

“ADVANCING U.S. ENGAGEMENT AND COUNTERING CHINA IN
THE INDO-PACIFIC AND BEYOND”

TESTIMONY OF
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Chairman Risch, Ranking Member Menendez, and Members of the Committee:

Thank you for the opportunity to testify on China’s engagement in the Western Hemisphere. This issue is one of our most pressing priorities and one that requires close coordination with our interagency colleagues, hemispheric neighbors, and global partners. Just as important, it requires strong cooperation between the Administration and Congress, so I welcome your engagement on these issues and the chance to be with you today. I joined the Bureau of Western Hemisphere Affairs (WHA) in November 2018 to serve as Principal Deputy Assistant Secretary (PDAS). I brought to WHA a specific focus on China in the Western Hemisphere that drew on my years of service in both our East Asia and Pacific and Western Hemisphere Affairs Bureaus. China had been viewed for years as a regional issue for Asia, but we are acutely aware that its actions have global implications that require global coordination and action. There are extensive linkages between the Indo-Pacific and the Western Hemisphere, through trade, diaspora communities, and multilateral groupings like the Asia Pacific Economic Cooperation (APEC). In WHA we have been leading an interagency effort to implement in the Western Hemisphere the principles of the Administration’s National Security Strategy and Vision for a Free and Open Indo-Pacific. At the highest level, we have two strategic objectives: reinforce the position of the United States as the region’s partner of choice and counter China’s malign activities because they threaten hemispheric prosperity, security, and democracy.

Our approach to China is guided by our broader regional strategy, which seeks a Hemisphere that is prosperous, secure, democratic, and receptive to U.S. leadership and values. We must, of course, work with likeminded partners in this effort. I would like to highlight some of the challenges we face and successes we have had in each of these areas.

Economic

Over the past decade, we have seen a dramatic increase in China’s interest in the region as it has sought access to natural resources, raw materials, and commodities, and markets for its exports to fuel domestic growth. The United States remains the top trading partner for over half of the 34 countries in the region, but China is now the top trading partner for Brazil, Chile, and Peru.

The United States has free trade agreements with 12 countries in the Western Hemisphere. China has three – Chile, Costa Rica, and Peru – and is negotiating with other governments.

The United States is far and away the largest cumulative source of foreign direct investment in the region. However, Chinese state companies are investing heavily in the region and aggressively pursuing Latin American and Caribbean participation in its One Belt One Road initiative (OBOR), which is focused on infrastructure development around the world. Nineteen Latin American and Caribbean countries currently participate in the OBOR. We have also seen an increase in Chinese concessional loans for infrastructure investment, funding dozens of large-scale projects including roads, ports, and dams.

All of this is concerning because of the Chinese government’s predatory approach to lending and development, the way the Chinese government does business, and its motivations. The Inter-American Development Bank estimates the infrastructure investment gap in the region is about 2.5 percent of GDP or \$150 billion per year. A region hungry for infrastructure investment finds Chinese concessional loans attractive, but the “sticker price” on these deals does not reflect their full and hidden cost. China’s way of doing business threatens to undermine the region’s hard-won gains in transparency, the rule of law, labor rights, and the environment. Chinese companies are frequently backed by the Chinese Communist Party and are therefore rife with corruption and human rights abuses. Their investments in the region frequently come with excessive debt and opaque terms, low-quality infrastructure, and environmental damage, and they crowd out local development with an influx of Chinese materials, equipment, and workers.

Faced with this challenge, an important part of our approach is to share with our Latin American and Caribbean partners information on how the PRC’s behavior is out of line with internationally recognized best practices for governance and sustainability and not in their best interests. Our engagement has helped several countries, including Chile and El Salvador, make better decisions for U.S. and regional interests. We also aim to demonstrate that the United States, our allies, and our businesses provide better alternatives when factors such as good governance, quality, and transparency are taken into account. We are working with partners to press for China’s economic engagement 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 needs and concerns of local communities. We have established a program to facilitate timely, targeted bilateral engagements at the technical level to advance U.S. interests and values on sensitive economic issues. Our delegations have helped some of our partners in the region considering legislation on foreign investment screening. A delegation to Ecuador focused on data privacy, and a delegation to Peru illustrated best practices in infrastructure procurement.

The Administration launched in December 2019 an expanded initiative called Growth in the Americas (“America Crece” in Spanish). This whole-of-government effort 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 investment climate for all types of infrastructure, including energy, airports, seaports, roads, water, social, telecom, and digital networks. The effort incorporates the expertise and resources of nine agencies across the federal government. The U.S. International Development Finance Corporation (DFC) is a critical tool in these efforts. We expect DFC to deploy at least \$12 billion in financing in the region. We need to align State

and USAID efforts and resources to fully leverage DFC's new capabilities. We are also working to expand the Digital Cybersecurity and Connectivity Partnership (DCCP) to the region, modeled on the work the initiative has already accomplished in Asia. Under the DCCP, U.S. government agencies promote open, reliable, and secure communications networks in Latin America and the Caribbean, one critical area where prosperity and security intersect. I joined Deputy Secretary Sullivan and Senior Advisor Ivanka Trump last year in South America and saw firsthand the lives of women entrepreneurs transformed through financing through the W-GDP 2X Initiative.

Security

Chinese influence in the Americas is particularly strong in information and communications technology (ICT). Chinese companies like Huawei and ZTE have significant market share in their respective industries in many parts of the region, and they are aggressively expanding with mass advertising campaigns and promises of investment and job creation. The United States works with Latin American and Caribbean countries on ICT issues, and our well-established concerns with Chinese companies focus primarily on their security implications. Increasingly interconnected countries, economies, and communities are vulnerable to interference if the companies managing their networks do not follow the law or adhere to international norms. This threat is especially great in emerging 5G networks.

Most Latin American and Caribbean countries are still focused on expanding 4G networks based on significant previous investments. Some, however, are eager to make space for 5G deployment and will hold spectrum auctions within the next year. With 5G in Latin America and the Caribbean still in its infancy, we have an opportunity to ensure the region understands the risks of Chinese vendors and the availability of trusted alternatives. Chinese firms might offer attractive technology and pricing, but they create opportunities for the Chinese government to tap into – and exploit – data flows, including sensitive political, business, and military information. Companies such as Huawei deny their intention to misuse the information they manage on a daily basis, but Chinese law clearly states the obligation of all of its companies to subordinate themselves to the State. Numerous independent news reports have detailed the willingness of Huawei officials to assist repressive regimes in spying on political opponents.

We also are working with our regional partners on the security risks of Chinese surveillance technology, which even democratic countries like Uruguay and Argentina have installed. We remain concerned about the Chinese government's attempts to export advanced surveillance and monitoring systems as part of a broad effort to spread its authoritarian model and influence foreign countries. Chinese companies like Huawei and ZTE are selling, loaning, or transferring to foreign governments so-called "smart city" and "safe city" systems -- a broad array of surveillance and monitoring technologies, including cameras with facial recognition and artificial intelligence systems. These systems can be used to monitor individuals and potentially violate human rights as the PRC is doing now, for example, in Xinjiang. Latin American governments that accept Chinese projects need to be vigilant about the potential for similar surveillance technology to be included without protections for civil liberties.

We continue to draw media attention, coordinate with our partners in the region, and conduct outreach with regard to the PRC's fishing practices off the Ecuadorian EEZ surrounding the

Galapagos and elsewhere in our region to pressure the PRC to impose strong governance over their distant water fishing fleet. The massive Chinese fishing fleet that has been operating on the high seas off the Ecuadorian EEZ surrounding the Galapagos this summer appears to be leaving the area for the year, but given its extractive capability, we are working with our partners to prepare for when the fleet returns in future seasons, as it has for many years. Some of these Chinese-flagged fishing vessels were reportedly disabling collision avoidance transponders and leaving marine debris. Fishing authorities continue to seek concrete evidence of any illegal fishing connected to the Chinese fleet. The United States is supporting and encouraging this effort through regional cooperation to combat illegal, unreported, and unregulated (IUU) fishing, such as improving monitoring, control, and surveillance related measures of the South Pacific Regional Fisheries Management Organization charged with managing the region's fishery. The U.S. Ambassador to Ecuador traveled to the Galapagos earlier this month and met with government officials, NGOs, researchers, and others in order to bring focus on IUU fishing and maritime issues. The U.S. Coast Guard cutter *Bertholf* was part of a military maneuver (passing exercise) with the Ecuadoran Navy that took place near where the Chinese fleet was located. NGOs are organizing and providing equipment, funds, and boats needed in Galapagos National Park to detect and intercept illegal fishing vessels in the Galapagos Marine Reserve. This is about the rule of law, transparency, and the harmful exploitation of the environment of our region.

Democratic Governance

Support for democracy and human rights is a pillar of U.S. engagement in our overwhelmingly democratic hemisphere. With engagement and programs, we continue to support civil society, counter corruption, boost investigative journalism, strengthen oversight of procurement processes and tenders, and support regional democracy. China has directly contributed to regional instability and corruption by bankrolling the illegitimate dictator of Venezuela, Nicolás Maduro, with more than \$62 billion in loans between 2007 and 2017. As Secretary Pompeo noted, China's treatment of Muslims, including the Uighurs, in western China is an enormous human rights violation, and we will continue to raise the issue, highlighting how the Chinese Communist Party's values clash with those of our Latin American partners.

Working with Democratic Partners: Japan, Taiwan, ROK

Working with democratic partners from Asia – including Taiwan, Japan, and South Korea – is an important tool to raise awareness of China's malign activities and promote transparent private investment in the region. In August 2019, we launched the U.S.-Japan Dialogue on Latin America and the Caribbean. We agreed to operationalize an existing OPIC-JBIC MOU to co-finance an infrastructure project in the region. Latin America has the largest regional contingent of countries that recognize Taiwan: nine out of Taiwan's remaining 15 diplomatic partners are in Latin America and the Caribbean. We see China pressuring these countries with financial incentives to flip diplomatic recognition to Beijing. Maintaining the status quo in terms of Taiwan's diplomatic relations is a top priority, and we are finding innovative ways to support Taiwan's position in the region. Last year, we organized an October 16 "Friends of Taiwan" roundtable for Taiwan's nine Western Hemisphere diplomatic partners to discuss what is working, and what needs to change, for them to maintain ties with Taiwan rather than the PRC,

the first time we ever held such a meeting. We partnered with Taiwan to bring its Global Cooperation and Training Framework (GCTF) to Latin America and the Caribbean in September 2020, to highlight the benefits of welcoming Taiwan's expertise into the region. Although COVID-19 required a shift to a virtual format, the first session, the U.S.-Taiwan Workshop on Digital Economy and COVID-19 Response, took place on September 8 with over 200 participants from 25 countries. This was the first time this flagship U.S.-Taiwan-Japan development assistance training program has been held in the Western Hemisphere. GCTF participants are drawn from countries that recognize Taiwan, countries where Taiwan maintains unofficial relations, and countries we believe are interested in expanding ties with Taiwan.

I have traveled so far to Argentina, Belize, Brazil, the Bahamas, Costa Rica, El Salvador, Haiti, Paraguay, and St. Lucia to promote our shared values and hold public meetings with ambassadors of Taiwan, Japan, and South Korea, government leaders, journalists, the private sector, and especially the youth. Together we raise awareness of the dangers of malign Chinese engagement -- stressing good governance, the environment, worker rights, freedom of expression, privacy, debt sustainability, and sovereignty -- and we encourage local voices to speak up. The need for this engagement with our partners remains crucial as we have seen the PRC attempt to increase its outreach and rewrite the narrative in the Hemisphere during the COVID-19 pandemic. Our partnership based upon shared values with countries in the region will be a key to returning the region to economic health and prosperity following the crisis.

Public Diplomacy

Our public diplomacy advances the fourth pillar of our regional strategy – a Hemisphere that continues to embrace U.S. values and leadership – by forging relationships that reduce the space for China to spread its malign activities. We have several successful programs that are building these bonds for future generations. The Young Leaders of the Americas Initiative (YLAI) expands ties between emerging entrepreneurs and U.S. counterparts to support job creation and economic growth. The Department's Academy for Women Entrepreneurs (AWE) provides women the knowledge, tools, and networks they need to turn their ideas into successful businesses. And the very successful 100,000 Strong in the Americas (100K) Innovation Fund, a public-private partnership, supports educational exchanges that strengthen the links between education, workforce development, and social inclusion to address opportunity gaps.

Our exchange programs, extensive network of American Spaces and American Space partnerships, and robust offering of post-identified and managed small grants all help foster and deepen U.S. relationships with influencers and target audiences. The Global Engagement Center (GEC) supports our efforts to address propaganda and disinformation in the Hemisphere by providing original research and working with U.S. public diplomacy officers in the field. The PRC has recognized its cultural capital deficit in the region and attempted to duplicate our playbook, making huge investments to expand its network of Confucius Centers. These networks allow the PRC to increase its cultural influence in the Hemisphere and to send thousands of young people to China on academic and professional exchanges. But we will not cede to the PRC the next generation of leadership in our Hemisphere. From my meetings with young hackathoners in Haiti to women entrepreneurs in the Bahamas to student activists in Nicaragua, this is the generation who turns to the United States for our innovation, opportunity,

and values. This is the time to strengthen our public diplomacy strategy so we remain well positioned for generations to come. We must remain engaged in the Western Hemisphere, and our diplomats in the field and those who support them in Washington both need and appreciate your continued support.