Institution, co-written testimony with Thorsten Benner, Director, Global Public Policy Institute; Christopher Walker, Vice President for Studies and Analysis, National Endowment for Democracy; Ankit Panda, Adjunct Senior Fellow, Defense Posture Project, Federation of American Scientists; Russell Hsiao, J.D., Executive Director, Global Taiwan Institute; Amy Searight, Ph.D., Senior Adviser and Director, Southeast Asia Program, Center for Strategic and International Studies; and Peter Mattis, Fellow, China Program, Jamestown Foundation. This hearing explored Beijing’s objectives in its relations with U.S. allies and partners in Europe and the Asia Pacific and the means by which Beijing seeks to achieve those objectives. It examined how Beijing employs and integrates various elements of its national power to influence these countries, these countries’ responses to Beijing’s efforts, and the implications for the United States’ interests and its relations with its European and Asia Pacific allies and partners.

We note that the full transcript of the hearing is posted to the Commission’s website. The prepared statements and supporting documents submitted by the participants are now posted on the Commission’s website at www.uscc.gov. Members and the staff of the Commission are available to provide more detailed briefings. We hope these materials will be helpful to the Congress as it continues its assessment of U.S.-China relations and their impact on U.S. security.

The Commission will examine in greater depth these issues, and the other issues enumerated in its statutory mandate, in its 2018 Annual Report that will be submitted to Congress in November 2018. Should you have any questions regarding this hearing or any other issue related to China, please do not hesitate to have your staff contact our Congressional Liaison, Leslie Tisdale, at 202-624-1496 or ltisdale@uscc.gov.

Sincerely yours,

Robin Cleveland  
Chairman

Carolyn Bartholomew  
Vice Chairman

cc: Members of Congress and Congressional Staff
# CONTENTS

THURSDAY, APRIL 5, 2018

CHINA’S RELATIONS WITH U.S. ALLIES AND PARTNERS IN EUROPE AND THE ASIA PACIFIC

<table>
<thead>
<tr>
<th>Opening Statement of Commissioner Michael R. Wessel (Hearing Co-Chair)</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepared Statement</td>
<td>8</td>
</tr>
<tr>
<td>Opening Statement of Senator James Talent (Hearing Co-Chair)</td>
<td>9</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>10</td>
</tr>
</tbody>
</table>

**Panel I: China’s Relations with U.S. Allies and Partners in Europe**

<table>
<thead>
<tr>
<th>Panel I Introduction by Senator James Talent (Hearing Co-Chair)</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Erik Brattberg</td>
<td>14</td>
</tr>
<tr>
<td>Director, Europe Program, and Fellow, Carnegie Endowment for International Peace</td>
<td>17</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>17</td>
</tr>
<tr>
<td>Statement of Thomas Wright, Ph. D.</td>
<td>27</td>
</tr>
<tr>
<td>Director, Center on the United States and Europe and Senior Fellow, Project on International Order and Strategy, Brookings Institution</td>
<td>30</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>30</td>
</tr>
<tr>
<td>Statement of Christopher Walker</td>
<td>37</td>
</tr>
<tr>
<td>Vice President for Studies and Analysis, National Endowment for Democracy</td>
<td>37</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>40</td>
</tr>
<tr>
<td>Panel I: Question and Answer</td>
<td>48</td>
</tr>
<tr>
<td>Additional Question for Panel I</td>
<td>64</td>
</tr>
</tbody>
</table>

**Panel II: China’s Relations with U.S. Allies and Partners in the Asia Pacific**

<table>
<thead>
<tr>
<th>Panel II Introduction by Commissioner Michael R. Wessel (Hearing Co-Chair)</th>
<th>65</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Ankit Panda</td>
<td>66</td>
</tr>
<tr>
<td>Adjunct Senior Fellow, Defense Posture Project</td>
<td>66</td>
</tr>
<tr>
<td>Federation of American Scientists</td>
<td>69</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>69</td>
</tr>
<tr>
<td>Statement of Russell Hsiao, J.D.</td>
<td>80</td>
</tr>
<tr>
<td>Executive Director, Global Taiwan Institute</td>
<td>80</td>
</tr>
<tr>
<td>Prepared Statement</td>
<td>83</td>
</tr>
<tr>
<td>Statement of Amy Searight, Ph.D.</td>
<td>100</td>
</tr>
<tr>
<td>Senior Adviser and Director, Southeast Asia Program, Center for Strategic and International Studies</td>
<td>100</td>
</tr>
</tbody>
</table>
OPENING STATEMENT OF COMMISSIONER MICHAEL R. WESSEL
HEARING CO-CHAIR

HEARING CO-CHAIR WESSEL: Good morning. Our vice chair and co-chair of this morning's hearing, Carolyn Bartholomew, is unable to be with us this morning so I will be sitting in her place and will read her opening statement.

Good morning and welcome to the fourth hearing of the U.S.-China Economic and Security Review Commission's 2018 Annual Report cycle.

China is expanding its engagement in all regions of the world, not only in its backyard but far beyond. Europe and the Asia Pacific are two regions in which the United States has numerous alliances and partnerships and in which China is increasingly active.

As Beijing has become more confident and assertive in pursuing its interests on the global stage, points of tension with the United States have grown. It is therefore important for the United States to understand the methods and tools China uses to achieve its objectives. In tandem with China's increased economic clout, China's toolbox has expanded accordingly and its tools have become more effective.

Our hearing today will delve into what these tools are and how China applies them.

Our first panel will address China's relations with U.S. allies and partners in Europe, many of which are in NATO. It will examine China's objectives and its relations with European countries and the ways in which it seeks to achieve those objectives.

The various ways in which China is engaging with European countries have significant implications for transatlantic cooperation and U.S. security interests.

In recent years China has increased its economic and diplomatic engagement with European countries. Investment in Europe by Chinese entities has increased dramatically, including investments in ports and acquisitions of European technology companies.

The Belt and Road Initiative--President Xi Jinping's signature initiative--connects Asia with Europe and much attention has been devoted to Chinese investment in infrastructure in Europe through this initiative. Another of Beijing's initiatives, the 16+1 framework, through which Beijing engages with Central and Eastern European counterparts, is also raising concerns...
in Brussels about how it could introduce intra-EU divisions and increase China's leverage in its relations with the EU.

European governments have differing views on how to approach relations with China and consensus on EU policy toward China has become harder to achieve. This has been evident in EU discussions on Chinese investment, human rights in China, and China's claims and activities in the South China Sea. There is also increasing focus in Europe on efforts by the Chinese Communist Party to shape public opinion and perceptions of China.

We look forward to hearing about these very important topics from the esteemed experts we have here today, and we especially look forward to their recommendations.

I would also like to thank the Senate Foreign Relations Committee for helping to secure today's hearing venue.

I'd like now to turn to my co-chair Senator Jim Talent for his opening remarks.
Good morning, and welcome to the fourth hearing of the U.S.-China Economic and Security Review Commission’s 2018 Annual Report cycle.

China is expanding its engagement in all regions of the world, not only in its backyard but far beyond. Europe and the Asia Pacific are two regions in which the United States has numerous alliances and partnerships and in which China is increasingly active. As Beijing has become more confident and assertive in pursuing its interests on the global stage, points of tension with the United States have grown. It is therefore important for the United States to understand the methods and tools China uses to achieve its objectives. In tandem with China’s increased economic clout, China’s toolbox has expanded accordingly and its tools have become more effective. Our hearing today will delve into what these tools are and how China applies them.

Our first panel will address China’s relations with U.S. allies and partners in Europe, many of which are in NATO. It will examine China’s objectives in its relations with European countries and the ways in which it seeks to achieve those objectives. The various ways in which China is engaging with European countries have significant implications for transatlantic cooperation and U.S. security interests. In recent years China has increased its economic and diplomatic engagement with European countries. Investment in Europe by Chinese entities has increased dramatically, including investment in ports and acquisitions of European technology companies. The Belt and Road Initiative—President Xi Jinping’s signature initiative—connects Asia with Europe and much attention has been devoted to Chinese investment in infrastructure in Europe through this initiative. Another of Beijing’s initiatives, the 16+1 framework, through which Beijing engages with Central and Eastern European counterparts is also raising concerns in Brussels about how it could introduce intra-EU divisions and increase China’s leverage in its relations with the EU.

European governments have differing views on how to approach relations with China and consensus on EU policy toward China has become harder to achieve. This has been evident in EU discussions on Chinese investment, human rights in China, and China’s claims and activities in the South China Sea. There is also increasing focus in Europe on efforts by the Chinese Communist Party to shape public opinion and perceptions of China.

We look forward to hearing about these very important topics from the esteemed experts we have here today, and we especially look forward to their recommendations. I would also like to thank the Senate Foreign Relations Committee for helping to secure today’s hearing venue.

I would like to turn now to my co-chair Senator Jim Talent for his opening remarks.
OPENING STATEMENT OF SENATOR JAMES TALENT
HEARING CO-CHAIR

HEARING CO-CHAIR TALENT: Good morning, and thank you to our panelists for contributing to this hearing today.

China is increasing its engagement with our allies and partners in the Asia Pacific not only in pursuit of economic growth but to undermine the U.S.-led security architecture. Beijing sees a period of strategic opportunity in which to replace the United States as the predominant great power in the Asia Pacific and is moving aggressively to bring about this change.

The forward presence of U.S. forces in the Asia Pacific and U.S. treaty alliances and partnerships in the region are critical factors in ensuring regional stability and deterring China's adventurism, but Beijing sees these alliances as intended to contain China.

The second panel of today's hearing will address how China seeks to undermine American alliances and partnerships by pressuring these countries via economic and military coercion, covertly interfering in their politics and society via the United Front Work Department's influence operations, and enabling their backslide from democracy by offering them assistance with no strings attached and turning a blind eye to their authoritarian tendencies.

All these tactics are designed to draw target countries further into China's orbit and away from the United States while undermining both the ability and political will in these countries to oppose China's preferred policies.

The activities of the United Front Work Department, which coordinates the CCP's overseas influence operations, deserve more scrutiny—and a careful response. Australia and New Zealand, members of the "Five Eyes" intelligence-sharing network, have seen a sharp rise in political donations and media investment from United Front Work Department-affiliated entities, and even individuals affiliated with the United Front Work Department and People's Liberation Army holding office.

Beijing also incentivizes political figures in Australia and New Zealand to parrot its line on issues it deems important.

It's important for the United States to consider that China may be testing methods of interference to probe for weaknesses in democracies in order to use the same techniques against Western countries in the future. The United States, its allies, and its partners should understand China's goals and recognize China's determination to achieve them. Affected countries should consider carefully whether China's vision of the Asia Pacific is in their interests.

Before we begin, I would like to remind everybody that the testimonies and transcript from today's hearing will be posted on our website, uscc.gov. And also please mark your calendars for the Commission's upcoming roundtable on "China's Role in North Korea Contingencies," which will take place on April 12.
Good morning, and thank you to our panelists for contributing to this important hearing today. China is increasing its engagement with our allies and partners in the Asia Pacific not only in pursuit of economic growth but to undermine the U.S.-led security architecture that has kept the region stable for the last seventy years. Beijing sees a period of strategic opportunity in which to replace the United States as the predominant great power in the Asia Pacific, and is moving aggressively to bring about this change. The forward presence of U.S. forces in the Asia Pacific and U.S. treaty alliances and partnerships in the region are critical factors in ensuring regional stability and deterring Chinese adventurism, but Beijing sees these alliances as intended to contain China. This is a major reason Beijing is dedicated to undermining these relationships over the long term.

The second panel of today’s hearing will address how China seeks to undermine U.S. alliances and partnerships by pressuring these countries via economic and military coercion, covertly interfering in their politics and society via United Front Work Department’s influence operations, and enabling their backslide from democracy by offering them economic and military assistance with no strings attached and turning a blind eye to their repressive and authoritarian tendencies. All of these tactics are designed to draw target countries further into China’s orbit and away from the United States while undermining both the ability and political will in these countries to oppose China’s preferred policies.

The activities of the United Front Work Department, which coordinates the CCP’s overseas influence operation, deserve more scrutiny—and a careful response. Australia and New Zealand, members of the “Five Eyes” intelligence-sharing network, have seen a sharp rise in political donations and media investment from United Front Work Department-affiliated entities, and even individuals affiliated with the United Front Work Department and People’s Liberation Army holding public office, raising concerns about interference by CCP proxies. Beijing also incentivizes political figures in Australia and New Zealand to parrot its line on issues it deems important.

In Taiwan, pro-Beijing groups with links to organized crime attempt to create chaos and undermine its rightful democratic government. China pressures Japan and Korea, important U.S. allies, not to act in the best interests of those alliances. In Southeast Asia, Beijing bullies and bribes countries not to oppose its expansive territorial claims, to the detriment of all countries with an interest in freedom of navigation and the rule of law.

It is important for the United States to consider that China may be testing methods of interference to probe for weaknesses in democracies in order to use the same techniques against Western countries in the future. The United States, its allies, and its partners should understand China’s goals and recognize China’s determination to achieve these goals at any cost. Affected countries should consider carefully whether China’s vision of the Asia Pacific is in their interests.
Before we begin, I would like to remind you that the testimonies and transcript from today’s hearing will be posted on our website, www.uscc.gov. Also, please mark your calendars for the Commission’s upcoming roundtable on “China’s Role in North Korea Contingencies,” which will take place on April 12.

Without further ado, I would like to introduce the witnesses on our first panel.
HEARING CO-CHAIR TALENT: Okay. Without further ado, I'm going to introduce the witnesses on our first panel, and I'll introduce all three of you, and then we will begin with Mr. Brattberg's testimony.

Erik Brattberg is the Director of the Europe Program and a fellow at the Carnegie Endowment for International Peace. He'll testify today on China's economic and political activities in Europe, European responses, and the implications for U.S. interests.

He previously served as the Director for Special Projects and a senior fellow at the McCain Institute for International Leadership at Arizona State University.

Prior to that, Mr. Brattberg held positions at the German Marshall Fund, the Center for a New American Security, the European Council on Foreign Relations, and the Swedish Institute of International Affairs, among other institutions.

He holds a Master's of Science in Foreign Service from Georgetown University and M.A. and B.A. degrees in political science from Uppsala University.

Next we'll hear from Thomas Wright, who is the Director for the Center on the United States and Europe and a senior fellow in the Project on International Order and Strategy at the Brookings Institution.

Dr. Wright will testify on Beijing's objectives for its relations with the EU and its view of transatlantic relations among other topics.

Previously, he was Executive Director of Studies at the Chicago Council on Global Affairs and a lecturer at the Harris School of Public Policy at the University of Chicago--which is my alma mater.

He has a Ph.D. from Georgetown University, a Master of Philosophy from Cambridge University, and a B.A. and M.A. from University College Dublin.


The Commission would also like to acknowledge Thorsten Benner, Co-Founder and Director of the Global Public Policy Institute in Berlin. Mr. Benner and Mr. Wright co-authored a written statement for today's hearing.

And finally we'll hear from Christopher Walker, Vice President for Studies and Analysis at the National Endowment for Democracy. He will testify on Beijing's efforts to shape public opinion and perceptions in Central and Southeastern Europe.

Prior to joining the National Endowment for Democracy, Mr. Walker was Vice President for Strategy and Analysis at Freedom House, a senior associate at the East West Institute, program manager at the European Journalism Network, and an adjunct professor of international affairs at New York University.

He's co-editor of the report "Sharp Power: Rising Authoritarian Influence." He holds a B.A. from Binghamton University and an M.A. from Columbia University's School of International and Public Affairs.

I want to thank all of you very much for being here. We have three very distinguished panelists. I do want to remind you to try and keep your remarks to seven minutes so we'll have plenty of time for the question and answer session, and this Commission is not shy about asking questions so there will be plenty of those.

Mr. Brattberg, you can begin.
test of the emergency alert system. Even if your phones are off, it's going to go on. So it's just a test so be aware in about 50 minutes, that will happen.
OPENING STATEMENT OF ERIK BRATTBERG, DIRECTOR, EUROPE PROGRAM, AND FELLOW, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE

MR. BRATTBERG: Okay, well, good morning and thank you for the opportunity to testify before this distinguished Commission on the topic of "China's relations with U.S. allies and partners in Europe," and I would like to commend the Commission for convening this hearing.

My testimony will address three different parts: provide an overview of China's economic and political activities in Europe; European responses to China's activities; and U.S. interests in EU-China relations and some policy recommendations.

So over the past decade, China's economic relations with Europe have steadily been increasing with foreign direct investments in Europe soaring from under one billion euros in 2008 to 35 billion in 2016.

Examples of Chinese economic activities include: acquisitions of European companies in a variety of strategic fields; investment into critical infrastructure; and the provision of funding for new infrastructure projects.

The preference of Chinese investors for European companies with specialized technology, much of which is considered dual-use, has stoked fears that the purchases are really aimed at siphoning European know-how and squeezing Western companies out of key industries.

For example, the 2016 $5 billion acquisition of German robotics firm KUKA raised these concerns among German business and government elites.

And Chinese investors' choice of sectors is strategic. Investments by Chinese state-owned or state-directed companies have targeted sensitive industries, such as nuclear energy, transport infrastructure, and telecommunications.

China's Belt and Road Initiative, or BRI, which aims to foster connectivity between Europe and the broader Eurasian region, is increasingly driving Chinese investments into European infrastructure projects.

Though the bulk of Chinese investments go to Western Europe, it is important to note that the recent uptick in Chinese activities in Central and Eastern Europe is bringing the total investment figures to more than $14 billion today.

Although it would be excessive to argue that a Sino-Central European axis directed against Brussels is emerging, there is a clear risk that formats such as the 16+1 framework can undermine a coherent EU policy on China. The 16+1 framework is a platform designed by Beijing to engage with this region. Beijing maintains that it has no hidden agenda. Nevertheless, there are serious EU concerns that it is negatively impacting European unity and relations with partnership countries. These concerns deserve to be taken seriously since China seems to increasingly tie its Belt and Road Initiative to the 16+1 framework.

On several occasions, China's economic activities in Europe have translated into tangible influence on policy decisions taken at the EU level.

For example, in July 2016, Hungary and Greece sought to block any direct reference to Beijing in an EU statement on The Hague Tribunal's ruling on the South China Sea. In March 2017, Hungary refused to sign a joint letter denouncing the reported torture of detained lawyers in China, breaking EU consensus.

And in June 2017, Greece blocked an EU statement at the UN Human Rights Council criticizing China's human rights record.

However, it is unrealistic to believe that China can provide a credible alternative to the EU for countries in Central and Eastern Europe. In fact, there are already signs that the
16+1 framework is being treated with decreasing enthusiasm by regional countries as promises fail to materialize and the potential downsides of working with China become more apparent.

So how are European governments responding to China? Unlike the United States, few European capitals think of Beijing as a strategic adversary. That said, there are clear signs that Europe is now becoming more clear-eyed and realistic about China. Beijing is increasingly viewed as a rising global competitor. A 2016 EU strategy document on China reflects the sea change in EU thinking.

In particular, this document stresses the importance of reciprocity, a level playing field, and fair competition across all areas of cooperation from China, and it voices concerns about Chinese overcapacity in industrial sectors such as steel.

It also mentions that the EU expects China to abide by the rules-based international order and stresses that the EU will continue to promote human rights and rule of law in its engagement with China.

It welcomes Chinese investments in Europe only to the extent that they are in line with EU policies and legislation, and it wants the Belt and Road Initiative to be an open platform adhering to EU market rules and requirements and standards.

And finally, it mentions that the EU-China trade agenda should focus on improving market access opportunities and calls on China to engage at the multilateral level.

But a handful of EU countries and the European Commission are currently leading the charge for a more proactive EU stance towards China. Two particular EU policy debates worth highlighting in this regard are efforts to promote infrastructure connectivity between Europe and Asia to influence and shape the BRI but also to provide an alternative to it, and the ongoing debate in Europe about an EU-wide investment screening mechanism.

The United States has a clear interest in China's growing economic and political presence in Europe. The U.S. National Security Strategy notes that, quote, "China is gaining a strategic foothold in Europe," and it calls for actions with European allies to, and I quote, "contest China's unfair trade and economic practices and restrict its acquisition of sensitive technologies"--unquote.

The United States should be wary of potential Chinese attempts to divide EU members. A prerequisite for a fruitful transatlantic cooperation on China is the EU's capacity to issue strong statements and take common positions.

Beijing is already exerting influence on individual EU governments, possibly resulting in the weakening of EU policies and statements. The potential for China to acquire cutting-edge European technology or convert critical infrastructure into strategic assets--including the potential for dual-use of assets such as ports--might also pose long-term strategic challenges to U.S. interests, especially as U.S.-China global competition intensifies.

Moreover, although China's growing economic presence in Central and Eastern Europe is still nascent, it is growing and deserves to be taken seriously. Washington should monitor the 16+1 framework to ensure that it does not lead to fragmentation within the EU and in neighboring EU and NATO partnership countries. China's economic presence and cultivation of ties with regional states can also create complications for these countries' Euro-Atlantic integration.

Moreover, China's financial mode of operation exposes already vulnerable economies to potentially unsustainable debt levels and to fiscal instability. On top of this, China's growing presence in the Balkans can also complicate relationships with other regional powers such as Turkey and Russia.
So some key recommendations for the United States and for strengthening transatlantic cooperation on China include:

Enhance transatlantic dialogue on China. Despite frequent U.S.-EU working level dialogues on China issues, the transatlantic agenda suffers from a lack of high-level coordination, policy coherence, and joint messaging. These are essential to demonstrate a united front. The U.S. and the EU should also ensure regular information-sharing and joint monitoring of the nature and extent of Chinese investments and economic activities in Europe. For this to be successful, the U.S. must develop its China policy with Europe on its radar.

Avoid contradictory economic policies. President Trump's view that China's economic practices are unfair and detrimental are important points. Some of the countries potentially damaged, however, by the proposed Section 232 steel and aluminum tariffs are vital U.S. allies in Europe.

U.S. denouncement of open multilateral trade gives Beijing the high ground and plays into China's hands. Instead, the Trump administration should maintain a strong relationship with allies in Europe and Asia, be a reliable trade partner and uphold multilateral institutions like the WTO.

Finally, efforts to strengthen and solidify the rules-based economic order should also be pursued. In particular, the Transatlantic Trade and Investment Partnership, TTIP, remains relevant. Its goal of bringing together two of the world's largest economies around a high-standard agreement is still a worthy one that would go a long way in sending a concerted message to Beijing.

And finally, increase U.S. investment in Central and Eastern Europe. Working with allies and partners in Europe, the United States should seek to respond to the Belt and Road Initiative by providing alternative financing mechanisms, especially for countries in Central and Eastern Europe. Better coordination is also needed between international financial institutions and multilateral and regional donors.

However, such efforts must be complemented with a redoubling of Western efforts to support strong political systems and respect for rule of law in the region in order to foster more local resilience to withstand Chinese influence.

Finally, the United States can play an important role in raising awareness and sharing information about the consequences and long-term costs of Chinese involvement in the region.

Ultimately, the United States and Europe share many common interests and concerns regarding China's economic practices. Together, they account for roughly one-third of global GDP and imports, giving tremendous leverage over China. Encouragingly, the new U.S. National Security Strategy reflects Washington's interest in working with European countries to address shared concerns about China.

As Europe takes its own steps to scrutinize Chinese economic activities more closely, there is now a significant potential for greater transatlantic dialogue and cooperation on China, but this requires that the United States takes an active leadership role and pay attention to Europe as it further develops its own policies towards China.

Thank you.
Testimony before the U.S.-China Economic and Security Review Commission
Hearing on: “China’s relations with U.S. allies and partners in Europe and the Asia Pacific”

Erik Brattberg, Director of the Europe Program and Fellow
Carnegie Endowment for International Peace

April 5, 2018

Thank you for the opportunity to testify before this distinguished commission on the topic of “China’s relations with U.S. allies and partners in Europe”. I commend this commission for convening a hearing on China’s relations with countries in Europe. My testimony will address three different topics:

I. Overview of China’s economic and political activities in Europe
II. European responses to China’s activities
III. U.S. interests and policy recommendations

I. Overview of China’s economic and political activities in Europe

Over the past decade, China’s economic activities in Europe have been steadily increasing. Chinese foreign direct investment in Europe has soared from under €1 billion in 2008 to €35 billion in 2016. Examples of Chinese economic activities include: acquisitions of European companies in a variety of strategic fields, most notably in the technology sector; sustained investment into existing critical infrastructure; and the provision of funding for new infrastructure projects.

The bulk of Chinese investments are directed at Western Europe, where Beijing has been making inroads in key economic sectors. Originally, Chinese investments in Europe were fairly balanced between public and private operators. However, in 2010 it became clear that state-owned enterprises were in the lead, accounting for perhaps 70% of total Chinese foreign direct investments (FDI) within the EU. There is a growing concern that Chinese investments in Europe are not guided solely by business imperatives but are rather part of a concerted state-driven strategy. The Made in China 2025 initiative, launched in 2015, explicitly aims to make China into a dominant player in areas such as robotics, aeronautics, and offshore exploration in Europe. The predilection of Chinese investors for European companies with specialized technology has stoked fears that their purchases are really aimed at siphoning European know-how and at squeezing Western companies out of key industries. Moreover, there is a risk of transfer of dual-use technology to China. The 2016 $5 billion acquisition of German robotics firm KUKA brought out these concerns among German business and government elites. They were concerned by the nationalist outlook that seems to underpin many Chinese investments in Europe. In another example, Li Shufu, the owner of Geely, a Chinese company that stealthily acquired a 10% stake in German automaker Daimler, declared on Chinese TV that the aim of the acquisition was “to serve our national strategies.”

Chinese investors’ choice of sectors is strategic. Investments by Chinese state-owned or state-directed companies have targeted sensitive industries such as nuclear energy, transport infrastructure, energy, telecommunications, and real estate. It is also notable that China has invested in several European ports, including Piraeus in Greece, Algeciras in Spain and Zeebrugge in Belgium. These investments have led China to now control 10% of European port capacity;
This control extends beyond the ports themselves, since ports are often linked to inland logistics networks such as highways and railways. Other infrastructure ventures by China, however, have been less successful – such as the abandoned plans to construct a highway in Poland. Chinese investments in infrastructure are contentious and sometimes lead to domestic political strife. Particularly controversial are the Hinkley Point C nuclear power plant in the UK (currently under construction and controversial because of security concerns) and the Toulouse airport in France (a Chinese consortium purchased a majority stake but was relegated to a minority stake after French government intervention).

China’s Belt and Road Initiative, aimed at creating connectivity between Europe and the broader Eurasian region, is increasingly driving Chinese investment into European infrastructure. For example, China has been eyeing Serbia as a transportation and energy hub for the Belt and Road Initiative, and it financed a $1.1 billion Budapest-Belgrade railway to materialize its vision, although that project has been slowed by Hungary. Similarly, China’s investment in the Piraeus port in Greece aims to make it one of the main entry points to Europe. China’s largess has been repaid in kind with Prime Minister Tsipras announcing Greece’s intention to “serve as China’s gateway into Europe.”

Though the bulk of China’s investments go to Western Europe, it is important to note the recent uptick in Chinese activities in Central and Eastern Europe. Notably, the 16+1 framework is a platform for Beijing to engage with this region. It is a Chinese-initiated grouping composed of eleven EU members – and others such as Albania, Serbia, and Montenegro – that convenes an annual summit, most recently in Budapest in November 2017. Beijing maintains that the 16+1 framework has no hidden agenda. Nevertheless, there are serious concerns that it is deleteriously impacting EU unity and EU relations with partnership countries. Though Beijing insists that these concerns are unfounded, they deserve to be taken seriously since China seems to increasingly tie its Belt and Road Initiative to the 16+1 framework.

Chinese investment figures for Central and Eastern Europe are growing relatively fast. At the 16+1 group’s Budapest meeting in November 2017, Chinese Premier Li Keqiang announced a $3 billion increase in CEE financing, bringing the total to $14 billion in funding. CEE countries have been quite enthusiastic about China’s promises for several reasons. One is the obvious infrastructure needs that exist in the region. Another important one is the shortage of financing options available, especially in the wake of the financial crisis. Finally, illiberal leaders can utilize China as rhetorical alternative to Brussels and the liberal values underpinning the EU. Unlike EU funding, Chinese money does not come with burdensome institutional reform conditionalties. Meanwhile, for China, the CEE region can serve as a springboard for connecting the Belt and Road to lucrative Western European markets, especially since it has a regulatory environment that is more favorable to China than that of most Western European countries.

Although it would be excessive to argue that a Sino-Central European axis directed against Brussels is emerging, there is a clear risk that formats such as the 16+1 mechanism can undermine a coherent EU policy on China. But over time, China has also picked up on EU concerns about the framework and sought to accommodate certain EU demands, such as granting the EU observer status in the group’s meetings. Nevertheless, the risk of division remains; some countries such as

Back to Table of Contents
Hungary have even gone so far as to openly describe China as an alternative to Brussels; though such statements are likely motivated more by domestic and EU politics than a real strategic shift. On several occasions, China’s economic activities in Europe have translated into tangible influence on policy decisions taken at the EU level:

- In July 2016, Hungary and Greece sought to block any direct reference to Beijing in an EU statement about The Hague Tribunal’s ruling that struck down China’s legal claims in the South China Sea.9
- In March 2017, Hungary refused to sign a joint letter denouncing the reported torture of detained lawyers in China, breaking EU consensus.10
- In June 2017, Greece blocked an EU statement at the UN Human Rights Council criticizing China’s human rights record, marking the first time the EU had failed to make a joint statement at the UN’s top human rights body.11

However, suggesting that China is actively undermining the EU is a stretch. It is true that EU unity can pose a challenge for China when all its member states speak with one voice on issues like the South China Sea or human rights. But Beijing also fears nationalist and populist trends in Europe since they can lead to more protectionist policies and anti-China sentiments. Moreover, the EU common market is one of the only outlets with the capacity to absorb large quantities of Chinese exports.

In addition, it is unrealistic to believe that China can provide a credible alternative to the EU for countries in Central and Eastern Europe. There are already signs that the 16+1 framework is being treated with decreasing enthusiasm by CEE countries as promises fail to materialize and the potential downsides of working with China become more apparent. Chinese financing mechanisms may be less attractive to CEE states than the EU Cohesion Fund, since it does not require specific Chinese contractors. Finally, with a handful of Western European countries absorbing the vast majority of Chinese FDI, CEE countries can struggle to attract Chinese financing. Even the Prime Minister of Hungary, Viktor Orbán, has acknowledged that countries in CEE are in “harsh competition” for Chinese investments,12 begging the question of “China courting”.

II. How are European governments responding to China?

Unlike the United States, few European capitals think of Beijing as a strategic adversary. European decision-makers have predominantly viewed China through a commercial lens. As a result, the dominant European view of China is a combination of seeing Beijing as a partner, a competitor, and even a threat in some instances. That said, there are clear signs that Europe is becoming more clear-eyed and realistic about China than it was in the past.

There is a growing recognition in Europe that China is becoming neither more liberal, nor more open. China is not evolving in a way conducive to European interests and values. Rather, Beijing is increasingly viewed as a rising global competitor that has long failed to deliver reciprocal market access for European companies. The abolition of the two-term limit for Xi Jinping and the potential for stronger authoritarian rule within China is likely to further reinforce European skepticism about China’s future orientation.

However, the EU’s commercial assessment of China has never been naive. In fact, many of the issues currently debated on both sides of the Atlantic have been highlighted in EU policy
statements on China dating back several years. For instance, the EU strategy on China from 2016 contained language that has not lost any of its relevance today. In particular, the document:

- Stresses the importance of reciprocity, a level playing field, and fair competition across all areas of cooperation from China, and voices concern about Chinese over-capacity in industrial sectors such as steel;
- Mentions that the EU expects China to abide by the rules-based international order and stresses that the EU will continue to promote human rights and rule of law in its engagement with China;
- Welcomes Chinese investments in Europe only to the extent that they are in line with “EU policies and legislation”;
- Argues that new investment activities should align with the EU Investment Plan for Europe;
- Wants the Belt and Road Initiative to be an open platform adhering to EU market rules and requirements/standards;
- Mentions that the EU-China trade agenda should focus on improving market access opportunities and addressing Chinese overcapacity, and calls on China to engage at the multilateral level.

The EU has several vehicles at its disposal to engage with Beijing. They include regular EU-China summits, a High Level Economic and Trade Dialogue, a Joint Committee on Trade, a Trade and Investment Policy Dialogue, and an Economic and Trade Working Group, in addition to bilateral relationships at the member state-level. Many of the issues currently on the agenda were laid out in the EU-China 2020 Strategic Agenda for Cooperation from 2014 and include two of China’s priorities: the market economy status (still pending) and the potential for an EU-China investment agreement (under discussion). No one on the European side is seriously taking about a free trade agreement with China, which runs a huge surplus with all EU nations.

But a handful of EU countries and the EU Commission are currently leading the calls for a more proactive EU approach towards China. Two particular EU policy initiatives worth highlighting in the context of European responses to China’s growing economic footprint in the region are: 1) the Europe’s Connectivity Strategy and 2) the ongoing debate on a potential EU-wide investment screening mechanism.

**Europe’s Connectivity Strategy**

Unlike the United States, Europe is a prime destination for China’s Belt and Road Initiative (BRI), a concept that has over the past year become global and less Europe-focused. In Europe, there have been mixed feelings about the initiative. Some EU countries have previously expressed support for the initiative. But there is skepticism in France, Germany, Italy, and even the UK to a certain extent. The EU is growing warier of China’s intentions and the ways that some projects are being carried out. A clear sign that the EU is not rubberstamping BRI was the European Commission’s stance during the BRI Summit in Beijing in May 2017. This demonstrated fairly strong EU unity on the issue and reportedly took Chinese leaders by surprise. Nevertheless, several individual countries – including Greece and Hungary – agreed to sign a BRI statement.

At the forum in Beijing, European Commission Vice-President Jyrki Katainen acknowledged the opportunities presented by growing interconnectivity while stressing how important it was that
BRI adhere to nine different principles. Among the EU’s chief concerns are the lack of transparency and open procurement, the bilateral nature of some of the loans and the issue of debt sustainability for recipient countries, and the need for BRI to adhere to recognized international standards, notably in the fields of environment, labor, and human rights.

In recent years, the EU’s approach has focused on trying to provide an alternative narrative to BRI. In particular, the EU-China Connectivity Platform, established in 2015, is a policy forum between EU and Chinese officials to promote synergies between the BRI and EU policies and projects such as such as the Trans-European Transport Network Policy. The goal is to ensure that BRI is an “open platform which adheres to market rules and international norms.” The platform promotes cooperation on infrastructure, including financing, interoperability and logistics. The framework has already generated cooperation on various projects. The EU’s approach to BRI is a far cry from the launch of the Asian Infrastructure Investment Bank (AIIB) in 2015, when several nations tried to join the bank individually in order to gain economic benefits. Many others later joined AIIB with the hope of playing a role in shaping it. That remains to be seen.

Moreover, the EU is also working on preparing a strategy on “Euro-Asian Connectivity,” expected to be released in 2018. The elements of such a strategy would be to promote cooperation on regional infrastructure between Europe and Asia in such a way that upholds high standards and principles. It could thus be seen as a more forward-leaning approach to offering an alternative to Chinese BRI projects.

**EU-wide investment screening mechanism debate**

Europe is slowly trying to define a joint position regarding Chinese FDI. Investment screening was first proposed in February 2017 when Germany, France, and Italy sent the European Commission a letter urging the EU to rethink its approach to foreign investment. The European Commission President Jean-Claude Juncker has also called for a Europe-wide screening mechanism similar to the Committee on Foreign Investment in the United States (CFIUS) in the United States. At the Council meeting of June 23, 2017, the newly-elected French President Emmanuel Macron put forward a proposal to screen investments at the EU level. German Chancellor Angela Merkel and Juncker supported the idea, but a group of Northern European member states aligned with Portugal, Greece, Ireland, and Spain to oppose the proposal. The Nordic and Benelux countries were worried that the procedure could be a Trojan horse for protectionism while ailing Southern economies were anxious not to stem the flow of investment they rely on to support themselves following the 2008 European debt crisis and the privatization plan requested by the Troika. Greece specifically cited investments stemming from China as a reason for opposing the EU-wide tool.

In his September 2017 “state of the Union” address, Juncker declared that Europeans were not “naïve free traders” and presented a Commission proposal for an EU foreign investment screening procedure. The Commission’s proposal is currently making its way through the European Parliament and might be on the agenda at the upcoming EU Council summit in June. That being said, even if the proposal is eventually adopted, the actual EU screening mechanism is likely to be mainly symbolic and probably will not have a major impact anytime soon. The eventual legislation will most likely be a framework for developing guidelines for countries who want to adopt national screening mechanisms – it likely will not impose any binding requirements or limitations. Currently, more than half of the European Union’s 28 member states do not have any screening
mechanism in place at the national level. Meanwhile in July 2017, Germany adopted an amendment to the German Foreign Trade Regulation to allow the German government to screen and ultimately block a wider range of foreign takeovers.

Nevertheless, even if the eventual screening legislation is not as strong as some would like it to be, it will still give the issue of Chinese investments in strategic sectors in Europe more salience. Moreover, its adoption would mark a shift in the EU’s free trade policy and stress its growing wariness toward one-sided Chinese trade practices.

III. U.S. Interests and Policy Recommendations

The United States has a clear interest in China’s growing economic and political presence in Europe. The U.S. National Security Strategy notes that “China is gaining a strategic foothold in Europe” and calls for joint action with European allies to “contest China’s unfair trade and economic practices and restrict its acquisition of sensitive technologies.”

The United States should be wary of potential Chinese attempts to divide European Union members. A prerequisite for fruitful transatlantic cooperation on China is the EU’s capacity to issue strong common positions. Beijing is already exerting influence on individual EU governments, resulting in the dilution of EU policies and statements on issues such as the South China Sea and human rights violations; Beijing’s influence is also weakening EU initiatives such as the development of effective investment screening. Furthermore, China’s harmful influence on the EU prevents the EU from following the more proactive measures taken in the United States, thereby producing a disjointed transatlantic response. The potential for China to acquire cutting-edge European technology or convert critical infrastructure investments into strategic assets—including the potential for dual-use of assets such as ports—might also pose long-term challenges to U.S. interests, especially as U.S.-China competition intensifies.

Moreover, although China’s economic presence in Central and Eastern Europe is still nascent, it is growing and deserves to be taken seriously. Through bilateral trade and investments relationships and multilateral platforms such as the 16+1 framework, Beijing is asserting itself in the region. Washington should monitor the 16+1 framework to ensure that it does not lead to more fragmentation in EU and in neighboring EU and NATO partnership countries. China’s economic presence and cultivation of ties with regional states can create complications for these countries’ future Euro-Atlantic integration. For example, certain Chinese economic activities may in some cases cause partner countries to contradict the EU acquis communautaire. Moreover, China’s financial mode of operation in CEE exposes already vulnerable economies to potentially unsustainable debt levels and to fiscal instability, adding more instability to the region. On top of this, China’s growing presence in the Balkans can also impact relationships with other regional powers such as Turkey and Russia. For these reasons, Washington needs to factor in the European dimension when it decides how to approach Chinese initiatives with broader Eurasian strategic implications.

The guiding considerations of an effective U.S. strategy for addressing China’s inroads in Europe should be to 1) include Europe in its own thinking and considerations about China, 2) avoid adopting contradictory economic policies that target European allies rather than China, 3) work...
with Europe to shape and advance a proactive, joint transatlantic agenda to address shared concerns about China.

Below are some key recommendations for the United States and for strengthening transatlantic cooperation on China:  

**Enhance transatlantic dialogue on China.** Transatlantic cooperation on China is already established. The joint U.S.-EU Statement on the Asia-Pacific region was signed in June 2012. However, most of this agenda focused on the EU’s role in the region, not cooperation on addressing China’s role in Europe. While the U.S. and the E.U. do have frequent working-level dialogues on China issues, the transatlantic agenda suffers from a lack of high-level coordination. It is essential to include China as a regular item in U.S.-European official meetings and to foster coherence in policy outputs. The U.S. and the EU should also ensure regular information-sharing and joint monitoring of the nature and extent of Chinese investments and economic activities in Europe. The U.S. and the EU need not always speak in one voice, but they can certainly stay in tune. The U.S. and the EU should seek to coordinate messages and policies on issues pertaining to China to show Beijing a united front. But this requires that the U.S. develops its China policy with Europe on its radar.

**Avoid contradictory economic policies.** Though President Donald Trump’s view that China’s economic practices are unfair is an important point, some of the countries potentially damaged by the proposed steel and aluminum tariffs are U.S. allies in Europe – this situation plays right into the hands of Beijing. The tariffs, rather than checking the country’s ambitions, will likely increase its confidence on the global stage, allowing Beijing to claim the moral high ground as a supporter of multilateral, open trade. As recently as March 10, 2018, American, EU, and Japanese officials agreed to cooperate on addressing unfair Chinese trade practices within the World Trade Organization (WTO) framework. The keys to pushing back against China’s unfair practices are: maintaining a strong relationship with allies in Europe and Asia; being a reliable partner; and upholding multilateral institutions like the WTO. The U.S. should avoid contradictory economic policies as it seeks to work trilaterally with the EU and Japan on addressing shared concerns about China. Finally, efforts to strengthen and solidify the rules-based economic order should also be pursued. In particular, the Transatlantic Trade and Investment Partnership (TTIP) remains relevant: its goal – bringing together two of the world’s largest economies around a high-standard agreement - is still a worthy one that would go a long way in sending a concerted message to Beijing.

**Increase U.S. investment in Central and Eastern Europe.** Working with its allies and partners in Europe, the U.S. should seek to respond to the Belt and Road Initiative by providing alternative financing mechanisms, especially for countries in Central and Eastern Europe. The EU and the U.S. might even want to consider offering compensation to Central and Eastern European countries if they lose Chinese funding due to EU integration. Better coordination is also needed between international financial institutions and multilateral and regional donors such as the World Bank, EBRD and EIB and wealth funds. While the U.S. is not a member of the AIIB, the Overseas Private Investment Corporation (OPIC) could seek to co-finance certain Chinese investments in order to gain leverage over their implementation. OPIC investments in the form of sovereign guarantees can also help spur more private sector investments into the region to provide additional
alternatives. More U.S.-EU cooperation on CEE investments - including the potential for U.S. support for the EU’s burgeoning Euro-Asian Connectivity initiative – would allow the West to better compete against China in the region and could potentially nudge Chinese investors to become more accountable, open and transparent. However, such efforts must also be complemented with a redoubling of Western efforts to support strong political systems and respect for rule of law in the region in order to foster more resilience among regional states to withstand Chinese influence. Finally, the U.S. can play an important role in raising awareness and sharing information about the consequences and long-term costs of Chinese financial involvement in the region.

Ultimately, the United States and Europe share many common interests and concerns regarding China’s economic practices. Together, the U.S. and the EU account for roughly one-third of global GDP and imports, giving them tremendous leverage over China. Encouragingly, the new U.S. National Security Strategy reflects Washington’s interest in working with European countries to address shared concerns about China. As Europe takes its own steps to scrutinize Chinese economic practices more closely, there is now significant potential for greater transatlantic dialogue and cooperation on China. But this requires that the United States take an active leadership role and pay attention to Europe as it further develops its own policies to address China.

END

1 The views presented in this testimony are Erik Brattberg’s alone and do not represent those of Carnegie Endowment for International Peace.
8 Valášek, Tomáš “China and Central Europe: Don’t Believe the Hype”, Strategic Europe blog, November 28, 2017, https://carnegieeurope.eu/strategieurope/74844
12 Byrne, Andrew and Tom Mitchell, “Eastern Europe welcomes China investment promise”, Financial Times, November 28, 2017, https://www.ft.com/content/1c3338fe-d461-11e7-8c9a-d9c0a5c8d5c9
14 “Full text: Joint communiqué of leaders roundtable of Belt and Road forum”, Xinhua, May 15, 2017, http://www.xinhuanet.com/english/2017-05/15/c_136286378.htm?sinocism=China+Newsletter&utm_term=0_171f237867-f4a68c73f1-29688981&mc_cid=f4a68c73f1&mc_eid=be5f9a4791
20 Beesley, Arthur et al., “EU free-traders water down Macron’s plan to vet foreign takeovers”, Financial Times, https://www.ft.com/content/e72b6342-582e-11e7-9fed-c19e2700005f
OPENING STATEMENT OF THOMAS WRIGHT, PH.D., DIRECTOR, CENTER ON THE UNITED STATES AND EUROPE AND SENIOR FELLOW, PROJECT ON INTERNATIONAL ORDER AND STRATEGY, BROOKINGS INSTITUTION

HEARING CO-CHAIR TALENT: Thank you.

Dr. Wright.

DR. WRIGHT: Chairman, thank you very much.

It's a great privilege to be asked to testify in front of the Commission today. As you noted, this testimony was co-authored and prepared by Thorsten Benner, who directs the Global Public Policy Institute in Berlin.

We've been asked to testify to the Commission on China's view of the EU, of NATO, of European institutions, and the broader transatlantic relationship.

Let me just begin with some observations, I think, on how China sees the overall relationship and then talk about some of its tactics in Europe and Europe's response and then have time for recommendations.

China's view of the overall transatlantic alliance I think is basically based on three ideas. The first is that it worries that the U.S. and Europe together have an outsized role in setting the terms of the liberal international order, and we often think of the international order as being a transatlantic order dating back to the late 1940s, promoting an open global economy, democracy and human rights, and security alliances.

But China sees that as inherently threatening. It particularly views the soft power of democracy and human rights as an existential threat to its regime. And there are parts of the order it likes. It likes the global economy in part, but there are other elements that it sees as threatening. The unified position of the United States and Europe I think is a problem for Beijing.

Secondly, China does not want the United States to overly influence European policy toward China. The United States has an inherently competitive relationship with China. Many European countries believe that they do not. In the past, the U.S. has influenced Europe's view of China, particularly on the arms embargo and disputes of the early, of the late 1990s and early 2000s.

Today China sees an opportunity to peel away European countries from the United States on issues such as gaining market economy status from the EU, a recognition of territorial claims in the South China Sea. So a major part of China's short-term goal is to build networks of support amongst European politicians, media, business and opinion formers on these issues.

And the third sort of overarching view is that China ultimately has a very different vision of regional and international order than Europe and the United States. They would like to see an international order based largely around spheres of influence that is more mercantilist, respect what they view as their core interests in their region, which stands in dramatic contrast to the universal sort of vision of international order that transatlantic leaders have forwarded.

So I think that sort of sets their broad agenda, and specifically on the EU and NATO, their view is that they would like to see a stable European Union, but they would like it to be fragmented and largely favorable to China. And this can be contrasted with the Russian view. I think Russia has a problem with the EU in principle and would like to weaken the EU and even see it collapse.

China is not of that view, mainly because of the EU's economic strength, but it...
does not want to see the EU have a unified position towards China because it believes if it divides and conquers, it will be in a stronger negotiating position.

China's view of NATO is really rooted in its history, dating back to the Kosovo War of 1999 when the Chinese embassy in Belgrade was mistakenly destroyed by NATO forces. After that, China basically had a very hostile attitude toward NATO, had basically zero engagement with NATO until the early 2000s, and did not recognize it, and this is also partly because of China's view of alliances as having no role in the international order and not believing that they were legitimate.

But we've actually seen, I think, over the last decade or so is the warming up of China toward NATO, largely driven by its interests in Afghanistan and by its recognition that it also faces a terrorist threat. So I would argue that China actually has more of a problem with an unified EU than it does with a unified NATO, even though its historical problem has been more with NATO than with the EU because it sees the importance of a dialogue of sorts with NATO although it's slow and cautious, whereas in the EU, that gets into these political and economic issues.

In terms of China's tactics in Europe, it has a wide array of tactics. Some of them are covert. We've seen some sort of covert influence operations, but in general most of them are actually pretty out in the open, and they range from investment, which we've seen in countries like Greece, where there has been a political effect to that investment, and it has actually changed or seems to have changed the Greek government’s view of China in international institutions, like in the UN Human Rights Council, to the political where it has a rapprochement with sort of illiberal democracies like Hungary that have tried to play off, play off China against the EU.

It, of course, has the 16+1 format that Erik spoke about, which has been largely received in Europe as an attempt to divide and conquer, to try to split the EU between, between East and West.

And then it also has its engagement with former political leaders, with major businesses, and others to try to essentially coopt them to the Chinese point of view. And all of those have been pretty effective.

We would argue that basically there is something of an East-West divide in this. Eastern Europe, I think, has proven more susceptible to this over the long term, whereas Western Europe, there are more natural antibodies at work. There's been a dramatic change really in Western Europe over the last two years. Two years ago or three years ago, it was very hard to get anyone to acknowledge there was any strategic dimension to this. Now, at least, it's a more balanced conversation.

Just in the time remaining to me, I'd like to go to the implications and recommendations for the United States. We have five recommendations for the United States. The first, which--and some of these echo Erik's testimony as well--the first is that the U.S. really needs to be forward looking and prepare the transatlantic alliance for the China challenge. Within NATO, the U.S. should help promote a debate on what China's growing footprint in the field of security means for European interests and how Europe and NATO can prepare together.

I would add to that that it's particularly important with Central and Eastern Europe that U.S. officials bring up China and American interests in East Asia in bilateral meetings and in the NATO context since it is central, eastern and southern Europe that seems to be most vulnerable to China's influence, and, of course, it is central and eastern Europe where the U.S. has the strongest security relationship in terms of the Russia challenge.
Second, the United States should make the health and strength of democratic institutions and the rule of law in Europe a key part of its foreign policy. Democracy, liberal democracy is really the best response to Chinese influence operations and the resilience of institutions, including the media, is a critical part of that, and that is one reason why I think that has to be a central part of U.S. foreign policy toward Europe.

And thirdly, the U.S. should encourage the EU to adopt far-reaching common rules for how foreign investment affects national security interests. The U.S. has a lot of experience with this and it's further along than Europe, which acts at the unified sort of EU level as CFIUS-style capacity. So the U.S. can support efforts and enable EU members and third countries in the neighborhood to properly evaluate, monitor, and prepare large-scale infrastructure projects, including those financed by China.

Fourth, the U.S. and the EU should work together in areas of technology, particularly in artificial intelligence, that ensures that there is not essentially a race to the bottom amongst companies to go to lowest possible standards to gain contracts from China.

And the U.S. and the EU should also lead efforts to try to come up with common rules for shared domains, like space, cyber, and artificial intelligence, to set the rules and then to encourage other countries to follow suit, and America's allies in Asia should be a key part of this conversation, too.

And finally, the U.S. can help provide funding from public and private sources to help build capacity and expertise in China in Europe. And there is, I think, a real sort of deficit on this in Europe, partly because most of the incentives are on the commercial space, and also Europe has its own security challenges. So the natural incentives to develop an expert community in China is not present in the same way that it is here.

And that is beginning to change, but I think the U.S. has a lot that it can share, and there are, of course, private institutions that tend to fund this type of research, and I think they would be well advised to look at toward building that capacity in Europe as well as in the United States.

So I will leave it there and look forward to your questions. Thank you.
PREPARED STATEMENT THOMAS WRIGHT, PH.D., DIRECTOR, CENTER ON THE UNITED STATES AND EUROPE AND SENIOR FELLOW, PROJECT ON INTERNATIONAL ORDER AND STRATEGY, BROOKINGS INSTITUTION, CO-WRITTEN BY THORSTEN BENNER, DIRECTOR, GLOBAL PUBLIC POLICY INSTITUTE
Thorsten Benner and Thomas Wright

Testimony to U.S. China Economic and Security Review Commission

Hearing on: “China’s relations with U.S. allies and partners in Europe and the Asia Pacific”

April 5 2018

Summary of key points

• China is interested in a stable — but pliant and fragmented — EU and the large and integrated European single market that underpins it. Properly managed, the CCP leadership has concluded, parts of Europe can be a useful conduit to further its interests.

• China wants to dilute the transatlantic alliance as an actor in upholding the liberal international order but it has evolved in its view of NATO and has slowly increased its engagement, particularly on Afghanistan and terrorism.

• China commands a comprehensive and flexible toolset in Europe to build and exercise influence. It ranges from the overt to the covert and is strategically deployed across various arenas: political and economic elites, media and civil society & academia.

• China has been most successful in its efforts in Central, Eastern, and Southern Europe. There are more antibodies at work in Western Europe.

• Of the major countries in Western Europe, the United Kingdom is the most likely to pursue a strategy of engaging China even if it comes at a political cost. This is because of the pressure that Brexit puts on London to find new economic partners.

• The United States can assist Europe in preparing for and dealing with challenges from China. This includes strengthening democratic institutions, freedom of the press, and the rule of law; raising U.S. interests on China in relations with Central, Eastern, and Southern European countries in particular; building capacity in China expertise in Europe; and encouraging the EU to adopt far-reaching common rules for how foreign investment affects national security interests.
China’s objectives toward the European Union (EU)  

The Chinese leadership’s seeking of political influence in the EU is driven by two interlocking motivations: ensuring regime stability at home and presenting its political concepts as a competitive way of political and economic governance to a growing number of third countries.

Overall, unlike the current Russian government, Beijing is interested in a stable — but pliant and fragmented — EU and the large and integrated European single market that underpins it. Properly managed, the CCP leadership has concluded, parts of Europe can be a useful conduit to further its interests. Politically, it is seen as a potential counterweight to the U.S. — one that is even more easily mobilized in the era of the Trump administration’s “America First” approach. Beijing is also acutely aware that Europe has many assets like technology and intellectual property, which China needs for its industrial upgrading, at least in those domains in which it has not yet established its own technological leadership. The EU is also useful as a ‘legitimizer’ of Chinese global political and economic activities, such as the Belt and Road Initiative (BRI).

Beijing pursues three related goals. The first is aimed at building support among third countries like EU member states on specific issues and policy agendas, such as gaining market economy status from the EU or recognition of territorial claims in the South China Sea. A part of this short-term goal is to build solid networks among European politicians, businesses, media, think tanks, and universities, thereby creating layers of active support for Chinese interests. Recent Chinese attempts to discourage individual EU countries from taking measures that run against Chinese interests, such as supporting a coordinated EU response to China’s territorial claims in the South China Sea, meeting with the Dalai Lama, or criticizing Beijing’s human rights record, are cases in point.

The second related goal is to weaken Western unity, both within Europe and across the Atlantic. Beijing realized early on that dividing the U.S. and the EU would be crucial to isolating the U.S., countering Western influence more broadly, and expanding its own global reach. China senses that a window of opportunity to pursue its goals has opened, with the Trump administration seen as withdrawing from the role as guardian of the liberal international order that the U.S. has long played. This comes in addition to the challenges Western liberal democracies face from the rise of illiberal-authoritarian political movements.

The third goal is broader in terms sense of “making the world safe more China’s autocratic model.” This means creating a more positive global perception of China and presenting its political as well as economic system as a viable alternative to liberal democracies. In large part, this is motivated by the CCP’s continued fear of the appeal of so-called Western ideas like liberal and democratic values. From the vantage point of Beijing, European and Western ‘soft power’ has always had a sharp, aggressive edge, threatening the Chinese regime. At the same time, this goal is based on the idea that as China rises in economic and military terms, it should command more respect in the court of global public opinion. Activities geared towards long-term shifts in global perceptions include improving China’s global image through measures like media cooperation, making liberal democracy less popular globally by pointing out real or alleged inefficiencies in democratic decision-making processes, and supporting illiberal tendencies in European countries.

---

1 Parts of this text draw on Thorsten Benner/Jan Gaspers/Mareike Ohlberg/Lucrezia Poggetti, Kristin Shi Kupfer (2018) Authoritarian Advance. Responding to China’s Growing Political Influence in Europe (Berlin, GPPi/MERICS), available at www.gppi.net/authoritarianadvance
China’s view of the transatlantic relationship and NATO

China seeks to weaken the transatlantic bond between the United States and Europe but has evolved in its view of NATO as it comes to grips with the threat from Islamist terrorism.

China has three objections to a strong transatlantic relationship:
1) China worries that the United States and Europe have an outsized role in setting the rules of the road for the international order. Since the 1940s, the liberal order has been largely a transatlantic order. There are parts of the order China likes but it is uneasy with liberal norms on democracy, human rights, multilateralism, and even on economics. It stands a better chance of shaping the direction of the order if there are multiple power centers than if Europe and the United States act as one.
2) It does not want the United States to influence European policy toward China. China has an inherently competitive relationship with the United States, owing to the U.S. role in the Indo-Pacific. Europe, by contrast, is not a resident power in Asia. China worries that Europe’s view of China will be overly influenced by the United States, as it was in the 2000s on the arms embargo. Today, this manifests itself in technological transfer, the EU’s position on maritime territorial disputes, human rights, and Chinese investment in critical infrastructure.
3) China seeks to replace an order organized in large part around U.S. alliances with an order consisting of spheres of influence for regional powers, including China. China has never believed that alliances are a part of the order; instead, they see them as undermining it. Moreover, China rejects the notion that the transatlantic alliance, or any alliance, can legitimize the use of force for military interventions, as NATO has sought to do in the past.

That said, China’s view of NATO has evolved. China has had a very frosty relationship with NATO since the 1999 Kosovo War in which NATO forces mistakenly destroyed the Chinese embassy in Belgrade. China has also maintained it is opposed to alliances on principle so it saw little reason to engage NATO in the same way that other non-member states do—by having an envoy at NATO headquarters or by participating in a strategic dialogue. However, the ongoing threat of Islamist radicalism and NATO’s role in Afghanistan changed Beijing’s calculation. China has its own terrorism problem. China had its first meeting with NATO officials in 2002, a NATO official visited China for the first time in 2009, and China appointed a high level representative to NATO in 2012. China and NATO have closely consulted with each other on Afghanistan and there have been joint anti-piracy operations in the Gulf of Aden. China would be very wary of NATO taking on a role alongside U.S. forces in the Asia Pacific but such a scenario is very remote. However, China has engaged in some activities that raised eyebrows in NATO. In 2017, it conducted joint naval exercises with Russia in the Baltics. Beijing has also cautiously engaged with Ankara with a view to Turkey developing formal ties, or even joining, the Shanghai Cooperation Organization (SCO) which some Turkish officials think may be an alternative for ties to the west.

China’s tactics in Europe

China commands a comprehensive and flexible toolset in Europe to build and exercise influence. It ranges from the overt to the covert and is strategically deployed across various arenas: political and economic elites, media and civil society & academia.

In part, China uses covert methods (such as targeting German lawmakers and government employees via fake social media profiles). But most influencing comes through the front door. Beijing takes advantage of the EU’s one-sided openness. Europe’s doors are wide open whereas China seeks to tightly restrict access of foreign ideas, actors and capital. Beijing has understood that you can easily buy influence in Europe. Beijing profits from willing enablers among European political and professional classes who are happy to promote Chinese values and interests. They do.
so mostly for financial or other advantages but at times also out of genuine political conviction or convenience.

Beijing takes its easiest pickings within smaller EU member states in Central and Eastern Europe as well as Europe’s South. Here comparatively small investments translate into big political gains since all these countries have a say (and sometimes a veto) at the Brussels table on joint EU decisions. Crucially, China has organized countries in Central and Eastern Europe in the so-called 16+1 format that holds annual summits as well as organizing think tank and other complementary activities linking China with countries in the region. The 16+1 serves to weaken EU solidarity and exacerbates the divide between East and West.

Beijing also uses investments in infrastructure and public utilities to create political leverage. In Greece for example it controls the key port of Piraeus, contributing to the Greek government torpedoing a joint EU resolution on the human rights situation in China in the Human Rights Council. It is worth noting, however, that this is not always the case. In Portugal, for example, China’s Three Gorges is a major shareholder in Energias de Portugal, the utility major and the State Grid Corporation of China owns 25% of Redes Energéticas Nacionais, the grid operator. But this has not translated into Portugal going out of its way to support Chinese positions within the EU context. In the Czech Republic, it placed an advisor in the president’s office. Across Europe, it buys the services of former politicians such as former German vice chancellor Philipp Roesler (who was hired by Chinese conglomerate HNA) and former UK prime minister David Cameron (who signed up to lead a joint UK-China investment fund).

Many smaller Eastern and Southern EU members align with China in fits of “preemptive obedience.” They try to curry favor with China and lure investment by supporting China’s political positions. Some illiberal governments (such as Hungary’s) do so all too happily. They see China’s authoritarian model as attractive and a convenient source of leverage against Brussels and Western EU members pushing back against their illiberalism. Hungarian prime minister Viktor Orbán has already played the China card to put pressure his EU partners who are considering reducing structural funds in response to his authoritarianism and a post-Brexit recalibration of the EU budget: “Central Europe needs capital to build new roads & pipelines. If the EU is unable to provide enough capital, we will just collect it in China,” he argued in Berlin earlier this year. To sweeten the deal for China, Orbán is gladly working to prevent a strong EU stance on China’s territorial advances in the South China Sea.

In parallel, Beijing has invested in shaping the narrative on China. All across Central and Eastern Europe, China-supported Confucius Institutes, as well as China-linked think tanks and university scholars dominate discussions, while an increasing number of journalists go through training programs designed and funded by the CCP. In Brussels and other capitals, China funds think tanks and pays lobbyists to project a favorable image. It spreads Chinese official views and creates subtle dependencies by paying for inserts in European quality newspapers (from Handelsblatt to El País). It uses the lure of the Chinese market to encourage (self-) censorship in film, art, and academic publishing (with Springer Nature being the latest European publisher to bow to Chinese demands). China even went as far as demanding Germany suppress freedom of speech in order to ensure that its soccer teams are not met by protests around the Tibetan issue during paid friendly games on German soil.

Europe’s response
China has already made significant progress toward a more fragmented and pliant Europe that better serves Chinese authoritarian interests. EU countries have been slow to wake up to the dangers of growing Chinese political influence in Europe. But there are increasing signs that
Western Europe is changing course, particularly the big three—Germany, France, and the United Kingdom.

In Germany, the EU’s biggest economy, the trigger for a change of attitude vis-à-vis Beijing has been the realization that China is gearing up to be a major competitor for Germany’s key industries based on its “Made in China 2025” strategy. This has sharpened a much more critical look at the implications of Chinese investments in Germany and elsewhere in Europe. While the initial concern was with technology transfer, the German debate has quickly broadened to include China’s broader geopolitical and geoeconomic aspirations (including through the Belt and Road Initiative)—and the growing political influence in the EU. Last year, then foreign minister Sigmar Gabriel called China the only major power with a clear geopolitical strategy—and decried the lack thereof in Germany and Europe. Gabriel criticized China’s 16+1 forum as an effort to divide Europe and demanded that China stick to a “One Europe” approach. Chancellor Merkel has echoed similar concerns about the 16+1 forum. German officials have been less forthcoming with an acknowledgment that their own privileged bilateral relations with Beijing (Germany holds annual government-to-government consultations with China involving the whole cabinet) have only incentivized smaller European countries to also seek their own ties with Beijing, paving the way for the 16+1 forum. Interestingly, China reportedly has signaled that it wants to tone down the scope and intensity of the 16+1 format, seemingly responding to these concerns.

The French government under President Macron has also criticized Chinese initiatives. Macron visited China earlier this year and endorsed BRI but he also warned that BRI “cannot be one-way.” His finance minister railed against Chinese “looting” of European technology. Macron wants to position France as a leading voice on China and looks to engage it but through a more unified EU and with conditions attached. France also has greater security interests in the Asia Pacific than most European countries. For instance, it won a $50 billion contract to build the next fleet of Australian submarines and it is deepening its security cooperation with India.

The British case has been more mixed. During the Cameron government, the United Kingdom vigorously sought out Chinese investment and made significant geopolitical concessions, including downplaying human rights and allowing China to invest in critical infrastructure, such as nuclear power plants. The Prime Minister and George Osborne, the Chancellor of the Exchequer, declared this the beginning of a new “Golden Era” and ignored loud and bipartisan objections from the United States. Initially, Theresa May proved to be more skeptical of China. She delayed Chinese investment in nuclear power plants and put in place safeguards for national security. However, in February of this year, she did visit China and promised to “intensify the golden era.” Brexit increases the incentives for the UK to seek access to Chinese markets and investment. Currently, China accounts for 3.1% of British exports, compared to 43% for the EU. If the UK fails to agree a trade deal with the EU 27 that comes close to its current arrangement, it will be tempted to compensate by reaching out to other large countries with potential for growth. China is high on the list. This incentive may be partially offset by the UK’s desire for a close strategic relationship with the United States post-Brexit.

Senior EU officials also recognize the need for a change in course. For instance, in a speech in September 2017, European Commission President Jean-Claude Juncker said “If a foreign state-owned company wants to purchase a European harbor, part of our energy infrastructure or a defense technology firm, this should only happen with transparency.” However, there was limited support for his call, with some governments (ie. Poland) criticizing him directly. There has been less progress in Central, Eastern, and Southern Europe where the trends described earlier continue and have even intensified. But there are civil society initiatives such as ChinfluenCE that are tracking Chinese influencing efforts in Central and Eastern Europe and that are starting to inform the public.

Back to Table of Contents
Implications and recommendations for the United States

A strong transatlantic alliance is a vital U.S. interest—Europe is a vital economic partner for the United States, the two sides broadly share the same values, and the alliance contributes to peace in Europe. If China were to dilute that relationship or weaken Europe’s role in upholding the international order, it would badly damage U.S. interests, damaging the economy, increasing the risk of conflict, and setting back classically liberal values. European nations are pushing back against excessive Chinese involvement in their politics and we expect these efforts to accelerate in the coming years.

Even though they see China’s role very critically, governments of major EU countries such as Germany feel compelled to hedge against actions by the Trump administration hurting EU interests e.g. on trade by signaling open channels of communication with Beijing. Any open hostility against the EU by senior members of the U.S. administration (such as the incoming national security advisor) will only deepen the need of EU governments to hedge against what they perceive as destructive actions by the U.S. government.

The United States and the U.S. Congress can help Europe’s in several ways.

• The United States should be forward looking and prepare the transatlantic alliance for dealing with the growing influence of China. Within NATO, the U.S. should help promote a debate on what China’s growing footprint in the field of security means for European interests and how Europe and NATO can prepare.

• The United States should also make the health and strength of democratic institutions (including independent media) and the rule of law in Europe a key part of its foreign policy. This is the best safeguard against foreign influence from authoritarian governments. It should also encourage European nations to ban foreign funding of political parties and campaigns, as Australia recently did to counter Chinese interference in its domestic politics.

• The United States should encourage the EU to adopt far-reaching common rules for how foreign investment affects national security interests. The U.S. can also support efforts to enable EU members and third countries in the neighborhood to properly evaluate, monitor, and prepare large-scale infrastructure projects, including those financed by China.

• The United States and the EU should affirmatively work together on a transatlantic artificial intelligence and technology strategy that ensures defensive measures against China do not create a game of musical chairs for companies that will cut compromised deals, as well as affirmative measures to invest in transatlantic Research and Development, and education initiatives.

• The United States and the EU should lead efforts to develop standards and rules for emerging domains (such as space, cyber, and artificial intelligence) along with democratic U.S. allies in Asia.

• The United States can also help provide funding, from public and private sources, to build European capacity in high-caliber, independent China expertise in government, the media, think tanks, and universities. This expertise is currently lacking in most EU countries (especially those where China has gained the strongest foothold) and is a critical element in properly assessing and responding to the challenge.
OPENING STATEMENT OF CHRISTOPHER WALKER, VICE PRESIDENT FOR STUDIES AND ANALYSIS, NATIONAL ENDOWMENT FOR DEMOCRACY

HEARING CO-CHAIR TALENT: Thank you.

Mr. Walker.

MR. WALKER: I too would like to thank the commissioners for the opportunity to present testimony on this critical subject. I'd like to say right at the outset that when I allude to China in my remarks, I'm really alluding to the Chinese authorities and their strategy and ambitions.

I'm going to aim to give a quick overview of the larger picture in China's influence strategy, talk a bit about what this means in Central and Southeastern Europe, and then offer some suggestions for how we can respond to this.

I'll start by saying that the present period of authoritarian resurgence has caught the democracies by surprise. This is in part due to a flawed assumption that took hold at the close of the Cold War, namely, that engagement with authoritarian states would result in clear mutual benefit. By embracing regimes such as the one in Beijing, inviting its integration into the global economic system and key political institutions, the United States and other democracies hoped to encourage China towards meaningful political reform and, eventually, to liberalize and democratize.

But in an unexpected twist, China and other authoritarian regimes have turned the tables on the democracies. Rather than reforming, the Chinese authorities have deepened their authoritarianism, and in many ways are now turning it outward.

In the Cold War's aftermath, journalists, scholars, and policymakers in the democracies perceived the authoritarian influence efforts largely through the familiar lens of "soft power." According to Joseph Nye's definition of this term, a country's "hard power" is based on coercion and is largely a function of military might.

"Soft power," by contrast, is rooted in attraction, and arises from the appeal of a country's culture, political ideals and policies.

But those who interpret these efforts chiefly as a way for Beijing to boost its "soft power" miss the mark and risk perpetuating a sense of false security, or I should say a false sense of security. The forms of influence that the Chinese authorities have emphasized in recent years are not "hard," but they are not really "soft" either.

Given the ways in which authoritarian influence has taken shape in the recent past, what we have to date understood as "soft power" in this context might be more properly labeled "sharp power," whose key attributes are outward-facing censorship and manipulation rather than persuasion and attraction.

As my colleagues and I at the International Forum for Democratic Studies noted in our December 2017 report, "Sharp Power," such influence efforts are "sharp" in the sense that they pierce and penetrate the information and political environments of target environments.

There is clearly nothing soft about how these regimes treat media, the education sector, and the realm of ideas in their own domestic environments. So why should we view outward-facing activities by them much differently?

Having set the wider context for China's engagement, I'd like to touch on the Chinese authorities' projection of influence in Europe, and I'll focus my attention on Central Europe and Southeastern Europe, and I'd note that many of the countries in question are especially vulnerable to Chinese influence because the democratic roots in these societies are
shallow.

Over the past decade, the Chinese government has spent tens of billions of dollars to shape public perceptions around the world, employing a diverse toolkit that includes thousands of people-to-people exchanges, wide-ranging cultural activities, the development of media enterprises with global reach, and educational programs, most notably the ever-expanding network of Confucius Institutes.

While Chinese authorities are pursuing different degrees of engagement throughout the region we're discussing, there are some common threads worth noting.

The analysis in our report of Beijing's various influence initiatives suggests that the CCP seeks to preempt, neutralize, or minimize challenges to the regime's presentation of itself.

Central to China's engagement in the region is the 16+1 initiative, which has been noted. It's a subregional grouping launched in 2012 that includes 11 EU member states and five countries that are in varied stages of their accession to the EU. The 16+1 format is somewhat misleading in suggesting that China deals with a bloc of 16 countries coordinated in their approach to Beijing.

In fact, as Czech Sinologist Martin Hala notes in the forthcoming issue of the Journal of Democracy, the 16+1 initiative is more properly understood, as he describes it, as "a platform for 16 bilateral relationships with Beijing, ensuring an overwhelming advantage in each such relationship."

The Chinese government has leveraged this advantage to pursue elite capture and to gain influence in the spheres of media and academia, among others.

I'll just note a couple of things in the region. Happy to discuss this in greater detail during the Q&A. During Xi Jinping's state visit to Serbia in June '16, for example, representatives at a China-Serbia media forum, hosted by China's State Council Information Office, called for closer media cooperation between these two countries. Serbia's national radio and television broadcaster, having already established a partnership with the state-owned Xinhua News Agency and China Central Television, signed an agreement with China Radio International to expand video production, with the hope that greater exposure to Chinese media would improve Serbian perceptions of and relations with China.

This initiative points to the long-term vulnerabilities and dependencies that can be created when public media outlets in these democracies enter into relationships with Chinese state media entities.

China's engagement with Serbia extends well beyond the media sphere. In May 2017, the Serbian government established the National Council for Coordination of Cooperation with China and Russia, both China and Russia. This Council aims to "consider, direct and coordinate" the Agreement on Comprehensive Strategic Partnership between Serbia and China and to "guide cooperation between Serbia and China" regarding the Belt and Road Initiative.

In Central and Southeastern Europe alike, Confucius Institutes are active and proliferating. I'd emphasize that Confucius Institutes are controversial because of the opacity with which they operate on university campuses in democratic settings.

Although some observers note that many Confucius Institutes' activities seem innocuous, emphasizing, for example, Chinese language instruction, cultural events, and film exhibitions, other elements of Confucius Institute programming are quite out of place in a university context. The Chinese government's control of staffing and curricula ensures that courses and programming may subtly promote CCP positions on issues deemed critical or
sensitive by the Chinese authorities, such as territorial disputes or religious minorities in China. I'd note that in relative terms the new democracies and democratic hopefuls of Central and Southeastern Europe are in the early stages of their engagement with China. These countries therefore have a chance to build their respective relationships with China with open eyes. To do this, among other things, they will need to cooperate and learn from other countries, such as Australia, that are further along the learning curve in dealing with China's sharp power.

Finally, how should we respond? I'll mention just several of the steps drawn from a longer list in my submitted testimony that can be taken to address the Chinese government's influence efforts.

First--and Tom Wright noted this, and I couldn't agree more--we need to address the serious shortage of information on China. Throughout the young democracies of Southeastern Europe and Central Europe, as in other regions of the world, such as Latin America and sub-Saharan Africa, information concerning the Chinese political system and its foreign policy strategies tends to be extremely limited. There is a pressing need to build capacity to disseminate independent information about China and its regime.

Second, we need to unmask authoritarian influence. Chinese sharp power relies in part on camouflage--disguising state-directed projects as commercial media or grassroots associations, for example, or using local actors as conduits for foreign propaganda or for tools of foreign manipulation.

To respond to these efforts at misdirection, observers in the democracies should put them under the spotlight and analyze them in a comprehensive manner.

And finally we need to affirm support for democratic ideals and values. If one of the goals of authoritarian sharp power is to legitimate non-democratic forms of government, then it's only effective to the extent that democracies and their citizens lose sight of their own principles.

Top leaders in the democracies in all sectors must speak out clearly and consistently on behalf of democratic ideals and put down clear markers regarding acceptable standards of democratic behavior. Otherwise, the authoritarians will fill the void.

Thank you for your attention.
PREPARED STATEMENT OF CHRISTOPHER WALKER, VICE PRESIDENT FOR STUDIES AND ANALYSIS, NATIONAL ENDOWMENT FOR DEMOCRACY
I would like to thank all of the Commissioners for the opportunity and privilege of presenting testimony to the Commission on this timely and critical subject.

The present period of authoritarian resurgence has caught the democracies by surprise. This is in part due to a flawed assumption that took hold at the close of the Cold War: that engagement with authoritarian states would result in clear mutual benefit. By embracing regimes such as the one in Beijing, inviting its integration into the global economic system and key political institutions, the United States and other established democracies hoped to encourage China toward meaningful political reform and, eventually, to liberalize and democratize. But in an unanticipated twist, China and other influential authoritarian regimes have turned the tables on the democracies. Rather than reforming, China and other repressive regimes have deepened their authoritarianism. And now they are turning it outward.

Although China and other authoritarian regimes have in many ways integrated into global financial and political institutions, they have not become more like the democracies. Rather, they have developed policies and practices aimed at containing and contesting democracy and the ideas that underlie it. Exploiting globalization and the opportunities presented by integration with the West, China has set out to reshape the very institutions and arenas that welcomed it. The Chinese authorities have even put forward their conception of “Globalization 2.0”: a vision of Party/State-driven international economic cooperation epitomized by the “Belt and Road Initiative.” These developments are of high relevance to U.S. allies and partners around the globe, including those in Europe.

From “Soft” to “Sharp” Power

In the Cold War’s aftermath, analysts, journalists, scholars, and policymakers in the democracies perceived authoritarian influence efforts through the familiar lens of “soft power.” According to political scientist Joseph S. Nye’s definition, a country’s “hard power” is based on coercion and is largely a function of military or economic might. “Soft power,” by contrast, is rooted in attraction, and arises from the positive appeal of a country’s culture, political ideals, or policies.1

Beijing seeks to shape public perceptions, sentiments, and opinions overseas to an extent that simply would not have been possible a decade or more ago. With the rapid growth of the internet and social media, and the integration of authoritarian information outlets into the media spaces of democracies, the opportunities to exert influence abroad are greater today than at any time in the recent past.

But those who interpret these efforts as a way for Beijing to boost its “soft power” miss the mark and risk perpetuating a false sense of security. The forms of influence that the Chinese authorities have emphasized in recent years are not “hard,” but they are not really “soft,” either. Authoritarian regimes like the one in Beijing view power projection and the notion of success in world politics in a way that cannot be divorced from the political values by which these states govern at home.
A clearer picture of the Chinese authorities’ intentions can be gleaned from China’s domestic political and media landscape. In the decade since the 2008 Beijing Olympics, the Chinese authorities have intensified their suppression of dissent, silenced political opponents, inundated their citizens with propagandistic content, and deftly co-opted independent voices, all while working to maintain the appearance of pluralism, openness, and modernity. In recent years, the realm of ideas in China has been steadily monopolized by the state and its surrogates. The CCP’s announcement in March 2018 that it would merge a constellation of broadcasters into one state-controlled entity is emblematic of this trend to manage and manipulate information within and beyond China’s borders. This new entity, Voice of China, strengthens the Party’s grip on public perceptions, while seeking to “propagate the theories, political line and policies of the party . . . and [to] tell China’s story well.”

Given the ways in which such authoritarian influence efforts have taken shape, what we have to date understood as “soft power” when speaking in the context of authoritarian regimes might be more properly labeled “sharp power,” whose key attributes are outward-facing censorship and manipulation, rather than persuasion and attraction.

As my colleagues at the International Forum for Democratic Studies noted in our December 2017 report, “Sharp Power: Rising Authoritarian Influence,” authoritarian influence efforts are “sharp” in the sense that they pierce, penetrate, or perforate the information and political environments of targeted countries. The growing inventory of tools used by repressive regimes are not “soft” in that they seek merely to attract support. These tools are not principally aimed at “charming” or “winning hearts and minds”—the common frames of reference for “soft power” efforts—but they are surely designed to manipulate their target audiences by shaping the information that reaches them. Indeed, such tactics should be seen as instruments of manipulation, distortion, and distraction that reflect the antidemocratic political systems of the authoritarian states that wield them.

There is clearly nothing “soft” about how these regimes treat the media, education, and the realm of ideas in their domestic environments. Should we view their outward-facing activities differently?

**Framing the Understanding of China’s Engagement: Interests Informed by Values**

Why should we care about this dramatic buildup of influence by the authoritarians, and how should we think about it? After all, aren’t China and other such states simply pursuing their own interests? They are, to be sure. But these interests are informed by autocratic political values and preferences that privilege state control above all else, a reality that is evident in the ways the authorities in such countries treat their own media and civil society.

As China has dramatically expanded its economic interests and business footprint around the globe through the Belt and Road Initiative and related efforts, Beijing has focused its influence on masking government policies and suppressing, to the extent possible, voices beyond China’s borders that are critical of the CCP. It seeks to do so by coopting and manipulating targets in the media, academia, and policy and business communities. Such efforts furthermore seek to permeate institutions in democratic states that might draw attention or raise obstacles to the advancement of CCP interests, disincentivizing any such resistance.

What we have been slow to recognize is that in an era of globalization, ambitious regimes that play by their own coercive and predatory rules at home are keen to move the international goalposts toward their authoritarian preferences. The remarkable spectacle of powerful global corporations such as Daimler, Marriott, and Delta Airlines bending to the CCP’s restrictive standards of expression are among the striking examples of how Beijing’s interests and values are expressed as two sides of the same coin.
The Challenge to Democracies in Europe

Having set the wider context for China’s engagement, I would like to touch on the Chinese authorities’ projection of influence in the democracies in Europe. I will focus my attention on Central and Southeastern Europe, where many of the countries in question possess shallow democratic roots and which are especially vulnerable to Chinese influence efforts.

The political integrity of many of the countries in the region is weaker than at any time in recent memory. As the Czech sinologist Martin Hala observes, “nearly thirty years after the fall of the Berlin Wall . . . the ideological and political landscape has changed dramatically” in Central Europe. This shift is in part a result of the 2008 financial crisis, which among other things significantly harmed the region’s independent media sector. It also reflects pressures emerging from the European refugee crisis that have contributed to the erosion of public confidence in democratic systems. It is within this context that China has intensified its activities throughout the region.

To inform the “Sharp Power” report, the International Forum, in cooperation with several international think tanks, undertook an initiative to closely examine and inventory the instruments of authoritarian influence in vulnerable democracies. The think tanks carried out on-the-ground research and analysis in Slovakia and Poland, as well as in Argentina and Peru. Our examination looked at how the regimes in China (and Russia) are investing resources in the media, think tank, cultural, and university sectors, through either overt programmatic support or less transparent means. The authoritarians’ efforts in these areas are of a piece with their global influence initiatives. Over the past decade, the Chinese government has spent tens of billions of dollars to shape public opinion and perceptions around the world, employing a diverse toolkit that includes, but is not limited to, thousands of people-to-people exchanges, wide-ranging cultural activities, the development of media enterprises with global reach, and educational programs, most notably the ever-expanding network of Confucius Institutes.

While China’s authorities are pursuing different degrees of engagement throughout the region, there are some common threads worth noting.

As observed in our “Sharp Power” report, an analysis of Beijing’s various influence initiatives suggests that the CCP seeks to preempt, neutralize, or minimize challenges to the regime’s presentation of itself. The Chinese government often aims to portray the country as either a benign foreign influence, or a successful example of a state that has achieved economic development without democratic political institutions. Beijing does not necessarily expect other countries to follow its supposed alternative model (although in certain circumstances it does promote this notion), and it is willing to find ways to engage with governing elites regardless of their political ideology or regime type. However, embedded within the Chinese government’s campaign to defend and promote its own one-party system is a tacit criticism of democracy as inefficient, chaotic, and a poor catalyst for economic development. Beijing does not hesitate to use its local allies and influence to silence opposition to its projects.

Central to China’s engagement in the region is the “16 + 1” initiative, a subregional grouping launched in 2012 that includes eleven EU member states (Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia) and five countries in varying stages of their accession to the EU (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, and Serbia). The 16 + 1 format is somewhat misleading in suggesting that China deals with a bloc of 16 countries coordinated in their approach to Beijing. In fact, as Martin Hala notes, it is more properly understood as “a platform for sixteen bilateral relationships with Beijing, ensuring China an overwhelming advantage in each such relationship.”
The Chinese government has leveraged this advantage to pursue elite capture, and to gain influence in the spheres of media and academia, among others. In the Czech Republic, the opaque case of CEFC China Energy (“CEFC”)—brought to light by crucial investigative reporting—is a striking example of China’s efforts to coopt local political elites and the threats such efforts pose to young and vulnerable democracies. Czech President Miloš Zeman, who has cultivated deeper ties with both China and Russia, made headlines during Xi Jinping’s March 2016 visit to Prague, announcing his aim for the Czech Republic to become “an entry gate for the People’s Republic of China to the European Union.”

During Xi’s state visit to Serbia in June 2016, representatives at a China-Serbia media forum, hosted by China’s State Council Information Office, called for closer media cooperation between the two countries. Serbia’s national radio and television broadcaster, having already established a partnership with the state-owned Xinhua News Agency and China Central Television, signed an agreement with China Radio International to expand video production, with the hope that greater exposure to Chinese media would improve Serbian perceptions of and relations with China. The initiative points to the long-term vulnerabilities and dependencies that can be created when public media outlets in democracies enter into relationships with Chinese state media entities.

China’s engagement with Serbia, a focal point of CCP activity in the region, extends well beyond the media sphere. In May 2017, the Serbian government established the National Council for Coordination of Cooperation with China and Russia. Led by former president Tomislav Nikolić, the Council aims to “consider, direct and coordinate” the Agreement on Comprehensive Strategic Partnership between Serbia and China, and to “guide cooperation between Serbia and China” regarding the Belt and Road Initiative.

In Central and Southeastern Europe alike, Confucius Institutes, Confucius Classrooms, and Confucius Teaching Points are active and proliferating, with at least one entity operating in each of the sixteen countries. Poland has five Confucius Institutes, while Hungary and Romania (which is host to ten Confucius Classrooms) have four.

Confucius Institutes are controversial because of the opacity with which they operate on university campuses. Although some observers note that many Confucius Institutes activities seem innocuous, emphasizing Chinese language instruction and cultural events such as film exhibitions, other elements of Confucius Institute programming are quite out of place in a university context. The Chinese government’s control of staffing and curricula ensures that courses and programming will subtly promote CCP positions on issues deemed critical or sensitive by the Chinese authorities, such as territorial disputes or religious minorities in China.

In relative terms, the new democracies and democratic hopefuls of Central and Southeastern Europe are in the early stages of their engagement with China. These countries therefore have the opportunity to build their respective relationships with China with open eyes. To do this, they will need to cooperate with and learn from countries, such as Australia, that are farther along on the learning curve in dealing with China’s sharp power.

Exploiting Asymmetries

Critical to the authoritarians’ success has been their exploitation of a crucial asymmetry: In an era of hyperglobalization, the regimes in China, Russia, and elsewhere have erected barriers at home to external political and cultural influence while simultaneously preying upon the openness of democratic systems abroad.

Back to Table of Contents
The decision makers in Beijing clearly have the political will and resources to build up and implement their influence efforts. By comparison, the United States and other leading democracies in many respects have scaled back their participation in the ideas sphere. The democracies have been slow to shake off the longstanding assumption that unbridled integration with repressive regimes would inevitably change these regimes for the better, without any harmful effects on the democracies themselves. But as globalization accelerated and integration deepened over the past decade, the authoritarians survived, and their ability to penetrate the political and media spheres of democracies has become progressively stronger. China’s initiatives are truly global in scope, turning up in democratic countries on every continent.

Crafting a Response to the China Challenge

Any response to the challenge posed by China will first require dispensing with the false framing of this issue as a choice between shunning or engaging China, which is already deeply integrated into the international system, including increasingly throughout Europe. Rather, it is the nature of the democracies’ engagement with China that must be rethought. The democracies must pursue a more sophisticated and principled approach that takes into account the new environment in which authoritarian regimes are seeking to contest and undermine democratic institutions and values.

The following are key steps, drawn from our “Sharp Power” report, which can be taken to address the Chinese government’s influence efforts:

**Address the serious shortage of information on China.** Throughout the young democracies of Central and Southeastern Europe—as in other regions around the world—information concerning the Chinese political system and its foreign policy strategies tends to be extremely limited. There are few journalists, editors, and policy professionals who possess a deep understanding of China and can share their knowledge with the rest of their societies. Given China’s growing economic, media, and political footprint in these settings, there is a pressing need to build capacity to disseminate independent information about China and its regime. Civil society organizations should develop strategies for communicating expert knowledge about China to broader audiences. This should include a conscious effort to break down ordinary academic and policy barriers to enable collaboration between experts on China and regional specialists focused on Europe.

**Unmask authoritarian influence.** Chinese sharp power relies in part on camouflage—disguising state-directed projects as commercial media or grassroots associations, for example, or using local actors as conduits for foreign propaganda or tools of foreign manipulation. To respond to these efforts at misdirection, observers in democracies should put them under the spotlight and analyze them in a comprehensive manner. Given the dispersed, globalized nature of authoritarian influence activities, which are increasingly embedded within democratic societies, the formation of working alliances across professional fields and borders is critical.

**Safeguard democratic societies against malign authoritarian influence.** Once the nature and techniques of authoritarian influence efforts are exposed, democracies in the region should build up internal defenses. Authoritarian initiatives are directed at cultivating relationships with the political elites, thought leaders, and other information gatekeepers of democratic societies. Such efforts are part of Beijing’s larger aim to get inside democratic systems in order to incentivize cooperation and neutralize criticism of their authoritarian regimes. Support for a robust, independent civil society—including independent media—is
essential to ensuring that the citizens of democracies are adequately informed to critically evaluate the benefits and risks of closer engagement with authoritarian regimes.

**Reaffirm support for democratic values and ideals.** If one goal of authoritarian sharp power is to legitimate non-democratic forms of government, then it is only effective to the extent that democracies and their citizens lose sight of their own principles. The Chinese government’s sharp power seeks to undermine democratic standards and ideals. Top leaders in the democracies must speak out clearly and consistently on behalf of democratic ideals and put down clear markers regarding acceptable standards of democratic behavior. Otherwise, the authoritarians will fill the void.

**Learn from democratic partners.** A number of countries, Australia especially, have already had extensive engagement with China and can serve as an important point of reference for countries in Europe whose democratic institutions are at an earlier stage of their interaction with Beijing. Given the complex and multifaceted character of Beijing’s influence activities, such learning between and among democracies is critical for accelerating responses that are at once effective and consistent with liberal democratic standards.


HEARING CO-CHAIR TALENT: I thank the three of you for really compelling testimony.

I'm going to recognize Dr. Wortzel in just a moment, but I have sort of a baseline question I want to ask first, maybe set the stage for the other commissioners' questions.

I'd like to go a little more into the internal dynamics of the EU with regard to this issue. So what's underlying this is a conflict in interests, I think, and the EU interests that I see them concerned about, and based on your testimony, are the viability of the norm-based international order, the viability of EU standards in everything from labor to environment. In other words, the Chinese, or the CCP, doesn't recognize that in its dealings. And then the integrity of the EU, the fear that China will divide and conquer. You've identified those three.

So which, in your view, which of those are the most important in the EU calculations? I think it affects how we should think about what they do.

Dr. Wright, you mentioned that the last couple of years the attitude in the EU has been changing. What in your view are the reasons for that? And which of the national governments, in your view, are the strongest in supporting the EU in this, you know, in their attempts to defend against some of these Chinese policies?

DR. WRIGHT: Thank you.

I think that the fundamental tension in the EU between the desire to have a common approach that gives them a stronger bargaining position, particularly on the economic side in negotiations with China, and that's on the one hand, but on the other hand, there's the incentive of each individual government to try to be first because they're competing against each other. British firms are competing against Chinese and German firms for the same investment and market access.

So I think that's probably one of the largest sort of problems in the common sort of EU approach, is that the member governments are sometimes at odds with the interests of the EU as a whole to have this unified approach, which could disadvantage individuals.

But on the three you laid out, which I think are exactly right, I would think that at the EU level, I think it's the, well, it's the integrity, but it's also the desire for common sort of strength, but then the investment side is more a play individually.

In terms of specific countries, I think the change in Germany has been pretty interesting. Germany has had a very sort of deep political and economic relationship with China, partly because Chinese officials sometimes like to hold Germany up as the good sort of defeated power from World War II in contrast to how they would categorize Japan, and so there's been a pretty intense dialogue there over the years, but in the last couple of years, I think, there has been recognition, particularly by Chancellor Merkel, that China poses a serious competitive threat or challenge to German companies in that there is also a political dimension, and they are sensitive, I think, to the 16+1 format.

It's interesting to note, and we have it in our testimony, President Macron's visit to China recently, which is seen as engagement and sort of supporting the Belt and Road Initiative, that he heavily caveated that with concerns that he had. And so I think there's been some evolution there.

And the one country that I think in Western Europe that is somewhat of concern is Britain actually because the Cameron government had a very, very assertive sort of strategy of engagement, really ignoring any sort of strategic concerns about China. That's shifted a little bit with Theresa May as prime minister. But they have a long-term incentive post-Brexit to find
new markets and new opportunities for investment.

And so I think that there's a lot of work that needs to be done there in terms of how that over-and they obviously don't worry too much about the EU in terms of a unified approach—and so I think of the major countries in Western Europe, it would be Britain probably that I would have the most sort of concerns about in terms of this debate being unbalanced and maybe tilted on the investment side.

MR. BRATTBERG: Just to add quickly to what Tom was saying, I agree that I think the biggest change in Europe in recent years has been the change in Berlin, and I think this really started fairly recently with some of the acquisitions that I mentioned in my testimony.

And the game changer here, I think, really has been the increase in inbound Chinese FDI into Europe and into Germany. Europe has a tradition of exporting to China, and I think has viewed China through a commercial lens traditionally, but what's changing this is now China coming to Europe. And I think therefore there's a growing recognition that China is not playing fairly and playing by the rules.

There's a recognition that European companies, European countries lack reciprocal access to the Chinese market. And then, thirdly, and I think especially in the German case might be even the most important one, is the fact that China is now becoming a global economic competitor. The Made in China 2025 strategy of China, you know, intending to become a global leader in high-tech products poses an economic challenge to European and Western companies, especially when it's underpinned by not playing fairly by the rules, lack of respect for IPR, and so forth.

So I think this is really informing the change of view in Berlin, and that comes on top of, I think, the sort of approach that we're seeing in Paris, certainly under President Macron, but also, as I mentioned in my testimony, from the European Commission, a wanting to scrutinize Chinese activities and also push for some of the initiatives that I mentioned are debated in Europe right now about having a CFIUS-like investment screening mechanism.

HEARING CO-CHAIR TALENT: Thank you.

And I just want to say before I recognize Dr. Wortzel, Mr. Walker, your distinction between sharp and soft power is very, very useful analytically. I hope we, our report reflects that. I wanted to say—in case I don't get a second round and get a chance to tell you.

Dr. Wortzel.

COMMISSIONER WORTZEL: Gentlemen, thank you very much for helping us understand these things here. Your contributions are very valuable.

Mr. Walker, I'm going to direct my question at you, but your fellow panelists may also have a comment.

You early experience with the East West Institute attracted my attention. One of the EWIs program backers is Tung Chee-hwa from Hong Kong. Tung is on the Chinese People's Political Consultative Congress, and that's an organization that's active in Communist Party United Front work activities.

The East West Institute has been affiliated with activities by the Chinese Sanya Initiative in the U.S., and that Sanya Initiative involves the Communist Party United Front Work Department, the Military Intelligence Department of the People's Liberation Army, and the Political Work Department of the People's Liberation Army.

What the initiative has done has paired retired senior U.S. Army general officers with United Front Work Department officials, PLA retired officers, and generally promotes China's ideas on Taiwan affairs and how the U.S. relates to Taiwan, the Taiwan Relations Act.
Based on this earlier experience and what you know, I wonder if you can discuss how the United Front Work Department may be operating both in Europe and in the United States on that particular theme?

MR. WALKER: So Commissioner Wortzel, thank you for the question.

I'd first of all say that my time at the East West Institute was many years ago, and so I haven't worked there for quite some time. And I'm not up to speed on the issues you alluded to. I think for the United Front Work Department questions, you have Peter Mattis on the next panel who really knows this inside out. I'm not an expert on it.

I think I would answer your question in the following way because it's terribly important and perhaps broaden it out. I think what has been woefully underscrutinized is this larger issue of the extraordinary diversity of platforms on which nontransparent Chinese influence instruments operate, and so, in fact, I was going to, had I had a chance to answer the question that Senator Talent posed in the first round, I would have incorporated some of this into this response.

And that is that I think part of the challenge that all of the democracies are facing today is that we're facing an enormous application of state power, which is unitary, on the one hand, operating in the political sphere, media sphere, education, technology. At the same time, and this is a distinction from the Cold War era, there's an enormous commercial and economic dimension, which allows China and other authoritarian regimes, but China is in a class of its own, to be deeply engaged and integrated in our societies.

And that's not entirely a bad thing. There are any number of benefits one could cite to this engagement, but I think what the democracies are struggling with is how to work through the, in essence, the dark side of globalization and integration because the authoritarians, as we note in our report, have really seized and exploited the opportunities that are presented by the openness of the democracies.

And in this instance, I'll just cite a couple of other examples that are relevant to your question—and this is noted by other experts who follow it far more closely than I do—but CEFC Energy—and I won't go into great detail now—but it's noteworthy in the sense that it's ostensibly a commercial enterprise. It really set a foothold in the region that I focused on for this testimony, in the Czech Republic, in particular, but if you read the news, if you read the terrific investigative reporting in any number of our major news outlets in recent weeks, you'll see that CEFC is active in Australia. It's through our Justice Department and through our investigative reporting, we're learning that they're active not in the most edifying ways in sub-Saharan Africa, places like Uganda and Chad.

And so it just gives a sense of how these integrated, related but opaque, powerful interests are exerting interests, and in these cases that I alluded to, it really exerts pressure on freedom of expression because lawsuits are being filed against civil society activists and journalists, based on what they've brought into the public domain. This is a very serious issue.

But it speaks to the larger issue of how the framework that's used by China writ large is presenting enormous challenges in the democracies.

COMMISSIONER WORTZEL: Thank you very much.

HEARING CO-CHAIR TALENT: Thank you, Dr. Wortzel.

And Mr. Walker, please, if you have a response to my first question, by all means. And I should say, generally speaking, unless we indicate, which we never do, that we only want one person to respond, please chime in. We're not all that formal here. Would you like to respond?
MR. WALKER: I snuck it into my response there. Thank you.

HEARING CO-CHAIR TALENT: Okay. Fine. Next is the Commission's chair, Commissioner Cleveland.

CHAIRMAN CLEVELAND: Thank you.

I appreciate all of you appearing today and adding to our understanding. I'm interested in, as you describe it, the diversity of platforms that the Chinese are using, and I'm wondering if anybody has tracked, kept track of, Confucius Institute presence and then sort of what the mode of operating is. I think, Mr. Walker, you mentioned, mentioned them, but I'm curious about how they--how they introduce themselves, and then what role they actually play?

MR. WALKER: So I think the definitive study on this has been generated by the National Association of Scholars, and I commend that to everyone, and there are, I think, journalists operating in the U.S. context who are doing incredibly important work on this, including people like Josh Rogn and Bethany Allen-Ebrahimian among others. I think they're really helping the public understanding of this, which is terribly important in this context.

I think what I would stress just in broad terms as it relates to the Confucius Institutes is that what the Chinese authorities seek to do, and the Confucius Institutes are run by Hanban, which is a Chinese state propaganda office, is try to build a relationship of trust with the private and public universities they interact with, which I guess can be okay in some respects, but understanding everything that implies is important because in most or many of these cases, the relationship is based on Chinese law.

As I noted in my written testimony, it's based on the staff that's provided through the Chinese side. In many cases, my understanding is that the books and materials actually are provided by the Chinese side into universities in the democracies of Europe and the United States and so forth. I think there hasn't been enough reflection on what the standards should be here.

And I think it's also important to note that much in the way that China in the European Union context and elsewhere uses a divide and conquer strategy, this is very much applied in the context of our universities. If you're a university provost or chief development officer, you don't want to be the person who's sitting without a chair when the music stops. You want that Chinese culture and language program at your school. Resources are tight. People compete for these, very understandable on one level, but what this means over the long term in terms of the corrosive effect on standards of expression, issues that don't make it into the discussion for fear of ruffling feathers or in terms of preemptively not offending, I think these are issues that need far greater scrutiny.

And just in the larger picture, to the first part of your question, I think what, we're in a phase now of raising awareness in a way that we can devise responses because if you look at the latest effort by the Chinese authorities to create what they've called the Voice of China, which is really a massive unitary effort to bring together all of the broadcasting and information power that they have and marshal this in one place, it's very difficult to know exactly what the resource base is there, but it's surely in the many hundreds of millions of dollars, and then this is being applied globally now, including in places that have very vulnerable or weak media.

Central Europe, Southeastern Europe is among them, as is sub-Saharan Africa, Latin America, where independent media is in duress. U.S. international broadcasting certainly doesn't have the resources to meet the challenge that's being presented in these places, framing issues in ways that are hospitable to the Chinese authorities and I would argue often inhospitable to democracy and U.S. interests. I think these are issues that we're only starting to meaningfully
engage on, but they're terribly important to understand.

CHAIRMAN CLEVELAND: Thank you.

I have one other question. Mr. Wright and Mr. Walker, you both mentioned Russia in passing. And I'm curious how you see the collaboration or competition between the two playing out in Europe and what opportunities you see for the United States in that either collaboration or competition?

I think, Mr. Walker, you talked about the coordination and cooperation with Russia and China, the Serbian Council, which I thought was an interesting--

MR. WALKER: Sure. So I think it's always a bit murky to know precisely the degree of cooperation. I think one thing that's clear, to the extent there are a divergence of interests, I think the interests of Russia and China in the sphere of freedom of expression and the political integrity of democracy converge, and those interests are really informed by the values that you find in Beijing and Moscow, and it's very important to stress that those values privilege state control, political censorship, domination of the media sphere.

And as I noted in my testimony, I think one of the questions we have to grapple with is why the outward-facing activities of these states, which dominate the projection of this influence--it's not their civil society or private actors that are engaging in this space; it's really the state that's driving it--why that would be informed by different values?

And so when--and this is just my sense--I think when China and Russia engage in a weak democracy or struggling democracy like Serbia, it has very significant implications. When Sputnik starts using its web portals to project information there, when China starts deepening its agreement in the media space, it has very significant implications.

I think what's interesting, and Martin Hala notes this in his Journal of Democracy piece, is that it seems as though Russia and China have come to some sort of an accommodation in Central and Eastern Europe because one could imagine that Russia would not be so keen to see China engage in the way it's engaging to the immediate west of the Russian federation, and yet China is there in a very significant way, and so there seems to be at least at some level an accommodation that's been reached.

And then I would say in just one final short point there has been some research done and some visible sense that in terms of containing and contesting democracy, there is, there are discussions and conferences that are held where Russia and Chinese actors share thoughts and ideas. It's a sense authoritarian learning in this way, and I think it's hard to know the depth of that because I suspect most of this is not out in the public domain and visible, but I think there are a few instances where you see these sorts of things evincing themselves, and it's just, I think, in my view, a way to exhort the democracies to enhance their own democratic learning to defend their own values and standards.

CHAIRMAN CLEVELAND: Interesting.

DR. WRIGHT: Yeah, just to briefly add to that. I do think that overall on a global basis there is Russian cooperation with China. A lot of people say that they are natural competitors or rivals, but I think they do have a shared, a shared challenge, which is that liberal order, and they perceive that as a threat to their interests, and I think particularly from the Russian point of view, Putin has turned to China because of the lack of alternatives and because it suits him at this particular point in time.

It doesn't mean that over the very long term there won't be problems, but I think there is, there is cooperation there, and that said, I don't see sort of obvious coordination in Europe. I agree with Chris that the net effect of Chinese activities and Russian activities
separately could—you know, there could be a synergy there in particularly vulnerable democracies in Eastern and Southern Europe, but I don't see them coordinated.

And there is one, I think, major difference between the two, which is China although it wants a divided Europe that it can sort of peel off on particular interests, it does need a healthy sort of EU and a healthy eurozone, and it sort of recognizes that that is a crucial part of its interests because it needs a healthy sort of global economy, and if the eurozone fell apart, then Chinese interests would be gravely damaged.

And during the eurozone crisis, China did sort of adopt a very sort of responsible and constructive approach. That I think is fundamentally at odds with Russia, which probably would welcome some of the chaos that came from an economic collapse because their interests are not as tied up in a healthy global economy because of their economic model.

So I think that's the, that's the major difference between the two, and it's why I think that China does want to divide the EU, but also, you know, doesn't want to see it, to see it come to an end, and I think has had a skeptical view of Brexit and generally speaking wants the EU to be a strong economic sort of presence in the global economy.

MR. BRATTBERG: And just to add very quickly to my two colleagues. I completely agree with the points they made that Russia and China's interests at least in the short to medium term align when it comes to efforts to undermine the West.

I do think that China and Russia play somewhat complementary role, especially in Central and Eastern Europe. China has resources much more so than Russia that it can use and leverage. And I also think there's the potential that China is viewed as a somewhat more innocent actor by regional states than Russia so they can get away with things that perhaps Russia cannot.

That said, I agree with Tom that, you know, China views the potential for rising populism and anti-globalization sentiments in Europe as quite the danger whereas Russia, of course, is actively seeking to foment populism to undermine the EU from within.

CHAIRMAN CLEVELAND: I have a follow-up but thank you.

HEARING CO-CHAIR TALENT: Commissioner Wessel.

HEARING CO-CHAIR WESSEL: Thank you, all three, for being here, and, Mr. Walker, I want to mirror a comment Senator Talent made, that your initial comment that we need to differentiate between the Chinese leadership and the Chinese people as we address this issue is a very important one because we are all talking about governmental policies and not broader societal issues with China.

Mr. Brattberg, you raised KUKA, Aixtron, and some other transactions which have caused enormous concern here in the U.S. in the past, as well as the EU's slow-walking, shall we say, on how to address China's nonmarket economy status. There's been a view here in the U.S. that the EU has not always been a vibrant partner in responding to some Chinese activities in the economic realm but certainly in the political and diplomatic realm as well. And one negotiator said at one point that the EU likes to hold our coat while we bloody our nose.

I'm a Democrat. Let me make that clear. But it seems that our president has accelerated a discussion about how to best confront China. His 232 action stimulated the EU to look at safeguards against steel from other nations. We've been involved in overcapacity discussions either through the OECD or the G20 Global Forum for--OECD, I think, is seven years; G20, two years. And now we're beginning to confront those issues--the recent action about intellectual property.

I'd like all of your thoughts about whether those administration actions are, in
fact, positive force in terms of accelerating the debate, you know, notwithstanding whether you believe in tariff application or anything else, but it seems that, you know, we're now having the debate we should have several years ago, and that the anxieties and differences in the relationship have been papered over too long.

Mr. Brattberg, do you want to start?

MR. BRATTBERG:  Sure. Thank you for the question.

As I tried to mention in my opening testimony, I think a lot of the debates that are taking place in Europe are quite similar to the debates taking place here.

So I actually think there's a convergence in views on both sides of the Atlantic in terms of how our leaders view China. I think this debate has come further in this country, but I think the Europeans, as I mentioned, are really moving in the same direction, and that to me should be the basis for optimism about joint cooperation on addressing China.

I do think that some of the efforts that are taking place in Europe right now--I mentioned there's a debate about a CFIUS-like screening mechanism. This is currently--I think the European Commission has put forward a proposal. It's currently being debated in the European Parliament. It's possible that we would see legislation adopted in the summer. Most likely such legislation would not be legally binding. It wouldn't be an EU-level decision, but it would provide EU countries guidelines and the option for adopting their own national screening mechanisms. Currently about 12 European Union members have such legislation.

So this would help I think bring EU policies closer to the policies that we have here, and I think therefore we would sort of avoid a disjointed transatlantic approach.

I do think the two issues that you brought up, Section 301 and 232, I think on 301, I actually think there's a lot of European support for what the president is trying to do here. However, I do think that Europeans would have been more supportive should the United States have gone to the WTO and filed a formal complaint against China. If so, I think there would have been quite a lot of support from the European Union.

HEARING CO-CHAIR WESSEL:  Well, the administration is filing a WTO complaint regarding--

MR. BRATTBERG:  A joint complaint with the European Union.


MR. BRATTBERG:  And I think under Section 232, I think from a European perspective, it was unfortunate, the timing was unfortunate, but also that this is perceived as targeting allies rather than going after China, which is something that again I think there's a lot of support, increasing support to do together.

HEARING CO-CHAIR WESSEL:  Mr. Wright. Dr. Wright. Excuse me.

DR. WRIGHT:  I would just add I agree with all of that. I would just add that I think there is one major sort of problem in the administration's approach to this issue with Europe, which is that the president and some of his advisors I think have a very hostile attitude toward the EU and would like to see it break up or fragment.

Certainly John Bolton has been on the record in saying that on the eurozone. President Trump himself has said that. And I think that really complicates this issue because NATO has no economic arm. You know, there's no NATO finance ministers meeting. The only capacity for a unified European response to these economic and political issues is through the EU, and the only mechanism for a transatlantic approach is a U.S.-EU approach, and the administration is not willing to engage the EU in that or it sort of sees the EU as big a competitor and challenge as China, which going on some of President Trump's statements on this, one could
take that conclusion from them.

I think that basically makes a unified approach almost impossible, and when one looks at the rest of the Cabinet, there aren't obvious people who will be, who will come at this from the perspective of being able to pick up that slack and actually have a unified transatlantic approach. I do worry about the lack of a unified response on this, and I think there are, you know, there are opportunities actually for Russia and China to basically use the official U.S. position on the EU to further their own sort of agenda in helping to fragment and weaken the EU as a unitary actor.

HEARING CO-CHAIR WESSEL: Mr. Walker.

MR. WALKER: I might just address a slightly different angle on this question in the European context, which I think is relevant to the transatlantic challenge vis-a-vis China, which is that I think until now the framing of how we deal with these sorts of questions has been either engaging or shunning, and because some of these issues are coming to light now, it gets a little trickier.

But I think shunning or isolating is extremely problematic, and so it's really the nature of the engagement and how sophisticated and principled it would be. So apart from some of the economic questions that we're addressing now, I actually think that part of the challenge going forward, given the degree of integration in the education sphere, in the media sphere, in the technology sphere, in the publishing sphere, in the entertainment sphere, we need to think through these things to help European partners and the established democracies set the standards to address the way in which China and its surrogates have essentially been reshaping and bending the standards--things like Cambridge University Press and Springer Nature. Those are just two examples.

Hollywood is another question. But I think if we can't get this right and fix it in the democracies, it's going to be extremely difficult for the weaker democratic hopefuls to get it right. In essence, we have to provide the leadership on these things, and I think that's the next phase of this discussion, how we address these issues that are already interwoven into our systems and societies in ways we don't destroy our economies, we don't contravene democratic liberal values. It's a very tough business. It's easier to diagnose and identify--really tough to identify thoughtful approaches where the cure is not worse than the ailment.

And so I think this is part of the democratic integrity challenge in the next phase of this discussion.

HEARING CO-CHAIR WESSEL: Thank you.

HEARING CO-CHAIR TALENT: Commissioner Stivers.

COMMISSIONER STIVERS: Thank you.

MR. Walker, thank you and congratulations for your leadership in really coining the term "sharp power." NED did some excellent work on that.

It is an important frame for understanding how China's policies are exercising power. You know, we can talk about the specific policies of what they're doing, but until we've had an overarching frame for it, it's been hard to, I think, break through in a bigger way. So NED's work on that has just been absolutely fantastic. So thank you for that and congratulations.

We know that democratic governance is the key element which binds the U.S. and our allies together. It's government by the people. It's sustainable. Leaders can come and go. But these relationships between our countries and our people in a democratic way is sustainable over the long term, and it's absolutely essential to our security relationships and our economic relationships.
And the fact that democracy is under siege globally, it's a national security concern. And many are seeing China's model, especially in lower income countries, as a better model for economic growth moving forward.

Can you expand a little bit and kind of take more of a bigger picture on, first of all, what are the specific policies that the U.S. Congress in particular should be moving forward to try to promote democracy worldwide, specifically civil society, transparency, the specific things we should be doing, and second of all, how do we tell that story of the success of democracy economically, which I think is the key point?

China has lifted more people out of poverty in the last 25 years than anyone in the history of the world, and that's quite a story to go up against when it comes to democracy globally. So could you kind of tell us more about the big picture and how we talk about this issue?

MR. WALKER: So first of all, thank you, Commissioner Stivers.

I would note that my colleagues at the International Forum for Democratic Studies all contributed to this effort, and really a lot of work went into having a very good product in the end, and I'd also note that the term is being used quite a bit now. It doesn't suggest that China and other authoritarian regimes can't do soft power. I think any number of observers noted they have a hard time doing it. And we get into this in the report.

I think we found there was something missing in the outward expression of this influence, which really was organized around political censorship. And that's what I would stress, that in these settings, like China's, where you don't have democratic governance and accountability and open media, that becomes an organizing principle. If you speak out against the authorities, you find yourself in a bad way, all the ways we know. I think after the 19th Party Congress, the space for those sorts of voices will only shrink.

And it's noteworthy I think that in Russia where the current leadership is now fast approaching two decades in power, this has real implications, and it's quite relevant to your question in the sense that there is a continuity of policy in a sense, and I think it's relevant to Tom's observation, that at some basic level, China as well as Russia, and I suspect the leadership in Iran feels similarly at this level, I think we observe that China, Iran, Saudi Arabia and Russia, they have dramatically divergent interests on a lot of issues, but they all agree that democratic accountability is not a good thing.

And in their own way, they work against that in many of the spheres we've been discussing. And so this is a larger issue that transcends China, but China by virtue of how its supposed model has worked, how they've framed the issues, I think critically important to the larger discussion is that both China and many of its interlocutors have seen China's exertion of influence purely or almost exclusively in the economic and commercial realm.

And it's simply not the case. When you have commerce and economic engagement at this level, the politics comes with it, and sometimes it's readily evident in the way you see it with media initiatives. Clearly, the people-to-people exchanges, tens of thousands of them, to the tunes of many millions of dollars that are invested, it's an effort in relationship building, but it's done in a way that makes sure the lens is narrowed when say Southeast European journalists or policy makers come to Beijing. They're not getting a wide-lens view of the world or of how China works. It's usually a narrow lens view.

This comes through very clearly in our reports in places like Argentina and Peru, and this has been grossly underscrutinized. So this is really what kind of underlies the substance of this activity, and I think we're at the stage now, and I'm actually hopeful and confident that
over time the drawbacks to the Chinese model of development--let's face it--there's been enormous economic growth, but it's come at the cost of massive environmental degradation, out of control corruption, which we see by virtue of the signaling of this anti-corruption campaign, which has enormous flaws without independent civil society and open media.

I'm not aware of too many anti-corruption campaigns that have had durability in really cracking down on corruption, not just sorting out political oppositionists selectively, that have worked over the long haul.

And so I think these sorts of features of the larger discussion kind of demystifying the Chinese model and miracle, that hasn't really happened yet. But I suspect it will, and this will have a large impact on how the country is perceived, and I think it's fair game. It should be examined and scrutinized in a serious way, in a candid way, not where people kind of restrict their view, and these sorts of things come out loud and clear from places like Australia, and Clive Hamilton's book is Exhibit A.

When you try to take a candid look at some of these things, the walls start to squeeze in, in expression terms. I think this is something we really have to guard against.

MR. BRATBERG: Just to add quickly to Chris' comments, I do think there is an opportunity to point out the drawbacks and limitations of the China model, to provide an effective counter-narrative. It's important to look at China's activities, especially under the Belt and Road Initiative, and how it leads to debt accumulation in a lot of the countries.

Again, these are commercial loans with commercial interest rates. It may look tempting for a small country in Southeastern Europe in the short term, but when the long-term consequences of these Chinese investments become apparent, I think it may not be as tempting anymore. China often conducts its large infrastructure projects using the build-own-operate model, using Chinese cement, sending Chinese workers, not paying local taxes.

So one has to wonder what's really in it for some of these local countries and can some of the Western initiatives provide a more credible alternative? I think especially in Central Eastern Europe, the West, in particular the European Union, does have a lot of alternatives with neighborhood funds, the prospect for membership or partnership with the European Union, and the amounts of funding going into the region from Europe far outweighs what China is doing in the region.

So I don't think we should sell ourselves short, and we should provide I think an effective counternarrative what China is doing.

COMMISSIONER STIVERS: Thank you. Thank you.

DR. WRIGHT: Very, very briefly, just to add to that because I think it's a crucial, a crucially important point, which is that in Central, Eastern, and Southern Europe, these are not sort of fully independent autonomous countries in a way that maybe countries in Central Asia might be because they're members of the European Union, and they have obligations as members with access to the single market that other countries wouldn't necessarily have, and so they've all signed up to very high standards of democracy and institutions and the like.

And I think that provides very important assets and leverage in terms of protecting democratic institutions that may not be there with another country that isn't a member or affiliated at all. And that's why I think I am sort of fundamentally optimistic as well, but I do think the EU needs to push back strongly, and I do think that the United States needs to bring this up. You know, when, unfortunately when the president visited Poland last year, you know, there was no discussion of any of this in terms of the importance of institutions and democracy.

I think it's not just a nice to have; it's actually a strategic interest to ensure that
those values are upheld against these external pressures.

COMMISSIONER STIVERS: Thank you.

That's good to hear. Just a quick, a brief comment. Mr. Walker, you mentioned in your testimony that the resilience of China's regime has been an unanticipated twist. I would just like to comment that many of us and a lot of people said 20 years ago that the engagement that we need to have with China in terms of confronting China on human rights and on their democracy, having some sort of change to that was not a laissez-faire approach where China will open up to the global economy was not going to change that, and in fact it would embolden China's regime moving forward.

James Mann wrote a great book called The China Fantasy. My former boss, Leader Pelosi, was saying this during the China PNTR debate, that if you want to change human rights and democracy in China, you have to have a more tougher policy on those issues, and just an idea that China is going to become more democratic based on globalization was not going to work.

And I know NED has made those arguments also, but just an aside.

MR. WALKER: And I would just briefly add to this, I think it's a terribly important point because a way of looking at this is that China in essence has taken the initiative on these issues. And I think the democracies for a host of reasons, either because they felt somehow by osmosis the economic engagement will lead to changes, I think it hasn't happened and it doesn't work this way. And I think what we recognize now is among other things supporting civil society is key on so many levels, especially in the young democracies.

If you don't have that, it's very difficult to shine a light on the elite capture that's happening with officials, which is often where China aims its resources, and society at large can't get a handle on how to put China into context.

And I'll just reiterate--I think Tom alluded to this--I think we've also really been slow to understand the depth of the changing global media landscape, both in terms of the ability to project through the digital sphere, where we have at a, at virtually all levels we've either been inadequate or scaled back, and China clearly if you look at what they're doing in Latin America, sub-Saharan Africa, southeastern Europe, central Europe, is scaling up. It's not a question of that investment. That's there. The only question now is how effective in the impact it has. And I think we're past the time where you can just say, well, look, don't worry, it will never catch on. We used to say that about Russia's media. That was the discussion on Russia eight or nine years ago and that changed.

And so I think this is also the next part of our collective discussion in the democracies on what would be a meaningful sort of response to the global investment in the media and information space.

HEARING CO-CHAIR TALENT: Commissioner Tobin.

COMMISSIONER TOBIN: Thank you, gentlemen.

I'd like to give you a context for my question, and essentially so far in our discussions, we've been looking at foreign policy and the media picture, and I'd like to focus somewhat on the business on the ground situation.

The Commission this year for 2018 has looked at the Belt and Road Initiative five years out, and we all know that that's the scaffolding for China going outward over the next ten, 20, 30, 40 years. We also looked at at our last hearing the Internet of Things and 5G technology. In both of those cases, the future is what we're taking a look at. You used, Mr. Brattberg, the idea of China is going to Europe. Perhaps, Mr. Walker, you said authoritarianism goes global.
So I'd to hear from each of you in terms of Internet of Things, 5G technology, the Made in China initiative, which has ten years to go into place to 2025, running right up against not only the United States' crown jewels, but some of Europe's crown jewels. Give me the business perspective and the sense of awareness in Europe and by country, if you wish, but let's start with you, Mr. Brattberg.

The future--I think we've got to--where is your--how aware are they of the threat to business?

MR. BRATTBERG: Right. Thank you for the question. I think it's important to look forward. As I mentioned, I do think, you know, for Europe having traditionally viewed China as an economic partner, really a big export market for European products, it is seeing the influence of Chinese inbound investments into Europe, acquiring oftentimes small and medium-sized companies or investing in bigger European companies, and I think they're perceived as not just being commercially driven investments but really, you know, driven by strategic objectives from the Chinese.

So I think this is the view that is beginning to take place, especially in some of the countries that we've mentioned in Western Europe, like France and Germany, even to the UK to some extent. And I think for most Europeans, the potential for China, as I mentioned in my opening testimony, to siphon off European know-how on key emerging technologies is representing not just an economic challenge but frankly a strategic challenge.

There's a debate in France right now about artificial intelligence. President Macron is proposing new initiatives to reinvest or to invest in, you know, new AI technologies in France, and I think this is very much driven from a strategic concern that European countries run the risk of losing out in the competition against China and the United States, for that matter.

So I think as countries in Europe are increasingly scrutinizing China, they're doing so not just because of the pure economic reasons, even though they're there, but I think they're also increasingly doing so for strategic reasons of not wanting China to siphon off these technologies to be able to pose strategic challenges to the Western order as well.

COMMISSIONER TOBIN: Is Airbus involved with that, Mr. Brattberg?

Airbus?

MR. BRATTBERG: I'm not--I don't have knowledge about Airbus connection to China, whether the Chinese are investing or not.

COMMISSIONER TOBIN: Okay.

DR. WRIGHT: Yeah. I would just add to Erik's remarks, which I agree with. I think here in the United States, we're quite a bit behind in terms of some of these questions, but Europe is much further behind still. I mean there aren't the basics of really thinking strategically about what China's medium-to-long-term agenda is on the business and investment side.

There's a quote in our testimony, I think, from Jean-Claude Juncker, who is head of the European Commission, basically calling for common European rules. What's interesting, when he said that, he was shot down by the Polish government and by other individual governments who don't want to see stricter guidelines because it will come at an economic cost.

And this is the dilemma that I mentioned earlier--

COMMISSIONER TOBIN: Right, right.

DR. WRIGHT: --that the individual incentives, especially in a low-growth environment--Europe has just had basically a lost decade after the eurozone, a very low growth and stagnation, and so the incentive that individual governments have is to really find these sources of investment and market access wherever they can, and China seems to be a pretty juicy
target.

So I can't recall the list offhand, but there is quite a significant list of those investment decisions in the near past, including with Huawei and others, where Europe has been much more lax, I think, than we have been here in the United States on it.

You mentioned Britain, I mean Britain was one of probably, well, one of the most problematic cases where one of the most controversial decisions that the Cameron government made was to allow Chinese investment in the nuclear power plants in Britain. Prime Minister May--

COMMISSIONER TOBIN: Right, right.

DR. WRIGHT: --actually put in, was skeptical of that, coming from a home office perspective, put a delay on it, but I think ultimately agreed with certain safeguards that were asked for.

But this question of investment in critical infrastructure and, as Erik mentioned, of acquisition of small-to-medium-sized firms that have the technology transfer, particularly I would say in the artificial intelligence space, I think is a big problem. That's why one of the things that we call for, I think, was a common sort of transatlantic approach to this, to ensure that there is greater awareness and that there is less sort of vulnerability on the tech transfer side.

COMMISSIONER TOBIN: On the Internet of Things, on AI, it is going to be the smaller companies, you know, not the giant. So Europe will need to have a very clear heads up on that.

Mr. Walker.

MR. WALKER: So I don't have so much to add. I'd note that my colleague Shanthi Kalathil looks at this very closely and knows these issues well. I think what we can emphasize in the Internet of Things and with respect to AI is that the countries whose firms have the dominant hand in that sphere will control--

COMMISSIONER TOBIN: Right.

MR. WALKER: --a lot. And I think from a unitarily driven government that has often nominally autonomous firms working for it responding to government demands, there are certain inherent advantages there that I don't think the democracies have come to terms with.

COMMISSIONER TOBIN: Thank you.

I'll mention one thing before I cede. The Belt Road Initiative, one of the things we became quite aware of in January was the extent to which the Internet connectivity standards are going to be put into place. So it is by no means just concrete infrastructure. It is--and it is disturbing when you think to the future when you blend in the technology of 4G, et cetera.

Thank you very much. In terms of the list that you mentioned, Dr. Wright, I'd like to see if our staff could pursue that and then we'll look at that reference you just gave, Mr. Walker.

Thank you.

HEARING CO-CHAIR TALENT: Senator Goodwin.

COMMISSIONER GOODWIN: Thank you, Senator, and thank you, gentlemen, for your time this morning.

I want to follow up on Commissioner Stivers' questions about the flawed assumption I think we entered into this relationship with, that increased engagement and globalization and integration would bring along with it, in addition to economic benefits, increased reform and progress in China, and that simply has not been the case. As Commissioner Wessel pointed out, the administration does deserve some credit for at least
accelerating the conversation on how we revisit this flawed assumption. I'd like to talk a little bit about their specific approach because at the same time I think there's been some sentiment expressed by the administration and others in our country that our alliances with the EU and our friends and partners in Europe and around the world are a bad deal for America and for the U.S., and that a lot of our partners aren't carrying their own weight or contributing.

And my question is given that sentiment, how susceptible is the U.S. to similar Chinese efforts that you all described they've been using in Europe so far to influence the discourse, to perhaps weaken the alliances between EU member states and the relationship between Europe and the U.S. more broadly, and does that sentiment, and do the more recent tariffs and trade measures fall, as Mr. Brattberg suggested, right into China's hands or play right into China's hands?

DR. WRIGHT: I can start. Thank you, Senator, for the question. I think it's a vitally important point. I don't know of--I mean on the next panel I think are the people who can speak as well to Chinese influence operations here in the U.S. I think Peter Mattis has written about that as well as in Asia.

I'm not aware that there are Chinese influence operations to diminish U.S. support for alliances, but that would certainly I think be consistent with their long-term objectives because the biggest challenge that they face I think is a unified West, is the U.S., the EU, Japan, Australia, and others standing up for and pushing common standards and regulations and a vision of sort of an open and free global economy with appropriate rule of law and institutions and the like.

I think it's very important to understand this is not, as you know and as you indicated, this is not just a military competition. You know, this is a full spectrum competition that's now underway between the United States and China, and it has an economic and a political and a diplomatic dimension, as well as a military dimension.

Many of the alliances at the formal NATO alliance is actually quite narrow in terms of what it can do. It's sort of focused mainly on the military side with some sort of democracy and rule of law components. But on the tech side, on the economic side, on the financial side, all of these things, those are largely excluded. They do come in through the European Union, and that's why I think it is absolutely vital to have a common and sort of shared approach on that.

My view on the burden sharing argument is I think it's a very unfortunate frame through which to see the transatlantic alliance. I think there is a case obviously on the two percent. I think European countries should be spending more, but I even think that is in part largely inaccurate. It doesn't capture, for instance, the decision of individual European governments to support the United States in wars after September 11, you know, at great political cost to them ultimately, and that's not captured in the two percent number, and that was largely done out of loyalty to the alliance.

So I think these are, you know, there's a very nuanced sort of picture, but it is impossible I think for the U.S. to basically win this competition across all of these dimensions without support from the EU and from Japan and democracies in East Asia. So that's why I think you're exactly right, that the support for those partnerships is an indispensable and necessary piece of a successful strategy.

MR. WALKER: I would build on what Tom has said. I think what we've underestimated collectively in the democracies, and this has certainly become more evident with Russia, is that Russia and China in different ways, some of which have already been expressed
during this discussion, are really aiming at the political integrity of the democracies.

I think in China's case, the challenge in the U.S. context of analytically and understanding is that there's clearly a lot going on, but it's hard to put this into some coherent and user-friendly form that makes it more accessible for people to understand. And I think the hearings you're convening are terribly important in this regard to bring things out into the open, create a public record.

But I would just use the example of the Confucius Institutes. It was years before you had a comprehensive report that was generated. There are plenty of individual articles, smaller things, but nothing that really brought it together. At the same time, I'm not aware of reports in the U.S. context that have comprehensively looked at the Chinese state's media engagement here.

There are bits and pieces. There are articles from time to time. Likewise, and this is a really tricky one, looking more comprehensively at the U.S. education sector and the university sector because there are inducements to self-censorship there, and it's very hard to prove a negative or something that's never said. You get into a kind of Alice and Wonderland sort of world, but this is terribly important because it will surprise nobody in this room that to advance in your scholarly career working on China issues, you need access to China.

And the authorities in China can be very miserly in how they make visas available, how they calibrate access to critical areas for research, and so forth and so on. Everything you know. I mention only those sorts of things, not even getting to Hollywood and entertainment and so forth, that there are a lot of pieces to this puzzle, and it can make it very daunting and overwhelming and complex, and this replays itself in other settings and societies. In the absence of something and efforts that bring it together in ways that are comprehensible to policymakers, policy elites and the general public, it remains kind of mystifying.

And so I think that's been part of the challenge. We're only recently entering the phase where we're getting at this demystifying it and understanding that in this larger phase of development and globalization where there are clear benefits, there have been some things that evolve that are highly problematic for the political integrity of the democracies, and sorting them out will take more awareness raising, thoughtfulness, and then some responses that are equal to the task.

MR. BRATTBERG: And just a final quick word on my end. I very much appreciate your question and, as I alluded to earlier, I actually think that the new U.S. National Security Strategy in acknowledging China's growing economic presence in Europe, in stressing the need for greater cooperation with U.S. allies and partners in Europe and Asia, provides a good platform for having a greater transatlantic cooperation on these issues as my colleagues mentioned.

So I would hope that the U.S. administration would follow its own National Security Strategy, work with allies and partners in jointly addressing what I think we tried to outline are really becoming shared concerns on both sides of the Atlantic when it comes to China.

And if we can do that, I think we have the potential to send a very strong concerted message from the West on behalf of America, Europe, Japan, Australia and others that would really drive home the point that China is not playing by the rules and there is the West still stands for the international order, and China will need to play by the same rules and incorporate itself into that order rather than to challenge it.

COMMISSIONER GOODWIN: Thank you.
HEARING CO-CHAIR TALENT: Okay. Thank you all. And before we adjourn this panel, Mr. Wessel has a brief request.

HEARING CO-CHAIR WESSEL: A quick. We've been webcasting this morning, and I'm learning at my age that that creates new communities. So there are actually a lot of people. I got an email while we were talking about China joins the European Bank for Reconstruction and Development, and when you, after this hearing, if you can supply any thoughts in writing to us about what implications that might have, that would be helpful.

And we will adjourn for ten minutes, and then begin our next panel.

HEARING CO-CHAIR TALENT: We're a little behind so we'll keep the recess to ten minutes.

HEARING CO-CHAIR WESSEL: Correct.

HEARING CO-CHAIR TALENT: It will be right about five till the hour.

HEARING CO-CHAIR WESSEL: Thank you.

[Whereupon, a short recess was taken.]
HEARING CO-CHAIR WESSEL: What are the implications of China becoming a shareholder of the European Bank for Reconstruction and Development?

MR. WALKER: The European Bank for Reconstruction and Development is committed to support the development of market economies based on the rule of law and democratic institutions, principles that the Chinese government opposes. The United States therefore should strongly defend those principles within the EBRD and challenge the Chinese government where it seeks to contest or undermine them.
PANEL II INTRODUCTION BY COMMISSIONER MICHAEL R. WESSEL

HEARING CO-CHAIR WESSEL: We'll start our second panel. Our second panel today will explore China's relations with U.S. allies and partners in the Asia Pacific.

Our first panel expert on this panel is Ankit--I hope I'm pronouncing it right--Panda, who will talk about China's relations with Japan and South Korea.

Mr. Panda is a senior editor at The Diplomat and an adjunct senior fellow in the Defense Posture Project at the Federation of American Scientists.

His work covers nuclear and conventional force developments in Asia, missile defense, and nuclear strategy. He is a graduate of the Woodrow Wilson School of Public and International Affairs at Princeton University. Welcome.

Next we'll hear about China's relations with Taiwan from Russell Hsiao, executive director of the Global Taiwan Institute and editor-in-chief of the Global Taiwan Brief.

He previously served as a research fellow at the Project 2049 Institute, national security fellow at the Foundation for Defense of Democracies in Washington, D.C. Prior to these positions, he was the editor of China Brief at the Jamestown Foundation from October 2007 to July 2011 and a special assistant in the International Cooperation Department at the Taiwan Foundation for Democracy.

Mr. Hsiao received his J.D. and certificate from the Law and Technology Institute at Catholic University's Columbus School of Law.

Our third witness is Amy Searight, senior adviser and Director of the Southeast Asia Program at the Center for Strategic and International Studies.

Prior to CSIS, Dr. Searight served in the Department of Defense as Deputy Assistant Secretary of Defense for South and Southeast Asia from 2014 to 2016. She also served as principal director for East Asian security at DoD and as senior adviser for Asia in the U.S. Agency for International Development.

She holds a Ph.D. in political science and an M.A. in East Asian Studies from Stanford University and a B.A. in political economy from Williams College.

Our last witness will be Peter Mattis, fellow in the China Program at the Jamestown Foundation. Mr. Mattis is also a Ph.D. student in politics and international studies at the University of Cambridge.

He edited China Brief from 2011 to 2013. Prior to the Jamestown Foundation, Mr. Mattis served as an international affairs analyst for the U.S. government. He received his M.A. in security studies from the Georgetown University School of Foreign Service and earned his B.A. in political science and Asian studies from the University of Washington in Seattle.

Mr. Mattis, we're glad to have you testify here again and look forward to all the testimony.

Why don't we start in the order of introduction? Please keep your comments to seven minutes roughly. Your prepared testimony will be put into the record, and we look forward to a good back and forth.

Thank you.

Mr. Panda.
MR. PANDA: Well, thank you very much, and thank you to all the commissioners for the privilege and the honor to testify before you today on what is a timely topic.

So I'll be addressing the People's Republic of China's attempts to coerce, influence and more generally China's perspectives on the U.S. alliances with Japan and South Korea, two of the United States' most important partners in the Asia Pacific region.

This is a timely topic as we witness the crystallization of an ambitious Chinese regional policy in East Asia today—one which has cast aside past reticence about seeking regional hegemony and influence. I think we should take Chinese President Xi Jinping at his word when at his presentation of the Political Report at the 19th Party Congress in October, he underlined a plan to achieve China's "great rejuvenation" across three phases, first, by 2020, by 2035, and ultimately resulting in China's emergence as Asia's regional hegemon by 2050, one year after the centennial of the founding of the People's Republic.

Today, the United States and China are interlocked in a period of protracted geostrategic competition in East Asia—dynamic that this administration here in the United States has recognized in its December 2017 National Security Strategy. We are witnessing this competition play out in the realm of institutional influence, the military balance of power in East Asia, and certainly in terms of how Asia's regional security architecture might adapt to China's undeniably large regional presence, which is growing every year. Japan and South Korea play an important role in this competition.

So U.S. alliances in Northeast Asia have long represented a significant asymmetric advantage against would-be hegemons in the region. This was as true during the Cold War against the Soviet Union as it is true today against China, and this is something that Beijing appreciates and seeks to effectively overturn.

China for its part has one lone ally in East Asia, which is North Korea, a dysfunctional and unreliable partner, a global pariah state. The two countries have a mutual defense pact dating back to 1961, but in general China sees little role for alliances in international politics, and a big part of that does have to do with these U.S. alliances in Northeast Asia, which in contrast to China's lone alliance are robust and effectively a cornerstone of maintaining the liberal rules-based order in East Asia today.

Accordingly, if Chinese objectives include seeking greater influence in the future of the regional order in Asia, eroding the vitality of U.S. alliance relationships will naturally be an important objective.

In fact, this goal has preceded China's current generation of leadership under President Xi Jinping although President Xi has certainly injected China's ambitions with a new degree of energy.

So for China to attain regional hegemony by 2050, it will have to find a way to effectively erode and break these alliances.

So I'll talk a bit about some of the drivers of why China is so concerned about U.S. alliances in Northeast Asia. I think the military drivers are the most easy to talk about and appreciate. The United States between Japan and South Korea has a little bit short of 80,000 forward-based troops in the region. At Yokosuka Naval Base in Japan, the U.S. maintains its only forward-deployed aircraft carrier, currently USS Ronald Reagan, and more importantly both
Japan and South Korea benefit from U.S. extended nuclear deterrence, meaning that the United States would use its nuclear weapons first to defend either country from conventional aggression. This aggression in recent years has been thought to primarily emanate from North Korea, which is now unfortunately a nuclear threat, but in the future this would potentially also include China. And Japan and South Korea both have outstanding maritime territorial disputes with China. This is more acute in Japan's case where in the East China Sea, they have an undelimited exclusive economic zone conflict and conflict over the Senkaku Islands in the East China Sea as well.

And the United States has conveyed assurances to Japan that in any future contingency over those disputed islands that the U.S. would uphold its mutual defense commitment to Japan and U.S. troops that are deployed in Japan would come to the aid of the Japanese government in any contingency there.

Now for China, its military strategy has been shifting, and in 2015 the Chinese military strategy was quite frank about its intention to enhance its presence in East Asia. So the Military Strategy Document that China released in 2015 that came from the Ministry of Defense emphasized that the United States was enhancing its military presence and its military alliances in this region, and it specifically noted that Japan was also sparing no effort to dodge the post-war mechanism, overhauling its military and security policies.

And this gets to a long running trend in Chinese strategic thinking. During the Cold War, China actually welcomed the U.S. military presence in Japan at some point because it saw it as a stopgap measure to prevent Japan from militarizing itself. This no longer appears to be the case, and it hasn't really been true since the late 1990s.

Effectively after the United States and Japan began cooperating seriously on missile defense in the late 1990s, China began to see a dangerous dynamic developing where Japan would seek to unilaterally militarize.

Now this has really been somewhat overblown. Japan has always had a capable military. It's had one of the most potent navies in East Asia. The Maritime Self-Defense Force has always been quite capable, but this newfound U.S.-Japan cooperation on missile defense has been of paramount concern to China.

This leads me to an important case study that I think serves to illustrate how China seeks to coerce either country. Starting in 2016 and entering most of 2017, we saw China impose unofficial sanctions on South Korea for agreeing to deploy a U.S. Terminal High Altitude Area Defense missile defense battery. This was something that was an alliance decision between U.S. Forces Korea and the Korean government. The U.S. maintains and operates the system today. It has been deployed with six launchers in Seongju County in South Korea.

In retaliation for this, the Chinese government went as far as to sanction a range of South Korean activities and South Korean firms operating in China, including Lotte, the South Korean conglomerate that ended up giving land to the South Korean government to enable the deployment of this missile defense system.

And the reason that the Chinese government has been so concerned about these missile defense developments has less to do with the interceptors that the United States is deploying in South Korea and eventually in Japan. Japan will be procuring Aegis Ashore to defend itself from North Korean ballistic missiles. But China effectively sees the sensor networks that accompany these missile defense systems as an important threat to its nuclear deterrent, which continues to be lean. China is thought to have around 270 nuclear warheads, a lean intercontinental range ballistic missile force. So it sees its strategic missile force as directly

Back to Table of Contents
being threatened by these forward-deployed U.S. missile defense radars.

With the limited time available to me, and maybe I can expand a bit on this in the Q&A portion, I'd like to discuss some of the covert ways in which China is seeking to influence democratic discourse in both Japan and South Korea.

I should caveat by beginning my remarks by saying that this is an area that significantly needs further work and research. In the public domain, there is simply not enough available in credible sources in fleshing out a lot of these, but I do feel comfortable addressing a few cases.

In Japan, in late 2016, Japan's Public Security Intelligence Agency, the country's primary external intelligence, put out a report confirming that in Okinawa where 75 percent of U.S. Forces Japan bases are based--Okinawa comprises just 0.6 percent of Japanese territory with a massive U.S. Forces Japan presence, which has led to domestic discontent on the island itself about the U.S. presence there--but China is thought to have effectively promoted the views of so-called "Ryukyu separatists," and this has been occurring through various forms of academic exchanges between historians that's been trying to promote the views of these separatists, who also naturally favor a complete removal of U.S. forces from the region.

Okinawa has turned out to be a major wedge between Japan and South Korea for awhile. Although the Chinese government has not officially come out and said so, there have been numerous editorials in authoritative and semi-authoritative Chinese state media hinting at the possibility of Okinawa being an open territorial dispute question.

But more broadly I'd say that in Japan, one of the sources of resilience against Chinese United Front activities and attempts to seek covert influence is simply the nature of democratic politics and public opinion and certainly the salience of historical issues.

In Japan and in China there is a reciprocal sense of bad faith toward one another. Both publics in each country are deeply skeptical of one another, which unfortunately I do think makes the possibility of conflict more likely, but it also means that it is within Japan's political leadership there is largely a consensus that China is a strategic competitor, and most of the Japanese bureaucracy continues to march to the beat of one drum on that issue.

So as far as I was able to ascertain, within the Liberal Democratic Party that continues to lead Japan, there are few takers today for a view favorable towards China. This wasn't always true, but certainly it's true today. So I've left a few things there. I'll yield the rest of my time and can get into any of that in the Q&A session.

Thank you.
PREPARED STATEMENT OF ANKIT PANDA, ADJUNCT SENIOR FELLOW,
DEFENSE POSTURE PROJECT
FEDERATION OF AMERICAN SCIENTISTS
Prepared statement by

Ankit Panda
Adjunct Senior Fellow, Defense Posture Project
Federation of American Scientists

Before U.S.-China Security and Economic Review Commission

April 5, 2018

Hearing on “China’s Relations with U.S. Allies and Partners in Europe and the Asia Pacific”

Chairman Cleveland, Vice Chairman Bartholomew, and Honorable Commissioners, thank you for the invitation to participate in this hearing and to testify today on the People’s Republic of China’s (PRC, or China) relations with and pursuit of influence in two important United States allies in Northeast Asia, Japan and the Republic of Korea (ROK, or South Korea).

This is a timely topic as we witness the crystallization of an ambitious Chinese regional policy in East Asia—one which has cast aside past reticence about seeking regional hegemony and influence. We should take Chinese President Xi Jinping’s word when, at his presentation of his Political Report at the 19th Party Congress in October 2017, he underlined a plan to achieve China’s “great rejuvenation” across three phases—by 2020, by 2035, resulting in the emergence of China as the unquestioned regional hegemon in East Asia by 2050.1 Today, the United States and the PRC are well into a period of protracted geostrategic competition in East Asia—a dynamic that this administration has acknowledged in its December 2017 National Security Strategy. We are witnessing this competition play out in the realm of institutional influence, the military balance of power, and certainly in terms of how Asia’s regional security architecture might adapt to China’s undeniably large regional presence. Japan and South Korea—the United States’ two most important East Asian allies—are important players in this burgeoning competition.

Chinese Strategic Objectives and U.S. Alliances

U.S. alliances in Northeast Asia have long represented a significant asymmetric advantage against would-be hegemonic competitors. This is as true today of the competition between the United States and China as it was during the heyday of the Cold War between the United States and the Soviet Union. China’s lone regional ally in East Asia is North Korea, a dysfunctional and unreliable partner and a global pariah state. The two countries have a mutual defense agreement dating back to 1961 that has been significantly scaled back in recent years.

By contrast, U.S. alliances with South Korea and Japan remain robust and a cornerstone of maintaining the liberal order—and U.S. hegemony—in East Asia. Accordingly, if Chinese strategic objectives today include greater influence in the future of that order in East Asia, eroding the vitality of U.S. alliance relationships will be an important objective. In fact, this goal has preceded China’s current generation of leadership under President Xi Jinping. U.S. alliances have long given Chinese policymakers and strategic thinkers cause for concern. For China to attain regional hegemony by 2050, it will have to find a way to seriously erode the advantages Washington today enjoys as a result of its alliances with Seoul and Tokyo. Chinese concerns with the United States’ relationships with Japan and South Korea are driven by strategic and economic factors.

**Military Drivers of Chinese Concern**

Today, between South Korea and Japan, the United States maintains nearly 80,000 forward-based troops in Northeast Asia. Moreover, at Yokosuka Naval Base in Japan, the United States Navy bases its only forward-based aircraft carrier, currently USS *Ronald Reagan* (CVN 76). More importantly, in addition to the conventional military strength the United States enjoys in a forward-based configuration among these two allies, both South Korea and Japan benefit from U.S. extended nuclear deterrence. The United States has repeatedly made public statements assuring Tokyo and Seoul that it would use nuclear weapons to defend them from external threats; in recent years, the primary external threat that would rise to the level of U.S. nuclear use is North Korea, which has threatened both countries with nuclear attack.

For China, the proximity of U.S. troops and significant land-, air-, and sea-based military assets in Northeast Asia is a security concern. In particular, Chinese thinkers are concerned that these forward-based U.S. assets would play an important role in a future contingency across the Taiwan Strait. Even as global attention has fixated on China’s construction of artificial islands in the South China Sea, provocative maritime behavior in the East China Sea, and expansion into the Indian Ocean Region (IOR) in recent years, the Taiwan Strait continues to be the primary warfighting scenario for the Chinese People’s Liberation Army (PLA). “The Taiwan issue bears on China’s reunification and long-term development, and reunification is an inevitable trend in the course of national rejuvenation,” China’s 2015 military strategy observed, emphasizing the Taiwan scenario.2

That same military strategy document emphasized that the United States was enhancing its “military presence and its military alliances in this region,” while Japan was “sparing no effort to dodge the post-war mechanism, overhauling its military and security policies.”3 The document observed that “the Korean Peninsula and Northeast Asia are shrouded in instability and uncertainty.”4 For Chinese war planning, U.S. bases in Northeast Asia serve as important targets. The People’s Liberation Army-Rocket Force (PLARF) conducts ballistic missile drills against mock-ups of U.S. bases.5 In 2017, before the 90th anniversary of the creation of the PLA, the PLARF conducted one of the largest known joint ballistic and cruise missile live-fire drills against a mock-up of a U.S. Terminal High Altitude Area Defense (THAAD) site, resembling the site in South Korea, which led to a major decline in Sino-Korean relations in 2017.6

---

3 “Full Text: China’s Military Strategy.”
4 “Full Text: China’s Military Strategy.”
Economic and Strategic Drivers of Chinese Concern

Beyond the military drivers of Chinese objectives in thinking about U.S. allies in Asia, Chinese policy is also motivated by economic and institutional concerns. This impulse is best captured in a white paper released by China’s Ministry of Foreign Affairs in early 2017, which highlighted Beijing’s ambitions for regional leadership.7 China now calls for the “the building of an Asia-Pacific security architecture”—one that is distinct from the rules-based order long-championed by the United States. In 2014, Chinese President Xi Jinping declared that “Asia has come to a crucial stage in security cooperation where we need to build on the past achievements and strive for new progress.” He delivered these remarks at the fourth Conference on Interaction and Confidence-Building Asia—a forum that seeks to build an Asia for Asians.8 China’s 2017 white paper on Asian order laid out six objectives for Beijing’s diplomacy. In particular, China would seek to:

1. promote “common development and lay a solid economic foundation for peace and stability in the Asia-Pacific region”
2. promote “the building of partnerships and strengthen the political foundation for peace and stability in the Asia-Pacific region”
3. improve “the existing regional multilateral mechanisms and strengthen the framework for supporting peace and stability in the Asia-Pacific region”
4. promote “rule-setting and improve the institutional safeguards for peace and stability in the Asia-Pacific region”
5. intensify “military exchanges and cooperation to offer more guarantees for peace and stability in the Asia-Pacific region”
6. properly resolve “differences and disputes, and maintain a sound environment of peace and stability in the Asia-Pacific region”

Each of these objectives will implicitly and explicitly push back on U.S. attempts to maintain alliances and sustain and expand growing partnerships. Beijing’s Belt and Road Initiative—a signature foreign policy undertaking by Xi, which was elevated into the Party’s constitution at the 19th Party Congress in October 2017—is meant to assist in this endeavor. By 2035, the CPC plans to “realize socialist modernization in the first stage”—to build the PRC into a prosperous, modern state. This will require the pursuit of continued economic integration between Asia’s “core” and “periphery,” in the Chinese conception—the core being China and the periphery being Asia’s many smaller and less developed states. In pursuit of ‘win-win’ cooperation with these countries, China expects to make economic and diplomatic gains that will pay dividends throughout the 21st century. By 2049—the centennial of the founding of the PRC—China intends to have cemented its position as Asia’s primary hegemon. In pursuit of this latter objective, U.S. alliances in the Asia-Pacific must be contained, if not broken altogether.

Framing Chinese Government Influence in Japan and South Korea

Starting in 2017 and into 2018, discussions in this country about the Communist Party of China’s attempt to influence democratic polities in the United States and elsewhere have focused on a specific set of tools—we often read about the influence exerted by Chinese embassies, by Beijing’s network of Confucius Institutes, by executives in Chinese state-owned enterprises and private businesses, and, behind it all, the guiding hand of the CPC’s United Front Work Department. Framing this topic with regard to South Korea and Japan, however, merits


Back to Table of Contents
caution; the CPC’s ability to influence democratic politics and strategic thinking in these countries is constrained in important ways for now.

First, outstanding historical issues complicate these relationships in a way that is particularly acute in Northeast Asia. In China and South Korea, there remains considerable anti-Japanese statement over Imperial Japan’s wartime conduct. In 2015, these issues came to the forefront as the region celebrated the 70th anniversary of Imperial Japan’s defeat in the Second World War in 1945. These historical issues, in particular, continue to affect public opinion. For instance, the United States has constantly had to navigate the bilateral difficulties between Japan and South Korea, which are often tied to historical issues. A December 2015 agreement resolve the long-contested issue of so-called “comfort women”—wartime sex slaves of the Imperial Japanese Army in Korea—has recently imploded, reinvigorating anti-Japanese sentiment in South Korea and troubling the bilateral relationship. The ghosts of history, however, also influence Chinese approaches to Japan. While China is far from a democracy, there is evidence to demonstrate that Chinese policymakers are nonetheless sensitive to the opinions of nationalist groups that seek abrasive relations with Japan.9

Second, China has outstanding maritime territorial disputes with South Korea and Japan. These are most acute with Japan in the East China Sea, where not only do the two countries dispute sovereignty over the Japan-administered Senkaku Islands, which China calls Diaoyu, but they also have an outstanding dispute over the settlement of a line to demarcate their respective exclusive economic zones. In the meantime, strategic international sea- and air-lanes traversing the Ryukyu chain in the East China Sea have grown in importance for the Chinese People’s Liberation Army-Air Force (PLAAF) and People’s Liberation Army-Navy (PLAN) as China seeks to conduct expeditionary military operations into the Western Pacific. The primary chokepoint in the East China Sea is the Miyako Strait, where official Chinese government spokespeople have warned Japan to “get used” to regular operations.10 Japan, in recent years, has also increased its involvement in the South China Sea.11 In 2015, the Japanese Maritime Self-Defense Force conducted its first-ever bilateral drill with the U.S. Navy in these waters, prompting anger in China.

Third, the nature of democratic politics and political finance law in South Korea and Japan has made both countries somewhat resistant to overt attempts at financial influence from overseas. Japanese political campaign finance laws ban donations from foreign interests to both political parties and individual candidates.12 Similarly, South Korean political campaign finance laws ban donations from foreign interests to both political parties and individual candidates.13 Structural factors limit foreign financial influence, as well. In Japan, with a brief exception where the opposition Democratic Party of Japan controlled the government, recent years have seen the country’s political spectrum dominated entirely by the center-right Liberal Democratic Party (LDP). As a result, the gamut of policy discourse in the country—outside of public opinion—has played out among factions within the LDP, all of whom largely have poor perceptions of and relations with the CPC and Chinese entities. South Korean politics have been more dynamic in recent years. Following the dramatic impeachment and imprisonment of former President Park Geun-hye in 2017, the country’s politics have been dominated by the left-leaning erstwhile opposition, which enjoys positive public approval ratings today. Under President Moon, Sino-South Korean ties have recovered from their recent nadir in 2016 and 2017 after the Park administration decided to deploy a U.S. missile defense system on South Korean soil.

---

How China Seeks to Coerce and Influence

Chinese attempts to influence the relations of both South Korea and Japan with the United States have been primarily straightforward—availing of diplomatic means, overt and covert economic coercion, and military balancing. Furtive information warfare methods, by contrast, have been mostly ineffective in bearing on the political leadership in either country. However, these efforts remain poorly researched and understood. Below, I highlight recent case studies for the Commission’s consideration.

THAAD and South Korea

In 2016 and 2017, fast-improving ties between South Korea and China were derailed by the former’s willingness to allow the United States to deploy a Terminal High Altitude Area Defense (THAAD) missile defense system on its soil. Today, one THAAD battery—comprising six launchers, support equipment, and an AN/TPY-2 X-band radar—is deployed in Seongju county in South Korea, some 200 kilometers southeast of the capital city of Seoul. The deployment, though announced in July 2016, began in May 2017, just days before President Moon was inaugurated in an early election following President Park’s impeachment.

South Korea’s decision to permit the deployment of the missile defense system was immediately seen as a high-order threat by the Chinese government. In early 2017, weeks after Park’s impeachment, Chinese Foreign Minister Wang Yi met with a delegation of South Korean lawmakers from the opposition Minjoo (‘Democratic’) Party—a party that was then led by Moon Jae-in.14 Wang emphasized that China saw the THAAD system as posing a threat to China’s “strategic security and interests.” Minjoo lawmakers would later raise the possibility of Chinese economic reprisal during deliberations on THAAD deployment in the South Korean National Assembly.15 By that time, China had applied unofficial sanctions against South Korean businesses operating in mainland China and restricted Chinese tourism to South Korea, both of which dealt a significant economic blow to South Korea. China is overwhelmingly South Korea’s largest trading partner and Seoul enjoys a trade surplus with Beijing—one of the few Asian countries to do so. In 2016, South Korea exported $137 billion in goods to China and imported $90.3 billion in return.16 By the end of 2017, South Korea may have suffered a loss of $15.6 billion in revenue from lost economic activity as a result of the Chinese sanctions.17

A non-exhaustive list of Chinese coercive measures taken in the aftermath of the THAAD decision, as reported in the South Korean press, includes the following:

- Tailored sanctions against Lotte, the South Korean conglomerate that agreed to a land swap to allow for the deployment of the THAAD battery on one of its golf courses;
- The suspension and cancellation of South Korean pop music concerts in China18;
- The revocation of broadcast licenses in China for South Korean television shows;
- The non-issuance of release licenses for new South Korean video games19;

---

The banning of South Korean household appliances;
The banning of South Korean cosmetic products, which rely on China for a large market share;
The rejection of proposed charter flights from South Korea to China and vice-versa;
A formal order by China’s National Tourism Administration for Chinese travel agencies to cease selling tours to South Korea.

These actions had severe effects. Tourists from China account for nearly half of all tourists to South Korea; their spending in South Korea is higher, on average, than other tourist groups. Moreover, due to other retaliatory actions, South Korean exports of food products and automobiles to China significantly declined as well.

At a high-level, it’s apparent that even though these were unofficial sanctions against South Korea, they were coordinated at the highest levels of government in China. The reason Beijing reacted so severely to the deployment of this missile defense system, according to Chinese analyses of the system’s capabilities, was because Chinese military planners feared the country’s lean strategic nuclear deterrent would be degraded by the forward-emplacement of an X-band radar in South Korea. China maintains a limited numbers of intercontinental-range ballistic missiles that would be capable of retaliating against the United States after first facing a nuclear attack. China sees U.S. deployments of missile defense-related assets in Northeast Asia as a potential threat to that limited deterrent. Though this is the Chinese view on THAAD, it is unpersuasive on a technical level. The United States maintains two X-band radars in relatively close geographic proximity to the new site at Seongju; these radars sit in Japan. Moreover, the AN/TPY-2 radar must be configured in either “terminal” or “forward-based” mode. Its application in South Korea is to help the THAAD interceptors react promptly to incoming North Korean projectiles, therefore the radar is in terminal mode. In this mode, it would not be focused on gathering data on Chinese ballistic missile tests inside Chinese territory.

Furthermore, to assuage Chinese concerns, senior U.S. officials have given assurances that the THAAD deployment in South Korea would be independent and not networked into U.S. theater missile defense or homeland missile defense (the latter of which is regularly emphasized by U.S. officials to focus on “limited” threats from North Korea and Iran; not China or Russia). “The THAAD deployment is strictly a U.S.-ROK alliance issue, in terms of information sharing. It will not be part of a wider missile defense network that MDA has developed and the combatant commands around the world utilize,” U.S. Missile Defense Agency Director Vice Admiral James D. Syring remarked in 2016. “It will be solely for the purpose of the defense of the Republic of Korea. And it will not be shared with Guam or any other part of the ballistic missile defense system,” he added. In early 2016, to help assuage Chinese technical concerns, the Obama administration invited China to a technical briefing on THAAD; China denied the invitation.

Ultimately, Chinese coercion over THAAD came to an end in November 2017, when South Korea and China simultaneously released statements announcing that they had come to an understanding. South Korea publicly

24 The core Chinese technical concern relates to the ability to discriminate warhead decoys and other countermeasures from real incoming warheads. It is not in the scope of this testimony to fully explore the technical merits of Chinese concerns, but for a longer examination of this subject, please see Ankit Panda, “THAAD and China’s Nuclear Second-Strike Capability,” The Diplomat, March 8, 2017, https://thediplomat.com/2017/03/thaad-and-chinas-nuclear-second-strike-capability/.
offered China three assurances: it would not accept any additional THAAD deployments; it would not participate in networked U.S. missile defense in northeast Asia; and it would not participate in a trilateral alliance with the United States and Japan. The South Korean government emphasized that each of the assurances were in-line with the country’s longstanding policy. Nevertheless, the resolution of the THAAD impasse emphasized China’s ability to employ economic coercion to extract commitments from a U.S. ally on the activities it would and would not engage in within the contours of its relationship with the United States. This precedent could be replicated with other U.S. allies and partners in Asia and elsewhere.

**Chinese Government Influence in Japan**

Chinese attempts to coerce and influence Japan’s foreign policy and relationship with the United States bear important similarities to the approach taken with South Korea, but important variables differentiate this relationship. First, anti-Japanese sentiment has long been a prevailing feature of China’s political landscape and continues to be to this day. Second, since 2012, the territorial disputes in the East China Sea between the two countries over the sovereignty of the Senkaku Islands and the delimitation of their respective exclusive economic zones has been a central feature of this relationship. Finally, rather than focusing on influencing public opinion and sentiment inside Japan toward the Japanese government, with some exceptions, China has sought to influence regional perceptions of Japan. This was particularly visible in 2015, as East Asia marked the seventieth anniversary of Imperial Japan’s defeat in the Second World War.

**Economic Coercion**

Like in South Korea and elsewhere, China has employed economic coercion against Japan over disputes concerning Beijing’s strategic interests. The best known case of such coercion came in 2010, when, after Japanese authorities arrested a Chinese fishing trawler captain, China retaliated through unofficial sanctions, barring the export of rare earth metals critical to manufacturing processes in Japan’s high-tech industry. Chinese customs officials were charged with halting shipments of various rare earth materials while senior Chinese officials raised the issue of the arrested ship captain with the Japanese government. Chinese sources, however, denied that such an embargo ever took place—a view that has been corroborated by independent analysis examining Japanese import data from the period of the supposed embargo.

**Influence in Japanese Domestic Politics and Bureaucracy**

An important exception to the general Chinese coercive approach toward Japan can be found in Okinawa, where Japanese authorities suspect the Communist Party of China’s United Front Work Department and other Party-linked groups may have supported groups involved with the Ryukyu independence movement, a separatist movement seeking independence for Japan’s Okinawa prefecture. A report published by Japan’s Public Security Intelligence Agency alleged in December 2016 that “The Chinese side, including think tanks, facilitates academic exchanges with Japanese groups, which advocate for Okinawa’s independence movement, and they have visited

---


31 According to studies in 2013: “Two recent studies cast doubt on whether there was actually an embargo on exports to Japan and, if there was, whether this was linked to the Chinese trawler captain’s arrest. Analysis of Japanese port data from the Japanese Ministry of Finance shows that there was no uniform drop in Japanese imports of Chinese rare earths following the trawler collision. Similarly, a 2012 article in The Chinese Journal of International Politics cites Japanese and US news media to demonstrate that Japanese officials and businesses had been aware since mid-August 2010 of Chinese plans to reduce their worldwide rare earth exports.” From Amy King and Shiro Armstrong, “Did China Really Ban Rare Earth Metals Exports to Japan?,” East Asia Forum (blog), August 18, 2013, http://www.eastasiaforum.org/2013/08/18/did-china-really-ban-rare-earth-metals-exports-to-japan/.

Chinese support for these groups is not only geared at promoting Ryukyu separatism, but also the more realistic near-term goal of empowering local voices in opposition to U.S. basing on Okinawa. Editorials and articles appearing in authoritative and non-authoritative party-linked Chinese state media have supported the views of Okinawan separatists. While the Chinese government has not formally challenged Japanese sovereignty over Okinawa prefecture, scholars from Party-linked think tanks have, since 2012, penned articles questioning the historical basis for Japan’s sovereignty over the Ryukyu Islands. In response to these articles, the Japanese government filed a formal diplomatic protest with China. Despite Chinese attempts to foment support for Okinawan separatism, the United States and the Japanese government in recent years have successfully managed to navigate persistent local grievances and protests over the U.S. military presence on the island. The issue is fraught within Japan and the current governor of Okinawa, Takeshi Onaga, has faced personal attacks and criticism for his perceived unsubstantiated ties to China. Chinese attempts to foment and sustain continued local opposition to the U.S. presence on Okinawa will likely continue.

Outside of Okinawa, the Communist Party of China does not readily or significantly influence national-level politicians in Japan. This is partly due to the continued dominance of the right-leaning Liberal Democratic Party in Japanese politics, within which today China is persistently regarded as a strategic competitor and a threat to be managed. From the 1970s to the early 1990s, the LDP’s so-called Keisei-kai faction, affiliated with former Prime Minister Kakuei Tanaka, was seen as pro-China, but this faction’s influence has largely waned since the 2000s onward, leaving the LDP’s existing factions uniformly seeking to defend Japanese territorial and strategic interests against Chinese government influence. Yasuo Fukuda, former prime minister of Japan from 2007 to 2008, is likely the most influential LDP figure to hold a position of influence and be perceived as pro-China in recent years. Japan’s opposition parties are presently in a state of disarray with marginal influence on national politics. Historically, Japan’s primary communist party, the Japan Communist Party (JCP), has not maintained a robust relationship with the Communist Party of China, even as it has criticized the U.S.-Japan alliance relationship domestically. This is mainly due to the JCP supporting Japan’s territorial claims, including in the East China Sea, and Cold War-era history. The party is a marginal player in national-level Japanese politics today. (The JCP has been more successful in local-level politics.)

Outside of politics, analysts have long pointed to the lingering influence of Chinese government-linked individuals and entities within the Japanese government. Parts of Japan’s influential foreign and economic policy bureaucracy that deal with China policy have long been dominated by the so-called ‘China School’ bureaucrats—Japanese civil servants who specialize in China, speak fluent Mandarin Chinese, and have spent considerable time studying and/or living in China. These bureaucrats are generally perceived to favor strong Japan-China ties and are contrasted with the so-called ‘Western School’ of Japanese bureaucrats, who favor a strong U.S.-Japan alliance and a fundamentally pro-Western Japanese foreign policy posture. The avenues of Chinese government

---

41 Yew Mei Ling, New China and Sino-Japan Relations with China: A Neoclassical Realist Interpretation (Routledge, 2013), 95.
influence on Japanese bureaucrats are not properly understood and existing analysis is strongly based in rumor and hearsay. Moreover, since the mid-2000s onward, the China School’s influence within the Japanese bureaucracy is thought to have declined considerably—a result of the changing character of the bureaucracy under the prime ministership of Junichiro Koizumi. Following the elevation of Japan’s erstwhile Defense Agency into the Ministry of Defense in 2007, too, the generally pro-U.S. defense bureaucracy has had greater influence within the prime minister’s office.

*The Role of State-Run Media in Shaping Attitudes*

The Communist Party of China uses state-run media as a vehicle by which to positively reinforce specific Japanese politicians and bureaucrats that it sees as favorable to its interests. Where historical issues, like long-standing grievances over the Imperial Japanese Army’s wartime atrocities in Korea and China are concerned, state media also emphasize an anti-Japanese perspective. While much of this is internally directed toward nationalist constituencies within China, some of it appears to be directed toward publics in South Korea and Japan. The positive reinforcement angle is best illustrated perhaps by one case: a 2014 visit by former governor of Tokyo, Yoichi Masuzoe, to China for a three-day visit on the invitation of the Beijing city government. This visit took place when China-Japan bilateral relations were undergoing a freeze that began when Japan nationalized the Senkaku Islands in 2012. Masuzoe’s trip was given positive coverage in Chinese state media and he even earned praise from a Chinese Foreign Ministry spokesperson, who described Masuzoe as among the “insightful people” in Japan who would want to develop “amity between China and Japan.” Meanwhile, in 2015, on the occasion of the seventieth anniversary of the end of the Second World War, Chinese state media featured heavy coverage of Japanese wartime atrocities ahead of an anticipated address by Prime Minister Shinzo Abe.

**Recommendations for Congress**

The United States Congress—and Members of Congress independently—can do quite a bit to support and strengthen the existing U.S. alliances with South Korea and Japan. The overriding task will be to help these alliances evolve and adapt to the shifting geostrategic challenges of the 21st century. As China strives for regional hegemony in the coming decades, U.S. alliances will serve as an important bulwark against institutional revisionism in the region; these relationships will shore up the foundation of the rules-based order in Asia. To abet these efforts and ensure their success, Congress should:

1. **Continue exchanges** with lawmakers and leaders in South Korea and Japan, seeking to understand local perspectives on these two alliances;
2. **Push back on any assertions** from the executive branch implying that U.S. alliances are a raw deal for Washington and that South Korea and Japan do not sufficiently contribute to the U.S. military presence in their countries;
3. **Fund sustained academic study of South Korea and Japan** to ensure that the next generation of American policymakers and diplomats are prepared to contend with rising Chinese government influence in these countries. Independent analysts and scholars too continue to work on Chinese attempts to influence policy and politics abroad; in the context of South Korea and Japan, much remains poorly studied and understood, including the extent of Chinese financing of various private media organizations in both countries and covert information warfare.
4. **Remain vigilant to Chinese government attempts to influence alliance discourse at home.** Given the historic, structural, and cultural limitations to seeking political influence in Seoul and Tokyo, the Communist Party of China has incentives to shape allied discourse in the United States.

---

42 Peng Er Lam, Japan’s Relations With China: Facing a Rising Power (Routledge, 2006), 44–45.
Trump’s criticisms of U.S. alliances, Beijing may calculate that the component of these alliances more vulnerable to manipulation is right here in Washington and not in either Seoul or Tokyo.

5. **Promote economic integration and interdependence between the United States, South Korea, and Japan.** A significant contributor to Chinese leverage and influence over Japan and South Korea comes in the form of the economic importance that the Chinese market holds for both these economies. By expanding U.S. trade as a relative proportion of South Korean and Japanese external trade, the United States can help reduce the extent to which these countries rely on Beijing. This is more true of South Korea than Japan, where China carries immense economic leverage as the country’s top trading partner. President Trump’s successful renegotiation of the South Korea-U.S. Free Trade Agreement (KORUS) is likely to inhibit the growth of this relationship while addressing the U.S. trade deficit in goods with Seoul; accepting trade deficits in the short- to medium-term can help Washington outpace China.

6. **Continue to support and empower the WTO.** In cases of economic coercion, China prefers to employ unofficial sanctions, which likely violate World Trade Organization (WTO) standards. South Korea, for example, turned to the WTO over the THAAD-related sanctions. Congress should ensure that the United States stands behind the WTO. Accordingly, Congress should oppose unilateral U.S. trade sanctions that would violate U.S. WTO obligations as these would serve to weaken the rules-based trading order, which may serve as an important constraint on future Chinese attempts at economic coercion.
OPENING STATEMENT OF RUSSELL HSIAO, J.D., EXECUTIVE DIRECTOR, GLOBAL TAIWAN INSTITUTE

HEARING CO-CHAIR WESSEL: Thank you.

Mr. Hsiao.

MR. HSIAO: Commissioner Wessel, Senator Talent, members of the Commission, thank you for the opportunity to participate in today's hearing.

The United Front is a CCP-directed whole-of-society political warfare strategy that integrates Party-state organization under Party rule in a comprehensive stratagem that aims to control, indoctrinate and mobilize non-CCP masses in service of the Party's policy objectives. In the excellent testimonies of the first panel and also of my co-panelists, you've heard many interesting cases of CCP United Front, but the most well-known and successful United Front campaigns in its history are the ones that it had with the Nationalist Party, the KMT.

In alliances forged out of necessity, the KMT and the CCP formally united forces at least twice to resist their common enemies prior to the formation of the PRC in 1949: first, in the 1920s, to expel imperialists and warlords from China; and second, in the 1930s, to resist Japanese invasion during the Second Sino-Japanese War.

Yet, the CCP's United Fronts were not limited to only collaborating with the KMT. It was also a tool that it skillfully used to undermine KMT-rule leading up to, during and after the Chinese civil war.

Between 1949 and 1979, the PRC and the ROC government on Taiwan were engaged in an intense competition for international diplomatic recognition as the legal representative of "China" in the international community.

When the PRC took the ROC's seat in the United Nations in 1971, and the U.N. recognized Beijing as "the only legitimate representative of China to the United Nations," Beijing's objectives in relations with Taiwan evolved into the absorption of Taiwan into the PRC under the "one Country, Two Systems" model.

The late Chinese patriarch Deng Xiaoping called for a third United Front between the CCP and the KMT in 1979.

The formula—which was rejected by the Nationalist government—was then applied to Hong Kong and remains the blueprint of the CCP's cross-Strait policy since. When Taiwan democratized from the 1980s, the focus of United Front then began to shift slowly to subverting Taiwan's democratic system because Beijing viewed it as a threat to its ultimate objective of subjugating Taiwan under the PRC.

In 2015, the CCP issued a significant trial regulation on United Front work. This document is the first official regulation that comprehensively governs United Front and more importantly seeks to institutionalize, standardize, and establish procedures regulating this work.

Explicitly linking the unification of Taiwan to the goal of the "great rejuvenation of the Chinese nation," Article 30 of this regulation highlights the main task of United Front towards Taiwan as: "following the principle of the Central Government's guidance on Taiwan, adhering to the one-China principle, opposing the separatist activities of Taiwan independence, and broadly unite Taiwan compatriots by consolidating the political, economic, cultural and social foundation for deepening peaceful development of cross-strait relations, and ultimately complete the great cause of the motherland's unification in the process of realizing the great rejuvenation of the Chinese nation."
To clear any doubt, no longer hiding its strength or biding its time, at the quintennial 19th CCP Congress held in October 2017, General Secretary Xi Jinping promised that the CCP will achieve the "great rejuvenation of the Chinese nation" and restore China to its rightful great power status by 2049—the centennial of the PRC’s founding.

In his speech, Xi emphatically declared: we firmly believe that as long as all sons and daughters of China, including compatriots from Hong Kong, Macau and Taiwan, firmly grasp hold of the destiny of the nation in our own hands, we will be able to jointly create a beautiful future of the great rejuvenation of the Chinese nation.

Xi’s speech linked the unification of Taiwan with this ultimate goal.

Within the military sphere, Xi proposed that the PLA would complete mechanization by 2020, modernization by 2035, and would evolve into a "world-class army by 2050." While there is no doubt that Beijing seeks regional hegemony in the near-term, according to some experts, China's secret strategy is to supplant the United States as the world's dominant power and to do so by 2049.

The current phase of United Front began in 2014. The turning point was the student-led Sunflower Movement on Taiwan in that spring that not only shook the political establishment of the then ruling KMT, but it also caused a rethink in how Beijing’s approach to United Front work against Taiwan.

Then the State Council Taiwan Affairs Office Director Zhang Zhijun postponed a visit to Taiwan and decided to bypass the central government in arranging his itineraries. Indeed, Beijing discovered that the high-level exchanges or the elite capture techniques that it utilized with the Taiwan government and businesses under eight years of the prior administration did not appear to—prior administration on Taiwan—did not appear to win the hearts of the Taiwanese people.

The State Council's Taiwan Affairs Office reportedly established 53 youth employment entrepreneurship bases in 12 provinces, cities, across the country to support young people from Taiwan and has granted PRC-issued Taiwan travel permits, special privileges when traveling around China, to permit Taiwan researchers to apply for PRC state funds for research and also housing bonds.

And we see a continuation of that policy in the late-February announcements of 31 measures providing incentives and preferential treatments to Taiwanese people and businesses.

In 2016 when the Democratic Progressive Party, the ruling party now, won the presidential and the legislative elections, immediately after the new administration took office, the CCP suspended high-level contact with the new government and ramped up its United Front efforts, activities directed at Taiwan.

The CCP shifted its focus to targeting small and medium enterprises, middle to low income constituencies, and also the central and southern regions, which were the strongholds of the ruling party, as well as Taiwan's youth, while isolating DPP-administered counties and cities and officials and leaders. In 2017, this approach was then expanded to include more younger generations and more grassroots approach to its activities.

The groups now targeted by United Front are broadly focused now around ten constituencies that include village leaders, youth, students, Chinese spouses, aboriginals, pro-China political parties and groups, religious organizations, distant relatives, fishermen associations, as well as retired generals.

Once unthinkable, the use of pseudo-academic conferences to reframe historical
events to emphasize KMT-CCP unity are now common occurrences on anniversaries of major historical events in Chinese history.

Forums celebrating villages with the same surname. These activities are not necessarily altruistic—the intended purpose is to create pressure groups within Taiwan. CCP's United Front work is also alleged to include sponsoring criminal activities to stir up inter-ethnic conflict as well as to destabilize society. It is also not known how successful the CCP has been in conducting espionage through these channels.

Media and media control is also a tool for United Front. Cross-Strait film production has been given a huge boost. Propaganda and disinformation are most efficiently conveyed by mass media and are a means to propagate the CCP's narrative while limiting opposing views.

Beijing also utilizes United Front activities to weaken Taiwan's relationship with the United States—its principal security partner—by exacerbating tensions within Taiwan's society, thereby leading to greater polarization of views and lessening, weakening national cohesion.

In this effort, United Front work seeks to amplify sympathetic elements and isolate adversaries within Taiwanese society. From a propaganda and disinformation perspective, it deliberately obfuscates the meaning and interpretation of U.S. policy towards Taiwan. The case in point is the constant blurring of the line between the PRC's "One-China principle" and the U.S. "One-China" policy—suggesting therefore an alignment of Beijing's and Washington's policies and co-management of the Taiwan issues.

It exacerbates fears of abandonment by the United States in Taiwan society and fans the flames of war in the Taiwan Strait to create a psychological effect in the population to stir unrest. United Front activities are also used to highlight the ethnic and cultural affinity between the people of the two sides for the purposes of narrowing the "us" and "them" mentality resulting from decades of political indoctrination.

Most notably, however, is that this campaign also presents China and Taiwan as natural partners for cultural and ethnic reasons—not the United States despite the shared values of democracy and human rights.

In conclusion, I would just like to highlight three recommendations that I have. I believe the first recommendation is that the mission of the State Department's Center for Global Engagement should be expanded to authorize it to work with like-minded governments and include civil society participants to counter CCP influence operations.

A whole-of-society approach, which engages all aspects of society, must be adopted to counter authoritarian influence operations. Taiwan can share information about tactics, techniques, and procedures to identify patterns of behaviors in CCP United Front work. CCP United Front activities are directed not only at influencing target countries' relations with China but also weakening support for the United States. To counter these measures the United States should bolster its public diplomacy efforts with Taiwan.

Third, the United States, Taiwan and other countries facing CCP United Front activities should form a "United Front Financing Task Force" to actively monitor and trace the money flows from PRC government organizations to front organizations in the United States, Taiwan, and other countries to ensure that they are operating legally and not for covert or coercive ends.

Thank you.
PREPARED STATEMENT OF RUSSELL HSIAO, J.D., EXECUTIVE DIRECTOR,
GLOBAL TAIWAN INSTITUTE
Vice-Chairman Bartholomew, Senator Talent, and members of the U.S.-China Economic and Security Review Commission, thank you for the opportunity to participate in this hearing.

A central component in the Chinese Communist Party’s (CCP) domestic and foreign policy toolkit is the “United Front” (統一戰線). This “mysterious” whole-of-society strategy, which engages all aspects of society, integrates party-state organizations under CCP-rule in a comprehensive stratagem that aims to control, indoctrinate, and mobilize non-CCP masses—both native and foreign—in service of the Party’s policy objectives. The system that executes this political warfare strategy has been traditionally composed of multiple party, military, and state organizations, but this system has undergone centralization in recent years with the establishment of the CCP Central Committee’s Leading Small Group on United Front (中央統戰工作領導小組), and updated in the recent re-organization of several State Council departments responsible for overseas Chinese, religious, and ethnic minority affairs under the CCP’s United Front Work Department (UFWD).

The most well-known and successful United Front campaigns in CCP history are the ones with the Nationalist Party (KMT, Kuomintang). In alliances forged out of necessity, the KMT and CCP formally united forces at least twice to resist their common enemies prior to the formation of the People’s Republic of China (PRC) in 1949: first to expel imperialists and warlords in China then to resist the Japanese invasion during the Second Sino-Japanese War. Yet, the CCP’s United Fronts were not limited to collaboration with the KMT. To be sure, it was also a tool that the CCP skillfully used to undermine KMT-rule on China leading up to and during the Chinese civil war. After 1949, the CCP turned the focus of its United Front activities towards subverting the Nationalist government’s control of Taiwan. When Taiwan democratized from the 1980s, the focus of United Front began to shift to subverting Taiwan’s democratic system, which Beijing viewed as a threat to its ultimate objective of subjugating Taiwan under the PRC.

The United Front draws from the Bolshevik’s playbook in the 1917 Russian Revolution by forming strategic alliances with non-communist masses against a common enemy. From the 1920s, CCP strategists adapted these concepts to organize and mobilize non-CCP masses in

---

1 The views expressed in this paper only represent the author’s opinions and not necessarily that of his affiliated organizations.
3 https://www.wilsoncenter.org/sites/default/files/magicweaponsanne-mariebradyseptember162017.pdf

Back to Table of Contents
support of its political objectives. Considering the successes of these earlier efforts, the CCP formed the United Front Work Commission in 1939 (中央統一戰線委員會) and in the same year established the Organization of United Front Work Department (組織中央統一戰線部).

United Front is a tool for political warfare that involves the use of non-kinetic instruments to organize and mobilize non-CCP masses in pursuit of the Party’s domestic and foreign policy objectives. According to a declassified study conducted by the Central Intelligence Agency, United Front is a “technique for controlling, mobilizing, and utilizing non-Communist masses.” Since the CCP was founded in 1921, the Party has used United Front as an organizing principle to establish a foothold among the masses, exploiting conflicts within society to undermine the influence of its adversaries, defeat warlords, gain support of the victims of Japanese aggression, and aid in the seizure of state power. After forming the PRC government in 1949, the CCP has employed the United Front to extend its control over non-Communist masses and to mobilize these masses to shore up its domestic legitimacy and undermine threats to state security.

According to Anne Marie-Brady: “United Front activities incorporates working with groups and prominent individuals in society; information management and propaganda; and it has also frequently been a means of facilitating espionage.”

Though United Front is traditionally understood in the context of KMT-CCP relations, CCP General Secretary and PRC President Xi Jinping gave a speech in 2014 on the importance of United Front work, calling it one of the CCP’s “magic weapons” (法宝). While Taiwan remains the primary target of United Front work because unification remains one of the core issues for CCP leaders, the targets of CCP United Front work have increased as the CCP’s interests expanded with the rise of the PRC. As highlighted by numerous academic studies, the CCP’s “attempts to guide, buy, or coerce political influence abroad” are now also affecting countries like Australia, New Zealand, and other states in Europe.

In 2015, the CCP issued a significant trial regulation on CCP United Front Work (中國共產黨統一戰線工作條例(試行)). This document is the first official regulation issued that comprehensively governs CCP United Front work and, more importantly, seeks to institutionalize, standardize, and establish procedures regulating United Front work.

---

4 http://zytzb.gov.cn/tzb2010/wxwb/201606/75f0ae6e9e66482eb6c8f6587e62e230.shtml  
7 https://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf  
8 https://www.wilsoncenter.org/sites/default/files/magicweaponsanne-mariesbradyseptember162017.pdf  
9 2014年9月，庆祝中国人民政治协商会议成立65周年大会上，习近平发表重要讲话：“大团结大联合是统一战线的本质要求”，“统一战线是中国共产党夺取革命、建设、改革事业胜利的重要法宝，也是实现中华民族伟大复兴的重要法宝”，“我们要坚持有事多商量，遇事多商量，做事多商量，商量得越多越深入越好，推进社会主义协商民主广泛多层制度化发展”。(See, i.e., http://cpc.people.com.cn/xuexi/n/2015/0731/c385474-27391395.html)  
11 https://www.mjib.gov.tw/FileUploads/eBooks/005a240353de4ff9acd8e83e571b67/Section_file/989552099294e-b6b17762893913d01.pdf
Explicitly linking the unification of Taiwan to the goal of the “great rejuvenation of the Chinese nation” (中華民族偉大復興) and the “China dream” (中國夢), Article 30 of the Regulation highlights that the main task of United Front towards Taiwan as: "Following the principle of the Central Government's guidance on Taiwan, adhering to the one-China principle (一個中國原則), opposing the separatist activities of Taiwan's independence, and broadly unite Taiwan compatriots, consolidate the political, economic, cultural, and social foundations for deepening the peaceful development of cross-strait relations, and complete the great cause of the motherland’s unification in the process of realizing the great rejuvenation of the Chinese nation." Additionally, Article 31 on the tasks of overseas United Front operations refers to "promoting global anti-independence and pro-unification" activities, and Article 32 seeks the support of “democratic” parties and non-partisan individuals to guide relevant Unified Front groups such as teams such as the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會) and the China Overseas Friendship Association (海外聯誼會).13

What are China’s objectives in its relations with Taiwan, and what are the long-term implications of China’s strategic goals in the region?

Given the history of the Chinese civil war and the strategic importance of the Taiwan issue for CCP leaders, Taiwan remains the United Front’s number one priority. The objective of the CCP in its relations with Taiwan shifted from the subversion of Nationalist government rule over the island and remnants of sympathetic elements in China to the subjugation of Taiwan (Republic of China, ROC) under the People’s Republic China (PRC) after 1979 when the United States switched diplomatic recognition to Beijing.

Between 1949 and 1979, the PRC and the ROC governments were engaged in an intense competition for international diplomatic recognition as the legal representative of “China” in the international community. The two sides fought several skirmishes and twice nearly got into an all-out conflict—once with the United States threatening a nuclear war against China to protect Taiwan in 1955.

When the PRC took the ROC’s seats in the United Nations in 1971 and the UN recognized Beijing as "the only legitimate representative of China to the United Nations," Beijing’s objectives in relations with Taiwan evolved into the incorporation of Taiwan into the PRC under “One Country, Two Systems” (一國兩制). The formula—which was rejected by the Nationalist government—was then applied to Hong Kong and remains the blueprint of the CCP’s cross-Strait policy since it was first proposed by Deng Xiaoping in 1979.14

---

12 第三十条 对台统一战线工作的主要任务是：贯彻执行中央对台工作大政方针，坚持一个中国原则，反对“台独”分裂活动，广泛团结台湾同胞，巩固深化两岸关系和平发展的政治、经济、文化、社会基础，在实现中华民族伟大复兴进程中完成祖国统一大业。（See, e.g., http://cpc.people.com.cn/n/2015/0923/c64107-27622040.html)
13 https://www.mjib.gov.tw/FileUploads/eBooks/005a240353dc4ff9acd8efc83e571b67/Section_file/9895520f99394cb6b177f62839913d01.pdf
Taiwan’s eventual absorption by the PRC following the switch in diplomatic recognition was considered only a matter of time for many senior policymakers in the US government. However, at the time of normalization the PRC was still weak and the implications of Taiwan’s eventual unification with the PRC did not weigh heavily in the assessment of the long-term challenges of China’s strategic goals in the region. In 1989, Deng laid out his strategy of Tao Guang Yang Hui (韬光养晦)—translated as "hide our capabilities and bide our time”—which was fully in effect as the guiding principle of its foreign policy for two decades. As the author of the The Hundred-Year Marathon, Michael Pillsbury wrote: “In 1991, China’s leaders secretly used a Warring States proverb, tao guang, yang hui. When the document containing this phrase leaked, Beijing translated it as the cryptic and generic “bide your time, build your capabilities.” But in its proper context, the proverb actually alludes to overturning the old hegemon and exacting revenge, but only once the rising power has developed the ability to do so.”

At the same time, the CCP was facing an existential ideological crisis. A decade after Deng initiated sweeping economic reforms that changed the character of the Chinese political-economy, followed by the Tiananmen Massacre in 1989, the CCP was faced with the demise of its ideological brethren in the Soviet Union, which weakened the political legitimacy of communist rule. Consequently, the leadership turned to nationalism to bolster its legitimacy at home and abroad. According to University of Miami Professor June Teufel Dreyer: “As part of this outreach, it became more interested in cultivating overseas Chinese communities and mobilizing them in support of PRC goals. With more and more young Chinese choosing to study abroad, Chinese student associations proliferated and could be mobilized to support the party’s policies. Non-Chinese, particularly those who enjoyed positions of respect in their communities and varying amounts of wealth, were sought out as well, earning the honorary title of “Friends of China.””

The rally around Chinese nationalism is neither empty rhetoric nor without cause. From 1980 to 2016, China’s GDP grew from $191 billion to about $11 trillion. While the Chinese defense budget, as part of overall defense budget, stagnated in the 1980s and the early 1990s even as economic reforms increased China’s overall wealth; beginning in 1996, China’s defense budget grew by double digits year on year from 1996 to 2016. In 2018, China announced that it was increasing the military budget by 8.1% over the previous year. As Beijing’s economic and military strength have grown, it is also increasingly flexing its muscles and became more assertive in its territorial disputes with neighbors beginning in the mid-2000s.

---

15 One of the United States’ primary motivation to establish diplomatic ties with the PRC was to shore up China’s weaknesses, which it saw as a grave threat to Soviet encroachment.
17 https://books.google.com/books?id=grGMAwAAQBAJ&pg=PT37&lpg=PT37&dq=The+Hundred-Year+Marathon+tao+guang+yang+hui&source=bl&ots=Lkc-sU2r1u&sig=btyczquV524JZzfL-khmOSIZae4&hl=en&sa=X&ved=0ahUKEwjStsXjtobaAhUM-aQKHVXEDCoQ6AEIRJAE#v=onepage&q=The%20Hundred-Year%20Marathon%20tao%20guang%20yang%20hui&f=false
18 https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/
19 https://data.worldbank.org/country/china
20 https://www.globalsecurity.org/military/world/china/budget.htm

Back to Table of Contents
No longer hiding its strength or biding its time, at the quintennial 19th CCP Congress held in October 2017, General Secretary Xi Jinping promised that the CCP will achieve the “great rejuvenation of the Chinese nation” and restore China to its rightful great power status by 2049—the centennial of the PRC’s founding.\(^2\) Xi emphatically declared:

“We firmly believe that as long as all sons and daughters of China, including compatriots from Hong Kong, Macau, and Taiwan . . . firmly grasp hold of the destiny of the nation in our own hands, we will be able to joint create a beautiful future of the great rejuvenation of the Chinese nation.”\(^2\)

Xi’s declaration tied the unification of Taiwan with the ultimate goal of “the great rejuvenation of the Chinese nation”\(^2\) and incorporated Taiwan into the “China dream.” Within the military sphere, Xi proposed that the People’s Liberation Army (PLA) would complete mechanization by 2020, modernization by 2035 and would evolve into “a world-class army by 2050.”\(^2\) The unification of Taiwan is the prerequisite for the great rejuvenation of the Chinese nation. While there is no doubt that Beijing seeks regional hegemony in the near-term, according to Pillsbury, China’s secret strategy is to supplant the United States as the world’s dominant power, and to do so by 2049, the 100th anniversary of the founding of the PRC.\(^2\)

**How does Beijing employ and integrate various instruments of its national power, including the United Front Work Department (UFWD), to influence Taiwan?**

The PLA is engaged in a substantial and sustained two decades-long unprecedented modernization campaign. This is an ever-present danger for Taiwan—some assessments of this threat paint it as more imminent than others.\(^2\) Beijing is also utilizing hybrid warfare—actions that operate in the gray zone\(^3\) of conflict and fall beneath the level of warfare—to both influence and pressure Taiwan from within and externally. And the crushing weight of that influence will only become more coercive as China raises. In fact, these non-military instruments possess the most coercive potential against Taiwan and is perhaps the most immediate in terms of its impact felt on Taiwan. This type of warfare employs multiple instruments of power and influence, with an emphasis on non-military tools, to pursue its national interests. These non-military tools include but are not limited to: information operations such as propaganda and disinformation, proxies, economic coercion, clandestine measures and political influence.\(^3\)

\(^{24}\) https://www.brookings.edu/blog/order-from-chaos/2017/10/19/what-xi-jinping-said-about-taiwan-at-the-19th-party-congress/
\(^{25}\) https://www.brookings.edu/blog/order-from-chaos/2017/10/19/what-xi-jinping-said-about-taiwan-at-the-19th-party-congress/
\(^{27}\) Michael Pillsbury, The Hundred-Year Marathon: China’s Secret Strategy to Replace America as the Global Superpower, Henry Holt and Company, 2015.
\(^{29}\) https://www.rand.org/content/dam/rand/pubs/testimonies/CT400/CT468/RAND_CT468.pdf
\(^{30}\) https://www.asil.org/insights/volume/21/issue/14/hybrid-warfare-aggression-and-coercion-gray-zone
\(^{31}\) https://www.rand.org/content/dam/rand/pubs/testimonies/CT400/CT468/RAND_CT468.pdf
Since the election of Tsai Ing-wen as president of Taiwan in January 2016, China has stepped up its diplomatic offensive against the country’s international and diplomatic space. Taiwan now only has 20 diplomatic allies around the world compared to 23 when Tsai was elected president. The continued bleeding of diplomatic allies could lead to lower public confidence and morale on Taiwan. The PRC is also using its considerable economic power as leverage to demand multinational companies to comply with its political interpretations of Taiwan’s legal status and therefore influence the people’s understanding about Taiwan and its relationship with the PRC.32

Beijing is also utilizing international organizations that it wields influence over such as the International Civil Aviation Organization (ICAO), the World Health Organization (WHO), and INTERPOL for its political objectives in cross-Strait relations. In the case of flight route M-503 and excluding Taiwan from international bodies even where statehood is not a requirement are to demonstrate that Taiwan is the sole jurisdiction of the PRC. Such practices are likely intended to shape normative understanding of Taiwan’s status whose long-term effect may be to effect a legal change in the “status quo.”33 As a democracy, public opinions matter and can influence policy and there is an undercurrent of activities that also influence the domestic conditions on Taiwan under which cross-Strait relations operate: CCP’s United Fronts.34

**United Fronts**

Guided by the doctrinal principle of “uniting with friends and disintegrating enemies,” United Front and political work in general adopts tactics similar to, but not the same, as the Soviet Union’s “active measures”35 to promote the CCP’s interests. The type of political warfare employs strategic psychological operations as a means of affecting public discourse and influencing policies of friends and foes alike. Propaganda, carried out both during peacetime and in armed conflict, amplifies or attenuates the political effects of the military instrument of national power.36 Political warfare employs coercive persuasion to weaken an opponent’s political will and compel a course of action favorable to one's own interests. Policymakers—both civilian and military—are influenced through perceptions and psychological conditioning, and thinking may be affected by the words and actions of a potential adversary.37

Political warfare should be distinguished from public diplomacy. Put simply, public diplomacy is international political advocacy carried out in a transparent manner through routine media channels and public engagements. Political warfare differs from public diplomacy in terms of target and intent. While public diplomacy seeks to influence opinions of mass audiences, political warfare involves a calculated manipulation of an opposing side’s strategies, defense policies, and broader international norms.38

34 https://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf (UFWD also plays a role in providing guidance to the Office of Chinese Language Council International (Hanban), which manages Confucian Institutes around the world.)
35 https://www.cia.gov/library/readingroom/docs/CIA-RDP84B00049R0001303150031-0.pdf
36 http://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf
37 http://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf
38 http://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf

[Back to Table of Contents](#)
First Phase: Chinese Civil War

First United Front (1924-1927) & Second United Front (1936-1941)

With pressure from the COMINTERN,39 the first United Front between the KMT and the CCP began in 1924 and ended in 1927. The objectives of the first United Front were to combat colonialists and warlords, the common enemies of both parties even though the two organizations held diametrically opposed ideological views. All the while, however, United Front was also used by the CCP to undermine support for the much-stronger KMT. The second United Front between the KMT and the CCP was initiated in 1936 to fight against the Japanese invasion during the Second Sino-Japanese War (1937-1945) and ended in 1941. The two occasions upon which the parties united belie the deep-seated mistrust and even hatred held by its leaders toward the other. As noted by Dreyer: “The early history of united front work in China was not a happy one: ordered by the Communist International to ally with the Chinese Nationalist Party (KMT) on two separate occasions, the infant Chinese Communist Party (CCP) found that the KMT, too, was capable of squeezing and discarding; many CCP members, including Mao Zedong’s wife, were executed in what became known as the White Terror.”40

Second Phase: Post-Establishment of Diplomatic Relations with US

Third United Front (1979 – 2004)

The Third United Front was officially launched in 1979 by the late Chinese patriarch Deng Xiaoping. After Beijing succeeded in getting the United States to normalize relations with the PRC in January 1979 and broke official ties with Taipei, Deng announced preparations for a “Third CCP-KMT United Front” on December 15 that year. This granted the UFWD, which had been relatively dormant, a formal and prominent role in cross-Strait policy within the party-state policymaking bureaucracy.41

The CCP, also in 1979, passed a special measure to “influence politics through trade” (以商养政). In conjunction with Deng’s transformative economic plan of “reform and opening-up”42 (改革開放) launched in December 1978, “Article 1 of the temporary provisions on the development of trade relations with Taiwan promulgated in May 1979 states that the purpose of trade with

---

39 Communist International (COMINTERN), also known as the Third International, is an international Communist organization established in 1919 and controlled by the Soviet Union, whose stated intent is to promote unity and support to communist movements worldwide. (See, e.g., https://www.britannica.com/topic/Third-International).
40 https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/
41 See You Ji and Daniel Alderman, “Changing Civil-Military Relations in China,” in Roy Kamphausen, David Lai, and Andrew Scobell (eds), The PLA at Home And Abroad: Assessing The Operational Capabilities Of China’s Military, pp. 166-167.
42 https://books.google.com/books?id=jKSKCwAAQBAJ&pg=PA105&lpg=PA105&dq=%22Third+CCP-KMT+United+Front%22&source=bl&ots=L77tyYxZcOi&sig=OmFfKjSNUOUEZfN6zErgGBHfJs&hl=en&sa=X&ved=0ahUKEwjprty_j4PaAhXNcE8KHVZqBhEQ6AEIOjAE#v=onepage&q=%22Third%20CCP-KMT%20United%20Front%22&f=false

Back to Table of Contents
Taiwan is to win and consolidate the support of the industrialists and business people in Taiwan, and to create the conditions for the reunification [sic] of the motherland.”

The CCP’s Taiwan policy after normalization of ties with the United States was set out in the Nine Points made by veteran Marshal Ye Jianying on September 30, 1981. Ye called for unification talks between the CCP and KMT on an equal footing, initiation of cross-Strait trade and other functional exchanges, and consultative positions for representatives from Taiwan. Beyond subordinating Taiwan as a local area under central CCP authority, Ye’s nine-point proposal was viewed as targeting U.S. security support for Taiwan. Taipei rejected the “One Country, Two Systems” proposal, and called for unification under a democratic, free, and non-communist system.

As part of the CCP’s broader United Front efforts, the All-China Federation of Taiwan Compatriots (ACFTC, 中華全國台灣同胞聯誼會) was established on December 22, 1981. The All-China Federation of Taiwan Compatriots promotes unification among Taiwanese individuals and groups in China and abroad. ACFTC, the PLA’s General Political Department, and the State Council’s Taiwan Affairs Office (TAO) have cooperated on Taiwan-related propaganda efforts since 2002.

The 1980s was a decade full of turbulence and profound change, the political conditions in Taiwan transformed rapidly with the lifting of martial law and the formation of the now ruling Democratic Progressive Party (DPP). In 1990, after liberalization of cross-Strait trade, China rolled out the red carpets to lure Taiwanese capital and investments by providing incentives and preferential treatments for businesspeople to set up shop in China. Cross-Strait economic ties boomed. The 2000 presidential election in Taiwan saw the victory of the native DPP in the first peaceful transfer of power. At first the CCP took a wait and see approach. A very different political party and origin from the KMT, relationship between the CCP and the DPP quickly soured for the former’s unwillingness to work with the new party and the latter’s pro-independence inclinations. Cross-Strait relations entered into an uncharted territory.

**Third Phase: China’s Rise and Taiwan’s Democratization**

**Fourth United Front (2004 - 2014)**

After the first administration of the DPP (2000-2004) and the party won a second-term, the CCP ramped up its United Front efforts against Taiwan. As Professor Dreyer observed: … “in 2005, Wang Huning, then-director of the CCP’s Central Party Research Office and now a Politburo member, targeted more than 20 political figures from Taiwan’s Kuomintang (KMT) and Democratic Progressive Party (DPP) who had been marginalized by their respective parties and invited them to serve as organizing central committee members of a new, pro-Beijing, party …
in June 2008 the Politburo had passed a political strategy for settling the Taiwan issue that listed organizing a political party in Taiwan as its most important united front tactic.46

In a significant coup for CCP United Front—especially considering Marshal Ye’s long unheeded call from over two decades before in 1981—on March 28, 2005, then KMT’s vice chairman Chiang Pin-kung led a delegation in the first official visit to the PRC by a senior leader of the KMT since 1949.47 Later, on April 26, 2005, a 70-member delegation led by then KMT chairman Lien Chan traveled to the ROC’s de jure capital of Nanjing, launching Lien's 8-day Taiwan Strait peace tour.48 The two parties established the First KMT-CCP Forum (國共論壇), which has been held annually since 2006, and issued a joint communiqué to oppose Taiwan’s independence and promote Taiwan’s eventual unification with China.49

When the KMT returned to power on Taiwan in 2008. CCP United Front activities became more institutionalized. For instance, an annual cross-Strait dialogue called the “Zhongshan, Whampoa, and Cross-Strait Friendship” dialogue (中山黃埔兩岸情論壇) was started in 2010 by the PRC’s Revolutionary Committee of the Kuomintang Central Committee (中國國民黨革命委員會) and the Whampoa Military Academy Alumni Association (黃埔軍校同學會). The Straits Forum (海峽論壇), which also began in 2009, has attracted the largest congregation of private citizens at a single event from both sides of the Taiwan Strait to promote cross-Strait dialogue. The 9th Straits Forum held in 2017 was reportedly attended by 8,000 participants from Taiwan. Another high-level “non-governmental” exchange platform that began around 2008 is the Cross-Strait CEO Summit (兩岸企業家峰會).50 The Zhongshan, Whampoa, and Cross-Strait Friendship dialogue, Straits Forum, and Cross-Strait CEO Summit are only three of many cross-Strait platforms at the provincial and local levels launched after 2008 when exchanges between the two sides began to expand in number and accelerate in intensity. At the time, the CCP's United Front work against Taiwan focused on the political and business elites.51 The aggregate effect of these efforts culminated in the summit meeting between KMT Chairman Ma Ying-jeou and CCP General Secretary Xi Jinping in November 2015 in Singapore.

**Fourth Phase: Post-2014 Sunflower Movement**

**Fifth United Front (2014 – current)**

The current phase of CCP United Front began in 2014. The turning point was the student-led Sunflower Movement on Taiwan in the spring of 2014 that not only shook the political

46 [https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/](https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/) (“In late 2017, investigators searched the residences of four prominent members of the New Party. The party, which espouses policies that echo those of the CCP, is legitimate under Taiwan law. The content of the materials seized in the raid has not been disclosed, but it has been alleged that the New Party had founded a paramilitary New China Youth Association with the goal of “wartime control.”

47 In 1992, the two sides met in Hong Kong through the PRC’s Association for Relations Across the Taiwan Strait (ARATS) and Taiwan’s Straits Exchange Foundation (SEF).


establishment of the then ruling-KMT but it caused a rethink in Beijing’s approach to United Front work against Taiwan. Then Taiwan Affairs Office (TAO) director Zhang Zhijun postponed a visit to Taiwan and decided to bypass the central government in arranging his itineraries ostensibly to connect more with the grassroots of Taiwan. And to bring this turning point into sharper focus, the student protests were followed by a sweeping of the KMT by the DPP in the local “nine-in-one” elections.

To be sure, teacher-student exchanges had been a common feature in CCP United Front activities across the Taiwan Strait, but the Sunflower movement made Chinese leaders realize how “Taiwan’s youth” identified themselves may be the biggest problem facing its objectives of United Front. As a result, CCP United Front shifted from a “passive” to a more “active” policy of offering preferential policies, and gradually expanding its policy of attracting Taiwan’s youth to go to China for “schooling, employment, and entrepreneurship.”\(^52\) The State Council’s TAO reportedly established 53 cross-strait youth employment and business and demonstration bases,\(^53\) and has granted PRC-issued Taiwan travel permit holders （台胞证）special privileges when traveling in China, and permit Taiwan researchers to apply for PRC state-funded social sciences funds and housing bonds.

In 2016, the DPP won the presidential and legislative elections. Immediately after the new administration took office, the CCP suspended high-level contact with the new government and bolstered its United Front activities directed at Taiwan. Indeed, Beijing discovered that the high-level exchanges with Taiwan’s government and business under Ma Ying-jeou did not win the hearts of the Taiwanese people. Thereafter, the CCP shifted the focus of its United Front strategy to targeting small and medium enterprises, middle to low income people, and the central and southern regions, and Taiwan’s youth (三中一青), while isolating DPP- administered counties and cities.\(^54\) In 2017, the approach was expanded to include younger generations and more grassroots (一代一線), which extended the previous targets of United Front to cover all regions of Taiwan and all classes of people.\(^55\)

The groups targeted by CCP United Front is now broadly focused on 10 constituencies that include grass-roots villages, youth, students, Chinese spouses, aboriginals, pro-China political parties and groups, religious organizations, distant relatives, fishermen’s associations, and retired generals.\(^56\) Beijing’s strategy include utilizing CCP United Front organizations to invite grass-roots village chiefs in Taiwan to travel to China and form a relationship through creating “village of the same name.” Efforts also include providing more incentives for Taiwan’s high school graduates to study at Chinese universities. There are currently around 330,000 wives with Chinese passports in Taiwan and many are allegedly close with pro-unification groups. There are also around 400,000 indigenous people in Taiwan and Beijing would dole out goods, money and invite them to travel to China. The case of the New Party’s spokesman and his ties with TAO is under investigation and Ministry of Justice Investigation Bureau revealed that the New Party

\(^{52}\) https://udn.com/news/story/6844/2795616
\(^{55}\) http://www.chinatimes.com/cn/newspapers/20170524000115-260203
\(^{56}\) See, e.g., http://news.ltn.com.tw/news/focus/paper/1168821 (包括基層村里、青年、學生、中配、原住民、親中政黨與政治團體、宗教宮廟、同鄉宗親、農漁會、退將等，藉此從事對台工作)
would receive subsidies from China every year. Beijing is also conducting a large number of

temple exchanges between the two sides to promote cultural and religious affinity between the

two sides. There are also constant exchanges between relatives of the same surname, hoping to

form “a family of two sides of the strait.” (兩岸一家親). The Agriculture and Fisheries

Association also reportedly plays an important role for CCP United Front through which Chinese

businesses would go through local pro-China legislators in Taiwan to purchase local marine

products wholesale and make the local industries beholden to Beijing’s policy preferences.58

Wittingly or unwittingly, Taiwan’s pro-unification groups or pro-China public associations invite

United Front groups to visit Taiwan for these exchanges.59 United Front organizations will also

sponsor these exchanges, offer scholarships, and other incentives to these targeted

constituencies.60 Once unthinkable, the use of pseudo-academic conferences to reframe historical

events to emphasize KMT-CCP unity are also now a common occurrences on anniversaries of

major historical events in Chinese history.61 These activities, however, are not all seemingly

benign. CCP’s United Front work in Taiwan are also alleged to include sponsoring organized

criminal activities to stir up inter-ethnic conflict and to destabilize society.62 It is not known how

successful the CCP has been in conducting espionage through these channels.

Media control is also a tool for United Front. Propaganda and disinformation are most efficiently

conveyed by mass media and are the principal means of United Front. Propaganda and

disinformation are means to propagate the CCP’s narrative that limits opposing views and

supports the legitimacy of the CCP.63 The goal of Chinese disinformation in Taiwan, as noted by

a veteran journalist in Taiwan, J. Michael Cole, “is to sow confusion; weaken trust in the

nation’s democratic institutions and leadership; exacerbate divisions between political parties,

within civil society and among Chinese dissidents; and raise suspicions of treasonous intent

toward retired generals and defense officials—all with the ultimate goal of breaking morale and

impairing people’s immunity to Beijing’s propaganda on unification.”64

When assessing the implications of CCP influence operations, how should policy makers

frame this issue?

United Front and influence operations are a CCP-led strategy that integrates party and state

resources in a whole-of-society approach (through organizations like Chinese People's Political

Consultative Conference) to control, indoctrinate, and mobilize non-CCP masses in service of

Party-defined objectives.

57 http://globaltaiwan.org/2017/01/11-gtb-2-2/#RH011117
59 See, e.g., http://www.chinatimes.com/cn/newspapers/20170524000115-260203 (知情人士說, 中國各級台辦、
統戰部、重要涉台社團等人員, 利用我方統派團體或親中相關公協會安排來台, 遂行統戰目的交流；此
外，中國經貿團體在台辦事處、中資公司與中企在台辦事人員, 不乏具有兼具官員身分, 也會配合中方指
示在台工作。)
60 https://www.fpri.org/article/2018/02/weapon-without-war-chinas-united-front-strategy/
63 https://sentinel.tw/china-disinformation-tw/
64 https://sentinel.tw/china-disinformation-tw/
The 13th CPPCC is composed of 2,158 diverse members and it is headed by a chairperson and nearly two-dozen vice chairpersons. The chairperson of the CPPCC has always been a senior member of the CCP to underscore the leadership of the Party over all of Chinese society. The CPPCC is the highest-level entity overseeing the United Front system. The CPPCC is a senior consultative body that exercises “democratic supervision” over non-CCP parties, mass organizations, and prominent personalities. It promotes political unity and social stability through controlled representation in China’s political, economic, social, and cultural lives.

As such, the composition of the CPPCC is represented by CCP-aligned political parties (e.g., Taiwan Democratic Self-Government League, Revolutionary Committee of the Kuomintang), people’s organizations, and sectors. The CPPCC’s function is that of an advisory role, that not only provides recommendations for government policy, but perhaps more importantly for its convening function, by which, policies set by the CCP are disseminated to all the social groups represented in the advisory body.

It is worth noting that the Conference was originally set up as a dialogue mechanism between the Nationalist Party and the CPP for discussion over the sharing of power after World War II. Its meetings are usually held in tandem with the legislative body, the National People's Congress. Given its convening function, the CCP’s control of political parties, organizations, and sectors through the Conference and its special committees serve an important function in the CCP’s United Front work. Indeed, on January 16, Wang Yang chaired the National United Front Department Directors (全國統戰部長會議) meeting.

CPPCC sub-committees are an important means of coordination within the United Front system. The directors of at least three former key military organizations—General Political Department Liaison Department, General Staff Department Second Department, and Ministry of National Defense Foreign Affairs Office—coordinate foreign influence operations with civilian counterparts through the CPPCC External Friendship Sub-Committee.

These efforts have been and continue to be a Party-led initiative and should not be conflated with an over simplified generalization found in the use of "Chinese" influence operations. To target a response to these measures, the response must be narrowly tailored to focus on Party-apparatuses and not the Chinese population in general.

How does Beijing seek to influence Taiwan’s relationship with the United States? What is the result? What are the implications for the United States of China’s attempts to influence Taiwan?

Beijing uses United Front activities to weaken Taiwan’s relationship with the United States—its principal security partner—by exacerbating tensions within Taiwan’s society thereby leading to greater polarization and less national cohesion. In this effort, United Front work seeks to amplify sympathetic elements and isolate adversaries within Taiwanese society.

---

65 https://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf
66 http://www.xinhuanet.com/politics/2018-01/16/c_1122267975.htm
67 https://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf
From a propaganda and disinformation perspectives, it deliberately obfuscates the meaning and interpretations of US policy towards Taiwan. The case in point is the constant blurring of the line between the PRC’s “One-China principle” and the US “One-China” policy—suggesting an alignment of Beijing’s and Washington’s policies and co-management of the Taiwan issue. It exacerbates fears of abandonment by the United States in Taiwan society and fans the flames of war in the Taiwan Strait to create a psychological effect in the population to stir unrest.

From such issues as the US willingness to defend Taiwan or its use as a bargaining chip, to the US position on Taiwan’s legal status, or whether it is in support for Taiwan arms sales, Beijing’s United Front activities are aimed at strengthening strategic alliances within Taiwan society to propagate, disinform, and cultivate a narrative that influences national discourse in the island’s democracy. Through its United Front activities targeting retired senior military officers, it can also weaken military morale and willingness to fight. The psychological effect of watching high-ranking former-military officers attend lavish events in China and say such things as is often quoted back in the media reflect negatively on the people in active service. Most troubling perhaps is the implications of United Front work in enhancing the Ministry of State Security’s ability to recruit spies within Taiwan.

United Front activities are also used to highlight the ethnic and cultural affinity between the people of the two sides for the purpose of narrowing the “us” versus “them” mentality resulting from decades of political indoctrination. More notably, however, is that this campaign presents China as Taiwan’s natural partner for cultural and ethnic reasons—not the United States despite the two countries’ shared values of democracy and human rights.

U.S. policy towards Taiwan over the past 45 years has operated on the premise that America’s primary interest is in the process—as opposed to the outcome—of resolving differences between the two sides of the Taiwan Strait. What by design was inherently a passive approach that intentionally ceded the initiative of shaping the outcome to Taipei and Beijing. It was an approach that some senior U.S. policymakers at the time expected would create a fait accompli, and yet one that provided Washington with the flexibility to adapt and respond to broader geopolitical challenges while maintaining stability in the strait.68 PRC was still weak69 in the 1970s and the implications of Taiwan’s eventual unification with the PRC did not weigh heavily in the assessment of the long-term challenges of China’s strategic goals. Many policymakers now recognize that these expectations of China were wrong and misguided.70 The impact of a concerted and long-term United Front efforts could be the gradual shift in policy that would not be in US long-term interests.

What role does the UFWD play in influencing domestic policy and social issues in Taiwan, such as growing Taiwanese national identity? How does the UFWD pursue these goals?

69 One of the United States’ primary motivation to establish diplomatic ties with the PRC was to shore up China’s weaknesses, which it saw as a grave threat to Soviet encroachment.
70 https://www.foreignaffairs.com/articles/united-states/2018-02-13/china-reckoning
United Front work directly and indirectly influence domestic policy and social issues in Taiwan. Taiwan is a free society wherein people are able to peacefully assemble. Groups that are pro-unification are not an exception to that rule. Sympathetic groups to CCP United Front are allowed to legally register as non-governmental organizations and have infiltrated civil society. United Front may be directly involved in, at least, financially supporting smaller political parties on Taiwan. The interaction between the explicitly pro-unification New Party and China is now under investigation by the Taiwan government. Taiwan’s Ministry of Justice Investigation Bureau—which is similar to the FBI—revealed that New Party would receive subsidies from China every year.

Since the 1980s, retired military officers from Taiwan conduct exchanges with their counterparts in China, on occasions the retired officers would return to Taiwan and organize political rallies that opposes the central government’s cross-Strait policies, as well as contentious domestic issues such as over military pension reforms. Whether there was specific direction from the Chinese government to engage in these specific activities are not known. Furthermore, the members in these groups are limited. The relationship between organized crime, political parties, and their relationship with United Front work are also an issue with the formation of the Chinese Unity Promotion Party by Chang An-lo, the former head of the triad, in Taiwan.

United Front also uses its leverage over Taiwanese businesses to demand political concessions whether forcing statements by leading businessman in support of Beijing’s policies or reprimanding Taipei or encouraging businesspersons to vote in Taiwan for Beijing’s preferred party and candidates. In a recent case, the Taiwanese business associations in China has taken a pro-Beijing policy in response to the Taipei government’s handling of the M-503 flight route that led to the cancellation of some planned cross-Strait charter flights—the association head seemed more critical of Taipei than of their host in Beijing. These measures use both coercive and covert means to influence media integrity, free speech, academic freedom, political processes. However, it appears to be creating a counter-productive effect in some cases—and the long-term implications are not clear.

Members of these United Front groups appear to be limited in comparison to the mainstream population, but the saturated media environment in Taiwan has amplified their perceived effect. The trend suggests that the effectiveness of CCP United Front against Taiwan has been limited although it may have some impact. At its height in 2014, the percentage of people who identified as Taiwanese was 60.6 percent, it was also the low for those who identify as both Taiwanese and Chinese at 32.5 percent, whereas people who identified as only Chinese was at 3.5 percent. In 2017, the figure for Taiwanese was at 55.3 percent, both Taiwanese and Chinese at 37.3 percent, and only Chinese at 3.7 percent. While there appears to be a correlation between the timing of when guidance for United Front work began after the Sunflower movement with the decrease in the percentage of people who identified as Taiwanese, the percentage may also simply be

74 [https://www.ft.com/content/b09de5d0-aa76-11e7-93c5-648314d2c72c](https://www.ft.com/content/b09de5d0-aa76-11e7-93c5-648314d2c72c)
naturally readjusting to the surge from the Sunflower movement. In short, it is too early to conclude whether the effects of the measures had a direct or indirect impact on Taiwan’s self-identification. Furthermore, it is not clear to what extent the polling data represents the young generation, which were in large part the participants in the movement, and the clear targets of the current United Front policies. The polling does indicate, however, that national identification is fluid and not unidirectional.

**How well understood are CCP influence operations in Taiwan?**

There is awareness among policy elites of the tactics, techniques, and procedures associated with Chinese influence operations, but the central government’s response has not kept pace with scale, pace, and sophistication of CCP United Front and influence operations against Taiwan. As noted earlier, CCP United Front is a whole-of-society strategy, and it requires a whole-of-society response. One of the challenges lie in wanting to encourage cross-Strait exchanges to minimize misunderstanding, but on other hand protecting the people from covert and coercive activities that tear at the fabrics of a democratic society. Recent amendments to legislations and draft regulations in Taiwan such as revisions of the National Security Act to make punishments for espionage more severe and placing additional limits on active duty as well as retired senior military officers travels to China are necessary and long overdue but insufficient.

**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?**

1. The mission of the State Department’s Center for Global Engagement (GEC) should be expanded to authorize it to work with other like-minded governments and include civil society participants to counter CCP influence operations. A whole-of-society approach, which engages all aspects of society, must be adopted to counter authoritarian influence operations such as United Front. Taiwan can share information about tactics, techniques, and procedures to identify patterns of behaviors of CCP United Front, but it needs assistance in countering these activities.
2. CCP influence operations utilizes media and academic institutions as a tool for its propaganda and disinformation. Greater transparency measures and medial literacy are necessary to ensure that these pillars of democracy are not unduly influenced. Democracies should be encouraged to work closer together not to promote regime changes in authoritarian countries but to protect democratic institutions.
3. CCP United Front activities are directed at not only influencing the target countries’ relations with China but also weakening support for the United States, to counter these measures the United States should bolster its public diplomacy effort with Taiwan. While symbolic measures are often criticized for lacking substance, symbolic measures can have the effect of shoring up moral and boost public confidence.
4. The Global Cooperation and Training Framework (GCTF) carried out by the American Institute in Taiwan and the Taipei Economic Cultural Representative Office has been an

---

76 http://docs.house.gov/meetings/FA/FA05/20180321/108056/HHRG-115-FA05-Wstate-MattisP-20180321.pdf
77 https://udn.com/news/story/6656/3030124

[Back to Table of Contents]
effective mechanism through which the United States and Taiwan cooperate to leverage Taiwan’s strength and increase its international space. This is especially important as the PRC continues to pressure and isolate Taipei in the international community. The GCTF should be adequately resourced to carry out its mission.

5. The United States, Taiwan, and other countries facing CCP United Front activities should form a “United Front Financing Task Force” to actively monitor and trace the money flows from PRC government organizations to these front organizations in the United States, Taiwan, and other countries to ensure that they are operating legally and not used for covert or coercive ends.
OPENING STATEMENT OF AMY SEARIGHT, PH.D., SENIOR ADVISER AND DIRECTOR, SOUTHEAST ASIA PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

HEARING CO-CHAIR WESSEL: Thank you.

Dr. Searight.

DR. SEARIGHT: Thank you to the commissioners for convening this hearing today and inviting me to testify. I've been asked to focus on China's relations with U.S. allies and partners in Southeast Asia--specifically, Thailand, the Philippines, Vietnam and Singapore. I was also asked to address the various tools with which China seeks to influence these countries in their relations with the United States and to provide related recommendations to the U.S. Congress.

The questions asked in this hearing today are important and timely. In light of recent revelations regarding Chinese Communist Party influence operations in Western democracies, it is important to shine attention on this issue of whether CCP influence operations are being deployed elsewhere.

Southeast Asia is a region of high strategic significance to China where it is leveraging all instruments of its national power--sometimes successfully, sometimes unsuccessfully--to wield influence. And I'll discuss some of these efforts and objectives in my testimony today.

Recent studies on Australia and New Zealand have demonstrated the extensive and centrally coordinated efforts through CCP-led mechanisms to influence public debates and policy outcomes in these countries. John Garnaut and Anne-Marie Brady have both described their respective countries as "canaries in the coal mine" of Chinese political influence efforts.

If countries with strong democratic institutions like Australia and New Zealand are vulnerable to Chinese influence and domestic political interference, one can imagine that countries in Southeast Asia, which have weaker governance, less transparency, and in some cases higher levels of corruption, would be even more susceptible.

Let me turn to China's strategic objectives with U.S. allies and partners in Southeast Asia. China's objectives cover many dimensions, including expanding commercial opportunities and developing connectivity with China at the center of an integrated Eurasia.

At the strategic level, China seeks to supplant the United States as the dominant external actor in Southeast Asia. China seeks to undermine U.S. security partnerships with each of these partners over time. It does not necessarily aim to replace the United States as a security partner of choice, at least in the near term, but it does seek to use its economic heft to degrade willingness to work closely with the United States.

China also seeks to weaken Southeast Asian unity on political-security issues, as a divided region is in China's strategic advantage. And this is most obviously the case in maritime expansion, but it also holds true in China's interactions with states along the Mekong River.

Ultimately, China seeks to build a new order in Asia on its own terms where countries in the region will enjoy the benefits of economic linkages for the price of paying political deference to China's interests and prerogatives.

In terms of the instruments of influence that China deploys, it primarily uses traditional tools of statecraft--aid, investment, commercial linkages and active diplomacy. The Belt and Road Initiative, along with the Asia Infrastructure Investment Bank, have become the primary tools for China's economic diplomacy through which China offers vast amounts of...
investment for badly needed regional infrastructure.

It's also important to note that China resorts to economic coercion, both to directly punish countries that act in defiance of its interests and to demonstrate to others the cost of defiance, and the most notable example here is in the case of the Philippines. When the Philippines challenged Chinese seizure of Scarborough Shoal in the South China Sea in 2012, Beijing sought to punish Manila by cutting off imports of bananas and other farm goods.

Defense cooperation is another part of China's toolkit. China has small but expanding defense engagement with many countries in Southeast Asia, including Thailand, the Philippines, and Singapore. And, in particular, Sino-Thai military relations have been warming rapidly in recent years, but Singapore conducts naval exercises with China, and the Philippines have turned to China to supply some weaponry, especially as the new President Duterte sought to distance himself from the United States.

And then finally, of course, cultural exchange, public diplomacy, people-to-people ties are naturally part of the toolkit. These are—you know, China deploys these traditional tools of public diplomacy and soft power like many countries, all countries, do. But based on what we've seen in other countries, including what we heard in the first panel today, it's natural to suspect that other perhaps more opaque nontransparent techniques may be being used as well.

Recent examinations of Chinese political influence activities in Australia and New Zealand have revealed a number of mechanisms through which the CCP seeks to influence domestic debate in these countries. At the heart of most influence activities is the United Front Work Department, UFWD.

UFWD efforts have focused heavily on overseas Chinese populations in Australia and New Zealand, including businessmen, community leaders, and students, but their efforts are not limited to ethnic Chinese and increasingly target the non-ethnic Chinese people in these countries.

And we've seen allegations that have caused some real concern and public debate over a number of incidents, which include things like Beijing-linked political donors buying access and influence with party politicians; universities being coopted by generous donors for research institutions that have dubious neutrality in their academic pursuits; and voices that are coerced and silenced by networks on college campuses and elsewhere that are mobilized to silence criticism of Beijing.

So these cases, the recent revelations in Australia and New Zealand, I think point the way for questions that should be investigated in the cases of U.S. allies and partners in Southeast Asia.

To date, these investigations are only beginning to be launched. Despite the widespread scholarship on China's involvement in Southeast Asia across many dimensions, there has been little study anywhere on the specific subject of Chinese political interference.

However, some things are clear. United Front proxy groups are present and active in all of these countries, including the China Zhi Gong Party, which is a United Front-led party that focuses heavily on outreach to overseas Chinese individuals and communities.

And Chinese state-owned media outlets, including television stations, radio programs and newspapers are a presence in all four countries, often in their own languages.

And Confucius Institutes are part of the mix. They are present in all four countries, especially heavily present in Thailand, where Vietnam has only one.

And I outline some of these activities and the presence of these organizations in all the four countries in my written testimony.
But it's not exactly clear what the extent of the activities that these organizations engage in and the extent of their influence. So it certainly calls for more investigation.

In terms of how the United States should respond, if China is actually using disinformation or other techniques to turn public opinion against the United States, we must be wary. However, our greatest strength is our own values and what we bring to the table.

The people of Southeast Asia respect the United States and what we stand for. Although their governments do not always agree, large majorities of the people in these countries want representative government, free speech, and freedom of religion, and they also want rapid economic growth, but they do not embrace the China model that Beijing increasingly wants to export.

However, the United States appears to be ceding the playing field to Beijing, withdrawing economic leadership as well as growing more quiet on democracy and human rights. This is a mistake at a critical time.

We want Southeast Asian countries to be democratic and well-governed with individuals having rights and the ability to call out their leaders. To this end, we need a diplomatic and public diplomacy surge, not the retreat that we have seen under Secretary Tillerson's State Department. We also need a compelling economic strategy for engaging the region.

And in terms of specific recommendations for the United States Congress, I would offer three:

First, that the Office of the Director of National Intelligence, ODNI, should conduct an assessment of Chinese interference activities in key Southeast Asian countries.

Second, Congress should fully fund the State Department efforts on public diplomacy and also fully fund USAID and support the National Endowment for Democracy, the International Republican Institute, and other organizations that promote American values and ideals and strengthen the democratic governance of countries in the region.

And finally, the United States should reconsider joining the Trans-Pacific Partnership. For countries in Southeast Asia, trade and economics are inextricably linked to security, and the U.S. withdrawal from TPP was viewed as a sharp retreat from economic leadership in the region.

The blow, of course, was especially hard for Vietnam, Singapore, Malaysia and Brunei, who are members of TPP, which has now been launched as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP. But Indonesia, the Philippines and Thailand had all expressed interest in working towards joining TPP when the U.S. was leading the effort.

Thank you very much.
Testimony before the U.S.-China Economic and Security Review Commission

Hearing on China’s Relations with U.S. Allies and Partners in Europe and the Asia Pacific

“Chinese Influence Activities with U.S. Allies and Partners in Southeast Asia”

A Testimony by:

Dr. Amy E. Searight
Senior Adviser and Director, Southeast Asia Program, CSIS

April 5, 2018
Dirksen Senate Office Building, Room 419
Thank you to the Commissioners for convening this hearing today and inviting me to testify. The Commission has asked me to focus on assessing China’s relations with U.S. allies and partners in Southeast Asia—specifically, Thailand, the Philippines, Vietnam, and Singapore. I was also asked to address the various tools with which China seeks to influence these countries and their relations with the United States, and to provide related recommendations to the United States Congress.

The questions asked in this hearing today are important and timely. In light of recent revelations regarding Chinese Communist Party (CCP) influence operations in Western democracies, it is important to shine attention on the issue of whether CCP influence operations are being deployed elsewhere. Southeast Asia is a region of high strategic significance to China where it is leveraging all instruments of national power – sometimes successfully, sometimes unsuccessfully – to wield influence. I will discuss these efforts and objectives later in my testimony.

Recent studies on Australia and New Zealand have demonstrated the extensive and centrally coordinated efforts through CCP-led mechanisms to influence public debates and policy outcomes in these countries. John Garnaut and Anne-Marie Brady have described these countries as “canaries in the coal mine” of Chinese political influence efforts. If countries with strong democratic institutions like Australia and New Zealand are vulnerable to Chinese influence and domestic political interference, one can imagine that countries in Southeast Asia that have weaker governance, less transparency and higher levels of corruption will be even more susceptible.

While there is extensive study of China's diplomatic and economic influence and activities in Southeast Asia, it is notable that United Front Work Department (UFWD) efforts have not been a focus for those studying these dynamics. I think there are several reasons for this, but I do hope this hearing helps spur U.S. Southeast Asia experts – academics, think tankers, government experts including the intelligence community – to focus more time and attention on this issue.

**China’s strategic objectives**

China's objectives in its relations with U.S. allies and partners in Southeast Asia cover many dimensions, including expanding commercial opportunities and developing connectivity with China at the center of an integrated Eurasia. At the strategic level, China seeks to supplant the United States as the dominant external actor in Southeast Asia. China seeks to undermine U.S. security partnerships with each of these partners over time. It does not necessarily aim to replace the United States as a security partner of choice (at least in the near term), but it does seek to use its economic heft to degrade willingness to work closely with the United States.

---

China also seeks to weaken Southeast Asian unity on political-security issues, as a divided region is in China's strategic advantage. This is most obvious in matters related to China’s maritime expansion, but also holds true in its interactions with states along the Mekong river. Ultimately, China seeks to build a new order in Asia on its own terms, where countries in the region will enjoy the benefits of economic linkages for the price of paying political deference to China’s interests and prerogatives.

**Instruments of influence**

China's primary means of exercising influence are traditional tools of statecraft – aid, investment, commercial linkages, and active diplomacy. The Belt and Road Initiative (BRI), along with the Asia Infrastructure Investment Bank (AIIB), have become the primary tools for China’s economic diplomacy, through which China offers vast amounts of investment in badly needed regional infrastructure.

China also resorts to economic coercion, both to directly punish countries that act in defiance of its interests and to demonstrate to others the cost of defiance. For example, when the Philippines challenged China’s seizure of Scarborough Shoal in the South China Sea in 2012, Beijing sought to punish Manila by cutting off imports of bananas and other farm goods. When the newly elected President Duterte signaled an accommodating approach to China in 2016, Beijing quickly offered the Philippines billions of dollars of investment in infrastructure projects. Another example involves Singapore’s limited military cooperation with Taiwan, which has been ongoing for many years. In 2016, after conducting a joint training exercise on Taiwan, nine armored but unarmed troop-carrying vessels that had been used in the exercise were impounded by Chinese customs officials from a commercial container vessel that had stopped in Hong Kong en route to Singapore. Soon after the seizure of the vehicles, China’s Foreign Ministry formally demanded that Singapore “strictly abide by the one-China principle” and abstain from “any official contacts with Taiwan, including military exchanges and cooperation.” The Global Times chimed in with a telling message, calling Singapore a “small country” that “used to know its boundaries,” and warning that if Singapore did not assume a more “balanced” approach it could result in Beijing adjusting its policies that would “profoundly impact Singapore’s economy.”

Defense cooperation is another part of China’s toolkit. China has small but expanding defense engagement with many countries in Southeast Asia, including Thailand, the Philippines and Singapore. Sino-Thai military relations in particular have been warming rapidly. Thailand regularly conducts counter-terrorism exercises with China and launched its first ever joint air force training exercise with China in 2016. Thailand has also agreed to purchase Chinese submarines and battle tanks, and recently announced plans to develop a joint military repair and maintenance facility. With the Philippines, China has donated assault rifles, sniper rifles and ammunition to the Philippines, which President Duterte eagerly accepted after the U.S. Congress prevented the sale of M4 rifles to the Philippine National Police. Singapore has held regular naval exercises with China since 2015 and has spearheaded the effort to launch the first China-

---

ASEAN joint naval exercise, which is expected to take place this year. While China’s defense relationships in Southeast Asia currently pale in comparison to the depth and complexity of U.S. defense engagement, they do have the potential to impact U.S. interests over time.

Finally, cultural exchange and public diplomacy are naturally part of the toolkit. Chinese party leaders started using the term “soft power” a decade ago, and began focusing on ways to enhance China’s international image through public diplomacy and promoting Chinese culture. The government began pouring billions of dollars into “overseas publicity work” and “external communication,” and academics began discussing the “China model” of rapid economic development under authoritarian rule as a potential export of soft power.\(^3\) Xi Jinping took this discourse a step further at the 19th Party Congress last fall, when he described the China model as a “new option” for countries that “offers Chinese wisdom and a Chinese approach to solving the problems facing mankind.” Although Xi later said that China would not seek to export the China model, it has become clear that China has growing soft power ambitions and that more active and expansive public diplomacy is geared towards enhancing its international image. It is also clear that China’s appeal as a model of miraculous growth under one party rule is not lost on autocratic rulers in Southeast Asia.

**Influence versus interference: lessons learned from Australia and New Zealand**

Recent examinations of China’s political influence activities in Australia and New Zealand have revealed a number of mechanisms through which the CCP seeks to influence domestic debate in these countries. At the heart of most influence activities is the United Front Work Department (UFWD). UFWD efforts have focused heavily on overseas Chinese populations in Australia and New Zealand, including businessmen, community leaders and students. But their efforts are not limited to ethnic Chinese, and increasingly target non-ethnic Chinese people in these countries. Influence activities are broad and varied in these countries, but the allegations that have sparked the most concern include Beijing-linked political donors buying access and influence with party politicians; universities being coopted by financial largesse for research institutions that have dubious neutrality in their academic pursuits; and voices that are coerced and silenced by networks on college campuses and elsewhere that are mobilized to silence criticism of Beijing.

John Garnaut draws a useful distinction between political *influence* and political *interference* operations. Political *influence* includes traditional diplomatic tools to enhance a country’s soft power or explain and promote its foreign policy positions. Political *interference* on the other hand are attempts to manipulate public opinion through efforts that are covert, corrupt, or coercive. It is political interference operations that are of greatest cause of concern because they are less visible and more manipulative, and more challenging to counter with traditional tools of public diplomacy.\(^4\)

---

These analyses of “Western” democratic allies and partners point the way for questions that should be investigated in the cases of U.S. allies and partners in Southeast Asia. These investigations are only beginning to be launched. Simply put, despite widespread scholarship on China’s involvement in Southeast Asia across many dimensions, there has been little study anywhere on the specific subject of Chinese political interference. Neither I nor the broader Southeast Asia analytical community in the United States and around the world have focused substantially on the issue of UFWD influencing domestic debates and policy in Southeast Asia. This is a clear gap in our understanding of these regional dynamics and the strategic significance of these questions calls for intensive empirical research.

However some things are clear. UFWD proxy groups are present and active in all of the four countries I have been tasked to examine. These groups include:

- The China Council for the Promotion of Peaceful National Reunification (CCPPNR), which advocates against the recognition of Taiwan
- The Chinese People’s Association for Friendship with Foreign Countries (CPAFFC), which works to build positive relations with other countries to improve their opinions about China
- The China Overseas Friendship Association (COFA)

The China Zhi Gong Party (CZG) also contributes to influencing domestic attitudes towards China and other issues in Southeast Asian countries. The CZG is a UFWD-led party that focuses heavily on outreach to overseas Chinese individuals and communities, particularly through its Overseas Friendship Committee. Membership is granted to any Chinese individual who is currently or has returned from living overseas, individuals with overseas relations, and “intellectuals” who are representative of other countries and are willing to abide by the party’s constitution. Specific activities pursued by the CZG in Thailand, the Philippines, Vietnam and Singapore are outlined in the appendix.

Chinese state-owned media outlets, including television stations, radio programs, and newspapers, maintain a presence in all four countries. Among the most notable of these outlets are the 24-hour channels CCTV-4 and CGTN (China Global Television Network); China Radio International, which is available in the local languages of all four countries; and Chinese language newspapers that are either owned by CCP-controlled media groups or are staunch proponents of the party line. In Thailand, the Chinese-language Sing Sian Yer Pao newspaper maintains a publishing partnership with the CCP-controlled Nanfang Media Group. In the Philippines, the World News newspaper serves as a mouthpiece for pro-CCP sentiments as the country’s largest Chinese-language newspaper in terms of circulation. While there is no direct evidence of CCP involvement in the ownership of World News, its leadership maintains strong ties to pro-China organizations in the Philippines, many of which have collaborated on outreach initiatives with the Chinese Embassy and the Chinese People’s Association for Friendship with Foreign Countries.

Confucius Institutes are also part of the mix. Although they are affiliated primarily with the Chinese Ministry of Education, Confucius Institutes share deep ties with the United Front Work Department. They are present in all four countries, at the university level as well as “classrooms” at the secondary level. However they are not equally present – they vary widely in distribution, with Thailand hosting the most Confucius Institute programs, while Vietnam has only one, as seen in the table below:

### Confucius Institutes in Southeast Asia

<table>
<thead>
<tr>
<th>Country</th>
<th>University programs</th>
<th>Secondary-level “classrooms”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philippines</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Singapore</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Thailand</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Vietnam</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

**Caveats and considerations**

The above examples of activities of UFWD subsidiaries and proxies, as well as media operations and Confucius Institutes, demonstrate that Chinese influence efforts are present in Southeast Asian countries. However, the extent of UFWD operations and their influence are not well documented.

It’s also important to note the distinction drawn above between political influence and political interference. Some activities fall well within traditional definitions of public diplomacy and outreach – diplomatic tools used by virtually all countries that are meant to influence, educate and persuade domestic audiences about particular issues and burnish the image of the country deploying these efforts. The greater concern is whether corrupt, coercive, and covert means of interference are being used to manipulate public debate in illegitimate and non-transparent ways.

The recent example of an academic expelled from Singapore is a case in point. Last August, the Singapore government announced that it had revoked the permanent resident status and ordered the expulsion of Huang Jing, a U.S. citizen born and raised in China who was the Lee Foundation Professor of U.S.-China relations at the Lee Kuan Yew School of Public Policy. Huang was accused by the Singapore Ministry of Home Affairs of “subversion and foreign interference in our domestic politics” for allegedly “passing privileged information” to senior officials with the intent of influencing their decisions on foreign policy. Although the “foreign country” for which Huang was accused of acting as a knowing “agent of influence” remained unnamed, the widespread understanding among informed Singaporeans is that the “foreign country” is China.

---

Beyond these rare public incidents that suggest in a visible way that covert interference operations are underfoot, it is difficult to gauge how widespread and influential these kinds of activities are in Southeast Asian countries.

Another important dimension that has to be considered and investigated is the role of overseas ethnic Chinese in these Southeast Asian countries. On the one hand, many of these countries have large overseas ethnic Chinese populations, which in theory may provide fertile ground for China’s political influence operations, as they have in Australia and New Zealand. On the other hand, however, most of the ethnic Chinese in these countries migrated many generations ago, so their familial and direct ties with the mainland are heavily diluted or non-existent.

Another consideration that may limit the influence of CCP operations is the historical legacy of China’s expansive communism in these countries. The CCP has enormous political baggage in Southeast Asia from the decades when the CCP sought to spread communist revolution across Asia. Countries such as the Philippines and Indonesia remain deeply wary – sometimes to the point of seeming irrationally leery – of Communism. Thailand and Singapore have strong anti-communist roots as well. The CCP therefore is playing in a hornet’s nest, and perhaps is aware of this.

**How should the United States respond?**

If China is actually using disinformation or other techniques to turn public opinion against the United States, we must be wary. However, our greatest strength are our own values and what we bring to the table. The people of Southeast Asia respect the United States and what we stand for. Although their governments do not always agree, large majorities of the people in these countries want representative government, free speech, and freedom of religion. They also want rapid economic growth, but they do not embrace the China model that Beijing increasingly wants to export. However, the United States appears to be ceding the playing field to Beijing, withdrawing from economic leadership as well as growing more quiet on democracy and human rights. This is a mistake, at a critical time. We want Southeast Asian countries to be democratic and well-governed, with individuals having rights and the ability to call out their leaders. To this end we need a diplomatic and public diplomacy surge, not the retreat that we have seen under Secretary Tillerson’s State Department. We also need a compelling economic strategy for engaging the region.

For policy-makers addressing the issue of potential Chinese political influence and interference in Southeast Asia, it is important to first get the facts, through empirical investigation and analysis. We should also seek ways to promote transparency around these issues. But we should distinguish between categories of influence activities – although the categories are not black and white, it is still important to distinguish between legitimate forms of public diplomacy and illegitimate forms of disinformation and manipulation. Moreover, policymakers should not overreact to revelations, current or future, about China’s influence efforts. We already know China is operating aggressively in Southeast Asia to court influence, across all dimensions. This may be one more way, and it should be taken seriously but it may not be a game-changer.
Implications

The first conclusion to draw from the overview presented here is that there is a pressing need to further our understanding of China’s influence and interference activities in Southeast Asia, and in particular within countries that are allies or strategic partners of the United States. If Australia and New Zealand are “canaries in the coal mine” of Chinese interference operations, we should be concerned about Southeast Asia, a region with weaker institutions of governance.

There are several recommended steps Congress can take to help further our understanding of these dynamics and address the challenges of growing Chinese influence activities. They include:

- The Office of the Director of National Intelligence (ODNI) should conduct an assessment of Chinese interference activities in key Southeast Asian countries.
- Congress should fully fund State Department efforts on public diplomacy. It should also fully fund USAID, and support the National Endowment for Democracy, the International Republican Institute, the National Democratic Institute and other organizations that promote American values and ideals, and strengthen the democratic governance of countries in the region.
- The U.S. should reconsider joining the Trans Pacific Partnership (TPP). For countries in Southeast Asia, trade and economics is inextricably linked to security, and the U.S. withdrawal from TPP was viewed as a sharp retreat from economic leadership in the region. The blow was particularly hard for Vietnam, Singapore, Malaysia and Brunei, who are members of TPP (now launched as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, or CPTPP), but Indonesia, the Philippines, and Thailand had all expressed interest in working towards joining TPP when the U.S. was leading the effort.
Appendix: Activities of the China Zhi Gong Party (CZG) in Southeast Asia

The CZG is a UFWD-led party that focuses heavily on outreach to overseas Chinese individuals and communities, particularly through its Overseas Friendship Committee. In his review of the party’s activities in 2016, the CZG Chairman Wan Gang outlined a number of priority activities for the party to pursue in the future. These include:

- Improving upon external liaison platforms: CZG holds a number of events in China each year to which overseas Chinese are invited to, such as forums and summits;
- Strengthening communication with countries along the path of One Belt One Road (OBOR);
- Deepening the work of traditional overseas Chinese missions, including overseas Hongmen, and improve the party’s influence in overseas Chinese communities;
- Strengthening contacts and exchanges with new immigrant groups, overseas students, and Chinese academic groups to expand the reach of liaison work;
- Strengthening and coordinating propaganda efforts to increase the appreciation of Chinese cultural values.

Because the CZG focuses on building interpersonal networks between overseas Chinese and the party apparatus on the mainland (rather than establishing a physical footprint or presence abroad), it is difficult to quantify the extent to which it is active in each of the four countries under consideration. However, documentation of interactions between the party and individuals from the countries in question assists in demonstrating the scale of CZG activities in Southeast Asia, as outlined below:

- **March 23, 2018** - CZG official met with the Commercial Counselor from the Royal Thai Consulate in Chengdu to discuss cooperation in medical and biotechnology fields.
- **January 16, 2018** – The CZG held an event in Nanjing for a delegation of Southeast Asian Chinese leaders, including individuals from Thailand and Vietnam. At the event, the delegation members discussed their local responses to OBOR and what problems could arise. The delegation was also brief on the CZG’s liaison work.
- **November 30, 2017** – A CZG member travelled to the Philippines to conduct economic and trade exchanges with the Philippine Chinese Economic and Trade federation.
- **September 15, 2017** – The CZG announced its partnership with the Guangxi Arts Institute to research the experience of Chinese living in Vietnam, cultural dissemination, and economic cooperation.
- **July 26, 2017** – The CZG sponsored a summer camp program for adolescents of Chinese descent. Teenagers from 11 different countries were present, including Thailand.
- **March 13, 2017** – Vice Chairman of the CZG Central Committee proposes the establishment of a Chinese cultural center in Hanoi to develop closer cultural exchanges and cooperation with Vietnam and other ASEAN countries.
- **December 6, 2016** – CZG Chairman Wan Gang travelled to Vietnam, where he met with Nguyễn Thiên Nhân, the Chair of the Central Committee of the Vietnamese Fatherland.
Front and Vice Chairman Trần Thanh Mẫn to discuss the cooperation between Chinese and Vietnamese governments.
OPENING STATEMENT OF PETER MATTIS, FELLOW, CHINA PROGRAM, JAMESTOWN FOUNDATION

HEARING CO-CHAIR WESSEL: Thank you.

Mr. Mattis.

MR. MATTIS: Thank you very much to the Commission for inviting me here again. It's a pleasure to be back.

I was asked a very, very long and broad set of questions that went well beyond Australia and New Zealand so I'll try to touch a little bit on all of that and certainly move through it quickly so we can go through the questions.

First point is that Australia and New Zealand both face substantial problems with interference by the Chinese Communist Party. In both cases, the CCP has gotten very close to or inside the political core, if you will, of both countries. The primary difference between the two has simply been their reaction.

The problems that are there include the narrowing of Chinese voices, the CCP's essential monopolization of the media outlets, the takeover of community organizations, and in a sense denying the rights of Chinese Australians and Chinese New Zealanders to exercise the rights of freedom of association and freedom of speech in public forums.

And this relates to the political systems of these countries primarily because if these are the--if CCP backed people are the heads of these Chinese community organizations in those two countries, and politicians use them as their sort of advisors or their guide to what the Chinese community is thinking, it means that they really essentially have a CCP firewall, if you will, between the political class in both countries and the Chinese communities that live within them.

There is the supporting of those voices that speak productively, in Beijing's terms, about China, and there is the issue of suppressing voices that don't through denial of visas, through pressure placed on institutions, and in some cases sort of calls directly to those individuals.

There's also the issue of what you might call a three-way transaction where retired officials or politicians take on consulting jobs, if you will, and when a company tries to open their business in China and open sort of different avenues where they need political support, the CCP side simply says, well, you need to pay so-and-so to open the doors for you and to arrange the meetings, and that way there is never a direct, direct CCP payoff to a Western consultant or person, but rather it's done through the companies themselves so it's a bit of a proof to the pudding of Lenin's apocryphal comment that only a capitalist will pay for the rope that's used to hang him.

With respect to the reactions, in New Zealand, both the last prime minister, Bill English, and Jacinda Ardern, have denied that there's a problem at all, and although the current prime minister has said that the attempts to intimidate and to steal materials from scholar Anne-Marie Brady will be investigated, that's a far cry from any sort of productive action when you have people who have lied on immigration forms that are now sitting as members of parliament.

And to quickly move to a recommendation, I think that at some level the Five Eyes or the Four Eyes need to have a discussion about whether or not New Zealand can remain given this problem with the political core, and it needs to be put in those terms so that New Zealand's government understands that the consequences are substantial for not thinking through and addressing some of the problems that they face.
On Australia, Prime Minister Malcolm Turnbull has announced a very ambitious legislative agenda that is also a bit controversial. There is introduction of new counterespionage legislation, there is the introduction of sunlight legislation, kind of a foreign agent registration act in Australia where they've tried to plug some of the gaps that exist within our legislation. There's intelligence reform, and there's a new set of laws related to foreign campaign donations.

There's been sustained journalistic inquiry into the issues. There is a growing body of researchers and scholars who are conversant and debating these issues, both outside the Australian government and inside the Australian government. But I would say that we shouldn't be, we shouldn't be complacent that they have the answers or that they are necessarily further along.

There's not, you know --yes, they are taking these actions, but it's far from clear whether or not they're going to be complete and whether they're going to take an effective form in pushing back.

How well do Australia and New Zealand understand the problem? The simple fact of the matter is that the core set of journalists and scholars and researchers in those countries are basically the international core of the people that understand this issue, and nobody who can speak with any kind of authority on United Front work or China's efforts to influence or interfere covertly frankly can be credible if they haven't had contact and haven't had discussions with the Australians and New Zealanders who cover this issue.

Australia probably has six to ten journalists who are not Chinese speakers, who are conversant in the CCP language of United Front work and propaganda work. And that's not something that's even common among U.S. scholars or people who are focused on China as a professional career.

The last book on United Front work was published in 1967, and most of the time people have dismissed the United Front Work Department or the CPPCC as sort of useless organs that don't really stand for much despite the fact that the CPPCC has been headed by such lightweights in China's political system as Mao Zedong, Deng Xiaoping, Zhou Enlai, and Yu Zhengsheng.

The United Front Work Department has also had a person on the Secretariat which makes most of the routine day-to-day decisions, and there are very few departments within the Chinese system that can say that the head of their department regularly sits on that body. So it's obviously something that is important to them.

In order to confront this problem, there's an issue of political will, and that means both in Australia and New Zealand, we can, the United States can play a role by its support and pushing these governments to take this issue seriously and to keep the discussion going.

There's a second issue of understanding at the working level--the journalists, the researchers, the people in the security and intelligence services that need to know more about this issue and need to understand it. And there's a great deal of room for cooperation and expanding the cooperation that's already robust at that working level, but also being clear that there's value to having this discussion outside of government and keeping things outside of government channels so you don't deal with release issues or classification issues.

And with respect to pushing back, it's important to think about how this issue is framed. I think you've noticed that a number of people have spoken very specifically about CCP or have caveated that when I slip up and say China, I'm really talking about the CCP, and it's important to keep the conversation going in that vein. We're talking about the Party; we're not talking about China. We're talking about--we're not talking about the people. And that really is
a critical point.

The second is that if we're talking about pushing back on interference, we are in fact talking about protecting democratic values and enforcing our laws. It's as simple as that. It is about protecting the rights of our Chinese citizens and many others to exercise their free speech rights, their freedoms of association, and ensuring that they are able to act upon those.

Additionally, there's no solution anywhere that does not involve the overseas Chinese communities so when we screw up some of the espionage investigations and some of the tech-transfer investigations, and we rush too quickly on some of them, and there are a number that you can identify, we poison the relationships that are critical to successfully pushing back because the knowledge simply is not in a place like this room, but is elsewhere in communities with the people that have direct sort of day-to-day contact with the United Front system.

So very quickly on recommendations. Again, we have to keep a conversation going. If people are going to take United Front money or have these relationships, then they should be prepared to debate and discuss them in public. I think one of the reasons why University of Texas refused the money coming from Tung Chee-hwa was they simply didn't want to have that conversation in public. There's no law against it. There's nothing legally at issue with them, but they didn't want to have to defend themselves publicly about taking that money.

Second, transparency is not passive; it's active. And again this relates to keeping the conversation going. You have to dig into organizations. You have to follow where they lead back to, and what you find is, in fact, quite disturbing, but it's not something that's just going to happen because we say, oh, you know, a couple of journalists are going to write about this or a couple of researchers are going to dig into it. It's a much, much, much bigger effort.

Third point is the enforcement issue is one of the biggest ones, and it requires political will, it requires prosecutors and investigators to understand what they're looking at and why they're looking at it, and so in many respects, Australia is at the first stage of this issue of really debating, okay, what are we going to do? They passed the legislation, and that draws the lines in the sand about what is okay and what isn't.

But if you're not prepared to enforce them, as the United States has not been prepared to enforce some of its laws, what does it matter? And you have to keep pushing this up to the top level so that it becomes a political issue that pushes it down. And I don't think that there's any sort of specific legislative action or specific actions of policy that are a substitute for creating the political will at the top and a sense of purpose and direction that leads to the investigative work at the working level and building a set of knowledge and tools to be able to push back.

And only once those have happened are we in a place to really talk about something distinctive in terms of legislation or what tools does the FBI need, what tools does Department of Justice need to push back.

Thank you.
HEARING CO-CHAIR WESSEL: Thank you very much. Thanks to all of our panelists.

We'll start with Commissioner Tobin.

COMMISSIONER TOBIN: Great. Thank you, Mr. Chairman.

I have a question for each of you. First of all, Dr. Searight and Mr. Panda, I wonder if you could speak about the coercive influence operations to the extent you know about them in India and Sri Lanka because that, although we did not, our staff didn't ask you directly, I know you both have some experience in that? So that will be my question for both of you.

Mr. Hsiao, you mentioned that the, that the PRC was somewhat surprised by the Sunflower Movement direction, and then you mentioned afterwards that they had identified ten constituents, and you named them. I wonder if you're aware of do they measure their effectiveness? It's been a few years now, and how do they measure their effectiveness in trying to rectify what they missed out on last time? So I'm curious how evaluative they are.

And Mr. Mattis, one of your recommendations that I found particularly intriguing was raising the costs for CCP interference, and you said when education officials at the PRC embassy and consulate show up at universities to threaten students or turn them out for a rally, the U.S. should consider revoking their diplomatic status.

I was intrigued by that. Has anything like that happened? Have you thought about how it, whether it might happen? In other words, it seems like a good approach, but I just wonder, I'd like a little more background based on what you've studied there.

So let's start with Mr. Panda in terms of coercive influence in India and Sri Lanka.

Thank you.

MR. PANDA: Sure. That's a great question. I think both of those countries are examples that I can speak to in a limited way here today.

I think Sri Lanka is perhaps the easier one to start with. Under the previous government of Mahinda Rajapaksa, Sri Lanka significantly pursued rapprochement with China. There was a consistent, there was a massive surge of Chinese capital into the country that has now turned toxic resulting in Sri Lanka being forced to undertake debt equity swaps, and the current government has had to also deal with an outpouring of anti-Chinese sentiment in the south in the Hambantota port project.

So the Sri Lanka case is complicated, but there I do think we see signs of China pursuing more covert means of seeking influence with an active democratically elected government, and depending on where the country's political future goes, we might see those dynamics come back into play, and hopefully Sri Lanka does not go the way of the Maldives, which are not too far away and another example in the Indian Ocean of I think successful Chinese influence seeking.

India is a far more complex case.

COMMISSIONER TOBIN: Right.

MR. PANDA: I do think that there is a lot more to speak to there in terms of the conventional tools of statecraft with regard to coercing the Indian government. The two countries have a complicated relationship that encompasses a range of cooperative and competitive activities. In recent years, I think there is an undeniable trend towards this dynamic becoming more competitive, which I think we've seen--

COMMISSIONER TOBIN: Right.

MR. PANDA: --with the Indian government's willingness to grow closer to
Japan, the United States and Australia and reconvening the so-called "Quadrilateral Initiative."

With regard to covert attempts to seek influence within India, there are a few interesting dynamics at play. India is host to a large Tibetan diaspora that Chinese intelligence take a particular interest in because some of these Tibetan refugees that have been in India for a long time do have connections across the border in Lhasa and in Tibet so that is an active area where the Chinese government seeks to at least have an idea of what's happening within the Indian Tibetan community. It's something the Indian intelligence community also watches closely.

And additionally, there are also a few cases that I'm not familiar with to speak to in detail at this moment with the Indian far left. India does have a few communist parties that operate in the country that do manage to win seats in local elections, particularly in northeastern India where India and China do have an active ongoing territorial dispute. So I do believe there have been attempts by the CCP to seek influence with these groups as well.

COMMISSIONER TOBIN: Thank you.

DR. SEARIGHT: I'm glad that Ankit went first because my knowledge of Chinese covert activities in India and Sri Lanka are much more limited, and I think he covered the ground well.

I would just add one small detail, which is in the Sri Lanka case. When the Sirisena government was elected and replaced the Rajapaksa government, they attempted to review a number of deals that were made with China for infrastructure and other projects because they had a very strong suspicion that there was a lot of corruption involved.

But my recollection is they were not able to get much clarity on that, which speaks to perhaps a lot of covert behavior on China's part, and so many of the projects ended up going forward.

COMMISSIONER TOBIN: Thank you.

Mr. Hsiao.

MR. HSIAO: Thank you, Commissioner.

I think that's an excellent question. In terms of how the CCP evaluates their United Front activities, vis-a-vis the ten constituencies that I mentioned, I think that given that they have just reinforced their current approach with the 31 new measures, I think that I take that as an indication that they are--

COMMISSIONER TOBIN: Yes.

MR. HSIAO: --they look at it as something that they are, that is successful or it needs to be improved on at least, at the very least that this approach will continue.

And I think that's an important indicator because it's something that they are, they have identified as a need.

The Taiwan Affairs Office in the State Council according to my knowledge had conducted a thorough review actually of their, of their approach to the Taiwan constituencies in China. This includes going to different provinces and localities to talk to businessmen and people who are working there from Taiwan, and at the end of this came to an evaluation of what has been, what is the need of sort of the Taiwan compatriots?

And this, I think, led to, in part, to what I think the 31 new measures are. And so these 31 new measures, which target businesses as well as persons, and it includes loosening restrictions on professional licenses for many different professionals within Taiwan and youth to be able to work in China, and so for, you know, as you look at the broader context of Taiwan's economic--
COMMISSIONER TOBIN: Right.
MR. HSIAO: --situation, it's to try to utilize sort of the constraints, you know, where they need to find a bigger market and people need to find places to work. And the China market provides that type of opportunity.
I think that leads to another important question, which is, you know, the impact this actually has on the people in winning the hearts and minds, and I think that still remains to be seen.
I think there are going to be differences in terms of how different generations react to the--
COMMISSIONER TOBIN: Right.
MR. HSIAO: --to the types of these efforts.
COMMISSIONER TOBIN: So I know I'm short on time--
MR. HSIAO: Yeah, sure.
COMMISSIONER TOBIN: But that's a great start, and we can--I'll hear more at the break.
MR. HSIAO: Okay.
COMMISSIONER TOBIN: Mr. Mattis, your recommendation in terms of raising costs for CCP interference. Is that something that you can envision happening, and if so, tell us more about your thinking on that?
MR. Mattis: I think this is what should be, if you will, a principle in the way that we're thinking about how to push back, that there is some issue of raising costs and ensuring that where there are problems that we can inject into their system, that we should do it because even calling some of this activity coercive is a euphemism for what is, in fact, a foreign government committing criminal acts against our people on our soil.
COMMISSIONER TOBIN: Yes.
MR. Mattis: And in these cases if you're talking about issues of freedom of association and freedom of speech, we actually do have criminal statutes related to conspiracy against rights, and this is a civil rights issue, not necessarily a National Security Division issue for the DOJ.
So there are, you know, this is, in fact, a U.S. law that is simply being, you know, where we're turning the other way.
COMMISSIONER TOBIN: Right.
MR. Mattis: And nothing about, there's, to my knowledge, no one has really thought about this, and to the extent that we know that there have been issues with Chinese security officials on tourist visas or business visas conducting United Front activities or intimidating or pushing back or conducting their official duties, we have not sort of pursued action against them while they're in the United States despite, despite the obvious visa fraud and felonies.
Nothing about pushing back against Chinese interference is going to be cost free--
COMMISSIONER TOBIN: Yeah.
MR. Mattis: --on us. So the argument that what will China do in response in some sense is a question that I think is a second-order question when the issue is our laws, our laws are not being enforced.
COMMISSIONER TOBIN: And there are associations, the American Association of Higher Education and others, that this could be brought up at, but, as you say, there is potential--there is going to be costs. But let's get the discussion going was your driving
Thank you very much. Thank you.

HEARING CO-CHAIR WESSEL: Commissioner Stivers.

COMMISSIONER STIVERS: Thank you. Thank you.

Quickly following up on Commissioner Tobin's question, I think it's important to note, and please correct me if I'm wrong, but I believe that the Indian government does not allow Confucius Institutes to operate in that country. Is that, do you know if that's true? I'd heard that somewhere, but I hadn't verified it.

MR. PANDA: I'm not sure off the top of my head.

COMMISSIONER STIVERS: I think it's important. Something to think about.

So I'd like to focus a little bit on the Philippines for a moment--one of our oldest Asian partners, and strategically important, major non-NATO country. I think in 2015, it was the most pro-U.S. country in the world. Our approval rating was 92 percent in the Philippines, just off the charts. I don't know if it's changed since then, but I think that it's important to know. Deep ties between our people.

It's also located on the first island chain, a key barrier that can impact the Chinese military from entering the Western Pacific through the Luzon Strait between Taiwan and the Philippines, a major accomplishment of the Obama administration was the U.S.-Philippines Enhanced Defense Cooperation Agreement, EDCA. And that was signed in 2014. It allowed the U.S. more access to those bases in the Philippines--absolutely essential.

I know Dr. Searight worked on that a lot when she was on that DoD. So congratulations on that great work. It still endures.

The situation has changed--the situation between the U.S. and Philippines, and in the Philippines, it's changed drastically since then. President Duterte has led a horrific attack on the people there, extrajudicial killings of drug users, drug dealers. More than 10,000 people have been killed--absolutely horrible.

China has taken advantage of this situation a number of ways. It provided arms sales, police weapons that the U.S. has cut off. New loans. I think 24 billion is a number that I heard. Whether or not that materializes, who knows. Philippines has dropped the South China Sea case for all intents and purposes. And China will also soon supplant the U.S. as the largest investor in the Philippines shortly.

We have a problem in the Philippines. And some argue that the U.S. should take a longer view, that we shouldn't make a big deal about the extrajudicial killings. We don't want to jeopardize EDCA. Very difficult decisions need to be made at the end of the last administration and in this administration.

So, Dr. Searight, in particular, since you've worked on this issue for so long, and you have such great expertise, what should we be doing with the Philippines, especially in relations to China, and what tools can we use, and maybe putting on your USAID hat, what are some of the things we should be doing to strengthen that U.S.-Philippines relationship vis-a-vis China at this really important moment?

I know it's a really tough question and very broad, but whatever thoughts you have on this I think would be useful for us.

DR. SEARIGHT: It is a tough question. You know it's not just the Philippines. Countries like Thailand as well pose really difficult choices between our strategic imperatives and our values and our strong interest in having democracy and human rights and rule of law in these countries, and these tradeoffs are sharpened even more at a time of growing strategic
competition between China.

So, you know, engaging all the countries in the region is incredibly important because Southeast Asia is really the ground on which the U.S.-Chinese competition for the regional, future of the regional order is really being played out.

Specifically, with the Philippines, there are a number of dilemmas since President Duterte was elected. The United States does remain very popular in the Philippines, but Duterte has also tapped into a deep strain of anti-Americanism that comes from the colonial legacy. And so we shouldn't be complacent about that either.

His negative rhetoric about the United States has proven popular as has his drug war, unfortunately, and so that puts us even more in a bind because he is tremendously popular as a leader in his country, and his popularity has remained high, and so that makes it even more difficult to think about how, you know, what kind of tools we can bring to bear to really try to influence the situation.

So I don't have a great answer here. I just think that you do have to balance the strategic importance of maintaining the alliance with our strong interests and certainly our values, but our strong interests as well in having a democratic Philippines that abides by human rights and has strong institutions and rule of law.

I think the Philippines is a case in point of what can happen with a democracy that has pretty weak institutions. I mean Duterte has very successfully managed to overrun a number of institutions, which gets to your point about USAID and other programs we can look to. I think the more work we can be doing in the Philippines and other countries in Southeast Asia to strengthen institutions of justice, of the police, of, you know, of parliamentary systems, is really important.

So work on anti-corruption and just strengthening institutions is really important, and I would, I don't think there's barriers for us doing work in that area in the Philippines right now.

And then on the alliance, there is this sharp disconnect between at the policy level, everything that President Duterte tends to say about the alliance and his view of working with the United States on security issues in the region, and he remains quite negative on that, but at the operational level, we do maintain very strong alliance cooperation, and we saw that in Marawi when the United States stepped in and really helped with the counterterrorism efforts there to dislodge the militants, and that was very appreciated.

And certainly the Philippine Army, the Philippine Armed Forces do not want to step away from their strong ties, their strong cooperation with the United States. So that is maintained. That is we've maintained a robust day-to-day mil-to-mil cooperation, and so I think we should just also focus on maintaining that operational level cooperation as much as possible.

COMMISSIONER STIVERS: Thank you.

Anyone else? Mr. Panda.

MR. PANDA: If I can just offer a brief note of I guess optimism and a way forward in the Philippines, which is something I've thought about with President Duterte. I would just say that, you know, we saw this before in the Philippines in the early 2000s with President Gloria Macapagal Arroyo, who had her own period of outreach towards China. The circumstances I mean structurally were different at the time. It did not encompass the range of activities that President Duterte has pursued, but then I mean democratic elections in the Philippines did allow for the election of the Aquino administration, which was remarkably pro-American, in support of the rules-based order.
So my caution would be to, you know, hope that institutions in the Philippines remain robust enough towards the next election that hopefully that anti-American, that pro-American sentiment that does remain strong in the country can express itself at the polls again, and I think that is probably one of the ways forward here.

COMMISSIONER STIVERS: Just real quick, as an aside, I know that the work that was done in terms of Typhoon Haiyan in 2013, really that humanitarian assistance, that disaster recovery from our defense work and USAID, the great work we did, kind of helped set the stage for that EDCA deal which was so important in terms of building trust, and I think that it's important that our security and our development work obviously are important when they work together.

Thank you.

HEARING CO-CHAIR WESSEL: Senator Talent.

HEARING CO-CHAIR TALENT: Mr. Mattis, two questions. Mr. Mattis, you said that you noted that New Zealand is part of the Five Eyes arrangement, and you, I think you said in your oral testimony that the United States should consider that on an ongoing basis, and I think the suggestion here is that there is some risk that they may have been compromised to the point that perhaps we should not continue that arrangement.

Am I reading you correctly that that's an option we ought to take into account, and how high would you assess the risk?

And then I'll just ask them both at once. Mr. Hsiao, how, how strong is the sentiment in Taiwan's ruling circles that the activities you describe and the danger of perhaps the PRC doing something opportunistically, really stepping up the coercion, do they sense it as an existential threat? I mean is it something that they're really making the highest priority of their policy?

So those are my two questions. And the others, if you other witnesses want to chime in, that's fine also.

MR. MATTIS: The answer is yes, that's precisely what I was implying, that it should be considered on an ongoing basis, and the way some of what was described to me is that, yes, some of these individuals had not, don't have direct access to the product of NZSIS or the Ministry of Defense, but because they were close to the prime minister, in the case of Bill English,* that anything on China that was briefed to Bill English was briefed to Mr. Yang Jian, and therefore it may not be sort of official day-to-day access, but in terms of the conversations, the briefings, it was entirely present within the system.

And I think because it has gotten very close to the political core, one of the major, one of the major fundraisers for Jacinda Ardern's party has United Front links, that you have to say this is close enough to the central political core of the New Zealand system that we have to think about whether or not they take action and what kinds of action, what do they do to reduce the risk, because especially once, once it involves members of parliament, it requires the prime minister to make a decision themselves of whether or not there's an investigation of them.

If the prime minister is not going to make that decision, then nothing can happen below that. And I'll let Russell answer the Taiwan question first.

MR. HSIAO: Well, thank you for that question, Senator.

Whether they see it as an existential threat, I don't get the sense that it's viewed as an existential threat. It is a challenge that they have been dealing with for a very long time as I've mentioned already in my testimony and in my written testimony, and it's something that they are keenly aware of as a challenge and one that is actually growing, I would say.

---

*Mr. Mattis clarified to the Commission that the person identified to him was former Prime Minister John Key, not former Prime Minister Bill English. Peter Mattis, research fellow in China studies, Victims of Communism Memorial Foundation, interview with Commission staff, May 29, 2018.
And crafting a response to that is the difficult part of it because, on the one hand, I think the government wants to encourage cross-Strait exchanges and understands that the cross-Strait exchange is good for minimizing misunderstanding, to help people to bridge the sort of political indoctrination that sort of separated the two sides for a very long time, and that, but at the same time the utilization of these channels for sort of covert and subversive means is becoming more apparent.

And you see that in the cases of, for instance, the use of, or alleged use of criminal organizations to stir up public conflicts within Taiwan, utilizing violence at public peaceful rallies, to also include an active investigation right now of a small political party that may be receiving subsidies from China government organizations that is actively involved in the political discussions, and so, and I think that that sort of direct interference is becoming more apparent, and right now they're trying to figure out, you know, really how to best respond to this in a manner that is consistent with the democratic, you know, society and laws that they have, and but at the same time dealing with these challenges.

CO-CHAIR TALENT: Thank you.
Oh, unless somebody--yes, certainly.
DR. SEARIGHT: Can I just add something on the New Zealand point? You know Peter raises some really important concerns, and he's more knowledgeable about some of the specifics than I am, so I don't discount his concerns, but I would say that the Five Eyes relationship with New Zealand is extremely important to New Zealand, and it's one of the few pillars we have in our relationship.

We don't have a free trade agreement with New Zealand. Obviously we walked away from TPP. We haven't exempted them in the steel and aluminum tariffs. I heard an earful about this when I was just in New Zealand two weeks ago. But I think there may be a disconnect between the political level and the bureaucratic level, I mean the government. The bureaucratic level is really turning on China and sees its connection with the United States and Australia as really significant in that sharpening of their policies, their thinking about China, and we heard a lot of thinking that was encouraging.

And so I would just say I would be very cautious about cutting off a Five Eyes relationship because I think that really could have some tremendous negative blowback and push New Zealand in a direction that we would not be happy about.

MR. MATTIS: Two other points. I didn't say cut it off. I said consider it because we--and you just highlighted a number of carrots that are on the table. There are sticks and carrots that we have with New Zealand, and I think on this issue we need to consider how to apply them and sort of encourage New Zealand to find the political will if they can find it because it does, especially in their system, given what has to come from the prime minister's office, it is a question of politics, not a question of knowledge at the bureaucratic level.

Second--

HEARING CO-CHAIR TALENT: Am I incorrect? The Five Eyes, that's a very high level intelligence; right? I mean that's--

DR. SEARIGHT: Yes.
MR. MATTIS: And they were granted access back--

HEARING CO-CHAIR TALENT: --very sensitive stuff. Right.
MR. MATTIS: They were granted formal access back in--2012?
DR. SEARIGHT: I'm not sure of the date.

HEARING CO-CHAIR TALENT: Okay. Yeah, you were going to finish
something, Mr. Mattis.

MR. MATTIS: With respect to Taiwan and whether or not they see it as an existential threat, I think there's a real disconnect between the DPP's political leadership and parts of the national security apparatus.

The DPP has been a domestic political party. They were an activist party. They don't have experience dealing with the CCP or looking across the Strait in a sustained serious way over a period of decades, and so they're really just now developing sort of an awareness of what the CCP does, how they operate, how it functions.

And they don't necessarily have that ingrained into their political culture the way that parts of the KMT once had. And they don't entirely trust their national security apparatus for legitimate historical reasons.

But I think, and I think that those two features prevent the DPP from fully taking any actions that they could even within sort of the bounds of Taiwan's laws.

With respect to their national security apparatus, I think a number of them do consider this to be an existential threat, and I've been talking with Taiwanese security officials now for a decade, and this last summer was the first time that I actually heard a level of concern.

Usually they sort of respond with sort of, well, welcome to our world, we've been dealing with that for a decade, or we've seen that for 20 years or, you know, this is what our lived experience is. Last summer was the first time where they expressed anxiety and concern about the sophistication that China was bringing, or the CCP was bringing to the range of activities that it was conducting in the cross-Strait relationship.

MR. HSIAO: Can I just add one additional point to that, though, is that there are means right now making its way through the Legislative Yuan of Taiwan in order to make sure that there are harsher punishments for acts of espionage and for acts of, particularly in the cases of retired military officers or active military officers, that had previously been woefully inadequate to really deter the type of action.

And so I would say that there are--progress is being made, and it's going, but that process is still slow, and I think there's a lot more that needs to be done on that point, and I think Mattis makes many good points there.

HEARING CO-CHAIR TALENT: Because you could see where this could lead. I mean a crisis occurs, perhaps opportunistically, pressure, threats applied from the outside, the channels on the inside are stirred up to say, oh, the government needs to give in, we need to enter a Hong Kong type of situation, the rights will be protected, and the government gets squeezed from both sides.

And that's--we've had other witnesses in other hearings say that even though that's probably not right now the time table for the CCP that the possibility that they would move opportunistically is definitely there.

MR. HSIAO: I mean there are, there are political parties within Taiwan, small political parties that do advocate for the PRC's position of one country, two systems as the model, and this one in particular, the China Unification Party, is headed by a former triad leader, and, you know, actually takes to the streets and participates in rallies to advocate for that model.

And so I think the elements of that do exist, but I do want to emphasize that that is small, a very small minority within Taiwan, and oftentimes they take these types of very public measures in order to get the visibility that they want in order to seem and appear as influential as they may be. But I think that the undercurrent of that threat does exist, but I do think that we should also be able to be cautious of making sure that they're not as perhaps as big as they seem.
HEARING CO-CHAIR WESSEL: Commissioner Wortzel.
COMMISSIONER WORTZEL: I appreciate very much all your testimony. Mr. Hsiao, I want to follow up with you on one of the points you raised. I guess last week, probably Wall Street Journal, I read that there are 330,000 plus or minus spouses from the mainland living in Taiwan, and obviously they probably have families back on the mainland, which leaves them open to pressure. And I know that we've had an awful lot of students from the mainland that attend universities in the U.S. and live here and work here. It doesn't mean they go back in love with the United States or our systems or values. They just know how to operate in our environment and operate.

But have you seen any indication that, you know, certainly the lives of these 330,000 women have to be a little bit better if they're living in Taiwan than if they're living in the mainland. So can you characterize how susceptible they are to the United Front pressures that they may face and what the government of Taiwan is doing about them?

MR. HSIAO: Well, thank you very much for that question.

Now, I think in terms of, so the Chinese spouses is, as you pointed out, is also part of the targeted constituencies of the United Front work.

And I think they are considered to be sort of a natural constituency because of their origin of being from China and therefore seen to be susceptible to the type of influence to cultural, ethnic background, to, you know, their homeland, and the effectiveness of this, of course, is hard to gauge really, and they are different from students who are just studying in Taiwan and eventually would go back to their universities because they are rooted more in Taiwan being married and living in Taiwan.

That, however, doesn't make them less of a target nonetheless, and there are many pro-China associations that do try to reach out to these spouses in order to get them more involved in their activities. But again I do want to point out that I think it's hard to gauge really the effectiveness of this, and there are efforts to try, I think, to try to integrate, you know, the Chinese spouses into mainstream society.

And so we'll have to see to really determine really the impact that these targeted approaches to United Front will have.

COMMISSIONER WORTZEL: I'm not familiar with the laws, you know, voting laws in Taiwan, or even citizenship laws, but is there a period after which they could actually vote in Taiwan, become citizens? Do they hold dual passports?

MR. HSIAO: I will follow up with you on that. I do not know off the top of my head, but I will follow up with you on that, commissioner.

Thank you.

COMMISSIONER WORTZEL: Thank you. I appreciate it.

HEARING CO-CHAIR WESSEL: Chairman--Chairwoman Cleveland.

CHAIRMAN CLEVELAND: So I'm really interested in the work that you did, Dr. Searight, on the CZG, and I'm wondering if there's any kind of literally a map, a visual, that shows sort of the connectivity between the CZG, UFW, the Confucius Institutes, the leadership of all of the above? Is there anything that shows whether there's sort of interlocking connections between these platforms that are promoting Chinese interests?

DR. SEARIGHT: I would defer to Peter Mattis and other scholars who have done more investigation on the China side of this. I mean my knowledge comes directly from what I've read by John Garnaut and Anne-Marie Brady, who have--and others--who have mapped out how this influence is relatively coordinated in Beijing and the link, how the linkages are
throughout all of these different organizations.

I don't have any direct knowledge or empirical research on these issues in Southeast Asia so let me defer to Peter.

CHAIRMAN CLEVELAND: Well, where I'm leading on this is, I mean what got my attention was your calendar, if you will--

DR. SEARIGHT: Yes.

CHAIRMAN CLEVELAND: --of how busy the CZG is--that's a mouthful--and so I'm, what I'm interested in is not just Southeast Asia, which I understand the purpose of this panel, but it leads me to how busy are they elsewhere, particularly in the United States?

And so, Mr. Mattis, if you'd like to try an answer to the first question because what I'm really responding to is your statement that, you know, transparency is not passive, it has to be active, and so I have a series of questions about these organizations' level of activity in the United States. So you want to try question one in terms of is there a map that shows me who all these people are and how they are related to one another?

MR. MATTIS: The short answer is no.

CHAIRMAN CLEVELAND: Would you like to do a map of--

[Laughter.]

MR. MATTIS: Look--

CHAIRMAN CLEVELAND: I just remember when I finally saw the visual of the princlings, it was mind-blowing in terms of all of the connections to various--and it may be something that we ask our staff to do. But--

MR. MATTIS: So let me give you, let me give you a sense of the scale--

CHAIRMAN CLEVELAND: Uh-huh.

MR. MATTIS: --of this as an issue in just sort of broad terms of the map that you're talking about.

For a project that will be published later this year, I took a stab at describing what the Chinese People's Political Consultative Conference does.

CHAIRMAN CLEVELAND: Uh-huh.

MR. MATTIS: The CPPCC at the central level has more than 2,000 members. There are a set of special committees in there that typically have 60 to 90 members. The foreign affairs one, which I took a look at, has roughly 80. To even go through that list of names, identify who they are, what organizations there are, what they belong to, this person works for Poly Corporation, this person is the ambassador to Japan, this person is--all of these other links--that's a level of effort that took several hours. And that's just figuring out who those people were, not what they were doing over the last year.

And, again, the CPPCC has more than--I think it's 2,270 roughly members. The entire system mirrored down to the provincial level and to the local level, according to the website, is another 615,000 people. So the scale of the mapping operation, if you will, to actually trace even one part of this is huge, and it's worth keeping in mind that the two billionaires, Huang Xiangmo and Chau Chak Wing, in Australia, were local level People's Political Consultative Conference members. They didn't even warrant being at the central level.

MR. HSIAO: If I may, I'd just add an additional point to this.

CHAIRMAN CLEVELAND: Please.

MR. HSIAO: Is that, you know, is that I think it reinforces the point that we should always continue to make, is that this is a CCP-led effort.

CHAIRMAN CLEVELAND: Right.
MR. HSIAO: And so even an organization like the CPPCC, which is an advisory membership body that's comprised of, you know, even non-Party members, it is still headed by the Politburo Standing Committee member Wang Yang and has been for, at a very senior level for quite some time.

And so as to sort of the highest level body overseeing United Front work, to be headed by a CCP, it just, I think that really, you know, emphasizes the fact that this is a CCP-directed effort, and I think we need to continue to remind ourselves of that.

CHAIRMAN CLEVELAND: I guess what I'm curious about, and I was looking at the Hanban website to see how transparent that was in terms of Confucius Institute presence in the states, and they had two different numbers that disagreed as to how many there were, and then how many classrooms there are.

I'm wondering in terms of accepting the role of these institutes in the United States, it's about language training and cultural exchanges, and they feature prominently the State Department's Teacher of Critical Language Office and that level of engagement, I just, I'm curious as to whether anybody has ever done an assessment of the targets of opportunity of the Confucius Institutes? Where they go and why? Are they interested in Nebraska or are they interested in San Francisco?

MR. MATTIS: There's not a specific study of where they've gone and why. If you're looking at United Front activity and how, whether it's the Confucius Institutes or whether it's Tung Chee-hwa's China-U.S. Exchange Foundation or other organizations, there's not necessarily a clear rhyme or reason for all of the, where they end up. You can say that that sort of very pure United Front organizations have focused on the elite universities and also on the historically black colleges and universities.

And so it's an interesting way in how they've sort of looked at U.S. society and sort of used a marxist lens to say here are the problems, and this is where we're going to put our efforts.

CHAIRMAN CLEVELAND: I was going to ask you about the China-U.S. Exchange Foundation and also the Student and Scholars Associations.

If we were to do a map of the leadership of those organizations with the UFW, what would it look like? Or do we not know?

MR. MATTIS: Well, with the China Students and Scholars Association, we don't know. The primary contact as far as is out there in the public realm, and I think the journalist who is present here from Foreign Policy, Bethany Allen-Ebrahimian, has done probably the best work and probably has the most data right now to answer that question about the links.

For the China-U.S. Exchange Foundation, the links to the United Front system are incredibly clear. Tung Chee-hwa is the vice chairman of the CPPCC, or he was until incredibly recently, and that is a position that is on par with the provincial party secretary in China. So equivalent of a Central Committee member or above.

Of the 13 members of trustees that run the China-U.S. Exchange Foundation, ten of them are CPPCC members. One of the three that isn't a National People's Congress member, and one of the remaining two is Ronnie Chan, whose business interests and links to Beijing are well-known as well as his views of democracy.

CHAIRMAN CLEVELAND: Okay. I think there's more work to do on this, but I appreciate your answers.

Thank you.

HEARING CO-CHAIR WESSEL: Thank you, all.
A different part of this issue, and I should also say to our chair, the House Oversight Subcommittee is doing a hearing on this next week--

CHAIRMAN CLEVELAND: Good.

HEARING CO-CHAIR WESSEL: --as it relates to Chinese activities in academic institutions here both as it relates to overall academics as well as S&T, et cetera. So my understanding is they will have a full list of the Confucius Institutes and a number of other activities.

Mr. Mattis, as well as others, you know, we, as we look at influence operations within the Asian region, we've all seen what's happened here on social media issues. Do you have any information on what Chinese government actors may be doing as it relates to using that vector for influence within the region?

MR. MATTIS: The primary place where we have knowledge that the CCP uses that tool is in Taiwan, that there's been the use of the Taiwanese messaging app LINE, which is incredibly popular there, and it's not really an equivalent of WeChat, but it's, it's much more substantial than most of the messengers used in the United States.

And they've used that to generate sort of fake content and fake news and to push things out to exaggerate the size of demonstrations against President Tsai, to exaggerate the damage done by sort of industrial accidents, or other pieces, and this is probably one of the areas where Taiwan's democracy has responded quite well because there are a couple of civil society groups that are trying to trace this and track it and catalog the messaging, you know, where are the sources, how do you identify them, what messages are they doing, how are they pushing it out.

And that research is being done by civil society. It's also being looked at in the government. The National Security Council issued a warning last year about, about Chinese content farms pushing things into the Taiwanese media environment.

And I would just say that things are at sort of the initial phases of really putting all that work together.

HEARING CO-CHAIR WESSEL: But that's primarily focused on Taiwan and understanding language issues. Have we seen, have you seen anything in Australia or elsewhere as a supplementing activity to help drive the community group issue, et cetera? Or is it still in the infancy?

MR. MATTIS: Only, only sort of the well-known examples related to WeChat.

HEARING CO-CHAIR WESSEL: All right. Okay.

MR. MATTIS: But not a broader, not a broader push to shape--

HEARING CO-CHAIR WESSEL: Okay.

MR. MATTIS: --political discussion.

HEARING CO-CHAIR WESSEL: Mr. Hsiao.

MR. HSIAO: Yes. I would just add a couple points to what Peter said, and he's right, we do have a lot of sort of examples of China utilizing social media to try to spread disinformation and propaganda in Taiwan and that's sort of an extension, an expansion of the use of media, traditional media, to influence public opinion in Taiwan.

And with social media and new technology, it now has a huge new platform and much more effective, perhaps effective platform to reach as many, more audience, but as Peter pointed out, you know, it has, Taiwan has responded in being able to both develop a fake news LINE bot, in which case people are able to submit any suspicious news links that they find or news items that they find to this, to this recipient, and then they'll be able to evaluate the validity
HEARING CO-CHAIR WESSEL: I'm sorry. Is that a private--that's a private sector?

MR. HSIAO: Yeah, private sector effort. Correct. Yes. So that's, you know, I think a good example. I think an example of sort of the type of disinformation that they're utilizing is spreading, you know, images perhaps of fighter jets that are flying very close by to Taiwan and in certain exercises try to sort of have a psychological effect of trying to scare the population in Taiwan to include spreading of news.

I think in your question about outside of Taiwan, whether or not there have been incidents, based on my, my cursory understanding of this is that this is quite active. There are some activities of this in Southeast Asia of China utilizing different bulletin sites that are frequented by overseas Chinese populations to utilize as a means to plant certain types of news, you know, items. But the effectiveness of that, again, we have to gauge that as a separate item, but the fact that they're utilizing that I think is clear.

HEARING CO-CHAIR WESSEL: Are we seeing any of that in the U.S. regarding to Chinese population here?

MR. HSIAO: Not that I'm aware of, but then I think it stands to reason that it's possible.

HEARING CO-CHAIR WESSEL: Okay. Dr. Searight, did you have a comment there?

DR. SEARIGHT: No.

HEARING CO-CHAIR WESSEL: Are there other questions?

If not, thank you all for your help. We look forward to your continuing advice as we proceed, and as we move towards our annual report, we may have some further questions to clarify issues.

Thank you, and we stand adjourned.

CHAIRMAN CLEVELAND: Thank you.

COMMISSIONER WORTZEL: Thank you.

[Whereupon, at 12:23 p.m., the hearing was adjourned.]