

**Written Testimony of
Deputy Secretary of State Stephen E. Biegun
U.S. Policy Toward China
United States Senate
Committee on Foreign Relations
July 22, 2020**

Mr. Chairman, Ranking Member Menendez, Members of the Committee, thank you for providing me the opportunity to testify today regarding United States policy towards the People's Republic of China, or the PRC. This is an important moment in the U.S.-China relationship, and the Secretary and I appreciate the serious focus that your Committee is taking to shaping a bipartisan approach to this vital policy priority. As the Secretary has said, China is the first foreign policy challenge he thinks about each morning, and every one of us at the Department of State is focused on succeeding in this critical effort.

I want to begin by restating what Secretary Pompeo made clear in October. He said, "We have a long-cherished tradition of friendship with the Chinese people. We continue to do so today. We have a Chinese-American community here in America that we love and treasure...The Chinese Communist Party today is not the same as the Chinese people." Let me be clear: the United States supports the aspirations of those Chinese people who seek to live in peace, prosperity, and freedom.

Over the course of many years and across multiple administrations, in our relations with Beijing, the United States has sought to spur China's integration into the rules-based international order by strengthening, not undermining, international law, norms, and institutions. Over more than three decades, U.S. policies towards China have been aimed at that goal – by supporting China's economic development through the massive outpouring of international assistance and lending to develop infrastructure and economic institutions; by beneficial trade treatment and robust foreign investment; by facilitation of Chinese membership in global institutions such as the World Trade Organization; by development and humanitarian assistance, by the education of millions of China's brightest scholars at our best schools; and by intensive commercial diplomacy to address strategic and sectoral economic concerns. We anchored economic and diplomatic policies toward China in the expectation that they would produce the gradual but eventual opening and liberalization of China and its peaceful rise in a manner that would enhance stability in the Indo-Pacific and beyond, increase the freedoms of its own people, and expand global prosperity in a mutually beneficial manner.

Where this Administration diverges from previous Administrations is in the will to face an uncomfortable truth in the U.S.-China relationship – the policies of the past three decades have simply not produced the outcome for which so many had hoped. As stated in the 2017 National Security Strategy: "(f)or decades, U.S. policy was rooted in the belief that support for China's rise and for its integration into the post-war international order would liberalize China. Contrary to our hopes, China expanded its power at the expense of the sovereignty of others. China gathers and exploits data on an unrivaled scale and spreads features of its authoritarian system, including corruption and the use of surveillance. It is building the most capable and well-funded military in the world, after our own. Its nuclear arsenal is growing and diversifying. Part of

China's military modernization and economic expansion is due to its access to the U.S. innovation economy, including America's world-class universities."

As further stated in the National Security Strategy, "(a)lthough the United States seeks to continue to cooperate with China, China is using economic inducements and penalties, influence operations, and implied military threats to persuade other states to further its political and security agenda. China's infrastructure investments and trade strategies reinforce its geopolitical aspirations. Its efforts to build and militarize outposts in the South China Sea endanger the free flow of trade, threaten the sovereignty of other nations, and undermine regional stability. China has mounted a rapid military modernization campaign designed to limit U.S. access to the region and provide China a freer hand there. China presents its ambitions as mutually beneficial, but Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific. States throughout the region are calling for sustained U.S. leadership in a collective response that upholds a regional order respectful of sovereignty and independence."

Secretary Pompeo summed up this strategic shift in his October 30 speech: "It is no longer realistic to ignore the fundamental differences between our two systems and the impact that...the differences in those systems have on American national security...Today, we are finally realizing the degree to which the Communist Party is truly hostile to the United States and our values."

An honest assessment of trends in the U.S.-China relationship suggests that reconsideration of U.S. policy toward China is urgent and overdue. The United States must respond with the full toolkit of policy instruments. These instruments will be adapted to defend against PRC efforts to undermine U.S.-supported institutions, respond to actions that encroach upon the sovereign interests of our allies and partners, hold the PRC accountable for its human rights violations and abuses, and respond to Chinese policies that fail to provide reciprocal opportunities for equivalent U.S. entities.

Concerns about Beijing's policies are fueled by a growing number of disputes and areas of concern. These longstanding areas of concern include intellectual property theft and commercial espionage (including through cyber-enabled means), unequal treatment of U.S. diplomats, exporters and investors, non-governmental organizations, social media companies, and traditional media outlets and journalists in China, as well as the abuse by PRC security services of the United States' open and welcoming posture toward Chinese students and researchers. Additional areas of concern include the dismantling of Hong Kong's autonomy, liberty, and democratic institutions, military pressure against Taiwan, arbitrary mass detentions and other human rights abuses in Xinjiang, efforts to eliminate Tibetan identity, and the assertion of unfounded maritime claims in the South China Sea. Finally, there is growing alarm in the United States and around the world with the Chinese government's use of military and economic coercion and state-sponsored disinformation campaigns against the United States and our allies and partners, including, among others, India, Australia, Canada, the European Union, and several individual European governments.

United States foreign policy toward the People's Republic of China roughly falls within five broad areas:

- First, using the full toolkit of United States foreign policy instruments including diplomatic engagement, public diplomacy, foreign assistance, commercial diplomacy, trade law, law enforcement, export controls and sanctions, and military deterrence;
- Second, steady application of pressure to push back the PRC's attempt to change and replace the U.S.-led free and open international order in areas of dispute or competition;
- Third, reciprocal and transparent treatment of PRC institutions and organizations commensurate with PRC treatment of equivalent U.S. entities;
- Fourth, close cooperation among all U.S. stakeholders in the relationship with the People's Republic of China, including bipartisan engagement, Congressional-Executive coordination, the expert and think tank community, academia, business and civil society;
- And fifth, strengthening international cooperation with allies and partners on shared concerns with the conduct of the Chinese Communist Party, with special emphasis in the Indo-Pacific.

The United States and the PRC are likely for the foreseeable future to remain competitors, but this does not mean our two nations need to be enemies. As the Administration has reiterated, we seek a constructive and results-oriented relationship with Beijing, and we will cooperate with China where our interests align. U.S. policies are designed to protect our interests, we do not envision a zero sum game as long as China abides by the key principle of reciprocity and transparency. Indeed, we want to see a prosperous China that is at peace with its own people and with its neighbors. Historically, in shaping the U.S.-China relationship, numerous Presidents have engaged with China's leaders in direct diplomacy and held any number of strategic dialogues, sectoral dialogues, and security dialogues over the past several decades to resolve problems and advance mutual interests.

While the days of high-level ceremonial dialogues that didn't produce concrete results are over, we still continue to advance our own interests by remaining directly engaged at every level with the PRC from the President on down, under the principle of reciprocity and transparency. Such engagement remains an important means to manage tensions and explore areas of mutual interest where cooperation might flourish. Among the issues that we could start with are strategic stability around nuclear capabilities and doctrine; coordinated efforts to identify the origins, and spread of COVID-19; a denuclearized North Korea to ensure peace and stability on the Korean Peninsula; peace building in Afghanistan; efforts to stem international narcotics production and trafficking; locating and returning the remains of our service members from the World War II, the Korean War, and the Vietnam War; and, as evidenced by the Phase One trade deal agreed earlier this year, balanced and reciprocal economic policies.

Using the Full Toolkit

The China challenge is serious and of grave consequence to the United States. Government leaders are therefore responsible for explaining to the American people the key aspects of the threats posed by the PRC to our freedoms and democratic way of life. Initiated by Secretary of

State Pompeo, the senior-most U.S. officials, including National Security Adviser Robert O'Brien, FBI Director Christopher Wray, and Attorney General Bill Barr, delivered a series of important speeches on this topic. Tomorrow, Secretary Pompeo will continue the series in a China policy address at the Nixon Library to rally the American people to confront the daunting threat posed by the Chinese Communist Party.

As Secretary Pompeo will detail, the U.S. approach utilizes the full toolkit of United States foreign policy instruments to push back the PRC's attempt to export its Communist model of governance. The United States is actively pursuing our policies through diplomatic engagement, public diplomacy, export controls and sanctions, countering disinformation and propaganda, foreign assistance, commercial diplomacy, trade law, law enforcement, and military deterrence.

The core of our diplomatic work is to reinforce the principles of democratic governance, the rule of law, and sustainable development, including by shining a spotlight on PRC behavior that is out of line with internationally recognized norms, standards, and best practices. Too often, the PRC, through its state-owned enterprises, has enabled corruption, eroded good governance and the rule of law, weakened labor rights, and damaged the environment. We are working with allies and partners to press Beijing to meet high standards in terms of transparency, adherence to the rule of law and anti-corruption practices, debt sustainability, labor rights, environmental best practices, and the concerns of local communities.

Attorney General Barr and FBI Director Wray have been active in leading our efforts to counter PRC malign actions here at home. They have recently outlined for the American people their China Initiative and are raising awareness of the threats we face from CCP activities.

An integral component of this global effort is on the economic front, where the PRC has leveraged its state-led economic model to undercut fair competition and advance its own goals. Beijing's statist model and massive corporate subsidies mean any economic initiative, such as the PRC's One Belt One Road initiative, will have distorting effects while also potentially advancing malign PRC political objectives. Further, the PRC's billions of dollars of opaque loans to emerging-market economies undermine the governance and autonomy of vulnerable countries around the world, fueling corruption and autocratic behavior in struggling democracies.

The United States has been on the forefront of raising global awareness about the dangers of PRC lending and investment. Untrusted PRC telecommunications vendors such as Huawei and ZTE benefit from substantial market distorting subsidies and are beholden both legally and extrajudicially to the PRC. The President recently released the National Strategy to Secure 5G outlining lines of effort the United States is taking both at home and in its engagement overseas. The State Department is implementing the national strategy through the Clean Networks initiative to address the threat posed to the United States, our allies, and partners by untrusted vendors including to critical infrastructure, privacy, security, and human rights. Under the umbrella of our related Economic Prosperity Network, the United States is advancing initiatives to promote the principles of trust, reciprocity, accountability, integrity, and respect among a voluntary coalition of partner countries, companies, and civil society organizations. Some key initiatives include:

- **Clean Networks:** This is a comprehensive effort by a coalition of like-minded countries and companies to secure their critical telecommunications, cloud, data analytics, mobile apps, Internet of Things, and 5G technologies from malign actors by relying on only trusted vendors who are not subject to unjust or extra-judicial control by authoritarian governments, such as the Chinese Communist Party. Clean Networks consists of multiple lines of effort all rooted in Digital Trust Standards.
- **Investment Screening Outreach:** The Department of State, together with the Department of Treasury, works closely with foreign governments to encourage the adoption and full implementation of factually rigorous, transparent, and national security focused investment screening mechanisms.
- **Deal Teams:** Through the Deal Team initiative launched by the Departments of State and Commerce in February, we helping U.S. firms more effectively compete and win projects abroad.
- **Strategic Infrastructure:** The Infrastructure Transaction and Assistance Network (ITAN) is a great example of a specialized deal team in action. This group of 11 agencies has identified and advanced more than \$125 billion in infrastructure deals in the Indo-Pacific. Alongside partners such as Japan and Australia, we are providing credible, collective alternative to Beijing's One Belt One Road offerings.
- **Digital Connectivity and Cybersecurity Partnership:** The Digital Connectivity and Cybersecurity Partnership is a whole of government effort to promote a vibrant digital economy in developing countries, based on transparency and privacy. This initiative is a direct challenge to Chinese government's efforts to export its authoritarian approaches to internet governance.
- **Blue Dot Network:** The Blue Dot Network, launched at the Indo-Pacific Business Forum in November 2019 with Japan and Australia, is a multi-stakeholder initiative to certify quality infrastructure investment projects. The Blue Dot Network is another example of how we use a positive approach to show case the infrastructure investment best practices employed by the United States and our partners.
- **Debt Service Suspension Initiative:** With like-minded partners, the World Bank, and the IMF, we are leveraging the G20-Paris Club Debt Service Suspension Initiative (DSSI) to increase debt transparency and address opaque and unsustainable PRC lending. The United States is faithfully implementing the DSSI by suspending official bilateral debt payments from the poorest countries to year-end 2020, providing those countries fiscal space to fund social, health, and other measures to respond to the pandemic.

The UK's recent commendable decision to ban Huawei gear from its 5G networks is an indication of a growing international consensus that PRC government control over all aspects of society – including private industry – is a security risk. The UK joins the United States and many other democracies in putting in place strong measures to mitigate the security risks posed by untrusted suppliers. In the same way, many major telecom companies like Spain's Telefonica

and Japan's NTT have committed to only using trusted vendors. We are glad to see that many of our allies and partners, including the UK, recognize this threat.

On April 29, Secretary Pompeo announced that the Department of State will require a 5G Clean Path between the United States and U.S. diplomatic facilities for secure 5G standalone end-to-end communications so that they do not use any transmission, control, computing, storage equipment, or services from an untrusted 5G vendor, such as Huawei or ZTE. A number of countries such as Poland are joining us in requiring a clean path for their own diplomatic facilities.

Further, the Peruvian government's recent decision to select the UK as Peru's Infrastructure Delivery Partner to rebuild facilities damaged by El Nino – excluding the PRC by default because it couldn't meet international standards – is an excellent example of how our promotion of international standards is being adopted by countries around the globe, even when the United States is not directly involved.

Steady Application of Pressure

We at the Department of State are working hard every day to counter Beijing's threatening and malign activities around the world. Put simply: we are holding the PRC to its commitments, both to us and to international law and standards. We are challenging PRC behavior and we will call Beijing out publicly when it falls short. We will defend our interests and those of our friends and allies when they are threatened.

The past few weeks alone have seen particularly egregious examples of PRC dangerous and malign actions: violence on the border with India; aggressive moves in the South China Sea and around Taiwan and the Senkakus Islands; and the unilateral imposition of draconian "national security" legislation on Hong Kong, in clear violation of its treaty law obligations under the Sino-British Joint Declaration. Contravening the Universal Declaration of Human Rights of which the PRC is a signatory, the PRC has perpetuated a years-long brutal campaign of repression against Uyghurs and members of other Muslim minority groups in Xinjiang, including arbitrary mass detention, forced labor, coercive family planning practices, and restrictions on cultural and religious expression, reminiscent of its longstanding mistreatment of Tibetans.

On July 13, Secretary Pompeo announced an important step to strengthen U.S. policy on maritime claims in the South China Sea. That announcement made clear: Beijing's claims to offshore resources across most of the South China Sea are unlawful, as is its campaign of bullying to control them. We are standing with Southeast Asian coastal states to uphold their sovereign rights under international law. We welcomed your bicameral joint statement on the South China Sea, Chairman Risch and Ranking Member Menendez, reflecting American resolve in clarifying the United States' position that the PRC's maritime claims in the South China Sea are unlawful.

The Department of Defense is actively continuing to sail, fly, and operate wherever international law allows. In the South China Sea, Beijing uses intimidation to undermine the sovereign rights of Southeast Asian coastal states, bully them out of offshore resources, assert unilateral

dominion, and replace international law with “might makes right.” Beijing’s approach has been clear for years. In 2010, a senior PRC official told his ASEAN counterparts that “China is a big country and other countries are small countries and that is just a fact.” The PRC’s predatory worldview has no place in the 21st century.

Countries large and small, such as Australia, Canada, the member states of the EU, Vietnam, and others, are standing up to PRC tactics. In retaliation for Australia’s strong push back on PRC actions, Beijing has taken to imposing punitive tariffs on Australian exports to the PRC, and “warning” Chinese tourists and students to avoid Australia for fabricated reasons. Shortly after Canadian police arrested Huawei Chief Financial Officer Meng Wanzhou on a U.S. arrest warrant in December 2018, Beijing detained two Canadian men on politically motivated security charges. Last month, Canadian Prime Minister Justin Trudeau rejected a call to swap Meng for the two Canadian citizens held by Beijing, saying such a move would set a bad precedent and harm Canada.

The PRC has been particularly aggressive in using U.S. academic freedoms to co-opt U.S. expertise and steal intellectual property. This is a key aspect of its Military-Civil Fusion strategy that includes a campaign to acquire sensitive U.S. technologies and intellectual property to bolster its military modernization efforts. To protect the integrity of our open and collaborative research system and ensure that the United States remains the global leader on cutting-edge research, last month President Trump issued a proclamation suspending the entry of graduate and post-graduate students and researchers associated with entities that support the PRC’s Military-Civil Fusion strategy.

The Department of Justice and FBI continually announce new cases involving investigations and indictments of Chinese nationals attempting to steal U.S. technology, trade secrets, and even individuals’ personal data. This week’s indictment of Stanford researcher Song Chen, who lied about her status as an active member of the PRC military, is but a latest example. As FBI Director Christopher Wray said earlier this month, if you are an adult U.S. citizen, it is more likely than not that the PRC has stolen your personal data, and the FBI is opening a new China-related counterintelligence case about every 10 hours.

A key element of the PRC’s strategy is to provide political, technological, and economic support to those who are willing to turn a blind eye to the PRC’s lucrative deals at the expense of the citizens of developing nations, thereby enabling the rule of autocrats and kleptocrats globally. Specifically, the PRC exports technological know-how that can help authoritarian governments track, reward, and punish citizens through a system of digital surveillance. We have seen more than a dozen nations in Africa alone import Huawei’s AI surveillance technology that can reduce the cost and increase the efficiency of authoritarianism. Moreover, we are carefully tracking a sweeping economic and security partnership between China-Iran that, if finalized and funded, could enable Iran to expand funding to its nuclear and military ambitions and malign activities in the Middle East region.

The United States has steadily applied pressure to prevent and respond to the full range of PRC malign actions as part of our systematic realignment of the relationship. For example, on June 26, Secretary Pompeo announced visa restrictions on Chinese government officials who have

undermined Hong Kong's high degree of autonomy and liberty. On July 9, the Secretary imposed visa restrictions on three senior PRC officials and their immediate family members for their role in human rights abuses in Xinjiang; in parallel, the Treasury Department imposed financial sanctions on those officials, one additional official, and the Xinjiang Public Security Bureau. And on July 15, the Secretary announced visa restrictions on certain personnel from Chinese technology companies, such as Huawei, which provide material support to regimes perpetrating human rights violations globally. These and other measures demonstrate U.S. resolve to protect our interests and uphold our values.

Restoring Reciprocity in the Relationship

A key principal underpinning international relations is reciprocity between nations. For many years, the United States tolerated imbalance in its relationship with Beijing. While the space for U.S. diplomats and journalists to engage with civil society and local leaders in China has decreased, PRC diplomats continue to have access to all levels of U.S. government and educational institutions. As U.S. companies operating in China face unfair and discriminatory treatment, PRC state-owned and private companies continue to invest in the United States. As part of our strategy to achieve more reciprocal relations and ensure that U.S. interests are safeguarded, we are pressing Beijing to reverse these trends and increase access for U.S. companies, media outlets, and diplomats.

The PRC's abuse of public diplomacy programs is particularly egregious. Last year, Senators Portman and Carper completed an in-depth study of this imbalance in public diplomacy, and we welcomed the bipartisan Congressional call for more reciprocity in the U.S.-China relationship. In most countries around the world, a U.S. ambassador would be welcomed on a university campus, usually with quite a bit of fanfare. The story is quite different in China, where the Communist government fears a free exchange of ideas. While Chinese professors and students might seek to engage with China-based foreign diplomats, Chinese authorities often make such engagements difficult or impossible. The PRC has increasingly impeded U.S. access to segments of Chinese society, including in academic settings. In contrast, the Chinese Ambassador to the United States and Chinese diplomatic staff regularly address U.S. audiences, including on university campuses, free from obstruction by the U.S. government.

At the height of the COVID-19 outbreak in Wuhan, the PRC used government-controlled media outlets to sow propaganda and disinformation. China expelled respected independent journalists from the *New York Times*, the *Wall Street Journal*, and the *Washington Post* at precisely the moment when the world most needed objective reporting. While Beijing has imposed increasingly harsh surveillance, harassment, and intimidation against American and other foreign journalists operating in China, it fashioned its media presence in the United States and abroad into propaganda outlets that have operated with free rein. To reflect these institutions' actual relationship with the state and to gain greater insight and visibility into Chinese propaganda operations in the United States, since February the United States has designated the U.S.-based operations of nine PRC propaganda outlets—including Xinhua, People's Daily, and China Global Television Network – as *foreign missions*. This decision officially recognizes these outlets for what they are – entities under Beijing's control and outlets for Chinese propaganda. It also makes clear to ordinary Americans what they are not – independent media.

In March, the United States clearly communicated the severity of our concern about the abusive, unfair, and non-reciprocal treatment of international press in the PRC. We capped the number of Chinese citizen personnel allowed to work for U.S. offices of four of these designated PRC propaganda outlets. The number of Chinese personnel allowed now more closely matches the number of American journalists that Beijing allows to operate in the PRC. This long overdue step towards achieving greater reciprocity with the PRC is designed to spur Beijing to adopt a more fair and reciprocal approach to U.S. and other foreign independent press in China.

Reciprocal treatment is also a challenge for non-governmental organizations. In China, a 2017 Foreign NGO Management Law required foreign NGOs to register with the Ministry of Public Security and to find a state-sanctioned sponsor for their operations. NGOs that fail to comply face possible civil or criminal penalties. Not surprisingly, the number of foreign NGOs operating in China has dropped sharply. In contrast, in the United States we recognize that NGOs, think tanks, and other organizations are vital to a vibrant civil society. Our regulations are designed to facilitate and support their formation.

Unity at Home

We recognize that to be successful, U.S. policy towards the PRC must be grounded in shared commitments across our society. In short, we as a nation must be unified in purpose and coordinated in our efforts to address the challenges posed by Beijing. Congress is essential to building this shared approach. Mr. Chairman, for this reason, the legislation you introduced this week designed to frame the U.S. strategic approach to China is very important and we look forward to working with you and this Committee.

Today's hearing is a good opportunity for further dialogue as we look to strengthen unity of purpose between the Executive Branch and Congress. Beijing's recent decisions to restrict visas on some members of this Committee and the China Commission is an example of how the PRC is seeking to divide us and target those who might speak up about issues like human rights. Since its inception, Congress has led the way in advocating and reflecting the values of the American people. An essential component of U.S. policy towards the PRC is upholding the rights and freedoms the United States has always stood for, whether by exposing human rights abuses in Xinjiang and Tibet, fighting for press freedom, or supporting the rights of peaceful protesters and democratic institutions in Hong Kong.

Recent bipartisan legislation is crucial to calling out and combating Beijing's predatory actions. The Foreign Investment Risk Review Modernization Act (FIRRMA) expanded the authorities of the Committee on Foreign Investment in the United States' (CFIUS), better protecting national security by allowing for a review of non-controlling investments that involve critical technology, critical infrastructure, or sensitive personal data, and certain real estate. The Hong Kong Human Rights and Democracy Act (HKHRDA), Hong Kong Autonomy Act (HKAA), and the Uyghur Human Rights Policy Act underscored to Beijing the U.S. government remains united with respect to our human rights concerns. And Senators Gardner and Markey's Asia Reassurance Initiative Act (ARIA) is an important bipartisan framework for U.S. leadership in the Indo-Pacific.

Our unity of approach also relies on our thought leaders and their ideas and engagements. The foreign policy think tank communities in our country, and around the world, are engaged in open debate on the future of China. Many of our keenest foreign policy observers and China experts are asking probing questions about the PRC's goals and ambitions and what they mean for the United States. We welcome this dialogue as we build an American consensus about U.S. policy towards China.

U.S. non-governmental organizations are similarly grappling with the PRC's increasingly assertive actions around the globe. This spring, I asked two leading democracy NGOs on each side of the U.S. political spectrum to share their thoughts on the state of democracy around the world in the wake of the initial COVID-19 shock. Not surprisingly, many of their concerns and recommendations centered on China and what the U.S. should do to shore up democratic principles globally. As one of the organizations recommended, the PRC must be held to account for hiding data, silencing internal critics, and engaging in a disinformation campaign. The other organization suggested creating programs to promote transparency by aggressively supporting local independent media, citizen bloggers, and watchdog groups to identify CCP propaganda and disinformation. While these organizations represented different U.S. political views, their commitment to supporting American policies that counter the PRC's growing disinformation and propaganda efforts were remarkably like-minded. The Department and USAID are doubling support for American and local NGOs to strengthen the voice of civil society and independent media, demand transparency and accountability, and combat disinformation.

The business community remains a lynchpin of an effective U.S.-China policy. We are consulting with U.S. business and taking a range of actions designed to right the distorted economic relationship that has deteriorated over time. While so-called "decoupling" of the relationship is a false choice, there is much room to demand fairness from China, to diversify supply chains, and protect sensitive industries. On July 1, Secretary Pompeo announced the Xinjiang Supply Chain Business Advisory, which highlights the risks for businesses with supply chain links to entities complicit in forced labor and other human rights abuses in Xinjiang and throughout China. The Phase One trade agreement with Beijing aims to resolve some of our longstanding and significant structural concerns related to agriculture, technology transfer, intellectual property, financial services, and currency and foreign exchange, while also committing China to make significant new purchases of U.S. exports. It also includes an unprecedented enforcement mechanism. It does not resolve all of our key concerns with the PRC's non-market economic system, including state industrial policies, excess capacity, and unfair subsidies that harm both the U.S. and global economies. Tariffs on \$370 billion in Chinese products will remain in place as we pursue resolution of outstanding issues in a second phase of negotiations.

Building and Strengthening International Cooperation

At the Department of State, our China strategy is not just the work of a single office or bureau, but rather part of a comprehensive approach across the Department and our embassies and consulates around the world. The United States is working with governments to create a common understanding of the PRC's actions, to build a unified response, and to shape a long-

term approach. This foundation is key to the growing recognition of Chinese actions that undermine global institutions and shared values; manipulate international organizations and silence of critics abroad; surreptitiously acquire high technology to further its military and economic ambitions; and spread of disinformation.

Our dialogue and engagements take many forms, but all benefit from the fact that many states are waking up to the reality that economic opportunity with China over the past decades has come at significant cost and risk.

The Indo-Pacific is our primary region of competition with the PRC. Across the region, the United States is deepening relationships with the countries that share our values. In September 2019, the first ministerial-level meeting of the United States, Australia, India, and Japan at the Quadrilateral Consultations marked a new milestone in our diplomatic engagement in the region. Our alliances with Australia, Japan, the Republic of Korea, the Philippines, and Thailand have helped sustain peace and security for generations. ASEAN is central to our vision for a free and open Indo-Pacific region. Our security assistance to South China Sea claimant states helps partners protect their autonomy and maritime resources. Together with USAID, we are working with the Mekong countries to ensure sustainable development and energy security, even as the PRC continues its extensive dam building and threatens the food security of its downstream neighbors along the Mekong River. The United States doubled development assistance to our Pacific Island partners through Pacific Pledge.

On June 25, the Secretary announced the United States has accepted EU High Representative Josep Borrell's proposal to create a U.S.-EU Dialogue on China – a new mechanism for discussing the Transatlantic community's common concerns about the threat the PRC poses to our shared democratic ideals. We anticipate it will be action-oriented and lead to more coordinated policy outcomes that will advance our shared interests. The United States is engaged with allies and partners in the G7, the G20, and NATO, and we are broadening partnerships across the Transatlantic, the Indo-Pacific, the Middle East, Africa, and the Western Hemisphere. Similarly, China is a core component of our security dialogues with the United Kingdom, Australia, New Zealand, and Canada.

Beijing's growing assertiveness also shows in its military actions, and we are collaborating with countries around the world to deter Chinese military expansion. Beginning in May 2020, new PLA incursions along the Line of Actual Control (LAC) in Ladakh led to fatal clashes between India and China. Beijing's actions along the LAC are part of a broader, disturbing trend of aggressive PRC behavior throughout Asia. We are working with India on increasing information sharing and bilateral defense cooperation, including through rapid completion of the Basic Exchange and Cooperation Agreement on geo-spatial information sharing. Our governments share a vision for a free and open Indo-Pacific, offering security and prosperity for all.

In our own Hemisphere, the United States is working with its neighbors to reaffirm the region's longstanding dedication to free societies and free markets. We are working with like-minded democratic partners to strengthen governance that is inclusive, responsive, and transparent; generate prosperity and economic development; and ensure respect for human rights—the values that define our hemisphere. In December 2019, the White House launched an expanded

initiative called Growth in the Americas. This whole of government initiative aims to catalyze the private sector as the primary engine of growth to develop infrastructure in Latin America and the Caribbean. The focus is on improving the attractiveness of the investment climate for all types of infrastructure including energy, airports, ports, roads, telecom, and digital networks, among others. The U.S. International Development Finance Corporation (DFC) is a critical tool in these efforts. We expect the DFC to deploy at least \$12 billion in financing in the region. We are also expanding the Digital Connectivity and Cybersecurity Partnership to the region, modeled on the work it has already done in the Indo-Pacific.

China has made extensive inroads across Africa over the past decade. However, this does not mean that African leaders are oblivious to the risks of partnering with the PRC. Some African governments have instituted review panels to monitor Chinese projects while others are requiring Chinese firms to hire more African laborers and provide protections for Africa's fragile ecosystems.

In the Middle East we similarly continue to engage countries to recognize the costs that come with certain engagements with China – costs to their own sovereignty, costs to regional stability, and costs to the rule-based international order that has provided security and prosperity for decades. A few recent decisions reflect this growing consensus. In Oman, Ericsson signed a Letter of Award with Vodafone Oman on May 21 to be its sole operator for Oman's radio, cloud, and core networks, reversing an earlier decision to award the contract to Huawei. Kuwait's recent reversal of its decision to award a Kuwaiti National Guard network infrastructure contract to Huawei is a first step despite Huawei's continued key role in Kuwait's commercial network. Israel's June 15 decision to bar Huawei from its 5G network is also welcome, as is Israel's decision to award a \$1.5 billion tender for a water desalinization plant to Israeli firm IDE Technologies on May 26, instead of Chinese firm CK Hutchison Holdings.

We are also working with allies and partners to prevent the PRC's growing influence in international organizations. U.S. efforts to counter the PRC's moves to assume controlling positions to advance its parochial interests in these multilateral fora have accelerated over the past several years. Our efforts have included close cooperation with allies and partners around the world in the World Intellectual Property Organization's leadership election and shared interests in rejecting Beijing's efforts to insert language promoting the PRC's foreign policy and its core communist ideology into UN documents. The United States will also continue to pursue reforms that promote good governance, accountability, and transparency, which have the added benefit of making the UN more resilient to the PRC's malign influence.

Finally, let me highlight the importance of Taiwan, an example of freedom and democracy for all Chinese people and the world. On May 20, Secretary Pompeo sent an official congratulatory message for Taiwan President Tsai's inauguration. We and our allies and partners will continue to vigorously support Taiwan's meaningful participation in international organizations, especially where public health, safety, and security are concerned. Taiwan's commendable COVID-19 response demonstrates it has much to offer to the global community. On July 9, the Administration formally notified Congress of a defense arms sale to Taiwan. The sale, worth an estimated \$620 million, is for the recertification of Taiwan's existing Patriot Advanced Capability-3 (PAC-3) Missile capability. This is just one recent example of how, consistent with

the Taiwan Relations Act (TRA), we will continue to provide Taiwan defense articles and services to enable Taiwan to maintain a sufficient self-defense capability. The U.S. commitment to implementing the Taiwan Relations Act is firm, as is our commitment to the U.S. One China policy, including our insistence that cross-Straight issues be resolved peacefully and without coercion or intimidation.

Finding Common Ground Where We Can

Even as we build a unity of action and purpose here at home and with our allies and partners to push back firmly and consistently against challenges from China, we also seek to maintain communications with Beijing and welcome PRC cooperation where we can find common ground. Chairman Risch, your legislation calls for a prioritization of cooperation and that is welcome guidance that remains the central pillar of the U.S. approach to China.

The United States has publicly welcomed Beijing to engage in arms control negotiations. It is time for dialogue and diplomacy between the three biggest nuclear weapons powers on how to prevent a new arms race. As such, the next prudent step is face-to-face meetings between the United States and China. Special Presidential Envoy for Arms Control Marshall Billingslea has invited the PRC to join in good faith negotiations in Vienna. The United States also recommends that China meet with Russia at an early date to consider next steps for trilateral arms control negotiations. While we will all bring different perspectives and objectives to the negotiating table and will surely have disagreements, we believe this strategic dialogue is essential, as the consequences of a miscommunication between the three major nuclear powers would be catastrophic for humanity.

One issue that can be a continued area of cooperation between the United States and China is North Korea. North Korea's weapons of mass destruction and ballistic missile programs undermine our shared strategic interest in peace and stability on the Korean Peninsula. China agrees that diplomacy is the preferred approach to resolving the issue of North Korea's denuclearization. While there is much more China could do to enforce binding sanctions and prevent sanctions evasion – and we will continue to engage the Chinese on that issue – China has also drastically reduced trade with North Korea and has made efforts to urge North Korea to engage with the United States on a diplomatic process to bring peace and prosperity to all who live on the Korean Peninsula.

We also seek common ground with Beijing in our efforts to combat the opioid crisis here in the United States. The United States welcomed the PRC's regulatory action in 2019 to class schedule all fentanyl-related substances. This action, combined with heightened U.S. regulatory and enforcement efforts, has decreased the amount of fentanyl and fentanyl analogues coming directly from China into the United States. The PRC's November 2019 prosecution of an international fentanyl trafficking ring, after a joint U.S.-China investigation, was another positive step. However, our job is far from complete. Significant amounts of chemical precursors used to produce illicit synthetic opioids and methamphetamine that kill Americans continue to originate in China. Since the PRC's class scheduling of all fentanyl-related substances, there have been several shipments of illicit synthetic drug precursors from China to cartel-controlled entities in Mexico, indicating a pronounced shift in how fentanyl is trafficked from China into

the United States. Cooperation to address emerging aspects of the problem, including more strict regulation of China's chemical and pharmaceutical industries, will mark the next phase of bilateral and multilateral effort. President Trump is unequivocal on the need for China to take a more proactive role in disrupting the flow of illicit fentanyl trafficked globally—even as the PRC's role in the problem has evolved.

Building Ties With Civil Society and Supporting the Chinese People

The United Nation's Universal Declaration of Human Rights guarantees everyone the right to freedom of thought, conscience and religion, of opinion and expression, and of peaceful assembly and association. Unfortunately, today no Chinese citizen is able to practice religious beliefs freely, speak opinions freely, or peacefully seek changes from the government. Secretary Pompeo has prioritized support for representatives of the Chinese people seeking freedom and democracy by meeting with Chinese dissidents from the generations of the 1979 Chinese Democracy Wall movement, the 1989 Tiananmen Square protests, and the 2019 Hong Kong pro-democracy movement. He has also met the survivors of repression in Xinjiang and the Tiananmen Massacre.

Despite the obstacles, American diplomats continue to meet and engage with a broad cross-section of the Chinese population through a variety of programs, both in U.S. diplomatic facilities and outside them. Last month, I was honored to present the honorary Women of Courage Award to the Mothers of Tiananmen. On June 4, 1989, thousands of brave Chinese citizens gathered in Beijing's Tiananmen Square, calling for freedom, democracy, human rights, and a corruption-free society. Their peaceful calls for change came to a violent end when the Chinese Communist Party sent the People's Liberation Army into Tiananmen Square armed with tanks and guns. Thirty-one years later, the United States continues to honor the Tiananmen pro-democracy movement and its legacy of peaceful advocacy. The bravery of the many Chinese people who seek to advance the cause of human rights and universal freedoms inspires us.

The United States remains committed to active support for the Chinese people. To raise awareness of human rights abuses in China, the United States regularly holds public events highlighting the abuses committed by the PRC and the bravery of human rights defenders. For example, the President chaired a global call to action on protecting international religious freedom at the 74th UN General Assembly; the past two Ministerials to Advance Religious Freedom have shone a spotlight on egregious conditions in China; a side-event at the UN General Assembly drew attention to abuses in Xinjiang; and a survivor of the detention camps in Xinjiang was recognized as an International Woman of Courage.

Conclusion

Mr. Chairman, consistent with the priorities in your legislation, I should underline that engagement between the United States and China remains of central importance in managing tensions and exploring areas of mutual interest where efforts might align or cooperation might flourish. But we will only make a difference if our engagement produces real progress on the many issues of concern which I have enumerated today.

Current trends in U.S.-China relations do not seem promising. Many Chinese officials continue to be trapped in a mindset that shapes its narrative of China as victim at the hands of foreign powers, thus requiring China's hardline actions in response. This despite decades of efforts by the United States and our allies to bring China into the global community. Through trade and participation in the World Trade Organization and through increased engagement, we have sought to smooth China's rise in the global system. Unfortunately, while some in China wanted to be seen as a responsible great power, the realities of China's rise are not that of responsible global leadership.

Last month, I joined Secretary Pompeo in Hawaii to meet with our Chinese counterparts. In the two-day discussion the Secretary stressed that deeds, not words, were the pathway to achieve mutual respect and reciprocity between our two countries across commercial, security, diplomatic and people-to-people interactions. He made clear our determination to push back against Beijing's efforts to undermine democratic norms, challenge the sovereignty of our friends and allies, and engage in unfair trade practices, but at the same time, he outlined the areas where the United States and the PRC could cooperate to solve global challenges, including those I have enumerated today.

We would also welcome members of Congress from both sides of the Capitol to not only work in partnership with the Executive Branch but to also extend your own engagement to better understand aspirations of the Chinese people. Of course this includes meeting with your Chinese government counterparts and other officials, but as much as possible it must also include reaching out to the many voices of China that are found outside China; those not free to be heard at home and therefore requiring our assistance to be heard.

Beyond government-to-government interactions, the United States also maintains the goal of expanded trade and investment with China provided it is conducted on a fair and reciprocal basis. We welcome people-to-people exchanges, including hosting of each other's students, provided that they are exclusively for purposes of study. As we seek to correct the imbalance in our relations with China we must address today's realities while at the same time leaving open tomorrow's possibilities.

The United States is urgently taking the necessary steps to defend our security and long-term economic well-being. With our friends and allies we are standing up for universal rights and the rules-based international system that have provided for the world's collective peace, security, and prosperity for generations. This is the foundation for the peace and stability that has allowed the United States, the People's Republic of China, and the world to advance toward ever greater peace and prosperity.