

# AMERICAN LEADERSHIP IN THE ASIA-PACIFIC

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## HEARINGS

BEFORE THE

SUBCOMMITTEE ON EAST ASIA,  
THE PACIFIC, AND INTERNATIONAL  
CYBERSECURITY POLICY

OF THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

ONE HUNDRED FIFTEENTH CONGRESS

FIRST SESSION

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**AMERICAN LEADERSHIP IN THE ASIA-PACIFIC—**

**PART 1: SECURITY ISSUES**

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**WEDNESDAY, MARCH 29, 2017**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 2:23 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner [presiding], Rubio, Portman, Markey, and Kaine.

**OPENING STATEMENT OF HON. CORY GARDNER,  
U.S. SENATOR FROM COLORADO**

The CHAIRMAN. This hearing will come to order. Thank you very much to our two witnesses for being here and my colleagues for joining me. I apologize for the delay.

Let me welcome you all to the first hearing for the Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy in the 115th Congress.

I am delighted to be partnering with Senator Markey in this Congress and want to welcome him as the ranking member of this subcommittee. Senator Cardin and I did great work through this committee over the last 2 years and look forward to doing the same with Senator Markey over the next 2 years. And I am sure we are going to have some great opportunities to collaborate to address the very important issues that come within this subcommittee's jurisdiction. And so thank you very much for the opportunity to be here.

I do want just to start with a couple of words about the committee and the work that we will be doing.

The new administration and the new Congress ushers a new era of challenges and opportunities in the Asia-Pacific. Despite the political changes in Washington, the U.S. policy imperatives remain the same. The Asia-Pacific region has been and will remain critical to the United States' economic and national security interests.

By 2050, experts estimate that Asia will account for over half of the global population and over half of the world's gross domestic product. We cannot ignore the fundamental fact that this region is critical for U.S. economic growth and to create U.S. jobs through export opportunities.

The security challenges in the region are complex and rapidly growing. In 2016, North Korea conducted two nuclear tests and a staggering 24 ballistic missile launches. Since 2013, China has reclaimed over 3,000 acres of land in the South China Sea and has militarized these features, contrary to international law. The Islamic State has now established a firm foothold in Southeast Asia. Democracy, human rights, and rule of law are generally in retreat across the region despite some hopeful developments in countries such as Burma.

So this year, instead of focusing on individual countries or specific issues, the subcommittee will conduct a four-part series that will examine American leadership in the Asia-Pacific region from all perspectives: the security outlook, economic engagement, as well as projecting our country's values across the region.

This series of hearings will also underpin and inform legislation that I am leading, the Asia Reassurance Initiative Act, or ARIA. ARIA will pursue three broad goals. First, it will strengthen U.S. security commitments to our allies and build partner capacity in the Asia-Pacific to deter aggression, project power, and combat terrorism. Second, it will promote economic cooperation and U.S. market access in the Asia-Pacific region as key to U.S. policy objectives in the region and essential for the growth of the U.S. economy and success of American businesses. Third, it will enshrine promotion of democracy, human rights, and transparency as key U.S. policy objectives in the Asia-Pacific region, particularly in Southeast Asia.

With this in mind, our first hearing today is focused on security challenges in the Asia-Pacific, and we have two distinguished witnesses, Congressman Randy Forbes, who I had the—both of us had the privilege of serving with in the House of Representatives, and Ambassador Bob Gallucci to help us shed light on these very important issues. I look forward to your testimonies, and now turn to Ranking Member Senator Markey for his comments.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you very much, Mr. Chairman, and I thank you for convening this hearing on U.S. security interests in the Asia-Pacific. And as you outlined, this is the first in a series of hearings that will underscore America's critical role in leading that dynamic region and addressing its challenges. And I am looking forward to our partnership over the next 2 years, Mr. Chairman. I think it is just an exciting time for Asia. And I think this series of hearings which we are going to be having is just going to lay the foundation for our ability to be able to make some intelligent decisions about what the role of the United States should be going forward.

And to our distinguished witnesses, Randy Forbes—and you and I, Cory, we served in the House together. And Bob Gallucci is an old pal of mine and just about at the top of the list of any of the most distinguished commentators you can have on so many different subjects. It is hard to list them all. So it is an honor to have you here today, Bob.

And it is hard to dispute that American leadership in the Asia-Pacific has brought sustained stability and unprecedented economic

growth. Sustaining and broadening this progress will depend, however, on addressing major security challenges and strengthening respect for international rules and norms.

Today, Asia-Pacific nations face significant challenges, particularly in the area of security. North Korea's nuclear and missile programs threaten regional security, as does the proliferation of weapons-usable material. Territorial disputes in the East and South China Seas, festering conflicts and insurgencies in parts of Southeast Asia, and threats ranging from cyber attacks to pandemic disease all demand the collective attention of Asia-Pacific nations.

China's rapid development, achieved through economic integration, offers the hope of a cooperative and productive relationship with the United States and other nations in the Asia-Pacific.

Yet, fundamental questions persist. Will China choose to cooperate to strengthen the regional order in the face of mutual security challenges? Or will Beijing choose to be a disrupter, undermining the very institutions, rules, and norms that have enabled its economic rise?

First and foremost, the United States must take the lead in averting the threat of nuclear war. In particular, the United States must take a bold, new approach to address the threat from North Korea's growing nuclear and ballistic missile capabilities. Last year, North Korea tested two nuclear devices and carried out numerous ballistic missile tests. It is now accelerating efforts to develop a missile capable of striking the territory of the United States with a nuclear weapon.

These growing capabilities represent a grave threat to the security of the American people and to our allies and partners in the region. Existing policy to address this threat has not succeeded. Sanctions and deterrence, while essential, have failed on their own to induce the Kim regime to constrain its nuclear and missile ambitions.

Without a diplomatic track, North Korea is likely to continue exploiting divisions in the international community to steadily advance its nuclear and ballistic missile capabilities. Only a comprehensive strategy of coercive diplomacy, one that brings together economic pressure, military deterrence, and active negotiations stands a chance of achieving a nuclear-free Korean Peninsula.

Instead of refusing to negotiate, the Trump administration should embark on such a strategy and must strengthen existing sanctions and bolster deterrence, but it must also reach out to North Korea to begin talks aimed at constraining, rolling back, and ultimately eliminating its nuclear and missile programs. If North Korea refuses or if negotiations fail due to Pyongyang's intransigence, then we should escalate economic and political pressure on the Kim regime and those who enable it. Without diplomacy, however, pressure is unlikely to succeed.

Addressing the nuclear danger in the Asia-Pacific area will also require the United States to dissuade Japan and China from expanding spent fuel reprocessing efforts and discourage South Korea from following suit. Otherwise, these activities will result in the stockpiling of materials that can be used to build hundreds of thousands of nuclear weapons. Without a strong U.S. commitment to nuclear security and proliferation, East Asia could see a spiraling

nuclear arms race that dramatically raises the likelihood of a nuclear catastrophe.

Cybersecurity, other issues are all on the table. This region is, without question, rising to the very top of the security and strategic list of issues that the United States has to deal with.

I am very much looking forward to this hearing, and I thank you, Mr. Chairman, for calling such a distinguished panel.

The CHAIRMAN. Thank you, Senator Markey.

Our first witness is the Honorable Randy Forbes, who currently serves as the Senior Distinguished Fellow at the U.S. Naval War College. Congressman Forbes represented Virginia's 4th congressional district from 2001 to 2017 and served as chairman of the House Armed Services Committee's Seapower and Projection Forces Subcommittee. During his service to our country, Congressman Forbes has been a true leader with regard to U.S. policy toward the Asia-Pacific region, and we are honored to have him here today.

And our second witness is the Honorable Bob Gallucci, who currently serves as Distinguished Professor in the Practice of Diplomacy at Georgetown University's Walsh School of Foreign Service. Ambassador Gallucci brings 21 years of distinguished service in a variety of government positions, focusing on international security. As Ambassador-at-Large and Special Envoy for the U.S. Department of State, he dealt with the threats posed by the proliferation of ballistic missiles and weapons of mass destruction and was the chief U.S. negotiator during the North Korean nuclear crisis of 1994. I will note that Ambassador Gallucci testified before this committee in October of 2015 when we discussed North Korea helping lead to the unanimously supported bipartisan North Korea sanctions bill. And I am delighted to welcome you back to the committee.

Congressman Forbes, if you would like to begin. Thank you very much for your testimony today.

**STATEMENT OF HON. RANDY FORBES, NAVAL WAR COLLEGE  
FOUNDATION SENIOR DISTINGUISHED FELLOW, UNITED  
STATES NAVAL WAR COLLEGE, NEWPORT, RI**

Mr. FORBES. Thank you, Chairman Gardner and Ranking Member Markey, members of the subcommittee. It is an honor for me to be here. Thank you for having me. It is also a privilege for me to be here with Bob Gallucci this afternoon.

In the 5 minutes that I have, I can only highlight perhaps the challenges that we have in this region, why this region is important. And I have submitted a number of recommendations in my written remarks, if they could be made part of the record.

But I want to begin by saying that the topic you have chosen is not a crisis de jure. It is not going to go away tomorrow. It is not going to go away next week. The Indo-Asia-Pacific region is going to require more attention and more resources from the United States over the coming decades, and if we do not do that, it will be not just at our peril but at the peril of the world.

The current security outlook in the Asia-Pacific region is precarious at best. We know there are two main actors that are causing this. First of all, China, which now for almost 2 decades has had



an ambitious and unprovoked military buildup with now a very clear, discernible goal of supplanting the U.S. as the dominant military power in the region. The other thing that has been a sea change is their use of paramilitary activities in their gray zone aggression, which we have as yet not developed a sufficient policy to push back on. The result of their efforts has been de facto control of disputed waters, as you mentioned in your opening remarks, Mr. Chairman, the reclamation of 3,000 acres of features or land, which have gone somewhat unchallenged in their activity to do that.

North Korea, as the ranking member also pointed out, poses an imminent and unpredictable threat not just to its neighbors, but now to the continental United States.

Yet, even as we mention those two causes for concern, I do not think they adequately reflect the sea change that has taken place. When you look at China, it is not just the buildup that China has done. It is the way they have done that buildup. You are looking at advanced fighter aircraft and long-range cruise and ballistic missiles that threaten U.S. assets at greater ranges. They have credible capabilities to destroy, disable or reduce the effectiveness of our aircraft carriers, our regional airbases, and even deny us air superiority. Their electronic warfare, space operations, and cyber capabilities, when added to this, present a very concerning tapestry of concern for all of us.

North Korea. In addition to their nuclear concerns, one of the major risks we have from a security point of view is the world has changed even in a decade. A decade ago, we were worried primarily with North Korea about, one, a single actor and, number two, a conventional war that might take place. Today, if you look at most strategists, when they are concerned about North Korea, they realize that any conflict we may have may have multiple actors involved, and we certainly look at multiple domains no longer will be limited to conventional war. We may very well be looking now at nuclear, cyber, and even space challenges that we have.

Why is this region important?

Well, if you just took former Secretary Carter or you took Admiral Harris, they would both say that this is the most consequential region for America's future. And in the coming decades in this region alone—you mentioned the trade that is going to take place there. But we are going to have in this region the largest armies of the world will camp here. The most powerful navies in the world will gather here. Over one-half of the world's commerce will take place here, but two-thirds of the world's commerce will travel through here. This is a maritime super highway, leading to the United States bringing good things or bad. Two superpowers will compete here to determine which world order will prevail. And most importantly, this is the region where the seeds of conflict that could most engulf the world will probably be planted.

So I appreciate you having this hearing. And I want to just make a couple of recommendations and suggestions for you to consider.

The first and foremost is that if you have a continuum between being reactionary and being strategic, this country, this committee, this Congress needs to move back to strategic thinking where we have a comprehensive strategic plan. And we need to demand not just the strategic plan and analysis, but also the assumptions that

go into it. If we have faulty strategies, we will have faulty outcomes, and we can no longer outrun all of our problems.

The second thing that I would recommend that we consider is that we once again put on the table and relook the INF Treaty and whether or not it is worth us continuing to examine this and to look at it.

And then the final thing I think is going to be vital for us is rebuilding our presence in the Asia-Pacific area.

I will be glad to elaborate on any of those in the question period of time. But my time is out. So thank you, gentlemen, for allowing me to be with you.

And if it is okay, I would like to submit the full content of my written statement for the record.

The CHAIRMAN. Without objection.

[Mr. Forbes's prepared statement follows:]

PREPARED STATEMENT OF J. RANDY FORBES

Chairman Gardner, Ranking Member Markey, members of the subcommittee, thank you for the work your subcommittee does and for the honor of appearing before you this afternoon. I am also very happy to be here with Robert Gallucci.

The topic you have chosen for this hearing is both timely and critical. While the world's eyes seem rightly focused on the instability of North Korea's leadership and the actions of that leadership, it would be wrong to conclude that this was merely "a crisis de jour." The security issues presented with North Korea and the entire Inda-Asia-Pacific region will continue to require more attention and resources from the United States. We ignore this not just at our peril, but at the peril of the world.

To say that I admire the expertise of each member of this subcommittee is not flattery, it is simply accurate. I read much of what you write, and I listen to much of what you say. My comments this afternoon are not offered with the arrogance of believing they are not without challenge. However, they are offered with my conviction that they are right, and with my hope that they will at least open avenues of thought which could assist in some small manner in preparing us as a nation for the challenges we will face in the Asia-Pacific area for decades to come.

The current security outlook in the Asia-Pacific region is precarious at best. For decades, the peace and prosperity of the Asia-Pacific region has been based upon the perception that the United States was both willing and able to intervene decisively to stop aggression by one country in that critical region against another.

Today, more than at any point I can recall, that peace and prosperity is in jeopardy. The causes of present concern are well known to this committee.

First, China is now almost two decades into an ambitious and unprovoked military buildup, with a clear goal of supplanting the United States as the dominant military power in the region. At the same time, it is using paramilitary forces to commit "gray-zone" aggressions against its neighbors and establish de facto control of disputed waters. The tangible result is that they have now reclaimed over 3,000 acres of land (features) in the South China Sea and they have militarized many of these features contrary to international law.

Second, North Korea and the regime of Kim Jong Un continue to pose an imminent and unpredictable threat to their neighbors, while steadily pursuing a larger nuclear arsenal and the capability to threaten and potentially strike the continental United States.

Yet, even these two causes for concern do not adequately reflect the sea change that has taken place regarding the security threat currently existing in the Asia-Pacific area.

For example, it is not just that China has been engaged in a significant military buildup. It is the nature of that build up that is concerning. They have developed advanced fighter aircraft and long range cruise and ballistic missiles that can threaten U.S. assets at much greater ranges. They have credible capabilities to destroy, disable or reduce the effectiveness of U.S. aircraft carriers and to threaten regional air bases so as to deny air superiority. If you combine this with their advances in electronic warfare, space operations, and cyber capabilities a very concerning tapestry begins to unfold.

Equally concerning is a new boldness and aggressiveness appearing in Chinese leadership, especially in their rising ranks. This is especially manifested in a grow-

ing willingness to disregard international laws and norms and to project their claims in ways creating more opportunity for possible confrontation.

North Korea has always posed a problem because normal principles of diplomacy and asymmetrical coercion do not work well with irrational actors and that is what we face in North Korea. The difference between the threat we face today versus the threat we faced even a decade ago is quite substantial. A decade ago, we worried about a conflict in a single domain with a single actor. Today, a conflict most likely would involve multiple actors and would almost certainly involve multiple domains. A conflict could very well present the normal threat of conventional warfare but be combined with potential nuclear, cyber, or even space challenges.

So why is this region so important?

Many analysts including former U.S. Secretary of Defense Carter and the current PaCom commander, Admiral Harry Harris have called this “the most consequential region for America’s future.” It is easy to see why. In the coming decades, this is the region where the largest armies in the world will camp. This is the region where the most powerful navies in the world will gather. This is the region where over one half of the world’s commerce will take place and two thirds will travel. This is the region where a maritime superhighway (transporting good or bad things) linking the Indian Subcontinent, Southeast Asia, Australia, Northeast Asia, and the United States begins. This is the region where five of America’s seven defense treaties is located. This is the region where two superpowers will compete to determine which world order will prevail. This is the region where the seeds of conflict that could most engulf the world will probably be planted.

Recognizing the importance of this region is vital and I was one of the first to applaud the Obama administration for doing so when it first announced its “pivot” to the Asia-Pacific area which was soon renamed the “rebalance.” Unfortunately, confusion about this policy was not limited to its name. When there is confusion in the articulation of a policy, our competitors and allies can look to how we resource that policy in an attempt to extrapolate what it means. Otherwise, they are left to define it for themselves which often means our competitors see in it their worst fears and our allies have expectations that are never realized. That is exactly what happened with the “rebalance.”

Since this hearing is focused on security issues, I have limited my analysis and comments to those issues. The scope prevents me from looking at other important issues such as human rights, trade, economic development goals, and the principles of democracy itself. Yet I know you realize the importance of all of these issues.

From a security view, the rebalance was not only grossly under resourced but the signaling was very poor. One of the primary reasons for this was the failure to develop an adequate National Defense Strategy. According to testimony before the House Armed Services Seapower and Projection Forces Subcommittee, the primary document used to resource the military during much of the last administration was its 2012 National Strategic Guidelines. Those Guidelines were fatally flawed with wrong assumptions. Four of those assumptions according to testimony later presented by the Chairman of the Joint Chiefs of Staff to the full House Armed Services Committee were:

1. That Isis would not rebound and grow as it did
2. That the U.S. would be out of Iraq and Afghanistan
3. That the Chinese would not militarize as they did
4. That the Russians would not rebuild at the rate they did

The result among other shortfalls was that in 2007 the Navy could meet approximately 90 percent of our combatant commanders validated requests. Last year the Navy was able to meet less than 42 percent. A defense budget was presented that would have delayed the deployment of an aircraft carrier and remove cruisers from our fleet. There were major reductions in the army and the air force. Carrier gaps emerged and our surge capacity challenged. FONOPS were essentially prohibited between 2012 and 2015 and allowed only begrudgingly at other times.

The Chinese felt they were virtually unchecked and our allies seriously questioned not just our capability but our resolve in the Asia-Pacific area. China and North Korea share responsibility for the growing instability we see in Asia. But at the same time, the stability of the international system is also being undermined by the fact that the willingness and ability of the United States to uphold it has fallen into doubt. The Obama Administration’s “rebalance” to the Asia-Pacific signaled that Washington understood the importance of this region to U.S. interests. However, failure to adequately resource this effort—both at the Department of Defense and the State Department—resulted in it falling short of hopes and expectations.

So what recommendations can we offer for moving forward? While we certainly can not do everything, there is much we can do.

I believe the most important thing this subcommittee and this congress can do is to build a new culture of strategic thinking. I am convinced that we will need to increase our defense spending. However, you can not just write a check to fix our security issues in the asia-pacific area. We need first and foremost a comprehensive National Defense Strategy with a major part of it focused on the Indo-Asia-Pacific arena.

We can argue over nomenclature, but for the purposes of my comments, “strategy” is that endeavor by which we balance our ways, means, and desired ends. It is where we make trade offs and though it is not popular to say, take risks. I also agree with Lawrence Freedman’s conclusion that its purpose is “about getting more out of a situation than the starting balance of power would suggest.”

“Policies” are the guidelines that help structure how decisions are made within the broader strategic architecture.

“Tactics” are how we implement our decisions through action.

Strategy should drive policy which should drive tactics. However, I fear that all too often in our country today we are reversing the order and becoming reactionary instead of strategic. There was a time when we could afford that error because we could essentially outrun our mistakes. That time has passed. There may have been a time when we could rely so/ey on our military strength. That time has passed. So too has the time when our strategy can be dictated by our budget.

To be effective, a National Defense Strategy must be birthed in a marriage between Congress and the Administration. It must also be a holistic approach uniting every element of government power. You should no longer accept the ruse that you are not entitled to a strategy because it is like some secret football play that can not be disclosed until you have to use it. For a National Defense Strategy to work you must be able to articulate it so that policy makers feel comfortable resourcing it, so our allies know how to embrace it, and so our competitors know the lines not to cross. To do that, I would suggest the following:

- A. Require the Department of Defense to develop and present to Congress a National Defense Strategy along with the basic assumptions used to develop it. If the assumptions are wrong, the Strategy will be flawed.
- B. Require the Department of Defense to show how its budget resources that Strategy and the risks assumed if it is not so resourced.
- C. Ask for a plan from both the Department of Defense and the Department of State as to how it plans to improve strategic thinking. If it is not a priority to agency leadersh’tp, it will not happen. If you are not seeing it in personnel decisions, it will probably not happen.
- D. Require a cross agency review of Asia-Pacific policies with a task force designed to develop policy guidelines and to ensure those guidelines are compatible with the National Defense Strategy.

Our U.S. security alliances are very durable but they need reinforcement. They need to know that the United States still knows how “to make the trains run on time,” especially when it comes to national defense. Articulating a well-reasoned National Defense Strategy they can embrace and resourcing it to show an increased presence in the area will do much to strengthen these alliances. In addition, I would suggest the following:

1. Continue to strengthen bilateral alliances with Japan and South Korea, while also encouraging and enabling those two key allies to cooperate more closely with one another on many issues of mutual concern.
2. Make clear our commitment to the security of Taiwan. Our allies read our resolutions, so language can be important.
3. Work with Prime Minister Duterte to sustain recent progress in US- Philippines defense cooperation and, importantly, ensure that American forces can continue to deploy to the Philippines in support of both Philippine security and our broader security objectives in the region. Despite recent bumps in the road, it is still mutually beneficial to both countries to improve this relationship.
4. Continue to work with our ANZUS allies, Australia and New Zealand, and in particular explore additional options for forward deploying or forward staging American forces and conducting combined training in the region. This includes integrated maintenance and ground support operations as well as greater integration of 5th generation fighter deployments.

5. Seek to develop closer ties with countries like India, Vietnam, and others that share many of our security concerns and could be enabled to play a bigger role in maintaining regional stability.
6. For too long, the Asia-Pacific has not been prioritized within the State Department security assistance budget in a way that is commensurate with its level of importance to U.S. interests. Indeed, in recent years, the entire region has received only 1 percent of U.S. Foreign Military Financing. If we conclude that this may be the “most consequential region for America’s future” we should strongly consider proposals for an Asia-Pacific Stability Initiative as a budget mechanism similar to the European Reassurance Initiative with the goal of devoting additional resources to our interests in the Pacific.
7. We certainly must send additional funding to DOD to invest in munitions, resiliency, sustainment, and capabilities that Pacific Command needs. However, I would also advocate for increasing targeted Foreign Military Financing and International Education and Training funding to help enhance the militaries of partners like the Philippines, Thailand, Vietnam, Indonesia, and Malaysia.
8. Routinize Freedom of Navigation Operations (FONOPS).
9. Reconsider the efficacy of the Intermediate-range Nuclear Forces (INF) Treaty. Since 1987, the United States has complied with the bilateral Intermediate-range Nuclear Forces (INF) Treaty with Russia, which prohibits either party from fielding certain types of surface-to-surface missiles. At the same time, China has deployed over 1000 of these missiles, according to DoD reports to Congress, and uses them to menace our allies and partners and our own forward deployed forces in the region. In light of this fact, and the recent testimony by Gen. Paul Selva, Vice Chairman of the Joint Chiefs of Staff, that Russia is actively violating the INF Treaty, I believe this committee should begin reassessing whether continued adherence to the INF Treaty is in the interest of our country. As a member of the House Armed Services Committee’s Strategic Forces Subcommittee, I tasked the DoD with reassessing the military implications, but I believe it is incumbent upon this committee to further explore the diplomatic and broader foreign policy considerations.
10. Support efforts to restore US military readiness and better prepare it for threats. While I realize the importance of focusing on matters of foreign policy that fall clearly within the purview of the Senate Foreign Relations Committee, I would be remiss if I did not remind members of the committee that deterrence, which I believe is the primary contributor to peace and prosperity, is predicated upon the belief that our country is both willing and able to stand up to aggression. To deter aggression in the Asia-Pacific, we must make it clear to would-be aggressors that we not only remain committed to the region, but also will be able to effectively project power into the region, deny aggressors their objectives, and impose costs and punishments upon them. Current shortfalls in U.S. military readiness—such as insufficient stockpiles of precision-guided munitions, and forgone training and maintenance—are seriously undermining our ability to respond to and defeat aggression. This, in turn, undermines our ability to deter it.
11. Finally, no discussion of Asia-Pacific security issues would be complete without at least discussing the rise of Islamic extremism. If one thing is increasingly clear there is no single magical response now available to eradicate this dangerous evil. We must continue to foster partnerships not just with our allies but also with other actors within the region who suffer from its effects. In the cross agency review I addressed earlier, I would specifically laser in on joint efforts to cut off the funding streams for these organizations. Removing the financing is like removing the oxygen from a room, it makes it almost impossible for the organization to survive or grow.

Once again, thank you for the opportunity to appear before you and thank you for what you do for our country.

The CHAIRMAN. And I would just note that your testimony, along with Ambassador Gallucci’s, if people who are listening to the hearing have the opportunity to read it, I think both of them are very well done. So thank you very much for the time and effort you put into the testimonies. Thank you. And both will be put in the record in full.

Ambassador Gallucci?

**STATEMENT OF HON. ROBERT L. GALLUCCI, DISTINGUISHED  
PROFESSOR IN THE PRACTICE OF DIPLOMACY, EDMUND A.  
WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNI-  
VERSITY, WASHINGTON, D.C.**

Ambassador GALLUCCI. Thank you, Mr. Chairman. Thank you, Ranking Member Markey. It is good to be here. I appreciate the opportunity to share some thoughts.

I want to address briefly three topics: first, the U.S.-China relationship, the security dimension writ large; second, the North Korea threat and what to do about it; and third, the issue of nuclear terrorism and the impact accumulations of plutonium may have on the shape of that issue.

First, with respect to China, I ought to note that there is nothing that I heard from my distinguished colleague that I would separate myself from, and I would like to associate myself with his interpretation of the importance of that region and the importance of how we are responding to the threat in that region.

It has struck me that the traditional and conventional wisdom about China over the last 20 years has been fairly consistent across administrations. In general terms, China is characterized as a great power, and the recommendation is we see China as a great power, not a rising power, that we recognize that China has legitimate political, economic, and security interests in the Asia-Pacific region, that we embrace cooperation and competition with China and regard it as potentially a healthy part of our relationship, but at the end of the day, we avoid confrontation, particularly military confrontation, with China.

Different administrations have approached China in different ways with different emphases and different catch phrases to describe the U.S.-China relationship. But beneath all that are some structural realities that we really need to appreciate if we want to protect U.S. interests.

The first is the U.S. has, for more than 100 years, an interest in having access to the countries of Asia and free transit of the waters of the Pacific. The U.S. has in the past and should always in the future oppose any attempt in the Asia-Pacific region at hegemony that would, by definition, threaten American access. See here, of course that as the context for the militarization of the South China Sea and East China Sea issues with China.

China's comparable view, looking at the United States is to take a posture that resists what China sees as a U.S. effort at containment. They look at our alliance system with Korea, Japan, Australia, New Zealand, and the Philippines and see us attempting encirclement. They look at our continued support for Taiwan's independence, notwithstanding the One China policy, and see that as a threat as well. They look at our ballistic missile defense efforts and see that as an effort at denying them a secure second strike deterrent. And they look even at and imagine that our conventional prompt global strike capability, such as it is, also threatens their strategic forces.

The truth is that both countries have reason to be wary of each other. China is, in fact, looking to expand its influence in the Asia-Pacific region, and we are, indeed, interested in limiting that influence, whether we call it containment or not.

China's military naval expansion and modernization in conventional forces is evidence of this and the detail that has been presented by Mr. Forbes. Survivable strategic nuclear forces is an objective of China and has been for more than a decade, and we see that in their move to have mobile systems of extended range and perhaps to MIRV their ICBM forces. And third, the growth of asymmetric capabilities, particularly in cyber and space, to counter U.S. comparative advantages in other areas. All this suggests that China does not wish to cede military advantage to the United States in any escalating crisis.

This all leads to my greatest concern with China, and it is not a North Korean contingency. It is a Taiwan contingency. This may come about as the Chinese look to stir nationalism in the face of less than desired economic performance, or it could come about as a result of a bit of adventurism from the Taiwanese trying to get out from under a One China policy. But however it would happen, Chinese capabilities have been growing and they are designed specifically to prevent U.S. local domination at the conventional level and to deter us from escalation to the nuclear level.

The clear prescription for the United States is that it needs to address the conventional capability and counter asymmetric moves by the Chinese and to keep the nuclear threshold with China just as high as possible.

I would say about the Taiwanese contingency, should it arise, that we well understand how important Taiwan is to China. It is not at all clear and it has not been at various times that the Chinese understand our commitment to Taiwan. That creates certain dangers that we should not be innocent of, and it makes meetings, such as the one coming up, between the leader of the United States and the leader of China extremely important, and words in that meeting will matter a lot.

North Korea. The United States should look for ways to block the North Korean plan to mate nuclear weapons with intercontinental range ballistic missiles, both for the direct security of the United States of America and also for the credibility of our alliances that I mentioned before, particularly the extended deterrence which these countries depend upon. The vulnerability of the United States, particularly as we have been highlighting it, that is coming down the road as the North Koreans develop this capability is threatening to our allies and to the extended deterrence. Can they still rely on us when we are vulnerable to the North Koreans?

I would note that the enthusiasm some have shown to deal with this through left of launch and other rather exciting military options, whether or not we could actually pull them off, should really be considered very carefully. We have lived with vulnerability to ICBMs for 60 years or more, first Soviet ICBMs, then Chinese ICBMs, and then Russian ICBMs. At one point, Russia had 30,000 nuclear weapons aimed at us. Right now, we think North Korea has about 12. So if we are going to decide we can deter the Soviet Union and China for decades, but we cannot manage North Korea because Kim Jong Un may be non-rational, non-deterrable, we should really examine that carefully if we propose to go to war as an alternative to depend upon deterrence. It may be the wise thing to do. I think everybody would love to have defense at this point.

I think that would make a great deal of sense, but we do not have defense. We do not have a non-leaky defense.

That leads to the question of what are we most worried about here and we are worried about two types of developments. One is an escalation from an incident either at sea, the shelling of an island, the sinking of a ship, something that causes a confrontation. Under the current circumstances, we do not know how the North Koreans think about their nuclear weapons. We do not know what they think they are good for. They may think they are good for deterring the South Koreans and the Americans from responding in that case. They would be wrong, tragically wrong, but the outcome would not be good.

The second thing we need to worry about I think—and maybe it is even more important—is transfer. 10 years ago, the North Koreans transferred a plutonium production reactor to Syria. It was crushed by the Israelis. If it had not been crushed, that reactor could be providing plutonium not only to Syrians, but to others who have traipsed through Syria. And these are pretty unsavory folks. And that is an image that goes to nuclear terrorism that we do not like to contemplate. So we need to somehow impress upon the North Koreans that is not a move we want to see again.

The prescription. Three boxes typically and for a long time: containment, military action, engagement.

Containment includes all kinds of things that are good ideas. It includes sanctions, tougher sanctions, pressure on the Chinese. It includes all this. Very smart, indeed. It includes military exercises. It includes cyber activity. All this is containment. The problem is we do not have any reason to believe really with any confidence it will bring down the regime, block the weapons program, or force them to the negotiating table in a positive frame of mind. So what we can be sure of is while they are containing them, they will continue to grow. This is not like fine wine. With the passage of time, it does not get better.

Military force. I do not need to say much about that except to say it cannot be cheap, and would it mean a whole war? We cannot tell, but it cannot be cheap. And we do not want to—I do not think—move to that unless we really do not have another alternative to deal with the threat.

Engagement. There is an awful lot of talk about how engagement always fails or always has failed. I believe that is too simple a characterization. The deal that some of us were involved in 23 years ago or so is one that held for about a decade and froze their plutonium production capability. That was good as an outcome. Did they cheat? Absolutely they cheated in the area that we were not watching them in and that was in the plutonium area. But we certainly caught them at cheating.

Do they understand they cheated? I am fairly certain from track 2 conversations the answer is no. They believe we failed to perform. What they have told us in many settings is that that deal was supposed to create a new relationship, normal relations between Pyongyang and Washington. It did not. We did not anticipate normal relations. That regime was not a regime which we are going to have a normal relationship with.



So the question is, what do we do? Do we go into negotiations? And what is it that would lead us to successful outcomes? I only have two points to make here.

One is we had better insist that the outcome of the negotiations continues to be for us a non-nuclear weapons state. We cannot legitimize North Korean nuclear weapons by having an objective, the current program. A freeze could be a good interim step, but it cannot be the end game.

The second thing is I cannot imagine us addressing the North Korean concern why it has nuclear weapons to deter regime change by the United States of America. I cannot imagine addressing that concern without a normal relationship between North Korea and the United States, and I cannot imagine a normal relationship unless they improve their human rights record in a dramatic way. This will not be easy, but that is the only way I can see it.

Finally, if I can say a couple words on the nuclear terrorism issue. The nuclear terrorism issue is one of, most analysts say, high consequence, low probability as an event in international security and our national security. High consequence we do not need to focus on. We all know why that would be true. Low probability? The short answer to why this has not happened over decades—and I have always worried about it—is because it is hard to do, and it is not hard to do anymore because it is hard to design a weapon, it is hard to build a weapon, or it is hard to deliver a weapon. It is hard to get the fissile material to drive the weapon. If that should change, that would be the game changer, and that is why I have included it in the hearing today.

For me, the current plan in Northeast Asia, three countries can produce a game changer in nuclear terrorism. First, the Japanese have what you might call a plutonium overhang—that is to say, a stockpile of plutonium they own—of 44 tons. That is enough easily for untalented designers to make over 7,000 nuclear weapons, probably more than we have. As striking as that is—and you may wonder what they plan to do with 44 tons. Well, they plan to make more separated plutonium by running a new reprocessing plant at Rokkasho. That is not a good idea, and we need to engage the Japanese over what they plan to do with this plutonium. After Fukushima, they do not have a huge operating reactor program. They do not have a breeder program. They have very little thermal recycle. But whatever thermal recycle they do will involve the movement of plutonium around Japan. That is material that can be used to drive nuclear weapons if it disappears. All this material in transit cannot be a good idea.

Interestingly, China has contracted with France to build a plant of the same size the Japanese are intending to open. The Chinese would be doing what the Japanese would be doing, which is moving plutonium around their cities and around the country. More material from which nuclear weapons can be made would be moving around China, would be moving around Japan.

And the last piece is South Korea, which has a serious nuclear energy program, would like to do the same thing with plutonium largely, I would submit, because their neighbors are doing it.

This is a time in which we have with the Japanese an agreement for cooperation, which expires next year. We have an opportunity

to talk to them about this, not to terminate the agreement, but to talk to them about how they plan to use this plutonium and use it up. This is an opportunity here also to propose to Seoul, to Beijing, and to Tokyo that they consider—consider at least—a moratorium on reprocessing and plutonium separation that would save us from moving into a situation in which terrorism becomes not only a high consequence but also a high probability event rather than a low probability event.

Thank you very much.

[Ambassador Gallucci's prepared statement follows:]

PREPARED STATEMENT OF ROBERT L. GALLUCCI

I want to thank the Chairman of the subcommittee for this opportunity to share my views on some of the issues that impact U.S. national security in the Asia-Pacific region. I plan to limit my comments to the security dimensions of the U.S.-China relationship writ large, the threat posed by North Korea's nuclear weapons and ballistic missile programs, and the implications for nuclear terrorism of significant plutonium stocks accumulating in the civilian nuclear power programs of China, Japan and the Republic of Korea.

*U.S.-China Relations*

For the last two decades or so, successive U.S. administrations have sought to characterize the preferred relationship between China and the U.S. in a way that recognized China as a great power with legitimate political, economic and security interests in the Asia-Pacific region. We would expect competition in each of those spheres, but also cooperation to the benefit of both countries, while avoiding military confrontation. Successive administrations have placed the emphasis on different aspects of our relations with China, and used different catch phrases to capture the preferred image of the relationship, but all recognized an inevitable tension between the desired peaceful, constructive competition and cooperation they sought, and the potential for relations to deteriorate to armed conflict.

Just beneath this imagery lie the interests of nations and perceptions of leaders in both countries. The U.S. has always had a vital interest in preserving political and economic access to the countries of Asia, and thus it has opposed any attempt at hegemony in the region. It is this concern, that China will try to establish a sphere of influence which would exclude the U.S., that is the backdrop to American interpretations of contemporary moves by China in the Asia-Pacific. China's militarization of its claims in the South China sea, and in its contest with Japan over the islands both claim in the East China Sea, give substance to that concern.

From China's perspective, U.S. moves fit a narrative of attempted containment of China, one where the U.S. looks for opportunities to prevent China from protecting its legitimate interests, interests that are proximate to the Chinese mainland and a Pacific Ocean away from the continental U.S.. Evidence of the perceived U.S. security strategy is seen in our alliances with Japan, the ROK, Australia and the Philippines, our continued support for Taiwan's independence, and specific military programs which seem to be aimed at undercutting China's nuclear deterrent, particularly our ballistic missile defense and the imagined strategic implications of plans for a conventional prompt global strike capability.

The truth, of course, is that the U.S. does seek to limit Chinese influence, and we are not at all certain that China is the status quo power it claims to be. Both countries have reason to be wary. The alliance structure on which we and our allies depend for our security is based on extended deterrence, our ability to credibly defend our allies from aggression, to include the use of nuclear weapons, first if necessary. The Chinese, for their part, have evolved over decades from accepting America's ability to dominate in any critical confrontation by resort to the threat of a disarming first strike with nuclear weapons, to asserting their ability to deter the U.S. from nuclear intimidation by finally achieving a survivable retaliatory capability.

Since the U.S. has not acknowledged that China, like Russia, has an assured destruction capability vis a vis the U.S., there is then the possibility of a catastrophic miscalculation in a crisis involving the vital interests of both parties. That crisis is most likely to occur not over the Korean peninsula, but Taiwan. Taiwan's status is a core interest of China, and that it not be changed by China's use of force is critical to the credibility of American assurances to Taiwan—and to our alliance credibility everywhere. Scenarios leading to a confrontation over Taiwan can begin

in Beijing if, for example, the Chinese leadership felt the need to stoke nationalistic fervor to distract attention from poor economic performance, or in Taipei, if the leadership there saw an opportunity to get out from under the "one China" policy of Beijing and Washington. The message here is to be very careful in a Taiwan contingency, and for the U.S. to keep the nuclear threshold with China as high as possible by maintaining robust conventional force capabilities to counter Chinese military and naval modernization aimed specifically at overcoming a U.S. defense of Taiwan.

So the effort at a balanced policy with China should continue, one where we respect its global economic and political importance, and recognize its growing military capability, but avoid even the appearance of retreat in its face.

#### *North Korea*

North Korea's nuclear weapons and ballistic missile programs directly threaten our allies, the Republic of Korea and Japan, and in a few years we expect they will pose the same threat to the United States. Preventing the latter ought to be a policy objective of the U.S., both for the security of the American people and the credibility of the deterrent we extend to our allies. That said, we should also recognize that we have lived with the threat of nuclear armed ICBMs pointed at us from the Soviet Union, now Russia, and China for many decades without any effective ballistic missile defense (BMD), including years in which we were not entirely comfortable with the rationality of the leadership we hoped to deter with our own strategic nuclear forces. In short, relying on deterrence to deal with the North Korean threat is less desirable than an effective BMD, but plausibly more attractive than a major war to remove that threat in the absence of such BMD.

In terms of scenarios about which we should be concerned, a strike out of the blue from the North seems most unlikely, but the escalation of an incident between North and South at sea or near the DMZ seems quite plausible, particularly since we really have no idea what North Korea thinks nuclear weapons are good for. If they imagine that their ability to strike with nuclear weapons will deter the South and the U.S. from a conventional engagement following a provocation from the North, they would be mistaken, and tragically so. We need to remember that we and other states have lived with our own nuclear weapons for a long time, and at least some of them have come to appreciate the delicacy and nuance of deterrent calculations. We should not assume that the leadership in Pyongyang could be so described.

Among developments we need to be most concerned about in terms of probability of occurrence and magnitude of impact, is the transfer by North Korea of nuclear weapons materials or technology to another state or terrorist group. This occurred a decade ago when the North built a plutonium production reactor in Syria. Fissile material was denied to the Syrians, and others who might have gotten their hands on it, by an Israeli air strike that flattened the facility before the reactor went critical. But it is this type of activity, selling fissile material, the equipment or technology to produce it, nuclear weapons components or designs, or even the weapons themselves, that would create the nightmare scenario of nuclear terrorism we most fear. Taking an early opportunity to underline for Pyongyang that such transfers will be met with a swift retaliatory response would be a good idea.

Policy prescriptions generally fall into three options: containment, military force and negotiation. The dilemma has been that containment has been seen as too passive, allowing the threat to grow, military force too costly, particularly now that the North has nuclear weapons, and negotiation ineffective, as many judge the North to have cheated on past deals. But these options should not be regarded as mutually exclusive, and perhaps a strategy built from each of them has some chance of success.

Containment has been our default posture, involving sanctions, pressure on China to allow them to work, and even to apply the kind of additional pressure on Pyongyang that only China can. Military exercises and planning with our allies, the ROK and Japan, are an essential element of this posture in order to keep our alliances strong. Also included here are "non-kinetic" moves, such as cyber attacks, from which we should expect retaliation in kind. But so far, we have no reason to believe that this approach will either block the accumulation of fissile material and nuclear weapons, or the testing of nuclear weapons and extended range ballistic missiles, much less cause the regime to collapse.

Military force to prevent the emergence of a nuclear weapons capability was seriously contemplated and prepared for in 1994 during the Clinton administration and the negotiations that led to the Agreed Framework. It was not pursued because the North eventually accepted a halt to its plutonium program that lasted a decade. Now that the North has had five nuclear tests and manufactured perhaps a dozen weapons, along with ballistic missiles that could plausibly deliver them to South

Korea and Japan, the stakes are quite a bit higher. As the North moves to solid fueled, mobile missiles for its ICBM capability, the "left of launch" option becomes more challenging, and our ballistic missile defense capability regionally, and for the U.S. homeland, is leaky at best. While this should not discourage any genuine preemptive strike on the North, that is, to prevent an imminent launch against the U.S. or its allies, it should cause us to think hard before attempting regime change or even choosing a preventive strike aimed at delaying the emergence of an ICBM capability.

Negotiations are seen by many observers as a failed policy, unlikely to succeed with a regime that cannot be trusted. Interestingly, the North appears to feel the same way. In fact, there is no question that the North cheated on the 1994 deal by buying uranium enrichment equipment and technology from Pakistan, thus allowing it to produce one kind of fissile material as it stopped producing another. But there is also no question that the deal stopped a plutonium production program which, each year, we estimated would have been producing enough fissile material, by the year 2000, for forty nuclear weapons. As it turned out, because of the deal, by 2000, the North had no nuclear weapons. For its part, the North plausibly thought that the Agreed Framework would result in normal relations with the U.S., and thus remove the need to acquire nuclear weapons as a way to deter us from attempting regime change. It may as plausibly be argued that they hedged that bet with the uranium enrichment deal with Pakistan and concluded early in the Bush Administration that a hostile relationship with the U.S. still existed and so nuclear weapons were still required.

Of course, these propositions may not be accurate and the North may now, if not decades ago, have less benign reasons for wanting nuclear weapons. The question is whether or not it would be prudent to find out by engaging in negotiations. If we decide to explore that route, we should be careful to keep the object a nuclear weapons free North Korea. This would not mean shunning interim steps involving freezes of various types, but it would mean rejecting the North's position that it will never give up its nuclear weapons. Were we to accept that position and enter protracted negotiations, we would legitimize the North Korean nuclear weapons program and create domestic political pressure in the South and in Japan to follow suit.

We should also recognize that if there is a route to a non-nuclear North Korea via some sort of settlement, the deal will have to address the North's concern about a U.S. led effort to change the regime in Pyongyang. It will have to give the North what it believes it gets from nuclear weapons. The outcome would have to be the establishment of normal relations between the U.S. and the DPRK, to include a peace treaty to replace the armistice, but also establishment of diplomatic, political and economic ties. And this is only plausible if the North adopts human rights standards in its treatment of its own people that are acceptable to the international community. None of this will be easy.

How these three approaches can be integrated, or deciding if tougher sanctions need to proceed serious negotiations, or whether robust military exercises and maintaining the threat of military action are useful or destructive of engagement are tactical questions worthy of discussion. It is worth noting, though, that our unwillingness to move to the negotiating table on the heels of a North Korean nuclear or ballistic missile test reflects a concern that we not be perceived at home or abroad as rushing to talk after being threatened. And the leadership in the North may well take a similar position.

#### *Nuclear Terrorism*

It has been said that nuclear terrorism is a very high consequence, but very low probability event. The first part of the proposition is certainly true. The technology of seventy years ago produced an event that instantaneously killed thirty thousand people in one city, and many times more than that died in the following weeks. Nothing else that we know of, natural or man made, except perhaps a meteor strike, can do that: that much death in an instant.

The second part of the proposition is arguably true because, to begin with, we have not seen a nuclear weapon detonated by a terrorist over those seventy years. And the reason we have not is certainly not because there have not been, and are not now, terrorist organizations that have sought to acquire a nuclear weapon. We know that they have, and have reason to believe that they will continue to try. The obstacle to their success has been the difficulty of acquiring a nuclear weapon or the fissile material to make one—an improvised nuclear device (IND). This situation, what makes nuclear terrorism a low probability event, may be about to change because of decisions made in Northeast Asia about how to pursue electrical power production from nuclear energy.

Japan now owns forty-four tonnes of separated plutonium, of which about twenty percent (nine tonnes) is stored in Japan. The rest, eighty percent (35 tonnes), is stored in France and the United Kingdom, where it was separated from Japanese spent fuel. The plutonium stored in Europe is supposed to be shipped back to Japan by the end of the decade. All this plutonium—easily more than enough for seven thousand nuclear weapons—was separated from spent fuel produced in Japanese nuclear power reactors so that it might be used in Japan's fast breeder reactor development program or recycled for use in some of Japan's current generation of thermal nuclear reactors. But Japan has abandoned its operation and development of fast breeder reactors and, post-Fukushima, it will likely only operate a few reactors with a mix of plutonium and uranium in their fuel. There is, then, no clear plan about what to do with thousands of nuclear weapons worth of plutonium that will be stockpiled in Japan.

If this were not bad enough, Japan is currently planning to start up a new reprocessing plant at Rokkasho that will produce even more separated plutonium. Since there is already a plutonium "overhang," the Japanese are considering running the new plant at 20% capacity, which would still produce one and one-half tonnes of plutonium each year, enough for at least an additional two hundred and fifty nuclear weapons.

There are at least two concerns here. First, Japan's neighbors, China and South Korea, worry that Japan is accumulating all this plutonium as part of a hedging strategy, aimed at greatly shortening the time it would take to build a credible nuclear weapons arsenal should the decision be made in Tokyo to abandon the country's non-nuclear weapons status and leave the NPT.

Whatever may be thought of that, it is the second concern that relates to nuclear terrorism. To the extent that Japan seeks to fuel its nuclear power reactors with a mixture of plutonium and uranium—as opposed to simply using low enriched uranium—it will be planning on the regular circulation of nuclear weapons material in civilian facilities, with civilian security, for an indefinite period. Depending on how many reactors it eventually so fuels, plutonium will become vulnerable to theft in multiple locations and in transit around the countryside. This cannot be a good idea.

The U.S. could choose to try and influence Japanese thinking since the U.S.-Japan agreement for nuclear cooperation is up for renewal next year. If neither country objects, it will automatically renew. But against the backdrop of renewal of the agreement, the U.S. could engage Tokyo in discussion about the wisdom of a new reprocessing facility opening in the next few years, and generally about recycle as compared to other methods of dealing with its growing plutonium stockpile.

At the same time the civil plutonium issue is playing out in Japan, China has negotiated with France for the purchase of a reprocessing plant to handle spent fuel from its civilian nuclear energy sector. The plant would be the same size as Rokkasho, separating enough plutonium each year to make more than a thousand nuclear weapons. Again, if all went according to plan, some portion of that plutonium would be mixed with uranium and be moving about China to fuel China's growing nuclear power program. This would be another challenge to physical security; another opportunity for the nuclear terrorist.

Finally, there is the Republic Korea, which has a substantial nuclear power program and the desire to do what its neighbors plan to do, separate plutonium from spent commercial nuclear fuel. However, since the ROK's agreement for nuclear cooperation with the U.S. requires U.S. approval before reprocessing, the decision to do so has been put off a bit as both sides consider the "proliferation resistance" of the technology that the South proposes to use in reprocessing. But if the outcome is yet another reprocessing plant in Northeast Asia separating plutonium from spent fuel, it is difficult not to see this facility as presenting yet another opportunity for the acquisition of fissile material by terrorist groups seeking to manufacture one or more nuclear weapons.

Interestingly, when the U.S. Blue Ribbon Commission Report of 2012 considered the economics of reprocessing, it found no good argument for separating plutonium from spent fuel. Not even waste management concerns would justify reprocessing, especially if dry, cement storage were adopted until a politically acceptable long term storage site could be found. This all suggests that perhaps if the three countries involved here, Japan, China and South Korea, all of whom are watching the decisions taken in the other capitols, were to agree on a moratorium on reprocessing of spent fuel for civilian purposes, it would make the region and the world a safer place.

The CHAIRMAN. Thank you, Ambassador, and thanks again to both of you for your testimony.

Ambassador Gallucci, I have to give you a little bit of a hard time. We have a typed copy of your presentation. I think you have a handwritten copy of your presentation. Is that correct? Good job. All I am saying is I could not even read my handwriting that I am writing now, let alone get through—

Ambassador GALLUCCI. I have suffered for decades with boards and others telling me that I am supposed to type out my remarks. But I have a fountain pen here, Mr. Chairman. [Laughter.]

Ambassador GALLUCCI. And that is what I write my notes with.

The CHAIRMAN. Very good. Well, again, thank you for your testimony.

And I will start with this. Congressman Forbes, in your testimony you talked about the spectrum of reactionary and to the strategy. And in your testimony, you say I believe the most important thing this subcommittee and this Congress can do is to build a new culture of strategic thinking. You go on to say, so too is the time when our strategy can be dictated—gone is the time when our strategy can be dictated by our budget.

And so part of the effort that I want to put behind this initiative, this ARIA initiative, is to make sure that working with the administration, we are laying out a clear strategy that transcends any timeline of a two-term presidency but goes to the long-term strategic thinking of this country that can be filled out with the policies and the tactics that then follow. So I appreciate your comment and testimony on that.

One of the things that we need include, of course, in the Asia Reassurance Initiative is a conversation about how to address and deal with North Korea. Two weeks ago, Secretary Tillerson said the following in Seoul: “The U.S. commitment to our allies is unwavering. In the face of North Korea’s grave and escalating global threat, it is important for me to consult with our friends and chart a path that secures the peace. Let me be very clear. The policy of strategic patience has ended. We are exploring a new range of diplomatic, security, and economic measures. All options are on the table. North Korea must understand that the only path to a secure, economically prosperous future is to abandon its development of nuclear weapons, ballistic missiles, and other weapons of mass destruction.”

You are in the Oval Office. Secretary Tillerson is there with the President. What do you tell the Trump administration that they should be pursuing? What should their policy be toward North Korea and how will it differ than that of strategic patience?

Mr. FORBES. Well, I would tell them a number of things, and I would begin with exactly what you said on a comprehensive strategic plan. That comprehensive strategic plan does not exist right now. I do not think we have a culture of even strategic thinking right now, and I do not think we have had it for years. So it is not just the Trump administration versus the Obama administration.

I think it is absolutely crucial that we get out of this mode that I think we have kind of slipped into as a Nation where we are reacting to situations and things as opposed to getting that comprehensive strategy. And it is not just from the Pentagon. I think we need a cross-agency review to make sure that we have a comprehensive strategy on our agencies.

And so what I would tell anyone with the administration is, let us develop that. Let us put a priority on that. And I would suggest to each of you that when someone comes over from the Pentagon or from an agency and they tell you this is our guy for a strategy, they have got a problem because it needs to be a culture that we create and not just individual designations. And then you also need behind that the assumptions that go into that strategy.

Now, let me move forward to say what should that strategy look like. I think one of the things that Bob said that I absolutely agree with is that words matter. And I think our rhetoric needs to be just as strategic as our military operations. And we need to walk in with goals that we want to accomplish with our rhetoric and what we say, and we need to realize who we are talking to. Even when we are talking to an actor like North Korea who, as Bob mentioned, most of us think is irrational, his words matter, and we have to listen to those words. Even if we do not believe the words, we have to see what the words are representing to us. So the first thing that I would say is we do not want to create a crisis situation by narrowing down timelines. And so I think we have to be very careful on our rhetoric.

The second thing is I think we have to realize that when we are trying to communicate resolve to the North Koreans, it is not just what we do to the North Koreans, but it is what we do to the Chinese and everyone else in that region. And one of the things that I was very concerned about is when we had, first, the pivot to the Asia-Pacific area, and then the rebalance to the Asia-Pacific area, it was never resourced. So when I talk to our allies or our competitors in that region, they all saw different things in that. And I think it is very important for us to communicate to North Korea the resolve that we have.

I think the other thing I would tell the Secretary is that he needs to go in and we need to continue talks. Regardless of whether North Korea said they do not want talks, it is to their benefit to have those talks. I think we need to continue to explore them. And when we go in, I think it is important that we have a mixture not just of sticks but also of incentives as well because I think you have to realize that when we go in, we need to do that.

And the final thing I would say is I think we need to continue with the sanctions and to recognize these two things about sanctions. Sanctions are not always easily measurable because sometimes you can only measure sanctions over a longer period of time, and sometimes they have effects that were not our desired effects but were still beneficial effects.

But the other great thing about sanctions, if we are going to succeed in North Korea, we have got to have and create partnerships in that area to help us with that. Sanctions sometimes are a very low-cost admission into that partnership world where we may not get some of our allies, some of our partners to say we want to walk in on a military basis, but they will say we will walk in and support sanctions to get there.

The CHAIRMAN. Ambassador Gallucci, I am out of time. Did you want to add anything to that, or do you want to come back and address that?

Ambassador GALLUCCI. There is one point I would like to make and it is a question of tactics right now. It is I think much in discussion in this town. And that is if we think negotiations may eventually be where we want to end up as opposed to military confrontation, is it wise, prudent for us to get there by first launching a new round of tougher sanctions because there are things and sanctions we can do that we have not done. These sanctions that we have in place are nontrivial, but they are not as tough, for example, as some of what we did in the case of Iran. And there are things we can imagine, particularly financial sanctions, that would put more pressure on Pyongyang.

The question I would like to put before the committee is, is it wise to say let us do that first? Let us have a period of tougher sanctions, more pressure, and then go to negotiations. I think that is a dominant view. What I would like to suggest is that if that were us on the other end, we, for example, do not really particularly want to go to the negotiating table on the heels of a nuclear test or on the heels of a long-range ballistic missile test because it appears both domestically and internationally as though we are being pressured to the table. And that is not the way a negotiator likes to go to a table. Not surprisingly, the North Koreans have a similar view, and they would like for us not to introduce our effort at engagement by first starting with sanctions.

So as we consider whether we want to have a tougher round of sanctions, recognize that if we decide we do, there is going to probably have to be a period in which nothing happens except their programs continue to build. We have to recognize that when nothing happens, something happens. That is all.

The CHAIRMAN. Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman.

Ambassador Gallucci, over the past several years, I have been concerned about the risk of inadvertent nuclear war on the Korean Peninsula. Statements about plans to target North Korea's leaders and its nuclear arsenal heighten that risk. For example, last September, the South Korean Defense Minister revealed South Korea's plan to, quote, use precision missile capabilities to target the enemy's facilities in major areas, as well as eliminating the enemy's leadership.

South Korea has a legitimate desire to defend itself against the prospect of an unprovoked North Korean nuclear strike. Nevertheless, plans for preemptive force create pressure on all actors to go first in a crisis. As your colleague, Victor Cha recently said, everyone is put in a use it or lose it" situation.

How would you recommend, Mr. Ambassador, the United States and South Korea balance the need for robust deterrence with the need to reduce the risk of miscalculation and inadvertent nuclear war?

Ambassador GALLUCCI. Thank you.

I think it would be wise to begin by making a distinction, although it sounds a tad academic, between a preventive strike and a preemptive strike because it is really not so academic.

I think that if the DNI were to walk into the Oval Office and tell the President that there is a missile on the pad and it has got a nuclear warhead and it has either got Tokyo or Seoul or Wash-



ington or New York, everybody would expect the United States of America to do what it could to strike that missile before it was launched. And international law and ethics would endorse the move because preemption is legitimate, prudent, wise, just, et cetera.

But that is typically not what we are talking about and probably not what the South Koreans were talking about. They were talking about an emerging or evolving capability which we would rather not see in an enemy and we would rather strike before that capability is actually achieved. That is a preventive strike.

The distinction, if people are uncomfortable with this, was quite important at the time of the second Gulf War when that was not preemption. That was a preventive strike. And law and ethics were not on our side. Neither, by the way, was politics or prudence in my view.

Similarly now, I would be very careful about the idea that simply grabbing onto the words “that is not going to happen” and strangling that baby in the crib before it becomes capable of threatening us with real capability is not something that we should leap to do. It will not be free. You cannot expect there will not be a response from the North and that that response will not ultimately involve a second Korean War.

So the first point I want to make about this is that that enthusiasm to block the threat one has to focus on. And that is one of the reasons why I think we ought to be clear about what our true defense—defense as in defense by denial—capability is. And it is quite limited. Even though it is a layered defense in the region, it is leaky. If you talk about continental ballistic missile defense, it is even more leaky. And we have to understand that is not something we can rely on, I do not think, at this point. Maybe some day in the future, we can. That is driving us back to ask, well, do we want to launch a preventive strike?

Senator MARKEY. So a preventive strike strategy in your opinion leads more likely to miscalculation and accidental nuclear war.

Ambassador GALLUCCI. You are putting pretty good words in my mouth I would say, which is to say that I believe that—

Senator MARKEY. I know what I did. All I did was just ask my question.

Ambassador GALLUCCI. I understand. [Laughter.]

Ambassador GALLUCCI. I understand.

But what I think is possible is that notwithstanding the fact that we do not know what North Koreans think nuclear weapons are good for, one of the things they probably are good for is a way of deterring an attempt at regime change. And whatever we decided to do or the South decided to do, if there was ambiguity over that point, then an accident certainly could happen.

Senator MARKEY. And again, just so I can get back to this kind of theological question, do you believe the United States should continue to demand that North Korea agree to denuclearize before we talk, or do you think we should launch exploratory talks while continuing to bolster deterrence and strengthen the existing sanctions?

Ambassador GALLUCCI. I have a colleague who put it this way, that we should have no conditions on talking about talks. So we

should agree to meet without conditions. At that point, before getting into protracted negotiations, I think we need to be clear that if those negotiations succeed, for us that would have to mean that North Korea would give up its nuclear weapons and nuclear weapons program. It does not mean that they have to agree to that in the beginning. That is the outcome of the negotiation. But we cannot, in my view, wisely enter a negotiation in which we will regard it as successful if we ended up with a nuclear weapons state in North Korea. I think that would not be good for the alliance with Japan or the alliance with the Republic of Korea, nor would it be good for the United States of America.

Senator MARKEY. And how do we convince Kim that denuclearization is not the same as regime change?

Ambassador GALLUCCI. In my experience, which is—

Senator MARKEY. Saddam, Qaddafi, no nukes.

Ambassador GALLUCCI. I understand.

Senator MARKEY. You die. So how do you deal with that dynamic?

Ambassador GALLUCCI. In fact, because there is this history, that history has been thrown at us in track 2 and track 1 and a half meetings at least, which is to say look what you did in Libya, look what you did in Iraq. How can we be sure you will not do that to us? So quite on point. I get that.

The answer is that the only way you could be sure—you, North Koreans could be sure—is if we succeeded in normalizing relations. In other words, that outcome, which is not structurally prohibited here—there is no reason why we could not. There is an obstacle to it and it is the character of the regime. So if you want to characterize the change that has to take place to allow normal relations to exist between our two countries as regime change, yes, you have defined it that way.

But I would submit that this does not mean that North Korea has to become a Jeffersonian democracy. We have relations with countries whose values on these issues are quite different than our own. It is just that North Korea is so far from even minimally meeting international standards on human rights that it seems to me implausible that we would have a normal relationship—

Senator MARKEY. Again, my time is expiring.

So would you say that if they, as part of those talks, agreed to denuclearization, that we could also agree simultaneously at that early stage of the negotiations that regime change would not be a part of our agenda?

Ambassador GALLUCCI. Yes. A change in the regime but not regime change. In other words, we need the regime to change the way it treats its own people, but not a regime change.

Senator MARKEY. But Kim could stay.

Ambassador GALLUCCI. To me, that is not the problem.

Senator MARKEY. That is not a problem. Interesting.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Portman?

Senator PORTMAN. Thank you, Mr. Chairman.

And, Professor, thank you for your insights. And, Randy, good to see you.

These are tumultuous times all over the world. Are they not? And Asia is no exception.

I want to focus a little on the South China Sea and what is going on there. There was a map provided. You may have been responsible for this, but it was part of our prep. And it shows where China claims territorial waters, which really comes right up to the borders, of course, of many of our allies, including the Philippines and Malaysia, right up next to Indonesia, Vietnam, of course. We have heard a lot about China creating a military base out of a coral reef in disputed waters. I saw in your testimony you both addressed this a little bit, but I would like to drill down a little bit more.

First, what concerns you the most about what they are doing in the South China Sea and the East China Sea for that matter? What is the greatest threat to our national security interests? Maybe, Congressman Forbes, you could start.

Mr. FORBES. The thing that concerns me the most, Senator, is the new boldness and aggression that we are hearing not just from their leadership but the second tier of leaders that are coming back. I think we have left a vacuum there over the last several years. And that is why in my recommendations I said one of the things that we have to do minimally about those territories, first of all, we have to reach a legal conclusion which we have not reached as a country yet as to the status of those features.

But the second thing is we have got to routinize the FONOPS operations that we are doing. One of the wonderful things about what we all do is we get to work with some wonderful people on both sides of the aisle. And most of the people that I work with, whether Democrat, Republican, or Independent, agree that we make huge mistakes when we have allowed that vacuum to go because then when we actually do take action, all of a sudden you risk a much greater conflict than you would have had before.

The second thing that I would say is that we have got to increase not just our presence but the readiness especially of our Navy. Almost anyone who looks at this believes that the next decade or two decades, it is going to be the Navy. Let me just give you one picture, Senator, that I think says it.

In 2007, we could meet 90 percent of the validated requirements of our combatant commanders. Last year, we met less than 42 percent. That is a big concern and a big problem when we see China building up the way they have been and us not keeping up the pace with what we need to do with the Navy because if we have that vacuum, they look at the same reports we do. They can be very concerned when we have got surge problems, when we have carrier gap problems that are out there. I think we have to turn that around and turn it around quickly.

Last thing. We have got to make sure it is not just number of ships but it is the readiness of those ships in terms of munitions and those kinds of things that I think we need to do in very, very short order and very quickly.

Senator PORTMAN. So let me just try to summarize quickly. One, we need a strategy, and that strategy has to include what our goals are for the region. And as you said, even definitionally, what does this mean? Is what they are doing a violation of international laws

or not? And I assume you would also add to that working with our allies in the region who have considerable interest in this and are very concerned about the direction.

And then second is we have to have the capability to respond, which that capability has been eroded, and PACOM would I think agree with you on your sense that we just do not have the readiness even if we have some of the ships. And they are not adequately represented in the region.

Maybe, Professor, you could talk a little about what—I mean, why does this matter? What are our interests in the South China Sea?

Ambassador GALLUCCI. Congressman, it appears to me that I could separate the response into two pieces. One is what are the intrinsic military and naval implications of what the Chinese did and how does that affect our operations in the region. And the second is the political significance.

On the first, it occurs to me that I should note that I spent 3 years on the faculty of the National War College learning that I should never do what I just said and that I should recognize the limits of my own experience. So I actually do not want to speak to that, but I believe there is a statement that could be made, not by me, about how this might complicate operations, the militarization of those pieces of territory. I do not want to call them islands.

Politically, though, I feel much more comfortable saying that the image of the Chinese doing this and behaving in other ways that suggests they are unconcerned about judgments about their consistency with international law, they are prepared to press the Japanese on islands, which everyone seems to regard are properly administered at least by Japan if not owned by Japan. The willingness to challenge the United States' commitment and the mutual security treaty to extend to those islands—that all this paints a picture of a China that is moving out in the region and presenting an image of threat to not only our allies, but I would say also our friends in Southeast Asia. So this is in my view ominous and deserves to be met by the United States.

I was kind of general in my comments because I am really uncertain about how far to push this except politically I feel confident that the image we wish to project is as a country continually maintaining a commitment to the region and to our presence in the region, and that we are not going to be pushed off by hegemonic moves by China, to put it bluntly.

Senator PORTMAN. And to the consequences, keeping those sea lanes open obviously has a major impact on international commerce and the possibility that China could control those sea lanes obviously is a commercial, as well as a national security threat. Would you not say?

Ambassador GALLUCCI. Sure.

Senator PORTMAN. And so we have a longstanding interest in this not just in the South China Sea but the Straits of Hormuz. Wherever we are in a position, we have been able to help all countries to be able to engage in international commerce.

I guess the final question I would have—and my time is expiring here. Thank you, guys, for indulging me. Is it too late with regard to the South China Sea? We talked about North Korea earlier. Is

it too late for us to take action and to address these concerns that both of you raised and deal with the threats that the allies in the region feel?

Mr. FORBES. Senator, I absolutely do not think it is too late. If we had more time, I could tell you that in 1970, 1972, 1973, 1974, we would have felt the same way about the United States military, and then we look at what happened to them by 1990 and 1991 when we went into Kuwait and we had turned it all around. And this Congress did that with three major things. We put stealth airplanes in, guided munitions, and jointness, and that gave us air dominance which was a huge turnaround. We can do it now.

But the reason that I emphasized the strategic thing—everybody talks about strategy. It is something we all agree we need to do. But why it is so important is if you look at what we had just a few years ago, we had the 2012 defense guidelines. That is what we were resourcing things from. And if you remember, there was a push to take up the landmines along the DMZ. Can you imagine any of us sitting in this room today and saying, oh, my gosh, I wish those landmines had been taken up on DMZ. We would have thought that was ludicrous.

The same thing when you did not have that strategy and we looked there. We were going to take our cruisers out. If we took our cruisers out, it was because the 2012 guidelines were based on the fact that they did not think China would do what it has done now. But, Senator, here is what would have happened. We do not just need those cruisers. We need twice as many because we will be in a 360 degree fight. This is what Americans do.

If we will sit down and create those strategies, I still think we can begin to turn this around. And our allies are looking to us to develop that strategy and show that resolve so they can embrace us and come around too. But I think we can certainly do it.

Senator PORTMAN. Professor, you had a comment? I am over time.

Ambassador GALLUCCI. It sounds to me, on the face of it, wrong to think that there is nothing we can do in the face of the Chinese move and to simply accept it as a *fait accompli*. Again, I have to say I am not really competent to go into the detail of what exactly we need to do. But I think certainly at the political level there are things we can do to reassert our presence in the region. Mr. Forbes has put forth in his remarks the importance of freedom of navigation exercises, and that is absolutely critical and we need more, not less of that.

Senator PORTMAN. Thank you.

The CHAIRMAN. Thank you, and we will go ahead, if you do not mind, and continue this conversation and questioning.

And to Senator Portman's point, thanks to CSIS and a great Colorado-headquartered company, DigitalGlobe, we have some incredible, incredible visuals of what is happening in the South China Sea. I mean, this picture here—I know you cannot see it here, but it shows construction of hangars at Firey Cross Reef, enough to accommodate 24 combat aircraft, three larger planes, such as ISR, transport, refueling or bomber aircraft. There is a series of radomes here and a large collection of installed radomes north of the airstrip representing a significant radar sensor array. That is hap-

pening now. It is not being built. It is built. It is up. So I think that is exactly what we face in the South China Sea.

And I am concerned as well about the issue of freedom of navigation operations and would like to see and encourage the administration to continue to—as they continue their development of an Asia policy, to work on the routinized freedom of navigation operations and other efforts within the South China Sea to continue to reiterate our point that China has violated international law and is in violation of international law with its activities on reclamation of the South China Sea islands—or excuse me—of the South China Sea reefs.

I want to shift again back to the Asia Reassurance Initiative. With Secretary Mattis and Secretary Tillerson visiting Asia over the last several weeks, visiting Japan, Korea, China, and our conversations about making sure that the new administration is developing a robust Asia policy, talk a little bit about, if you would, the—you mentioned it in your opening statement, Congressman, that the rebalance policy—we supported it. We were excited about the rebalance or pivot, however you want to call it, whatever it changed to, that we believed it was the right thing for a very consequential region. And talk about where that fell short—we have talked about resource issues. We have talked about the budgetary concerns—and how the Trump administration can do better. And also talk about assessments of the first months of what we have seen with the administration, where we need to go from here.

Mr. FORBES. Well, Mr. Chairman, I think one of the things that was important is the Obama administration needs to be applauded for at least recognizing the importance of this region. They did when they first came out and called this a pivot. But then they became confused with themselves and were kind of pushed back to change it to rebalance.

I had more leaders from around the world who are allies that came in to me and said, what in the world does this mean? What is your strategy? And oftentimes what you have is world actors, whether they are our competitors or our allies, will look to how we resource something to kind of draw out a road map of what that actually means. Well, if they looked at how we resourced it, we did not do a very good job. And much of what we do is not just the rhetoric of a policy, but then how we implement that policy with the resourcing.

And let me just give you kind of the picture of what our allies saw and what China saw. They saw us saying, okay, we are going to turn and move into the Asia-Pacific area, but then they saw this, having a budget that was proposing to take and delay a carrier, actually cut out our cruisers, reduced our naval capacity significantly, reduced our Army, reduced our Air Force. And so all of a sudden, you have them beginning to say we do not really know whether you are committed to this region or not.

And I had an interesting thing from one of our allies who came to me, the head of that country, and he said this. You know, we used to think you guys knew how to make the trains run on time. We are not sure you do anymore. And therefore, what is happening to a lot of the countries around me is they are looking to make deals with China and other places.

So I think the thing that I would emphasize to this new administration is this. You need to come out with a strategy that you can articulate. Mr. Chairman, this concept that somehow we cannot talk about strategy because it is like a secret football play that we are going to pull out—that is just bogus. That is an excuse for not having one. Strategies are important. They need to articulate it to you so you know how to fund it. But we need to be able to tell it to our allies so they know how to come around us and embrace it. And then the third thing, our competitors need to know where are the lines and whether we step across those lines.

So I would say to them, develop that strategy. And one of the big parts of that strategy that you are going to communicate is your presence and how you resource it. And I would say one of the top things that they can do is begin to say to the military, we are going to rebuild the presence that we have in the Asia-Pacific area.

The CHAIRMAN. Ambassador, do you care to comment?

Ambassador GALLUCCI. The only thing I would say—and it goes to some of the general propositions that Congressman Forbes has in his written statement about our need to improve analytically our military naval capabilities and air capabilities. I would also like that to be sensitive to if not driven by scenarios.

There is a reason why I picked out the Taiwan case because I think that is particularly worrying going to a core issue for the Chinese and one in which I do not think—I certainly hope we would not walk away from. So that involves, if you look at that scenario, some very special needs in terms of capabilities. The Chinese have played to that game, and I know we are aware of that in our military thinking and naval thinking, but I would like expansion and modernization to be sensitive particularly to that scenario.

The CHAIRMAN. Thank you.

And so with the upcoming summit that President Xi and President Trump are going to be hosting, meeting, I guess, next week, what will this summit cover? What should the agenda be? What do you believe will be discussed? And you are at the United States Senate Foreign Relations Committee. What would you ask us to tell the administration as it relates to this summit?

Mr. FORBES. Well, one of the things that I would point out that we have not really talked about here—I would never take off the table intellectual property rights. It is still an important thing. We need to keep it on the table.

I think you need to continue to talk about human rights issues, even though they may not be at the top of the agenda, that you cannot stop talking about those issues. And I think they are very important to say.

And I think the overall thing is not just the words that are spoken, but I think you need to communicate two things with the Chinese. First of all, respect. You do not want to be obnoxious to them. But I think they do appreciate strength. And so I think we need to communicate our resolve, and I think nothing says resolve like saying that we are going to increase our presence in the Asia-Pacific area. And I think that should be communicated to them. And I think we should talk about this reclamation of property and, most importantly, the militarization of what they have reclaimed and say it is wrong and you need to stop those actions.

The CHAIRMAN. Ambassador?

Ambassador GALLUCCI. I think the chapeau is really the respect for China as a great power, the chapeau of the cliches that have driven the remarks of Americans about China for quite a long time now to be repeated with feeling about China's presence, about China's interests, and the legitimacy of that about China's role in the world, even beyond the region, but to have no ambiguity about America's position. We are not in retreat. We have important alliances. Those alliances are for us guaranteeing the security not only of the ally with whom we extend our deterrent and commit ourselves, but they are important to our own security. And we are not retreating from any of those, and we are going to maintain the capabilities to make good on the commitments contained in those alliances. That is more important than anything.

Second, I would look for an opportunity—it has to be done carefully—to restate the American commitment to the idea that Taiwan's status, independent status, not be changed by the use of force or the threat of the use of force, that we are not moving away from a One China policy, but we are not moving away from our commitment to Taiwan either.

Third, I think the North Korea case should be on the agenda. I do not think we lead with that, but I think it should be on the agenda and that we really do expect more from the Chinese. It is easy to say that we would like them to abide by the sanctions resolutions that emerge from the U.N. Security Council, but more than that, everybody knows that North Korea has one patron and it is Beijing. And Beijing needs to take care of its client.

I do not know whether this needs to be brought up by us, but if it is brought up by the Chinese, we should make no apologies about THAAD deployment in South Korea. I mean, the outrageous—and it is outrageous—proposition that we would provide defense for an ally, a treaty ally, who suffers ballistic missiles being shot in its direction by a client of China and then China complains to us about providing that defense is almost too much to bear.

I would not spend a whole lot of time, as some have advocated—I do not see the wisdom of this—trying to persuade the Chinese about the limited intentions we have for the radars. That was like trying to persuade the Russians not to worry about our deployments in the Atlantic. It falls on deaf ears and it does not sound very good going down. So I would not worry too much about that, but I would certainly be assertive about what we will do and put it in the context of supporting our alliance.

The CHAIRMAN. Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman.

So let me follow up on that. The Defense Authorization Act that Congress passed last year contains a provision that expands the scope of the U.S. national missile defense. Previously missile defenses were meant to remain limited such that they would not threaten or undermine Russia's or China's strategic deterrence. But the new law sends a signal that the United States could seek to build a national missile defense system that could blunt China's retaliatory capacity.



What consequences, Mr. Gallucci, could a policy aimed at undermining China's strategic nuclear deterrent have on U.S.-China relations and on strategic stability in the Asia-Pacific?

Ambassador GALLUCCI. Congressman Markey, this is—

Senator MARKEY. For the last 3 years, I know keep calling myself “Congressman Markey” as well. [Laughter.]

Ambassador GALLUCCI. This is really well-trod ground, again the idea of presenting China with a threat that they will lose a deterrent that they have worked very hard to build to persuade the United States that we cannot threaten to go up an escalatory ladder in a way they cannot because we have what is in the trade called a first strike capability able to disarm them to the degree that they could not respond and cause us sufficient damage to hurt us and discourage the act in the first place, have real deterrence.

And the idea that one would want to do this, however—and we have wanted to since the 1960s, as I am sure you know—is natural because we know that deterrence is a psychological phenomenon and we would prefer mettle to psychological phenomenon. And so defense has mettle, and it means denial and it means we can actually shoot down, if you have an effective defense that does not leak nuclear weapons, then that would be desirable. I understand that.

But the reason arms controllers have for a long time not come out in favor of defenses is because it obviously leads to an arms race, as the Chinese will continue to try and maintain if they, indeed, have it now or gain it if they do not, the ability to threaten the United States even after they have been attacked. And we do not make them feel better by telling them, oh, this is only a defense aimed at new powers like North Korea because once they have been struck by the United States, the scenario that they have would make them a really weak power at the strategic nuclear level. And it would look as though our defense was geared precisely to what they are worried about. They would try to overcome this, and that is then again in the trade called an offense/defense arms race.

And the question to ask before one goes into that is how much does an increment of offense cost to overcome an increment of defense, and is that a race you want to get into. Or would you like to agree that we are not going to do that?

Senator MARKEY. Meaning it costs a lot less for offense than it does for defense.

Ambassador GALLUCCI. Indeed.

Senator MARKEY. Okay. So that I think has to be out on the table.

And in your testimony, you discuss the significant security threat emanating from plans in Japan and China to conduct large-scale reprocessing of spent nuclear fuel. And you say it is the same French company, Areva, which is providing that technology in both countries. And you note that these plans could result in the stockpiling and transportation of enough plutonium to produce hundreds or evaluation thousands of nuclear weapons. If these plans proceed, they could increase incentives for South Korea to follow as well.

And that plutonium arms race in East Asia could increase the risk not only of nuclear terrorism but also of additional nuclear proliferation, as all three countries eye each other with suspicion.

The United States has a civil nuclear cooperation agreement with all three of these countries. This may give us a measure of influence over their reprocessing plants. How would you suggest that we use our influence to contain the risk of nuclear terrorism and proliferation in East Asia?

Ambassador GALLUCCI. It seems to me at least plausible that we could engage the Japanese first since they have the overhang of civil plutonium right now.

Senator MARKEY. What is their thinking? Why do they want—I think you said 44 tons?

Ambassador GALLUCCI. 44 tons. 20 percent of it is now in Japan. The other 80 percent is divided between France and the UK.

Senator MARKEY. And I think as you said, post-Fukushima, the nuclear future as an electrical generating source is going to be quite limited.

Ambassador GALLUCCI. It is hard to know even for Japanese. I was just in Tokyo talking to them about this. They do not know either. But it is certainly clear that the breeder reactor program, which might have absorbed a bit of this plutonium, has been shut down.

Senator MARKEY. Exactly. So what are they thinking? Why do they need it?

Ambassador GALLUCCI. Well, as you know, the concern in Beijing and in Seoul was that it was precisely for what we would rather not have it be for, namely a hedge against a decision that they might have to take, they would think, to acquire nuclear weapons. And they would have the fissile material with which to do it. That is one reason. For some, it may be a reason. For others, it was part of a nuclear engineering solution to the nuclear fuel cycle either for fast breeder reactors or what is called thermal recycle in the current generation of reactors and also for radioactive waste management.

Our own blue ribbon commission in 2012 concluded that there really was no good reason for reprocessing spent fuel. Spent fuel is quite adequately dealt with for hundreds of years by dry cask storage. So there is not a good answer to the question except political type answers, not technical answers.

Senator MARKEY. So you are saying—I am just trying to—

Ambassador GALLUCCI. Please.

Senator MARKEY. Are you saying that the conclusion has to be at this point that it is really just to have a stockpile in the event that they move to a nuclear weapons production strategy in the years ahead and that under this new Prime Minister, the likelihood of them giving up those 44 tons of plutonium are very low, but that that induces a certain paranoiac reaction in the Chinese who hire the same company to do the same thing, which makes it very difficult to then complain that another country is doing the same thing with the same company that you are doing? And the South Koreans just sit there and they say, well, maybe we should hire the same company in order to do that same thing.

So how do we talk to the Japanese about this because they are clearly the first domino in this ever-escalating nuclear production capacity?

Ambassador GALLUCCI. I would not dissent from that characterization of the situation. I do believe the place to start is Japan. We have an agreement of cooperation that does expire in 2018. It does not expire if neither side poses an objection to its continuation. What we could do is start with the Japanese and be clear here that not everybody in Japan is looking to hold onto that plutonium as a hedge against the need for nuclear weapons eventually. I think that view certainly exists in some quarters in Japan, but I think engaging the Japanese is not a bad idea, not one that is bound to fail. They have a plutonium problem. As you know, we have a plutonium problem too. We have to dispose of plutonium that we are not going to dispose of as we had originally told the Russians we would, and we need to find another way. So we could have a technical consultation with the Japanese about this, and it could be very fruitful.

If there was any success in that, engaging the Chinese and pointing out—I mean, some are concerned about the Chinese having plutonium from the civil area leak into the military area. That is to me not as consequential as the concern about terrorism, and I worry about that substantially more. But for the Chinese to understand that they are an attractive nuisance in a sense with their own recycle program and that their security would be enhanced by joining with the Japanese and the Koreans who right now would be giving up nothing because they do not have a reprocessing capability. It is possible to imagine here, without an enormous diplomatic heavy lift, a moratorium at least on reprocessing and creating more separated plutonium. And that is what I would recommend.

Senator MARKEY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Kaine?

Senator KAINE. Thank you, Mr. Chair.

And thank you to the witnesses. I am especially glad to see my old friend, Congressman Forbes, here. I was really happy to see you would be testifying today. And let me actually start with you, and I will bring you back to your Seapower days in the House. He was ranking on Seapower and one of the main leaders on the Armed Services Committee.

I just came from being the lead Democrat on a Readiness Subcommittee on our side on SASC, and we were talking about naval readiness. I understand earlier you testified that the greatest threat in the South China Sea was our readiness issues. And I think there was a quote around something you said from one of my staffers that readiness was not just the number of ships, but their condition. Could you elaborate on that a little bit so that we can take that advice as we are starting to work on the NDAA here in the SASC committee in the Senate?

Mr. FORBES. Yes, sir. Well, first of all, it is always great to see you. And thanks for allowing me to be here today.

I think that one of the things that we need very desperately is to make sure we even get a new metrics on how we measure fleet strength. Numbers matter. But what I am very concerned about right now, as we sit here and we look at all of the threats in the Asia-Pacific area, it is very concerning when top leaders in China

say they think that we could very easily have a military conflict with the United States within 2 years. And top leaders in the United States are saying we think we may have a conflict with China within 2 years. When you have that rhetoric out there and you see the nature of what is out there, we cannot build the ships we need, as you know, in 2 years, 3 years, or whatever.

And one of the concerns that I have is right now we have a huge shortfall in munitions. We need to fix that and fix that rapidly. We have shortfalls in training that we need to fix, and we need to fix that rapidly. And I think we are going to have to change some of our operational concepts. For example, we may need to move to something like distributed lethality as opposed to the current situation we have with our carrier groups. And I think we need to be sending a message out there.

And, Senator, I had a lot of people talk to me about this 350-ship Navy or 355-ship Navy. That is not particularly a goal. But it is a neon sign saying to the world that the United States is going to be prepared to play.

And I can take anybody and I ask them, tell me what you remember about the military in the 1960s, 1970s, 1980s, 1990s, or the first 10 years of this century. They will say in the 1960s, Vietnam. That is about all they remember. In the 1970s, maybe we hollowed out the force. The 1990s, they cannot really say much of anything. And 10th, they cannot say what we did to the military. It is just where we put it. But in the 1980s, they know we built a 600-ship Navy.

So that is why I think, in addition to creating the readiness, we need to at least send a signal out there that we are on a direction to rebuild this Navy. I know when you look under my name, you see Naval War College, so I am going to be prejudiced. But I am not reaching these conclusions because of my prejudice. I am reaching my prejudice because of my conclusions. It is just the fact that that is where we are going to be for the next decade or two decades.

Senator Kaine. Let me ask you both a question that dealt with another hearing that we had earlier today in the Foreign Relations Committee. The Western Hemisphere Subcommittee met earlier today, and one of the items that we heard about from witnesses is increasing Chinese presence and investment in the Americas, including Venezuela. We see this all throughout Africa as well. So the title of this hearing is our leadership in the Asia-Pacific, but the biggest nation we are concerned about in the Asia-Pacific is really spreading their influence.

We are about to maybe dramatically cut aid to Africa, our global aid programs in the Americas. It does not seem like that is what China is doing. Talk a little bit about how we could address this broadening Chinese influence into the Western Hemisphere especially. What are the kinds of things that we should be looking to do if we want to counter that?

Ambassador Gallucci. I honestly do not know how we counter what is now substantial but also growing Chinese investment and presence below the equator in Africa and Latin America.

For a time, I was the President of the MacArthur Foundation, and we did work in both Latin America and in Africa. And we

would see the footprints of the Chinese in areas in which we were working. We worked in species preservation, biodiversity particularly. So we were very concerned about how the Chinese used the investments, what they did with their fishing, and how they behaved generally, and were they—this is a phrase that is used in a different context, but were they a responsible stakeholder in the development of those countries. And the answer was not sufficiently and not to the level that the United States or our colleagues in Europe were moving to. And they were not meeting standards in those areas. And we worked together—foundations did—to try to figure out ways of persuading the Chinese that this was not a good footprint. So all that is by way of saying that I think you are exactly right to be concerned about this.

The problem you raise, though, is that if we are not going to pay the money to have access to the table, it is hard for me to see how at the governmental level, which would be the more important level, we will have much to say. Just to put it simply, we will lose influence.

Mr. FORBES. Senator, one thing I would say is we sometimes have to crawl before we can walk. And one of the things that I have advocated—I did it in my testimony here. I have actually tried to get this accomplished with legislation last year. But we need to have a cross-agency review of what our actual policies are so that we do not have one agency working against another agency, which with China that happens in a lot of situations. I think that is important.

And the second thing that I think this subcommittee and other committees in Congress can do is we still do not have a good picture of exactly what all of that soft power is doing around the world with China. And I think the more we can just shed light on here is where they are investing, here is what they are doing, but here is the impact of what they are doing, I think that in itself leads then to policies that can help at least begin to get responses to their actions.

Senator KAINE. I will just say this, Mr. Chairman. I am done. The great thing about being on this committee is we often have foreign leaders come and sit down in our business room over in the Capitol and we just trade ideas. And when we have leaders from Latin countries—about a year and a half ago, we had a South American president who came and basically said this. We would rather do a lot of work with you all because, I mean, there is just such a cultural connection. Whether it is families in the United States or people who have done Fulbright scholarships, the connections are so intense. We all call ourselves Americans, North, South, or Central, and we feel that.

But we are doing a lot more with China now even though we are a little suspicious of their motives. They do not necessarily do business in the way that is going to elevate standards or speak to much concern about our country, but they are just present and you are not. So we have a preference, but we cannot push on a string. If you are not going to be here, then we are going to be doing a lot more with China. And that was a pretty sobering lesson to hear. And, Ambassador Gallucci, I kind of understand you cannot change

that with words. You have to change it with dollars and with actions.

But thanks to both of you for your ongoing work in this area.

And, Mr. Chair, thanks for having this hearing.

The CHAIRMAN. Thank you, Senator Kaine. And I think it is a good point that you bring up because in conversations with different think tanks, research that has been done, public polling that has taken place in Asia, even Asian nations across Asia, they talk about the U.S. norms and that they would rather do business in an environment that is based on U.S. norms than one that is ruled by China and where they are heading. But you are right. Presence matters and our ability to continue to pursue American values and interest through, whether it is resource allocation or strategic implementation of initiatives this committee puts forward, it is important that we do that so that we can actually give them that leg to stand on, so to speak.

So thank you to both of you for being here. I have additional questions. This is a hearing that could go all day, but much to your relief, it cannot. So I did want to let you know that I will be submitting a question to both of you on Southeast Asia and terrorism. As part of this Asia strategy, I think we have to address concerns in Southeast Asia over terrorism, what we can do to counter growth of ISIS, the threat of ISIS, radical Islam, and make sure that we are providing whether it is FMF type assistance throughout the region, whether it is counterterrorism training, continue the conversations that we have had, also conversations about what we can do to increase and strengthen our alliance with New Zealand, Australia, India throughout the region. So I look forward to that.

And with that, I guess I have a closing script that I have to read here. But as we move forward on this strategy and this new legislation, the Asia Reassurance Initiative, I would love to continue to receive your feedback and comments. But thank you, first and foremost, for attending the hearing, for your time and work that went into the testimony. Thanks to the members who participated today.

And for the information of members, the record will remain open until the close of business on Friday, including for members to submit questions for the record. And I just would kindly ask the witnesses to get your homework done as promptly as possible, if you would, and we will make that a part of the record. But it is truly appreciated—your service to our country and the work that you are doing today.

And with that and the thanks of the committee, this hearing is adjourned. Thanks.

[Whereupon, at 3:50 p.m., the hearing was adjourned.]

**AMERICAN LEADERSHIP IN  
THE ASIA-PACIFIC—  
PART 2: ECONOMIC ISSUES**

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**WEDNESDAY, MAY 24, 2017**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:18 p.m., in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner [presiding], Risch, Markey, and Kaine.

Also Present: Senator Portman.

**OPENING STATEMENT OF HON. CORY GARDNER,  
U.S. SENATOR FROM COLORADO**

The CHAIRMAN. This hearing will come to order. Thank you. Let me be the first to welcome you all to the second hearing of the Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy in the 115th Congress. I welcome you all to today's hearing on U.S. leadership in the Asia-Pacific.

These hearings that we have held, the first hearing that we held and this hearing, will focus on informing new legislation that we are leading, the Asia Reassurance Initiative Act, or ARIA, that will seek to build out a long-term vision for United States policy toward the Asia-Pacific region.

At our first hearing on March 29th, we focused on the growing security challenges in the Asia-Pacific, including North Korea, the South China Sea, and terrorism in Southeast Asia. At that hearing, Randy Forbes, a former Congressman from Virginia and chair of the House Armed Services Subcommittee on Seapower and Projection Forces, observed the following: "In the coming decades, this is the region where the largest armies in the world will camp. This is the region where the most powerful navies in the world will gather. This is the region where over one-half of the world's commerce will take place and two-thirds will travel. This is the region where a maritime superhighway linking the Indian subcontinent, Southeast Asia, Australia, Northeast Asia, and the United States begins. This is the region where two superpowers will compete to determine which world order will prevail. This is the region where

the seeds of conflict that could most engulf the world could be planted.”

That is a very important statement that we hold in mind as we focus on this hearing.

So today, we will talk about the importance of U.S. economic leadership in the Asia-Pacific. By 2050, as Congressman Forbes mentioned, experts estimate that Asia will account for over half of the global population and over half of the world’s gross domestic product. We cannot ignore the fundamental fact that this region will be critical for the U.S. economy to grow and create jobs through export opportunities.

We have two distinguished witnesses joining us today to shed light on this very important topic. Ms. Tami Overby, who serves as the senior vice president for Asia at the U.S. Chamber of Commerce, and Dr. Robert Orr—there are a lot of Orrs in Colorado, so I do not know if you have some Orrs in Colorado that you are related to or not, but certainly, there are a lot of Orrs there, too—a professor and dean at the School of Public Policy at the University of Maryland.

Thanks to our witnesses for being with us today. I certainly look forward to your testimony.

But I will first turn to Senator Markey, our ranking member of the Asia Subcommittee, for his opening comments.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, very much. We thank you so much for holding this very important hearing.

In essence, I think what you are saying here, Mr. Chairman, is that you are abiding by the philosophy of Wayne Gretzky when he was asked—by the way, the second greatest hockey player of all time—[Laughter.]

Senator MARKEY.—when he was asked, how do you score goals? He said, “I do not go to where the puck is. I go to where the puck will be.”

So that is really what we are talking about here. How do we, from an economic perspective, get to where the puck will be?

One of the witnesses here at the table knows that the correct answer of the greatest hockey player is Robert Orr, Bobby Orr from the Boston Bruins. That is one person in the room who knows that answer, the greatest hockey player of all time.

So from my perspective, this hearing kind of goes right to how important it is going to be for us to work with like-minded countries toward a high standard, inclusive, and rules-based, regional economic order.

The areas of economic leadership in the Asia-Pacific is especially critical to our future prosperity. One good area is the race to create clean energy jobs. More than half of all new electric-generating capacity installed worldwide last year was renewable. This will only grow further in the future.

I am concerned that China is rapidly overtaking the United States in this critical sector. Last year, China increased its foreign investment in renewables by 60 percent to reach a record of \$32



billion in one year. This includes 11 new overseas investment deals worth more than \$1 billion apiece.

In 2015, China invested over \$100 billion in clean energy, twice that which we invested here in the United States. That same year, China overtook the United States as the largest market for electric vehicles, with over 200,000 registrations.

Two Chinese companies, BYD and CATL, are a growing challenge to Tesla's leadership in the global electric car sector. Tianqi lithium, a Chinese company, is now the world's largest manufacturer of lithium ion, a key element for electric car batteries. Five of the world's six largest solar module manufacturers are Chinese.

The list goes on and on. We could go to other areas of the economy as well.

What it says to me is that they have a plan. We need a plan. We need a plan that we can articulate. And that is the job that the chairman has given us, to kind of think through what the economic vision for the future of the United States in this region is going to be.

I am very much looking forward to this hearing, and I yield back to you, Mr. Chairman.

The CHAIRMAN. Thank you.

We are also joined by Senator Portman from Ohio. Thank you, Senator Portman, for being here today. If you care to add anything at the beginning of the comments, if not, we can wait until questions.

**STATEMENT OF HON. ROB PORTMAN,  
U.S. SENATOR FROM OHIO**

Senator PORTMAN. No, I am just honored to have Bobby Orr among us. And he is from Colorado, too, which is amazing.

Seriously, thank you both for holding this hearing. I am here not as a member of the subcommittee, but as someone very interested.

I am not going to stay for the entire hearing, but I really want to talk more about some of the issues that were raised already by the chair and ranking member, particularly what is the "One Belt, One Road" initiative going to mean for us? Should we be more engaged in it? What are the implications of the United States not being as involved in the Asian Infrastructure Investment Bank, as an example, and some of the trade negotiations ongoing in the region?

I just would like to hear you all talk about that. I think it is important to raise awareness of what is actually happening in terms of China's interests and expanding its influence, its economic influence, and what you recommend we do in response to that.

So thank you, Mr. Chairman. I appreciate you having this hearing.

The CHAIRMAN. Thank you, Senator Portman.

Our first witness is Ms. Tami Overby, who serves as senior vice president for Asia at the U.S. Chamber of Commerce. As I mentioned, in this role, Ms. Overby is responsible for developing, promoting, and executing all Chamber programs and policies relating to U.S. trade and investment in Asia.

Ms. Overby lived and worked in South Korea for 21 years, and led the U.S.-Korea Business Coalition and the successful congressional ratification of the U.S.-South Korea Free Trade Agreement.

Welcome, Ms. Overby. Thanks for being with us today.

We are also joined by Senator Kaine. I allowed Senator Portman to say a few words. If you would like to say a few words? Thank you.

Ms. Overby, if you would like to proceed, and then I will introduce Dr. Orr.

**STATEMENT OF TAMI OVERBY, SENIOR VICE PRESIDENT FOR ASIA, U.S. CHAMBER OF COMMERCE, WASHINGTON, D.C.**

Ms. OVERBY. Thank you very much for this kind invitation.

The Asia-Pacific region is critical to current and future U.S. economic growth, competitiveness, and job creation. Asian countries want an active, robust U.S. presence in the region. They want to be our trading partner.

But Asian economies are not waiting or standing still after the U.S. withdrawal from TPP. I was just in Hanoi for the meetings of the APEC ministers responsible for trade. APEC economies, including the TPP countries, are moving forward without us.

We also heard in Hanoi several cases in which countries explicitly said they are backtracking on their commitments they were prepared to make under the TPP, which would have helped U.S. companies.

The U.S. and China share a highly interdependent, complex relationship that is critically important to each other and the world. Congress and the executive branch should recognize that without a coherent policy vision and our own concrete measures, it will be exceedingly different for the United States to compete regionally, given China's overwhelming presence and influence.

China has captured much of the share of the Asian import market over the past 15 years while the U.S. share has declined from 12.2 percent to 6.6 percent even as Asian imports have increased more than threefold. U.S. companies continue to see significant economic opportunity in China but are increasingly concerned about their future there due to China's policies in critical areas ranging from IP to cloud computing.

Concerns confronting our members are real and critically important. Business and government must work together to resolve these challenges.

We are hopeful the new comprehensive economic dialogue will not only drive time-fixed, tangible outcomes, but also persistent and systemic issues, including asymmetries in market access, a range of industrial policies tied to Made in China 2025, overcapacity, IPR, cybersecurity, data, and antitrust.

U.S. companies are operating in a fiercely competitive environment in Asia. China is not only expanding its trade, it is aggressively spreading its economic influence through "One Belt, One Road," the Asian Infrastructure Investment Bank, and Silk Road initiatives.

Other countries as well as the EU are aggressively pursuing trade agreements, infrastructure, and other deals.

Here are five major ways we can engage in the region to increase U.S. competitiveness.

First, we need to move quickly, as quickly as possible, on a regional trade strategy. With the U.S. withdrawal from TPP, our Asian partners are openly questioning the U.S. commitment to the region. With only three FTAs in Asia, U.S. exporters are at a significant disadvantage as other countries aggressively pursue bilateral and regional FTAs, most notably the Regional Comprehensive Economic Partnership. There is a critical need for the U.S. to find pathways and platforms to pursue improved market access for U.S. goods and services that reflect the high standards of TPP and conform fully to trade promotion authority.

Further, we need to recognize that our existing FTAs in the region are keeping us competitive. Without them, the U.S. would be lagging even further behind. I want to underscore the Chamber's strong support for the U.S.-Korea Free Trade Agreement. KORUS is a good agreement as negotiated and concluded, the most advanced U.S. FTA yet, and we should push for better implementation, not renegotiation.

Second, we need a fully armed and empowered U.S. export-import bank to help maintain U.S. export competitiveness in the region. China, Japan, Korea, the EU, and others provide export and project finance that support their companies in Asian markets. We need to reauthorize and fully empower the EXIM Bank.

Third, we need to ensure adequate funding and support for the Foreign Commercial Service. FCS officers are valuable assets for American businesses, particularly small- and medium-sized companies seeking to expand their export sales.

Fourth, we need to maintain and reprioritize U.S. foreign assistance. U.S. foreign assistance could be a much more important and effective means of concrete support in the region.

Fifth, we need to use regional organizations to pursue U.S. economic interests. In Asia, showing up is very important. It will be especially important post-TPP to have the U.S. Government leaders travel to the region regularly to register high-level U.S. interest and engagement in addition to hosting leaders here.

Ambassador Lighthizer's participation in APEC was positively noted by our partners. And it is commendable that President Trump has already committed to attending APEC, the East Asia Summit, and ASEAN meeting. We need to show constructive and full engagement by U.S. and Cabinet and sub-Cabinet officers to ensure U.S. business and economic interests are well-represented. Getting such people appointed and confirmed is critical in this regard.

Lastly, given the tense security situation in Northeast Asia, the need for close cooperation with our strong allies in Japan and South Korea on all fronts is greater than ever, including economic engagement.

Thank you.

[Ms. Overby's prepared statement follows:]

PREPARED STATEMENT OF TAMI OVERBY

Thank you for this opportunity to testify on American leadership in the Asia-Pacific. I am Tami Overby, Senior Vice President for Asia at the U.S. Chamber of

Commerce (the "Chamber"). I am pleased to be here on behalf of the Chamber to address U.S. economic relations with the critical Asia-Pacific region. The U.S. Chamber of Commerce is well aware of the linkages between strong economic ties and our political and geostrategic interests in the region. They cannot be easily separated.

*U.S. Economic Engagement in the Asia-Pacific*

I was just in Hanoi for the meeting of the APEC Ministers Responsible for Trade. The Chamber and American business community are very pleased Ambassador Robert Lighthizer, the new U.S. Trade Representative, made such an effort to get there the week of his confirmation.

In Asia, "showing up" is very important. So this was noted positively by our APEC partners. But as much as Ambassador Lighthizer's message of commitment to the region is welcome, our APEC partners have questions about the direction and substance of U.S. international trade policy, particularly in light of the U.S. withdrawal from the Trans-Pacific Partnership (TPP).

Asian countries want an active U.S. presence in the region. They want to be robust trading partners with the United States, but Asian economies are not waiting or standing still after the U.S. withdrawal from the TPP. They are moving forward across a number of fronts, from trade and aid to investment and infrastructure.

The Asia-Pacific region is critical to current and future U.S. economic growth, competitiveness and job creation. U.S. exporters-whether large or small companies producing goods and services or farmers and ranchers exporting commodities-need access to these fast growing economies and the rising pool of consumers. According to the Organization for Economic Cooperation and Development, the global middle class will expand from 1.8 billion in 2009 to 3.2 billion by 2020 and 4.9 billion by 2030. Most of this growth is in Asia: In fact, Asia's middle-class consumers will represent 66% of the global middle-class population and 59% of middle-class consumption by 2030, doubling these shares since 2009.

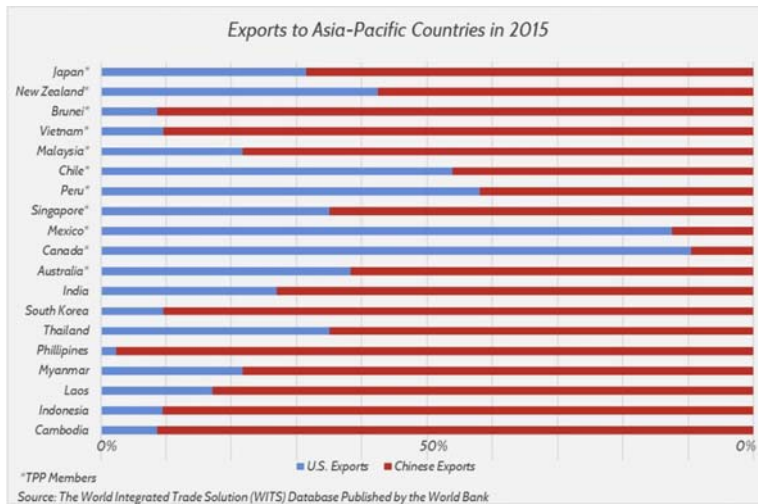
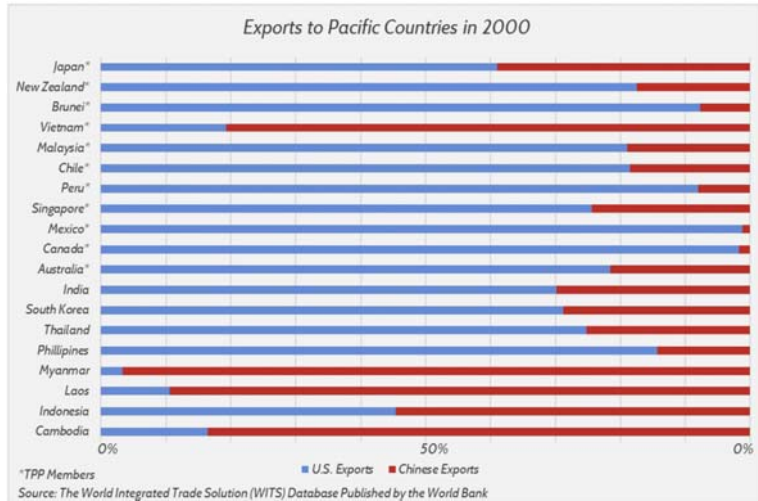
Unfortunately, the United States is falling behind, as the charts below indicate. Trade between Asian countries is surging, but even as total Asian imports have risen more than threefold, the U.S. share of the pie has dropped dramatically in the past 15 years.



There are four primary reasons for this:

- First is China's dramatic rise. China, not the United States, is the dominant regional economic power. China is the top trade partner for most Asian econo-

mies-from Japan and Korea in the northeast to Indonesia and Malaysia in the southeast.



- Second, the United States has only three free-trade agreements (FTAs) in the region, with Australia, Singapore, and South Korea. At the same time, according to the Asia Regional Integration Center of the Asian Development Bank, Asian countries have signed 140 bilateral or regional trade agreements, and 75 more are under negotiation or concluded and awaiting entry into force. One notable pact now under negotiation is the Regional Comprehensive Economic Partnership (RCEP), involving the 10 ASEAN economies, Japan, Korea, Australia, New Zealand and India.

While RCEP is an ASEAN initiative, China is making efforts to drive negotiations to a conclusion this year. RCEP is a lower-standard agreement than the TPP, but is one of two pathways toward the APEC goal of an

eventual Free Trade Agreement of the AsiaPacific (FTAAP), the TPP being the other.

- Third, our regional and global competitors aggressively support their exporters in Asian markets. Leaders of these countries take trade delegations to the most promising markets in search of commercial deals. They provide export credits and low interest loans for their companies through aggressively funded export credit agencies. Furthermore, they tie foreign assistance to commercial opportunities.

China's support via One Belt One Road and the Asian Infrastructure Investment Bank (AIIB) is accelerating and will take this activity to a new level. Meanwhile, we have not yet restored the Ex-Im Bank to full capacity, and are arguing over whether we should reduce our foreign assistance budget, which is less than 1% of GDP, and of which only 2% of that goes to Southeast Asia.

- With regard to the U.S. withdrawal from the TPP, the clear takeaway from Hanoi is disappointment that the United States has withdrawn from the agreement. Ambassador Lighthizer conveyed the administration's intention to negotiate bilateral FTAs in the region at some point.

Japan and New Zealand, which have ratified the TPP, are pushing forward with a possible "TPP-11" arrangement. TPP is in many respects the most advanced trade agreement yet negotiated. In addition to opening markets for goods and services, the TPP sets high standards for digital commerce, competition with state-owned enterprises, regulatory coherence, and in a number of areas relating to intellectual property protection—all of which matter enormously for U.S. exporters of all sizes, but particularly small and mid-sized companies. It is clear their objective is to advance the TPP in some form, so that the strong rules and high standards contained in TPP survive. These rules, not those in RCEP, would then set the benchmark for regional trade and a possible FTAAP.

The Chamber has not yet taken a view on any prospective bilateral FTAs. Our position is that for any new bilateral FTA sought by the United States, Trade Promotion Authority (TPA) sets the right negotiating priorities and the proper process, and it should be followed scrupulously.

Whether bilateral FTAs can deliver much for American exporters is open to question. In an era of global value chains, the TPP had the advantage of cutting through the "Asian noodle bowl" of divergent trade rules under multiple agreements.

In any event, the United States is running out of time. Bilateral FTAs, even with small economies, will take years to negotiate and enter into force. Our exporters will continue to be at a competitive disadvantage.

To illustrate, Australian beef exporters have a 10 percentage point advantage over American beef exporters in Japan due to the Australia-Japan FTA. The TPP would have eliminated the relative disadvantage of U.S. cattlemen. The difference means \$400,000 a day in lost sales for U.S. exporters. A bilateral FTA with Japan could potentially close this gap, but according to Japanese officials in public comments, the United States should not expect to get more than we would have with the TPP. Further, negotiating a bilateral FTA with Japan would still take several years.

We also heard in Hanoi several cases in which countries explicitly said they are backtracking on commitments they were prepared to make under the TPP that would help U.S. companies. This problem is especially acute with regard to business priorities that are inaccurately but commonly viewed as primarily beneficial to the United States, such as stronger intellectual property protections and enforcement.

In sum, the United States has withdrawn from the TPP, but the challenges it was designed to address remain. These challenges include:

1. The Asia-Pacific region is growing, and it will soon be home to two-thirds of the world's middle class consumers;
2. Made-in-America products are too often shut out of those promising markets by steep tariffs and other barriers; and
3. U.S. exporters' disadvantages in the region are likely to mount as Asian economies clinch new trade pacts that benefit Asians but shut us out.

The Trump administration will need to devise a strategy to address these challenges. The U.S. Chamber of Commerce is committed to working with the administration to devise one.

#### *U.S.-ASEAN Relations*

U.S. engagement in Southeast Asia, and with ASEAN as an institution, will be essential to achieving U.S. objectives in the broader Asia region. American economic

interests in Southeast Asia are vast; ASEAN is the fourth largest U.S. export market globally.

It was therefore encouraging that Vice President Pence visited Indonesia—the largest ASEAN country—so early in his tenure, and that he confirmed that President Trump will meet with his ASEAN counterparts as a group later this year. This is a reassuring message both to American business and to a region that seeks U.S. engagement.

Notwithstanding this engagement, a key challenge will be to continue to promote economic openness in the region. Four ASEAN countries were members of the TPP, and made substantial, and often politically difficult, reform commitments in order to be part of it. Others, including the Philippines and Thailand, were very interested in the TPP, and studied the agreement in detail to determine the types of reforms they would need to undertake if they were to join it in the future.

In the TPP's absence, Singapore remains the only ASEAN country with which the United States has a free trade agreement. The dilemma for the U.S. now is to determine the means by which to recapture the important gains that TPP would have provided in those countries, particularly in Malaysia and Vietnam.

Vietnam has sent encouraging signals about its willingness to negotiate bilaterally with the United States. Others have not. It is worth noting that in the 2000s, the United States attempted to negotiate bilateral FTAs with Malaysia and Thailand, both of which faltered in part because of the political difficulty for each in accepting U.S. demands for comprehensive market access in the context of a bilateral agreement. The lessons of these previous failures should be borne in mind should the United States decide to pursue bilateral FTAs with either.

In the meantime, ASEAN is moving forward. The RCEP is an ASEAN, not Chinese, initiative. In addition, individual ASEAN members have negotiations going on simultaneously with other key trading partners. For example, Indonesia, Malaysia, the Philippines, and Thailand are all negotiating with the European Union, and Singapore and Vietnam have both completed (but not yet implemented) deals with the EU. All of those countries individually have FTAs with numerous other markets around the world.

#### *U.S.-China Relations*

In addition to China's growing regional role, the United States and China share a highly interdependent yet complex relationship that is critically important to each other and the world. U.S. industry continues to see significant economic opportunity in the China market, which is worth half a trillion dollars annually to U.S. companies and could be worth considerably more.

Together, the U.S. and China represent around 40 percent of the global economy. China is the third largest goods exports market for the United States. And the American Chamber of Commerce in China 2017 China Business Climate Survey reports that the majority of U.S. companies experienced revenue growth in 2016.

#### *Challenges to American Companies*

At the same time, U.S. and other foreign companies active in the China market have become more concerned about their future there. Nearly four years after the Third Plenum Decision, positive rhetoric on market reforms has yet to materialize into policy that significantly impacts the investment or business environment.

Rather, the legacies of China's command economy are continuing to impact its economic policy and hamper its complete integration into the global economy. These policies are increasing the role of the state in the economy and creating an uneven playing field for U.S. companies.

The American Chamber of Commerce in China and the European Chamber of Commerce in China report in their latest annual surveys that an overwhelming majority of member companies—80 percent in the case of AmCham China—feel less welcome in the Chinese market than previously. These headwinds are curbing enthusiasm for U.S. investors. The AmCham 2017 Business Climate Survey finds signs that companies' are now deprioritizing China in investment plans.

A number of policy issues contribute to American company concerns, among them:

- An investment regime that is the most restrictive among G20 countries and limits market access in service sectors such as banking, insurance, securities, telecommunications, and cloud computing;
- Cybersecurity, information communication technology (ICT), and data policies that pose challenges for global connectivity;
- An Anti-Monopoly Law that is enforced in a discriminatory manner and used to advance industrial policies;

- IP enforcement that, while improved in recent years, is insufficient to protect against high levels of counterfeiting, piracy, and trade secret theft; and
- Industrial policies like Made in China 2025 that aim to use state resources to create and alter comparative advantage in global markets.

The U.S. Chamber of Commerce has issued a series of reports over the past years assessing Chinese barriers to U.S. exports and investments as well as industrial policies that are relevant as the administration examines foreign trade barriers. They are listed in an annex to this statement.

An uncompetitive China market raises serious concerns not only for its domestic economy but its economic partners. Chinese industrial policies precipitate market inefficiencies and spark overcapacity, resulting in lower prices for global commodities and the potential for predatory pricing—which has forced non-Chinese companies out of business in steel, solar, aluminum, and other industries.

Having a competitive market in China is critical to minimizing these market distortions globally from China. In addition, American companies need to be able to succeed in China to ensure sufficient economies of scale to compete in the global economy against Chinese and other firms. Our two countries need to work together to address these issues and create a level playing field.

#### Bilateral Engagement

The Chamber welcomed the announcement of a new bilateral Comprehensive Economic Dialogue and the commitment by both governments to a 100-day plan to make progress on our trade relationship, as well as the recently announced interim outcomes. President Trump, Secretary Ross, and Secretary Mnuchin deserve credit for their efforts to address the business community's concerns.

The outcomes on agricultural products and credit ratings agencies are a positive first step. But these initial outcomes should be regarded as a modest down payment for more far-reaching outcomes on market access, subsidies, procurement, and cyber/ICT. It is particularly important to secure outcomes on cybersecurity, ICT, and data, as China is currently issuing sweeping policies that are acting as new barriers for American companies.

#### Next Steps

The concerns confronting our member companies are real, and significantly important. The Chamber believes a high-standard Bilateral Investment Treaty (BIT) could address many, although not all the business community's concerns with China. As a result, we have long supported supplementing the U.S. Model BIT with robust provisions on state-owned enterprises, cross-border data flows, standards, as well as limitations on the use of excessively broad national security provisions as a pretext for discrimination against our companies.

The U.S. Chamber is doing what we can to track and analyze Chinese policies, but larger, more systematic, efforts are needed. As China advances industrial policies that are distorting global markets, we urge the U.S. government to set up a robust monitoring and forecasting initiative to assess how Chinese industrial policies like Made in China 2025 as well as other policy decisions are impacting critical sectors of the U.S. economy.

The Chinese government is making policy decisions with long-term goals, and the U.S. government has an obligation to approach it in similar terms. Moreover, it is vital for the U.S. government to set clear expectations with China on our trade and investment relationship, and to publicly and dispassionately defend our commercial interests. The new Comprehensive Economic Dialogue can be used to secure and drive time-fixed, tangible outcomes, like those on beef.

It is also critical that the U.S. government develop metrics to assess China's progress on its commitments to ensure full and even implementation. When commitments and dialogue are unable to adequately address unfair trading practices, the U.S. government should enforce our trade laws, consistent with WTO obligations, and consider new tools that would be consistent with WTO rules that begin to address asymmetries in market access and other policies that prohibit or restrict the ability of U.S. companies to compete in China.

#### *U.S.-Japan-Korea Cooperation*

Clearly North Korea's escalation of missile testing is something we all need to be focused on. Nowhere else are our economic and strategic interests connected as with Japan and Korea, our two main allies in Northeast Asia. Trilateral cooperation on North Korea is essential, and obviously China's role here is critical.

But the three countries need to find areas of economic cooperation as well. In particular, the United States, Japan and Korea can use fora like APEC to continue to



push for good rules and best practices with regard to regulatory transparency, intellectual property, competition policy, and digital trade.

We are having encouraging discussions in the business communities around issues like the digital economy and cybersecurity. To this end, we urge the governments to prioritize policies and concrete measures that support high-standard, internationally harmonized rules in concert with the private sector.

#### *U.S.-Korea Relations*

The U.S.-Korea bilateral relationship should not be taken for granted. With the election of their new President, Moon Jae-In, there is a good opportunity to further strengthen our partnership-both in the security and economic spheres-but we must be smart and careful.

The U.S.-Korea Free Trade Agreement, or KORUS, remains the cornerstone of our bilateral trade and investment relationship, and importantly, it underpins our vital security alliance. We cannot overstate how intertwined these relationships are, and need to be prudent and careful not to disrupt them.

U.S. industry has expressed frustration with the unsatisfactory enforcement of KORUS in a number of areas in the five years since it was implemented. Some areas of concern include customs verification, non-tariff measures in the automotive sector, transparency in pharmaceuticals and medical devices, and the process surrounding numerous competition policy cases most notably.

In this regard, the Trump Administration should redouble U.S. efforts to press the Korean government to fully respect the letter and the spirit of the agreement. KORUS established a comprehensive committee structure that allows governments to review progress and problems at regular intervals, and this structure should be employed vigorously. The Chamber regularly provided input to the Obama Administration on these matters and will do the same with the Trump Administration going forward.

The Chamber urges the Trump Administration and the Congress to focus on ensuring full and faithful implementation of KORUS rather than negotiating an entirely new agreement with Korea or a renegotiation. The agreement as it stands set a high bar, and in a number of areas includes the strongest rules yet achieved in U.S. trade agreements.

It is important to note that KORUS has led to sharp increases in U.S. service exports while exports of many U.S. agricultural and industrial goods have increased since KORUS went into effect five years ago. KORUS has helped maintain a steady if unspectacular level of U.S. goods exports at a time when Korea's overall imports have dropped dramatically due to domestic economic difficulties.

These important gains for U.S. companies should not be overlooked, nor should KORUS be alternately be credited or blamed for changes in trade patterns in sectors where it had no impact (more than half of U.S.-Korea goods trade was already duty free before KORUS). The U.S. bilateral trade deficit in manufactured goods should not be viewed as the proper measure of the agreement's quality. KORUS has increased opportunities for U.S. exporters and will continue to do so as tariff cuts take full effect over the next few years.

In short, overall implementation of the agreement can be better. That should be our collective focus and goal-to ensure this high-standard agreement is implemented fully and faithfully so that it is truly a win-win. We are confident that if the Korean government does this, U.S. exports will continue to expand.

#### *Conclusion*

The U.S. Chamber of Commerce appreciates the opportunity to testify today and the leadership of this committee on these critical commercial and strategic issues. U.S. economic engagement with Asia is not a luxury but a necessity for any efforts to spur economic growth and job creation here at home and secure a prosperous region for posterity. We look forward to our ongoing engagement with you.

#### ANNEX: U.S. CHAMBER OF COMMERCE REPORTS ON U.S. ECONOMIC RELATIONS WITH CHINA

- *Made in China 2025: Global Ambitions Built on Local Protections* (March 2017)<sup>1</sup> examines China's plan to become an advanced manufacturing leader in industries critical to economic growth and competitiveness. The report catalogues China's policy efforts to use a number of tools, including subsidies, stand-

<sup>1</sup> U.S. Chamber of Commerce China Center, *Made in China 2025: Global Ambitions Built on Local Protections*, March 2017.

ards, procurement, financial policy, and government-backed investment funds, to reach ambitious domestic and international targets. By leveraging the power of the state to alter competitive dynamics in global markets, MIC 2025 risks sparking economic inefficiencies affecting China and overcapacity affecting the global economy.

- *Cultivating Opportunity: The Benefits of Increased U.S.-China Agricultural Trade* (November 2016)<sup>2</sup> reveals that reducing or eliminating relevant tariffs and other behind-the-border barriers between the United States and China could result in \$28.1 billion in additional cumulative gains in two-way agricultural sector trade over 2016-2025. The United States would realize gains of \$17.6 billion—a nearly 40% increase over baseline projections.
- *Preventing Deglobalization: An Economic and Security Argument for Free Trade and Investment in ICT* (September 2016)<sup>3</sup> examines threats to the global economy from emerging policies restricting open trade and investment in the information and communications technology (ICT) sector and attempts to quantify their impact. While the report is global in scope, Chinese industrial policies feature prominently.
- *Competing Interests in China's Competition Law Enforcement: China's Anti-Monopoly Law Application and the Role of Industrial Policy* (2014)<sup>4</sup> examined China's use of its Anti-Monopoly Law to advance industrial policy and boost national champions.
- *China's Approval Process for Inbound Foreign Direct Investment: Impact on Market Access, National Treatment and Transparency* (2012)<sup>5</sup> detailed China's inbound investment approval process and identified challenges for potential foreign investors.
- *China's Drive for 'Indigenous Innovation': A Web of Industrial Policies* (2010)<sup>6</sup> highlighted China's efforts to use its powerful regulatory regime to decrease reliance on foreign technology and develop indigenous technologies.

The CHAIRMAN. Thank you, Ms. Overby.

Our second witness today is Dr. Robert Orr. He serves as professor and dean of the School of Public Policy at the University of Maryland. Prior to joining the University of Maryland, Dr. Orr served as the Assistant Secretary General for Strategic Planning in the Executive Office of the United Nations Secretary-General from 2004 to 2014. He has served in senior posts in the Government of the United States, including deputy to the United States Ambassador to the United Nations and director of global affairs at the National Security Council.

I will have to read his hockey bio I guess at a different part of this, Senator Markey.

Welcome, Dr. Orr. Thank you for being with us today.

**STATEMENT OF ROBERT ORR, PH.D., PROFESSOR AND DEAN,  
SCHOOL OF PUBLIC POLICY, UNIVERSITY OF MARYLAND,  
COLLEGE PARK, MARYLAND**

Dr. ORR. Thank you very much, Mr. Chairman, Senator Markey, Senator Portman, Senator Kaine.

This is an incredibly important subject that we are discussing here today. In 2017, we face a global economic landscape that is changing with lightning speed. Nowhere is this more evident than

<sup>2</sup> U.S. Chamber of Commerce China Center, *Cultivating Opportunity: The Benefits of Increased U.S.-China Agricultural Trade*, November 2016.

<sup>3</sup> U.S. Chamber of Commerce, *Preventing Deglobalization: An Economic and Security Argument for Free Trade and Investment in ICT*, September 2016.

<sup>4</sup> U.S. Chamber of Commerce, *Competing Interests in China's Competition Law Enforcement: China's Anti-Monopoly Law Application and the Role of Industrial Policy*, September 2014.

<sup>5</sup> U.S. Chamber of Commerce, *China's Approval Process for Foreign Inbound Direct Investment: Impact on Market Access, National Treatment and Transparency*, October 2012.

<sup>6</sup> U.S. Chamber of Commerce, *China's Drive for Indigenous Innovation: A Web of Industrial Policies*, June 2010.

in the Asia-Pacific region. If the United States does not engage, compete, cooperate, and lead across the width and breadth of the Asia-Pacific region, we stand a very real possibility of squandering the unique leading economic and geostrategic role we have carefully crafted over many decades.

The United States is well positioned to take a central role in shaping the global economy of tomorrow, continuing its long tradition of advancing innovation and competition as the pillars of progress. To do so will require full engagement by the United States across three distinct but related spheres of economic policy in the region: first, trade; second, development assistance; and third, investment in business development across the region.

On the question of trade, there can be little doubt that the U.S. pullout from the Trans-Pacific Partnership has left America's friends and allies in the region frustrated—indeed, befuddled—and looking for partners.

They continue to seek trade partnerships among themselves with the 11 remaining countries of the TPP agreeing to explore how to move forward absent the U.S. at the recent APEC meeting. If the U.S. does not find a way to fill the vacuum and demand for economic partners in the region, it is clear that China will attempt to.

The Asia-Pacific, despite decades of growth, remains a developing region with the largest numbers of poor people in the world. While the U.S. has pulled back from the Asia-Pacific region, China has systematically increased its development assistance through both bilateral and multilateral mechanisms. The establishment of the Asian Infrastructure Investment Bank reflects the increased role China sees for itself in the region, successfully securing capital commitments totaling \$100 billion from leading nations worldwide, including many U.S. allies.

In the face of China commanding a greater role for itself, cuts to our economic development tools in the region—USAID, OPIC, EXIM Bank—will only quicken our retreat.

Numerous studies show disproportionate economic and political returns on U.S. development assistance dollars. The Trump administration's budget proposal eliminates USAID's development assistance account, winds down the activities of OPIC, seeks no new funding for EXIM Bank activities, and zeros out all climate-related funding across the Federal budget.

Congress must exercise its authority to completely reverse these draconian and self-defeating cuts. Given global competition, especially in the Asia-Pacific region, we cannot afford to be penny wise and pound foolish.

Perhaps the most important economic dynamic in the Asia-Pacific region is the sheer scope and speed of sustained economic growth, creating massive and growing markets for both goods and productive investment.

The geo-economic and geostrategic game of the 21st century will increasingly play out in the Asia-Pacific region, especially on issues of energy, infrastructure, natural resources, changing consumer demands, and various forms of economic transformation in the face of climate change. These sectors will shape global markets for decades to come, and how businesses and countries respond to these

opportunities and challenges will directly affect their standing—indeed, their relevance.

China is already moving to take advantage of the opportunities posed by these defining issues, seeing them not just as vehicles for economic development at home and abroad but also to command regional and global leadership. It is aggressively pursuing renewable energy development, as noted by Senator Markey, to address domestic energy needs, having been the world's largest investor in the technology since 2012, and is prepared to invest more than \$360 billion over 4 years.

China's State Grid Corporation has proposed and is now taking a leading role in envisioning a global energy interconnection, which would fundamentally transform the world energy system by creating a global grid to drive clean energy development.

Innovation is occurring in the finance space with China clearly signaling its intent to be a leader in the field. It is moving toward the rollout of its national emission trading scheme following a several-year trial of seven regional trading schemes. From the outset, this national market will cover over 7,000 firms accounting for nearly half of China's emissions, reducing inefficiencies in their economy and making themselves more competitive in the process.

Recent global growth in green bonds is also being driven by China, which has gone from almost zero bond issuance in 2015 to accounting for 39 percent of the global total in 2016, in 1 year.

In this context, the U.S. can do a number of things to ensure its interests, as well as those of its allies and partners in the Asia-Pacific region.

First, work with allies and partners to construct a global trading regime with the United States at its center. I would also concur with Ms. Overby's comment on the regional trading scheme.

Secondly, fully and strategically fund the key instruments of economic development in the region, including appropriate USAID accounts, OPIC, EXIM Bank, the World Bank, Asian Development Bank, and the U.N. system.

Third, stay in the Paris Agreement and make adjustments to climate policy within that flexible and universally agreed framework.

Fourth, accelerate our own energy transition to cleaner and more cost-effective fuel sources, and build commercial partnerships around the Asia-Pacific region based on cooperation in this area.

Fifth, focus on smart infrastructure and smart energy grids at home and around the Asia-Pacific region with friends and allies.

Sixth, advance work at home and abroad on climate-smart agriculture, where the U.S. remains highly competitive.

Seventh, put a price on carbon and, in so doing, squeeze inefficiencies out of our economy to make it as competitive as it can be. Nothing within the global climate agreement prevents a conservative climate policy involving carbon taxes, the likes of which former Secretaries of State James A. Baker III and George P. Shultz, as well as former Secretary of the Treasury Henry M. Paulson Jr., have put forward.

Eighth, support U.S. Federal financing for science, technology, and innovation, and for bringing those innovations to market.

And finally, pay close attention to human capital flows and how they are affected by exclusionary visa policies.

The United States has long demonstrated economic leadership in the Asia-Pacific region, advancing a vision of innovation and competition to achieve progress. Countries are only prepared to hook their fate to a global leader who has shown that it understands their interests and their views. It would be the height of folly for the United States to give up that leadership role it has played on addressing the climate challenge, an issue seen by all countries in the region as central to their security and prosperity.

I thank you, Mr. Chairman.

[Dr. Orr's prepared statement follows:]

PREPARED STATEMENT OF ROBERT C. ORR

Chairman Gardner, Ranking Member Markey, and members of the subcommittee, thank you for this opportunity to testify before you on this very timely and important topic.

My name is Robert Orr, and I am the Dean of the School of Public Policy at the University of Maryland. Born and raised in California, and having studied, lived and worked in Japan, Taiwan, and China, I have had decades of exposure to, and engagement with, the Asia-Pacific region. In addition, my work as a U.S. government official at the National Security Council and the State Department, combined with a decade at the United Nations, has given me long-term first-hand experience with how the United States is positioned and perceived in the region.

In 2017 I see both huge opportunities and very real threats to U.S. interests. Both can be fundamentally shaped by what policy decisions we take today. We face a global economic landscape that is changing with lighting speed. Nowhere is this more evident than in the Asia-Pacific region. If the United States does not engage, compete, cooperate and lead across the width and breadth of the Asia-Pacific region, we stand a very real possibility of squandering the unique leading economic and geo-strategic role we have carefully crafted over many decades. If we do not take the long view and invest our resources accordingly, we face the real possibility of ceding our leadership role to others in the region who would welcome the windfall.

The Asia-Pacific region is exceedingly diverse in the economic sphere, among others, with competing visions and economic models, distinct geo-economic spheres of influence, and dynamic on-the-ground competition that will define nations' economies, their prosperity, and their relations with each other. The United States is well positioned to take a central role in shaping the global economy of tomorrow, continuing its long tradition of advancing innovation and competition as the pillars of progress. To do so will require full engagement by the United States across three distinct but related spheres of economic policy in the region: trade; development assistance; and investment and business development across the region.

On the question of trade, there can be little doubt that the U.S. pullout from the Trans-Pacific Partnership has left America's friends and allies in the region frustrated, indeed befuddled, and looking for partners. They continue to seek trade partnerships amongst themselves, with the eleven remaining countries of the TPP agreeing to explore how to move forward absent the U.S. on the sidelines of the most recent APEC meeting.<sup>1</sup> If the U.S. doesn't find a way to fill this vacuum and demand for economic partners in the region, it is clear that China will attempt to.

We are already seeing this in the discussions regarding the Regional Comprehensive Economic Partnership, which have been spurred on by the U.S. withdrawal from TPP. This agreement would cover nearly half the world's population, almost 30 percent of global GDP, include China and India, and would see no U.S. seat at the table. The U.S. needs a cogent trade policy to respond to the vacuum we ourselves have created; preferably by advancing multilateral trade agreements, but at a minimum through a well-designed set of bilateral trade arrangements with various partners in the region.

The Asia-Pacific, despite decades of growth, remains a developing region with the largest numbers of poor people in the world. While the U.S. has systematically pulled back from the Asia-Pacific region, China has systematically increased its development assistance through both bilateral and multilateral mechanisms. The establishment of the Asian Infrastructure Investment Bank reflects the increased role China sees for itself in the region, successfully securing capital commitments total-

<sup>1</sup> Ananthalakshmi, A. & Nguyen, M. U.S. and Pacific Rim Countries at odds in heated trade meeting. Reuters (2017).

ing \$100 billion from leading nations worldwide including many U.S. allies. This is only part of China's strategy, with various bilateral agreements used to build relationships and cement economic and political objectives in the region. In the face of China commanding a greater role for itself, cuts to our economic development tools in the region—USAID, the Overseas Private Investment Corporation (OPIC), and EXIM Bank—will only quicken our retreat. Numerous studies show disproportionate economic and political returns on U.S. development assistance dollars. The Trump Administration's budget proposal eliminates USAID's Development Assistance account, winds-down the activities of OPIC, seeks no new funding for EXIM Bank activities, and zeros out all climate-related funding across the federal budget. In this situation, Congress must exercise its authority to completely reverse these draconian and self-defeating cuts. Given global competition, especially in the Asia-Pacific region, we cannot afford to be penny wise and pound foolish.

Perhaps the most important economic dynamic in the Asia-Pacific region is the sheer scope and speed of sustained economic growth—creating massive and growing markets for both goods and productive investment. The geo-economic and geo-strategic game of the 21st Century will increasingly play out in the Asia-Pacific region, especially on the issues of energy, infrastructure, natural resources, changing consumer demand, and various forms of economic transformation in the face of climate change. These sectors will shape global markets for decades to come, and how businesses and countries respond to these opportunities and challenges will directly affect their standing, and indeed their relevance.

A few statistics give an idea of the most dynamic, and highest value opportunities:

- More than US\$1.6 trillion has been invested in renewable energy capacity since 2010,<sup>2</sup> with some US\$7.8 trillion forecast to be invested through 2040.<sup>3</sup>
- US\$90 trillion is expected to be invested globally over the next 15 years to replace ageing infrastructure in developed economies and to build out emerging economies.<sup>4</sup>
- Investors with more than US\$10 trillion under management are moving to recognize the risk posed by holding carbon-associated assets through performance reporting,<sup>5</sup> and individuals and institutions with more than US\$5 trillion in managed assets have committed to some form of divestment from fossil fuel assets.<sup>6</sup> These trends are accelerating.
- Innovation in markets is occurring to finance plays in these areas, with a total of US\$694 billion in climate-aligned, outstanding bonds in the markets in 2016.<sup>7</sup>

These are the moves that economic actors are making globally on the issues that matter to them, and the opportunities of the new 21st Century economy run right through the Asia-Pacific region.

China is already moving to take advantage of the opportunities posed by these defining issues, seeing them not just as vehicles for economic development at home and abroad, but also to command regional and global leadership.

It is aggressively pursuing renewable energy development to address domestic energy needs, having been the world's largest investor in the technology since 2012 and is preparing to invest more than US\$360 billion over four years.<sup>8</sup> This domestic activity has translated to global competitiveness in renewable energy, with Chinese companies, manufacturers and technology firms claiming the dominant share of large public companies worldwide that generate 10 percent or more from clean energy revenues.<sup>9</sup>

China's State Grid Corporation has proposed and is now taking a leading role in envisioning a Global Energy Interconnection, which would fundamentally transform the world energy system by creating a global grid to drive clean energy develop-

<sup>2</sup> Frankfurt School-UNEP Centre & Finance, B. N. E. Global Trends in Renewable Energy Investment 2017. (2017).

<sup>3</sup> Bloomberg New Energy Finance. New Energy Outlook 2016 Executive Summary. (2016).

<sup>4</sup> The New Climate Economy. The Sustainable Infrastructure Imperative—Financing for Better Growth and Development. (2016).

<sup>5</sup> Marchais, M. & Blanc, D. Montreal Carbon Pledge—Accelerating Investor Climate Disclosure. (2016).

<sup>6</sup> Arabella Advisors. The Global Fossil Fuel Divestment and Clean Energy Investment Movement. (2016).

<sup>7</sup> Climate Bonds Initiative. Bonds and Climate Change—The State of the Market in 2016. (2016).

<sup>8</sup> Ferris, D. As U.S. wavers, China prepares to invest \$360B in 4 years. Energy Wire (2017).

<sup>9</sup> As You Sow & Corporate Knights. Carbon Clean 200: Investing in a clean energy future 2017 Q1 Performance Update. (2017).

ment.<sup>10</sup> This is in addition to continued strong investments in domestic electricity infrastructure, including an expected expenditure of US\$62 billion on smart grid technology through the period 2009 to 2020.<sup>11</sup>

Innovation is occurring in the finance space, with China clearly signaling its intent to be a leader in the field. It is moving towards the rollout of its national emissions trading scheme, following a several year trial of seven regional trading schemes. From the outset this national market will cover over 7,000 firms accounting for nearly half of China's emissions,<sup>12</sup> reducing inefficiencies in their economy and making themselves more competitive in the process. Recent global growth in green bonds is also being driven by China, which has gone from almost zero bond issuance in 2015 to accounting for 39 percent of the total global issuance in 2016.<sup>13</sup>

Not only furthering its economic rise, China is increasingly being seen as a credible leader on the the 21st Century transition to a cleaner, more efficient economy. Countries throughout the region understand that their future is directly linked to global climate outcomes, and they are investing and striking regional and global alliances accordingly. For the island states this is a matter of survival. For China and India, this is a matter of an economic model that can sustain their populations and reduce poverty without the crushing health effects of the exclusively fossil fuel-based model; for U.S. allies like Japan, Korea, and various members of ASEAN, it is as much an issue of economic competitiveness as it is one of enlightened leadership on the global stage. For all these countries, it is about markets for new technologies to mitigate climate change, but it is also about the need for physical and economic resilience in the face of rising seas and highly disruptive weather events. U.S. moves and pronouncements in recent months aligning itself with fuels and technologies of a bygone era instead of fuels and technologies of tomorrow, make the U.S. a much less attractive and reliable partner. Friends, competitors, and those in between have all begun to respond accordingly: by betting on China.

In this context, the U.S. can do a number of things now to ensure its interests, as well as those of its allies and partners in the Asia-Pacific region:

1. Work with allies and partners to construct a global trade regime with the United States at its center;
2. Fully and strategically fund the key instruments of economic development in the region, including USAID, OPIC, EXIM Bank, the World Bank; the Asian Development Bank; and the UN system;
3. Stay in the Paris Agreement and make adjustments to climate policy within that flexible and universally agreed framework. Even having the discussion about whether to pull the United States out of the Paris Agreement is a self-inflicted injury. The Administration should signal its clear intent to stay within the Paris framework given the flexibility offered under the agreement to pursue national policies of its own choosing, not to mention the universal and strong support for the agreement throughout the Asia-Pacific and the world.
4. Accelerate our own energy transition to cleaner and more cost effective fuel sources, and build commercial partnerships around the Asia-Pacific region based on cooperation in this area;
5. Focus on smart infrastructure and smart energy grids at home and around the Asia-Pacific region with friends and allies;
6. Advance work at home and abroad on climate smart agriculture, where the U.S. remains highly competitive;
7. Put a price on carbon, and in so doing squeeze inefficiencies out of our economy to make it as competitive as it can be. Nothing within the global climate agreement prevents a "conservative climate policy" involving carbon taxes the likes of which former Secretary of States' James A. Baker III and George P. Shultz, and former Secretary of Treasury Henry M. Paulson Jr. have put forward;
8. Support US Federal financing for science, technology, and innovation, and for bringing those innovations to market; and
9. Finally, pay close attention to human capital flows, and how they are affected by exclusionary visa policies. In my university and in those across the country, we are seeing shifts in willingness by the best and brightest students from around the world to come to, and ultimately stay in the United States. Signals

<sup>10</sup> Minter, A. China Wants to Power the World. Bloomberg View (2016).

<sup>11</sup> Xiufeng, F. Smart Grids in China: Industry Regulation and Foreign Direct Investment. *Energy Law J.* 37, 135-176 (2016).

<sup>12</sup> Chun, Z. China prepares to open national carbon market. *chinadialogue* (2016).

<sup>13</sup> Climate Bonds Initiative. China Green Bond Market 2016. (2017).

from Washington D.C., both the Administration and Congress, can be very helpful or be very harmful in this regard.

The United States has long demonstrated economic leadership in the Asia-Pacific region, advancing a vision of innovation and competition to achieve progress. As the nations of the region turn their attention to the opportunities and impacts posed by climate change, China's leadership on the issue is offering an attractive alternative. Countries are only prepared to hook their fate to a global leader who has shown that it understands their interests and their views. It would be the height of folly for the U.S. to give up the leadership role it has played on addressing the climate challenge, an issue seen by all countries as central to the security and prosperity of all.

The CHAIRMAN. Thank you, Dr. Orr.

Again, thank you, Ms. Overby.

We will begin with questions now. You both laid out a series of themes or principles, goals, that perhaps we should focus on.

Ms. Overby, you talked about the five things, a regional trade strategy, empowered EXIM Bank, adequate funding for FCS, reprioritizing U.S. foreign assistance, and using regional organizations to pursue regional economic opportunities.

Dr. Orr, you laid out nine goals or ideas talking about trade, renewable energy, climate agreements, and a number of others.

As we approach legislation to set a long-term strategy, not just a 4-year presidential term or an 8-year presidential term, but a long-term strategy when it comes to the economy and the region, should a strategy be focused on let's enter into a trade agreement, a bilateral trade agreement, with Japan, a bilateral trade agreement with another nation, Vietnam, you name it? Or should it be more encompassing than that, an overall regional strategy getting to the idea of a TPP type, a 2.0? Or should it be focused on China, on balancing China? On what goal, overall, should we focus our strategy economically in the region for the next 10 to 20 years?

Ms. OVERBY. From my perspective, I think focusing on writing the rules. Right now, you have the Regional Comprehensive Economic Partnership. It is a China-led, 16-country negotiation going on, and the U.S. is not at the table. In Hanoi, we heard the TPP 11 trade ministers talk about a commitment to finding a way forward with that agreement. The U.S. is not at the table.

So we are not participating in the two largest agreements in what we think is the most important part, which is getting the rules right.

But, of course, the U.S. business community supports any agreement that will open markets and allow our firms to compete. So whether it is bilateral or multilateral, our answer would be yes, we need to get in the game and increase our activity there.

The CHAIRMAN. Dr. Orr, I do not know if you want to add anything to that. I do not want to cut you off. I am sorry.

Dr. ORR. I would concur. It really is a question of getting in the game. There are key bilateral discussions on the table, and those can be very positive. But the dynamic is a multilateral dynamic.

The fact that the 11 countries that were negotiating TPP are still talking with each other, still working together, provides an opportunity, if the United States is ready to seize that.

The CHAIRMAN. You both mentioned that the 11 other nations in TPP are having conversations with each other without the United States. You mentioned the RCEP and China getting together and



setting rules. As far as you are aware, what is the status right now of conversations on bilateral trade agreements in Asia and other dialogues that we are having throughout the region?

Ms. OVERBY. There is increased activity. The European Union has vastly accelerated their bilateral FTA negotiations with a myriad of countries in Asia. And the Chinese have been very clear about their indication to try to move RCEP to a conclusion this year. The 11 TPP countries also are looking to try to do something with the high standards and the strong rules in TPP.

They reaffirmed in Hanoi that the reasons they entered TPP even without the U.S. participation are still valid. So from an American business perspective, we see the region moving on without us.

The CHAIRMAN. Could you talk about the political and economic consequences of a successful RCEP and the U.S. not entering into any substantive—

Ms. OVERBY. The Regional Comprehensive Economic Partnership is viewed as a much lower standard agreement than TPP. Basically, it appears to be a group of tariff agreements that are going to be cobbled together. Although the Chinese have said that they are pushing for higher aspirations, some of our friends in the RCEP countries indicate that they do not expect it to be high-quality.

So on the political side, we are deeply concerned with China's Asian Infrastructure Investment Bank, their "One Belt, One Road," and their Silk Road Initiative. They are putting enormous financial resources and political capital behind making friendships, building connectivity in Asia. And the United States is on the outside.

Trade agreements, by definition, are preferential. The countries in the agreement benefit from them. The countries on the outside are excluded from those benefits. So we are deeply concerned about the direction.

The CHAIRMAN. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Dr. Orr, if I could come back to you, this is a quite scary prognosis you are making for the gap that could be opened in clean energy job creation between the United States and China.

You also mentioned that they are now in the process of beginning to plan for a global grid in order to accommodate a renewable energy revolution, which, of course, could be a part as well of their massive investment in electric vehicles as part of their economic plan for the future. Those are two huge sectors, the energy and the automotive sector, for the United States, but for the whole planet.

Can you expand upon that a little more, so that we can understand what you are telling us is going on in that country?

Dr. ORR. Thank you, Senator Markey.

The Chinese have a very strategic intent with their investments in the clean energy sector. I have been traveling to China at least twice a year for the last decade. I have watched year-over-year the players in China broaden and thicken and deepen that are working on clean energy at home in China and around the world.

They intend to dominate this space. They are doing a very good job of it right now. The investment numbers are staggering. They

are creating markets at home and using that to be able to project those markets into other countries.

Senator MARKEY. In Asia?

Dr. ORR. In Asia primarily, not exclusively. They are also making investments in Latin America and other regions as well. But because they have such a deep market for renewables in their own country, they can produce them at very cost-effective rates.

I mentioned the Asian Infrastructure Investment Bank, but we best not forget other instruments that they are using. The China Development Bank is being capitalized for big efforts in this area. There are other instruments.

The “One Belt, One Road” initiative is not just an economic initiative. It is a geostrategic initiative. They are binding countries into their orbit. They have just held a summit that the President of Turkey declared that their plan was to link up with the “One Belt, One Road” initiative and provide the channel of all these products to Europe. This is a geostrategic order that is designed by China to do exactly what we do not want to see, which is a pivot away from a move into the Asia-Pacific, instead cementing their dominance on markets on the other side.

Senator MARKEY. Could you just, conceptually, talk about what a cross-national smart grid, using renewables for the basis for it, in the Asian region, just those countries that are abutting China, could mean in terms of the deepening roots that they could create by binding those other countries to an energy, electricity, all-electric vehicle future for an entire region, not just that one country?

Dr. ORR. Every country I visited in the region, every global conference I have been to in the last decade, either as a U.S. or U.N. official, I have seen the State Grid Corporation of China. They have a presence. They are projecting it. I was in Houston just a year ago. And at U.S. energy conferences, the State Grid Corporation of China is one of the leading players.

So they are looking at this as a regional move, but they are not hiding their ambitions for a global grid that is driven by the Chinese State Grid Corporation. They are starting with conversations and, in fact, investments with countries abutting China to begin a smart grid that would be able to take onboard renewables of all kinds.

This is something that is part of their kind of neighborhood strategy. But they are not going to stop there.

Senator MARKEY. You mentioned in your testimony \$60 billion in Chinese smart grid investment just through 2020, just 3 years from now, \$60 billion. So what do you project that could explode to become by 2030?

Dr. ORR. In fact, you need to take even the announced numbers with a grain of salt. The Chinese have a way of understating the numbers when they are talking about their stated objectives. I think their stated objective of \$60 billion in smart grid by 2020 will probably be achieved well before that. I would expect the numbers by 2020 to be higher.

I think how high it goes depends on how many takers they get. But if the indications are correct that all of their neighbors are talking with them, and they are starting to talk to a number of U.S. partners and allies as well, so it moves very quickly from the

economic realm to the strategic realm in terms of building relationships and dependence on that grid.

Senator MARKEY. Thank you, Mr. Chairman. That was always one of the visions of Buckminster Fuller, this cross-national grid that would bind people together, that would show the interconnectivity of all of us on the planet. But I do not think any of us ever envisioned that it would be the Chinese that would implement such a strategy.

But it is something that actually makes a lot of economic sense, and it requires us to be thinking through what the implications are.

Thank you.

The CHAIRMAN. Thank you.

Senator KAINE?

Senator KAINE. Thank you, Mr. Chairman.

Thank you to the witnesses. Just a topical issue.

Talk a little bit about the risk factors in the Chinese economy. I saw the news this morning about the Moody's bond credit rating downgrade in China. Just share with us a little bit your perspective on what that means and some of the risks that they are facing.

Dr. ORR. Senator Kaine, I think, as you well know, there are many risks in the Chinese economy. While they are a juggernaut of growth over decades and have amassed huge amounts of capital that can be deployed strategically, there are still huge inefficiencies in their economy. There are still huge dangers for instability in the Chinese economy, and they are very conscious of that. Many of the decisions they make on the economic side are about that.

Interestingly, one of the reasons, after years of trying to argue with Chinese officials that they need to invest more in clean technologies, they got religion not because of global environmental goals or the like. They got religion because of the political pressures arising out of the pollution in their biggest cities. But once they got religion, the investments started to flow dramatically.

So I think these inefficiencies in various sectors of China remain there. There are some risk factors there, but I would say that the experiment on seven regional carbon markets is a very interesting exercise. Some of their carbon markets failed. Some of them succeeded wildly. And others came in between. They are now moving to a national carbon market.

They will systematically squeeze inefficiencies out of their production processes with this national carbon market. We are not pursuing anything of the like here. Our inefficiencies in various sectors will not benefit from that treatment.

So I think while the risks are there, they are aware of them, and they move money to try to address them. I do think we do need to be concerned not just about Chinese success but about Chinese failure, should some of these risk failures blow up in their face.

Senator KAINE. Ms. Overby?

Ms. OVERBY. Thank you, Senator Kaine.

This year, China will have their 19th Party Congress, which is a very important milestone for President Xi Jinping. So I think, notwithstanding the instability and the potential risk factors, he will be driven to ensure as much stability as possible so that he can make it through that party congress successfully.

As Dr. Orr mentioned, there are enormous inefficiencies in their system, excess capacity. But I think they are going to be, this year, as much as ever before, focused. To the outside world, it is going to look calm and secure.

Senator Kaine. The second question, we have a funny way of doing jurisdictional divisions within the Foreign Relations Committee. I am the ranking member on the Near East, South, and Central Asia, which includes India. In talking about other nations in the region and ways to position bilaterally with other nations, I spend a lot of time thinking about the U.S.-India relationship.

Talk about the U.S.-India relationship in this sense of sort of the Indo-Asian economy and what are some opportunities that the U.S. may have there, either directly with India or even vis-a-vis or contra some of the Chinese activities.

Ms. Overby. Sir, I will start. India is part of RCEP, the Regional Comprehensive Economic Partnership. That is made up of the 10 ASEAN countries, Japan, Korea, Australia, New Zealand, China, and India.

From what we know about the RCEP negotiations, India and China have a challenge agreeing on much. So while the Chinese have been very clear that they want to drive these RCEP negotiations to a conclusion this year, there is a question in the region whether that will be minus India or whether they perhaps will lower their standards even further to accommodate India.

I do think there is, between those two great powers, there is an opportunity for the United States. But we must engage.

And I will stop there.

Senator Kaine. Dr. Orr?

Dr. Orr. India is moving quite quickly in a number of areas as well. Again, on renewable energy, which is kind of a golden thread running through this hearing, India is thinking big and moving big. They have big goals on solar and wind. They are meeting them. They are surpassing them. And they will keep attracting investment, both domestic and international.

Their Smart Cities initiative of the Prime Minister has many components, but I think it is a strategic vision that is both at once developmental and economic.

I had the privilege of traveling to India with Michael Bloomberg last year. We met with a number of the top business leaders in India, talking with them about what they were going to be doing in the climate and energy space. Virtually the head of every conglomerate in India, whether or not they are coal-based, oil-based, or anything else-based, are making investments now in the sector.

So while I described China as putting these huge dollars, \$360 billion over the next 4 years, India is going to be mobilizing a lot of internal capital in this area as well.

This race is on, and it is something that the United States has a technological lead, has a potential market that we could be extremely competitive globally. But right now, we are not making the decisions we need to compete with these giants.

One final issue I would mention, Senator, with respect to India, the Indians are coming from a lower baseline in terms of their economic development. They know they have a lot of catching up to

do. They are being quite strategic in certain sectors. They are heavily dependent on the IT sector.

Just in my role as dean of a school of public policy, I have been engaging with a number of Indian officials. They are extremely interested in cybersecurity right now. This is important to them. They see this as important to their key industries, and they know they are lagging behind. So I think you see a strategic intent on the part of the Indian Government, like the Chinese Government.

Senator KAINE. Thank you, Mr. Chair.

Thanks to the witnesses.

The CHAIRMAN. Thank you, Senator Kaine, for that. I completely agree with you. In fact, I have had a number of discussions with various Asia experts and others in India about how we can, through some form of adverse possession, do a hostile takeover of the other committee's jurisdiction and just take India. [Laughter.]

The CHAIRMAN. Is this a proper forum for a business meeting? I am open to a motion to add India to our title, if we want to do that. I do not know if Senator Risch is listening.

Senator KAINE. Noting the absence of a quorum—

The CHAIRMAN. That is right.

On a serious point though, I do think that our Asia strategy, which includes opportunities to work with India, the Indo-Asia area, the alliances that we create, the ANZUS alliance, we have to make sure that we include India in these discussions. So, I think it is very important that we do this.

So on a serious note, thank you. Maybe next Congress, we will accomplish that. Sorry, Jim Risch.

Ms. Overby, I want to talk about two of the points you made in your list of five. You talked about reprioritizing U.S. foreign assistance and using regional organizations to pursue regional economic interests.

Could you further elaborate on that? I think you said reprioritizing U.S. foreign assistance and using regional organizations. Just talk a little bit more about those two points.

Ms. OVERBY. Sure, Mr. Chairman.

What we mean by reprioritizing U.S. foreign assistance, U.S. aid is such a small percentage of the 150 account. Used effectively, we think it can help expand America's influence in Asia, by using regional agreements or regional organizations better. We are referring to APEC, the U.S.-ASEAN summit, the East Asia Summit. These are all opportunities where the U.S. is participating.

As I mentioned in my testimony, Asians are very nervous. The withdrawal from TPP that, prior to this election, the U.S. was leading and we were pushing hard to ensure high standards, comprehensive rules, which are very important to American businesses, as we talk about China and India and what they are doing in clean energy, the U.S. has very strong innovation capabilities, but we need those high standard rules to ensure that our innovation is rewarded and, frankly, protected.

The CHAIRMAN. I want to get to that, too, because these rules, these high standards that we have, when we talk about the goals for economic opportunity in Asia, should any economic approach that we set out, any goal that we set out, what do we need to in-

clude in terms of rule of law, IPR, intellectual property rights kind of conversations? How do we address that?

Ms. OVERBY. I think we start with a digital economy. Inside TPP, the e-commerce chapter for the first time clarified cross-border data flow and data server location rules that made it easy for data to flow across borders and prevented countries from demanding that servers be located within their jurisdiction.

Also, of course, strong IP protection, the U.S., the most innovative country on Earth, we need to be able to protect that innovation and be rewarded for it.

The CHAIRMAN. So like in the bill, this concept that we have that focuses on national security issues, economic security, human rights, democracy elements, if you have an economic component that talks about the importance of the alliances, that talks about the importance of trade and opportunity, do you need a standalone segment in there on these issues of standards, as it relates to intellectual property rights and those kinds of things?

Ms. OVERBY. We think so.

The CHAIRMAN. Legislation that is short of a trade agreement in and of itself, you should still include that?

Ms. OVERBY. I would support that, absolutely, because rule of law is still being developed in Asia. Those rules of the road for trade are being written as we speak. Right now, we have a hodgepodge of spaghetti bowl rules, different bilateral agreements, different regional agreements. TPP was seeking to raise the standards significantly.

I should point out that the U.S. was the driver. When Japan joined the negotiation to be the 12th country, then it became the U.S. and Japan as the demandeurs of high standards for most of these comprehensive rules and standards. So it is our belief that we absolutely need to have clear rules, comprehensive and high standards.

The CHAIRMAN. Dr. Orr, anything you would like to add?

Dr. ORR. Thank you, Mr. Chairman.

Just on your initial question about foreign assistance, in my testimony, I name not only our bilateral vehicles that are proposed to be fully defunded, which I think would do us great damage, but I also named some of the multilateral vehicles that we need to use.

As Ms. Overby just mentioned, the rules of the road are extremely important. We have codified rules of the road that make sense and that reflect American values and interests through various institutions. We need to use some of those institutions.

Here I would point out that while questions have been asked about the Asia Infrastructure and Investment Bank, we do have vehicles that are quite active in the region. The Asian Development Bank and the World Bank do have a portfolio in the region that is quite important to ensuring the kind of development along the rules as we describe, and the IFC is quite important in that.

Just the last thing that I would mention is that we have talked about China a lot, and India has come up. It is striking to me that we have not yet touched on major countries like Indonesia. Let's maybe think about Southeast Asia as a region.

This is a region that very much wants to work with, trade with, get investment from, and invest in the United States. We do need

to think about the other subregions of the Asia-Pacific region as important players in and of themselves, and to engage with them on the rules creation, because there is not a purist stance on that within the ASEAN countries.

So working with them, I think a lot is possible. So as you give thought to your legislation, and I would agree that the rules-based system is important, we should base our work through institutions that help secure those rules, but then work with constituencies like ASEAN that are winnable.

The CHAIRMAN. Thank you, Dr. Orr. A vote has been called, so we will just kind of go back and forth, and then probably conclude the hearing, so nobody has to wait.

Senator Markey?

Senator MARKEY. Beautiful. Thank you.

I would like both of you to kind of expand upon the question of the role that these key instruments of economic development in the region play, including USAID, OPIC, EXIM Bank, the World Bank, the Asian Development Bank, and the U.N. system itself in terms of its full funding to make sure that we are on the ground and competing in this region.

Could both of you take that question, in terms of the importance of these American institutions and their funding levels?

Dr. ORR. Thank you, Senator. All of these institutions play a different role, but the United States has always been the driver in every single one of those institutions you just mentioned. We get a tremendous bang for our buck.

I have served the United States Government in various capacities, and I have served at the U.N. While at the U.N., I was extremely struck by how strong the United States is in the system. Conventional wisdom within the Beltway notwithstanding, when the United States wants something to happen through the United Nations, it happens. The rules reflect that. The various areas within the U.N.'s purview, everything from the international postal system, to trade issues, to investment rules, are codified with a disproportionate U.S. voting share, and that is to our benefit.

The one other thing that I would mention in terms of institutions that we do need to think about, there are a number of informal institutions that engage on economic issues. Here, by working on climate change issues through formal mechanisms in the U.N., I became deeply associated with various energy networks around the world, various sectoral, agricultural sectoral organizations. These kinds of tools are ones that we also need to think about in our strategy.

The one place where it has come together was in the Paris Agreement. The Paris Agreement is now being debated in Washington, about whether or not we should pull out. I cannot imagine a greater self-inflicted wound than walking away from an agreement that we shaped, that is in our interests, that every country in the world is supporting, and that provides the framework for those various sectors to coordinate around the rules of the road that we have set.

Senator MARKEY. Thank you.

Ms. Overby?

Ms. OVERBY. Yes, I would refer to EXIM and OPIC. Those are the two that intersect our members the most. Having those institutions available are additional arrows in our quiver of helping American companies compete in a region that is so dynamic.

I should note that other governments are doing more and more in that regard. And we saw—forgive me for using the only word I can think of—the debacle of not having a fully funded, fully operational EXIM Bank the last couple years. We need to get in the game and stay in the game.

Our companies need support. We need to at least have the same level of support that other countries are providing to their companies. For many of our companies, it is the small- and medium-sized companies that are being hurt the worst.

Senator MARKEY. Is there a reason why you did not mention the Asian Development Bank?

Ms. OVERBY. The Asian Development Bank, I think it is important, but I think we see more activity among our companies with EXIM and OPIC.

Senator MARKEY. Okay. Wonderful. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. I think due to the vote, we will just go ahead and wrap up the hearing now. Thanks to both of you for attending today's hearing, for your time and testimony, thanks to all the participation today. Those of you who attended the hearing as well, thank you.

For the information of members, the record will remain open until the close of business on Friday, including for members to submit questions for the record.

I would kindly ask the witnesses to respond as quickly as possible to those questions. Your responses will be made a part of the record.

With the thanks of this committee, this hearing is now adjourned.

[Whereupon, at 3:09 p.m., the hearing was adjourned.]



**AMERICAN LEADERSHIP IN  
THE ASIA-PACIFIC—**

**PART 3: PROMOTING DEMOCRACY,  
HUMAN RIGHTS, AND THE RULE OF LAW**

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**WEDNESDAY, JULY 12, 2017**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:19 p.m., in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner and Markey.

**OPENING STATEMENT OF HON. CORY GARDNER,  
U.S. SENATOR FROM COLORADO**

Senator GARDNER. This hearing will come to order.

Let me welcome you all to the fourth hearing of the Senate Foreign Relations Committee Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy in the 115th Congress. I truly appreciate your willingness to participate in today's hearing.

It is the third hearing in our four-part series, though, in the subcommittee to address various aspects of U.S.-Asia policy in the Pacific region, from security challenges to economic engagement to today's topic, which is, of course, projecting our values of democracy, human rights, and accountability throughout the region.

These hearings will also inform new legislation called the Asia Reassurance Initiative Act, or ARIA, which will seek to build a long-term vision for United States policy toward the Asia-Pacific region.

At our first hearing on March 29, we focused on the growing security challenges in the Asia-Pacific, including North Korea, the South China Sea, and terrorism in Southeast Asia.

At that hearing, Randy Forbes, a former Congressman from Virginia and the chair of the House Armed Services Subcommittee on Seapower and Projection Forces observed the following: "In the coming decades, this is the region where the largest armies in the world will camp. This is the region where the most powerful navies in the world will gather. This is the region where over one half of the world's commerce will take place and two-thirds will travel. This is the region where a maritime superhighway linking the In-

dian subcontinent, Southeast Asia, Australia, Northeast Asia, and the United States begins. This is the region where two superpowers will compete to determine which world order will prevail. This is the region where the seeds of conflict that could most engulf the world will probably be planted.”

We agreed at that hearing that we must strengthen U.S. defense posture and increase engagement with our allies to counter these threats. At our second hearing on May 24, we focused on the importance of U.S. economic leadership in the Asia-Pacific.

At that hearing, Tami Overby, senior vice president for Asia at the U.S. Chamber of Commerce, observed the following: “The Asia-Pacific region is critical to current and future U.S. economic growth, competitiveness, and job creation. U.S. exporters, whether large or small companies producing goods and services, or farmers and ranchers exporting commodities, need access to these fast-growing economies and the rising pool of consumers.”

According to the Organization for Economic Cooperation and Development, the global middle class will expand from 1.8 billion in 2009 to 3.2 billion by 2020 and 4.9 billion by 2030. Most of this growth is in Asia. In fact, Asia’s middle-class consumers will represent 66 percent of the global middle-class population and 59 percent of middle-class consumption by 2030, doubling these shares since 2009.

We agreed at that hearing that, while the administration and Congress might differ on global trade strategy, we cannot ignore the fundamental fact that it is the Asia-Pacific region that will be critical for the U.S. economy to grow and for the American people to prosper through trade opportunities.

Today’s hearing will examine perhaps the most underappreciated part of our presence in the Asia-Pacific and worldwide: promoting our values of human rights, the rule of law, and accountability.

On December 10, 1986, President Ronald Reagan, in his speech declaring Human Rights Day, said the following, “At birth, our country was christened with a declaration that spoke of self-evident truths, the foremost of which was that each and every individual is endowed by our Creator with certain unalienable rights. And our creed as Americans is that these rights, these human rights, are the property of every man, woman, and child on this planet and that a violation of human rights anywhere is the business of free people everywhere.”

I believe that statement still holds true today as it did then, and it must form an integral part of our Nation’s foreign policy. I look forward to our distinguished panel addressing how we can advance these American values in the Asia-Pacific.

Now I will turn it over to our ranking member, Senator Markey, for why the Red Sox and Rockies World Series may or may not occur. [Laughter.]

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. I look forward to that prediction coming to pass, and I look forward to this hearing.

I thank you, Mr. Chairman. I think this is a very important subject and a fantastic panel that you put together here today for us,

because, for decades, the United States has promoted democracy, human rights, and the rule of law. This reflects our values and strengthens our security.

So today, we take stock of this effort in Asia, the world's most dynamic region. Japan, South Korea, and Taiwan demonstrate that democratic values do not thrive only in the West, but wherever societies protect the rights and dignity of all people, East to West, North or South. But, while Japan, South Korea, and Taiwan prove that progress is possible, we see a mixed picture elsewhere in the region.

Indonesia is both a Muslim-majority country and a democracy that values social tolerance. Yet, work remains before Indonesians move toward a full embrace of diversity and freedom of expression.

Myanmar, with strong U.S. support, has made extraordinary progress in overcoming decades of dictatorship. It now faces a turning point. Will reforms continue or will a failure to address sectarian and ethnic tensions undermine this country's great potential?

What will the Filipinos do about a President who tramples all norms of human rights and the rule of law with an extrajudicial killing spree masquerading as a counter-drug campaign?

And, of course, North Korea is a unique case, a closed society where horrific violations of human rights occur countless times every single day of the year.

Looming over the entire region is China, which questions whether democracy and the rule of law are relevant to economic development. In these circumstances, we must urgently ask, will China's rise undermine democracy, human rights, the rule of law, and regional prosperity? And what can America do to support Asia-Pacific countries seeking progress on these issues?

I look forward to exploring these issues with our witnesses today. Once again, Mr. Chairman, I thank you for this great hearing.

Senator GARDNER. Thank you, Senator Markey.

I will introduce all three of our witnesses, and then we will begin the testimony and the question time.

Our first witness is Mr. Murray Hiebert, who serves as senior adviser and deputy director of the Southeast Asia Program at the Center for Strategic and International Studies. Prior to joining CSIS, he was senior director for Southeast Asia at the U.S. Chamber of Commerce and also worked as a journalist in the Wall Street Journal's China bureau.

Thank you very much for being with us today.

Our second witness is the Hon. Derek Mitchell, who serves as senior adviser to the Asia Program at the U.S. Institute of Peace. Prior to joining the U.S. Institute of Peace, he served as the U.S. Ambassador to Burma from 2012 to 2016, and also served as Principal Deputy Assistant Secretary of Defense for Asian and Pacific Security Affairs from 2009 to 2011.

Welcome, Ambassador Mitchell.

Our final witness today is the Hon. Robert King, who serves as senior adviser to the Korea Chair at the Center for Strategic and International Studies. Ambassador King previously served as the Special Envoy for North Korean Human Rights Issues at the U.S. State Department from November 2009 to January 2017.

I encourage everybody to read the report that Ambassador King was author of. He was the longest serving envoy for human rights abuses in North Korea since the creation of the position under the North Korean Human Rights Act of 2004. I welcome Ambassador King.

Thank you very much for being with us today.

Mr. Hiebert, if you would like to begin the testimony, please do.

**STATEMENT OF MURRAY HIEBERT, SENIOR ADVISER AND DEPUTY DIRECTOR, SOUTHEAST ASIA PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC**

Mr. HIEBERT. Thank you, Chairman Gardner and Ranking Member Markey.

Congratulations to the committee for holding this hearing on the important issue of promoting democracy, human rights, and rule of law in the Asia-Pacific. Promoting these values sends a clear signal to authoritarian governments that the United States is watching how they treat their citizens. The U.S. promotion of human rights and democracy has often made a difference when there is coordinated government and civil society effort to promote increased political space.

Senator Markey already alluded to what happened in Myanmar/Burma, where U.S. policy played a critical role in promoting reforms when the ruling military junta realized that this was the only way to end decades of sanctions and isolation.

And, similarly, in Vietnam, which remains an authoritarian government, the U.S. has played a role in getting political prisoners and imprisoned religious leaders, bloggers, et cetera, out, as Vietnam has looked to deepen ties with Washington, as it faces increasing assertiveness from China.

Generally, I would say over the last five or so years, human rights and democratic reforms in Southeast Asia appear to have slipped. There have already been several references to the Philippines where, since the election of President Duterte a year ago, police and vigilantes have killed more than 9,000 suspected drug dealers and users, as the government has pursued a policy aimed at eradicating illegal drug use and sales. Duterte has very sharply rejected any criticism of these killings from foreign governments, including the United States.

One of the most exciting developments, as also has been alluded to, is what happened in Myanmar, the elections in 2015, which were fairly credible, I think, in reflecting the wishes of the people. Yet, despite the improvement of human rights, we continue to face a couple of major problems. One is the abuse and restrictions on the Rohingya Muslim population, of whom about 150,000 or so are still in austere camps in Rakhine State. The second issue is human rights problems continue in ethnic minority areas wracked by conflict with the military.

Then there is Thailand, where the military government installed after 2014 has sharply limited civil liberties. The government continues to restrict and censor online content. It monitors and blocks thousands of websites critical of the monarchy. And dozens of people have been charged and sentenced to long prison terms under

Thailand's strict *lèse-majesté* laws intended to protect senior members of the royal family.

Since President Trump came into office, he has taken a couple steps, which indicate that there has been at least some change in attitudes toward human rights in the region. In a phone call to Duterte in late April, Trump congratulated him for the "unbelievable job on the drug problem," and invited him to the White House. In another call to Prime Minister Prayuth of Thailand the next day, he congratulated him for the 2014 coup doing a good job of stabilizing the situation after toppling a democratic government.

In both cases, the President appears to have been trying to mend fences with countries that have been treaty allies of the United States had really faced a bit of a drift apart from the United States and had moved closer to China, as a result of tensions with the U.S.

Secretary Tillerson, a couple months ago, also made it clear that, when it comes to foreign policy, national interests and economic interests are going to trump human rights. He added that promoting values are often an obstacle to advancing other interests.

I am going to make a few comments about the question of what tools the U.S. has.

One of the clearest tools that has been used recently, actually by my partner here to the right, Ambassador Derek Mitchell, who, as Ambassador, instituted a full Embassy, USAID, all parts of the Embassy coordination of efforts targeting rule of law, transparency, civil society, the media, et cetera, in preparation for the elections. The sad part is that, since the new administration took office in January, Myanmar has appeared, at least in Washington, to have fallen off the U.S. radar, opening the door to stepped up Chinese engagement.

Because of the tensions between human rights and other aspects of foreign policy. One of my colleagues at CSIS, Shannon Green, has recommended that the U.S. Government create an interagency decision-making process that helps officials decide how to balance tensions that arise between short-term security interests and longer term human rights interests. She suggested maybe housing this coordinating function in the NSC.

The other tool that you see making a pretty big difference in Asia is the Leahy amendment of 1997, which prohibits aid to military forces that violate human rights. This happened in the case of Indonesia after the violence in 1999 in East Timor. Under the Leahy amendment, the Kopassus special forces were sanctioned. As the government, as the military, wanted to get out from under sanctions, they instituted some reforms, at least in some units of Kopassus.

The other development that is really interesting is the role of the Philippine military. Although President Duterte has suggested several times that they ought to get involved in the drug war, they have really stayed out. Officers, when you talk to them, say they recognize they need the United States particularly now in Mindanao for the fight against Islamic militants. They need intel-sharing and coordination with the U.S. They need U.S. military hardware. The Leahy amendment has had an indirect effect, at least in the Philippines, the Leahy amendment.

Another useful tool is the Trafficking in Persons legislation. We saw this in Thailand. The government, despite all the criticisms of its human rights violations, took particular umbrage at its Tier 3 status in the Trafficking in Persons Report and made a yeoman's effort, I think, at stepping up investigations, prosecutions, and convictions of traffickers, to the point that they were elevated a few months ago to Tier 2.

Trade agreements can also play a role. With the Vietnamese negotiating the Trans-Pacific Partnership, they agreed to some pretty sizable labor concessions by agreeing to let laborers have freedom of association in unions independent of the governments, to get more access to the United States and the U.S. market.

I think that the Vietnam example demonstrates that there can be countries that have human rights problems, but yet they are improving economic and security cooperation with the United States. Therefore, it is possible to walk and chew gum, criticize human rights and yet improve in other areas.

Finally, with the administration sort of missing in action on the human rights front, I think it does give Congress a much bigger role, and we look to all of you to help carry the flame for democracy and human rights overseas in the next few years.

Thank you very much.

[Mr. Hiebert's prepared statement follows:]

PREPARED STATEMENT OF MURRAY HIEBERT

Congratulations to the committee for holding this hearing on the important issue of promoting democracy, human rights, and the rule of law in the Asia-Pacific.

*1. Why is it important to promote American values of democracy, human rights, and the rule of law as part of comprehensive U.S. policy toward the Asia-Pacific?*

For starters, the promotion of U.S. values of democracy, human rights, and the rule of law has long been part of the U.S. national identity. Promoting these values sends a clear signal to authoritarian governments that the United States is watching how they treat their citizens, while defenders of human rights and democracy are assured that they will not be abandoned by Washington.

U.S. support for these principles can help serve as a brake on the worst inclinations of authoritarian leaders. Because these values are at the core of U.S. foreign policy, many regimes are more cautious in committing abuses and flouting power.

Second, democratic and human rights respecting governments often make the most reliable and stable partners for the United States overseas, while authoritarian governments often mistreat their citizens in their effort to cling to power. Democracies do not go to war with each other, create refugees, have more open and successful economies, and respect international law, Ted Piccone argued in a recent Brookings blog.

Third, the United States has been a major beneficiary of the liberal world order and the institutions built on the principles of democracy, human rights, and the rule of law since World War II. The U.S. promotion of human rights and democracy has often made a difference when government officials, members of Congress, and human rights organizations have launched concerted efforts to promote increased political space, says CSIS colleague Shannon Green.

U.S. policy toward Myanmar/Burma played a critical role in promoting reforms when the ruling military junta realized that this was the only way it could end decades of sanctions and isolation. U.S. promotion of human rights has played a role in getting political prisoners and imprisoned religious leaders, political activists, and bloggers released in Vietnam as the government has sought to deepen ties with Washington as a hedge against increased assertiveness from China.

*2. What are the main challenges of adhering to these values and where should U.S. efforts and resources be better focused to achieve most effective outcome?*

Support for human rights and the democratic reform in Southeast Asia appears to have slipped in recent years even as the region's growing middle class, thanks

to increased education, money, and technological innovation, is hankering for more freedom, more transparency, and a greater role in decision-making.

Some examples:

- In the Philippines, since the election of Rodrigo Duterte a year ago, police and vigilantes have killed more than 9,000 suspected drug dealers and users as his government has pursued a policy aimed at eradicating illegal drug activity. This has added to the problem of extra-judicial killings, which have been a concern in the country for years. Duterte has sharply rejected any criticism of these killings from foreign governments, including the United States, and has said the authorities would investigate any actions taken outside the law. Other human rights and rule of law problems in the Philippines include corruption, abuse of power, abuse of prisoners by security forces, harassment of political activists, and the killing and harassment of journalists.
- One of the most exciting developments in Southeast Asia in recent years was the 2015 elections in Myanmar that were widely viewed as a credible reflection of the wishes of the people. Aung San Suu Kyi's National League for Democracy took office in March 2016 and soon began releasing hundreds of political prisoners remaining from the previous military government. Although there has been a general improvement in freedom of speech in the country, Myanmar still faces three major human rights problems. First, the abuses against and restrictions on the Rohingya Muslim population of which over 120,000 remain in austere camps in Rakhine State. Second, human rights problems continue in ethnic minority areas still wracked by conflict with the military. Third, many political prisoners continue to face restrictions following their release and, at the end of 2016, some 66 political detainees were facing trial on various charges. The authorities also continue arresting and detaining some citizens for expressing political views critical of the government.
- Numerous decrees in Thailand by the military government installed after a 2014 coup have limited civil liberties, including restrictions on freedom of speech, assembly, and the press. The military gave itself sweeping powers to limit "acts deemed harmful to national peace and stability." The government continues to restrict and censor online content, and it monitors and blocks thousands of websites critical of the monarchy. Dozens of people have been charged and sentenced to long prison terms under Thailand's strict lese-majeste laws designed to protect senior members of Thai royal family from insult or threat. Separately, abuses by government security forces continue against the Malay-Muslim insurgency in the south. In the most recent State Department Trafficking in Persons report, Thailand was upgraded from tier 3, the lowest ranking on the list, to tier 2, prompted by what the report says were "significant efforts" made by the Thai government to eliminate human trafficking. The report cited increased investigations, prosecutions, and convictions as reasons for Thailand's improved status.
- In Vietnam, the most serious human rights problems are severe restrictions on citizens' political rights, including arbitrary arrests of political activists and bloggers. The U.S. government estimated at the end of 2016 that Vietnam was holding 94 political prisoners. In 2016, the government sentenced an estimated 12 activists for exercising their internationally recognized human rights. The government restricts speech criticizing the ruling Communist Party, limits some internet access, and blocks some websites such as Radio Free Asia and Voice of America. Facebook is generally not blocked, except when activists are using it to organize protests.
- Cambodia under Prime Minister Hun Sen has increased restrictions on the freedom of speech and press freedom in recent years. Violence and intimidation are used to silence civil society and political opponents of the ruling Cambodia People's Party. From time to time, political motivated killings are used to silence critics as happened in July 2016 when commentator and activist Kem Lay was gunned down at a convenience store.

3. *What tools are available to U.S. to incentivize governments to adhere to these values and principles? Has the Trump administration used these tools effectively?*

In a phone call in April, Trump congratulated Duterte of the Philippines for his "unbelievable job on the drug problem" and invited him to visit the White House. In another call around the same time, Trump lauded Thai Prime Minister Prayuth Chan-ocha for restoring order following the 2014 coup that toppled a democratically elected government after months of disruptive protests. Trump's goal in both cases was to mend fences with two U.S. allies in Southeast Asia that had been alienated from Washington following human rights and democracy criticisms and had moved

closer to China in the process. Deteriorating U.S. relations with Bangkok and Manila were undermining the U.S. position in Southeast Asia and opening the door to an increased Chinese role among traditional American friends.

The Trump administration has made clear that it intends to downplay the promotion of human rights, democracy, and rule of law as tools of U.S. foreign policy. Secretary of State Rex Tillerson has said that when it comes to foreign policy, national interest and economic interests trump human rights, adding that promoting values are often “an obstacle” to advancing other interests. The Trump administration’s views on human rights have disrupted a bipartisan consensus favoring the promotion of rights and democracy that has dated back at least to the end of the Cold War.

The U.S. government has a vast array of tools to promote human rights and democracy:

- One U.S. tool was on display in Myanmar ahead of the 2015 elections. To be sure, the leaders and people in Myanmar deserve the credit for pulling off reasonably free and inclusive elections. But aid by foreign partners, including the United States, was also critical. The U.S. Embassy and USAID played key roles through projects targeting rule of law, transparency, civil society, the media, and preparations for elections. Even before the military launched reforms, the United States helped keep the flame alive by training Myanmar civil society organizations outside the country. (Since the new U.S. administration took office in January, Myanmar has largely fallen off the U.S. radar, opening the door to stepped up Chinese engagement, although there are efforts underway to bring Aung San Suu Kyi to Washington in September).
- My CSIS colleague Shannon Green has recommended that the U.S. government create an interagency decision-making process, perhaps housed in the National Security Council, to overcome tensions that arise between U.S. short-term security interests and longer-term human rights goals. This process could help ensure that security cooperation resources and training bolster democratic institutions, civilian protection, and the professionalism of security forces.
- The so-called Leahy amendment of 1997 that prohibits U.S. aid to military forces that violate human rights is another useful vehicle. Under this legislation, the Indonesian army special forces (Kopassus) were barred from receiving U.S. training and equipment due to their abuses in East Timor in 1999. Over the years, these forces were somewhat reformed leading to a lifting of the ban on one counter-terrorism unit in 2011. Interestingly, the Philippine Armed Forces have stayed out of Duterte’s war on drugs despite his frequent calls for the military to aid the police. It’s not clear if the Leahy amendment has played a role in the generals’ thinking, but clearly many Philippine officers, many of whom have trained in the United States, recognized that they need U.S. intelligence sharing, equipment, and advice in dealing with threats like the Islamic militant uprising that erupted in May.
- Another tool is the annual Trafficking in Persons report. Frustration with being relegated to the last tier prompted the Thai military government to step up its investigations, prosecutions, and convictions of traffickers to the point where it was elevated to tier 2 in this year’s report.
- Trade negotiations can also provide an opportunity to promote human rights reforms. Under the Trans-Pacific Partnership (TPP), which was jettisoned by the Trump administration, U.S. negotiators were able to press Vietnam’s Communist Party, which has long viewed itself as the patron of laborers, to grant workers freedom of association through independent labor unions in exchange for increased access to the attractive U.S. market.
- One of the oldest human rights debates in Washington swirls around private diplomacy versus public criticism for violations of human rights. In the case of both Thailand and the Philippines, U.S. public criticism raised hackles among leaders creating anger and rejection of the message and the messenger, and prompted moves to deepen ties with China. More recently, U.S. officials have switched to private diplomacy in the Philippines. Although so far we have not seen much change in the levels of violence in the drug war, Duterte has drastically toned down his anti-American rhetoric and is looking for U.S. support in the battle against Islamic militants in the southern province of Mindanao. At the same time, Washington even when it uses private diplomacy needs to ensure that Filipinos are aware that the U.S. government is not embracing Duterte’s policies uncritically.
- In Vietnam, U.S. aid to help develop a legal system and train judges as Vietnam joined the World Trade Organization a decade ago laid the cornerstones



to open the door for Washington to provide advisers to the National Assembly on revising the country's criminal code. U.S. relations with Vietnam are an example that it is possible for Washington to deepen trade relations and security cooperation while at the same time keeping a focus on human rights problems.

- Because the administration seems to have largely abandoned its important role in human rights promotion, it might mean that the United States will have to look to Congress to promote democracy and human rights overseas in the next few years.

Senator GARDNER. Thank you, Mr. Hiebert.  
Ambassador Mitchell?

**STATEMENT OF HON. DEREK MITCHELL, SENIOR ADVISOR TO  
THE ASIA CENTER, U.S. INSTITUTE OF PEACE, WASHINGTON,  
DC**

Ambassador MITCHELL. Thank you very much, Mr. Chairman, Ranking Member Markey.

First of all, thank you for inviting me to speak at this hearing. I am very honored to be joined by my good friends, Murray Hiebert and Bob King, to my left and right.

As a citizen, let me also extend my gratitude for the series of hearings the subcommittee has organized in recent months to examine U.S. interests in East Asia, beginning with examinations of security, economic affairs, and now human rights governance and rule of law. Too often, these interests are looked at independently, as distinct from one another, when they are, in fact, closely linked.

It has been my observation and experience that commitment to values of human rights and democracy is not merely an idealistic goal or an ideology, but quite proven in practice. When countries promote individual human dignity and protect civil liberties, they tend to be more highly functioning and stable societies. They create conditions for peaceful interaction within and among states. They provide platforms for individual achievement. They also become more appealing destinations for business investment, and are able to prevent their territory from being a source of international instability or transnational challenge, like those that Murray just listed.

The perception persists, nonetheless, that somehow promoting human rights and democratic governance is, at best, a luxury and, at worst, an obstruction to protecting U.S. economic and national security interests around the world. Asian and some non-Asian commentators over the years have advanced a theory of Asian exceptionalism that "Western" values of democracy and human rights are somehow alien to Asian culture, lack foundation in Asian history, and, thus, are unnatural to Asian society.

But over the past 30 years, the region has enjoyed a rush of democratic change and advancement of human rights accompanied by relative stability and dynamic economic growth. When presented the opportunity, the people of East Asia, like others around the world, have demanded that their voices be heard and respected, and that they have the right to hold their governments accountable. The United States has benefited materially as a result in economic, political, and national security terms.

Progress has been hardly linear, without setbacks, or shared among all nations in the region. But those who claim Asia as a whole is uniquely immune to the yearning for individual rights,

personal freedoms, and accountable governance have had to reassess.

I saw that personally in Burma. I witnessed firsthand the deep respect the Burmese people had for the United States due to our strong and sustained commitment to stand with them instead of exploiting the country for economic or geopolitical gain. I should note that that commitment was bipartisan, reflected in congressional legislation and the policies of successive presidential administrations.

U.S. policies then and since then were geared to supporting Burma's success. The promotion of human rights and democratic processes is a central and fully integrated component. We understood, without that component, peace, stability, security, and overall development in Burma could not be achieved to the detriment of our interests.

Of course, the transition in Burma is not complete, as you say. Enormous challenges remain in northern Rakhine State, Kachin, northern Shan State, and all around the country. Future success is not certain.

But even as we must recognize the most important factor in Burma's success no doubt will come from within, Burmese people told me often that principled support of external partners, most importantly the United States, would remain essential for their morale and continued progress.

In terms of recommendations for U.S. policy, the first must critically be, as Murray suggested, for the current U.S. administration to recognize the importance of human rights and democracy promotion to U.S. interests and return it to U.S. foreign policy. The U.S. Congress should do what is necessary to reassert its traditional prerogative as conscience of the country in this regard.

Secondly, from my experience, an effective values-based policy requires thoughtful implementation by U.S. missions overseas. U.S. Embassies should tightly knit all their components—State Department, USAID, DOD, et cetera—into a coherent strategic whole to ensure consistency. That is the cliché known as the one-mission approach.

Third, given that human rights and democratic gains take hold gradually, and that political transitions transcend single moments in time such as elections, the U.S. Government, including Congress, must remain patient, manage expectations, and provide resources on a consistent basis to support the institutions and processes that promote human rights, democracy, and rule of law around the world. Such support should not wane due to premature assumptions of success, disappointing setbacks, or periodic shifts in political whims in the United States.

To be specific and blunt, Congress should fully fund both the State Department and USAID, and leading institutions that conduct related work in Asia, such as the National Endowment for Democracy and its sister organizations, NDI and IRI, Radio Free Asia, Voice of America, Peace Corps, The Asia Foundation, the East-West Center, and the U.S. Institute of Peace.

Let me just say, in conclusion, that human rights, democracy, and rule of law are fundamental components of who we are as a Nation, essential to America's founding idea and meaning as a

country. The United States may not always be perfectly consistent in application. All foreign policy, after all, is a matter of balancing competing priorities and making choices based on context. But without a principled element to our foreign policy, we unilaterally throw away our unique advantage among peoples of the world as a generous and attractive great power, one that is committed to the overall well-being of others as equally worthy to the inalienable rights to life, liberty, and the pursuit of happiness.

More fundamentally, the defining challenge of the 21st century will be preserving and adapting, as needed, the norms, rules, and values of the post-World War II international system in the face of rising powers who may be uncomfortable with that status quo. If the United States does not lead in shaping those norms, rules, and values, including on human rights, democracy, and rule of law, no one else can or will quite take our place, and others will just as assuredly fill that void with their own version of values promotion to our lasting detriment.

Thank you, Mr. Chairman.

[Ambassador Mitchell's prepared statement follows:]

PREPARED STATEMENT OF AMBASSADOR DEREK MITCHELL<sup>1</sup>

Chairman Gardner, Ranking Member Markey, and members of the subcommittee, thank you for inviting me to testify this afternoon. I am grateful for the opportunity to provide my own perspective on this important topic.

As a citizen, I am also grateful for the series of hearings this Subcommittee has organized in recent months to examine U.S. interests in East Asia, beginning with examinations of security, economic affairs, and now human rights, governance and rule of law. Too often, these interests are looked at independently, as distinct from one another, when they are in fact closely linked.

I am reminded that when I moved from the National Democratic Institute to the Pentagon's Asia division 20 years ago this month, friends in both communities would commonly question how I could transition from democratic development to international security affairs. I never understood the inconsistency. While the communities may be rather segregated, the connection between them to me was clear: that safeguarding international security creates necessary space for political and economic reform, and the stability created by economic growth and democratic governance contributes to international peace and security in return.

Indeed, it has been my observation and experience that commitment to values of human rights and democracy is not merely an idealistic goal or an ideology but quite proven in practice. When countries promote individual human dignity and protect civil liberties, they tend to be more highly functioning and stable societies. They create conditions for peaceful interaction within and among states. They provide platforms for individual achievement. They also become more appealing destinations for business investment, and are able to prevent their territory from becoming a source of international instability or transnational challenge. Stable democratic nations rarely become the source of refugee flows, or the epicenter of pandemic disease, human trafficking, and the like.

Nonetheless, the perception persists that somehow promoting human rights and democratic governance is at best a luxury and at worst an obstruction to protecting U.S. economic and national security interests around the world. American "moralism" is hypocritical, arrogant or just unwelcome, according to this view. This view contends the United States would do better to tone down if not eliminate promotion of human rights and democracy as a central component of its international relations, the better to promote other more salient national interests.

*East Asia*

East Asia in fact is particularly open to such a perspective. The region has been traditionally dominated by "realist" attitudes that prioritize the importance of power balances and economic growth over liberal political values. To a degree that makes

<sup>1</sup>The views expressed in this testimony are those of the author and not the U.S. Institute of Peace.

sense given the region's diverse mix of large and small powers, where historical legacies weigh heavily on relations among states, and where national power and political legitimacy of leaders has rested increasingly on the ability to deliver public economic goods.

Given this context, America has maintained its power and credibility in East Asia largely due to its contributions to regional security and economic affairs. Regional governments and elites have often denigrated U.S. efforts to prioritize democracy and human rights in the region. One factor is Asia's colonial past. Sensitivity over external involvement in their internal affairs runs deep in many countries, reflected in Southeast Asia's foundational "Five Principles of Peaceful Coexistence."

Asian (and some non-Asian) commentators over the years have also advanced a theory of Asian exceptionalism: that "Western" values of democracy and human rights are somehow alien to Asian culture, lack foundation in Asian history, and thus are unnatural to Asian society. Those who asserted a distinction between inherent "Asian" and "Western" values contended that while Western traditions put a premium on individual rights, personal liberties, and democratic governance, Asian culture and history led to prioritization of collective responsibilities, strong central governance, social harmony, and economic over political rights. According to this view, attention to individual rights and popular democracy in an Asian context is an invitation to instability and division if not chaos.

East Asia's history since the late 1980s has challenged this notion of Asian exceptionalism, however. Over the past 30 years, the region has enjoyed a rush of democratic change and advancement of human rights accompanied by relative stability and dynamic economic growth. When presented the opportunity, the people of East Asia like others around the world have demanded that their voices be heard and respected, and that they have the right to hold their governments accountable. Progress has been hardly linear, without setbacks, or shared among all nations in the region. But those who claim Asia as a whole is uniquely immune to the yearning for individual rights, personal freedoms, and accountable (democratic) governance have had to reassess.

#### *Soft Power*

It is of course not uncommon for autocrats anywhere to assert that democracy and civil liberty must be restricted in their country, that suppression of political and social rights is necessary for national security, stability, and economic development. But citizens have a different idea, and it is to them that the United States looks when promoting principles of human rights and democracy. America's reputation as a source of support for freedom fighters and democratic activists around the world is expected and widely respected, even among many of those who may decry American naivete and question U.S. intentions and consistency.

That reputation and commitment to liberal values and principles has been a critical source of American power and influence around the world. "Soft power" is perhaps an unfortunate term given those who instinctively associate something called "soft" as akin to "weak." But power is power whatever form it takes. We forego that advantage at our peril. Touting the nobility of U.S. budgets that reflect interest in "hard power" alone, therefore, is not strategic thinking but narrow, shortsighted and disconnected from the totality of ways to protect one's interest and exercise influence in today's world.

The United States should also consider engaging business in the effort. While some U.S. businesses chafe at the U.S. Foreign Corrupt Practices Act and other regulations on its global activity, their existence and U.S. business's overall leadership in exemplifying corporate social responsibility around the world are further examples of U.S. soft power, and can offer U.S. business advantages when branding themselves to customers and communities overseas in turn.

In East Asia, trade may also serve as a lever for promoting our values given its role in underwriting the region's growth. The Trans-Pacific Partnership (TPP) agreement was a landmark achievement to promote labor rights and good governance in countries where such rights and practices have historically been weak. While recognizing the need to take account of effects of trade agreements here at home, foregoing the TPP frankly damaged both our credibility and our values in Asia.

The U.S. military can also help demonstrate to regional militaries that (hard) power and principle are not mutually exclusive, and that the values of transparency, accountability, and civilian control have strategic benefit. Providing opportunities for U.S. servicemen and women to engage with counterparts (and others) in East Asia to this end can create lasting partnerships, and help promote responsible, professional militaries that will underwrite regional stability over the long term.

In the end, human rights and democracy must result in practical outcomes for peoples' lives: "democracy must deliver," as former Secretary of State Madeleine

Albright likes to say. Demonstrating the benefits of connecting countries to the United States, and to its norms and values, has long-lasting strategic value if only to prevent nations from aligning with the values and norms of others with less interest in contributing to the general welfare.

#### *Expectations Management*

Time and patience are required in the realm of human rights and democracy promotion. In very few instances is measurable progress achieved quickly or completely. Steps back are inevitable, with realization of our fondest hopes a work in progress in virtually all cases (including here at home). Imperfect outcomes are the natural outcome of imperfect systems and the imperfection of human beings.

Likewise, many countries may seek democratic change in the belief that doing so will inevitably and quickly lead to economic development and national power like the United States. Expectations there too must be managed. Transitions are difficult and protracted, with setbacks normal. Disappointment and disillusion are the common result when outcomes do not match expectations, leading often to reaction and regression.

The United States thus must not only be patient with the course of change, but also should counsel other countries on the difficulties that come with reform. We ourselves must not succumb to the notion, for instance, that successful elections mark the end of the process, but remember that developing new institutions, processes and mindsets are the most essential components to fortify and sustain a free society over time.

#### *State of Play in East Asia*

Asia's tremendous diversity prevents a one-size-fits-all approach. Spanning the world's largest country (China), largest Muslim-majority nation (Indonesia), last remaining totalitarian state (North Korea), and medium-sized nations that run the full gamut of democratic progress, human rights protection and authoritarian rule, the region has resisted categorization. Nonetheless, as noted above, democratic transitions in East Asia over the past generation have affirmed that people throughout the region, regardless of culture, ethnicity, religion, etc., seek and desire basic human dignity, rights, and freedom.

It is no coincidence that the U.S.'s two allies in Northeast Asia—Japan and Korea—are both democratic success stories. They demonstrate the positive impact of U.S. engagement historically in the advancement of democratic principles and human rights in East Asia. They remain essential partners of the United States and core contributors to global development and stability.

The U.S.'s two Southeast Asian treaty allies pose more of a conundrum. Thailand's regression following the 2014 military coup and the Philippine President Rodrigo Duterte's violent drug war (and apparent personal aversion to the United States) have led to a chill in both bilateral relationships in recent years. In each case, the United States has profound regional security interests in maintaining stable bilateral relations. We must not sacrifice all that we have built with such historic friends. Nonetheless, as a matter of principle and interest, it is appropriate that the United States not conduct business as usual even with such long-time allies to demonstrate our support for upholding the most basic tenets of human rights, due process and accountable governance and as a warning to others considering a similar path. Thailand's long-delayed plan to hold national elections in 2018, for instance, must occur to help put that relationship back on sound footing.

While not involving an ally, the United States should also not ignore national elections in Cambodia in 2018. Cambodia's political opposition, despite severe harassment, achieved better-than-expected results in recent local elections, suggesting growing political strength. Meanwhile, Prime Minister Hun Sen has suggested he intends to hold onto power past 2018 through any means necessary. The situation requires close watching—and international engagement—to ensure democratic processes are safeguarded, human rights protected, and the popular will respected so Cambodia does not fall further back.

In Southeast Asia more broadly, despite traditional sensitivity toward issues of national sovereignty, nations are beginning to pay more attention to the effect of internal affairs of neighbors on their interests. ASEAN has established a Human Rights Council, while the ASEAN Charter affirms principles of democracy, human rights, good governance, and rule of law as essential to building an "ASEAN Community," the region's vision for promoting future economic development.

Burma's abuse of the Muslim Rohingya population on its soil, for instance, has led to furious responses from (Muslim) populations in Indonesia and Malaysia. (Abuses against the Rohingya elsewhere in the region, including within Muslim-majority nations, get rather less attention from local populations.) Burma's neighbors

also resent the refugee flows and human trafficking networks that contribute to regional instability.

Outside of Burma, other ethnically and religiously diverse nations of Southeast Asia increasingly struggle to balance majoritarian nationalist attitudes and minority rights. Hate speech disseminated through social media afflicts the region as elsewhere in the world, and in many cases has inflamed sectarian tension. In majority-Muslim Indonesia, the ethnic Chinese Christian former governor of Jakarta not only lost his re-election bid but also faces extended jail time over a political comment considered blasphemous towards Islam. The majority-Catholic Republic of the Philippines has struggled for decades (as did Americans before them) with unrest in its Muslim-dominated southern islands. The implications of rising chauvinism in Southeast Asia is affecting relationships among neighbors, where one nation's majority is another nation's oppressed minority, threatening regional cohesion and integration.

The hardest East Asian cases of course concern China and North Korea. While China's human rights record is no longer akin to North Korea's, its antipathy to rule of law, civil and political rights, and accountable democratic governance hardly stands up to minimal levels of scrutiny. Nonetheless, given overriding interests of American national security, attention to human rights in both countries has receded in both cases. That is unfortunate and need not continue, even if it cannot override the urgent priorities of national security.

#### CASE STUDIES: THE REPUBLIC OF KOREA, TAIWAN, AND BURMA

Three specific cases exemplify the value of U.S. promotion of human rights and democracy in East Asia.

*Korea:* Imagine if the Republic of Korea were not a democracy. Seoul recently underwent a political crisis punctuated by mass street demonstrations and a legal challenge that resulted in the removal of a sitting president, a new election, and a peaceful transition of power to a new president. The process was a model of democratic efficiency and rule of law.

It was not always thus. Prior to its democratic transition 30 years ago, the ROK had a history of assassinations, civil unrest, and violent repression. We might consider how different our security situation would be today, in the face of an escalating threat from a nuclearizing North Korea, were the ROK experiencing political unrest in a non-democratic rather than democratic context. What if the Korean people's support for the U.S.-ROK alliance were not at all-time highs but akin to years ago when the United States was viewed as a friend of the nation's autocrats? What if ROK society were not united and stable, and confident in U.S. good faith interest in their rights and success? How do we calculate the value of today's democratic ROK to our national security?

In Korea, we have a case of "the dog that did not bark," where one takes for granted the absence of a crisis due to the stability of a democratic society. We should in fact never take such for granted.

*Taiwan:* We should also consider the example of Taiwan. Due to geopolitical factors, Taiwan is often considered a potential negative factor in regional security rather than what it is: an East Asian success story. That China demands the world ignore the island due to its own nationalist attitudes should not obscure the fact that Taiwan's political, economic, social, and cultural achievements are substantial, and deserve to be recognized and cherished, not isolated and ignored, for their contributions to the region and beyond. What Taiwan has constructed for itself—a peaceful, stable, developed democratic society—also challenges the notion that "Chinese culture" is inconsistent with democracy.

The United States thus has an interest to preserve and protect Taiwan's accomplishments, and promote the island's participation in world affairs given its potential contributions. Taiwan's stable development is a reflection of what we want to see throughout Asia. To give up on them, or to take what they have achieved for granted, undermines in turn America's interest and credibility in seeking a stable, secure, and prosperous East Asia.

*Burma:* U.S. policy toward Burma during my tenure as special envoy and then U.S. ambassador to Burma between 2012 and 2016 essentially continued long-term U.S. policy of promoting human rights and democracy in the country, if increasingly through engagement rather than isolation. I witnessed first-hand the deep respect the Burmese people had for the United States due to our strong and sustained commitment over many years, reflected in Congressional legislation and the policies of successive presidential administrations of both parties, to stand with the nation's democratic and human rights activists instead of exploiting the country for economic

or geopolitical gain. The transition in Burma is not complete, future success is not certain, and debates continue in some quarters over the appropriate U.S. policy to maintain leverage for change going forward. But there is no question in my mind that the application of a combination of U.S. pressure and engagement in support of Burma's reform in recent years had tangible impact on the political evolution there, and contributed to the current moment of hope and opportunity, the first the Burmese people have had in decades.

On the walls of the U.S. embassy in Yangon, we listed five goals of our work to remind everyone of how we might measure strategic success for the country and of our work: an end to the civil war through a just peace; human rights and democracy; economic development; "resilient communities" (defined essentially as health, education and protection against natural and man-made disasters); and transnational security (nonproliferation, human and drug trafficking, pandemic disease, etc.).

The logic of this list was simple: a sustainable end to the world's longest-running civil war, and maintenance of unity in a country of such immense diversity and extended trauma, could not occur without respect for the rights and dignity of all, and in turn human rights and democracy could not take hold absent internal peace and reconciliation. Economic development is essential to demonstrate that reform can deliver tangible dividends to the people. Local resilience is critical for internal stability during what will necessarily be a long and difficult transition. And Burma's conformity with international norms is essential for broader U.S. interests in regional security.

In every case, U.S. policies were geared to supporting Burma's success, with promotion of human rights and democratic processes a central and fully integrated component. We understood without that element, peace, stability, security and overall development of the country, and the region, could not be achieved, to the detriment of U.S. interests.

We also understood the stakes, that the region was watching, that during a period of overall political regression in Southeast Asia, success of Burma's reform efforts could serve as an important model for others. While we well recognized that the most important factor in success would come from the remarkable courage, resilience and sacrifice of Burma's people, we also knew—and heard often -- that the continued support of friends on the outside, most importantly the United States, was welcomed by the Burmese people and would remain essential for their continued progress.

#### *Clarifying and Communicating Intent*

Since World War II, U.S. foreign policy has been based on a belief in the value of a common series of norms, rules, standards, and values for international conduct that will be applied equally and serve the common good. The United States has believed its success and security are linked to the success and security of others, on the assumption that we are all acting consistent with these rules and norms. That strategy served the United States well during the Cold War and has continued to animate our approach to international affairs into the 21st century.

Those who favor promoting human rights and accountable democratic governance around the world will have to continually make the case for why those norms are an essential component of international peace and security. They will also need to reassure cynics and skeptics both at home and abroad who may misunderstand the such a policy.

That in supporting values of human rights and democracy, the United States does not seek perfection, does not take an attitude of moral superiority, recognizes the complexities of individual national contexts, and maintains a healthy dose of humility about itself and the work yet to be done here at home.

That the United States does not seek to remake the world in its own image. That there are many forms of democracy, for instance, that do not precisely conform to that of the United States (although certain basic principles are essential, such as civilian control of the military, free media and civil society, an independent judiciary, etc.).

That U.S. interests when promoting democracy are focused on a fair and free process rather than seeking any specific political outcome.

That the United States does not seek to go it alone. That we continue to pursue partnerships with allies and other like-minded nations in Asia and elsewhere who also see the benefits of human rights and accountable governance to international peace and security.

That contrary to the assertions of autocrats—who clearly have a conflict of interest in such matters—U.S. intentions are not to undermine a nation's strength or

unity but to enhance the country's long-term stable development, and enhance regional stability by extension.

And that we recognize the fundamental human truth that there is more to life than politics or economics. That human beings fundamentally crave the dignity of controlling their own futures and expressing themselves in their own voice in whatever form they find most comfortable. To contend otherwise is to deny human nature, and create social, civic and political tension internally that will inevitably cross borders and affect the interests of other states.

#### RECOMMENDATIONS/FINAL OBSERVATIONS

*Several recommendations follow:*

*Consistent Commitment and Messaging within the U.S. Government:* The most urgent requirement is for the current U.S. administration to recognize the importance of human rights and accountable governance to U.S. interests around the world, and to return it to U.S. foreign policy. Concurrently, the U.S. Congress should assert its traditional prerogative as conscience of the country. Ideally, State Department diplomats, Defense, Treasury and Commerce Department bureaucrats, and members of Congress should all get on the same page to ensure discipline, consistency and integrity in word and action over time, even if perfect consistency is impossible. Policies should be coordinated to the greatest extent possible to prevent dilution of the impact and credibility of a values-based approach.

*Attention to National Context:* Demonstrating due respect for local contexts is essential for U.S. credibility and integrity of effort. That means ensuring one understands history, culture, the unique touchstones, interests, sensitivities, and qualities of both a nation's government and people to ensure one is speaking in a language consistent with the nation's own conception of national interest. This is not a matter of compromising on principle but of constructing an attitude of respectful partnership to avoid damage to international relationships. Country specialists and qualified diplomats who can navigate this terrain are critical.

*U.S. Embassy Leadership:* More specifically, a successful values-based policy requires creative and proactive leadership of U.S. embassies overseas, starting with the ambassador. As the ambassador goes, so goes the embassy. Ambassadors should cultivate and enforce a "one mission" attitude that integrates and shapes the work of not only State Department components but also USAID, the Defense Attaché Office and others into a coherent strategic whole to advance human rights, democracy and other goals on the ground.

*Demonstrating Openness and Humility:* As noted, it is essential that the United States assume a tone of humility about its own challenges when promoting human rights and democracy overseas. When I was ambassador, I discovered I was most successful when I was as open and candid as I could be about the difficulties of democracy in general, and the challenges the United States itself has faced on racial, ethnic, religious, and other lines throughout our history—and that we continue to struggle with today. By providing lessons, good and bad, from our experience, and being open ourselves to constructive criticism and lessons from outside, we can be a positive example for others, as well as disarm those who have self-interested reasons to dismiss U.S. human rights and democracy promotion as cynical or hypocritical.

*Patience, Constancy, Resources:* Given that human rights and democratic gains take hold gradually and that political transitions transcend single moments in time such as elections, the U.S. government, including Congress, must maintain attention and provide resources on a consistent basis over time to support the institutions and processes that promote human rights and accountable governance around the world. Such support should not wane due to premature assumptions of success, disappointing setbacks, or periodic shifts in political winds in the United States. Congress should sufficiently fund both the State Department and USAID to this end, as well as other leading institutions that conduct related work in Asia, including the National Endowment for Democracy (and the National Democratic Institute and International Republican Institute by extension), Radio Free Asia, Voice of America, The Asia Foundation, the East-West Center, and the U.S. Institute of Peace.

*Partnerships:* Promotion of human rights and democracy is no longer the unique province of the United States or even governments. As more nations go democratic, interest in integrating human rights and democracy into their foreign policies has grown, including in Asia. The United States should build partnerships with governments and civil society organizations alike with Asian democracies such as Japan, Korea, Taiwan and Australia, which will have the added benefit of potentially defraying costs as well as putting a helpful regional face on the work of human rights



and democracy promotion in Asia. The U.S. government should also consider how to integrate U.S. business into such activities given their global leadership in corporate social responsibility.

*Conclusion*

Finally, this testimony has omitted perhaps the most common rationale offered for why the United States has an interest in human rights and democracy, whether in Asia or elsewhere: because it is a fundamental component of who we are as a nation, that it is essential to America's founding idea and meaning as a country.

The United States may not always be perfectly consistent in application, and will compromise on these principles at times when an overriding national interest is at stake. All foreign policy after all is a matter of setting priorities and making choices based on context. But the United States boasts a tradition extending at least to Woodrow Wilson's 14 Points, FDR's Four Freedoms, Ronald Reagan's Westminster speech, if not to Lincoln's Gettysburg Address and the Declaration of Independence, that impels us forward.

Without a principled element to our foreign policy, the United States becomes just another self-interested major power, of which there have been many that have risen and fallen throughout history with few mourning their departure. We also unilaterally throw away our unique strategic advantage among peoples of the world as a generous great power, one that generally inspires admiration and respect not fear and anger, and one that is committed to the overall well-being of others as equally worthy to the inalienable rights to life, liberty and the pursuit of happiness.

The defining challenge of the 21st century will be preserving, and at times adapting, the norms, rules, and values of the post-World War II international system given the rise of new major powers who may be uncomfortable with the status quo. If the United States does not lead in helping shape these norms and values, including on human rights, democracy and the rule of law, no one else can or will quite take our place. And others will just as surely fill that void with their own version of values promotion, to our lasting detriment.

Senator GARDNER. Thanks, Ambassador Mitchell.

Ambassador King, I gave you credit for Judge Kirby's report. You were special envoy. I still want people to read that report while you were special envoy, so thank you.

Ambassador King?

**STATEMENT OF HON. ROBERT R. KING, SENIOR ADVISER TO THE KOREA CHAIR, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES, WASHINGTON, DC**

Ambassador KING. Thanks very much. Thank you, Mr. Chairman, Senator Markey. Thank you for the invitation to appear before the subcommittee today, but thank you also for holding this hearing.

As you know, my special interest and focus for the last 7 years has been promoting human rights, rule of law, and democracy in North Korea, and my comments today are going to focus primarily on North Korea.

Today's hearing is particularly appropriate and timely. In the last few months, the United States has given particular attention to security issues involving the North. This attention is fully warranted. I am concerned, however, that, in giving proper attention to security issues, we not lose sight of the critical importance of human rights in our policy toward North Korea.

It is important to keep in mind that a country which brazenly and openly violates the human rights of its own citizens is a country that will not hesitate to use weapons of mass destruction against neighboring countries. A country that sends agents to murder the half-brother of its leader will have no reluctance to use similar tactics against the citizens of countries it fears.

Mr. Chairman, I want to mention, in particular, the critical role that Congress has played in pressing administrations, both Republican and Democratic, to give attention to human rights in our policy toward North Korea. The overwhelming support for adoption and reauthorization of the North Korea Human Rights Act of 2004 reflects the bipartisan consensus and the importance of this issue.

Congressional interest in North Korean human rights is the principal reason that progress has been over the last decade in pressing North Korea on its abysmal human rights record, and I am delighted to see that this committee is continuing that role.

One of the most important recent steps was the creation of the U.N. Commission of Inquiry on DPRK human rights, which you mentioned. That ground-breaking report was, indeed, a major step forward. The commission of inquiry concluded that the North's human rights crimes involved: extermination, murder; enslavement, torture, imprisonment; rape, forced abortions and other sexual violence; persecution on political, religious, racial and gender grounds; the forcible transfer of populations; enforced disappearance of persons; the inhumane act of knowingly causing prolonged starvation.

Mr. Chairman, it is important that we continue to press the North on these human rights violations, and there are several steps that I would urge the administration and Congress to pursue with regard to North Korea.

First, we need continue our active leadership efforts at the United Nations. The Human Rights Council in Geneva has played a critical role on human rights, creating the commission that we have talked about. We need to continue our active leadership and participation in that forum.

We have found broad support in the U.N. General Assembly in New York. By substantial majorities, the General Assembly has approved resolutions critical of the violations of human rights by the North. We need to continue our effort there as well.

The U.N. Security Council has discussed North Korea's human rights abuses for the last 3 years. That would not have happened if it had not been for the United States playing an active leadership role. It is important that we continue our engagement and involvement with the U.N.

Second, we need to continue to encourage the free flow of information into North Korea. The availability of accurate information about events beyond the borders of the North limits the ability of the dictatorship to manipulate its own people. We need to continue robust American support for the Voice of America, Radio Free Asia, and other programs to increase access to digital information, including increased appropriations to support these programs. The impact is long-term, but it is vital to press the North Koreans in directions that are positive.

Third, we need to continue to support refugees who flee North Korea at great personal risk to their own and their families' lives. Only a few of these refugees have chosen to come to the United States, but we should aid those who have chosen to settle here.

We must also support the South Korean Government in its humane and generous refugee program for those from the North. And we need to continue to press China to permit refugees from the

North who seek to escape through their country to move on. Refugees repatriated by China are among the most vulnerable to imprisonment, torture, and execution by the North Korean regime.

Fourth, we must not ignore the humanitarian needs of the North Korean people. Admittedly, the brutal conditions in the North are the result of a government policy that places the needs of the bulk of the people well below the priority for luxuries for the leadership and the development of nuclear weapons and missiles.

If we can determine the legitimate humanitarian needs of the people, we should assist in providing aid, if we can ensure it goes to those most in need. We should also assist private American humanitarian organizations that provide such aid.

Finally, Mr. Chairman, we need to think carefully about travel by American citizens to North Korea. Over the past decade, more than a score of American citizens have been detained. They have been held in isolation and have suffered from their imprisonment. The most tragic and heartrending case was the American student who died recently, shortly after his return to the United States.

Many hundreds of Americans visit North Korea each year; most return without a problem. Some of these are engaged in important medical and other humanitarian efforts, but many go to get bragging rights for participating in the Pyongyang Marathon or for other adventures.

If the Congress or the administration should consider a ban on U.S. citizen travel to the North, an exception should be permitted for travel by Americans involved in humanitarian and other worthy efforts in North Korea.

Thank you very much for this hearing, and thank you for the opportunity to participate.

Senator GARDNER. Thank you, Ambassador.

Again, thank you to all of you. We will begin with the questions.

Just to start with a question following up on what you just said, that you would support a travel ban, with the exemption that you talked about. Is that correct?

Ambassador KING. As long as there is an opportunity to provide a license or permission for people who meet certain criteria doing humanitarian and other kinds of work, yes.

Senator GARDNER. Thanks, Ambassador.

Ambassador Mitchell or Mr. Hiebert, would you like to comment on that travel ban, a North Korea travel ban, at all? No? Thank you.

Mr. Hiebert, one of the topics you brought up in your opening statement, I think Shannon Green you mentioned was behind an idea that would develop an interagency decision-making body to help resolve the tension, I think is the word you used, between a security decision and a human rights decision.

Earlier this year, Secretary Tillerson said, and I quote, "In some circumstances, if you condition our national security efforts on someone adopting our values, we probably cannot achieve our national security goals or our national security interests."

I think it is very clear on the panel that the national security interests and human rights, they do go hand-in-hand, and economic development interests in those nations that are spurring economic growth respect human rights.

Could you describe maybe in a little bit more detail such a panel? Would it be something that could actually help us resolve that tension? Would it result in, perhaps, overreliance on a panel that could lead more favorably on security concerns and neglecting human rights concerns?

Mr. HIEBERT. That is always the problem, right? It would need a good moderator to referee between the different priorities of the Pentagon, of the State Department, of the economic agencies, and of the human rights officials in the State Department.

The idea is not necessarily to override security concerns, but in such cases as we have now in the Philippines, where you have the militant Maute group operating and occupying a city for almost 2 months, not to ignore human rights concerns. Obviously, there are times when security has to take a tough position. But the goal here is really just to keep the importance of human rights concerns within that debate alive rather than just letting them be totally missing.

Senator GARDNER. Thank you.

One of the comments made during the testimony was concern that Burma may have fallen off the radar in terms of the attention it is receiving from the administration and Washington right now. One of the elements of the bill that we are developing in the ARIA legislation, one of the components of that bill, addresses Burma by learning from what we did in Africa with the Electrify Africa Act, the Power Africa Act, the last administration successfully pursued and would sort of take that idea of Power Africa and put it into Burma to have like a Power Burma initiative where the U.S. private sector and government can work together to try to develop a more stable energy supply in Burma.

The reason that idea came forward is because, in a conversation with one of the close advisers to Aung San Suu Kyi, was a concern that three things needed to be accomplished during the new government. That was progress made on the strife, the civil war, and progress made on electricity.

So if we can take that kind of policy initiative and put it in place in Burma, Ambassador Mitchell, I would like your opinion on whether something like that could work and help achieve the goals that they need to, to help make this new civilian government more successful.

Ambassador MITCHELL. There is no doubt that they need to demonstrate that democracy delivers, and electricity generation powers everything. It affects education. It affects agriculture. It affects all the development they will look for in that country. I do not know specifically what was done in Africa to know how you can transfer that context to a Burmese context.

The problem with Burma is that they have a problem with peace. They are fractured. It is very difficult to get access to lots of locations. You can go and get access to the center, but getting access to some of the periphery is more difficult.

Their systems and their power generation is 30 to 40 years old, so the whole infrastructure needs to be regenerated. The World Bank is working this. They also need a plan, first of all, of how they want to do this. So do you work at a national level? Do you

do it locally and then build a network among these localized initiatives?

If we can put extra funds and extra thinking in to assist them with this, then absolutely, it is the long pole in the tent for Burmese development. But we have to be very careful to act according to their context and not try to transfer entirely what worked in one place and assume it will work in Burma.

Senator GARDNER. And, of course, this is a human rights-focused hearing. That is an economic focus. But explain to me the connection between that again. I think it is important to note.

Ambassador MITCHELL. Well, I mean, for one thing, democracy, we used to have a list of things that we were seeking to achieve in Burma. We put it on the wall in the Embassy. It was peace and then human rights and democracy, because you cannot have peace without human rights and democracy. Frankly, you cannot have human rights and democracy without peace.

But then democracy needs to deliver. She has been voted—I mean, what people have been seeking is a credible election. There was a credible election in which Aung San Suu Kyi has now gained most of the power, and all of the power, in the country. The military still has control of some pretty important levers.

But she needs to deliver, and electricity is one of those things that is very tangible to people in that country that they are looking for. It is not going to happen nationally immediately, but as long as there continue to be brownouts and blackouts, then people will say, democracy, why is this different or any better than what we had before? And we have seen that movie before in Eastern Europe. The expectations are very high.

So in terms of democracy, it is very, very important.

In terms of human rights, in terms of equitable development, enabling people all over the country to have access to education and information, it is very important.

So in a number of ways, you can make the connection there between seeing the development occur under this new system and seeing this new system, frankly, succeed and persist in a very, very difficult environment.

Senator GARDNER. Thank you.

Ambassador King, President Moon and various members of the administration have made comments in recent weeks appearing to invite North Korea to cohost the Olympics and other statements. Could you talk a little bit about perhaps what you see and hear out of South Korea, and whether or not that is helpful in terms of holding North Korea accountable for human rights?

Ambassador KING. The expectation was that there might be problems with South Korea with the election. My sense is that the President, President Moon Jae-in, has been very careful in terms of what he said about human rights. He is a human rights lawyer. He has appointed as his foreign affairs minister the former deputy High Commissioner for Human Rights at the United Nations. They both made statements expressing concern and support for human rights.

I think there is a commitment in South Korea to human rights, rule of law, and democracy. And while there is a desire at the same

time to move towards reconciliation with the North, I do not think that it is going to be at the cost of pressing on human rights.

Senator GARDNER. Thank you, Ambassador King.

Senator MARKEY?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Mr. King, when there is a criticism of human rights policy in North Korea, they consider it an attempt externally to begin a process of regime change, to get rid of this whole Kim dynasty and start all over again. So we kind of get into a situation where you have to try to find a pathway forward.

So I am of the opinion that we have to begin a process of direct negotiations with the North Koreans around their nuclear program. But as part of that discussion, of course, human rights would ultimately be implicated.

Can you talk about this rise in the threat of an intercontinental ballistic missile with a nuclear warhead on top of it, and how we deal with that issue, and how we deal with it in the context of human rights? We had to basically deal with that same squared circle back in the 1980s where there was an out-of-control nuclear arms race going on with the Soviet Union, and, simultaneously, there was a Jewish population inside of Russia that was being oppressed. Ultimately, it turns out that the arms negotiation is what led to the total freedom that was then created.

So how do you view it, given your long experience in this area?

Ambassador KING. Russia was a lot easier than North Korea.

Senator MARKEY. Yes, but not viewed that way at the time.

Ambassador KING. No, certainly not.

The first thing that I think we need to emphasize is that a policy of encouraging respect for human rights is not a policy that is aimed at regime change.

I would say that what we want to do is encourage leaders to be responsive to their own people. Increasing information in North Korea about what is going on elsewhere will put pressure on the regime to take into account what its people are concerned about.

I think we need to continue to press on human rights. We need to continue to press the North Koreans in the United Nations because this raises questions about the legitimacy of the regime, which has had some effect in terms of changes, mostly around the edge rather than fundamental changes, but we need to continue to press them.

I think when we are dealing with the questions of human rights and security, this is not an either/or. I think both are related.

In the case of the Soviet Union, I think our nuclear policy and our human rights policy worked together in a positive direction. I think the Soviets were far more willing to discuss the question of nuclear weapons with us than the North Koreans have been. The difficulty we face is a reluctance, at this point, on the part of the North Koreans to talk at all.

Senator MARKEY. If you remember back then, though, Reagan was not willing to sit down with the Soviets. He pulled out of all talks. And so it was just the opposite. We had walked away from all talks, having been at the table since the Eisenhower administration.

So then, ultimately, it was the United States engaging with Gorbachev that began the discussion of reaching an agreement, which then created an atmosphere where human rights could be more respected. But before that, not so.

So how do we deal with this issue of managing expectations about human rights in North Korea with the world community in a context of trying to engage in direct negotiations with the North Koreans regarding their nuclear program which, to certain extent, it seems to me, is a *sine qua non* with regard to ultimately being able to affect human rights?

Ambassador KING. Yes, it is not an easy one. On the one hand, I think we need to continue to press on human rights. We should not back off on pressing them on that.

On the other hand, I think we need to continue to make the cost of acquiring nuclear weapons and improving those nuclear weapons greater by the sanctions we impose, by working with other countries.

The one thing that I think is critical in this whole process is that this is not something the United States can do by itself. This is something that requires us to be involved and engaged with other countries. We need to work through the United Nations both on security and human rights issues. We need to work with other countries in terms of the sanctions that are imposed.

U.S. sanctions against North Korea are very limited. Sanctions that are imposed by the United Nations in cooperation with the Chinese can and do make a difference, and we need to continue to press the Chinese in terms of that effort.

It is not an easy way to go forward, and there is no silver bullet that is going to solve the problem.

Senator MARKEY. The problem as it exists is that, from the first quarter of 2016 to the first quarter of 2017, there was a 37 percent increase in trade between China and North Korea. And simultaneously, there was a \$10 billion hit on the South Korean economy, as the Chinese imposed tougher controls on tourism going to South Korea.

So that is the law of unintended consequences, where the country we are trying to help gets a \$10 billion hit on their economy, and there is an increase in trade in North Korea, all as a result of U.S. policy on THAAD and other areas.

So that, to me, is something we have to re-examine, so that you do not engage in a repetition syndrome, trying to get a different result from a policy that ultimately has to require the Chinese to be participating, but, under the existing circumstances, it is highly unlikely that will be the case, no matter what we do.

Ambassador KING. It is a mixed picture because, recently, the price of rice in North Korea has gone up significantly. There are indications that there may have been some cut-off of some petroleum products. We do not have perfect information about North Korea, but the information we have suggests it is a mixed picture.

I think part of what we have to do is continue the effort of working with others to try to move this forward.

Senator MARKEY. I agree with you that it may be a mixed picture, but if that number was accurate, the 37 percent increase in trade, that is the overarching, larger environment within which

North Korea is now existing, and there may be some sub-stories within that, maybe in rice or other areas.

But the totality of it is just something that does not appear to be a stranglehold at all in any direction of the North Korean economy.

So to me, it just raises difficult questions in terms of how we progress from here to get the result we want, which is a denuclearized North Korea and an increase in human rights in that country.

Ambassador KING. Like I said, the Soviet Union was easy by comparison.

Senator MARKEY. No, I appreciate that. But at that point, we were 40 years into that and had not been able to square that circle. So it only began, really, when we had the direct negotiations, only when they began to sit down in Reykjavik.

Ambassador KING. It also began because there were changes taking place in the Soviet Union. It was the advent of Gorbachev, and the changes that he made in terms of moving the economy toward a market economy, allowing greater freedom in terms of—

Senator MARKEY. And I agree with that 100 percent, but that was the actuarial table at work. That was Gorbachev dying, and Chernenko, another septuagenarian getting named and him dying, and Andropov being named and him being a septuagenarian and him dying. So the actuarial table did work in our favor in 1983 in 1984. In 1985, Gorbachev got the job.

But the Kim dynasty, even if the actuarial table affects him, it is unlikely to result in this opportunity, which Reagan ultimately got. But it was not through a plan. It was through something that happened internally in that country.

So he was not going to change unless that happened. I just think relying upon that to happen inside of North Korea is exceedingly optimistic. I just think that we have to have an external strategy.

Thank you, Mr. Chairman.

Senator GARDNER. Thank you. We will just continue back and forth, if you do not mind.

One of the focuses of the bill, of course, is human rights and rule of law.

We see in North Korea continued violation by many nations accepting labor out of North Korea, both a rule of law challenge to both nations involved, as well as a human rights concern.

So how would you address, in legislation, the labor abuses taking place in China of North Korean workers, the continued acceptance of labor from North Korea around the globe?

Ambassador KING. There has been some success in dealing with North Korean employed working abroad. Diplomatically, we have pressed countries in Europe, in the Middle East, and elsewhere, to urge them to move beyond using North Korean workers, and we had some progress in several areas.

The problem is, the largest number of workers are in China and in Russia. This is the most difficult of areas to deal with, but we need to continue to press. We need to continue to work on it. But there is not an easy solution.

Senator GARDNER. Could you apply something like the Global Magnitsky Human Rights Accountability Act to a Chinese official



if you knew that they were part of allowing labor into China? Is there a path there that you could use?

Ambassador KING. It might be something that could be done. Identifying individuals and applying sanctions to individuals in cases like this could be helpful. It is difficult to get information, particularly at the levels where these decisions are being made about workers. It might be worth looking at, but I do not see it as the silver bullet.

Senator GARDNER. When we see news reports about something like soccer stadiums being built with North Korean labor, how should we address that?

Ambassador KING. The way we have. We have raised it with the Middle Eastern country involved. We have raised our concerns with them. They understand those concerns, and they have moved in different directions.

Senator GARDNER. Thank you.

Ambassador Mitchell, you mentioned in your statement that changes in human rights gradually take place, that the U.S. has to be patient and that we need to support programs that support that nation but also, I think, made it clear with patience.

Can you talk about your experience in Burma? I know there were some sanctions that were lifted in Burma, and, as a result of those sanctions, I think there was an anticipation that there might be greater changes. There was anticipation under the new government that we might see greater progress on the Rohingya. Talk a little bit about that experience and whether or not we have been too patient, whether we should have more patience, and how to balance that patience with additional actions to try to have better results.

Ambassador MITCHELL. Are you referring specifically to the Rohingya or generally?

Senator GARDNER. In general.

Ambassador MITCHELL. In general. Well, in general, the one thing as I mentioned there as well is that democracy does not start and end with elections, really end with elections, that it is a process.

And we knew, I knew, that even though we had this remarkable moment in 2015 where Aung San Suu Kyi's party wins, she becomes, effectively, the leader, that she just inherited the same structural problems in this country that existed before the election, 50 years of systematic degradation of every institution in this country except for one, except for the military.

I mean, civil society worked underground. The best and the brightest either left or were killed or were imprisoned. So human capacity, the legal infrastructure, the physical infrastructure all needs to be built, and trust needs to be constructed as well among this remarkably diverse population that is the longest running civil war in the world, 70 years since independence they have been fighting themselves. So we always had to have very managed expectations of how quickly things would move on the ground and how we would see progress proceed.

Having said that, yes, of course, we should expect things to go and to see progress, to see more measurable progress, and including things like electricity, as you mentioned. It has probably gone slower than we would have expected, than they should have moved.

Aung San Suu Kyi, I think many people when I was there just a few months ago were criticizing her for not paying enough attention to the economy. I think people have tried to suggest to her, you do need to deliver on these things for people so that they feel there is a result from democracy.

So we do have to be patient. On things like just the human rights side of things, there are legacy laws. There are laws in place from the British colonial days that deal with unlawful associations, people getting together unlawfully, which are just 100 years old, more than 100 years old, and need to be gotten rid of and brought up-to-date. There are new laws in telecommunications that regard people who criticize the military or even Aung San Suu Kyi on Facebook as a criminal. So you are having new political prisoners or new people brought up on charges for free speech.

This should not be happening. Again, it is a legacy of old mindsets, a legacy of the past, a legacy of lack of capacity. That needs to be done quicker, and I think we should be holding them to account for those things.

Finally, what I will say on the Rohingya, which we can talk extensively about, I always say it was sort of a black spot on my time there.

As you said, it was a remarkable, extraordinary period. I was fortunate to be there and present and part of the change, but that situation only got worse when I was there. These people were kept in pens, their humanity and dignity taken away from them.

And I think what I tried to suggest to everyone there is that it is not working for the country. The status quo in sustaining that situation is not only terrible for the Rohingya and affecting their reputation writ large in the international community but, more importantly, frankly, for them, is that it is not helping them.

It is setting the Rakhine people back, the Rakhine State back where this is happening. And the whole country is attracting the attention of the worst actors in the world. And now there is concern about an extremist group that may be acting there.

So even in their own interests, they need to be thinking differently and acting differently to give these people a certain degree of justice, of due process, their humanity and dignity, so that they can stabilize the situation and then move forward as a country.

Senator GARDNER. Thank you.

Mr. Hiebert, if you wanted to talk about Burma, please feel free to, but a question to you about Thailand. The U.S., do we have an opportunity to persuade the military there to lessen the restrictions it has placed on freedom of expression on Thailand? And what leverage do we have in terms of rights in Thailand?

Mr. HIEBERT. They have not accepted criticism very well. We have seen various people in the previous administration try to go and talk a little bit about that.

It was hoped that the Prime Minister would be coming here in mid-July. That had been planned. However, the Thais have now asked for that trip to be delayed. They think they could not get ready for all the stuff that you have to do for having a head of state visit here.

There is also a lot of sensitivity as we are in the midst of this change in the monarchy. The former King will be cremated in Octo-

ber, and a new King will be coronated probably in December. In this transition, everybody is being very cautious and no one wants to change the status quo. So, they really have been pretty tough on stuff happening on Facebook and social media generally, very critical of anybody posting stuff that is even hinting at making fun of the monarchy.

So it is in a very sensitive period. I guess the hope was that, if we could get the Prime Minister here, that, gradually, relations could improve at all kinds of levels—we could get some trade deals to start happening. We could have some mil-to-mil cooperation resume at a higher level. And then they would move toward elections.

I wish when President Trump called the Thai Prime Minister that, he could have said, “It is great that the country is more stable but,” without offending him in the least, he could have said, “But it would be really helpful if you would start moving toward elections, which you have said you want to hold next year. We are watching. I hope we can do it,” kind of thing, which would have been fine.

But just generally, Thailand is a little stuck. It needs some way to break the logjam. I guess that is why many of us were hoping the Prime Minister’s trip to Washington would happen soon.

Senator GARDNER. Any outlook for the elections?

Mr. HIEBERT. We have had elections on the horizon a few times. I guess, we do not know when they will happen.

When you talk to Thais, some will tell you, yes, it will happen this time. Others say, well, they have postponed it two or three times already, they may do it again.

That would be another advantage of having the Prime Minister come here. I think it would be a way to start talking about some of these things and nudge them a little bit about why this matters.

Senator GARDNER. Thank you.

Senator MARKEY?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Mr. Hiebert, what is your assessment of the threats to Indonesia’s democracy coming from rising religious and ethnic intolerance inside of that country? Is this something that is becoming more serious as a concern that we should have in our country?

Mr. HIEBERT. You will have seen what happened with the treatment of the governor, the mayor of Jakarta, during the election campaigning he made an offhanded sort of joke about whether Muslims could live under non-Muslims.

Senator MARKEY. And he was an ethnic Chinese Christian.

Mr. HIEBERT. Yes.

Senator MARKEY. So an ethnic Chinese Christian is making this joke. Right.

Mr. HIEBERT. So it was not received very well. His comments were recorded, and then conservative Muslims really played this up and eventually he was charged with blasphemy. And they had two giant protests late last year that really highlighted that was on the ascendancy and would play a greater political role.

In the election process, we saw Ahok not only lose the election. He had been charged with and was on trial for blasphemy. When the prosecutors urged that the courts sentence him only to proba-

tion and not jail, the panel of judges actually called for him to be put in jail, and he is now serving a 2-year sentence in prison.

Senator MARKEY. So again, the crime that he committed as an ethnic Chinese Christian, again, was?

Mr. HIEBERT. Blasphemy.

Senator MARKEY. And the blasphemy was?

Mr. HIEBERT. That he raised questions in a joking way about whether a Muslim could live under a non-Muslim, could be ruled by a non-Muslim.

Senator MARKEY. So he has 2 years in prison right now for saying that.

Mr. HIEBERT. Yes. I was going to add, just today, President Jokowi, initiated some legal measures, which will allow the government to be able to ban certain radical Muslim groups. We could start to see that.

But during the election campaign for Jakarta governor, a lot of Ahok's political opponents were using these conservative religious groups to build opposition to Ahok among voters. Even though these politicians were not part of these movements, they used those protests, actually, to discredit Ahok.

Senator MARKEY. So you are saying, after the fact, after the election, after the conviction, now the President of the country is getting concerned?

Mr. HIEBERT. Getting concerned because he has his own elections in 2019, and he wants to make sure that these groups are somewhat reined in. And some of the more moderate Muslim groups have endorsed efforts to rein in the more conservative groups thinking that this is probably a good idea.

Senator MARKEY. So what could the United States do? What could this subcommittee do in order to send a message that that kind of behavior is unacceptable? What would you recommend?

Mr. HIEBERT. That is a tough one. Obviously, you can keep talking about the concerns about what happened. I think Members of Congress can visit and raise concerns about this.

It is really tough in a country that is running a fairly good democracy. You cannot sanction them. Former President Obama on a just completed visit to Indonesia did a very good job of this, as somebody who had lived in Indonesia, by talking about diversity and how you live with people of different opinions.

I think Members of Congress and the administration need to find ways to just keep talking to President Jokowi and his Cabinet about why some of the activities by radical Islamic groups are dangerous for Indonesia's democracy.

Senator MARKEY. He was a Christian going to a Catholic school in a Muslim nation, President Obama, so that is something that I think is lost on people.

Let me move on. I think we would like to pursue with you this issue, because I think it is something that is important for the United States to have a view on this.

Mr. HIEBERT. We can think about it some more and come up with some ideas for you.

Senator MARKEY. I think it would be helpful to us, if you can have a recommendation for us.

Mr. HIEBERT. Okay.

Senator MARKEY. The question of Internet freedom, I will just give you the grades here. In 2016, Freedom on the Net survey, the Freedom House ranked China, Vietnam, Myanmar, and Thailand as “not free.” Cambodia, Malaysia, Indonesia, Singapore, and South Korea come out as “partly free.”

And our challenge promoting free expression of the Internet in Asia is complicated by the fact that China vigorously promotes strict state control of cyberspace across the region.

What are your perspectives, any of you, on how the United States can meet this challenge to be driving the Internet in terms of a more open model, rather than what is increasingly happening in country after country?

Ambassador MITCHELL. Well, I think you have to make the case, as we do everywhere, that what we are trying to achieve, and it goes to what you were discussing with Murray, is taking a positive tack on this, that we are seeking your success. And from our experience, the lessons that we have learned on this in a diverse place like Indonesia, a diverse place like Myanmar, you are going down a very, very risky path of division that ends badly, and why we believe this. I think that is the first level of discussion.

On the Internet, you have different levels of control of the Internet, or access to the Internet. In Vietnam, they are going after bloggers, but there is actually pretty good access to the information otherwise, and people are free to speak on Facebook.

Myanmar, I think, similarly, it is a Facebook country. My Embassy had over 1 million followers, so whatever we put up there, we had 1 million people reading it. But if you say the wrong thing, if you criticize somebody the wrong way, then you get thrown in prison because you have denigrated somebody, with the libel laws and that kind of thing.

So I think we have to, first off, convey the positives of free information, that the absence of this will create more instability, more problems for your democracy, more division in your society, more problems for you. And, certainly, condemnation, a bad reputation in the U.S. Congress. And those who really want to work in partnership, that it will have an effect on the partnership we want to have with these countries.

Senator MARKEY. In the early hearings that the chairman had, the witnesses all agreed that continued American engagement is absolutely essential, economically, diplomatically, militarily in this region. But we have this China model, which is also competing with us now.

So I would like if I could, if you do not mind Mr. Chairman, just your views on this dynamic tension and very aggressive strategy that the Chinese have put together, which ultimately helps to create a different ideation with regard to what a successful governance model could look like in countries in Asia.

So could you talk about that, what you believe the United States has to do if we are going to be effective in countering that message?

Ambassador MITCHELL. If I can say, if you are an autocratic government or single-party government, you are going to favor doing this. You want to control information. That is your idea of what security or stability looks like.

What we need to do is support those actors to open up the country and allow more voices through civil society, through free media, through our engagement, through NGOs and our own work, Radio Free Asia, Voice of America, et cetera, to try to demonstrate that open flow of information is what a free society looks like, and that free societies succeed.

China has enormous challenges internally. And when I talk to people in Burma about the China model, they say we do not want to be like China, which is good that they do not want to be that model of governance. They want to be their own model of governance. They talk about democracy, and they are willing to try this.

Now, Vietnam, you hear that, over time, we want to open up gradually. I think we make it clear to them this matters to us, and that we will hold them to account whether this continues in a gradually progressive way or not.

The challenge I always found in Burma was trying to measure what progress looked like. How do we know if we are still on track but going slower or slowly, or if things have gotten off track? That is something that is an art, not a science. There is no easy way. The people of the country will make their own judgments, according to their own interests.

But I think what we should do as much as possible to empower the people of the country, empower a diverse array of voices in the country, get information in. They will make their own decisions, but that will be the best way to empower those that we think will help.

Senator MARKEY. Thank you.

If the United States retreats—which the budget proposals of this administration would indicate is one alternative path that we could go down—if we do retreat, what does that mean in terms of the Chinese ability to propound an alternative of an authoritarian model, which could also be successful because of the additional benefits that will flow to those countries that would embrace it?

Mr. HIEBERT. Certainly, if the U.S. is missing in Southeast Asia, it is pretty obvious, right now, as the U.S. sort of seems to be withdrawing, and China has been putting a lot of pressure on its neighbors to drift back toward China, you do have the situation where their more authoritarian model, in many cases, is now being looked at.

But I was going also to make the point, economically, that Vietnam, which has Intel in there, it has Samsung, which is by far their largest exporter, that Vietnam realizes they need to keep the Internet open for economic development. So therefore, it does not need to be the State Department human rights guys who come and thump on the table. It can be USTR people doing it in Trade and Investment Agreement talks. That starts changing the dynamic.

So countries like Vietnam, I would not put in the same category of China. If I go to China, I cannot access the New York Times or the Wall Street Journal. I cannot access my Gmail account. In Vietnam, I can access everything.

In Thailand, we saw the recent case where they were pressing Facebook and other social media companies to monitor what people were putting up on these platforms. By U.S. officials talking economically ahead of the Prime Minister visit that was supposed to

happen next week, and is now not going to, it prompted the Thais to postpone some of the decisions about how to implement some of these social media regulations.

So economically, we do have some leverage at times also in countries that want to be part of the global supply chain.

Senator MARKEY. Mr. King, before I go to you, I just want to say that Vietnam has just announced a \$1 billion deal with a company in Massachusetts to purchase scanning equipment, detection equipment that can detect nuclear contraband coming into their country, or fentanyl, or drugs coming into their country.

So that is a pure capitalist deal that advantages that company and also reflects openings that could be a precedent for other United States cooperation with that country.

Mr. King?

Ambassador KING. One of the things that is interesting is that Chinese information is not permitted in North Korea, because it is far too open.

Senator MARKEY. Say that again.

Ambassador KING. It is illegal to listen to Chinese radio in North Korea. Compared to what you get in North Korea, Chinese radio is far more open than what they are getting domestically. One of the things that is interesting is that sources of external information include listening to Chinese radio as well as South Korean- and American-funded broadcasts.

One of the things that I think we need to do, and where we can make a difference, particularly in a place like North Korea where access to the Internet is basically not available, is do what we can to get information into North Korea on thumb drives and particularly through radio, which is somewhat old-fashioned but still effective, so that there are alternative information sources that are available to the people in North Korea.

Senator MARKEY. That is very interesting.

I went with President Clinton for 9 days to China on his trip in 1998, and we did one public event, the President and I, in an Internet cafe. The President said, well, in addition to the Chinese-controlled government press, I want to get additional information about the trip that I am making to the country, where would you go? And then these three very, very, very, very, very smart Beijing University students, they had a conversation, and then you could hear one of them go, "But President Clinton, President Clinton."

So, all the sudden, they are going to the keyboard and up comes ABC News, "Clinton Visits Beijing," not possible in North Korea.

Thank you all very much for your great testimony.

Senator GARDNER. Thanks, Senator Markey.

A couple questions.

Mr. Hiebert, you mentioned in your comments as well that perhaps the new administration is trying to mend fences with some of our treaty allies in Southeast Asia, but yet we know that the extrajudicial killings that have taken place in the Philippines create a very significant obstacle for the United States and for a Nation that wishes to respect human rights, as we do, and the challenge that presents us in how to deal with the Philippines.

How do we address extrajudicial killings in the Philippines, violations of human rights, and what is occurring in the Philippines?

Mr. HIEBERT. This was tried by Ambassador Goldberg late last year and also by President Obama on a few occasions, and they got dinged really badly by Duterte.

It is a tough situation. He does not take criticism. Although I talked recently to the current Ambassador Sung Kim, and he says you can talk to him privately, but Duterte does not want to hear about this stuff publicly.

And so maybe you have to keep talking privately at a time when, obviously, Duterte, was democratically elected and remains very popular. He hears the criticism from the United States. He calls the President all kinds of nasty names, and then goes to Beijing and says I am going to separate from the United States, which, for a treaty ally to say that to the United States in Beijing, is pretty tough news. Then on top of that, in mid-May, he gets a new war in Mindanao, where Islamic radicals took over Marawi, a medium-sized city.

So the U.S. has challenges. What we had in working with the previous Aquino government, on the Enhanced Cooperation Agreement to give the U.S. access to five bases on a rotating basis that would help them to be able to gather some maritime domain awareness of what China is up to in the South China Sea. Now they have this crisis with Islamic militants in Mindanao where Aquino had a peace agreement a couple years ago. It did not work. Now they suddenly have a war breaking out again. And a lot of the young soldiers who were in the MLF, the key group in the peace process are suddenly saying, there is no peace dividend for us, so what the heck?

We are now starting to get external fighters from Indonesia, Malaysia, people coming from Iraq and Syria. So you have a situation that is quite dangerous.

So this is the tension that you were asking about. How do you balance human rights versus security concerns?

I think we need to keep trying to talk to President Duterte. We have to recognize he has only five more years in office. There will be a transition. We cannot just isolate the whole country, I think, because of him.

The military, as I was alluding to in my references to the Leahy amendment, the military is still, roughly, minding its P's and Q's, following general rules of engagement that we can accept, in that it is not doing the human rights violations and not participating in the drug war.

This is a walk-and-chew-gum kind of situation where we need to try to keep pressure on, but we can only do so much in the larger context of a president who is very mercurial, and with whom we have other issues to deal with.

This is one that the U.S. has been struggling with a lot. I do not know how you go deeper with him when he cannot take criticism at all.

Ambassador MITCHELL. If I could just add one thing, he is not just mercurial. He is also very popular at home, which even complicates it even further, if you are thinking about popular opinion and democracy and the rest.

Human rights are human rights, and they are inviolable, regardless if it is supported by the majority of people. But it is much more



difficult when someone feels politically he is getting advantaged, or at least no disadvantage, from doing this. And people even support him for his strong hand.

Senator GARDNER. Ambassador King, would you like to address anything in the Philippines?

Ambassador KING. Not really.

Senator GARDNER. Thank you.

I do want to follow up to talk about communication within North Korea. The North Korea sanctions act that this Congress passed last Congress authorized additional dollars to go toward finding new ways to communicate to try to reach out to the people of North Korea. Those grants have been put forward. They have been authorized, appropriated.

Is that effective? We have talked about some of the programs that have taken place, making sort of reality TV shows about North Korean defectors living in South Korea, living in the United States, what that is like, what that means. Is there a more effective way? What are hearing from defectors? Is there new technology that we ought to be thinking about that we can utilize? Or is it radios and thumb drives still? Is there an additional avenue? Are there additional avenues for communication?

Ambassador KING. Radios and thumb drives are still one of the key elements, in terms of that.

There is a real effort to try to use programs that will reach out and will provide opportunities for getting information in. It is not easy. The North Koreans are very savvy on cyber issues.

The cell phones in North Korea are incredibly difficult to use illegally. You cannot make calls outside of the country on the phones. There is no access to the Internet inside North Korea. There is intranet, which is basically state propaganda. So it is a very difficult kind of process.

In spite of that fact, people are interested in knowing what is going on elsewhere. People do watch South Korean films. South Korean films are very popular in North Korea. South Korean soap operas are popular all over Asia, and they are very popular in North Korea.

So some information is getting in. We just need to continue to work at it. We need to continue to probe. It is not a cheap process, and we need to continue to support those efforts to see that that happens.

You mentioned questions about life of defectors and how that affects what is going on. Based on polling of defectors from North Korea, and also people who are temporarily in China who are willing to talk to people they do not know who are tallying results, it indicates that there is great interest in life of defectors in South Korea and in the United States.

So the programs are geared to the kinds of things that North Koreans are interested in, and I think they have had some success, in terms of dealing with that.

Senator GARDNER. Thank you.

Senator Markey, I do not know if you have any questions or if you wanted to continue the conversation?

Senator MARKEY. No, I am fine. Thank you.

Senator GARDNER. I think it is important, as we talked about Senator Markey's last question, we talked about U.S. engagement and concerns over U.S. withdrawal. All of us, I believe, supported the previous administration's stated objectives of a rebalance or pivot, or whatever word they wanted to use. But what we have lacked in this country, I believe, is a long-term strategy when it comes to Asia. It is something that exceeds a 4-year or 8-year term of a President.

So what we are trying to develop, and with your help, we will develop, that policy through ARIA, the Asia Reassurance Initiative, that really does place U.S. interests back into play in the region, because of nations, as you have described, that are desperately looking for that partnership with the United States, desperately looking for somebody other than China, whose rules and norms are not in the interests that they want to pursue for trade, for security, for democracy.

So as we look at ways to strengthen the rule of law and democracy, this information has been invaluable, and I appreciate it. But know that that is the entire purpose of these hearings, to pass legislation, put it in a law that develops 10, 20 more years of strategy, presence, leadership in Asia. Now is our chance in an area of the world that has growing populations, growing economic power. It is something that we cannot turn our backs on.

So, Senator Markey, thank you.

Senator MARKEY. If you do not mind?

Senator GARDNER. Yes, please.

Senator MARKEY. Just one more question. It is only on this question of extrajudicial killings in the Philippines and who they are, and what their funding sources are, and whether or not an American cut-off of security assistance targeted at the groups that are engaged in the extrajudicial killings and those that are responsible for capturing vigilantes but are not doing so, is there a role that the U.S. can play in trying to at least specifically target those funds that we provide to the Philippine Government as a carefully calibrated attempt to impact that kind of conduct that we are unhappy with?

Does anyone have a recommendation?

Mr. HIEBERT. Probably about a third or so, or 40 percent, of the killings are by the police. Then about 60 percent are being done by these vigilante groups. They are just freelancing.

On the police, the U.S. has at least once in recent months stopped the sale of weaponry, of guns. Obviously, providing weaponry would be something that we could look at.

Senator MARKEY. What part of the Philippine security apparatus is actually implicated in vigilantism?

Mr. HIEBERT. The National Police. The vigilantes, boy—

Senator MARKEY. Failing to pursue—inside of the government, there is obviously a failure to pursue these vigilantes. So what part of the security apparatus inside of the Philippines is actually turning a blind eye to the vigilantes, are basically part and parcel of the problem?

Mr. HIEBERT. It is the police who are turning a blind eye and just letting these guys operate, because they are sort of doing their work for them, without getting their hands dirty.

But I think, obviously, cutting off the provision of equipment to the police might be one thing.

But looking for ways to cut the flow of drugs might be something the U.S. could help with. I am not sure to what extent the government is open to this, they took some aid from the Chinese to set up detox camps for 10,000 people at a time, but it is kind of ironic that most of the drugs that are coming to the Philippines are from China. If China just cut off the supply, it might help.

But maybe there would be ways, I know this is happening already, but to do more showing what other alternatives there are for dealing with drug addicts, rather than just gunning them down on the side of the road and claiming they were drug dealers. There might be some openness to that. Senator de Lima, a former Justice Secretary, has taken on Duterte on the violence of the drug war. She does not sit quite as comfortably as you guys do, with all due respect. She is sitting in prison because she criticized him too much, and he just found ways to get rid of her.

So it is tough, but I think we could probably find ways to offer some alternatives for dealing with drug addicts.

Senator MARKEY. You raise the China question. They are the source of fentanyl in the United States. In Massachusetts, it is now killing 75 percent of our opioid overdose victims. That comes right out of China. It will be two-thirds to three-quarters of all Americans in another very brief period of time who will be dying from that. That is a Chinese issue as well.

So you are right. The Chinese have an ability to kind of control that spigot, to a very large extent, in an authoritarian country, and they are not doing so. So I thank you for pointing out that issue in the Philippines as well.

Thank you, Mr. Chairman.

Senator GARDNER. Thank you.

Thanks to everyone for attending today's hearing, and to the witnesses for providing your testimony.

This is the homework assignment. For the information of members, the record will remain open until the close of business Friday, including for members to submit questions for the record.

I just ask you kindly to respond to those questions as quickly as possible, so that they can be made a part of the record.

Senator GARDNER. Again, thanks to all of you for being here, and this committee is now adjourned.

[Whereupon, at 3:43 p.m., the hearing was adjourned.]



**AMERICAN LEADERSHIP IN  
THE ASIA-PACIFIC—**

**PART 4: VIEW FROM BEIJING**

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**TUESDAY, NOVEMBER 14, 2017**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.*

The subcommittee met, pursuant to notice, at 2:40 p.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner [presiding], Barrasso, Markey, Murphy, and Kaine.

**OPENING STATEMENT OF HON. CORY GARDNER,  
U.S. SENATOR FROM COLORADO**

Senator GARDNER. This hearing will come to order. Let me welcome you to the fifth hearing for the Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy in the 115th Congress.

Thanks to my colleague, Senator Markey, for working with us on what I think has been a very good series of hearings this Congress. It is the fourth hearing this year in the subcommittee that is specifically dedicated to building out various aspects of U.S. policy challenges and opportunities in Asia from security threats to economic engagement to human rights.

President Trump has just concluded a landmark visit to the region, the longest by a U.S. President in over 25 years. His attendance of the APEC summit in Vietnam and the ASEAN summit in the Philippines I believe sends an important reassurance signal to nations in the region that the United States remains engaged and willing to lead.

These hearings are also informing new legislation that we are working on that I am leading called the Asia Reassurance Initiative Act, or ARIA, which will seek to build out a long-term vision for United States policy to ensure a free and open Indo-Pacific region. I look forward to working with Senator Markey and other colleagues to introduce this legislation very soon.

At our first hearing on March 29th, we focused on the growing security challenges in the region, including North Korea, South China Sea, and terrorism in Southeast Asia. We agreed at that

hearing that we must strengthen U.S. defense posture and increase security engagement with our allies in the region.

At our second hearing on May 24th, we focused on the importance of U.S. economic leadership in Asia. We agreed at that hearing that while the administration and Congress might differ on global trade strategy, we cannot ignore the fundamental fact that it is Asia and Asia will be critical for the U.S. economy to grow and for the American people to prosper through trade opportunities.

At our third hearing on July 12th, we focused on projecting U.S. values in the region, including the promotion of democracy, human rights, and the rule of law. We agreed that the active promotion of these fundamental values only reinforces American leadership in Asia and reflects our core beliefs as a nation that human rights are universal rights, without exception.

Today's hearing will consider the U.S. relationship with the Peoples Republic of China, the region's rising power and our closest near-peer strategic competitor. We will examine Beijing's views of U.S. actions and intentions in the Indo-Pacific and how these perceptions will shape the strategic landscape for the next generation of policymakers in both capitals.

We already know that, as once hoped, China's rise—our concern may be less than peaceful. Economic growth and the emergence of a middle class has not tempered the Communist Party's hegemonic and nationalist impulses, including the recent destabilizing actions in the East and South China Seas, continued belligerence toward Taiwan and the bullying of China's neighbor, South Korea.

As President Xi Jinping consolidates power domestically, it is clear that China also increasingly views its increasing economic and military power in the region as a zero sum game with the United States.

I hope our distinguished witnesses today can shed light on a U.S. policy toward China that avoids conflicts but also meets key U.S. national and security goals of a free and open Indo-Pacific region.

I will turn it over to Senator Markey for his opening comments and again thank him for working in this committee to make these hearings a success. Thank you.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, and thank you for this very important hearing and thank you for the tremendous lineup of witnesses which you have gathered here today.

The alliance framework in the Asia-Pacific has allowed the United States to benefit from the economic dynamism in the region and safely address the pressing security challenges in the region. For this reason, continued American leadership in the region is essential for global peace and security.

But to lead in the Asia-Pacific, we must understand China's strategic intentions and their impact on the United States. To do this, we must look back at history.

Out of the ashes of World War II, the United States led a broad effort to create a new global system, one that would not only promote U.S. interests, but also benefit the entire world, one that would reduce the likelihood of devastating global conflict, while

helping those around the world prosper, and one that would uphold respect for national sovereignty and freedom from coercion.

The system's ability to overcome the unique characteristics of the Asia-Pacific has proved its staying power. Longstanding American security alliances have deterred threats and helped establish a balance of power. Through American development programs and institutions like the World Bank and the International Monetary Fund, the United States helped unleash unprecedented economic growth and stabilize a fragile Asia-Pacific, all the while promoting democracy, human rights, and the rule of law in the region, core values for all people.

China particularly benefited tremendously from this system. With a stable security environment and access to global markets, China's economy has grown to \$9.5 trillion, a 15-fold increase over the past 30 years, lifting 800 million of its citizens out of poverty.

China's rapid development has helped spur closer people-to-people relations with the United States. In 2016, there were over 300,000 Chinese students studying in U.S. universities. And we have cooperated for the global good in a number of key areas, including on the successful conclusion of the multilateral deal to restrict Iran's ability to develop nuclear weapons.

And as China seeks to play a larger international role, President Xi wants it to construct a fairer global governance system. But while all countries helped shaped the international system, they and especially China should work through existing institutions and in support of the system's key tenets that have benefited countries across the globe.

Unfortunately, China is challenging the very underpinnings of the global order that has brought peace and prosperity.

First, China has not lived up to its international obligations to help denuclearize the Korean Peninsula. No country has greater leverage than China, which is responsible for approximately 90 percent of North Korean trade. Oil still flows over the border, which I saw firsthand during my trip to Dandong on the Yalu River in August. China must cut off these shipments to get Pyongyang to return to the negotiating table. It has done so before, including in 2006, and it must do so again.

But China is challenging the international system elsewhere as well. It has constructed, in violation of international law, military bases on artificial islands in disputed areas of the South China Sea.

Through economic coercion, Beijing undermined the sovereignty of its smaller neighbors. Countries including South Korea and the Philippines face Chinese retaliation for taking legal and sovereign actions in their own defense.

And China's signature Belt and Road initiative, which aims to position China as the uncontested leading power in Asia, may further coerce its neighbors through loans they cannot repay.

U.S. companies face the threat of intellectual property theft, with the media reporting that China has been stealing cutting-edge research, as well as sensitive trade secrets from the United States. And that includes companies working in the clean energy sector who cannot compete with state-backed firms.

So this is a very important hearing. We must ensure that we protect both U.S. economic and security interests, as well as the broader international system that has helped provide peace and stability in the Asia-Pacific and beyond.

And I look forward to exploring those issues with our witnesses today. Again, an incredible panel you have put together.

Senator GARDNER. Thank you, Senator Markey. I agree with you on the incredible and outstanding quality of our witnesses. So, I thank the witnesses for your public service, all of you, and thank you for being here today.

We are joined as well by Senator Barrasso and Senator Murphy. Thank you very much for being a part of this committee hearing today.

We will now turn to witness testimony. I will introduce all three witnesses and then you can proceed with your testimony. We will begin with Ambassador Baucus and then Dr. Pillsbury, and Dr. Allison will be third. Thank you very much.

Our first witness is the Honorable Max Baucus who most recently served as United States Ambassador to the People's Republic of China from 2014 to 2017. Obviously, no stranger to the United States Senate. He served as a Senator from Montana for 36 years from 1978 to 2014, including as chairman of the Senate Finance Committee from 2007 until his departure to become Ambassador. Welcome, Ambassador Baucus. Thank you very much for your service.

We will also introduce the next two witnesses. Dr. Michael Pillsbury serves as the Senior Fellow and Director for the Center for Chinese Strategy at the Hudson Institute. Dr. Pillsbury is a distinguished defense policy advisor, former high-ranking government official, and author of numerous books and reports on China. He served as an Assistant Under Secretary of Defense for Policy Planning in the Reagan administration and has also served on the staff of four U.S. Senate committees from 1978 to 1984 and from 1986 to 1981. Welcome, Dr. Pillsbury. Thank you as well.

Our final witness today is Dr. Graham Allison who serves as the Douglas Dillon Professor of Government at the Harvard Kennedy School. Dr. Allison is a leading analyst of U.S. national security and defense policy. He is probably the one that rejected my application to Harvard. As Assistant Secretary of Defense in the first Clinton administration, Dr. Allison received the Defense Department's highest civilian award, the Defense Medal for Distinguished Public Service. Dr. Allison has also served as special advisor to the Secretary of Defense under President Reagan. Welcome, Dr. Allison.

To all three of you, thank you.

Ambassador Baucus, if you would proceed with your testimony.

**STATEMENT OF HON. MAX BAUCUS, FORMER UNITED STATES  
AMBASSADOR TO THE PEOPLE'S REPUBLIC OF CHINA, BOZEMAN,  
MONTANA**

Ambassador BAUCUS. Thank you very much, Mr. Chairman. It is sort of serendipitous to be back here in this position. Thank you very much for calling this hearing. Senator Markey, Senator Murphy, Senator Barrasso, I served with two of you, did not serve with



the other two of you, which is some indication of how quickly times change around here. But it is an honor to be here.

I have just got a couple things to say and I will summarize my statement.

First, I loved this job representing the United States in China. It is the best job I ever had. I loved serving Montana in the United States Senate, Chairman of the Finance Committee, but I got to tell you representing the United States in China was terrific for two reasons.

One is the people. Chinese people are so energetic. They are so practical, pragmatic. They are positive. They are competitive. They are almost survivalists. There is such energy there, frankly more than we find in the United States. Chinese people believe more in their future than we Americans generally do in ours.

Second is just the reward of working on this relationship, U.S.-China. I very much believe—it has been said many times before and said many times in the future—that this is the most important relationship in the world, U.S.-China. It is going to determine so much. Whether we work well together or do not, it is going to affect the quality of lives of our people, our kids and our grandkids, as well as the quality of lives of Chinese people, their kids and their grandkids. In many respects we are very similar. Chinese leadership is worried about its people; American leadership is concerned about our people. We are similar in that respect.

But there are major, major differences. One is this. I think we Americans get indulged in this concept of exceptionalism. We Americans assume that if we just keep working with other people, other countries, the Chinese, they are going to be just like us. They would be more like us. Just keep working. That is the assumption. And I can tell you that is an incorrect assumption. China is China. The United States is the United States. We are very different countries, very different forms of government, and we have to recognize that. We think ours is superior; they think theirs is superior.

I remember talking to a good number of Chinese leaders who I could quote to great length saying that their socialism with Chinese characteristics is vastly superior to ours. Why? Well, look, in one of your statements, how far China has come in the last 30–40 years, saying to me that they believe that they could never have progressed as quickly, as far under capitalism, under democracy. It never would have happened. And there is probably some truth to that.

They do believe they are superior. They think they are the model for other developing countries, Africa, wherever in the world because they are so much more efficient. They can get so much more done so much more quickly. We have to recognize that and deal with that.

We pride ourselves as Americans in our Judeo-Christian ethic, in our Constitution, our Bill of Rights, separation of powers, independent judiciary. It is our way. We think it is the right way. We assume too much it is the right way. We think it is right for us. We do think it is right for others, but we cannot assume that others are going to adopt it if they have a different point of view. In this case, China has a very different point of view.

You have to remember, as has been said many times—and I think there is a lot to it—China is so proud of its history, thousands of years of history. We are such a young country, really 240–250 years. That is all we are. They are thousands of years. And the Middle Kingdom was the center of the universe for thousands of years. They would ask people to come and pay tribute, not to trade with them, just pay tribute, to kowtow to the emperors of the Middle Kingdom, but not do deals, just other countries would be subservient to them.

Do not forget, about 1830, 32 percent of the world GDP was Chinese. America at that year was about 2 percent. They were 32 percent. Look at what has changed during the Industrial Revolution and then China subsequently went inward. They now think after 200 years of humiliation controlled by the Japanese, French, Americans, Brits, and so forth that now their time has come. Their time has come to regain their rightful position as, if not the world leader, at least a major leader in the world. And it is very difficult to know how far that is going to go.

I was in Beijing just a couple weeks ago. I was surprised to learn from a number of Chinese who believe that, gee, you Americans, you pursued the Monroe Doctrine in 1823. You Americans wanted to keep the Europeans out of your sphere. Well, we Chinese—you know, it is our turn now. You should not interfere with what we are doing. Basically they are trying to set up a duality where China controls this part of the world. They want the United States to control this part of the world. Of course, that is never going to work. Times have changed so much. But that is a lot of their thinking right now as they try to figure out what makes best sense for them.

China, remember this, is authoritarian, one party rule. The party is everything. It is involved in all parts of Chinese society. The 19th party congress enhanced President Xi's power but also very much it enhanced the role of the party in Chinese society. Xi's thought is embedded in the constitution. So if you question President Xi, you are not questioning him. You are questioning the party because his thoughts are in the constitution. It was a very, very major change.

They are doing this in part—the party is—to maintain control. Part of the Faustian bargain, the party believes, we take care you, we take care of the people, and you do not question our legitimacy. That is part of the deal.

But in addition they believe with much greater party control, they then can control their destiny. They can decide what direction they want to go as a country free from internal discord. If the party has control, they are able to control what happens. That came through in spades to me just in the last couple weeks when I was over there talking to some Chinese officials.

This became crystallized for me in November 2014. President Obama was visiting President Xi at a summit meeting there in Zhongnanhai. And President Xi, you could tell—he was worried about American involvement in Hong Kong thinking we Americans are fomenting unrest in Hong Kong. President Obama said, oh, no. We do not do that. But he did say, you have got to remember that human rights is very much in our DNA. It is in our Constitution, the Declaration of Independence, the Bill of Rights. So when Mem-

bers of Congress stand up on behalf of human rights in Hong Kong, you got to remember that is in American DNA. He also said it is in my DNA too.

President Xi then responded by saying talking about the role of emperors in China. And emperors in Chinese history take care of the people. And if people are happy, they could stay in power. He said the role of the party now is to take care of the people. It even trumps human rights, he said. All is taking care of the people irrespective of human rights or anything else. So he believes and the government believes they can people happy by more income—income is rising—address air pollution, water pollution, food safety, more health care. People will be happy and then they will stay in power and they can do what they think makes sense for them tapping into the strong nationalism that occurs in that country.

So the question is what do we do. What do we do about all this?

Number one, I believe—and this is kind of a fanciful recommendation—if we could load up a 747 full of Members of Congress, members of the executive branch, media, business people, fly over to China, go around China for a couple of weeks, go to different provinces, talk to the party secretaries, talk to the business people, Chinese business people, American business people doing business in China, seeing is believing. We know that. 80 percent of life is showing up. If more Members of Congress and more American officials spent a lot more time in China, tasting it, feeling it, smelling it, know what it is, this could make a huge, huge difference. There is just too much abstract thinking about China, not enough concrete because we are just not there enough.

Second, we all know that China thinks long-term. China is strategic. They have kind of got a plan. It is opaque. It is behind closed doors, but it is a plan. We Americans are just so ad hoc in our decision-making it is embarrassing. During the last 3 years when I was there, I was part of many discussions, the administration, what do we do about this, what do we do about that. It was all reactive. It was all reactive. There was no paradigm. There was no structure. There was no plan that the various parts could potentially be part of.

It is very hard in our form of government to develop a longer-term plan. Congress people come and go. Presidents do. It is very hard. But I think we have to try. We have to do whatever we can to develop a longer strategic plan. And I think the Senate Foreign Relations Committee can play a very good role here by having lots of hearings on various aspects of China and keep it up every year so there is a history built up and there is a record so this is institutionalized if we work on this question.

Number three, you got to stand up to China. You got to stand up to them. Do not forget. We are process-oriented—we, Americans. We are kind of the arbiters. It is kind of neutral. The similar analogy is when you are treading water, you are sinking. You know, we do not have a real aggressive plan. We do not want to take advantage of other people. We do not want them to take advantage of us. But we do not have a plan that is more far-reaching that one could put one's finger on that is tangible and get a sense of. China does. They have got their plan, and it is more action-oriented. It is more proactive. We do not do that as Americans. But we have got to

stand up to them because if we do not, they will just keep going. They will just keep going until finally somebody stands up to them.

I want to mention very briefly two instances where we did stand up and it really worked.

We are quite concerned, obviously, about the island buildup in the South China Sea. We watched with great frustration as China one step at a time—it is similar to the Chinese board game of wei qi. We play chess in the West. They play go and wei qi in the East. And they are just salami slicing a step at a time, and the proof is when the game is over because you have just surrounded your opponent. You just won. That is just the way it is. That is what they did in the South China Sea.

President Xi came over one day. It was just before a summit. And President Obama proudly said to President Xi do not go there. He was talking about Scarborough Shoal just outside the Philippines. He said if you occupy Scarborough Shoal, there will be immense consequences. You will rue the day that you did this. I am not telling you what the consequences will be, but do not do it. They stopped. They did not do it.

There were other examples. But you have to stand up in my judgment not with tweets, not publicly, not with name-calling, but privately and show, because you have thought through with your strategic plan, that you mean it. And you have to game it out. They will retaliate. We will have to figure out what our counter is, back and forth, but they have to see that we really mean it. Many times in my experience when we do stand up—but you got to stand up, you got to know you are standing up—they will say, okay, I guess we cannot quite go there.

So that is just my basic prescription: spend a lot more time in China to understand it, develop a plan, and just be firm. Chinese people are wonderful. It is great potential here for our two countries.

And I have got one more final point here. Part of the last point is speaking truth to power. I, after a while, in all the meetings I had, would ask questions. I would interrupt the interlocutor who was reading from his talking points. Just ask questions. Break in mid-sentence. Give me an example of that. Explain more fully. They liked it. You got to speak truth to power.

And second, I did this very frequently. I think Professor Allison will appreciate this. At many, many meetings, I just asked the Thucydides Trap question. I would say, look, your GDP is doubling every 10 years. Your military spending is doubling in 5 or 6 years. We look at the trend line, and what are we to think, we Americans, we Westerners? It is not only what you say. It is what you do. What are your actions to show that you really want to work with us so we can avoid the trap? I would ask that question constantly. They would always listen. They would not respond, but they listened. And my judgment is we have to keep asking that question of the Chinese and of ourselves because they are rising, established, things are going to change. And it is another reason for those longer-term strategic hearings which I recommend this committee pursue at great length because I think it is really key.

Thank you very much, and I apologize for speaking over my allotted time.

[Ambassador Baucus's prepared statement is located at the end of this hearing transcript.]

Senator GARDNER. No. Thank you, Ambassador.

I know several of you have family members here. So thank you for joining us as well.

Dr. Pillsbury?

**STATEMENT OF DR. MICHAEL PILLSBURY, SENIOR FELLOW  
AND DIRECTOR, CENTER FOR CHINESE STRATEGY, HUDSON  
INSTITUTE, WASHINGTON, D.C.**

Dr. PILLSBURY. I want to agree with all three of Senator Baucus' recommendations, although I am not sure we should put all of the Congress on one 747 at the same time. [Laughter.]

Dr. PILLSBURY. More knowledge of China, a deeper role, a bigger role for the Senate Foreign Relations Committee and the Senate in general, and number three, standing up to China.

Let me go back to Senator Markey's opening statement. The Senate Foreign Relations Committee by its visits and by its legislation—and here I want to specifically praise Senator John Barrasso for being one of the cosponsors of the legislation introduced last week to strengthen CFIUS. This is landmark legislation. It has nine cosponsors already: five Republicans, four Democrats, including Dianne Feinstein. Your House parallel legislation sponsors stood up last week and said this is about China, whereas the Senators so far have been more tactful. This is about any country whose investments in our country need to be monitored or restricted.

This particular piece of legislation is an example of I think what Senator Baucus is talking about: Senate or congressional leadership on forming a long-term strategy toward China. The Founding Fathers wrote into the Constitution a really crucial role for the Senate, not just in the confirmation process, but in the treaty ratification process which, if you have read some of the early stories of George Washington and Henry Knox, for the first treaty they thought they would just show it to the Senate for a few minutes and then take it back. And the Senators said, no, we need to keep it overnight. And there was something close to a tug-of-war. Accounts vary on whether the President would let the Senators have the treaty overnight. The Senate won.

And the role of the Senate Foreign Relations Committee, in particular in its oversight of the State Department, can serve not just as a kind of source of advice, but also legislation. And I provide in my paper 10 or 11 examples of some really specific things that I believe are already being worked on. I certainly support Senator Gardner's effort at the Asian Reassurance Initiative.

There is a parallel effort, as you know, with Chairman McCain over in the Armed Services Committee. I was pleased in Singapore in June to hear Secretary of Defense Jim Mattis endorse the McCain initiative. It is not clear what the \$300 million or \$400 million exactly would be spent for, but the intent is clear, that our Asian allies and partners do not have shared situational awareness of what is going on in Asia.

The Indians fairly recently were joking about we want to make the Indian Ocean, the Indian Ocean, by which they meant the pur-

chase of several billion dollars worth of American P-8 aircraft which have weapons systems in the back that can sink ships frankly and other improvements, including maritime situational awareness and a big new center in Delhi where the Indians can keep track of both blue hulls and gray hulls going through the Indian Ocean. The Chinese are very angry about this. They have criticized the Obama administration for its effort to, as they say, boost India to a higher rank order in comprehensive power than the Chinese believe India deserves.

So I think it is a very good thing that Chairman Gardner mentioned the Indo-Pac region and this new concept which we have now heard more than 50 times by members of the Trump administration, including the President himself on his trip, a free and open Indo-Pacific region.

The Chinese have already attacked this. They do not like it. It is probably an example of what Senator Baucus mentioned, standing up to China, because frankly there is quite a long list of Chinese initiatives to which the United States has not responded. One of them is the Belt and Road initiative that Senator Markey mentioned. I completely agree with him that they are offering low-interest loans to countries that cannot afford it. We are already faced with the example of Sri Lanka, which fell behind in its payments, and then was the subject of coercion that if you transfer the main port here in Sri Lanka to Chinese control, we will forgive the debt. The Sri Lankans did it.

A similar operation has occurred recently with assuming the control, financially at least, of the main port of Greece, Piraeus, and then asking the Greeks to interfere and block European Union human rights action.

So we are beginning to see just through the media what the Belt and Road initiative may mean. However, the only statesman in the world who stood up to it yet is Prime Minister Modi. He and his team have been quite outspoken partly because the Belt and Road initiative includes violation of Indian sovereign claims. But the United States Government up till now—and this is a 5-year-old initiative if you count the early part of it—has been silent. We sent our National Security Council staff, senior director for East Asia, to the Belt and Road summit who said something positive about American companies, but he neither opposed nor supported the Belt and Road initiative.

There are several others. One is the new model of great power relations that in many ways anticipates Professor Allison's excellent book. The new model of great power relations has been proposed by President Xi. He has described it as a personal signature initiative. A gentleman named Wang Huning, who is now on the standing committee of the Politburo, is the scholar allegedly who thought it up. We have had no answer to it.

Susan Rice, John Kerry, President Obama, all three have said we should explore it or try to see what it means but have not endorsed it. Neither did President Trump on this trip. Frankly, if you ask the Chinese—and I agree with Senator Baucus about how energetic they are. If you say what is the new model of great power relations, they say, well, it replaces the old model. And what is the old model? Well, it is the main theme of Graham Allison's "Destined

for War.” In the old model, the rising power either starts a war with the hegemon or the hegemon starts a war with the rising power.

So you would think who could be against the new model. But then it turns out the new model does not explain who a great power is, whether India, the European Union, or Japan qualify or it is just a G-2 bilateral arrangement. It does not explain whether the use of force would ever be justified by the United States. It sounds in some ways as if the new model of great power relations, if we would agree to it, is saying we will not come to the defense of any ally in the region against China.

So the Senate has yet to speak on those two Chinese initiatives, and there are several others. One is the Asia for the Asians concept where our embassy asked to be at least an observer down in Shanghai to go to this confidence building conference, and we were told no. You can be an observer, but when we say Asia for the Asians, we do not include the United States.

There is another vague concept, one I personally love, called the Community of Common Destiny. This was repeated several times in President Xi’s 3-and-a-half hour speech. No one quite knows what the Community of Common Destiny is. But Senator Baucus mentioned the old tribute system, and there is some reason to believe that that is really what it is. It is reactivating a common destiny led by China.

And that lets me mention my agreement with Professor Allison on Lee Kuan Yew. Your first set of four or five questions for the hearing asked about Chinese intentions. And there is really no better answer than what Lee Kuan Yew gave. I will see if I can get the exact quote here. “It is China’s intention to be the greatest power in the world.”

Now, we used to take that with complacency because of what was called the China collapse theory, that they are going to fall apart. They have no chance to be the greatest power in the world. That book came out, “The Coming Collapse of China,” in 2002. 15 years later, China’s GDP has not only doubled. It has almost tripled. So the China collapse theory, which Graham Allison essentially attacks in his book and I attack in my book, essentially is no longer credible in my view. They have problems but they know what to do about those problems.

So just a list, in closing, the 10 steps that I think are under consideration.

You may think this is trivial, but we have sued China more than any other country in the World Trade Organization in Geneva. The experts tell me we could have sued China and should a great deal more times, but there is a limit on the number of lawyers on the Department of Justice payroll for designing and crafting often very complex lawsuits so that the suit succeeds in Geneva.

Number two, the comprehensive CFIUS reform. I love the Cornyn-Feinstein bill, but it does not mention the allies. We have got to coordinate with the European Union and especially Germany and France about these Chinese investments undergoing scrutiny. A number of European Union leaders have already come out for this in the last couple of months. I think we should be joining them on joint scrutiny of sensitive Chinese investments that either chal-

allenge national security or are opaque because you cannot tell what a Chinese company is, whether it is part of the government or not. The fact that Senator Dianne Feinstein supports this legislation I think is very important. So does Richard Burr, the chairman on the Intelligence Committee.

Number three, I mentioned that more coordination with allies. What I took out of President Trump's trip was that he spent a lot of time with three multilateral organizations. It was not just five countries being visited bilaterally. That is important. It seems to me nothing really of significance along the lines of what Senator Baucus is calling for can be achieved in Asia or the Indo-Pacific region without allies and partners. We cannot underline that enough.

Number four is an old pitch. Professor Allison's book says China is going to deny us a Sputnik moment because China does not want us to give a boost to STEM, to federally funded R&D. We should do it on our own. There are a lot of good ideas from the Senate Competitiveness Caucus, from what is called the ITIF, and from another set of groups who work on competition showing that federally funded R&D is the source of our global superiority. Yet, we have dropped from 2 percent to about a half of 1 percent in our federal funds.

I think publishing a list of Chinese companies who engage in intellectual property theft and unfair trade practices would not only inform possible litigants but also puts the Chinese on notice we are watching this kind of behavior that Senator Markey alluded to.

Finally, measures to provide U.S. companies a better understanding of state-owned entities is important because when something like the purchase of the Waldorf Astoria takes place, on the surface it looks wonderful. It is a good deal for the Waldorf Astoria. But what is the nature of this Anbang insurance company? The CEO has now disappeared in China, and the more people examine it, the more it clearly has very close relationship perhaps under the control of the Chinese Government.

I mentioned in passing the Foreign Sovereign Immunities Act and the Economic Espionage Act could use revisiting. As you know, when a state-owned company in China is active here and is sued, you would think a judge would say, well, we cannot attach those assets because you do not really have any presence. We can attach another state-owned company. The judges have been saying the Foreign Sovereign Immunities Act is unclear.

The Economic Espionage Act, if you go to the DOJ website for last year, it makes you want to cry. Almost 100 cases of sensitive U.S. trade and national security information disappearing. And frankly, just to give you one of the most dramatic examples, a gentleman is now doing 7 years in prison because he fell in love with a Chinese woman. The judge at his sentencing—Senator Baucus, the judge at the sentencing said you fell in love with this woman, you lost control. I am only giving you 7 years because you did not really harm the United States. You did not intend to.

Well, what had he done? The FBI and DOJ have put up the details. He had a highly classified document called the DOD Strategy for China. Despite Professor Allison criticizing the government that we have no strategy, apparently we did. It was published in 2012 and 2 years later apparently is in the hands of the Chinese. That



is not all. There is quite a long list of documents that he either gave Ms. Lee or were around in his home while she was there. It is well worth reading, the DOJ website. You may think what could be more boring than that, but the cases are dramatic.

Finally, another thing we have not responded to as a government is the new Made in China 2025 plan, which on its face is a violation of the WTO. You simply cannot say we will have government procurement in China to dominate 10 sectors in violation of the WTO, and they are close to saying that.

Finally, something I sort of brought up as one of my 12 recommendations in my own book, we have never done an inventory of all the U.S. Government-funded activities for the last 40 years to help China. Some of it is quite stunning. The National Science Foundation, if you go to its website to apply for a grant—and by the way, Graham, they have them in political science too—you get a bonus if you have a Chinese partner. We have almost 100 agreements with various scientific agencies in China to provide scientific discoveries immediately to China. And they have been known in a rather cheeky way to complain to the embassy in Beijing, hey, we read about this, this new gene editing device. You have not transferred it to us yet and tweak the NSF or the embassy minister counselor of science and technology. That is really possibly a good thing in some areas. We ought to cooperate in cancer research. We ought to cooperate in improving weather forecasts with this joint of fleet of ships we have in the South Pacific.

But I think the Senate should know the total inventory of these programs, none of which has been blessed with legislative approval. In many cases, you find weird programs where someone discovered prairie grass roots can be made deeper and save a massive area of the country. The relevant government department simply transferred it to China. There is no sense of competitiveness with the Chinese in very sharp contrast to Senator Baucus' invocation of their competitive attitudes.

And finally, the intelligence efforts. The FBI asks every year for more money for Chinese industrial espionage in particular, cyber theft as well. The FBI deserves a real incentive for what they have done so far, but they say more needs to be done. And part of the reason is again what Senator Baucus opened up with, Chinese exceptionalism. They seem to have a very different concept of espionage than we do and than the Soviets did, not official cover agents in embassies going to cocktail parties and trying to recruit agents. On the contrary, something very different that operates not out of embassies but out of almost anywhere else. And that is very expensive to cover. But if this list I mentioned of the recent cases last year is any guide, we are under a real challenge from a Chinese collection system that takes your breath away.

Thank you.

[Dr. Pillsbury's prepared statement is located at the end of this hearing transcript.]

Senator GARDNER. Thank you, Dr. Pillsbury.  
We are joined by Senator Kaine.  
Professor Allison, please proceed.

**STATEMENT OF DR. GRAHAM ALLISON, DOUGLAS DILLON  
PROFESSOR OF GOVERNMENT, HARVARD KENNEDY  
SCHOOL, CAMBRIDGE, MASSACHUSETTS**

Dr. ALLISON. Thank you very much. It is a great honor to appear with distinguished colleagues. I find much in what they have said to agree with.

Let me commend you and the committee for trying to investigate this topic because I do not think there is a more important topic for the U.S. today.

So I will try to summarize my points briefly. They basically come out of this book that I have recently published called "Destined for War: Can America and China Escape Thucydides's Trap?" and I think copies of the book were delivered to your offices previously.

So I will try to make six or seven propositions.

First, the U.S. now faces a rising China that today constitutes a full-spectrum rival. So the notion of we are not going to have peer competitors, that was then. This is now. Never before has a country risen so far so fast on so many different dimensions. Ambassador Baucus and I were talking. He said he has been gone for 6 months, and he goes back and he is shocked again. So I try in the first chapter of the book to give you a shock that just sort of says behold the rise of China. I quote Vaclav Havel, the former Czech President. Things have happened so fast we have not yet had time to be astonished. So I think you should look at the evidence and it is just overwhelming. And then I think you should go and look with your own eyes.

Secondly, we should recognize the structural stress that occurs when a rising power threatens to displace a ruling power. This dangerous dynamic I call Thucydides Trap, and Thucydides had this idea about 2,500 years ago. It is a big idea. So when a rising power threatens to displace a ruling power, in general poop happens. So in the book, I look at the last 500 years. I find 16 cases in which this phenomenon occurred. 12 of them ended in war; 4 of them in not war. So the proposition that is acclaimed that says war between the U.S. and China is inevitable would be wrong on the evidence, but to say that the odds are not good would be correct.

Third proposition. In this dangerous dynamic, the primary source of risk is not that the rising power decides I am big, I am strong, it is time for me to fight you. And it is not generally the case that the ruling power decides you are getting so big for your britches, I better fight you now because tomorrow you are going to be even stronger. Instead, what happens is in this dangerous dynamic a third party's action becomes a provocation to which one or the other primary competitors feels obliged to respond, to which then the other feels obliged to respond, and you get a cascade that drags people to a place where neither want to be.

So ask yourself how in the world could the assassination of a relatively minor archduke in June of 1914 have created a conflagration that burned down the whole of Europe. I have a good chapter on this in my book. It is a subject I studied when I was in college. I still cannot tell you the answer. It still makes no sense. Nobody wanted war. When they thought about what a war would mean, they knew it would be catastrophic. At the end of the war, every one of the principal actors had lost what he cared about most. So

if they had been given a chance for a do-over, nobody would have judged what he did, but the emperor in Vienna did, thinking I need to hold together my empire. End of the war, he is gone. His empire is gone.

The Russian czar is backing the Serbs because they are Orthodox. He had been overthrown by the Bolsheviks. He is gone.

Kaiser is backing his only ally in Vienna. He is gone.

France, society never recovers as a great player.

And Britain, which has been a creditor for 100 years, is turned into a debtor on a slow slide to decline.

So you do not have to have people that want war. What can happen is an external event.

And if I think about the Cuban missile crisis in 1962, which I have studied very carefully, here you see a competition between the U.S. and the Soviet Union and the risks that were created by Castro. And then today, the chief candidate or provocateur is, as President Trump would say, little rocket man.

So next question. Is Xi and his colleagues, when they are talking to each other privately—are they serious about displacing the U.S. as the predominant power in Asia in the foreseeable future? And I put that question to Lee Kuan Yew who was the world's premier China watcher until his death in 2015. I quote in the testimony his answer. He says, "Of course. Why not?" Who could imagine otherwise? How could they not aspire to be number one in Asia and in time" beyond?

So Ambassador Baucus talked about China imagines through all of history, it was the center of the universe. It was the great power. There was then this interruption, which occurred a couple hundred years ago. It created centuries of humiliation. But that was then. We are back and we are going to be back to the way things were before.

Next to final, what is going to happen in the current Korean missile crisis, which is just the most dangerous of the events that is occurring in the context of this Thucydidean dynamic? So jump ahead a year from today. We will see one of three things will have happened. One, Kim Jong-un will have acquired the ability to reliably strike San Francisco or Los Angeles with a nuclear weapon. Or two, Trump will have conducted air attacks on North Korea to prevent that happening. Or three, there will be a minor miracle. Now, I believe in miracles. So I am praying for the third, but I am not counting on it.

I would say it is quite possible—I think the first is more likely than the second, that is, that Kim Jong-un succeeds, that he will have trumped Trump. And that is not a very good world either, as I suggest in the piece that I attached to the testimony.

The second is that we attack North Korea, and if we do, the normal game that Michael and I have played many, many times at Defense ends up with North Korea attacks Seoul. We then suppress the attacks on Seoul. Pretty soon we have attacked a couple of thousand endpoints. Then there is a second Korean war. And as Secretary Mattis has testified, in the second Korean war, make no doubt, we will win. Korea will be unified. The Kim regime will be gone. But the one question that he has not been asked is, what about China? And if we cannot imagine North Korea dragging

China and the U.S. into a war that everyone knows would be nuts and that nobody wants, we should remember what happened in 1950.

In 1950, North Korea attacked South Korea. We came to the rescue. MacArthur was pushing the North Koreans right back up the peninsula. We went across the 38th parallel where the war started. We were approaching the Chinese border. He thought we were going to wrap it up, bring the troops home for Christmas. It was inconceivable to him that a China, which had only the year before consolidated control of its own country—Mao was just barely getting over the long, bloody civil war—would attack Superman. We had a nuclear monopoly. We had just 5 years before dropped bombs on Hiroshima and Nagasaki to end World War II. It just was impossible. China was one-fiftieth our size. It is going to attack us? Never.

But MacArthur woke up one day and here are 300,000 Chinese and pretty soon a half million others. They beat us right back down to the 38th parallel and we had to sue for an armistice. Tens of thousands of Americans and hundreds of thousands of Chinese and millions of Koreans died in that war.

But did Mao want a war with the U.S.? Never. Did the U.S. want a war with China? Never. We did not want the North Koreans to take over South Korea, and one thing led to the other.

So I would say Chinese say to me—and I think it is uncertain what they would actually do, but they say we have established the proposition there is not going to be a unified Korea that is an American military ally. Mao made that point in 1950, and we should not have to play that game again. I say to them if you were to get into war with the U.S., every part of the China dream goes right to hell. And they say, yes, but if you were to get into a war with us, what is that going to look like for you? So I would say this is extremely, extremely dangerous.

Finally, what for the U.S. to do, Senator Baucus' point. In Washington, I know that you are supposed to describe the solution to the problem in the same sentence that you describe the problem. I think that is one of the problems. Okay? So this is not a fixable Washington problem. This is a condition, like a chronic condition, that we are going to have to cope with for as far as we can see: a rising China, a ruling U.S., the stress and strain that comes in that circumstance. And what I do say in the book in the conclusion is we need to get the diagnosis right first. So the medical idea that diagnosis precedes prescription is a very good insight.

I tried to get the diagnosis right in the book. That is the purpose of it. In the conclusion I say, if the diagnosis is correct, what then is required? So if we are facing conditions of extreme danger, then we have to be smarter. We have to be more imaginative. We have to be more adaptive. And I would say in this current situation, business as usual, which is what I think we have seen for the last 20 years, Republicans and Democrats, more or less, will likely produce history as usual. So my hope is Santayana's line about only those who fail to study history are condemned to repeat it. And what I would hope we do now, what I think the Foreign Relations Committee can play a key role in doing is starting stimulating imagination beyond the orthodoxy of the current situation.

In the conclusion of the book, I give you something way to the left of anything anybody ever heard of in Washington that might make sense—I am not advocating it—and something way to the right of anything that you have heard in the current debate and not because I am subscribing to either of these but simply to say we have not opened up the space for the discussion and debate.

And my optimism about this is if we go back to the invention of the strategy for the Cold War, that is breathtaking. I think most of us have not really looked at it and appreciate it. I have a description of it in the book.

1946. It is April, so a year after the war. Kennon writes back this famous long telegram, and he says the Soviet Union is going to be a greater existential threat to the USA than the Nazis were. Truman says who is this guy and what in the world is he saying. This makes no sense. We just got exhausted in the war against first the Germans and the Japanese. We are bringing the troops home. We are trying to worry about health care and about the American economy. Do not tell me we have another dragon out there.

That stimulated a conversation which 4 years later had created one of the most imaginative strategies I think in the history of statecraft forever. So it had an economic strand. That was the IMF, the World Bank, the GATT, the open trading system, and the Marshall Plan, which was again a breathtaking idea. It had a military component with both American military forces but also with NATO. It had entangling alliance. George Washington said do not do that, but it said Europe and Japan matter enough to us that unless we are able to rebuild it and have them as allies, we will not be able to deal with this competition. It had a political dimension. I mean, the whole thing is breathtaking.

So the fact that we have done something like that before as a society would suggest that is not impossible. But I think that that is the challenge.

[The Dr. Allison's prepared statement is located at the end of this hearing transcript.]

Senator GARDNER. Thank you, Professor Allison.

You have all given us a great deal to think about.

We will go ahead and begin the questions. You have given us a number of questions. We will probably have some questions for the record to follow up with, if that is all right. We will give you some homework.

In your testimony, both verbally as well as in the written testimony, Professor Allison, you talk a little bit about this democratic peace hypothesis. And we have talked about how if we work with China to address human rights, if we work with China to address intellectual property, if we work with China to address reforms when it comes to different laws and respect of the rule of law, that they will eventually come around to our way. You have talked about how that is simply not going to be the case.

If that is not the case, then how does the United States position itself in the region with other nations that obviously will not like that outcome either? What is the best result for us to position ourselves with allies in the region to counter that?

Dr. ALLISON. Thank you. That is a great question, and it actually relates to the point that Senator Baucus made before.

So it is a little bit of a caricature but only a little bit that in 1991 when the Cold War ended and the Soviet Union disappeared, most of the strategic community, most of the Washington community sort of took a victory lap and was in a stage of celebration. And there was a very famous book that was written by a brilliant scholar, Frank Fukuyama. It was called "The End of History," and it declared that now democratic capital had swept the field and there would no longer be ideological competitors. And the theory of the case was the Soviet Union had gone bad because they were trying to run a command and control economy. Only market capitalism can make you rich. So everybody is going to adopt that, and as they get richer, they are going to have a middle class. And if you have a middle class, it is going to have more political participation. So it is going to become democratic. And democratic societies, according to the democratic peace hypothesis, do not fight each other. And the kind of cartoon version of that was Tom Friedman's golden arch theory in which two countries that have McDonald's golden arches cannot fight each other.

So we imagined China was going to become like us. But I have a chapter in the book on clash of civilizations. I think Senator Baucus captured the point. The Chinese think they were Chinese before we ever arrived. They think they have a civilization that has its own view of the way things work. They think that the emperor or a system—I call Xi Jinping, now that he has been reelected, but without a successor, the new emperor of China, that basically the emperor through the party, which is the reach of the Leninist Mandarins, the way the Mandarins used to give the reach of the emperor, are going to lead the society. And if you look at the work plan that Xi laid out last week, it has got the party leading the economy, the party leading the military, the party leading the society, the party leading the Internet, the party, the party, the party. So they believe that a small group of people who are going to be, quote, more virtuous—that is part of what the anti-corruption campaign is about—are going to lead their society, and they are going to demonstrate that they can deliver more of what people want than we do.

Another one of the shockers for people who thought, oh, well, they are really going to come around to our way was in the 19th party congress in Beijing last week and the week before. Before they had never talked about a China model. They have always said we do not have a model. We just do for ourselves. We are a poor developing country. They said I think we do have a model. I think we have a model of how if you want to get rich fast, this is the way to go. And this way is an authoritarian way that is contrary to our view. This is a view that says the citizens have obligations more than our view that they have freedoms and rights. This is a view that says we are going to control the whole information system so we both know what you are saying and what you are thinking. We can keep track of you. And we are going to exploit our situation to the maximum extent that we can get away with.

So I think we should recognize we have a serious peer competitor who has a different image of how they want to rule their world in-

side China and how they want to behave in the region. And I think that is what makes the competition there because we are not going to give up who we are being democratic. Our Constitution says all human beings are endowed by the creator with inalienable rights. So we are not about to change that set of views, and they are not, I think, about to change their views.

Senator GARDNER. If I could quickly get an answer from the three of you actually on the President's visit to Asia. How would you portray the success or the outcome of the President's Asia visit? Dr. Pillsbury?

Dr. PILLSBURY. I would call it a success in the sense that it lays the foundation for future trips. There is a number of themes he brought up bilaterally that you actually will find in these very detailed bilateral agreements issued at each stop. For example, the one on the Philippines actually has a section on human rights. In each one of these agreements, there is a discussion of security cooperation, arms sales, specific things. I noticed the press does not cover any of those agreements, but if you put them together, it is almost 50 pages of the beginnings of an Asia-Pacific or an Indo-Pacific strategy. I am talking about the bilateral agreements that the President issued at each stop.

Secondly, he started some broad themes that we can integrate better than before possibly security and trade and economics. If you notice the team with him in the meeting with President Xi, you saw Bob Lighthizer sitting there from USTR. That is unusual. You saw four NSC staffers, some of whom cover strategy in economics, not just the East Asia couple who were there. So this to me is refreshing, the idea that the pivot perhaps was a good idea to start with, but it needs to be a combination of trade and economics with security issues and arms sales.

And there is another angle to it that the President brought out. The bilateral meetings can be harmonized at the same time as the multilateral meetings. There is an old expression that Senator Markey I am sure knows that they use in the State Department called multi-bi. It does not mean what you think it means. It means multilateral and bilateral combined.

So I think Professor Allison has done us all a great service in this book about the diagnosis of the problem, but he is a little bit late to the party. A lot of Senators, Congressmen, White House staff, people in the Defense Department are already working on very specific, tangible legislation and other steps that frankly accepts "Destined for War" as being correct in its diagnosis. But it is time to get down to specifics, and I think we are way beyond the McDonald's arches theory. We are now into really specific things. Does the Senate Foreign Relations Committee want to check up or not on what the entire executive branch is doing to help China be more competitive? That is like a yes or no.

Senator GARDNER. Thank you. I am well beyond my time. Do you mind if I hear from the other two, just the visit to Asia? I would appreciate your point of view.

Dr. ALLISON. I think I agree with Michael mainly, but I would say it is very hard to tell. I would give it a successful for as far as I can see from the actions and the words. But the work that was done was done in private. So without having a sense for whether

Xi and Trump sat down together, what I would wish and say, wait a minute, here is this jerk, Kim Jong-un. He could drag the two of us into a war. Let us be serious about how we are not going to let that happen. Either they made some real progress on that front or they did not. And I think we cannot tell at this point. You could see that is what President Trump was trying to do, and he was trying to work with Xi in that regard.

But I think if I watch Xi's actions so far, well, you can see a little bit of hope. I mean, that is the minor miracle that I am looking for in this situation because I think there is no question that if Xi says to Kim Jong-un you are stopping, no more ICBM tests and no more nuclear tests, and if you violate that, I am squeezing this oil lifeline, it will get his attention.

Senator GARDNER. Thank you, Professor Allison.

Ambassador Baucus, I am way over time. Do you mind? Ambassador Baucus, please.

Ambassador BAUCUS. I take a slightly different view. Frankly, I do not think the President accomplished very much in China. There is no evidence of any movement on North Korea. The United States has been asking China, almost demanding of China do more, do more, do more. President Trump did too. No result.

Second, there was this big agreement announced of deals between American companies and China. If you look down deep, you will find out there is not much there there. There are MOUs or there are deals that were agreed to earlier. There is nothing new.

But more importantly, there is nothing that I could see to address the fundamentals, the fundamentals being market access, American companies denied sufficient market access in China, addressing all the subsidies that China made in China 2025 has been mentioned. There is nothing addressing those fundamentals. I think we lost. We looked weak in my judgment because there was nothing solved.

Then you go further south, the big, glaring problem is that his presence there and his words withdrawing from the TPP send a signal to all the countries in the region that we are really not fully involved and we are starting to withdraw, ceding to China.

Lee Kuan Yew has been mentioned many times here. Lee Kuan Yew met with President Obama in 2009. Lee Kuan Yew asked President Obama, what are going to do about the TPP? Obama said, well, I do not know. He said, you better go back and put that together because if you do not, you are going to cede trade to China.

So as you know, the other countries decided, well, the United States pulled out of TPP. We will do it ourselves.

Senator GARDNER. I want to make sure I get to the others.

Ambassador BAUCUS. I want to make one point here. The most important geopolitical matter that crossed my desk during the 3 years I was there was TPP, and we blew it. We absolutely blew it. And other countries see that, and actions speak louder than words. There was a lot of talk about this Indo-Pacific. They are just words so far. Now, maybe we will find it will amount to more, but so far, I do not see anything that is very constructive.

Senator GARDNER. Thank you, Ambassador.

Senator Markey?



Senator MARKEY. Thank you, Mr. Chairman, very much.

This is my 41st year in Congress, and it is the first time a chairman ever allowed all three opening witnesses to speak for 15 minutes apiece. So we are making history.

Ambassador BAUCUS. I apologize.

Senator MARKEY. No. You should not apologize. It is kind of a course at Harvard. So we are up here and learning. So we thank you for that.

So let me just go to Professor Allison's point that he just made about whether or not China will cut off the oil going into North Korea. 90 percent of all trade that North Korea engages in is with China, but clearly the most important part of it is oil because that is the lubricant for all parts of an economy.

So thus far, the Chinese have been unwilling to do it. In 2006, they were willing to do it, and the North Koreans actually went back to the table in 2006. So we know where the pressure point is.

So if we could just go across and just ask would you recommend that the United States insist that the Chinese cut off the oil not towards the goal of collapsing the regime, not towards the goal of uniting North and South Korea, but towards the goal of driving the North Koreans to the table so we can accomplish the goal of not having them complete their ICBM hydrogen bomb program. Mr. Pillsbury?

Dr. PILLSBURY. Yes.

Senator MARKEY. Beautiful.

Dr. ALLISON. I would have them squeeze it maybe by 25 percent to get their attention and then talk to them and say, what is not going to happen is you are not going to have any more ICBM tests and you are not going to have any nuclear tests. And if you do, you are not going to have any oil.

Senator MARKEY. Well, the Chinese said that they have already squeezed the 25 percent.

Dr. ALLISON. Well, I would say I have been trying to watch and I have not seen it. I have seen a little bit of talking about it, but I think that Kim Jong-un believes he can get away with murder. He usually does. So I think it is going to be very hard to move him.

Senator MARKEY. Ambassador Baucus, would you cut off the oil?

Ambassador BAUCUS. It is not going to happen. It is not going to happen. China will not do it.

Senator MARKEY. So if China does not do it, then we have no real pressure point on the North Koreans. So are you accepting the inevitability of the ICBM program and—

Ambassador BAUCUS. No. Professor Kissinger, Dr. Kissinger, whoever Kissinger, has suggested the beginnings that we explore kind of a grand bargain with China, Japan, South Korea, and maybe even including North Korea. I think there is no solution on the peninsula that does not include China.

Senator MARKEY. No, I agree. But how can we do it if the oil is not cut off. That is their role to drive them to the table.

Ambassador BAUCUS. Well, they do not do it and they will not do it. Why will they not do it? I think it is very simple. They will not because the Chinese have a neuralgic fixation on the status quo and stability within China and also in the region. Chinese in many

ways have a very conservative government. So you go to the Korean Peninsula, they are afraid if they cut off the oil it causes instability in the peninsula.

Senator MARKEY. No. It would not be towards the goal of like a long-term cutoff. It would just be, as Dr. Allison is saying, towards the goal of just saying, as anyone who has ever been put in a headlock, you know, say uncle." It is not towards killing someone. It is just towards give up. Stop this fight and let us just resolve it. So if we just did it on a temporary basis, would that be——

Ambassador BAUCUS. I am just giving my own personal opinion. It will not work.

Senator MARKEY. It will not work.

So let me ask this then.

Dr. ALLISON. It will not work because they will not do it, or if they did it, it would not work?

Ambassador BAUCUS. It will not work because they will not do it.

Senator MARKEY. Because they will not do it. So the option then becomes—unfortunately, we had a hearing in this room this morning on what General McMaster has been talking about, which is a preventive nuclear war that the United States might have to engage in, which would then have us using our military in order to strike the nuclear sites inside of North Korea. Then that gets back to Dr. Allison's point of going back to 1950 when the Chinese then entered into the fight.

So I am just going to read here something from the Global Times, which is a Chinese state-owned publication. On August 10th of this year, here is what—they articulated the government position. It stated that if the United States and South Korea carry out strikes and try to overthrow the North Korean regime, China will prevent them from doing so, but that China would make clear that if North Korea launches missiles that threatens U.S. soil first and the U.S. retaliates, China will stay neutral.

So that then goes to the question of us attacking the North Koreans and the Chinese saying if that is the case, we are getting in because we are not going to allow the U.S. to establish a hegemony.

Ambassador BAUCUS. I know the editor of the Global Times. I have met many times with him. You got to understand. Sorry. I did not mean it that way.

Senator MARKEY. No, no, please.

Ambassador BAUCUS. He is provocative. He likes to put stuff out there, and he is somewhat speaking for the government and somewhat not.

Senator MARKEY. So you do not think if we did strike in North Korea militarily that the Chinese would——

Ambassador BAUCUS. They would find a way to get into the peninsula themselves so they can control the peninsula.

Senator MARKEY. They would, yes. And do you agree with that?

Ambassador BAUCUS. I do.

Senator MARKEY. Dr. Allison?

Dr. ALLISON. I do. And I think, therefore, to be clear, my prayer for the minor miracle would be that at the meetings, private meetings between President Trump and Xi recently, they sat down and

said, wait a minute. This guy could drag us into a war. We do not want a war. That will be crazy.

So we need to figure out what are the terms that we can live with that we can go to him and say simply that is it. And I think the “that is it” would be you getting them to stop for a year of any ICBM tests and any nuclear weapons tests. That is not forever, but it gives us a year just to work on the forever land, but for the year. And I think if the message from China and the U.S. was that is it, take it or leave it, and if there was a little squeezing of the oil to get started, I think it would get his attention and I think it actually might succeed.

Senator MARKEY. But if we do strike, are we falling into the Thucydides Trap?

Dr. ALLISON. Well, I think if we strike, we should remember that is a little bit like what happened in 1950, and the sequence of events could end, crazy as it seems, with Americans and Chinese fighting each other.

Senator MARKEY. Do you agree with, Dr. Pillsbury?

Dr. PILLSBURY. No, I do not. I think your question has provoked a split among your three witnesses.

I happen to agree with you, Senator Markey, that there was something in 2006 that the Chinese would not quite agree with you. They say it was an accident. Somehow there was a 1-day cut-off in the oil pipeline, and somehow the Six Party Talks, as you said, resumed.

I think it would be a mistake to strike nuclear sites and missile sites in North Korea without consultation with the Chinese. A Chinese professor has already written an op-ed piece that China and the U.S. should initiate contingency planning about military strikes against North Korea. That is not the “Global Times” editor, Mr. Hu. That is a distinguished professor in Beijing. Other Chinese have been writing about the need to unload North Korea as an ally. So there has been a debate over the last 2 or 3 years about what to do about North Korea.

I think we still have influence with them on steps that can be taken, and frankly, a sort of a total out-of-the-blue pipeline cutoff is not the way to go. The discussion of military options with the Chinese is a first step.

Senator MARKEY. So if I may—

Dr. PILLSBURY. And there are a couple other steps involving Chinese banks, Chinese parts, the various ways that in an underground manner China supports the weapons program in North Korea. These can be squeezed.

There is another whole area I am sure you know about, which is what you might call the royal family financing in Pyongyang.

Senator MARKEY. And again, Senator Gardner and I have introduced legislation—

Dr. PILLSBURY. Banco Delta Macao. Need I mention anything more?

Senator MARKEY. No. We are dealing with the financing, dealing with the cryptocurrency, dealing with the drug money, dealing with the slave wages, dealing with all of it. But at the tippity top of it and 90 percent of it is the oil. So that is kind of the binary choice here that China has. In other words, you are saying that there is

a distinguished professor who is saying that we should coordinate a potential military strike at some point and that there should be coordination.

And I guess what my perspective would be is that it would be much wiser to try to coordinate an economic strike against the North Koreans that the Chinese understand is not meant to collapse the Kim regime but only to put the pressure on that brings them to the table before we move to the second coordinated strategy that might include a military strike that the Chinese agree with. So it is just getting the sequencing correct so that we have exhausted the economic pressure that I do not think we have touched to the extent that we should thus far.

My time has expired, but I thank all of you so much.

Senator GARDNER. Thank you.

Senator Kaine?

Senator KAINE. Fascinating testimony.

Dr. Allison, since you distributed your book, I have really been grappling with the Thucydides question and thinking about it in the context of the United States' history at the beginning of the last century. So the U.S. economy became the largest economy in the world in the 1890s, and then the military probably became the most powerful when Roosevelt expanded the Navy and certainly to the test in World War I.

But another element of what became the American century was the United States grabbing onto a peacekeeping role. President Roosevelt brokered the end of the Russo-Japanese War and won the Nobel Peace Prize for that. And then President Wilson was an architect of the Treaty of Paris and the international institutions. So great nations are great peace builders. It was not just military power, and it was not just economic power. It was also a commitment to peace building.

And China has an opportunity—you know, I have now been in two hearings today where we are talking about the prospect of war on the Korean Peninsula. I got a kid in the military. It is not a particularly pleasant day for me to have to go to two hearings about this.

But I am a believer in miracles too. North Korea wants some things. It is not just a matter of what punishments can we put on them to cause them to give up nuclear ambitions. They want some things. They have wanted a peace deal to end the Korean War rather than just an armistice. And they have put that on the table before. Now, maybe that is just a fake request, but for a long time, they have wanted there to be a peace deal to end the Korean War so that they could have some guarantee that they would have an independent country and that the long-term goal was not a reunification and an absorption of their country into South Korea.

China could be—in trying to broker some kind of a peace deal that would end North Korean nuclearization—would putting that issue on the table, a peace deal to end the Korean War that is now 70 years old—should that be on the table?

I noticed China's reaction when the Nobels are given out to dissidents and artists that they do not like, they do not like that. But for a Chinese Government to win a Nobel Peace Prize for brokering a very difficult peace deal, just like President Roosevelt did in

1905, I mean, that would be a very different kind of a thing. So I am in the miracle territory here.

But I just want to say that thinking about North Korea just as what is the right punishment to put on them so they will stop doing what they are doing, you know, look, they are trying to get nuclear weapons. There is—if a horrid rationality, there is some rationality. We want to protect the regime. Qaddafi gave up nuclear weapons and the regime went away. We want to protect the regime. But there are some things they want like a peace deal to end the war. Are those elements—if we think bigger and bigger picture about what the solution might be, might China—and you all know. You are experts in China and I am not. But might China want to, as part of assuming this global leadership role, assume the leadership including in being a peacekeeping nation just like the United States did back at the turn of the 20th century?

Dr. ALLISON. So thank you. I like the drift of your comments and the suggestion.

First, TR's role in brokering the Japanese-Russian agreement as the first Nobel Prize any American ever won. And I see in the Roosevelt room, that is one of the highlights to see this fact. So if Xi could become attracted to winning a Nobel Prize for dealing with the North Korean problem, I think that would be fantastic.

Secondly, I think you are absolutely right that we have to think about what we can give North Korea, as well as what we can get. At this moment, the thing that we need most from North Korea is that it stop testing ICBMs and nuclear weapons because if it does not, it is going to be into option one, which is a North Korea that can credibly threaten the American homeland. And President Trump has said that is absolutely not going to happen. So I think it is quite plausible that he attacks them to prevent that even though he knows that might even ultimately end in a war with China. I think partly he is also trying to help Xi Jinping understand that that he is prepared to do that if that is his last resort.

So now if we imagine that the minor miracle that I was praying for, Xi and Trump would each say let us take one or two of our advisors, tell them to go off in a corner for a day or 2, and come back with three ugly options. We are not going to like them. They only need to be better than what is currently now going to happen. And one of those options would undoubtedly be the U.S. give some things that we do not want to give.

So is there some magic or something sacrosanct about how many participate in each of our military exercises? I am an old Defense Department type. We would say absolutely yes. We would never make an adaptation at all especially to prevent people from bad behavior they should not have been doing in the first place. The answer is, of course, we can make changes. There was 32 and a half thousand; the previous time, there was 27,000. Is there something sacrosanct about how many troops the U.S. has in South Korea? Is there something sacrosanct about how frequently we drive by or fly by? Do we need to have three carriers nearby or two? So there are a lot of things that we could be adapting and adjusting.

Senator Kaine. Like removing missiles from Turkey during the Cuban missile crisis.

Dr. ALLISON. Absolutely, to take a for example. And that was ugly. It was ugly, very ugly. But compared to the alternative—so I would say we would end up in the ugly zone.

On the particular item that you said, the peace treaty, I think there I slightly disagree. In Kim's cosmology, they believe they are the legitimate rulers of the whole of Korea. They think what they are doing is taking back over the whole of Korea, and the peace treaty is a step in that picture as they see it. So his idea and his hope is he gets to be a nuclear weapons state. We lose interest or we back off from Korea. Pretty soon the South Koreans then are intimidated by him. One thing leads to the other. So I would work on the short-run things now rather than the longer.

Dr. PILLSBURY. If I can jump in with about 60 seconds, I tend to agree far more with Professor Allison than Senator Baucus. Because of the book I wrote, which I failed today to bring and pass out free copies of, I wrote my book—[Laughter.]

Dr. ALLISON. He only charges for them.

Dr. PILLSBURY. Well, and Professor Allison gave a generous blurb on the back cover, which I do not know if he regrets or not.

I tried to go through declassified documents to show that what you are raising and what Professor Allison essentially is agreeing has happened before because of the extraordinary high level of strategic cooperation between the United States and China, which often is not declassified for as long as 30 years. Some of it is quite dramatic. Lee Kuan Yew himself—I tell the story in the book—came to a secret base in Thailand where the CIA and the Chinese CIA were cooperating with Singapore, Malaysia, and the Thais to provide weapons, maps, and money to guerillas to kick the Vietnamese out of occupying Cambodia. That was only disclosed more than 30 years later. That is pretty sensitive cooperation.

I have several pages on our working with them on Afghanistan, a very, very close relationship on solving strategic problems.

Dr. Kissinger did not allow to be declassified until the last couple of years one of his most sensitive areas of cooperation with the Chinese which began in 1973.

So the precedent is there. I do not know if holding out a Nobel Peace Prize to President Xi Jinping could work, but it is the kind of thing that I suspect would appeal to his sense of greatness that came through in this 3-and-a-half hour speech. I do not claim ownership of the idea. This may be a new initiative you have announced today for how the U.S., China—I assume you mean North Korea and South Korea, all four would share in the prize. But, of course, that involves Senator Baucus being wrong that China would put an oil cutoff on the table and start to do it. So we have to hope Senator Baucus is wrong in his forecast.

Ambassador BAUCUS. On the basic point, I think it is a creative idea. I am struck with a meeting between President Obama and President Xi when President Xi was physically upset with Kim Jong-un, the one time I have heard him, Xi, with an edge in his voice, clearly frustrated that he does not have more influence over Kim. And I think that is the case. There is a real tension there between Kim Jong-un and President Xi.

However, as has been noted, there is more pride now. There is more a feeling of potential greatness, if you will, on the part of

President Xi. So I think that is an idea that he would find appealing.

It is hard to know how that would play out because China is pretty conservative. That would be a major step. It would take a while for them to figure out how they would do all that. That would not be something they would just announce without giving a lot of thought to it, running it through all the various channels in China that would be necessary to get in touch with.

I think it is analogous to the approach that must be taken, namely where we more seriously talk to China in an honest way. In my experience, our discussions with China on this issue have been very superficial. It is like two ships passing in the night. So for the ships to meet, not collide, but to meet, there has to be a very thoughtful approach here and it means a lot of shuttle diplomacy probably, a lot of back and forth with lots of officials to try to develop more trust, more confidence in finding an agreement. And I think it will include a lot of the points that have been mentioned here, and there are many, many more that we have not discussed that should be out on the table. And after a while, if they are all explored in good faith—and I think they would be in China too in good faith, although we have to deal with the opacity of that government. We are open; they are not. We have no choice but to try because the other alternatives so far are not working, namely military, I think, is out of the question. We do not want that.

Second, sanctions are not achieving the desired result so far. I do not see any evidence that is going to really change very much. So we have to keep the pressure up, keep talking about the sanctions, all of that, but at the same time maybe back door, third party, start talking a little more and with China and with Japan explore this but in South Korea. Then I think that China might say, well, gee, maybe there is an opportunity here where they could play a more responsible role, if you will. It is like Bob Zoellick's point about—I forgot the phrase he used, but the main point being be responsible as you rise and have more influence.

Senator GARDNER. Thank you, Senator Kaine.

And I know Senator Markey has a couple of questions he would like to ask.

Let me just ask you this. If we are unsuccessful in denuclearization of North Korea, will South Korea and Japan ultimately be forced to develop their own nuclear weapon program? Make this, if you could, a quick answer. Mr. Pillsbury?

Dr. PILLSBURY. I do not think I want to acknowledge the idea of failure in advance. So I would just decline to answer the question. It is really not fair to acknowledge failure in advance. It is just a question of the political will on the part of allies and ourselves how far are we willing to go with North Korea. It is already quite obvious all over Asia that the credibility is going up of an American military strike on North Korea. That is a really big change from a year ago when I think probably all of us would go to conferences and everybody would say, well, everything is on the table, wink, wink, except the use of force.

Senator GARDNER. Let me shift the question then because I would ask this. And I had a discussion with this with a Chinese official earlier today.

Would China work with the United States—perhaps the United Nations is the right body to do this—on a plan for what to do with the nuclear stockpile of Kim Jong-un should there be a denuclearization success? Should we get that planned ahead of time with China? And would that then build enough trust to actually begin working together in a way that we could achieve that, sort of back into our goal of peaceful denuclearization? Professor Allison?

Dr. ALLISON. Well, it has now become more complicated. It is a great question.

I cannot imagine the Kim Jong-un regime giving up its nuclear arsenal in any world. So I understand that is our stated objective. I even have written once CVID, complete, irreversible, verifiable, denuclearization, is a complete, irreversible, verifiable delusion. So it is not going to happen. I think it will come right after the U.S. and Israel because Kim Jong-un has a very good reason for wanting to have nuclear weapons. So that is number one.

Number two, that does not mean that he has to have a capability to strike San Francisco or Los Angeles. He has already got 50 nuclear weapons. He has already got missiles that can deliver these weapons like in South Korea and Japan. So I could imagine him stopping at this point for a time, and then we would see.

So then the longer-term solution to this would be if you could imagine that regime changing, which it could do over time, or if you could imagine the Chinese coming to play a more dominant role in the regime or in the region, but I think stopping the bleeding right now seems to me to be the overwhelming question. The longer-term problem I think will be very, very hard.

Senator GARDNER. Dr. Pillsbury, how concerned are you about President Moon and the new administration in South Korea and their approach toward North Korea and perhaps even their relationships with China that could result in a softening of an approach toward North Korea and a distancing of the United States?

Dr. PILLSBURY. I am going to Seoul tonight to see President Moon's team. He has got a campaign advisor who has published a lot about North Korea. President Moon seems to have come around quite a bit. Some of his campaign supporters are in tears. They are quite angry at him as well. Frankly, the North Korean military watches the South Korean President's attitude very closely. So we have made a lot of progress, it seems to me, in influencing the North Korean military to start thinking differently. As President Trump said in his speech to the South Korean assembly, start thinking of nuclear weapons as dangerous to them, as attracting attack as opposed to guarantors of the regime.

The military does not seem to have taken the initiative in the original decision to develop nuclear weapons. It seems to have been more of a Kim family pledge to the military. You keep the Kim family in power and we will deliver nuclear weapons. We will get the resources, the money, all of the ingredients needed.

So changing the North Korean military's attitude seems to me is part of the game right now. And President Moon's cautionary approach has started to include the use of force. He does not want it. It is his last resort, but he has changed from his campaign pledges. That to me is quite significant.



And the Chinese have told us in academic settings that the North Korean military is the real power in that country other than the royal Kim family itself. So that is why thinking about the three aircraft carriers concentrating so much power in one place, this is the kind of thing military leaders pay attention to. It is their belief in a credibility of what President Trump is saying that it seems to me everything hangs on. And some of the sanctions, not the oil pipeline, not the banks, but some of the sanctions can also affect the North Korean military. And this is an area where it seems to me the Chinese and think tank channels have been supportive. They think the North Korean military is part of the solution, maybe even the solution.

Senator GARDNER. Thank you. I know we have not even gotten into the issues of the South China Sea and other issues that could go on for a long time.

Senator Markey?

Senator MARKEY. Thank you so much.

So I want to come back to Senator Baucus because you raised a very interesting kind of dichotomy here where as the Chinese move from the era of the emperor to the era of the party, and what you said was that do not worry about human rights is what Xi says because we are going to take care of the people. And so I think it would be helpful for us to understand then are they just turning a deaf ear to anything that we say about human rights, that it has no impact on them whatsoever, that it is not really in our interest to kind of waste capital on an issue where there will be no progress because we are going to take care of the people, as you said, is just going to be the continued mantra that they utter to any U.S. ambassador or congressional delegation which is visiting them.

Ambassador BAUCUS. No. I think it is important to talk about human rights. It is a universal value that all people understand. It is human dignity that is so essential basically to life. I think we should press protection of human rights, but we are only going to get so far but we still should continue to advocate the value of human rights even with China.

Senator MARKEY. So do you agree with that, Dr. Pillsbury, that they are unlikely to give us an answer or respond to our pressure, our interests, but that we should raise them regardless?

Dr. PILLSBURY. I agree in principle, but they have been extraordinarily sensitive to human rights issues that are raised at the presidential level about specific individuals.

And so I was very pleased at this tremendous bipartisan cooperation going way back. It was Claiborne Pell, Joe Biden, Jesse Helms, and Orrin Hatch, if you can imagine such a combination, who supported the legislation to create Radio Free Asia and have human rights dissidents actually read their stories and address the issue and then have phone-in telephone calls from China of people talking about specific human rights cases and violations.

That legislation President H.W. Bush and his Assistant Secretary at the time, Richard Solomon, told us they would veto it. They did not want Radio Free Asia. They did not want broadcasts in Mandarin on human rights issues going into China. They were overcome. It passed. It is one of our best programs, and it is one

of many ways that human rights issues can be brought up in addition to diplomatic dialogue.

As I say in my testimony, the National Endowment for Democracy, the funds for democracy promotion both at USAID and at State have a focus already on Chinese democracy and human rights. More can be done, but that is an area for a Foreign Relations Committee hearing frankly.

Senator MARKEY. Thank you.

If I can come back to you again, Max. The point that Dr. Pillsbury raised earlier about these programs to transfer U.S. technologies, U.S. innovation to China and that it is a legal requirement that we do so, did you come across that while you were there in terms of their insistence to the U.S. Government that there be a facilitation of that type of transfer?

Ambassador BAUCUS. In fact, the opposite was just the case. They kept complaining to us about our restrictions of technology transfer to China. I did not ever hear anybody in China advocate the Americans should stick with agreements that you have to transfer technology.

As you also know, they are very clever. With the Snowden revelations, China passed a lot national security statutes to protect their country from espionage.

But at the same time, they used that as an opportunity to set up discriminatory barriers against U.S. technology firms selling equipment in China in order to build up their own industry at foreign expense. And they are pretty successful with it.

So from my perspective, all I heard is China complaining, frankly, that the U.S. is not allowing the technology transfer that they like under the U.S. Export and Control Act.

Senator MARKEY. Back in 1998, I traveled with Senator Baucus, John Dingell, and Jay Rockefeller as the congressional delegation with President Clinton on Air Force One for 10 days. We were in Shanghai and Xian and Hong Kong and Beijing. And I just went back in the last week of August, first to go up to the Yalu River, the border between Dandong and North Korea.

Ambassador BAUCUS. The bridge of no return?

Senator MARKEY. Yes, the bridge.

But then I went over to Shanghai, and you are right, Max. It was non-recognizable just from 1998, just completely built up in a way that it was non-recognizable from that city that I visited back then. So it was eye-opening then to see it on the rise, but now it is just absolutely incredible.

And maybe I would just ask this one final question because we had a hearing—and maybe one of you knows the answer to this, but we had a hearing and we had the Dean of the University of Maryland Graduate School testify, Robert Orr. So he testified here about the global green grid which China is now proposing, first starting with it going into the adjoining countries to China but then expanding beyond that, which is just a high concept in terms of their insinuation of their government planning and to the kind of the fundamental part of each economy of the grid, but using renewable energy. So can any of you speak to that question if you are familiar with it at all?

Ambassador BAUCUS. I am not familiar with it. It just amazes me. We live in a time. There are so many ideas and some of them are very grand and one or two are going to come to pass. It is just fascinating with all the technologies, et cetera.

I know the head of SoftBank, Masayoshi Son, has a similar concept, not green but a conventional network grid for the region.

But I also smile a little bit because I visited one province there, and there are lots of solar panels, lots of wind power. And the party secretary of the province was just so happy, but he was unhappy too. Why? Because the coal industry had such a near lock on the purchase of power that they in the coal industry were still able to preempt renewables. That is, renewables was so ineruptable that the province could not sell enough of their wind power to the grid as they really wanted to.

So it is going to take time. I hear a lot about the green renewable. It would be great if it develops, but realistically it is slow.

Dr. PILLSBURY. Could I jump in for a second? It comes out of an initiative that I praise in my book "The Hundred Year Marathon." It dates back to the Reagan administration where the United States decided, you know, we have an Environmental Protection Agency. Some people do not like it; some people do. We need to create one in China. And there was an outreach to find partners. They acknowledge us sometimes in speeches. But the shift of China away from coal, away from cars, a whole series of green initiatives date to this group of people who are identified. Later they became, in one case, minister. They give cabinet rank to their EPA now. And it is an example of an American success story, which George Shultz talks about in terms of empowering or building the capacity inside China sometimes is the problem. They will agree with us rhetorically on something, but they cannot actually do it.

Something similar happened in the nonproliferation area. They would say, yes, we are against nuclear proliferation. We are against exporting advanced weapons. But we knew they could not keep track of what they were doing. So U.S. money, the U.S. embassy helped them create an export enforcement system. This is way back before Ambassador Baucus.

But we have gone a little bit too far in so much cooperation that, frankly, I do not think is brought to the attention of the ambassador. It is so routine now. I saw a briefing last year of the National Science Foundation transferring advanced manufacturing techniques to the Chinese Ministry of Science and Technology. It is done in a routine way because of all of these agreements. So nobody would bother the ambassador, whereas he would definitely hear from the Chinese about you are not selling us high-tech equipment and what about this restriction. That is what I am calling for a hearing on, all this cooperation.

Senator MARKEY. Great. What an all-star panel.

Ambassador BAUCUS. If I might. You have got to take your hat off to China too in renewables in the sense that China will have more electric vehicles produced than any other country soon. They are electrifying. There are so many of their cities with EVs. When you are in Beijing, they are not combustible scooters. They are all electric. It is stunning. They have ideas they think they need to

pursue, and they tend to be ideas of the future getting ahead of the game.

Senator GARDNER. Thank you to all of you for your time and testimony today. I truly appreciate the opportunity to have this important dialogue and conversation as we inform our legislative work tour, our legislative goal of creating long-term policies in the United States toward Asia.

For the information of members, the record will remain open until the close of business on Thursday, including for members to submit questions for the record. Again, your homework assignment. If you could return those as quickly as possible—the answers to those questions—I would greatly appreciate it.

With the thanks of the committee, this hearing is now adjourned.

[Whereupon, at 4:30 p.m., the hearing was adjourned.]

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## Additional Material Submitted for the Record

PREPARED STATEMENT OF HON. MAX BAUCUS

Mr. Chairman, I appreciate the opportunity to speak today on U.S. policy on China. I believe it's one of the more important questions facing our country today.

I loved the serving as U.S. Ambassador to China. One of the most rewarding jobs I've been honored to have.

I won't rehash all the relevant points in the relationship. China's amazing rise and the points of tension we are dealing with. Instead, I'll offer some suggestions.

I think it's important for Americans to be aware of what I call the American exceptionalism trap where we assume that if we keep working with another country, in this case China, American exceptionalism will prevail. They'll be more like us and differences will be manageable. It's an assumption I think we need to examine.

Although China and the U.S. both strive to enhance the well-being of their people in profound ways our two countries are very different.

We Americans pride ourselves on our western Judeo-Christian values and democracy. On our democratic elections. Our constitution. Our bill of individual rights. Freedom of speech and press. Separation of powers where power is spread among three different branches. Our independent judiciary free from influence by the government.

We're proud people. We're Americans. We have the world's best form of government. We've kept the peace since WWII. We lead. We help solve disputes between countries, upholding our values and our approach to government. We think, no, we assume that our way is best and with patience and perseverance others will see that, too. They'll agree with us.

China has another view. China is just as proud if not more so than we Americans. After all it has had thousands of years of history. Its Middle Kingdom was the center of the universe up until the last two centuries when China was invaded and controlled by Japan, U.S., UK, France. Otherwise known as the two hundred years of humiliation. They now see their rightful place in world history returning.

China is authoritarian. It has one party rule. There are no elections. Very weak independent judiciary. Little free speech or rule of law. Instead, the party is everything. The party sees its role as taking care of the people. So long as they can keep people happy with rising incomes, addressing air and water pollution, food safety and health care, they believe they will indefinitely stay in power. It's the Faustian bargain that both the people and the party have upheld since they came into power in 1949. We take care of you and you don't question our legitimacy.

At the recent 19th party congress, the party strengthened its reach in virtually every area of society. China believes that a very strong party is necessary not only to maintain control but necessary to grow and develop their country. The party is everything.

I'll never forget President Obama and President Xi explaining each country's role in November 2014. President Obama explained that human rights is absolutely fundamental to our democracy. It's in our DNA as well as our constitution. President Xi explained that the party is absolutely fundamental to their government. The

party is everything and it is the duty of the party to care for the people trumping human rights.

It's not too simplistic to note that whereas we Americans believe in fairness and dispute resolution procedures enshrined in our constitution and laws, China, without those protections, is more results oriented.

While the United States tends to be ad hoc in its foreign policy decisions, China takes the long view. It has a vision. China is patient. China's One Belt One Road, it's Asian Infrastructure Investment Bank, it's Free Trade Agreements with countries it wants to do business with are all examples of China's vision to turn itself into a major, if not the major, economic power in the world.

This long view enables them to take small steps at a time. South China island building is reminiscent of its board game, Weiqi, taking one small step at a time so no one notices until the game is over.

China is opportunistic. They saw an opportunity when we pressed for an agreement on Climate Change, enabling them to pour immense resources into renewables such as solar and wind power at the expense of our solar and wind industries.

They saw another when Eric Snowden revealed U.S. espionage efforts, enabling them to pass national security statutes under the pretext of protecting their security interests but also allowing for discrimination against our foreign technology.

China is very different from the United States. We each have interests and different philosophies of government. Neither, at least in the indeterminate future, will persuade the other that it's better. We're different. We must understand and respect that.

So, what do we do? What should our U.S. policy be with regard to China.

First, I urge each of you to go there. See China. Develop personal relationships. 80 percent of life is showing up. Load up a 747 with members of congress, the executive branch, some businessmen, NGO's and the media and fly to China. For at least two weeks. Visit as many provinces as you can. Talk to party secretaries and leaders as well as to the cab drivers. Then go back at least once a year. After a while you'll start to learn about China and develop personal relationships. You need to see it for yourselves to properly understand the scale and magnitude of China's rise in the last 40 plus years.

I know that sounds fanciful, but if that plane were to take off I guarantee you'd see productive results.

Second, the U.S. must develop a strategy. A strategic plan. One that defines our long-term interests. Provisions that show how we will execute it. China has a plan. We need one, too.

The plan should include U.S. engagement not withdrawal in the region.

The most important geopolitical matter to cross my desk while I was in Beijing was the Trans Pacific Partnership. It was so important that I took it upon myself to fly to DC two months before the election to explain its importance to members of congress, both sides of the aisle and both parties.

Many SE Asian ambassadors pleaded with me to stay in the agreement so that they could play China off against the U.S.

Singapore icon, Li Quan Yew, personally urged president Obama to join TPP when they met in 2009 saying that otherwise the U.S. would cede trade to China.

It was a huge mistake for the United States to pull out. Economically and geopolitically.

It's no wonder that the remaining TPP countries are going ahead without the United States.

Third, after we develop a plan, a course of action for the region the U.S. must press its views and stand up to China when their actions are against our interests.

The Chinese understand and respect strength better than any other people I know. They can sense weakness better, too.

We did stand up and protect our interests at least several times while I served. Two involved our national security. One our economic interests.

It was with great frustration that we watched China dump sand on submerged reefs in the South China Sea converting them into features which they called islands.

During President Xi's visit to the U.S. in March of last year President Obama in a very small group privately told President Xi that it would be a mistake for China to invade a specific South China Sea island. It worked. China didn't occupy it. We stood up.

Another time, when the U.S. threatened sanctions on China over Chinese hacking of the Office of Personnel files, China quickly sent over their top party national security official to negotiate a settlement with the U.S.

There are other examples I could mention if we had more time.

Standing up to China or having self-respect means being candid and speaking truth to power.

When I first arrived in China I would listen to the official across the table read his or her prepared talking points verbatim. The interpreter and everyone on his or her side of the table would be reading the same points.

After a few months of this formality I decided this was a waste of time. So, I interrupted him or her mid-sentence. Broke right in. Could you give me an example, or explain that more fully? I would ask. They liked it. It was more honest, more real.

I would also often ask the Thucydides Trap question. Your GDP will double in ten years, your military spending in six, I would say. The trend line shows that your economy will exceed that of the U.S. in ten years. What are we to think? I'd ask. What are your intentions? In fact, deeds are more important than words, I'd remind them. What actions or deeds can you point to that show you want to work with U.S.?

I thought it was important to speak truth to power. Speak honestly, directly. Not with an edge or condescension but constructively. It was the basic question that had to be asked. They just listened. They never answered or addressed the question.

I asked it so often that soon President Xi Jinping raised it at a meeting with a cabinet secretary saying there's no trap. Later President Obama raised it with President Xi at a summit in 2015, also saying the trap isn't real.

My view is that we have to constantly keep asking that question both for China and for ourselves to better assure the trap doesn't spring shut.

That's my prescription. First, go to China. Often. Second, develop a long range strategic plan. Third, be strong with China in the best sense of the term. Show there will be consequences if they take actions that are not in our best interest. It'll better assure that we'll find agreed upon solutions.

It's the best way to avoid the Thucydides Trap for the well-being of the peoples in both our countries.

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PREPARED STATEMENT OF DR. MICHAEL PILLSBURY

Chairman Gardner and Ranking Member Markey, thank you for the opportunity to testify in your series of hearings on American leadership in the Asia-Pacific. I understand today's subject is Part 4, "The View from Beijing." Your letter of invitation raised seven specific questions. When I was a Senate staffer for the Budget Committee, the Labor and Human Resources Committee and the Foreign Relations Committee, I noticed Senators appreciated not only short answers but also information that would be relevant to legislation or possible initiatives. In that spirit, I address your seven questions first, then I want to provide you with some background reading that supports my answers, not for today but for your next long flight overseas—a new view of the declassified evidence of "how we got here" in terms of today's U.S.-China relationship. My thesis in *The Hundred-Year Marathon* is while Americans have the illusion we have been managing China's rise, the truth is the other way around—China has been doing a much better job of managing America's decline. I agree with both Henry Kissinger and Professor Graham Allison's effusive praise of the assessment of China by former Singapore Prime Minister Lee Kuan Yew. Allison wrote, "The rise of China is the issue about which Lee undoubtedly knows more than any other outside observer or analyst." However, both Allison and Kissinger do not pay sufficient attention in my view to the implications for us of Lee Kuan Yew's most important finding. Lee wrote, "It is China's intention to be the greatest power in the world." Of course, we should never overestimate China's power or ability to surpass us, but more and more of allies are saying quietly, "that the way to bet." My book advocates 12 steps for a new strategy toward China, which I will not elaborate today. I have read the testimony of your three prior hearings and largely agree with your earlier witnesses on both the economic side and the security issues. As well, Chairman Corker held an insightful hearing on how to improve security cooperation with both General Charles Hooper, head of DSCA and a mandarin-speaker who served twice in Beijing, as well as State Department witnesses on the difficulty of coordinating State and Defense when so many senior positions are still vacant.

Your first four questions concern China's intentions in the Asia-Pacific, what is President Xi Jinping's vision, what are the main takeaways from the recent 19th Party Congress, and how does the Chinese leadership view the United States and its role in the region.

The answer to all four questions is, in one word, “continuity.” China’s leaders are continuing to implement a largely secret set of policy decisions made about 40 years ago. The Chinese leadership abandoned its earlier strategies of first allying with the Soviet Union in the 1950s and then going it alone in the 1960s. Some of their policy ideas were uniquely Chinese, especially about the slow pace they would follow, and others were derived from their deep relationship with the World Bank beginning in the 1970s. In the 1980s, the World Bank opened its largest office in the world in Beijing. China’s leaders sought and followed advice from World Bank and IMF officials, and from many Nobel prize winners in economics, and even from Goldman Sachs, as told in detail in former Treasury Secretary Hank Paulson’s book *Dealing with China: An Insider Unmasks the New Economic Superpower*. They set up a national policy which has been correctly labeled mercantilist and even predatory. Many have criticized them, and an innovative report from ITIF called the *World Mercantilist Index* has consistently scored China to be Number One. China’s response has been ignoring this criticism and to imply that reforms are coming—someday. Some Chinese authors cite American history in the century from 1820 to 1920 as their model for government-assisted growth through these predatory practices.

Your second set of three questions focuses on U.S. policy, asking specifically how U.S.-China policy should take into account China’s intentions, whether the Obama administration’s Asia pivot or rebalance policy succeeded in deterring Chinese destabilizing activities, what policy the Trump administration should pursue to improve U.S. policy toward the Asia-Pacific and China, and how to assess President Trump’s recent visit to the region. I thought the President’s Asia trip was a success, particularly in its focus on multi-lateral and alliance relationships with ASEAN, APEC and our military allies in Japan, South Korea and the Philippines. He laid an excellent foundation for his future visits to the region.

I would also answer your three questions about U.S. policy with just one word, “innovation.” My own advice to the Trump administration as a transition adviser has been simple. We need a holistic approach led by the President himself who alone can coordinate the Defense Department, USTR, Commerce, Treasury, and important elements in the State Department in designing new strategies to deal with the issues of trade, security cooperation, and multilateral coordination.

In my view, it is way too soon to judge whether the Trump administration will have the leverage to significantly change Chinese predatory practices, a concern that has been publicly raised by USTR Ambassador Bob Lighthizer. My view has been that we need to press the Chinese toward reforms by working with our allies, not alone. We also need to be aware of our allies inside China who have been frustrated or even punished for their advocacy of real reforms. Cato Institute has honored an economic reformer named Mao Yushi, but it was not widely reported. Too few know the specific reforms advocated by the late Liu Xiaobo whose writings were made available in a book by Professor Andy Nathan of Columbia.

There are specific policy areas where a holistic strategy should be designed. I recommend that the State Department take the lead in advising the President on how to coordinate the timing and implementation of all the components that a new strategy for the Indo-Pacific will need. Many do not include all these components, and many areas too often go uncoordinated such as the democracy promotion funds at USAID and State, and the Asia program of the National Endowment for Democracy. Pacific Command is not just a DoD combatant command, but often offers ideas in overall strategy, civil aspects of security cooperation, and the rule of law.

In the long term, one of first challenges is Congress should require the State Department’s Bureau of Intelligence and Research [together with the entire IC and DoD] to present to the Congress a genuine assessment of the U.S.-China military balance, [to include future technology issues]. An outline of how to assess this balance has been suggested in an alarming Rand report called *The U.S.-China Military Scorecard, 1996-2017*. The current annual DoD report to Congress that has been required since 2000 under the NDAA does not directly compare the military “scorecard” of the U.S. and China, yet many textbooks teach us that the underlying military balance has a decisive impact on our diplomacy and on deterrence.

We do not want our allies to doubt that the Indo-Pacific military balance favors us in the long term. Andy Marshall at the DoD Office of Net Assessment studied this issue at the initial direction of Henry Kissinger in 1973. One of his findings was that perceptions of a declining military balance can be as important as a real decline. We took many initiatives based on Andy Marshall’s insights largely about the Soviet Union. Congress needs to request similar studies of the future military and technological balance with China. The trend may be against us if the forecasts are correct Chinese economic growth in PPP has already surpassed us.

The second set of State Department led policies must include specific steps in the fields of trade and technology protection that fall to many different departments and agencies:

1. more lawsuits at the WTO,
2. comprehensive CFIUS reform,
3. a mechanism through which we can coordinate restrictions on Chinese investment with our European allies,
4. a large increase in federally funded R&D to return to the level of three decades ago,
5. publishing a list of Chinese companies engaged in IP theft and unfair trade practices to inform potential litigants of possible legal targets,
6. measures to provide U.S. companies and U.S. government regulators a better understanding of Chinese state-owned entities in the U.S.,
7. amendment of the Foreign Sovereign Immunities Act and the Economic Espionage Act to protect ourselves,
8. developing comprehensive responses [particularly with India] to China's Belt and Road Initiative and [with the European Union] to the new "Made in China 2025" plan,
9. an inventory of the official programs and activities we undertake to assist China's growth, and
10. intelligence efforts to reduce industrial espionage and cyber theft.

All of these steps face a challenge. Americans tend to assume falsely that we have been in charge of relations with an essentially benign and economically inferior China. One of the great lessons of history Americans have been taught over the years is that President Richard Nixon and Henry Kissinger took a brilliant strategic initiative to "open" a backward, internally-focused China. But what if China has been more successful in taking initiatives against us—from the start?

In a little-noticed sentence in his book *On China* published in 2011, Dr. Kissinger has correctly changed the dramatic narrative of a unilateral American diplomatic initiative. Instead, he revealed new Chinese materials and admitted there was a "parallel" effort inside China to "open" America. Indeed, he lists five times when he and Nixon actually turned down the earliest Chinese initiatives. My book *The Hundred-Year Marathon* presents even more evidence. I was permitted by the CIA, the FBI and the Defense Department to use both new American declassified documents and new Chinese materials to show that the foundation of U.S.-China relations is very different from what has been taught in earlier historical accounts. This new history has been well-received—*The Hundred-Year Marathon* was a # 1 national best seller and translated into Japanese, Korean, and two different Chinese editions in both Taiwan and China. One reaction to this newly history is that the prospects for future U.S.-Chinese cooperation are much greater than most had assumed. Conversely, the prospects for a U.S.-China war are more remote. Strangely, there are at least six American or British books about the growing likelihood of an American war with China. There are none about the likelihood of a "G-2" style era of strategic cooperating with China. The books are all useful, with dramatic titles like *The Coming Conflict With China*, *The Coming China Wars*, *The Next Great War*, *China's Coming War with Asia*, and my personal favorite by Graham Allison, *Destined For War: Can America and China Escape the Thucydides Trap?*

My own view is that President Trump is on the right track to pursue strategic cooperation with China. He has even acknowledged in his own books and speeches a deep admiration for how smart Chinese strategy has been.

But the problem of complacency threatens us. Too many believe China will not be a challenge because it will collapse long before surpassing us. Others claim we have been in charge of China since 1969 and that China has no strategy, but is merely muddling through. Is this true?

*How Did We Get Here? The Hundred-Year Marathon since 1969:*

Nixon and Kissinger have admitted that in their first months in office, their focus was on improving relations with the Soviet Union. They had no desire to provoke the Soviets' ire by dallying with China. Indeed, in many ways, it was not Nixon who went to China, but China that went to Nixon. In the case of each American president, Beijing's strategy seems to have been a product of brilliant improvisation—constant tactical shifts combined with shrewd assessments of the internal differences among the main players in Washington debates. In their assessment of *shi vis-à-vis* the United States, China's leaders benefited from something considered to



be of critical importance during the Warring States period: a well-placed spy in the enemy's ranks.

A forty-year employee of the CIA, Larry Wu-Tai Chin, was accused in 1985 of engaging in decades of espionage on behalf of China. Chin was accused of providing countless classified U.S. documents regarding China to the Chinese government, charges to which Chin pled guilty in 1986. While confessing to a judge, Chin declared that he acted as he did to promote reconciliation between the United States and China. Shortly thereafter, he was found by a guard asphyxiated in his prison cell. Larry Chin seemed to admit to the judge he revealed our planning and weaknesses to the Chinese government so Beijing could have been highly effective in getting all it wanted.

America, in contrast, has not had similarly placed informants to provide direct insight into Chinese strategic thinking. Because we also lack access to internal Chinese policy documents, this chapter attempts to unearth the motivations of China's leaders during the time of renewed relations with the United States through the end of the Reagan administration by examining U.S. accounts of what appeared to be driving China, as well as another open-source information that has emerged since.

Unlike the United States, China has not released, nor is it likely to ever release, official internal records showing how Chinese leaders were able to obtain essentially all of the major economic, military, and diplomatic-political assistance it sought from the last eight U.S. presidents, from Richard Nixon through Barack Obama. However, there do appear to be consistent strategic approaches followed by Beijing that have been acknowledged in general terms in interviews of and articles by Chinese scholars. The nine elements of Chinese strategy (introduced in chapter 2) help us to better make sense of China's past and prospective actions. The use of deception, shi, patience, and avoiding encirclement by the Soviet Union are all apparent. In particular, the nine key elements of Chinese strategy have guided China throughout its decades-long campaign to obtain support from the United States to increase China's strength.

There is wide agreement that in the late 1960s, with their outsize ambitions exposed to the Soviets, with whom they were on the brink of military confrontation, China sought out a new benefactor. For ideas about how to make America a friend—or, to be more precise, a temporary ally—Mao turned to the military rather than to his diplomats.

Many Americans discounted the influence of China's hawks. They were surprised to learn that the military secretly designed China's opening to America. In the spring of 1969, Mao summoned four hawkish army marshals who wanted to end China's decade of passivity and instead to stand up to the threat of the Soviet Union—Chen Yi, Nie Rongzhen, Xu Xiangqian, and Ye Jianying. These marshals summed up the American strategy toward the Soviet Union and China in a Chinese proverb of “sitting on top of the mountain to watch a fight between two tigers.” In other words, they believed America was waiting for one Communist country to devour the other, and they thought in terms of ancient lessons from the Warring States period.

In May 1969, Mao asked them for further recommendations. According to Kissinger, the marshals' private secretary recorded that the group discussed “whether, from a strategic perspective, China should play the American card in case of a large-scale Soviet attack on China.” Marshal Chen Yi suggested that the group study the example of Stalin's nonaggression pact with Hitler in 1939.

Another marshal, Ye Jianying, cited the “Red Cliff strategy” pursued by Zhuge Liang, the southern commander who outwitted Cao Cao: “We can consult the example of Zhuge Liang's strategic guiding principle, when the three states of Wei, Shu, and Wu confronted each other: ‘Ally with Wu in the east to oppose Wei in the north.’” In the marshals' view, America feared a Soviet conquest of China: “The last thing the U.S. imperialists are willing to see is a victory by the Soviet revisionists in a Sino-Soviet war, as this would [allow the Soviets] to build up a big empire more powerful than the American empire in resources and manpower.”

Chen Yi pointed out that the new president, Richard Nixon, seemed eager “to win over China.” He proposed what he called “wild ideas” to elevate the United States-China dialogue to the ministerial level, or even higher. Most revolutionary, according to Kissinger, was Chen Yi's proposal that the People's Republic drop its long-held precondition that Taiwan be returned to mainland China.

Foreign Minister [and retired general] Chen Yi argued:

First, when the meetings in Warsaw [the ambassadorial talks] are resumed, we may take the initiative in proposing to hold Sino-American talks at the ministerial or even higher levels, so that basic and related problems in Sino-American relations can be solved. . . .

Second, a Sino-American meeting at higher levels holds strategic significance. We should not raise any prerequisite. The Taiwan question can be gradually solved by talks at higher levels. Furthermore, we may discuss with the Americans other questions of strategic significance.

China still called the United States its enemy, describing a possible visit by Nixon as an instance of China “utilizing contradictions, dividing up enemies, and enhancing ourselves.” In other words, the United States was merely a useful tool for China, not a long-term ally. Operating on this principle, Beijing sent a secret message to Nixon and Kissinger: since President Nixon had already visited Belgrade and Bucharest—capitals of other Communist countries—he would also be welcome in Beijing. The message contained no hint of trust or future cooperation.

China has not released internal documents to substantiate the reasons for the decision to reach out to America, but several Chinese generals have told me that Mao’s subtle approach to the Nixon administration was a striking example of identifying and harnessing shi, with some telling me that there was one moment that caused Mao to redouble his efforts: a major battle at the border of Xinjiang in northwestern China on August 28, 1969. Beijing mobilized Chinese military units along China’s borders. By then, Kissinger concludes, resuming contact with the United States had become a “strategic necessity.” At the United Nations in New York, I heard the Soviet version of their attack and quickly passed it to Peter and Agent Smith to inform the contentious NSC debate about the risks of reaching out to China.

In 1969, Mao was able to assess correctly the shi that was driving China out of the Soviet orbit and toward a new alliance with the West. Mao had taken two actions to accelerate this shift. The first was his invitation of Nixon to Beijing. The second was to test two massive hydrogen bombs without warning within days of each other near the Soviet border. The act served both as a show of force and as a signal to America that China sought to move away from the Soviet orbit.

Realizing the Americans still weren’t quite getting the message, Mao did something on October 1, 1970, quite unusual for the committed and anti-Western Communist: he invited the well-known American journalist and author Edgar Snow to stand with him on the Tiananmen reviewing stage, and arranged for a photograph of both of them to be taken for all of China to see. Mao gave his guest a message: President Nixon was welcome to visit China. This was an astonishing invitation—the latest of several overtures by the Chinese government. Kissinger admits that Washington still did not get the message, or at the very least did not appreciate its sincerity. The U.S. government was too preoccupied with its own interests and strategies to care about China’s. Thus the history of normalized Sino-American relations started off with a myth. Nixon did not first reach out to China; instead, China, in the person of Mao, first reached out to Nixon. The Americans just didn’t realize it. Nor did Washington yet know that Chinese documents called America the enemy and likened it to Hitler.

As Nixon and Kissinger considered their grand strategic approach to China, I was playing a much smaller role in this drama. In the autumn of 1969, my interlocutors within the intelligence agencies, Peter and Agent Smith, requested that I brief Kissinger’s staff about the information I had gathered while working as an intelligence asset at the United Nations. In my meetings with Kissinger’s top advisers, I detected a sharp split on China. Two National Security Council staffers, John Holdridge and Helmut Sonnenfeldt, wrote memos that seemed to favor an overture, with neither fearing a Soviet overreaction. But two others, Roger Morris and Bill Hyland, were opposed. Morris and Hyland feared that any U.S.-China alliance would needlessly provoke Moscow and severely damage the administration’s emerging policy of détente with the Soviet Union. Four senior American ambassadors had already met in person with Nixon to warn him that Moscow would respond to any U.S. opening to China by halting movement toward détente and arms control. These clashing memos help to explain why Nixon and Kissinger delayed the opening to China by two years. They had to be prodded by China, and by my own reports from the Soviets at the United Nations that Moscow would not call off détente and actually expected America to accept China’s deceptive offers of an alignment. Shevchenko and Kutovoy had said exactly this to me.

My evidence seemed to play a modest role in breaking this deadlock. I relayed what I had gathered so far: that the Sino-Soviet split was in fact genuine and that the Soviets expected us to open relations with the Chinese. I reported, and others verified, that senior diplomats such as Arkady Shevchenko already assumed that Nixon would improve relations with China to some degree. Their fear was only that he would go “too far” and establish military ties—something that was not then on the table. I was a strong—and, I hoped, persuasive advocate for a Sino-American alliance. Kissinger even sent me a thank-you note later.

But there were additional factors at work that persuaded Kissinger and ultimately President Nixon to move toward Beijing. While Kissinger was still attempting to discern Chinese intentions, Senator Ted Kennedy was seeking to visit China. The Chinese even mentioned this possibility to Kissinger during his secret trip to Beijing in July 1971, consistent with Warring States concepts about manipulating hawks and doves. Nixon reacted as anticipated and instructed Kissinger to ask the Chinese to invite no other U.S. political figure to visit China before Nixon. Nixon believed, with good reason, that Kennedy was attempting to steal his thunder and become the first American politician to travel to Beijing. Raising the possibility in public speeches of renewed relations with Communist China, Kennedy was putting together what looked to be a foreign policy platform for the 1972 presidential election.

Another factor was China's involvement in the Vietnam War. Beginning in the 1950s, China had been supplying North Vietnam with weapons, supplies, and military advice. China had recently reduced military aid to North Vietnam and had even drastically reduced Soviet shipments through China, which further persuaded the Nixon administration to side with the pro-China camp.

The Americans would receive reassurance on this front during Nixon's visit to Beijing when Mao told the president that he was eager to remove any threat from China to the United States: "At the present time, the question of aggression from the United States or aggression from China is relatively small; that is, it could be said that this is not a major issue, because the present situation is one in which a state of war does not exist between our two countries. You want to withdraw some of your troops back on your soil; ours do not go abroad."

Kissinger asserts that this sentence indicating that Chinese troops would not go abroad reduced the U.S. concern that China would intervene in Vietnam, as it had done in Korea in 1950. Mao correctly recognized that this fear featured prominently in American thinking and wanted to induce complacency.

In July 1971, Kissinger made his historic secret visit to China, the first tangible realization of Mao's long-held plans. The Chinese were coy about the Soviet threat that had driven them to reach out to the Americans. Foreign Minister Zhou Enlai referred only obliquely to "our northern neighbor" and "the other superpower." Nor did the Chinese side initiate any further discussion on the issue of the Soviet threat. Were they really so terrified of an attack?

During Kissinger's subsequent trip to Beijing, in October, Zhou placed the Soviet Union on a list of six key issues on the substantive agenda, although he listed it last. After the Chinese declared that they were not opposed to improvements in American-Soviet relations, Kissinger concluded that they were displaying bravado and concealing their fear of the Soviet threat. Kissinger warned Zhou of Moscow's "desire to free itself in Europe so it can concentrate on other areas." "Other areas" meant the People's Republic of China.

But there were glimpses even then that the Chinese saw the United States not as an ally but as an obstacle. Referring to the United States, Zhou offered a hint of how the Chinese really felt about their new prospective friend.

"America is the *ba*," Zhou told Kissinger's interpreter, Ambassador Ji Zhaozhu of China's Foreign Ministry, repeating a term that would be frequently used by Chairman Mao and his successor, Deng Xiaoping.

U.S. government officials who understand Mandarin—a small but growing group—have long known that many Chinese and English terms cannot be fully translated between the two languages. Choices must often be made by the interpreters about what each side really means. Kissinger's translator told Kissinger that Zhou's statement meant, "America is the leader." This seemed to be an innocuous remark, and when taken in the context of the Cold War even a compliment. But that is not what the word *ba* means in Mandarin—at least that is not its full context.

Ba has a specific historical meaning from China's Warring States period, where the *ba* provided military order to the known world and used force to wipe out its rivals, until the *ba* itself was brought down by force. The *ba* is more accurately translated as "tyrant." In the Warring States period, there were at least five different *ba*. They rose and fell, as each new national challenger outfoxed the old *ba* in a contest of wits lasting decades or even a hundred years. One wonders how U.S. policy toward China might have shifted had Kissinger been told that day that the Chinese saw Americans not as leaders, but as wrongdoers and tyrants. To this day we still have to sort out and live with the consequences of that key mistranslation.

Some years later, I had the privilege of talking to Ambassador Ji Chaozhu. He omitted any discussion of how he translated the concept of *ba* to Kissinger in his otherwise chatty memoir *The Man on Mao's Right*, which provides a rare insider's account of how China's Foreign Ministry viewed the opening to the United States.

I asked if the word “leader” he used in English had originally been the Chinese word *ba*.

“Did you tell Dr. Kissinger what a *ba* was?” I asked.

“No,” he replied.

“Why?”

“It would have upset him.”

If Kissinger had realized what Zhou meant by *ba*—if he had realized how China really viewed the United States—the Nixon administration might not have been so generous with China. Instead, the administration soon made numerous offers of covert military assistance to China—all based on the false assumption that it was building a permanent, cooperative relationship with China, rather than being united for only a few years by the flux of *shi*. Perhaps if U.S. analysts had gained access to views of the anti-American hawks, China’s perception of America as a tyrannical *ba* would have alerted Washington. A RAND study in 1977 warned of evidence since 1968 that there was a strong anti-American group within the Chinese leadership that used proverbs such as America can “never put down a butcher’s knife and turn into a Buddha.”

Two months after Zhou’s conversation with Kissinger, with Nixon’s visit just around the corner, Kissinger made the first of many covert offers to the Chinese. Unbeknownst to a public that would have been shocked to see the United States aiding and abetting the People’s Liberation Army, Kissinger gave China detailed classified information about Indian troop movements against Pakistan, as well as America’s “approval of Chinese support for Pakistan, including diversionary troop movements.” In return, Kissinger asked for Chinese troop movements on the Indian border to distract India from its efforts to invade and then dismember eastern Pakistan. China’s troops did not move, but that did not dampen American expectations.

In January 1972, Nixon authorized Kissinger’s deputy Alexander Haig to make another covert offer to China. Heading an advance team to China just a month before Nixon’s historic visit, Haig promised substantial cooperation with China against the Soviet Union. Haig told Zhou that during the crisis between India and Pakistan, the United States would attempt to “neutralize” Soviet threats along China’s borders and “deter threats against [China].” As far as covert deals go, these first two offers by Kissinger and Haig were tactical. But they represented a sharp turn after two decades of a complete American embargo on China. And, most significantly, they were a sign of larger offers to come.

China played its role to perfection once Mao sat face-to-face with Nixon in February 1972. Mao assumed the same role with the Americans that he had early on with the Soviets—portraying China as a harmless, vulnerable supplicant desperate for aid and protection. “They are concerned about me?” Mao once asked, referring to the Americans. “That is like the cat weeping over the dead mouse!” Mao even put the Americans on the defensive by claiming that they were standing on China’s shoulders to get at Moscow.

Years later, Kissinger reflected on the palpable uncertainty he perceived when coordinating with Chinese officials: Was America’s commitment to “anti-hegemony” a ruse, and once China let its guard down, would Washington and Moscow collude in Beijing’s destruction? Was the West deceiving China, or was the West deceiving itself? In either case, the practical consequence could be to push the “ill waters of the Soviet Union” eastward toward China. To counter these possible perceptions, Nixon promised Mao that the United States would oppose any Soviet “aggressive action” against China. He stated that if China “took measures to protect its security,” his administration would “oppose any effort of others to interfere with the PRC.”

On the same day Nixon met other leaders in Beijing, Kissinger briefed Marshal Ye Jianying, the vice chairman of the military commission, and Qiao Guanhua, the vice minister of foreign affairs, about the deployment of Soviet forces along the Sino-Soviet border. As Yale Professor Paul Bracken first pointed out in a 2012 book, *The Second Nuclear Age*, China was given nuclear targeting information in the briefing, which Marshal Ye considered “an indication of your wish to improve our relationship.” Discussion during the briefing included details about Soviet ground forces, aircraft, missiles, and nuclear forces. Winston Lord, Kissinger’s key aide on China, knew that the White House assumed that the Soviets might well “get to hear of” this exchange of information. Indeed, Moscow soon did.

Mao asserted that the United States and China should cooperate in dealing with the Soviet “bastard” and urged that Washington should work more closely with its allies, particularly to maintain NATO unity. Mao also urged the United States to create an anti-Soviet axis that would include Europe, Turkey, Iran, Pakistan, and Japan. A counter-encirclement of the Soviet hegemon was a classic Warring States

approach. What the Americans missed was that it was not a permanent Chinese policy preference, but only expedient cooperation among two Warring States. Mao's calculations in 1972 were not clarified until the Chinese released a memoir two decades later.

This played well with Kissinger, who told Nixon "with the exception of the UK, the PRC might well be the closest to us in its global perceptions." There seemed to be little suspicion of China's strategy.

Yet the Chinese remained suspicious of the United States. They did not share Kissinger's view that the Shanghai Communiqué, the document of understanding that was signed at the end of the summit, suggested that "a tacit alliance to block Soviet expansionism in Asia was coming into being." The communiqué stated: "Neither [the United States nor China] should seek hegemony in the Asia-Pacific region, and each is opposed to efforts by any other country or group of countries to establish such hegemony; and neither is prepared to negotiate on behalf of any third party or to enter into agreements or understandings with the other directed at other states.

If the Nixon administration wanted a quasi alliance with China, China's message seemed to be that the Americans needed to offer more. Thus the Nixon administration's next covert offer of support came in a February 1973 meeting in Beijing. It also included an explicit security promise, based on finding a way that the United States and China could cooperate that would at best deter Moscow and at least get the Soviets' attention. Kissinger told the Chinese that Nixon wanted "enough of a relationship with [China] so that it is plausible that an attack on [China] involves a substantial American interest." This is the concept of a symbolic trip wire, as used in U.S. troop deployments in South Korea and previously in West Germany to demonstrate that the United States has a "substantial national interest" in a given contingency. Kissinger was not promising a permanent deployment of U.S. troops to China's northern border, but he wanted something that would make a splash. This is what Mao's generals had proposed he seek from Nixon in 1969: a conspicuous gesture to Moscow.

Kissinger even provided a timeline for this strategy. "The period of greatest danger" for China, he told Huang Hua, China's ambassador to the United Nations, would be in the period from 1974 to 1976, when the Soviet Union would have completed the "pacification" of the West through détente and disarmament, the shifting of its military forces, and the development of its offensive nuclear capabilities. Kissinger wanted the trip wire in place by then.

The next covert offer—the fourth since Nixon's first meeting with Mao and the sixth since Kissinger's first trip to China—promised to offer China any deal America offered to the Soviet Union. In the run-up to the summit meeting between Nixon and Soviet leader Leonid Brezhnev in June 1973, Kissinger reaffirmed that "anything we are prepared to do with the Soviet Union, we are prepared to do with the People's Republic." In fact, the United States was willing to offer China deals even better than those made with the Soviets: "We may be prepared," said Kissinger, "to do things with the People's Republic that we are not prepared to do with the Soviet Union."

At about this time, Nixon sent a note stating "in no case will the United States participate in a joint move together with the Soviet Union under [the Prevention of Nuclear War] agreement with respect to conflicts . where the PRC is a party." At the same time, he decided to circumvent U.S. law and regulations by providing technology to China through the British.

The seventh covert offer was the most sensitive one, and would not be revealed for three decades, even to the CIA. It grew out of an internal debate I witnessed in October 1973 about whether to back up America's vague promises to Beijing and do something tangible to strengthen China, or to stay at the level of mere words and gestures. The United States could establish a "more concrete security understanding" with the Chinese, or instead merely promise significant progress in the diplomatic normalization of bilateral relations. There was a strong case for each option.

That year, I was working at the RAND Corporation, where as a China expert I had been given top-secret access to Kissinger's conversations with Chinese leaders by Richard Moorsteen, a RAND colleague close to Kissinger. Andy Marshall and Fred Iklé had hired me at RAND, the latter of whom soon left RAND after Nixon appointed him director of the Arms Control and Disarmament Agency. Iklé invited me to see him at his agency's offices several times in 1973 to discuss my analysis of China, and to draft a proposal to Kissinger of secret cooperation of intelligence and warning technology.

I shared Iklé's support for tangible U.S. covert cooperation with China. Though Iklé told Kissinger that a "formal relationship" (that is, a formal alliance) was not desirable, Washington could unilaterally provide help of a "technical nature." The

United States could set up a “hotline” arrangement that would provide a cover for Washington to give Beijing secret early-warning information about Soviet military actions directed against China. “Given that a large portion of the Chinese strategic forces will continue to consist of bombers, hours of advance warning could be used by them to reduce the vulnerability of their forces significantly,” Iklé and I wrote in one memo. “The fact that the hotline might enable us to transmit warning of a possible Soviet attack could be a powerful argument.” We also advocated Washington’s selling to Beijing hardware and technology to alert the Chinese if the Soviets were about to attack, and we supported providing America’s superior high-resolution satellite images to heighten the accuracy of Chinese targeting of Soviet sites. Kissinger agreed with our proposal. Only a few knew that he proposed tangible U.S. covert cooperation with China. On a trip to Beijing in November 1973, Kissinger told the Chinese that in the event of a Soviet attack the United States could supply “equipment and other services.” America, Kissinger said, could help improve communications between Beijing and the various Chinese bomber bases “under some guise.” He also offered to provide the technology for “certain kinds of radars” that the Chinese could build. In other words, Kissinger secretly offered aid to the People’s Liberation Army. He was proposing the beginnings of a military supply relationship, both in peacetime and in the event of a Soviet attack.

To my surprise, the Chinese initially balked at the seventh offer, asking for time to study the proposals before responding further. They said that American cooperation with early warning would be “intelligence of great assistance,” but this had to be done in a manner “so that no one feels we are allies.” With a mentality straight out of the Warring States era of ruthlessness and shifting alliances, China’s leaders were suspicious that Kissinger’s offer was an attempt to embroil China in a war with Moscow.

The Chinese perhaps did not recognize the risk Nixon and Kissinger had taken to make this offer. Kissinger’s closet adviser on China, Winston Lord, had argued strongly against this step in a memo to Kissinger, saying that it would potentially be unconstitutional (not to mention widely opposed) and would inflame the Russians. Kissinger had overruled Lord’s objections, though Lord himself was a strong supporter of improving relations with China.

Sino-American relations went through their biggest improvement in the late 1970s, as Deng Xiaoping took on increasing power and became the public face for China’s PR offensive with the United States. To Westerners, Deng was the ideal Chinese leader: a moderate, reform-minded man with a tranquil, grandfatherly demeanor. He was, in short, the kind of figure Westerners wanted to see.

But Deng was no docile grandfather. In private meetings within the Politburo, he raged at aides and advisers over China’s lack of progress against the West. He believed that under Mao and his questionable “reform” practices, China had lost thirty years in its campaign to surpass the American *ba*.

Deng was enthusiastic about a partnership with the Americans, but for a key reason not meant for public consumption. He had rightly deduced that by following the Soviet economic model, China had backed the wrong horse and was now paying the price. Internal Chinese documents, which came into the hands of U.S. intelligence officials long after the fact, showed that Chinese leaders concluded that they had failed to extract all they could from their now-faltering Soviet alliance. Deng would not make the same mistake with the Americans. He saw that the real way for China to make progress in the Marathon was to obtain knowledge and skills from the United States. In other words, China would come from behind and win the Marathon by stealthily drawing most of its energy from the complacent American front-runner.

Within the Politburo, Deng was known for referencing a favorite admonition from the Warring States, *tao guang yang hui* (hide your ambitions and build your capability). Deng, too, sent opponents messages through seemingly oblique and harmless stories. During his first meeting with President Gerald Ford in December 1975, he referred to a story from the classic Chinese book *The Romance of the Three Kingdoms* to make what in retrospect was an important point, one completely lost on Ford. The story again involves Cao Cao, discussed in the previous chapter, considered in Chinese literature to be one of history’s greatest tyrants. Cao Cao, in fact, probably best exemplifies the concept of a *ba* in ancient Chinese literature.

In the particular vignette Deng told Ford, Cao Cao defeats Liu Bei, a rival challenger, and remains the *ba*. After their war, the challenger offers to work for Cao Cao, but Cao Cao remains suspicious of Liu Bei’s loyalty. Deng cited to President Ford Cao Cao’s famous quote “Liu Bei is like an eagle, which when it is hungry will work for you, but when it is well fed, will fly away.” Ostensibly, the “eagle” in Deng’s story was the Soviet Union. American attempts to accommodate the Soviets, Deng warned, would fail. Once they had what they wanted, the Soviets, like Liu

Bei, would pursue their own interests. What the Americans missed from that anecdote was that the same strategic sentiment held true for China. Once America built China into an equal, China would not remain an ally but would “fly away.”

However, Deng tactfully decided not to tell the most famous story about Cao Cao and Liu Bei—for if he had done so, he would have divulged China’s true aims in dealing with the Americans. Chinese hawks had not yet begun to write openly about the allegory contained in these ancient stories. We would need this key to decode Chinese strategic allusions. There was no sign that either Ford or Kissinger had any idea what Deng was talking about.

Entranced as they were by their new relationship with the Chinese, the Nixon and Ford administrations willingly satisfied many of China’s immediate political objectives.

All these gifts—and more to come—were kept secret from the American public for at least thirty years. The United States not only cut off the CIA’s clandestine assistance program to the Dalai Lama—Public Enemy Number One to Communist China—but also canceled the U.S. Navy’s routine patrols through the Taiwan Strait, which had symbolized America’s commitment to Taiwan. American policy became a series of initiatives to strengthen China against its adversaries.

In 1975, while still at RAND, I wrote an article for *Foreign Policy* magazine advocating military ties between the United States and China, to create a wedge against the Soviets. Richard Holbrooke, the once and future diplomat, was then serving as the magazine’s editor. He was a strong proponent of the article, labeling my idea a “blockbuster.” He shared my thoughts with other editors, leading to a long story in *Newsweek*, “Guns for Peking?” Other media outlets picked up the proposal, while the Soviet press attacked both the arguments I made in the proposal and me personally. Chinese military officers at the United Nations had suggested the idea to me. So in 1973 I began four decades of conversations with China’s military hawks, hearing about lessons from Warring States to deal with the hegemon, which I then assumed would always mean the Soviet Union.

In early 1976, Ronald Reagan, running against President Ford for the Republican presidential nomination, read the article. (I had sent it to Reagan at Holbrooke’s behest.) In a handwritten note, the former California governor said he agreed with the idea of closer ties with the Chinese as a wedge against the Soviets. But he also cautioned me about the Chinese, and worried in particular about abandoning America’s democratic allies in Taiwan. After I met with Governor Reagan at his Pacific Palisades home—where he joked about being “sixty-four years old and unemployed”—he encouraged me to keep sending him material about China that he might use in speeches.

In 1978, relations with the United States moved toward normalization—that is, official American recognition of Communist China as the legitimate government of the Chinese people. That year, Deng focused immediately on what was at the top of his American wish list: science and technology. This was an example of the Warring States concept known as *wu wei*—or, having others do your work. As he formulated a strategy in 1978, Deng understood, as he put it, that “technology is the number one productive force” for economic growth. The only way China could pass the United States as an economic power, Deng believed, was through massive scientific and technological development. An essential shortcut would be to take what the Americans already had. Deng found a willing partner in that effort in a new American president, Jimmy Carter, who was eager to achieve the diplomatic coup of a formal Sino-American partnership.

In July 1978, President Carter sent to China the highest-level delegation of U.S. scientists ever to visit another country. Frank Press, Carter’s science adviser and a former MIT professor specializing in earthquake science, led the delegation. Press had been chairman of the U.S. Committee on Scholarly Communication with the People’s Republic of China from 1975 to 1977, and therefore took particular interest in scholarly exchanges with China. The Press delegation received great attention from the Chinese. The *People’s Daily* rarely published speeches by foreigners, but in this case it printed Press’s banquet speech, which stressed the advantages of globalization. And Michel Oksenberg, a National Security Council official for China policy who would sit in on some fourteen meetings with Deng, said he never saw Deng more intellectually curious and more involved in articulating his vision about China’s future than on this trip. Again playing the role of vulnerable supplicant, Deng spoke to Press’s delegation about China’s all but hopeless backwardness in science and technology and expressed his concerns about American constraints on high-tech exports to his country. In the past, Beijing kept tight control over the country’s scientists going to the United States, limiting their numbers in fear that the scientists might defect. Press expected that they would likewise be cautious about expanding scientific exchanges with the West. So he was surprised when

Deng proposed that the United States immediately accept seven hundred Chinese science students, with the larger goal of accepting tens of thousands more over the next few years. Deng was so intent on receiving a prompt answer that Press, considering this one of the most important breakthroughs in his career, telephoned President Carter, waking him at 3:00 a.m.

Like his adviser, Carter gave little thought to the implications of China's sudden intense interest in scientific exchanges, viewing it as merely a welcome sign of improved relations. In January 1979, Deng made his first and only visit to the United States, and he was a hit. President Carter feted him at a state dinner and, in a sign of the bipartisan flavor of U.S.-China policy, even invited the disgraced Richard Nixon to attend, the first time the former president had visited the White House since his resignation in August 1974. Deng spent thirteen days in the United States, touring Coca-Cola's headquarters, the Johnson Space Center in Houston, and even Disney World. In a sign of acceptance by the American popular media, Time magazine put Deng on its cover, twice. At the National Museum in Beijing, one can see displayed a photograph of Deng smiling beneath a ten-gallon hat he received in Texas, which became the symbol of his 1979 visit. It signaled to the U.S. public that he was good-humored, less like one of "those Communists" and more like "us." But it also proved a turning point for the Chinese and the Marathon. Deng obtained far more than had Mao. On January 31, 1979, during his visit to the United States, Deng and Fang Yi, director of the State Science and Technology Commission, signed agreements with the U.S. government to speed up scientific exchanges. That year, the first fifty Chinese students flew to America. In the first five years of exchanges, some nineteen thousand Chinese students would study at American universities, mainly in the physical sciences, health sciences, and engineering, and their numbers would continue to increase. Carter and Deng also signed agreements on consular offices, trade, science, and technology—with the United States providing all sorts of scientific and technical knowledge to Chinese scientists in what would amount to the greatest outpouring of American scientific and technological expertise in history. The Chinese reached out to the U.S. National Academy of Sciences to send a series of delegations to China to initiate U.S.-China scientific exchanges in several fields China had selected. The Chinese strategy was to get the Americans to ensure their admission to all international organizations dealing with physics, atomic energy, astronautics, and other fields.

The Americans agreed, thus making an eighth offer to China. The Americans also agreed to engage in more covert military cooperation. President Carter provided China with intelligence support to aid China's war in Vietnam, to a degree that shocked even Henry Kissinger, as he described in his 2011 book *On China*. In tones suggesting that perhaps he'd created a monster by opening the door to ties with Beijing, Kissinger denounced Carter's "informal collusion" with what was "tantamount to overt military aggression" by Beijing—aid that "had the practical effect of indirectly assisting the remnants of the Khmer Rouge." A visit to China by Secretary of Defense Harold Brown, Kissinger fumed, "marked a further step toward Sino-American cooperation unimaginable only a few years earlier."

The ninth offer, Presidential Directive 43, signed in 1978, established numerous programs to transfer American scientific and technological developments to China in the fields of education, energy, agriculture, space, geosciences, commerce, and public health. The following year, the Carter administration granted China most-favored-nation status as a U.S. trading partner.

President Carter also authorized the establishment of signals intelligence collection sites in northwestern China in about 1979, as the CIA operative and future U.S. ambassador to China James Lilley described in his memoir, *China Hands*. "Part of the reason I was awarded a medal from the CIA was my work setting up the first CIA unit in Beijing," Lilley wrote. "Another contributing fact was my role in developing intelligence sharing with China. It sounded like a far-fetched idea—the United States and China, who had been fighting each other through surrogates just a few years earlier in Vietnam, working together to collect strategic technical intelligence on the Soviet Union."

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In 1978, I was serving as a professional staff member on the U.S. Senate Budget Committee, and I also worked as a consultant to the Defense Department, where I continued to read classified analyses on China and produced reports and analyses of my own. As Ronald Reagan mounted a second bid for the White House in 1980, I was appointed as one of his advisers, and I helped draft his first campaign speech on foreign policy. I expressed a view, common among his advisers, that the United States ought to help China to stave off the far greater Soviet threat. After Reagan won the election, I was named to the presidential transition team. I then advocated



still more cooperation. An early ally in my efforts was Alexander Haig, who knew all about the earlier efforts with China under the Carter administration, and now as secretary of state visited Beijing and publicly offered to sell weapons to China, the next logical step.

National Security Decision Directive (NSDD) 11, signed by President Reagan in 1981, permitted the Pentagon to sell advanced air, ground, naval, and missile technology to the Chinese to transform the People's Liberation Army into a world-class fighting force. The following year, Reagan's NSDD 12 inaugurated nuclear cooperation and development between the United States and China, to expand China's military and civilian nuclear programs.

Reagan was deeply skeptical of his predecessor's policies toward China—a stance that led to a serious policy disagreement within the administration. Reagan saw China's underlying nature better than I did and better than most of the China experts who would populate his administration. On the surface, Reagan followed the Nixon-Ford-Carter line of building up China—"to help China modernize, on the grounds that a strong, secure, and stable China can be an increasing force for peace, both in Asia and in the world," in the words of Reagan's NSDD 140, issued in 1984. (Significantly, the NSC staff severely limited access to NSDD 140—only fifteen copies were produced—probably at least in part because it outlined the Reagan administration's controversial goal of strengthening China.)

Reagan signed these secret directives to help build a strong China and even offered to sell arms to the Chinese and to reduce arms sales to Taiwan. But unlike his predecessors, Reagan added a caveat that should have been crucial. His directives stated that U.S. assistance to China was conditioned on China staying independent of the Soviet Union and liberalizing its authoritarian system. Unfortunately, his advisers largely ignored these preconditions, and for whatever reason so did he.

Additionally, the Reagan administration provided funding and training to newly established Chinese government-run institutes specializing in genetic engineering, automation, biotechnology, lasers, space technology, manned spaceflight, intelligent robotics, and more. Reagan even approved a Chinese military delegation visit to one of the crown jewels of national security, the Defense Advanced Research Projects Agency, the research agency that invented the Internet, cyber operations, and dozens of other high-tech programs.

During the Reagan presidency, America's covert military cooperation with China expanded to previously inconceivable levels. The United States secretly worked with China to provide military supplies to the anti-Soviet Afghan rebels, the Khmer Rouge, and the anti-Cuban forces in Angola. Our cooperation against the Vietnamese occupation of Cambodia—including the arming of fifty thousand anti-Vietnam guerrillas—was discussed in interviews by four of the CIA officers who revealed the details of this program in the book *The Cambodian Wars*. There was a much larger secret that other CIA officers revealed in George Crile's book *Charlie Wilson's War*, the story of America's purchase of \$2 billion in weapons from China for the anti-Soviet Afghan rebels. Kissinger's memoirs reveal that there was covert cooperation in Angola as well.

Why did China seek to cooperate with the United States on these large-scale covert actions? We will definitively find out only when Beijing opens its archives or a very high-level defector arrives. One thing we know now is that Beijing wanted to use American power and technology to strengthen China for the long term. The key point seems to have been the perceived need to play strategic *wei qi*, to head off encirclement by the Soviet Union. No one saw this as an effort to make broader progress in the Marathon. China made itself seem weak and defensive to us, in need of protection.

In the tenth offer, U.S.-Chinese intelligence gathering along China's border with the Soviet Union—code-named the Chestnut program—was approved, according to the New York Times reporter Patrick Tyler. Later, during an August 1979 trip to China by Carter's vice president, Walter Mondale, the Pentagon and the CIA airlifted to China the Chestnut monitoring stations via military transport. Tellingly, Tyler reported, the Chinese asked the U.S. Air Force C-141 Starlifter at the Beijing airport to park beside a Soviet passenger jet so the Soviets would see the cooperation.

According to Tyler, these monitoring stations could collect information about air traffic, radar signals from Soviet air defenses, and KGB communications, and they could also detect any change in the alert status of Soviet nuclear forces. Thus China would have an increase in its warning time in the event of a Soviet attack. This was a huge advance in Chinese security in the months before the attempted encirclement that would begin with the Soviet-backed Vietnamese invasion of Cambodia and the Soviet invasion of Afghanistan in December 1979. Through their patience,

the Chinese were getting more than what Kissinger, Iklé, and I had proposed six years earlier.

According to the requirements of shi, Beijing must have thought it needed America's help to break up the two "pincers" of the Soviet encirclement of China—in Afghanistan and Vietnam. The circumstances justified going farther than Mao had; Deng would accept significant aid from the hegemon.

From 1982 through 1989, the Sino-American Cambodian program was run out of Bangkok, with the support of the Chinese, the Royal Thai Army, Singapore, and Malaysia. This constituted the eleventh offer of U.S. assistance to China. The covert cooperation was effectively masked for two decades because it was partly overt. USAID provided funds named for the program advocates, Representative Bill McCollum, a Republican from Florida, and Representative Stephen Solarz, a Democrat from New York, for nonlethal humanitarian assistance in Cambodia. Behind these two overt programs, Reagan ordered the CIA to provide covert assistance initially in 1982 for \$2 million a year, and that was raised as of 1986 to \$12 million, as Kenneth Conboy notes. The program was commingled under a project the Thais called Project 328. China, Malaysia, Singapore, and Thailand also contributed weapons and funds. Singapore's Prime Minister Lee Kuan Yew even visited Bangkok to travel to the secret camp. I visited in 1985 and 1986, to be briefed by the CIA station chief, who had transferred to Bangkok after serving as head of the Far East Division at CIA headquarters. He considered the project "the only game in town," referring to the Cold War, with China joining up against the Soviets.

Starting in the summer of 1984, two years after the program in Cambodia began, Chinese covert cooperation to drive the Soviets out of Afghanistan would become fifty times larger than its effort in Cambodia.

We did not understand shi and counter-encirclement at that time, and therefore no one thought the Chinese government would risk Soviet wrath by becoming a major arms supplier to America's efforts to aid the Afghan rebels. The discovery was made by a brilliant, Mandarin-speaking CIA friend, Joe DeTrani. This Chinese connection was a tightly held secret, and no more than ten people in the entire CIA were aware of the program, according to Tyler. The Chinese still do not acknowledge that they provided such arms. In his book *Charlie Wilson's War*, George Crile reports that the first order was for AK-47 assault rifles, machine guns, rocket-propelled antitank grenades, and land mines.

In 1984, Representative Charlie Wilson had drummed up \$50 million to increase support for the rebels in Afghanistan. Crile reports that the CIA decided to spend \$38 million of it to buy weapons from the Chinese government. The Washington Post in 1990 quoted anonymous sources that said that the total value of weapons provided by China exceeded \$2 billion during the six years of Sino-American covert cooperation.

U.S.-Chinese clandestine cooperation reached its peak during the Reagan administration. Presidents Nixon and Ford had offered China intelligence about the Soviets. President Carter established the Chestnut eavesdropping project. But it was Reagan who treated China as a full strategic partner—albeit in secret.

The three main projects were clandestine aid to the anti-Soviet rebels in Afghanistan, Cambodia, and Angola. By now, I had been promoted to the civilian equivalent of a three-star general and made head of policy planning and covert action in the Pentagon, reporting to the official in charge of policy, Fred Iklé. Iklé and I were among the few who knew about Kissinger's 1973 offer to aid China and President Carter's Chestnut program. He and I were ready to test whether China was really willing to become a U.S. ally. The affirmative results would prejudice many senior U.S. officials to favor China for years to come.

My duty was to visit the leaders of the Afghan, Cambodian, and Angolan rebel groups in Islamabad, Bangkok, and southern Angola, respectively, to ascertain their plans and needs. I was also sent to obtain China's advice, approval, and support. We recommended that President Reagan sign National Security Decision Directive (NSDD) 166, which reflected that there was a chance that escalation in Afghanistan could provoke retaliation by the Soviets. We needed China's assessment of the situation and, ideally, its support.

Two decades later, the journalist Steve Coll alleged that "the Chinese communists cleared huge profit margins on weapons they sold in deals negotiated by the CIA." If the assertion is accurate that \$2 billion was spent on Chinese weapons for the anti-Soviet rebel groups, then China's purchase of more than \$500 million in American military equipment for itself seems relatively small.

The Chinese not only sold the weapons to us to give to the rebels, but also advised us how to conduct these covert operations. From their advice emerged a few lessons about Chinese strategy toward a declining hegemon, in this case the Soviet Union. First, the Chinese emphasized that we had to identify key Soviet vulnerabilities to

exploit. One tactic, they explained, was to raise the cost of empire. When I first proposed the option of supplying Stinger anti-aircraft missiles to the Afghan and Angolan rebels, the Chinese were delighted at the high costs that these weapons would impose, in the form of destroyed Soviet helicopters and jet fighters.

The second idea was to persuade others to do the fighting. This was of course a manifestation of the Warring States-era notion of *wu wei*.

The third concept was to attack the allies of the declining hegemon. The Cambodian rebels worked against the Soviets' Vietnamese puppets. The Angolan rebels expelled the Cubans, who had been flown to Angola in Soviet aircraft that might also have been shot down with Stingers, if they had been made available then. The United States, in cooperation with China, did all this, and more.

I asked the Chinese whether they thought it would be excessively provocative to take two additional steps: Should we supply and encourage Afghan rebels to conduct commando sabotage raids inside the Soviet Union (which had never been done during the Cold War)? And should we agree to the request to provide the Afghans with long-range sniper rifles, night-vision goggles, and maps with the locations of high-ranking Soviet officials serving in Afghanistan in support of what amounted to a targeted assassination program? My colleagues had been certain that the Chinese would draw the line at such actions. I had read enough Chinese history to guess that they would agree, but even I was taken aback at the ruthlessness of Beijing's ambition to bring down the Soviets when they answered affirmatively to the two questions.

Steve Coll wrote in his Pulitzer Prize-winning book *Ghost Wars* that it was the American side that declined these requests. He writes of "alarms" among the CIA's lawyers that it was almost "outright assassination" and so the local CIA station chief "might end up in handcuffs." So the sniper rifles could be approved but not the maps and night-vision goggles. The commando raids inside Soviet territory, favored by the Chinese as a way to bring down the Russian hegemon, were soon curtailed as well, in spite of the Chinese recommendation to us that this would have a useful psychological shock effect on the declining hegemon.

In 1985, the aid to the Chinese Marathon expanded to include American weapons, as the Reagan administration arranged for the sale of six major weapons systems to China for more than \$1 billion. This program aimed to strengthen China's army, navy, and air force and even to help China expand its marine corps. And in March 1986 the Reagan administration assisted China's development of eight national research centers focused on genetic engineering, intelligent robotics, artificial intelligence, automation, biotechnology, lasers, supercomputers, space technology, and manned spaceflight. Before long, the Chinese had made significant progress on more than ten thousand projects, all heavily dependent on Western assistance and all crucial to China's Marathon strategy. The Reagan administration hoped it was countering Soviet power by giving a boost to the Chinese, and everyone—from Reagan on down—wanted to believe Beijing's claims that China was moving toward greater liberalization.

China's strategy to break the Soviet encirclement with help from its fellow Warring State was succeeding. In 1989, the Soviets announced they would leave Afghanistan, and Vietnam soon withdrew from Cambodia. Now, would Washington and Beijing build on this foundation of trust and therefore become true allies forever? I thought so. But according to the Warring States' axioms, now would be the time for China to get back to dealing with the real hegemon, the United States.

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PREPARED STATEMENT OF DR. GRAHAM T. ALLISON

Mr. Chairman, Ranking Member Markey, and members: I thank you for the opportunity to testify today on critical questions about "American leadership in the Asia-Pacific: the view from Beijing." My grandfather was fond of quoting a line from the Old Testament book of Proverbs that says: "oh, that my enemy had written a book." On the array of questions that you have posed for the members of this panel, I have written a book entitled *Destined for War: Can America and China Escape Thucydides's Trap?* The book was published on Memorial Day and I have been gratified by the responses from reviews in all the major newspapers and journals, including the front page of the Sunday New York Times Book Review, as well as the speed with which the major arguments of the book have entered the policy mainstream, both in Washington and Beijing. Indeed, at the 19th Party Congress that just concluded in Beijing, Xi Jinping was talking, among other things, about Thucydides's Trap.

If required to summarize the core argument of the book in a few bullet points, it is that:

- When a rising power threatens to displace a ruling power, alarm bells should sound: danger ahead. Thucydides's Trap is the dangerous dynamic that occurs in this interaction. In the case of the rise of Athens and its impact upon Sparta (which had ruled Greece for 100 years), or Germany in its rivalry with Britain a century ago in the run up to World War I, or China over the past generation as it has come to rival, and in many areas, surpass the U.S., this dangerous dynamic creates conditions in which both competitors are acutely vulnerable to provocations by third party actions. One of the primary competitors feels obliged to respond and there follows a cascade of actions and reactions at the end of which the two find themselves in a war neither wanted. Ask yourself again: how did the assassination of a minor archduke start a fire that burned down the whole of Europe at the beginning of the past century? How did North Korea drag China and the U.S. into war 67 years ago last month?
- *Destined for War* examines the past 500 years and finds 16 cases in which a rising power threatens to displace a ruling power. Twelve of these cases ended in war; four without war. Thus to say that war between a rising China and a ruling U.S. is inevitable would be mistaken. But to say the odds are against us would not be.
- This book is neither fatalistic nor pessimistic. Instead, its purpose is to help us recognize that these structural factors create extreme dangers that require extreme measures on the part of both the U.S. and China—if we are to escape Thucydides's Trap. As I argue in the book, business as usual (which is what we have seen for the last two decades under both Democratic and Republican leadership) is likely to lead to history as usual. And in this case, that would be a catastrophic war that no one in Beijing or Washington wants. Indeed, every serious leader in both capitals knows that would be crazy. But none of the leaders of the major powers in 1914 wanted World War I. Neither China nor the U.S. wanted war in 1950. The good news is that, as Santayana taught us, only those who refuse to study history are condemned to repeat it. We are under no obligations to repeat the mistakes made by Kaiser Wilhelm in 1914 or Pericles in classical Greece that led to war.
- In sum, the purpose of the book is to help us diagnose the condition which we now find ourselves in. My thesis is certain to frustrate Washingtonians—since the Washington template demands a solution to a problem in the same sentence in which the challenge is identified. In my view, that is one of the major problems with “Washington solutions.” We must recognize that a rising China is not a “fixable” problem but rather a condition that we will have to cope with for a generation. Success in meeting this grand challenge will require a surge of imagination and adaptability as remarkable as that demonstrated by individuals we now celebrate as the “wise men” who created the Cold War strategy that we sustained for four decades until success was at last achieved.

Your invitation for me to testify identified ten questions. Perhaps I can be most helpful by summarizing brief answers to each.

1. *What is your assessment of Chinese strategic intentions in the Asia-Pacific region, and globally, over the short, medium, and long term? How will China advance those intentions?*

I posed this question two years ago to the individual who was unquestionably the world's premier China watcher until his death in 2015. Specifically I asked him: “are China's current leaders, including Xi, serious about displacing the U.S. as the predominant power in Asia in the foreseeable future?”

I cannot improve on his answer. Lee Kuan Yew responded: “Of course. Why not? How could they not aspire to be number one in Asia and in time the world?”

Lee foresaw the twenty-first century as a “contest for supremacy in Asia.” China's leaders see this as what they call a “prolonged struggle” over international order—especially in their neighborhood. This does not mean that Xi and his colleagues want war. Precisely the opposite. Instead, they are attempting to follow Sun Tzu's maxim: “Ultimate excellence lies not in winning every battle, but in defeating the enemy without ever fighting.” As Henry Kissinger's explains, for the Chinese this means that “far better than challenging the enemy on the field of battle is maneuvering him into an unfavorable position from which escape is impossible.” In economic relations today, China is doing just that to its Asian neighbors and indeed to the U.S.

China primarily conducts foreign policy through economics because, to put it bluntly, it can. It is currently the largest trading partner for over 130 countries—

including all the major Asian economies. As China's dominant economic market and its "One Belt, One Road" plan to network Asia with physical infrastructure (at a scale 12 times that of the Marshall Plan) draws its neighbors into Beijing's "economic gravity," the United States' post-World War II position in Asia erodes.

2. *How does the Chinese leadership view the United States and its role in the region and the world?*

In 2014, former Australian Prime Minister Kevin Rudd and U.S. National Security Advisor Brent Scowcroft each came back from separate, extensive conversations with Chinese leaders with identical views of what they call the striking "consensus" in the Chinese leadership. According to both statesmen, China's leaders believe that America's grand strategy for dealing with China involves five "to's": to isolate China, to contain China, to diminish China, to internally divide China, and to sabotage China's leadership. As Rudd explained, these convictions "derive from a Chinese conclusion that the U.S. has not, and never will, accept the fundamental political legitimacy of the Chinese administration because it is not a liberal democracy." Moreover, according to Rudd, this is based on "a deeply held, deeply 'realist' Chinese conclusion that the U.S. will never willingly concede its status as the preeminent regional and global power, and will do everything within its power to retain that position." Or, as Henry Kissinger says plainly, every Chinese leader he has met believes that America's strategy is to "contain" China.

When I asked a Chinese colleague in their security community what he thought the U.S. role in the region should be, he answered: "back off." His own colleague proposed a more candid two-word summary: "butt out." As realistic students of history, Chinese leaders recognize that the role the U.S. has played since World War II as the architect and underwriter of regional stability and security has been essential to the rise of Asia, including China itself. But they believe that as the tide that brought the U.S. to Asia recedes, America must leave with it. Much as Britain's role in the Western Hemisphere faded at the beginning of the twentieth century, so must America's role in Asia as the region's historic superpower resume its place. As Xi told a gathering of Eurasian leaders in 2014, "In the final analysis, it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia."

Prior to last week's APEC meeting in Da Nang, China persuaded Vietnam to negotiate their South China Sea dispute through direct talks without the U.S., and the Philippines to end construction of facilities on Thitu Island, which China claims. As China's Ambassador to the U.S. put it: "I think it would certainly be better if others including the United States would not try to interfere in this constructive process." At the conclusion of last week's meeting with President Trump, Xi noted that "the Pacific Ocean is vast enough to accommodate both countries" But as China's aggressive deployment of modern anti-ship missiles with longer and longer ranges keeps nudging U.S. aircraft carriers further and further from its shores, one suspects that Xi hopes to persuade Trump to a division of spheres of influence on either side of Hawaii.

3. *How is China's regional and global posture taking shape under President Xi Jinping? What is your perspective on the outcomes of the recent 19th Party Congress?*

In his speech at the 19th Party Congress, President Xi was very clear about China's posture today. He said: "the Chinese nation now stands tall and strong in the East; no one should expect China to swallow anything that undermines its interests." Moreover, he was bold enough to put a target objective and a date together, declaring China's intention to become "global leader in terms of composite national strength and international influence" by 2050. If, by mid-century, China achieves a per capita GDP equivalent to that of the U.S., its economy will be four times larger than ours—since it has four times as many people.

Anyone who doubts Xi's ambitions for China should listen to the declaration of his own sense of the march of history captured in a line that has not been reported by English-language media. He declared: "History looks kindly on those with resolve, with drive and ambition, and with plenty of guts; it won't wait for the hesitant, the apathetic, or those shy of a challenge." That should give you an idea about his posture.

4. *How has the United States' view of China evolved over the past century, and how do you see it evolving in the decade ahead?*

To put it in one line, the U.S. has assumed that, as it matured, China would become "more like us." Particularly after the Cold War ended abruptly in 1991 with

the collapse of the Soviet Union, most of the American foreign policy establishment took a victory lap in which we engaged in more than a little triumphalism. Celebrating the U.S. position as the Unipolar Power, Frank Fukuyama famously declared the End of History. Democratic capitalism had swept the field and hereafter nations would follow our lead first in adopting market capitalism in order to grow rich. As they developed a middle class, they would become democracies. And according to the “democratic peace” hypothesis, war would become obsolete since democracies do not fight each other. Thomas Friedman popularized this argument with his “Golden Arches” theory, declaring that two nations that had McDonald’s Golden Arches could not fight each other.

Obviously, this victory lap was premature. Americans are now waking up to the fact that, as Lee put it, a powerful China will insist on “being accepted as China, not as an honorary member of the West.”

5. *What is your perspective on the Obama administration’s “Asia Pivot” or “rebalance” policy, and what policy should the Trump administration pursue with respect to the Asia-Pacific, and China in particular?*



This illustration comes from my testimony to the Senate Armed Services Committee in 2014. It compares the relative weight of the U.S. and Chinese economies as if they were two competitors on opposite ends of a seesaw. While we have been debating whether we should put less weight on our left foot (the Middle East) in order to put more weight on our right (Asia), China has just kept growing—at three times the U.S. rate. As a result, America’s side of the seesaw has tilted to the point that both feet will soon be dangling entirely off the ground.

What strategy should the Trump administration adopt to deal with this challenge? I wish I knew. I wish anybody knew. But truth be told, I am still struggling to diagnose our challenge. As I argue in DFW, diagnosis must precede prescription. If when one walks into a doctor’s office, he immediately proposes to put you on the trolley and roll you into the operating room for surgery, beware. Washingtonians live by the creed: “don’t just stand there, do something.” But I believe that we need first to understand the shape of the challenge we face. There is no “solution” for the dramatic resurgence of a 5,000-year old civilization with 1.4 billion people.

What America needs most at this moment is not a new “China strategy,” but instead a serious pause for reflection, followed by a surge of strategic imagination as penetrating as that displayed by those “wise men.” In short, it will demand something far beyond anything we have seen since the opening to China.

What I will say is that the strategy toward China that America has followed since the end of the Cold War, known as “engage but hedge,” is fundamentally flawed: it is a banner that permits everything and prohibits nothing. It relies on balancing China while hoping that China will become a liberal democracy, or at least accept a subordinate place in the American-led international order. It should now be obvi-

ous that this is not going to happen. If the U.S. just keeps doing what it has been doing, future historians will compare American “strategy” to illusions that British, German, and Russian leaders held as they sleepwalked into WWI.

6. *What is the current state of China-North Korea relations? How have they evolved in recent years? Given China’s desire to avoid a collapsed state and/or having the U.S. military close to its borders, how much pressure can China be expected to apply to North Korea?*

China-North Korea relations are worse than ever before. Outraged by Beijing’s support for sanctions, some North Korean statements have even begun implicitly threatening China, noting that North Korea’s missiles can fly in any direction. Chinese internet users commonly refer to Kim Jong Un as “Little Fatty” and reportedly Xi Jinping personally cannot stand him. When Kim tested a missile during Xi’s important BRICS Summit, Xi took it as a serious personal insult.

However, the strategic situation has not fundamentally changed for China. They see stability on the Korean Peninsula, even with an antagonistic neighbor, as preferable to any feasible alternative. They remain unwilling to support any action that would lead to the collapse of the regime. And they continue to see the biggest anomaly on the peninsula as the presence of the U.S.

7. *How likely is it that a U.S.-North Korea military conflict would trigger a wider Sino-American war? Under what circumstances might we expect China to intervene (or not intervene) in an American conflict with North Korea?*

Anyone who finds it hard to believe that a military conflict with North Korea could drag the U.S. into war with China should remember 1950. In June of 1950, a Communist North Korea led by KJU’s grandfather attacked South Korea and almost succeeded in reunifying the country under his control. The U.S. came to the rescue at the last minute and U.S. troops pushed the North Koreans back up the peninsula, across the 38th parallel, and rapidly approached the Chinese border. McArthur expected to wrap things up before Christmas so that U.S. troops could come home. The possibility that China, which just the year before had consolidated control of its own country after a long, bloody civil war, would attack the world’s sole superpower, who just five years earlier had dropped atomic bombs on Hiroshima and Nagasaki, was for McArthur inconceivable. But he awoke one morning in October to find his forces attacked by a “peasant army” of 300,000 Chinese who beat the U.S. back down the roads they had come up, to the 38th parallel, where the U.S. was forced to settle for an armistice. Tens of thousands of Americans, hundreds of thousands of Chinese, and millions of Koreans died in that war.

Chinese believe that Mao established the proposition that Korea would never become a unified state under the control of an American military ally. As they put it pointedly, if we were prepared to fight to make that point in 1950 when we were 1/50th your size, it should not be necessary to test that proposition again with a China that now has a GDP larger than that of the U.S. China has considered Korea to be its vassal state since 670AD. And for China the prospect of South Korea conquering the North and bringing U.S. troops to China’s borders is as unacceptable today as it was in 1950. Expect China to intervene in some fashion on the peninsula in almost any military scenario?even if only to seize and hold a buffer zone in the north, as Chinese troops have recently been drilling to do.

Even if Chinese forces entered North Korea with no intention of fighting the U.S., there are many scenarios in which war could still occur through miscalculation, including a “vertical track meet” between Chinese and U.S. special forces rushing to secure the North’s nuclear weapons in the event of a regime collapse. These weapons are held near China’s borders, so it is very likely that if and when U.S. troops arrive, they will find Chinese special forces already there.

8. *What diplomatic role can China play to defuse tensions between the U.S. and North Korea, and advance diplomacy to denuclearize the Korean peninsula?*

The immediate cause of tension between the U.S. and North Korea is North Korea’s drive to develop a credible threat to strike the American homeland with nuclear weapons, on the one hand, and President Trump’s determination to do whatever is required to prevent that from happening, on the other. This is the dynamic that will in the next 12 months take us to one of three destinations: (1) North Korea will have completed the next series of ICBM tests and be able to hold American cities hostage; (2) Trump will have ordered airstrikes on North Korea in an attempt to prevent that from happening; or (3) a minor miracle in which Xi and Trump, working together, convince Kim to halt his nuclear advance.

China controls North Korea's oil lifeline. If it squeezes that pipeline, North Korean aircraft, tanks, missile launchers, trucks, cars and factories will feel the pain. China has been reluctant to exercise this influence for fear of how Kim might react. But after recent provocations, Chinese officials have begun signaling that Xi might be willing to take that risk.

Careful watchers of last month's 19th Party Congress in Beijing have noted the dog that did not bark. During the coronation of China's new emperor, the only peep from Pyongyang was a letter of congratulations from Kim. This caution carried over to the meetings between Trump and Xi last week, which Kim did not greet with another nuclear or missile test as some feared he would.

If Trump and Xi seek to hammer out a joint plan for stopping Kim from further ICBM and nuclear tests, what could that look like? The Chinese government has offered a formula it calls "freeze for freeze." North Korea would stop testing for the year ahead and the U.S. would stop or significantly modify joint U.S.-South Korean military exercises that Kim despises. The U.S. has rejected that idea outright. But if Trump recognizes that the only alternatives are the two previously mentioned, it should be possible to find adjustments the U.S. could make in exercises, bomber flights and troop levels in South Korea that, while uncomfortable and ugly, do not compromise anything vital. Whether that would be sufficient to persuade Xi to threaten Kim's oil lifeline, and whether Kim would accept a freeze for freeze, is uncertain. And even if such a deal were possible, this would only kick the can down the road for another year.

Nonetheless, given where events stand today, if Trump and Xi can find their way to cooperate to produce this minor miracle, we should all give thanks.

9. *Other than North Korea, what flashpoints do you see that could trigger military conflict between the U.S. and China?*

The dangerous dynamic of Thucydides's Trap leaves both parties vulnerable to actions by third parties, or events that would otherwise be inconsequential or readily managed, but that trigger reactions by the primary competitors that lead to war. Chapter 8 of my book is titled "From Here to War." It sketches five all-too-plausible scenarios that could escalate mundane crises into a war that neither the U.S. nor China wants: North Korea; an accidental collision in the South China Sea; a move by Taiwan toward independence; a clash between China and Japan in the East China Sea; and an economic conflict that escalates into a shooting war.

I am ready to describe each in detail if members are interested.

10. *How do you assess President Trump's visit to the region?*

One is reminded of Zhou Enlai's response to Henry Kissinger when Kissinger asked him how he assessed the French Revolution. Zhou said: "it's too soon to tell."

Overall, the trip seems to have been more successful than most observers had expected. Through a twelve day marathon, an individual known not to like to travel or to participate in big meetings with foreign leaders played his role and stayed on script. Since his primary objective was to develop support for stopping KJU's nuclear advance, the fine words we heard both from Trump and from all his counterparts are good enough. But the proof of what was accomplished on this front—or not—will be in actions we see in the weeks ahead.

The Trump administration's choice to focus on Xi and to do whatever it can to persuade him to rein in KJU was, in my view, the best of the feasible approaches available—given the realities they inherited in January. Whether Xi believes that if he fails to stop KJU from conducting another series of ICBM tests, Trump will order U.S. strikes, time will tell. As noted above, I am hoping and indeed praying for a miracle. But as an old Pentagon hand, I know that hope and prayer alone are not a sufficient plan.

For more on my thoughts about the North Korean challenge, I have attached two op-eds from the past two weeks that summarize my views.

I trust that I have said enough to be responsive to your assignment and I look forward to the discussion.

### **Will Trump and Xi "Solve" North Korea?**

Dr. Graham Allison, *Politico*, 11/8/2017

The centerpiece of President Donald Trump's conversation with Chinese President Xi Jinping on Thursday will doubtless be North Korea. Before their first meeting in April, Trump's message to Xi was unmistakable: You solve this problem, or I will, and you won't like the way I do it. Then, just after he served Xi and his wife choco-



late cake at Mar-a-Lago, Trump excused himself and went to an adjacent room to announce that the U.S. was launching 59 cruise missiles against Syria. Message: I'm serious.

Trump has repeatedly complained that his predecessors left him a mess in North Korea, with an emboldened regime in Pyongyang that threatens to soon have a credible capability to hit the United States with a nuclear weapon. "It should have never been given to me," he told an interviewer in October. "This should have been solved long before I came to office, when it would have been easier to solve. But it was given to me and I get it solved. I solve problems."

But will Trump really "solve" North Korea? The answer is most certainly no. Indeed, I am so confident in answering no that I am prepared to bet \$100 of my money—against \$1 of anyone who wants to wager—that when Trump leaves office, a nuclear-armed North Korea will remain a major challenge for his successor.

Why is the North Korea challenge essentially unsolvable? Because of brute realities that defined the problem before Trump arrived. Specifically, when he entered office nine months ago, North Korea already had dozens of nuclear weapons, as well as short- and medium-range missiles that could deliver them against South Korean and Japanese cities. Moreover, it stood on the cusp of an intercontinental ballistic missile capability to credibly threaten attacks on San Francisco and Los Angeles.

Well before Trump mounted his campaign for the presidency, Kim Jong Un had concluded that the surest way to protect his regime from an attack by the U.S. was a sturdy nuclear security blanket. North Korean leaders listened carefully to President George W. Bush's 2002 State of the Union address when he famously named an "axis of evil": Iraq, Iran and North Korea. Bush then proceeded to launch a massive attack against Iraq, the only one of the three that had no nuclear weapons or serious nuclear weapons program. A decade later, Bush's successor joined the British and French in an extensive air campaign against Libya that overthrew Muammar Qadhafi, who just eight years earlier made a deal with the U.S. to give up his nuclear weapons program. As Bush's Undersecretary of Defense Eric Edelman later quipped, we taught bad guys around the world that "if you have no nuclear weapons, we will invade you; but if you give up your nuclear weapons program, we will only bomb you."

If these realities make it impossible for Trump to "solve" North Korea, what can he hope to achieve on this Asia odyssey?

Jump ahead a year to November 2018. At that point, we will know what happened in the current stare-down between Kim and Trump. There are three possibilities: (1) North Korea will have completed the next series of ICBM tests and be able to hold American cities hostage; (2) Trump will have ordered airstrikes on North Korea to prevent that happening; or (3) a minor miracle will have avoided the first two possibilities.

The safest posture is to hedge one's bets, or even better, to craft a Delphic pronouncement that sounds profound but leaves sufficient wiggle room to allow one to claim to have been right whatever happens. But if forced to place my bet, I'd wager that Kim wins. He will conduct the tests, and U.S. intelligence will report that he now has a credible threat to hit the continental United States. Of course, he would never do that—or at least almost never. He knows that doing so would mean committing suicide for himself and his regime. Nonetheless, Americans will be living in a significantly more dangerous world.

If required to quantify my odds, I put the first option (No. 1 listed above) at 50 percent. For the rest, saving 10 percent for possibilities beyond the three I am currently able to identify, I would split the remainder: betting that there is a 25 percent chance of a U.S. attack and a 15 percent chance of a miracle.

Currently, most of Washington's national security experts are not only expecting, but even hoping for the first option, since they find the second unacceptable and the third too remote a possibility to believe. Unfortunately, most have not yet recognized how dangerous that world will be.

Why will it be more dangerous than the challenge we face today? Because Kim will be emboldened by his success. He will have gone eyeball to eyeball with the leader of the most powerful country in the world and forced him to blink. He will have trumped Trump.

What can we look for in Kim's next act? If he follows his father's and grandfather's script, watch for coercive extortion. In response to Kim's tests, the U.S. will further tighten sanctions to threaten the regime's economic survival. His response will remind us of former Secretary of Defense Robert Gates's observation: North Korea will "sell anything they have to anybody who has the cash to buy it." A nation known in U.S. intelligence circles as "Missiles-R-Us" will threaten to become "Nukes-R-Us."

Could North Korea sell nuclear weapons to another rogue state? The U.S. would warn the regime that this would cross an inviolable red line. But what could we threaten that Kim would believe we would actually do? He will reflect on the fact that the U.S. was not prepared to attack North Korea to prevent it from acquiring an ability to strike the American homeland. For what else would it risk war—other than a full-scale attack on the U.S. or an American ally?

The second option, particularly if it involves a limited cruise-missile attack like the one Trump launched in Syria, is operationally feasible and can interrupt Kim's ICBM tests. The question is: How will Kim respond? Most U.S. intelligence analysts believe he will shell Seoul with conventional artillery. Just last week, a high-level North Korean defector told Congress that this is the plan. North Korea has long deployed and regularly practiced the use of this threat to Seoul. Killing tens of thousands of people overnight would not be that difficult.

In order to stop the firing that could kill hundreds of thousands more, South Korea and the U.S. would conduct strikes to destroy these long-range artillery guns and other missiles and rockets poised to hit the South.

This would mean attacks on several thousand aim points. Even if the effort was successful in significantly limiting the number of additional bombs exploding in South Korea, the consequence of the attack would almost certainly be the initiation of a Second Korean War. And the further wild card that cannot be wished away is North Korea's substantial nuclear arsenal and missiles.

When asked about this scenario by Congress, Secretary of Defense James Mattis has repeatedly insisted that such a war would be "catastrophic." He has reminded members of Congress that in the first Korean War, tens of thousands of Americans, hundreds of thousands of Chinese and millions of Koreans died.

Mattis has also assured Congress that at the end of such a war, the U.S. would win and the Kim regime would be gone. The question he has not addressed, however, is what China would do. The Chinese security community has been as loud and clear as it could be that Beijing would never allow a unified Korea that is an American military ally. That, they say, was the big lesson from the first Korean War.

Which brings us to pray for a minor miracle in which Xi and Trump, acting together, persuade Kim to halt his nuclear advance. This is not quite as far-fetched as it may seem at first glance. Xi has found Kim almost as frustrating as Americans have. Repeatedly, Kim has demonstrably dissed Xi by launching missiles or testing nuclear weapons to "celebrate" major events in Beijing: the BRICS [Brazil, Russia, India, China, South Africa] Summit, the grand announcement of Xi's multitrillion dollar One Belt One Road Initiative, the visit of Secretary of State Rex Tillerson to plan for the summit in Beijing with Trump.

China controls North Korea's oil lifeline. If it squeezes that pipeline, North Korean aircraft, tanks, missile launchers, trucks, cars and factories will feel the pain. China has been reluctant to exercise this influence for fear of how Kim might react. But after recent provocations, Chinese officials have begun signaling that Xi might be willing to take that risk.

Careful watchers of last month's 19th Party Congress in Beijing have noted the dog that did not bark. During the coronation of China's new emperor, the only peep from Pyongyang was a letter of congratulations from Kim. Whether this caution will carry over to the meetings between Trump and Xi on Thursday we will soon see.

If Trump and Xi seek to hammer out a joint plan for stopping Kim from further ICBM and nuclear tests, what could that look like? The Chinese government has offered a formula it calls "freeze for freeze." North Korea would stop testing for the year ahead and the U.S. would stop or significantly modify joint U.S.-South Korean military exercises that Kim despises. The U.S. has rejected that idea outright. But if Trump recognizes that the only alternatives are the two we have discussed, it should be possible to find adjustments the U.S. could make in exercises, bomber flights and troop levels in South Korea that, while uncomfortable and ugly, do not compromise anything vital. Whether that would be sufficient to persuade Xi to threaten Kim's oil lifeline, and whether Kim would accept a freeze for freeze, is uncertain. And even if such a deal were possible, this would only kick the can down the road for another year.

Nonetheless, given where events stand today, if Trump and Xi can find their way to cooperate to produce this minor miracle, we should all give thanks. Indeed, having found out what they can achieve when the U.S. and China are prepared to be more imaginative and adaptive in cooperating, they might find ways to go further, and begin rolling back Kim's nuclear program. And even this partial success would lay a foundation for managing other arenas where the Thucydidean dynamic of a rising power's threat to displace a ruling power creates serious risks of catastrophic war.

Would I bet on this happening? Nope. But I hope it does.

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NORTH KOREA CRISIS PRESENTS RISK, BUT ALSO  
OPPORTUNITY FOR U.S. AND CHINA,

Graham Allison and Michael Morell, *Cipher Brief*, 10/22/17

Most discussions about the North Korea nuclear threat focus on the risk of conflict between the U.S. and North Korea. Serious as that is, an even more important issue is what the crisis will mean for the U.S. and China—the world’s most consequential relationship. Great risk and great opportunity abound.

Will the 21st century be defined by great power war or peace? By prosperity or poverty? The answers depend largely on the course set by Washington and Beijing. But as powerful as both are, each is subject to structural forces not of their own making. Today, as a rising China threatens U.S. predominance in Asia and the international order the U.S. has underwritten for the past seven decades, both sides are locked in the Thucydides Trap. (Thucydides, the ancient Greek historian, was the first to identify the natural tensions between a rising power and the ruling power it seeks to displace—in his case, Athens and Sparta—that can lead to conflict.)

This dynamic leaves the U.S. and China vulnerable to the decisions of third parties: actions that would otherwise be inconsequential or easily managed can trigger reactions by the great powers that lead to disastrous outcomes neither wanted. How else could the assassination of a minor archduke in Sarajevo in 1914 have produced a conflagration so devastating that it required historians to invent an entirely new category—“world war”? In the antics of the erratic (but rational) young leader of North Korea, whom the Chinese security establishment calls “little fatty,” it is not hard to hear echoes of 1914. The challenge for leaders in Washington is to deal with the acute crisis while also developing ways to cope with the underlying challenge in the relationship.

What is the risk? In the next six to 12 months, either Kim Jong-un is going to demonstrate that he can reliably put a U.S. city at risk of nuclear attack and we are going to (reluctantly) accept that, or President Trump is going to try to prevent that from happening by ordering U.S. airstrikes on North Korea. Remember: upon becoming president-elect, Trump vowed that he would not allow North Korea to develop the capability to hit the U.S. with a nuclear weapon. A cruise missile attack like the one Trump ordered on Syria after the opening dinner for Chinese President Xi Jinping at Mar-a-Lago is not difficult to execute. The question is what would come next.

No one knows for sure. But the best judgment of North Korea experts is that the North will respond by raining artillery shells down on Seoul—the center of which is just 35 miles from the border between South and North Korea—killing tens of thousands or even hundreds of thousands of its more than 25 million citizens in just the first 24 hours of fighting. It is simply not possible for a U.S. preemptive strike to remove all the North Korean artillery along the border before it can fire on Seoul.

As that is occurring, what will South Korea and the U.S. do? Again, while nothing is automatic, plans call for the obvious: attacks on the weapons that are firing against Seoul. In addition to the artillery on the border, the U.S. and South Korean counterattack would almost certainly target the several thousand other North Korean rockets and missiles that could attack South Korea (including missiles that could carry nuclear warheads). Whether that attack would also attempt to kill Kim Jong-un and the leadership in Pyongyang involves another decision by the President. But the critical point is that after a U.S.-South Korean response against several thousand targets in the North, the second Korean War would have begun.

Secretary of Defense Mattis has offered his considered assessment of such a war in recent testimony before Congress. He has warned candidly that a second Korean conflict would be catastrophic, causing loss of life, including both U.S. combatants and U.S. civilians living in South Korea, unlike any we have seen since the first Korean War. But he has also assured members of Congress that at the end of that war the U.S. would “win,” Korea would be unified, and the Kim regime would be gone.

The question he has not addressed, and which no member of the committees before which he has testified has asked him, is: “what about China?” That was the question General Douglas MacArthur infamously failed to consider in October 1950, when U.S. troops who had come to the rescue of South Korea pushed the North Ko-

rean aggressors back up the peninsula. MacArthur imagined that he would unify the country and start bringing American troops home before Christmas. Since this was just five years after the U.S. had ended World War II by dropping atomic bombs on Hiroshima and Nagasaki, and less than a year after Mao had won a long, bloody civil war, the thought that a nation with a GDP one fiftieth the size of America's would attack the world's uncontested superpower was inconceivable. But Mao did. And his force of 300,000 fighters, followed by a second wave of half a million, beat American forces back down the peninsula to the 38th parallel where the U.S. had to settle for an armistice.

As a member of the Chinese security establishment explained to one of us in a recent conversation, Beijing will not permit a united Korea allied with the U.S. on its border. From a Chinese perspective, that point was written in blood when Mao's China entered the first Korean War. And they will do so again if Beijing believes that is the U.S. intention or the likely result of a U.S. and North Korean conflict. Indeed, just last month, the Chinese warned publicly that if the U.S. preemptively attacked North Korea, China would fight on behalf of Kim Jong-un.

This is a not a war we would want the U.S. to fight. No one should forget that the first Korean War claimed the lives of tens of thousands of Americans, hundreds of thousands of Chinese, and millions of Koreans. With China's extensive military modernization over the last two decades, particularly the deployment of weapon systems designed to deny U.S. access to the battlefield, the Chinese might even win the war—or force the U.S. to settle again for an equivalent of the armistice accepted in 1953. Such outcomes would mark a turning point in the balance of power in East Asia, if not the world. After World War II, the U.S. emerged as the leading global power. After a second Korean War, China might wear that mantle.

A similar risk of conflict between the U.S. and China exists in the other, and perhaps more likely, path that the U.S. could take in the near-term regarding the North Korean nuclear crisis—acceptance of the North's nuclear weapons capability along with containment and deterrence to deal with the threat. The problem with this option is not only that it leaves Kim with an ability to strike the U.S. homeland with nuclear weapons but also that Kim could see that capability as a tool to coerce the U.S. and South Korea to get what he wants—first, the withdrawal of U.S. forces from the Peninsula and second, reunification on his terms. Kim could calculate that since the U.S. was not prepared to risk war to prevent it acquiring the capability to attack American cities, the U.S. would not be willing to trade Chicago for Seoul. And, in taking provocative actions based on this assumption, Kim could bring the U.S. and North Korea to war—again with the risk of China joining the fight.

What then is the opportunity? Our vital national interest in North Korea is to ensure that Kim Jong-un cannot threaten the U.S. and our allies and partners with nuclear weapons. China shares this interest because Beijing understands that as the North Korean threat grows, the U.S. and its allies will move to protect themselves with missile defense, a development that would also put Chinese missiles and therefore China's deterrence at risk. Beijing also knows that South Korea and Japan may well respond to a North Korea armed with nuclear-tipped missiles by developing their own nuclear weapons, a serious and threatening development from China's perspective.

Given these converging interests, can we imagine American and Chinese diplomats finding common ground on a vision for the future of the Korean Peninsula—one without nuclear weapons—and developing a cooperative approach to achieve it that might start with significant limits on what North Korea has at present? If such cooperation were to result in eventual denuclearization of the North and enhanced stability in Northeast Asia, it would act as a bright shining beacon of what the U.S. and China could achieve working together. It would build trust in both capitals. It would be a major step forward in managing the Thucydidean tension in the relationship and pushing the two countries away from conflict and toward cooperation.

How do we get to a place with the Chinese where we can have such a conversation about North Korea? It cannot be through threats. We cannot achieve this by publicly scolding China over not doing more to pressure Kim Jong-un, by publicly raising the prospect of war between the U.S. and North Korea in an effort to frighten Beijing into action, or by publicly offering China a deal whereby they pressure North Korea in exchange for the U.S. backing away from action on Chinese trading practices. None of these will move China to act. They are too proud a nation and a culture to be bullied, bribed, or threatened into action.

Rather, the potentially productive path forward is to sit and talk turkey with the Chinese—in private, even secretly—about their real national interests and ours. President Trump and President Xi should ask one or more of their most trusted senior officials to sit down for several days of hard conversation and come back with feasible, if ugly, options for a joint way forward.

For inspiration, they could read the transcripts—now declassified—of the initial conversations between Henry Kissinger (as Nixon’s national security adviser) and Zhou Enlai (Mao’s most trusted lieutenant). They could reexamine what John F. Kennedy did when he came to the final fork in the road confronting the Soviet Union over its attempt to place nuclear-tipped missiles in Cuba. They could consider what Obama did in sending Bill Burns and Jake Sullivan to secret talks that developed a path to prevent (or at least postpone for a decade) Iran’s quest for nuclear weapons.

Critics will shout: “but in every one of these cases the U.S. compromised!” Yes, to achieve what these presidents judged vital for our country, they sacrificed other interests. To open relations with China in order to encourage its split from the Soviet Union, Nixon and Kissinger agreed to de-recognize Taiwan as the government of China and recognize Beijing (a decision that was officially implemented under President Carter). To escape the choice between accepting an operational Soviet nuclear base in Cuba and an attack on the missiles, Kennedy promised—secretly—that if the Soviet missiles were withdrawn, six months later, equivalent U.S. missiles in Turkey would be removed. And as Iran’s nuclear program had advanced to a point that it stood just 2 months away from its first nuclear bomb, Obama signed an agreement that allowed Iran to keep a limited uranium enrichment program in exchange for pushing its nuclear program back to at least a year away from a bomb.

Ronald Reagan was determined to bury Communism. But to advance that cause, he repeatedly engaged in negotiations with the Soviet Union and reached arms control agreements that constrained or even eliminated American nuclear and missile programs as the price of stopping Soviet advances that threatened us. For this, many conservative supporters attacked Reagan. For example, George Will accused Reagan of “accelerating moral disarmament” and predicted that “actual disarmament will follow.” But as Reagan’s Secretary of State George Shultz noted: “Reagan believed in being strong enough to defend one’s interests, but he viewed that strength as a means, not an end in itself. He was ready to negotiate with adversaries and use that strength as a basis of the inevitable give-and-take of the negotiating process.”

To persuade China to join us in taking responsibility for North Korea, and use its leverage to stop Kim’s nuclear advance and begin rolling back his program, what incentives could Trump’s secret negotiators offer as a reward for success? The Trump Administration and its predecessors have insisted that we will not make changes in our own military forces to reward North Korea or China for stopping bad behavior. But there is nothing sacrosanct about the number of U.S. troops who participate in the regular fall and spring joint military exercises with South Korea. In fact, the recent exercise included only 17,500 American soldiers, a 30 percent reduction from the 25,000 who participated in the 2016 equivalent. Though Trump has steadfastly resisted Xi’s call for a “freeze for freeze”—a freeze in North Korean nuclear and missile tests in exchange for a freeze in U.S./South Korean military exercises—some variant of that should be considered as part of the solution, given the alternatives. Even more enticing to China, the U.S. could offer to delay or even cancel and roll back deployment of missile defenses, including the THAAD batteries in South Korea, if China took actions that mitigated or eliminated the threat.

We recognize serious objections to each of these possible concessions and others. Indeed, we have often voiced them. But the brute fact is that, at this point, U.S. choices have shrunk to the zone between the horrific and the catastrophic. Accepting a nuclear-armed North Korea that can hold American cities hostage to a nuclear attack and attempting to live with that threat by a combination of deterrence and defenses would constitute one of the highest risks that the U.S. has faced in the seven decades of the nuclear age. Attacking North Korea to prevent that outcome will likely lead to a catastrophic second Korean War that could find thousands of Americans and Chinese killing each other.

Before choosing between these terrible options, we urge President Trump to explore a third way through candid discussions with the Chinese of options that heretofore have been “unacceptable” but that are in fact preferable to the alternatives. Kennedy and Khrushchev did. So, too, did Reagan and Gorbachev. There is no guarantee that such talks with China or the subsequent joint approach to North Korea would work—Chinese influence with North Korea may be more limited than most think—but we owe it to our security and to history to try.

If there is a better way out of the North Korea crisis, it will be through Washington and Beijing working together. For leaders determined to construct a productive U.S.-China relationship, North Korea offers a great opportunity. It also offers perhaps the greatest challenge and risk to that relationship, and therefore to U.S. leadership in the world, since the end of the Cold War.



**AMERICAN LEADERSHIP IN  
THE ASIA-PACIFIC—**

**PART 5: THE ASIA REASSURANCE  
INITIATIVE ACT**

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**TUESDAY, MAY 15, 2018**

U.S. SENATE,  
SUBCOMMITTEE ON EAST ASIA, THE PACIFIC, AND  
INTERNATIONAL CYBERSECURITY POLICY  
COMMITTEE ON FOREIGN RELATIONS  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:03 a.m. in Room SD-419, Dirksen Senate Office Building, Hon. Cory Gardner, chairman of the subcommittee, presiding.

Present: Senators Gardner [presiding], Rubio, Markey, and Kaine.

**OPENING STATEMENT OF HON. CORY GARDNER,  
U.S. SENATOR FROM COLORADO**

Senator GARDNER. This hearing will come to order.

And let me welcome all of you to this hearing for the Senate Foreign Relations Subcommittee on East Asia, the Pacific, and International Cybersecurity Policy in the 115th Congress.

This hearing is the fifth hearing in a series of hearings specifically dedicated to building out various aspects of U.S. policy challenges and opportunities in Asia, from security threats to economic engagement to democracy and human rights to U.S.-China relations.

Today we will hear the administration's view on what constitutes a free and open Indo-Pacific and what we must do to achieve this goal.

This hearing is the culmination of the intense work between this subcommittee, policy experts, U.S. businesses, civil society advocates, and the administration to define U.S. national interests toward this critically important region of the world.

The results of these hearings and conversations is the Asia Reassurance Initiative Act, or ARIA legislation, which we introduced with Ranking Member Markey and Senators Rubio and Cardin 2 weeks ago. This legislation is intended to serve as a policy framework to enhance U.S. leadership in the Indo-Pacific region and to demonstrate our shared commitment to a rules-based international order.

We began this series of hearings nearly 15 months ago. At our first hearing on March 29th in 2017, we focused on the growing se-

curity challenges in the region, including North Korea, the South China Sea, and terrorism in Southeast Asia. We agreed at that hearing that we must strengthen U.S. defense posture and increase security engagement with our allies in the region.

Later that year in May, we focused on the importance of U.S. economic leadership in Asia. We agreed at that hearing that while the administration and Congress might differ on global trade strategy, we cannot ignore the fundamental fact that it is Asia that will be critical for the U.S. economy to grow and for the American people to prosper through trade opportunities.

At our third hearing, we focused on projecting U.S. values in the region, including the promotion of democracy, human rights, and the rule of law. We agreed that the active promotion of these fundamental values only reinforces American leadership in Asia and reflects our core beliefs as a nation that human rights are universal rights without exception.

In November of last year, our fourth hearing considered the relationship with the People's Republic of China, the region's rising power and our near-peer strategic competitor. We agreed that, as once hoped, China's rise will be less than peaceful. As President Xi Jinping consolidates power domestically, it is clear that China also increasingly views its increasing economic and military power in the region as a zero sum game with the United States.

So now that this legislation has finally been introduced, I hope today our distinguished administration guests can shed light on how we can shape a multi-generational comprehensive U.S. policy toward the Indo-Pacific region which preserves and strengthens the rules-based international order but also avoids armed conflict with Beijing; economically benefits the United States and sets high standards, but also protects Americans from unfair trade practices; reflects our nation's longstanding dedication to fundamental human freedoms, but also provides long-term tools and mechanisms to advance these goals as part of the multifaceted policy that includes engagement with regimes that may not necessarily share these same values.

It is a tough challenge, a tough challenge, indeed, but I believe it can be achieved when the administration and Congress speak with one voice. And that is what I hope can happen at today's hearing.

Now I will turn it over to our ranking member, who I have enjoyed working with over the past Congresses, his position on this committee and obviously on the legislation and look forward to this hearing with him and more work together.

**STATEMENT OF HON. EDWARD J. MARKEY,  
U.S. SENATOR FROM MASSACHUSETTS**

Senator MARKEY. Thank you, Mr. Chairman, very much. And thank you for convening this incredibly timely and important hearing.

And I want to thank our administration witnesses for being here as well and for their dedication to promoting U.S. interests throughout Asia.

Out of the ashes of World War II, the United States and its allies set out to create a set of rules, norms, and structures around the



world that would not only promote U.S. interests but also benefit others as well. These systems, built out of the devastation of a world war, have been bastions of American values and influence throughout the world. They have helped countries flourish and prosper, and in no place that has been more evident and important to U.S. national security interests than in Asia.

Whether we call it Asia or the Indo-Pacific, it is clear that a growing network of countries from the Indian Ocean through the Pacific yearn to participate in a regional system, an American system that keeps them secure and allows them to prosper, a system that reduces the likelihood of devastating major power conflict while helping others develop and thrive, one that upholds respect for national sovereignty and freedom from coercion. This system's ability to overcome the unique characteristics of the Indo-Pacific have proved its staying power.

Through American development programs and institutions like the World Bank and the International Monetary Fund, the United States helped unleash unprecedented growth and stabilize a fragile region. We have promoted democracy, human rights, and the rule of law, core values for all people, all the while American security alliances have deterred threats and helped establish a stable balance of power.

This arrangement continues to facilitate our ability to safely address the pressing security challenges in the region. But make no mistake. Challenges abound, prominent immediate ones like North Korea's nuclear weapons and ballistic missiles, longer-term or nuanced ones like the Chinese Government's strategic campaign to weaken the rule-based order. And with challenge comes opportunity, the opportunity to strengthen alliances from Japan to South Korea to Australia, Thailand, and the Philippines, to tackle issues from terrorism to climate change with longtime friends in Southeast Asia, to empower American diplomats to help solve vexing and longstanding foreign policy and security problems, to promote the health and wellbeing of countless individuals across the most heavily populated region of the planet, to empower people to seek freedom and economic opportunity, and the opportunity to show the region that the United States is no fair weather friend, that we are devoted to the Indo-Pacific because we, Democrats and Republicans alike, recognize that the region is more peaceful when we truly make it a priority.

We are at a unique moment in history, one where we need to communicate to the region, to allies and adversaries alike, that the United States is invested literally and figuratively in Asia.

That is why Senator Gardner and I introduced the Asia Reassurance Initiative Act, or ARIA. This legislation makes clear that it is an important issue, that there are key tenets that the U.S. regional policy must include: promoting the rules-based order whether through trade practices or the freedom of navigation, peacefully denuclearizing North Korea through diplomacy and economic pressure, prioritizing reasonable and effective nuclear nonproliferation policies, and defending human rights and the respect for democratic values.

Our hope and our intent was and remains to ensure that the region stays at the forefront of people's minds, and in a time when

allies and partners in the region may be unsure where the United States stands, it is imperative that we provide reassurance. The region should hear Congress and the executive branch expressing a shared recognition over the challenges and opportunities and over the principles by which we intend to pursue our interests and promote our values. There is no place in the modern world for powerful countries coercing smaller neighbors through threat of force, no room for dictators to discriminate against, falsely imprison, torture, or kill their own citizens, no room for proliferation of the most dangerous weapons on earth, and no room for the old ways of might makes right. But there should be every chance for creative, forward-looking solutions while preserving the independence and freedom of action for those living under oppression and for forging stronger partnerships with likeminded countries towards common goals.

But the system is increasingly under challenge. So we must speak clearly about U.S. objectives in the region, and we must lay out the pathways that will help us reach those goals. And we must fully fund those activities because a strategy with insufficient resources is no strategy at all.

That is why our bill would authorize \$1.5 billion annually to address wide-ranging challenges we face in Asia because we must ensure that we protect both U.S. economic and security interests, as well as the broader international system that has helped provide peace and stability throughout the Indo-Pacific and beyond. The United States cannot afford to cede leadership in such a critical region. Doing so will only lead to a resurgence of the behaviors we have for so long fought against.

I look forward, Mr. Chairman, to exploring these issues with this fantastic panel that you have brought to the committee today, and I yield back to you.

Senator GARDNER. Thank you, Senator Markey.

Our first witness will be the State Department witness before the Senate Foreign Relations Committee: Mr. Alex Wong, who returns to the State Department, now serving as Deputy Assistant Secretary of State at the Bureau of East Asian and Pacific Affairs. Prior to his appointment, he was the foreign policy advisor to our colleague and general counsel as well to Senator Tom Cotton. He was the Senator's chief advisor on all issues related to national security, international relations, and law enforcement. Welcome, Mr. Wong, and thank you very much for your service. We will begin with your testimony.

**STATEMENT OF ALEX N. WONG, DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, UNITED STATES DEPARTMENT OF STATE, WASHINGTON, D.C.**

Mr. WONG. Thank you, Senator. Chairman Gardner, Ranking Member Markey, members of the subcommittee, thank you for this opportunity to appear today before the subcommittee. It is an honor to testify on the Asia Reassurance Initiative Act, on the U.S. Indo-Pacific strategy, and our nation's continued leadership in the region. And it is also an honor to be doing so alongside my friend and colleague, Randy Schriver.

The Indo-Pacific region is of chief importance to the United States. The Indo-Pacific includes half of the world's population and, by the middle of the century, will likely constitute half of the world's GDP. 50 percent of global trade passes through the Indo-Pacific sea routes. Annually the United States conducts \$1.4 trillion in two-way trade with the region and is the source of over \$850 billion in foreign direct investment annually, making the United States the region's largest trading partner and largest investor. The region is home to the world's three largest democracies and some of its most inspirational democratic miracles and many of its fastest growing economies.

In all of these ways, the region implicates vital U.S. interests. And to defend those interests, we have long exercised leadership in the Indo-Pacific. But as the region grows in population and economic weight, U.S. strategy must adapt to ensure that the Indo-Pacific is increasingly a place of peace, stability, and growing prosperity and not a region of disorder, conflict, and predatory economics.

The ARIA legislation states, "Without strong leadership from the United States, the international system, fundamentally rooted in the rule of law, may wither, to the detriment of United States, regional, and global interests." While the administration is still reviewing the entirety of the legislation, we agree with that assessment.

That is why the administration is pursuing a strategy, grounded in U.S. leadership that advances a free and open Indo-Pacific. President Trump introduced the strategic concept of a free and open Indo-Pacific during his historic trip to the region in November, which was the longest trip by a President to the region in a generation. We are now formulating the implementation of this strategy, and the formulation process is a government-wide endeavor that includes the Department of State, Department of Defense, and every other agency that has a role in the Indo-Pacific.

Our objective is to align U.S. policies and programs toward strengthening the free and open order that the United States has fostered in the region for over 70 years.

Now, the modifiers we have chosen to describe the strategy, "free" and "open," were chosen with care because they embody the principles that we seek to embed in the region.

The term "free" means first, on the international plane, that we want the nations of the Indo-Pacific to be free from coercion from outside powers. Nations should be able to pursue their own paths in a sovereign manner free from the weight of spheres of influence. Second, "free" means at the national level, we want the societies of the Indo-Pacific nations to become progressively more free, free in terms of good governance, in terms of fundamental freedoms, and in terms of transparency and anti-corruption.

The term "open," first and foremost, means open sea lines of communication and open airways. These open sea lines of communication, particularly those in the South China Sea, are the lifeblood of the region. Secondly, we mean more open connectivity in the form of quality, best value energy, transport, and digital infrastructure that is driven by private capital investment. Third, we mean more open investment environments and free, fair, and recip-

rocal trade. A better investment environment and an equal and open playing field for trade benefit U.S. workers, benefit U.S. businesses. But they also benefit indigenous innovators and indigenous entrepreneurs who will be empowered to drive economic growth in their home countries.

Embedding these free and open principles will require efforts across the spectrum of our capabilities: our diplomatic initiatives, governance capacity building, economic cooperation and commercial advocacy, and military cooperation. But we are not starting from a standing start. The United States has longstanding programs that support the free and open order. And we have initiated new efforts in the first year of the Trump administration toward that end: new energy and infrastructure partnerships with Japan and India; the delivery of a Coast Guard cutter to Vietnam; strengthened cyber cooperation with partners such as Australian, Japan, Indonesia, New Zealand, Singapore, South Korea, and Vietnam; the first U.S.-India counterterrorism designations dialogue; an effort to speed foreign military sales to our partners in the region; and we were very gratified to work with Congress on the Palau Compact.

As the United States pursues our Indo-Pacific strategy, it is important to note that a number of our partners across the region are pursuing similar strategies. If you look at India's Act East policy, if you look at South Korea's New Southern Policy, if you look at Japan's Free and Open Indo-Pacific Strategy, if you look at Taiwan's New Southbound policy, and if you look at Australia's Foreign Policy Whitepaper, they are all seeking to expand ties across the region, across the Indo-Pacific and in particular with the nations of Southeast Asia and ASEAN. As these strategies overlap with our own, they will form a strong, free, and open fabric that will knit the region together, preserve sovereignty, and promote prosperity. This is a vision that the United States has long advanced in the Indo-Pacific and one we believe will continue to reap benefits in terms of stability and prosperity.

Mr. Chairman, members of the subcommittee, the Department of State, together with the rest of the administration, is making significant progress toward a lasting strategy that will ensure the Indo-Pacific continues to be a peaceful, prosperous, and economically dynamic region.

I commend Congress and this subcommittee in particular for your thoughtful and thorough approach to supporting U.S. engagement in the region. I look forward to your questions, and I look forward to working with you and your staff members on our Indo-Pacific strategy.

[Mr. Wong's prepared statement follows:]

PREPARED STATEMENT OF ALEX WONG

Chairman Gardner, Ranking Member Markey, and members of the subcommittee: Thank you for the opportunity to appear before you today. It's an honor to testify on the Asia Reassurance Initiative Act (ARIA), the U.S. Indo-Pacific Strategy, and our nation's continued leadership in that region. And it's also an honor to be doing so alongside my friend and colleague, Randy Schriver.

The Indo-Pacific region is of chief importance to the United States. The Indo-Pacific includes half of the world's population and, by the middle of the century, will likely constitute half of the world's gross domestic product. Fifty percent of global trade passes through Indo-Pacific sea routes. Annually, the United States conducts \$1.4 trillion in two-way trade with the region and is the source of over \$850

billion in foreign direct investment, making the United States the region's largest trading partner and investor. The region is home to the world's three largest democracies, some of its most inspirational democratic miracles, and many of its fastest growing economies.

In all of these ways, the region implicates vital U.S. interests. And to defend those interests, we've long exercised leadership in the Indo-Pacific. But as the region grows in population and economic weight, U.S. strategy must adapt to ensure that the Indo-Pacific is increasingly a place of peace, stability, and growing prosperity—and not one of disorder, conflict, and predatory economics.

The ARIA legislation states, "Without strong leadership from the United States, the international system, fundamentally rooted in the rule of law, may wither, to the detriment of United States, regional, and global interests."

Although the administration is still reviewing the legislation itself, we agree with that specific assessment.

That is why the administration is pursuing a strategy-grounded in U.S. leadership—that advances a free and open Indo-Pacific. President Trump introduced this strategic concept during his historic trip to the region in November, the longest trip by a President to the Indo-Pacific in a generation. We are now formulating the implementation of that strategy, and the formulation process is a government-wide endeavor that includes the Department of State, the Department of Defense, and every other agency with a role in the Indo-Pacific.

Our objective is to align U.S. policies and programs toward strengthening the free and open order that the United States has fostered in the Indo-Pacific for over 70 years.

The modifiers we use to describe the Indo-Pacific order—"free" and "open"—were chosen with care, because they embody the principles we seek to embed in the region.

The term "free" means first, on the international plane, that we want the nations of the Indo-Pacific to be free from the coercion of outside powers. Nations should be able to pursue their own paths in a sovereign manner free from the weight of spheres of influence. Second, "free" means, at the national level, we want the societies of Indo-Pacific nations to become progressively more free-free in terms of good governance, in terms of fundamental freedoms, and in terms of transparency and anti-corruption.

"Open," first and foremost, means open sea lines of communication and open airways. These open sea lines of communication, particularly those in the South China Sea, are the lifeblood of the region. Secondly, we mean more open connectivity in the form of quality, best-value energy, transport, and digital infrastructure that's driven by private capital investment. Third, we mean more open investment environments and free, fair, and reciprocal trade. A better investment environment and an equal and open playing field for trade benefit U.S. businesses and workers. But they also benefit indigenous innovators and indigenous entrepreneurs who will be more empowered to drive economic growth in their home countries.

Embedding these free and open principles will require efforts across the spectrum of our capabilities: diplomatic initiatives, governance capacity building, economic cooperation and commercial advocacy, and military cooperation. But we are not beginning from a standing start. The United States has longstanding programs that support the free and open order. And we've initiated new efforts in the first year of the Trump administration including: new energy and infrastructure partnerships with Japan and India; the delivery of a Coast Guard cutter to Vietnam; strengthened cyber cooperation with Australia, Japan, Indonesia, New Zealand, Singapore, South Korea, and Vietnam; the first U.S.-India Counterterrorism Designations Dialogue; an effort to speed foreign military sales to our partners; and we were gratified to work with Congress on the Palau Compact.

As the United States pursues our Indo-Pacific strategy, it's important to note that a number of our partners are pursuing similar strategies. If you look at India's Act East policy, at South Korea's New Southern policy, at Japan's Free & Open Indo-Pacific Strategy, at Taiwan's New Southbound policy, and at Australia's Foreign Policy Whitepaper, they are all seeking to expand ties throughout the Indo-Pacific and in particular with the nations of Southeast Asia and ASEAN. As these strategies overlap with ours, they'll form a strong free and open fabric that knits the region together, preserves sovereignty, and promotes prosperity. This is a vision the United States has long advanced in the Indo-Pacific, and one we believe will continue to reap benefits in terms of stability and prosperity. Conclusion

Mr. Chairman and members of the subcommittee, the Department of State together with the rest of the administration is making significant progress toward a lasting strategy that will ensure the Indo-Pacific continues to be a peaceful, prosperous, and economically dynamic region.

I commend Congress, and this subcommittee in particular, for your thoughtful and thorough approach to supporting U.S. engagement in the region. I look forward to your questions, and I look forward to working with you and your staff members on our Indo-Pacific strategy.

Senator GARDNER. Thank you, Mr. Wong.

Our second witness today is the Honorable Randall Schriver who serves as Assistant Secretary of Defense for Asian and Pacific Security Affairs at the Department of Defense. Prior to his confirmation, he was the CEO and President of the Project 2049 Institute, a nonprofit research organization dedicated to the study of security trend lines in Asia. Mr. Schriver has also previously served as the Deputy Assistant Secretary of State for East Asian and Pacific Affairs. Prior to his civilian service, he served as an active duty Navy intelligence officer, including a deployment in support of Operation Desert Shield and Desert Storm. Welcome, Mr. Schriver, and thank you for your service. I look forward to your testimony.

**STATEMENT OF HON. RANDALL G. SCHRIVER, ASSISTANT SECRETARY, ASIAN AND PACIFIC SECURITY AFFAIRS, UNITED STATES DEPARTMENT OF DEFENSE, WASHINGTON, D.C.**

Mr. SCHRIVER. Thank you, Mr. Chairman and Ranking Member Markey. I very much appreciate the opportunity to appear before you today and talk about our Indo-Pacific strategy. I also appreciate being able to testify alongside my great colleague, Alex Wong, and appreciate his leadership in developing and implementing our Indo-Pacific strategy.

Let me say at the outset we are really grateful for your support for U.S. engagement and leadership in the Indo-Pacific, and the fact that, as you noted both in your opening statements, it is bipartisan support in the Congress. That is very important and empowering for us. So we really commend your leadership there.

I am also pleased to note at the outset the ARIA legislation. There seems to be great alignment with our policies, and as you develop the legislation, we look forward to supporting it in final form if it comports, as we expect it will, with our goals.

If I could just provide a few updates to DOD's contribution to the Indo-Pacific strategy. Secretary Mattis often notes that the Indo-Pacific is a priority theater. That is certainly reflected in our National Defense Strategy and in our engagement with the region. In our National Defense Strategy, we clearly point out that of significant interest to us is the reemergence of great power competition and that is being promoted by the emergence and rise of China, as you both talked about in your opening remarks. So that demands a prioritization, and it also involves strategic choices. So we must maintain a focus on that long-term challenge but also, of course, deal with the immediate threats and challenges posed by rogue regimes such as North Korea, as well as violent extremist organizations, and would very much note the incidents in Indonesia this week.

So we have crafted a defense strategy that builds a more lethal, resilient, ready, and rapidly innovating military, and when combined with our partners and allies, we believe we can sustain the ability to ensure free, open rules-based order in the Indo-Pacific.

Strong deterrence is the foundation of our regional and, indeed, our global approach. And at DOD, our duty is to support our colleagues at the Department of State and our diplomats, such as Mr. Wong, as they engage and do their work to ensure they are doing so from a position of strength.

DOD, therefore, is focusing investment on our combat capacity, our readiness posture and presence, and other areas that are unique to the region's warfighting needs. These include investments in key capabilities to support joint integrated fires designed to defend U.S. interests and reach inside potential adversaries A2AD envelope.

A central theme to our National Defense Strategy is also DOD's approach to strengthening our alliances and partnerships, and in this, we are very closely aligned with your work on ARIA. We are committed to working with, by, and through allies and partners to find ways to address these common challenges in the Indo-Pacific. We seek to build networks of capable and likeminded partners, and we are strengthening our abilities to deter potential adversaries while also using programs like the Maritime Security Initiative to improve partners' maritime domain awareness and maritime capabilities. We seek to enable them to better resist coercion and maintain their autonomy and independence so that they can contribute to a rules-based order and to deter and defend against threats.

Our alliances and partnerships are force multipliers for good. All countries in the region benefit from this order, and we expect allies and partners to contribute to its maintenance.

Finally, our approach to the region and our strategy to maintain a free and open Indo-Pacific accounts for our relationship with China. We are certainly concerned by China's strategic intentions and their trajectory and certainly concerned about some of the destabilizing behavior we are witnessing, for example, in the South China Sea. We will pursue a constructive results-oriented relationship with China, though we will not accept policies or actions that undermine the rules-based order. We will stand up for and defend that order, and we will encourage others to do the same. We will cooperate with China where our interests do align, but we will compete vigorously where our interests diverge. Our aim is for all nations to live in prosperity, security, and liberty, free from coercion and able to choose their own path.

The United States is a Pacific nation and has been one for centuries. We remain committed to maintaining the security and stability in this all-important region.

Thank you again, Mr. Chairman and Ranking Member Markey, and look forward to your questions.

[Mr. Schriver's prepared statement follows:]

PREPARED STATEMEMNT OF RANDALL SCHRIVER

Good morning Chairman Gardner, Ranking Member Markey, and members of the committee.

Thank you for this opportunity to update you on the Department of Defense's approach to the Indo-Pacific region. I would also like to take this opportunity to thank Deputy Assistant Secretary Alex Wong for his remarks. We have been engaged in a robust and fruitful interagency process to develop the U.S. strategy and approach to the Indo-Pacific region, and it has truly been a sterling example of interagency focus and cooperation. Furthermore, as we work to develop and implement a strat-

egy that demonstrates the U.S. commitment to a free and open Indo-Pacific region, and advances a rules-based international order, we have been aided in our efforts by bipartisan support from Congress. While we are continuing our review, I was pleased to note that the Asia Reassurance Initiative Act (ARIA), currently being discussed by this committee, appears to align substantially with our approach to the region.

The United States seeks to maintain a free and open Indo-Pacific region. A region in which nations with diverse cultures and different aspirations can prosper side-by-side in freedom, peace, and stability. By “free,” we mean that nations will be free from coercion and able to protect their sovereignty. At the national level, we mean that societies are increasingly freer in terms of good governance, and fundamental human rights and liberties. By “open,” we mean that all nations can enjoy freedom of the seas, and that all share a commitment to the peaceful resolution of disputes. We also mean more open investment environments and improved connectivity to drive regional integration and prosperity.

As the region’s population and economic weight grow, and as it faces rising security and political challenges, the U.S. commitment to the region must keep pace. Our vision for the Indo-Pacific region excludes no nation; we seek to partner with all who respect national sovereignty, fair and reciprocal trade, and the rule of law. Our aim is for all nations to live in prosperity, security, and liberty in the same rules-based order. For the Indo-Pacific region to flourish, each and every State must be free to determine its own course within a system of values that ensures opportunity for even the smallest countries to thrive.

Toward these goals, and in alignment with the measures being discussed by this Committee, the United States is reaffirming our longstanding security commitments to our allies while broadening and strengthening our security partnerships. We are encouraging a more networked approach to security cooperation to counter common threats and ensure regional stability. We will work with allies and partners to promote regional institutions and infrastructure, such as the Association of Southeast Asian Nations (ASEAN), the Asia-Pacific Economic Cooperation (APEC) forum, and trilateral and multilateral mechanisms of like-minded partners, to protect and advance the region’s rules-based order. Finally, we will support transparent and high-standard infrastructure financing; pursue free, fair, and reciprocal trade; and foster sustainable development throughout the region. We seek to ensure that the Indo-Pacific’s commitment to market-driven growth continues and that new infrastructure knits the region together, generates local wealth, and leads to sustainable growth.

The Department of Defense is intently focused on supporting the broader, whole-of-government approach to this crucial region. Indeed, as Secretary Mattis often emphasizes, the Indo-Pacific is the priority theater, a point of view that is reflected in our National Defense Strategy (NDS) and in our robust engagement with the region.

We recognize that we face a diverse array of security challenges in the Indo-Pacific region. As the NDS acknowledges, the reemergence of great power competition is the central challenge to U.S. security and prosperity, and demands prioritization and hard strategic choices. The NDS also highlights a number of immediate challenges, such as those posed by rogue regimes and violent extremist organizations.

In light of these challenges, we have crafted a defense strategy that builds a more lethal, resilient, ready, and rapidly innovating U.S. military which, combined with a robust constellation of allies and partners, will ensure we remain capable of safeguarding security, prosperity, and a free, open, and rules-based order. All States in the Indo-Pacific region benefit from these collective goods, and we expect our allies and partners to contribute to the maintenance of this rules-based order. We each have a role to play and a shared responsibility for our shared future.

A central theme of the NDS, and one that is predominantly reflected in both the ARIA and DoD’s approach to the Indo-Pacific region, is our focus on our alliances and partnerships. We are committed to working by, with, and through allies and partners to find ways to address common challenges, enhance shared capabilities, increase defense investment and improve interoperability, streamline information sharing, and build networks of capable and like-minded partners. We are strengthening our abilities to deter potential adversaries while also using programs like the Maritime Security Initiative to improve partners’ maritime domain awareness and maritime capabilities, enabling them to better resist coercion and maintain their independence, contribute to the rules-based order, and deter and defend against threats. Our alliances and partnerships serve as a force multiplier for good, and further cooperation among us will aid in our collective efforts to maintain peace and stability throughout the region.



In Northeast Asia, the dynamic security environment continues to underscore the importance of our robust alliance and partner relationships, in particular given the immediate challenge posed by North Korea's nuclear weapons and ballistic missile programs. Although recent diplomatic developments are encouraging, the Department of Defense continues to work closely with our allies and partners to maintain and improve our readiness to defend against potential threats, while ensuring that our diplomats engage from a position of strength to achieve the complete, verifiable, and irreversible denuclearization and the dismantlement of North Korea's nuclear, chemical, biological, and missile programs. Beyond North Korea, we are focused on modernizing our alliances with both the Republic of Korea and Japan, with each of ally taking steps to contribute to regional security and stability more broadly. We are also focused on promoting our defense relationship with Taiwan, and faithfully upholding our commitments under the Taiwan Relations Act.

In Southeast Asia, we are working with allies and partners to build counterterrorism and maritime security capabilities to address region-wide challenges central to upholding the rules-based order. We are reinvigorating our longstanding alliances with Thailand and the Philippines, while bolstering our enduring partnership with Singapore. We are expanding strategic defense relationships with important regional players such as Indonesia, Vietnam, and Malaysia. We are also working to promote ASEAN's centrality in the regional security architecture and empower it to contribute more effectively to regional stability. It is important that ASEAN speak clearly and with one voice on regional issues such as the South China Sea, counterterrorism, and North Korea. We look forward to working with ASEAN members to strengthen multilateral defense cooperation, enhance maritime domain awareness, counter the threat posed by terrorism, and advance cooperation on humanitarian assistance/disaster relief, among other initiatives.

In Oceania, our alliances and partnerships are based not only on shared security interests, but also on deeply shared values and a long history of shared sacrifice. Australia remains one of the United States' strongest allies, and we are deepening our defense partnership with New Zealand. We are modernizing these key alliances and partnerships to ensure they are as relevant to the security challenges of this century as they were to the challenges of the last century and continue to underwrite a free and open Indo-Pacific region and beyond.

In South Asia, we are strengthening our partnerships, particularly with India. In 2016, the United States declared India a Major Defense Partner, which opens the door for increased cooperation on a range of defense issues, most notably defense trade and technology. We are natural partners across a range of political, economic, and security issues. With a mutual desire for global stability and support for a rules-based international order, our two countries have an increasing convergence of interests, including maritime security and domain awareness, counter-piracy, countering terrorism, humanitarian assistance, and coordinated responses to natural disasters and transnational threats. Our partnership extends beyond the Indo-Pacific region as well, and as we implement our South Asia Strategy, we welcome India's continued civilian contributions to stability and reconstruction in Afghanistan.

We are also stepping up our engagement with European and NATO Allies, such as the United Kingdom, France, and Canada, with whom we share enduring interests in the Indo-Pacific region.

As we strengthen our alliances and partnerships we are also taking the steps necessary to improve our military readiness and capabilities to reassure our allies and deter potential adversaries. Strong deterrence is at the foundation of our regional, and indeed, our global approach, and Secretary Mattis is clear in his emphasis on the Department's role in supporting our diplomats so they can engage and negotiate from a position of strength.

Given the long-term, consequential nature of the Indo-Pacific region to U.S. national security and emerging threats to the region's stability, the Department is sustaining its focus on the region in Fiscal Year (FY) 2019. The FY 2019 budget seeks to close gaps within the Future Years Defense Program (FYDP) in U.S. combat capacity, readiness, posture and presence, and other areas unique to the region's warfighting needs.

For example, the FY 2019 budget invests in key capabilities identified as critical to support joint, integrated fires in the Indo-Pacific region, both in defense of U.S. interests and to reach inside an adversary's anti-access and area-denial envelope with advanced, long-range munitions. The budget also invests in posture initiatives to close gaps in resiliency of joint operations—that is, our ability to absorb an adversary attack and sustain operations to deny their objectives—in the Indo-Pacific region, particularly through improved logistics support. The budget also continues to address shortfalls both in preferred munitions for ongoing operations, and in more

advanced, long-range munitions needed within the FYDP for high-end warfight demands in the region.

These investments are one part of the Department's broader efforts in rebuilding our military to be more ready, capable, and lethal, particularly for forward deterrent forces.

Finally, our approach to the region and our strategy to maintain a free and open Indo-Pacific region accounts for our relationship with China. China should and does have a voice in shaping the international system, as do all countries. However, in recent years, we have grown concerned by China's strategic intentions and trajectory, including some activities in the region that we view as destabilizing and counterproductive in the South China Sea, for example. Although the United States will continue to pursue a constructive, results-oriented relationship with China, we will not accept policies or actions that threaten to undermine the international rules-based order, a system that has benefited everyone in the region, including China. We will stand up for and defend that order, and we will encourage others to do the same; and although we are committed to cooperating with China where our interests align, we will compete, vigorously, where our interests diverge.

Our vision for the Indo-Pacific region excludes no nation. We seek to partner with all nations that respect national sovereignty, fair and reciprocal trade, and the rule of law. Although we accept that States will make some decisions that are not in our interests, we recognize that for the Indo-Pacific region to flourish, each nation in the region must be free to determine its own course within a system of values that ensures opportunity for even the smallest countries to thrive, free from the dictates of the strong. Our aim is for all nations to live in prosperity, security, and liberty, free from coercion and able to choose their own path.

The United States is a Pacific nation and has been one for centuries. We will remain committed to maintaining the security and stability in this all-important region. This is a view that has transcended political transitions and has maintained strong bipartisan support. During my tenure as Assistant Secretary, I have been encouraged by the leadership demonstrated by Congress, and I look forward to working with you on the specific measures you propose to enhance U.S. leadership in the Indo-Pacific region.

Chairman Gardner, Ranking Member Markey, members of the committee, thank you for the opportunity to testify this morning. I look forward to your questions.

Senator GARDNER. Thank you, Mr. Schriver. Thanks, Mr. Wong, again for your testimony.

And we will begin with the question portion of this hearing. I think the hearing title, of course, to receive testimony on American leadership in the Asia-Pacific—what is exciting I think right now in the United States Senate, the number of people who are now engaged Asia policies that are relatively new to the Senate: Senator Markey's participation in his first term in Asia as ranking member of the Foreign Relations Committee; Senator Sullivan, Senator Daines, Senator Perdue, Senator Schatz, all relatively new members of the Senate to provide leadership in Asia.

One of the striking conversations that I have with policy leaders around the region is their fond recollection of interactions with Congress led by Senator Dole, Senator Inouye, Senator Stevens. That is a generation that, obviously, is no longer with us in the Senate. And so this new generation of leaders needs to step up to the plate to provide that new generation of leadership for Asia. And I think that is what ARIA tries to get at the very heart of, is an attempt to provide new leadership in a region that desires a continuation of a rules-based system that has benefited every nation who has wished to participate and even those nations who wish now to change the rules.

So a question for both of you. In the bill, ARIA, it sets the following policy goals. It is the policy of the United States to develop and to commit to a long-term strategic vision and a comprehensive, multifaceted, and principled United States policy for the Indo-Pacific region that, one, preserves peace through strength by securing

the vital national security interests of the United States; two, promotes American prosperity by advancing the economic interests of the United States; three, advances American influence by reflecting the values of the American people and universal human rights; and four, accords with and supports the rule of law and international norms.

Could you talk a little bit about whether you agree with these policy goals, and will the administration's Indo-Pacific strategy reflect these same goals and perhaps a strategy to embrace those four goals?

Mr. WONG. Thank you for your question, Senator.

I will say the administration does agree with those goals because they reflect not just the right goals and the right objectives in our strategy, but the longstanding interests and enduring interests the United States has in the Indo-Pacific. Along all of those lines in our formulation of our implementation plan for the strategy, we are discussing all of our efforts on security, on governance, on fundamental rights, as well as on diplomatic initiatives and economic initiatives. So I would agree with the policy laid out there in the ARIA legislation.

Mr. SCHRIEVER. Thank you, Senator.

I also would endorse those goals. At the Department of Defense, we are in the process of implementing our National Defense Strategy, which is a very forward-looking strategy and has long-term challenges very much in mind, which is why we talked about the emergence of great power competition and the challenges posed by China. And with the help of Congress and the funding provided, we are trying to build a force that is appropriate for that, the longer-term challenges dealing with China and their military modernization program and trying to work with partners and allies also to be adequately equipped and prepared for those long-term challenges. So we very much endorse your long-term view in this legislation.

Senator GARDNER. Thank you.

Dr. Graham Allison, the Douglas Dillon Professor at Harvard, Kennedy School of Government, testified at one of our hearings last November, and I quote. As realistic students of history, Chinese leaders recognize that the role the U.S. has played since World War II as the architect and underwriter of regional stability and security has been essential to the rise of Asia, including China itself. But they believe that as the tide that brought the U.S. to Asia recedes, America must leave with it. Much as Britain's role in the western hemisphere faded at the beginning of the 20th century, so must America's role in Asia as the region's historic superpower resumes its place. This is Graham Allison's testimony.

Could you talk a little bit about this statement, whether you agree with it, disagree with it, how we address this challenge of China, whether it is the strategies we have talked about here or others that we need to include in the legislation and what specific tools the United States could utilize to offset military and economic coercion as you stated in your testimony? Either one of you.

Mr. WONG. I did not see the full testimony of Dr. Allison. I assume he is describing the viewpoint perhaps of some Chinese scholars or strategists that he is aware of.

I would disagree with that description in the sense that the United States is not ebbing and flowing from the region. We are not a nation that comes and goes from the Indo-Pacific. We have long been an Indo-Pacific nation. We are an Indo-Pacific nation and we will continue to be an Indo-Pacific. And this policy survives from administration to administration. It does not come and go.

I think that is borne out by the President's pronouncement of the free and open Indo-Pacific strategy and the commitment he exhibited in his historic trip last year, capping his first year with such a trip. I think it is exhibited in the discussions Congress is having on the ARIA legislation. That the legislative branch and the executive branch are focused on the Indo-Pacific talking about a long-term strategy and our long-term commitment to the region is a very strong message to our partners in the region about our staying power and the fact that we have never left and we will not leave.

Senator GARDNER. Mr. Schriver?

Mr. SCHRIVER. I agree with that, meaning I disagree with Dr. Allison's assessment, my former professor. But I think we are committed to developing and implementing a defense strategy that will be suited for the long-term challenges that China poses so we can ensure a free and open Indo-Pacific remains.

Beyond that, I think working with partners and allies who share not just affinity with the United States but share values and interests—and so countries are not necessarily choosing between the United States and China. They are choosing to embrace a rules-based order, embrace freedom of navigation, free flow of commerce, protection of sovereignty, et cetera. So when you ally and partner with countries who share those values, I think we are in very good standing when you talk about Japan, South Korea, India, Australia, New Zealand, and many other countries that will sign up for those values. That puts us in very good standing.

Senator GARDNER. Very good.

Senator Markey?

Senator MARKEY. Thank you, and thank both of you for your service.

Over the weekend, President Trump said in a tweet that the Commerce Department should find a way to give Chinese telecom company ZTE, quote, a way to get back into business fast. And that is despite the serious security concerns voiced publicly by U.S. officials about ZTE, as well as its violation of American sanctions and widespread bribery committed by the company to expand its footprint.

Mr. Wong, do you believe that China as the largest shareholder of ZTE has responsibility to operate in good faith within the laws and norms of the international system, including by stringently enforcing sanctions?

Mr. WONG. Thank you, Senator.

A major component of our Indo-Pacific strategy is to bolster the rule of law both in the nations of the Indo-Pacific, as well as internationally. So we support all nations of the Indo-Pacific, China included, abiding by controlling international law and international norms and obligations to which they have signed up for on trade and on security and on particularly maritime law.

Now, with regard to the tweet you mentioned on ZTE. I understand the President issued guidance over the weekend on the sanctions related to ZTE. I understand that the Commerce Department is now reviewing that guidance and implementing the President's guidance in accordance with applicable laws and regulations and the particular facts of the ZTE case. I respectfully defer to the Commerce Department on the particular implementation of that guidance.

Senator MARKEY. So from your perspective, you are not in a position to be able to give testimony with regard to the concessions from your perspective, your agency's perspective that the United States abandon its insistence on adherence to the rules-based international system.

Mr. SCHRIVER. Senator, the main component, a foundational component of the Indo-Pacific strategy is to bolster the free and open order and the rules-based system. But with regard to the ZTE case, I do defer to the Commerce Department on the implementation of the President's guidance and on the sanctions on ZTE.

Senator MARKEY. Inside of the legislation we address a broad range of U.S. foreign policy toolkit items from diplomacy to economic pressure to trade and development. General Dunford, Chairman of the Joint Chiefs of Staff, said, quote, there is no challenge that I am currently dealing with that the primary factors in our success will not be diplomatic or economic.

Do you agree with that, Mr. Schriver?

Mr. SCHRIVER. I do. And as I said, we very much view our role as supporting our diplomats and giving them the ability to operate from a position of strength. And that is true whether it is North Korea contributing to the maximum pressure campaign so our diplomats can work a solution there, but also challenges associated with China and other challenges in the region.

Senator MARKEY. Great.

The administration's fiscal year 2019 budget request proposed cutting the State Department by approximately 30 percent with Asia-related cuts of about 50 percent.

Mr. Wong, what kind of signal does it send to our allies and partners if we say that the Indo-Pacific is important but the President recommends significant funding cuts?

Mr. WONG. Senator, we believe the fiscal year 2019 budget allows us to implement and achieve the objectives that we are seeking to achieve under the free and open Indo-Pacific strategy. And I think the core of your question is whether we are able to implement the strategy, implement our policies and reassure our allies with the resources that we have. And if you look at the first year of the Trump administration, we have had a number of achievements, a number of, first of all, trips to the region by cabinet members, by the Vice President, and capping the year with a historic trip by the President himself. We have greatly improved relations with Vietnam, and we have greatly made progress on the maximum pressure campaign with North Korea.

Now, I would note that the fiscal year 2019 budget requests I believe on the order of nearly three-quarters of a billion dollars for our East Asia diplomatic operations, as well as our foreign assistance. That is a 10 percent increase over our fiscal year 2018 re-

quest, and we had targeted increases in our request on certain areas to provide us seed money to implement the free and open Indo-Pacific strategy, namely monies to bolster international institutions such as ASEAN, APEC, and our Lower Mekong Initiative, which is key to strengthening the rules-based order. We have asked for increases in our foreign military financing to bolster the military capabilities and partnerships we have with our partners in the region.

We have also requested increases in our regional governance fund. This will allow us to implement the types of governance capacity building we would like to seek across the region to improve the abilities of the nations of the region, as well as the provincial governments of the region, to adopt the types of procurement systems, bid systems, life cycle cost evaluation systems, and civil society programs that will improve the free and open order.

Senator MARKEY. My hope is that the recommendation for next year's budget kind of reflects that in terms of the goals which the administration has.

And just to move on to North Korea for a second, Mr. Wong, how are you working to ensure that the United States does not fall for false concessions, those actions that do not substantively reduce the nuclear threat to the United States in its bid to eliminate North Korea's nuclear and other destabilizing weapons?

Mr. WONG. Thank you, Senator.

As you know, we have gotten to this point where we have the conditions for these talks by applying over the past year a strong maximum pressure campaign on the DPRK together with our allies and together through UN Security Council resolutions. And the President and the Secretary have stated that we are walking into these negotiations with clear eyes, fully understanding the track record of past efforts to discuss the nuclear program with North Korea, fully understanding the track record of the North Koreans themselves. And they are very focused. Our negotiating team is very focused on our ultimate goal, which is complete, verifiable, and irreversible denuclearization of the Korean Peninsula.

Senator MARKEY. Thank you, Mr. Chairman.

Senator GARDNER. Senator Rubio?

Senator RUBIO. Thank you both for being here.

I have a document in my hand. This is an unclassified document from the National Intelligence Council, basically office of the Director of National Intelligence. Let me read you the first paragraph of the unclassified. It says, China's government-run talent recruitment program facilitate the legal and the illicit transfer of U.S. technology, intellectual property and know-how to further China's science and technology development, military modernization, and goal of becoming a science and technology superpower by 2049. It is overseen by the Communist Party's Central Committee and it recruits scientists, engineers, entrepreneurs, and managers of all nationalities working or educated in the United States to commercialize and weaponize technologies.

You both will agree that China is undertaking an effort to dominate the most important industries and technologies of the 21st century and that they do so not simply by out-innovating us or out-investing us, but primarily by the either compelled or stolen trans-

fer of intellectual property, the recruitment of both U.S. and other individuals in academia studying in the United States to transfer technology. They are basically conducting an all-out assault to steal what we have already developed and use it as the baseline for their development so they can supplant us as the leader in the most important technologies of the 21st century. Is that not an accurate statement?

Mr. WONG. Senator, I believe what you have laid out—it is accurate. And a number of those activities and policies perhaps fall under the Made in China 2025 plan that I believe members of the committee or subcommittee are aware of. And while the full elements of that public policy, as well as, I am assuming, the private policies of China are still under review and we are still looking at it, I think we can look at the track record of what China has done when they have done mass subsidization of certain commodity industries like steel and like aluminum and the ill effects that that has had on world markets, number one, but also on the national security of other nations, the United States included. And the Trump administration has taken strong action on those fronts.

Now that we are looking at industries or high tech industries of China itself deems strategic, for instance, semiconductors, artificial intelligence, this raises similar and perhaps more concerning issues with regard to the ill effects it will have on world markets, on world economies, but also the national security implications that you lay out.

And this really goes to the broader competition that we have laid out in our National Security Strategy between the closed economic and political system, international system, that China is advocating and the more free and open Indo-Pacific and world order that we have supported for over 70 years.

Senator RUBIO. I do not want to run out of time.

I support the open system. I think that is very important. But at the core, the most immediate and urgent threat here is the historic, unprecedented theft and transfer of intellectual property in the hundreds of billions a year unforeseen in the past. And that has direct national security implications.

It is accurate, Mr. Schriver, that technological high ground almost always translates to national security and the ability of a nation to defend itself and its interests. Correct?

Mr. SCHRIVER. Yes, sir. And I think this is an area where we are paying attention, but we have got to improve because of the aggressive nature of the Chinese efforts that you mention. And it has to be whole-of-government. We have to look at visas for university students. We have to look at the defense supply chain. We have to look at all these things because of the aggressive nature of the Chinese.

Senator RUBIO. And I guess the point I am trying to drive is when we talk about issues like ZTE, that is just the tip of the iceberg. And apart from having helped to violate sanctions, the issue with them is not really so much a trade issue per se as it is a mechanism by which they—it is a technology, an infrastructure that they can use not simply to establish high ground there and market share in the U.S. at the expense of our domestic providers, but also is a way to steal intellectual property and secrets of other

commercial endeavors that they also view to be critical. And that is why that issue is so important and I hope the administration does not move forward on this supposed deal I keep reading out.

Two topics I want to touch on rapidly because it also has to do with part of this effort. Apart from the technology side, let me give you some things that have happened very recently.

United and American Airlines are being threatened by China that if their website does not say Taiwan, China, they are going to lose their routes and have fines and penalties.

Marriott fired an American worker based in the United States of America because he accidentally liked a tweet on Tibet.

Yesterday, The Gap—we have all been to the Gap. They printed a T-shirt with a map of China, but it did not include Taiwan. And of course, The Gap quickly scrambled out, apologized. They issued a statement respecting China's sovereignty and territorial integrity.

American companies are being bullied to the point where an American was fired in the United States because he liked a tweet.

What is the State Department doing when companies come to them and say we are being harassed in this way? Because these companies have all caved.

Mr. SCHRIVER. Thank you for the question, Senator.

The State Department believes these actions are outrageous and disturbing. I think we are all familiar with the sharp power that Beijing wields its market access as a cudgel to reap certain economic concessions from private sector entities like intellectual property transfer or certain joint ventures with Chinese companies. What they are doing now is extending this market access tactic to free speech, to extend, as the White House called it, the Chinese view of political correctness to private sector actors and in particular U.S. companies. And we find that outrageous.

As you have seen, the White House and the State Department have raised this publicly, condemned it publicly. We have raised it privately with our Chinese counterparts, and we have discussed this with the companies at issue.

China is very much well aware that it is wading into treacherous waters here, and they understand that if they continue along this path, continue to employ these tactics, that it will negatively affect the U.S.-China relationship and that there will be consequences.

Senator RUBIO. I am not so sure they think they are in treacherous waters because they keep winning. All these companies keep doing what they want because in the end, having market share is more important to these companies apparently than the trends that these are setting.

I have one more quick question because one of the things China is trying to do as well is influence votes in international forums and have leverage even in our own hemisphere. So just in the last year, we have had not one but two countries in this hemisphere, first, Panama, after a lot of investment in Panama, and now the Dominican Republic 2 weeks ago, after who knows what happened, both switch away from Taiwan's recognition and towards recognition of China. And now I am hearing that perhaps Paraguay might be next, and they are going to continue to work on this. And of course, when they invest all this money in these countries and,



frankly, oftentimes bribe individuals and governments, things that our companies cannot do but their companies can—when they do these things, it is often as leverage to align those countries' foreign policy to what China's foreign policy may be. And the first step is to get them to break away from Taiwan, no longer recognize Taiwan, and align themselves and recognize China.

What is the State Department doing? I know that is in a different bureau, but it is part of China's global ambition and work. What are we doing? Are we telling countries around the region that we do not want to see them continue to do this? Have we talked to Honduras and Guatemala and Paraguay and other countries in the region, many of whom receive significant aid from the United States? Do they hear from us that we care about this issue?

Mr. WONG. Senator, thank you for your question.

Attempts to close off the international space of Taiwan and to alter the status quo across the strait are disturbing to the United States. And in our U.S. One China policy, we seek to strengthen ties with Taiwan. We seek to provide them proper defensive capabilities to defend their democracy. But we also want to maintain the status quo because it is the key to stability across the strait. So any moves to strip Taiwan of its diplomatic partners disturbs that status quo, and it is something that we made clear to our partners and we made clear to Beijing as well.

Senator RUBIO. So we made it clear to the Dominican Republic that they should not do what they did?

Mr. WONG. That is my understanding.

Senator RUBIO. And they did it anyway.

Thank you.

Senator GARDNER. Thank you, Senator Rubio.

I want to follow along the same lines here as well. When we let people know our support for Taiwan, when we let people know that we are disturbed that they may have followed China's desires, that we state on our websites for American Airlines or that we do not recognize Hong Kong on a Marriott website as Hong Kong, but it is Hong Kong, China, when we let them know this, are we working with other nations around the globe to put pressure on China to stop? Can you talk a little about how we are pushing back? Is it just calling them up on the phone or in a meeting and saying, hey, we do not like this? I mean, what are we actually doing to put some force behind our disapproval?

Mr. WONG. Senator, as in my exchange with Senator Rubio, we have made this clear. We have raised this privately with our Chinese counterparts. We have condemned it publicly. The White House has condemned it very strongly publicly. And we have talked with the companies who have been involved in these incidents.

China understands where we stand on these activities and that if they continue along this path, they continue to employ these tactics to spread their vision of political correctness to U.S. companies, as well as other companies around the world, that there will be consequences.

Senator GARDNER. What will those consequences be?

Mr. WONG. Those consequences are still under review, sir, and a lot of it will depend on China's actions going forward and if they continue along with these tactics.

Senator GARDNER. Could those consequences be reciprocal in terms of not allowing flights from China to the United States or other destinations?

Mr. WONG. Again, Senator, the consequences are under review. I do not want to get into hypotheticals based on what China may or may not do going forward. The key for us, though, is for China to understand that this conduct is something we find outrageous and it is something that they should cease. For further details, however, I do defer to our China-specific team and I would be happy to work with you and talk with you and your staff about it.

Senator GARDNER. I understand, Mr. Wong. I think we have a World Health association meeting coming up toward the end of May. Last year, of course, China was able to sideline Taiwan from participation in this. I believe it is important that Taiwan participate in as many international organizations as we can, and we should continue to push and pursue the opening of the organizations to Taiwan. Again, this may not be the right question for you, but could you talk a little bit about efforts that we should be undertaking to make sure that Taiwan is participating in these international organizations?

Mr. WONG. Thank you, Senator.

The United States supports Taiwan's appropriate participation in international fora. And they have a lot to offer particularly in areas of humanitarian assistance and in areas of health and in areas of economic cooperation. With respect to the WHA, the World Health Assembly—

Senator GARDNER. Assembly. Excuse me. I said association. Thank you.

Mr. WONG. Excuse me. We have been working to ensure or help to ensure as much as possible that Taiwan's participation and that Taiwan is invited and participates on an appropriate level. We were disappointed to see that they were not invited this year, but we will continue to work to ensure that our partners and the WHA and the WHO understand where we stand as far as Taiwan being closed off from international fora, which again is not just to the detriment of Taiwan, to the detriment of the United States, it is to the detriment of all partners around the world and all peoples that can benefit from the contributions of Taiwan.

Senator GARDNER. I think as you have described, both of you have described the Indo-Pacific region, what we mean by free and open as you have described the Indo-Pacific region. Free and open means sort an Asia of independent states, that they are not tributary to other parts of Asia, but that it is an Asia of independent states. Is that an accurate assessment? I assume that is an accurate assessment.

Mr. SCHRIVER. It is.

Senator GARDNER. There is also some thought out there that people believe the United States has been too defensive in Asia, that we continue to be on the defensive instead of the offensive when it comes to our Asia policy or our values and rules that we support in Asia. There are some who believe that we need a stronger public

diplomacy information campaign directed at China to point out problems that we have and perceive with their policies like their approach to Taiwan or Hong Kong.

Are we doing enough to highlight not only to the region but to our allies around the globe our disagreements with China's attempts to perhaps weaken that idea of an Asia of independent states?

Mr. WONG. Senator, you point out the fact and the truth that public diplomacy is key to our overall diplomacy and our overall strategy in the Indo-Pacific. And we do a lot on that front to promote the free and open order, to promote the free and open vision that has brought stability and prosperity to the region over the past 70 years. And specifically when you talk about exchange programs, a huge part of our public diplomacy efforts, what we are doing there is developing the natural allies among the people of the Indo-Pacific to expose them to American ideas, to expose them to free and open ideas that are truly universal and beneficial. And for the long term, as they work in their societies and perhaps rise up to leadership positions, it will strengthen that fabric, strengthen those shared values and visions and principles that we talk about when we talk about the free and open order.

Senator GARDNER. Mr. Schriver?

Mr. SCHRIVER. I certainly agree with Mr. Wong that public diplomacy is key here.

On the defense side, I think we are doing a lot to counter that narrative you described, Senator. We have increased the freedom of navigation operations just in terms of the numbers and the frequency of challenges. We are involved in capacity building efforts so that countries can protect their sovereign territory out to 12 nautical miles and so they can see out through their EEZ to 200 nautical miles. We are working not only with our traditional bilateral alliances, but we are building out trilateral and mini-lateral efforts and quadrilateral efforts so that if the Chinese are observing, they will note that it is not just the United States-China competition, it is also a competition of ideas and values and interests. And so there are—I think many more countries, including the most significant and influential countries in Asia outside of China, support these concepts, and that will be demonstrated and sustained over time.

Senator GARDNER. Thank you.

Mr. Wong, to Senator Markey's question, you talked about some of the programs that are being supported by the State Department as we look at our Indo-Pacific strategy. Talk a little bit about your belief on foreign military financing, international military education and training and how that fits into this strategy.

Mr. WONG. When we talk about the Indo-Pacific strategy, you can look at it as having three main buckets. The first is an economic agenda, an affirmative economic agenda. Second is a governance and capacity building effort to support good governance. The third is the security relationships. And the good thing about our security partnerships and our allied partnerships is that we have perhaps a unique in history set of relationships in the region: five treaty allies, numerous other partnerships where we expand the capacity militarily of our partners, have mil-to-mil relations, and

improve interoperability and a common vision for what security and stability is in the Indo-Pacific.

Now, I mentioned to Senator Markey that we requested increased money for FMF financing in fiscal year 2019. And again, this goes toward the element of the strategy where we are trying to build the capacity of our partners, improve cooperation, and improve that strong partnership we have not just with our allies but other security partners in the region.

Senator GARDNER. Thank you.

Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman, very much.

Mr. Schriver, how do you view the importance of U.S. forces in Northeast Asia, specifically in the Korean Peninsula? Would you say that they are instrumental in keeping peace in the region?

Mr. SCHRIVER. I think as Secretary Mattis said last week, they are a stabilizing force. They are certainly necessary at this juncture given the threat posed by North Korea. We will see what happens in the diplomatic track, but certainly now they are absolutely necessary. And I think beyond what may happen in the diplomatic track, we have long-term strategic interests in Northeast Asia that I think, given our situation as a distant power, we will want forward-deployed forces as far out as these eyes can see.

Senator MARKEY. China has constructed, in clear violation of international law, military bases on artificial islands in disputed areas in the South China Sea. What is the administration's strategy in the South China Sea? How are you ensuring that Beijing knows that we are heavily invested in seeing that the region remains free, open, and secure?

Mr. WONG. Thank you, Senator.

The militarization and the reclamation projects we have seen in the South China Sea from China are worrying to the United States and concerning. First of all, they violate certain commitments that China has made regarding commitments not to militarize certain features.

But further, the militarization of the islands raises the prospect that China will press its claims in the South China Sea not in accordance with international law, but by the principle of might makes right and pressure and coercion on the other claimants of the South China Sea. That is not in line with U.S. policy. We want all the claimants to the features and to the waters of the South China Sea to resolve their disputes peacefully and, importantly, in accordance with international law. And toward that end, we take a number of efforts.

First—and Randy can speak to this perhaps more in detail—we have a freedom of navigation operations program, as well as general presence operations. Now, you understand, Senator, that our FONOPs program is a 40-year-old program that operates worldwide, but it is very important in the South China Sea that we continue these operations to contest excessive claims and put force behind our vision of maritime international law, which truly is the oldest international law.

Number two, we conduct legal diplomacy throughout the region to ensure that our partners throughout the region understand the

dictates of international law along the sea routes of the Indo-Pacific but in particular in the South China Sea.

Third, we provide maritime security assistance to our partners. This has numerous benefits, but one ancillary benefit is that it provides them confidence, the courage of their convictions on what their view is on international law.

And fourth, we work to encourage ASEAN in their negotiations of a code of conduct in the South China Sea to ensure that that code of conduct is meaningful and defends international law and is grounded in what international law dictates.

Senator MARKEY. Thank you.

Mr. Schriver, just following up on Senator Rubio, China's investments in sensitive industries are proliferating with Chinese acquisitions of U.S. companies reaching a record \$65 billion in 2016, a six-fold increase over the previous year. Mr. Schriver, how do you see this issue? Are we appropriately positioned to ensure that U.S. security interests are protected from foreign acquisition?

Mr. SCHRIVER. I think given the nature of the Chinese efforts and how aggressive they are, we can do better. We are looking at the defense supply chain. We are looking at the private sector and certain technology companies that contribute to the defense sector. And I think in many ways trying to partner with Congress to shore up, for example, the CFIUS system. Now we are, I think, engaged in a number of ways to consult with private companies to protect their intellectual property, protect their technology. So this is another sort of whole-of-government effort that is needed, but the Defense Department is contributing by identifying sort of these key areas we need to protect and these key parts of our defense supply chain that need protection. But it is absolutely an aggressive effort on the part of the Chinese that we need to pay attention to and counter.

Senator MARKEY. Thank you.

And next I would like to ask you about the administration's record in condemning Philippine President Duterte's brutal campaign of extrajudicial murders that has resulted in the deaths of at least 8,000 Filipino drug users and low level drug dealers. I was pleased to read in the 2017 country reports on human rights practices that the State Department wrote of the Philippines extrajudicial killings have been the chief human rights concern in the country for many years.

The President has refused to criticize the Duterte government's use of extrajudicial killings and on the sidelines of the November 2017 Association of Southeast Asian Nations summit meeting in Manila, rather than denouncing the brutal campaign, the President has said that he has, quote, a great relationship with President Duterte and said that he always been a friend of the Duterte administration.

Mr. Wong, do you believe the administration has done enough to prioritize the promotion and protection of human rights in the Philippines?

Mr. WONG. Senator, if you look at the Philippines, it is a long-standing democratic ally, as you understand. And we have very strong and deep people-to-people ties with the Philippines. We have very strong military cooperation with the Philippines. And in par-

ticular, we have strong cooperation on counterterrorism with the Philippines, which is a rising threat in the region.

Now, all that said, we have concerns over the drug war that the Philippines is prosecuting in their nation, and we have repeatedly expressed those concerns to the Filipino government. And as you know, the U.S. law prohibits foreign assistance going to individuals or units involved in gross human rights violations, and that law applies to the Philippines as well.

That said, the rule of law assistance that we do provide to the Philippines encourages and bolsters their ability to conduct the drug war in the right way, namely disrupting international trafficking, focusing on drug use prevention, treatment, and rehabilitation and, importantly, building the capacity of the justice sector to handle cases transparently, to handle them effectively, and to handle them in a way that respects fully international human rights.

Senator MARKEY. I appreciate all that. But at the same time, I just think there should be more forceful condemnation of what is happening in the Philippines, how Duterte conducts himself, and I just think we send the wrong message to not just the Philippines but to other countries when the kinds of statements that were made by President Trump are interpreted as those which are giving Duterte a pass in terms of his human rights abuses inside of the country.

May I go on, Mr. Chairman?

Senator GARDNER. Yes, please.

Senator MARKEY. I would like to move on to Burma, if I may. After visiting the refugee camps in Bangladesh, which are now home to more than 700,000 Rohingya refugees who fled Burma, representatives of the United Nations Security Council are now considering whether the UN Security Council should refer Burma's brutal campaign to the International Criminal Court for accountability for human rights abuses, including the use of rape as a tool of law.

Mr. Wong, what steps has the State Department taken to push for a credible accountability process?

Mr. WONG. Thank you, Senator.

The situation in Rakhine state in Burma is dire, and it is greatly concerning to the State Department and to the United States. And our response has been multifaceted.

First and foremost, we provided humanitarian assistance to relieve the suffering by the Rohingya, by Bangladeshi host communities, and other internally displaced persons and asylum seekers. Since October 2016, we have provided over a quarter of a billion dollars in humanitarian assistance, and I believe that assistance will continue in order to ensure that the humanitarian suffering is, at least in part, relieved.

Secondly, we work with a number of likeminded countries and partners like the UN to urge Burmese authorities to address the Rakhine state crisis, to end the violence, to restore the rule of law, to grant unhindered humanitarian access as well as media access to Rakhine state and to guarantee those who wish to voluntarily return, that they can do so in safety and do so with dignity.

We are also urging cooperation on the part of the authorities in Burma on a credible independent investigation on allegations of

atrocities in northern Rakhine state to make sure that there is accountability.

And lastly, we will, as a broad matter, continue to support the democratic transition of Burma to ensure that the military develops professionally and develops modes of conduct subject to civilian control and that the military meets international standards of human rights and adopts standards of accountability for what we are seeing occurring in Rakhine state.

Senator MARKEY. Mr. Wong, I introduced an amendment to the Burma human rights bill that would enhance accountability mechanisms for sexual and gender-based violence and conflict. And although the State Department and Department of Defense can be forward-leaning and urge greater accountability for these atrocities, it just has not been enough from my perspective.

Mr. Wong, will you commit to using all existing authorities to punish those who use sexual violence as a tool of law?

Mr. WONG. Senator, thank you for your work and for Congress' focus on Burma over a number of years, not just recently, but in particular recently.

And Congress has provided the executive branch with a number of strong tools to address the situation in Burma and to address sexual violence. And we want to make sure that we can apply those tools in tailored fashion and in a robust fashion.

As far as new bills and new authorities, if there are new tools that you will be presenting, I am sure that our Burma team will be happy to work with you, happy to review the tools to make sure that they do go toward achieving our mutual goal of relieving the suffering in Burma.

Senator MARKEY. Thank you, Mr. Chairman.

Senator GARDNER. Senator Kaine, are you ready to ask questions?

Senator KAINE. I am glad to.

Senator GARDNER. Great. Senator Kaine?

Senator KAINE. Thank you.

Thank you to the witnesses.

Section 110 of ARIA commits the U.S. to full implementation of sanctions against North Korea and supports the pressure campaign to achieve complete denuclearization of the Korean Peninsula.

Could I ask you to describe what the United States understands by complete denuclearization? You know, recent press around this has been suggesting that there may be different views between the U.S. and North Korea about what complete denuclearization means. Talk to me about what that means to the United States pursuant to ARIA and the administration policy.

Mr. WONG. Senator, thank you for your question.

As you are aware, over the past year, the administration has put immense resources and the State Department has put immense resources into a maximum pressure campaign to impose, to the maximum extent, the sanctions powers that we do have. We have also worked with our likeminded partners and partners across the world and at the UN to implement new sanctions and new pressure to create the conditions now where we can discuss denuclearization of the Korean Peninsula.

Now, I am not a part of the negotiating team, but I do understand that our team is clear-eyed about the track record of North Korea, about the track record of prior negotiations and how they have failed to meet our ultimate objective. So they are focused on that ultimate objective, which is, as you know, complete, verifiable, and irreversible denuclearization of the Korean Peninsula.

On further details, however, I will respectfully have to defer to our negotiating team in the White House.

Senator Kaine. Let me ask you this. We are here because of the good work of our two leaders on the Asia Reassurance Initiative Act. And the idea of reassurance is a reassurance that the United States is going to continue to play a leadership role. And this may be a hard question for you to answer because I think this is for the negotiators probably as well. So I will just make it as a comment and as a concern.

I do not hesitate to criticize the administration on things. I think the North Korea challenge is a tough one, and except for not having an ambassador in South Korea, which I think sends a very bad sign, I do not have a lot to fault this administration for about the North Korea thing. I think so far the opening of dialogue has been positive.

I will tell you a worry that I have, though. My worry is that the discussion will involve strategies that may pay attention on the Korean Peninsula but that may not reassure our allies generally. They may be strategies that are very favorable to China, for example. The things that the U.S. might do in exchange for reducing tensions on the Korean Peninsula might be a series of things that would be, in the grand scheme, very, very helpful to China, which would not reassure many of our allies in the region who are concerned about Chinese influence. And so this is one of the things that I am going to be watching as these discussions and negotiations progress.

Anything we can do to bring down nuclear tensions on the peninsula I will sort of have a default in favor of. And yet, I think we do have to make sure we are not doing that at the expense of ceding even greater hegemony to China in the region in a way that our allies would find disturbing.

So you can comment if you want, but I know that that is big negotiation policy. Mr. Wong?

Mr. Wong. Two points, Senator. Thank you for your question.

You are right that we have not yet appointed an ambassador to South Korea, but I do understand this is a priority for Secretary Pompeo. But I do have to say that we have a charge there, Marc Knapper, whom some of you may have met on your travels to Seoul, who has been very effective and has been very strong in getting us to this point prior to the upcoming summit.

Secondly, with regard to the allies, a key part of our approach on DPRK is strong, lockstep coordination with our allies in the region, namely, first of all, South Korea with respect to this issue, as well as Japan. And those discussions continue at all levels so that we do remain on the same page, and we are taking every step together with our allies.

Senator Kaine. Excellent.



I want to move to ask a couple of questions about Burma, if I can. Do you believe it is important to hold accountable individuals of any military or security force who are involved in human rights abuses?

Mr. WONG. Senator, I do, and I think our policy in Burma is to encourage accountability for any atrocities that have occurred.

Senator KAINE. Do you believe that individuals who knowingly played a direct and significant role in committing human rights violations against the Rohingya, such as senior military and security officials in Burma, should be held accountable to the full extent of U.S. and international law?

Mr. WONG. Senator, I believe that is our policy, to hold accountable those who would take part in human rights violations, and we have taken steps to encourage accountability.

Senator KAINE. Do you both agree that based on that answer, that this accountability should include those who were in charge of a unit involved in so-called clearance operations in the northern Rakhine state that began during or after October 2016?

Mr. WONG. Senator, I am not aware of the particular operations you are referring to. I will have to defer to the State Department's Burma team on that. I understand my colleague, Patrick Murphy, who is our acting Special Representative on Burma, was here on Friday for a briefing and he can continue to brief. But for the overall policy of encouraging accountability, ensuring that gross human rights violations are punished and prevented, that is our policy in Burma, as it is elsewhere around the world.

Senator KAINE. I am going to ask that question again for the record in writing because it may be appropriate for others to weigh in on that question.

The accountability should also be extended to those who knew or should have known that the official subordinates were committing sexual or gender-based violence and failed to take adequate steps to prevent such violence or punish individuals responsible for such violence. Should accountability extend to them?

Mr. WONG. Senator, I am happy to take back the specific question on the specific incidents to our team. But I do want to emphasize that we fully support the goals that we share with you of ensuring accountability, ensuring that human rights violations are punished.

Senator KAINE. Has the Department of State and Defense had a chance to review the proposed Burma Human Rights and Freedom Act?

Mr. WONG. Senator, I will have to defer to our legislative team and our Burma team. I am not aware if we have completed our review yet. But overall, if there are further tools on Burma or any other policy, the State Department stands ready to review and work with Congress to ensure those tools are robust and well tailored to achieving our goals.

Senator KAINE. I am going to ask for the record the following question. Do either of your agencies have policy objections to implementing the sanctions detailed in the bipartisan act? And I will ask that for the record for a written response.

The reason I asked that series of questions is one thing that I found noticeable about the written testimony of each of you was no

mention of Burma or the Rohingya. I am a believer that we cannot have stability in a region while there are ongoing atrocities happening without anybody being held accountable. And Burma's democratic experiment and what seems for now to be a failed experiment is very, very disheartening. And so I will ask those questions for the record and I would appreciate that.

Thank you, Mr. Chair.

Senator GARDNER. Thank you, Senator Kaine.

Secretary Schriver, Senator Markey mentioned and talked a little bit about the Philippines and our response in the Philippines, given human rights violations there. The Philippines also represents an opportunity from a strategic standpoint on the defense side of the picture.

Could you talk a little bit about where we are with EDCA right now and how that should be perhaps utilized to a greater degree than it is, if it can be, and if it cannot be, is it the Philippine Government that is holding us back or is it our reservations?

Mr. SCHRIVER. Sure. Thank you, Senator.

I think on the defense side, our relationship remains strong. As Mr. Wong indicated, there is a longstanding foundational relationship between many of the institutions between our two countries. I think particularly the recent campaign in Marawi reinforced the importance of U.S.-Philippine cooperation in the CT area.

On EDCA, we are making progress I would say, and there are a number of steps that need to be taken. Site evaluations, for example, perhaps could go more quickly for our liking, but I would say that we are making progress. We will keep pushing this with our Filipino counterparts.

Senator GARDNER. It is your full intent, though, that the Philippines has no hesitation on the agreement, the partnership?

Mr. SCHRIVER. I do not believe there is a political hesitation or problem. I think it is mostly just the pace at which bureaucracies can move and folks can move on this.

Senator GARDNER. Section 101 of ARIA authorizes funds for the following goal: to bolster the United States military presence and readiness in the Indo-Pacific region for the purpose of deterring and defending against provocative actions, including by improving the defense infrastructure, critical munitions stockpiles of the United States, and critical munitions stockpiles of the United States Armed forces.

Could you talk a little bit about that goal, what improvement the Department of Defense would like to see, Mr. Schriver, and where you think we should have improvements and perhaps just give us an update on the state of readiness on the armed forces within the Indo-Pacific region?

Mr. SCHRIVER. Thank you. I probably would want to give a more fulsome answer by taking the question and giving a more detailed briefing on plans for dispersal and for how we would plan to have ammunition storage, et cetera, the number of things that you mentioned in your question.

I think as a general matter, we understand the implementation of the National Defense Strategy in dealing with the challenges that China poses will require a different approach, a different perhaps posture, but also this ability for dispersal, this ability for sur-

vivable, sustainable logistics to include ammunitions support for our forward-deployed forces.

I can give you a more fulsome answer by taking the question, but certainly as a general matter, these are our goals and we appreciate the support, as expressed in your efforts here at the committee.

Senator GARDNER. Thanks. Perhaps we can follow up on that question a little bit more.

Mr. Wong, talking a little bit about the competition and China's practices, economic practices, economic coercion, predatory economics, it has been characterized a number of ways. What is our strategy right now as it relates to the BRI initiative of China and how to counter them?

Mr. WONG. Thank you, Senator.

The One Belt One Road initiative or the Belt and Road Initiative, is essentially a state-financed, state-backed infrastructure initiative to build infrastructure across Central Asia and other parts of the Indo-Pacific. When we look at the Belt and Road Initiative, the United States is less concerned about where the money comes from or from which country the money comes from. We are much more concerned with, A, how the financing for the infrastructure is structured, number one; and number two, how the particular projects are conceived and implemented. So we are concerned with the debt structuring because if these deals and this financing is not structured in a way that recipient nations across the Indo-Pacific can pay them back in a sustainable manner, what we will see over time is that these projects will compromise the sovereignty of these nations to the detriment of their national security. And we are concerned about the particular projects.

Senator GARDNER. But yet, those nations continue to take the dollars, the projects. Do they understand that?

Mr. WONG. Well, Senator, we have a number of efforts across the Indo-Pacific and truly around the world to build the capacity of partner governments to understand lifecycle costing, to understand what a proper bid process is up to international standards, and to understand how they can structure debt, drive a harder bargain to ensure that they preserve their sovereignty, preserve their economies over time as they partner with other nations or private sector actors on their infrastructure, whether that is China, whether that is Japan, whether that is us or private capital markets.

But going back to the particular projects, we want to ensure also that countries conceive of these projects focused in a way that—on economic growth, that these projects are truly feasible economically, that they are connected to the economies of these nations, and that they are focused not on certain strategic designs, but on economic designs because if they are not conceived and implemented in that manner, what we will see is that these projects will not lift up the nations' economies but, in fact, weigh them down. So that is a message we are bringing to our partners.

And we are also putting our capacity building efforts behind this effort, something we have done literally for decades. Perhaps we should talk about it more but the United States has facilitated hundreds upon hundreds of connectivity projects around the Indo-Pacific to drive regional integration in a positive manner, to raise

GDPs, to increase stability and the economic growth of these nations. We want to continue that trend and ensure that other initiatives do not diminish the positive growth of the region.

Senator GARDNER. Secretary Schriver, you mentioned the CFIUS and CFIUS review processes. Some have talked about perhaps maybe a more global approach to a CFIUS review system. Other countries are having the same questions about national security and investments in their country by SOE type of organizations or other government intervention- funded enterprises. Have we looked at a global type of CFIUS with partners like Australia and Japan? Because we share a common national security interest. And what would that look like if we did?

Mr. SCHRIVER. It is a great question, Senator, a little bit outside my lane. In DOD channels, we do talk about the challenges that China poses, particularly in the countries you mentioned. To the extent we can share our experiences and trade notes on Chinese behavior, we do that in DOD channels in terms of promoting an overall global CFIUS. I would have to refer to other colleagues in government if that has been a conversation.

Senator GARDNER. Thank you.

Mr. Wong, do you want to address that at all?

Mr. WONG. Senator, it is a little bit outside my tent as well, but I understand I think the administration is working together with Congress on certain bills and reviewing certain bills with regard to the CFIUS process, to reform it and strengthen it.

Senator GARDNER. Senator Markey?

Senator MARKEY. Thank you, Mr. Chairman. I just have one final question.

During his confirmation process to head of the Pacific Command, Admiral Philip Davidson submitted to the Senate Armed Services committee that, quote, I believe the INF Treaty today unfairly puts the United States at a disadvantage and places our forces at risk because China is not a signatory. Admiral Harry Harris has made similar assertions.

Mr. Schriver, can you explain how DOD recommends that the United States respond to this asserted disadvantage with the non-compliance with the INF?

Mr. SCHRIVER. Well, the discussion about the future of that treaty would belong to my colleagues at State. I would say from a DOD perspective, I think it is about 85 percent of Chinese missiles that would be INF noncompliant. Really the backbone of their power projection are ballistic and cruise missiles that would be INF non-compliant. So unless something is done about that either through treaty efforts or through other diplomatic efforts, we have to accommodate for that capability. People describe it as an anti-access/area denial strategy on the part of China. And so we account for that by some of the efforts I described earlier, greater dispersal opportunities, more access opportunities, longer-range power projection ourselves, staying outside threat envelopes. But it is a very dynamic challenge and it is one that if we are going to be able to implement our National Defense Strategy, compete effectively with China, we do have to account for that.

Senator MARKEY. Mr. Wong, what is the State Department's plan to deal with this issue? What is the initiative that you are taking in order to close this problem off?

Mr. WONG. Thank you, Senator.

I am aware of the testimony from Admiral Davidson and Admiral Harry Harris, and I am aware of the current strictures and requirements of the INF Treaty both in Europe and Asia.

With regard to any modification of those treaties, I will have to take that question back to our international security team at the State Department and am happy to provide you an answer.

Senator MARKEY. Yes. Would you? Just listening to Mr. Schriver, it is clearly a huge issue. I think the number you just used was 85 percent are not in compliance with the INF.

Mr. SCHRIVER. If they were to try to join or if they were to have those restrictions imposed on them, I believe that is about the right figure.

Senator MARKEY. Yes. That is a big, big issue.

Thank you, Mr. Chairman.

Senator GARDNER. In ARIA, we talk about human rights. You have talked about human rights in your testimony and answers today. We talked about the democratic values in the Indo-Pacific region and that is, indeed, part of United States national interests, national security interests.

Could you talk a little bit about how ARIA, you believe, could help you address the mission or the goal of addressing human rights? Mr. Wong?

Mr. WONG. Senator, I am glad that human rights is mentioned in ARIA, and I assure that we talk about this constantly within our interagency process and at the State Department not just with regard to the free and open Indo-Pacific strategy but our diplomatic efforts around the world. You, as well as I, know that the U.S. has a strong tradition of advocating for human rights. This is for a number of reasons. Number one, it is our comparative advantage when we talk about competition abroad. Number two, it has benefits in terms of stability and prosperity if human rights were respected in more parts of the world than they are today. But lastly—and this is perhaps the most important—it is simply morally right. It is the right thing to do. It is a part of the U.S. creed and a part of our founding. It is what has always been a part of our enduring interest and our ideals.

I am glad, again, that ARIA highlights this and that we are continuing to focus on this at the State Department, and that the United States is the world's strongest power, but we are also the world's most moral actor. And we have a unique role in speaking for those who cannot freely speak for themselves in advocating for their rights.

Senator GARDNER. Thank you, Mr. Wong.

ARIA also talks about, in section 202, the multilateral, bilateral, regional trade agreements that increase U.S. employment and expand our economy. Could you talk a little bit about your role—excuse me—the State Department's support or whether they do not support it—that goal in terms of trade agreements, multilateral, bilateral trade agreements, and what would the State Department's role be in negotiating such agreements—engagements I should say?

Mr. WONG. Sure. Senator, as I mentioned in my opening statement, we have a very deep and broad economic relationship in the Indo-Pacific, again the number one trading partner for the Indo-Pacific, the number one foreign direct investor. So strengthening those economic relationships, strengthening the investment environments in the Indo-Pacific is not only in the interest of the nations geographically in the Pacific but also is in our interests. And the Trump administration, President Trump, is very focused on defending the interests and improving the lot of U.S. businesses and U.S. workers. Toward that end in the Indo-Pacific, we have a number of actions.

First, that we work for ambitious agendas in APEC so that we can work through APEC to collectively lower trade barriers and lower investment barriers to improve economic prospects for all the nations in the Indo-Pacific, the U.S. included.

Second, the President supported bilateral trade agreements with any country that is open to free, fair, and reciprocal trade, and we are looking at that.

And third, we have talked a little bit about connectivity. We want to engage more on this economic front because best value energy infrastructure, digital infrastructure, transport infrastructure in the Indo-Pacific can redound to our benefit by, first, improving the economies in the Indo-Pacific and make them better trade partners but also particularly with energy, the prospect for exports for U.S. businesses and U.S. workers and lowering the trade deficits that we have with countries in the Indo-Pacific holds a lot of benefits and good prospects in terms of benefits. And this is something that is talked about in ARIA.

Senator GARDNER. And do we need to restructure any of our sort of our trade and investment organizations, our development infrastructure, our investment infrastructure for further engagement in Asia?

Mr. WONG. I understand that the administration has supported the goals of—I believe it is called the BUILD Act, which would essentially consolidate most, not all but most of our development finance agencies here in the United States under one roof so we can have uniform policy direction, uniform authorities, perhaps increased capacities to foster the type of private sector investment we want to see in connectivity projects around the world, but also in particular for my purposes in the Indo-Pacific. I think that would be very helpful because it again provides uniform policy direction, but it gives the U.S. private sector, as well as our partner governments at the national and provincial level, a one-stop shop, a place they know they can go to when they want to discuss best value practices for fostering connectivity.

Senator GARDNER. Thank you, Mr. Wong.

Final question. You mentioned APEC. Where do you see ASEAN and our relationship with ASEAN fitting in the Indo-Pacific?

Mr. WONG. Senator, the strategic logic of ASEAN is that small and medium-sized nations in Southeast Asia can band together and use their collective weight to resist outside coercion and foster a free and open order, a rules-based order. So we support that. We support the centrality of ASEAN.

When I was out in the region, I was in Jakarta, and I told our partners there—I had a meeting with the permanent representatives of ASEAN. And I said if you were to devise from scratch a body to promote a free and open order, you would band together the nations at the fulcrum of the region in Southeast Asia. You would have this body be able to convene the nations of the Indo-Pacific. You would have it work in a consensus manner so that its decisions were strong and respected. You would, in fact, create ASEAN. So the good thing is we do not have to create it. We have ASEAN already.

So the corollary policy for the United States is to strengthen ASEAN, is to work with them so that their decisions are meaningful and that they can tackle larger regional security issues and other issues that we need to support the type of rules-based, free and open order that we want to promote.

Senator GARDNER. Thank you both for your time and testimony today.

And, Senator Kaine, I believe you may have had some questions for the record. The record will remain open until close of business on Thursday. Please have your questions submitted by then. I would ask the witnesses to please respond as quickly as possible, and those responses will be made part of the record.

And with the thanks of this committee, the committee is now adjourned.

[Whereupon, at 11:30 a.m., the hearing was adjourned.]

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## Additional Material Submitted for the Record

### RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED TO ALEX WONG BY SENATOR TIM KAINE

*Question 1.* At the hearing, both of you testified that we should hold accountable to the full extent U.S. law allows, individuals of any military or security force who are involved in human rights abuses. Do you agree this should include those who: were in charge of a unit involved in so called “clearance operations” in Northern Rakhine state that began during or after October 2016; and who knew, or should have known, that the official’s subordinates were committing sexual or gender-based violence and failed to take adequate steps to prevent such violence or punish the individuals responsible for such violence?

*Answer.* The Department is committed to using all of the tools at our disposal, including targeted sanctions on Burmese military officials and not issuing JADE Act travel waivers for senior military figures, to show there are serious consequences for those who commit serious human rights abuses and violations. General Maung Maung Soe, who was a leader of units responsible for widespread human rights abuse against Rohingya in Rakhine State, was included in the first tranche of persons sanctioned under the Global Magnitsky Human Rights Accountability Act in December 2017.

The State Department has made a determination that ethnic cleansing occurred in Burma and we continue to call on Burma to hold accountable those responsible for human rights abuses and violations, including the atrocities in Rakhine State and in other areas of Burma, including Kachin and Shan States. At the same time, we continue to collect new information about these abuses and review the full range of tools available in order to seek accountability for those responsible.

*Question 2.* Please provide your Department’s position on the Burma Human Rights and Freedom Act. Do your Departments support the legislation? If not, detail your Department’s policy objections, including to implementing the sanctions detailed in this bipartisan Act.

*Answer.* We appreciate that Congress shares the same goals of working to ensure justice for victims of violence in Rakhine State, and that those responsible for atrocities and other human rights violations and abuses will face appropriate consequences. Justice and accountability are important for Burma's democratic transition. We look forward to working with you to assist Burma in this transition and to realize the country's full potential, but the Department assesses that the current tools such as the Junta's Anti-Democratic Efforts (JADE) Act and the Global Magnitsky Human Rights Accountability Act available to the U.S. government are sufficient to pursue accountability.

*Question 3.* Would sanctioning senior military and security forces officials in Burma who were found to be involved in human rights violations help or harm U.S. efforts in reforming the Burmese military to become a more professional and effective military?

*Answer.* We are committed to utilizing the full range of policy tools and working with the international community to promote accountability for those responsible for human rights violations and abuses including ethnic cleansing, and other atrocities in Rakhine State and elsewhere in the country, and to promote reform and professionalization of the Burmese military. Sanctions are one such tool, and we have sanctioned Maung Maung Soe, a senior general who was a leader of the units responsible for serious human rights abuses in Rakhine State, under Executive Order 13818, which implements the Global Magnitsky Human Rights Accountability Act. We are also considering additional measures and have advocated for other countries to do the same.

We continue to call on both the civilian and the military leadership in Burma to hold those who are responsible for the ethnic cleansing and other atrocities in Rakhine State to account, and to reform and professionalize the armed forces in a manner that would advance Burma's democratic transition.

*Question 4.* Does the administration intend to lift or relax sanctions put in place on North [Korea] for its gross human rights violations in exchange for agreements on denuclearization? Please detail the Administration's current strategy to address North Korea human rights abuses.

*Answer.* We remain deeply concerned by the gross human rights violations and abuses committed by the North Korean government. Many of the current sanctions on North Korea were put in place due to the regime's egregious and widespread human rights violations and abuses. Our commitment to achieving the complete, verifiable, and irreversible denuclearization of the Korean Peninsula does not negate our resolve to press the North Korean government to respect the fundamental freedoms and human rights of its citizens. Our strategy to promote human rights in North Korea focuses on three core objectives, including increasing international awareness; expanding access to information, voices of freedom and democracy, and visibility into the world outside; and promoting accountability for those responsible for human rights violations and abuses in North Korea.

*Question 5.* North Korean defector Thae Yong Ho, the regime's former deputy ambassador in London, said that it is unlikely North Korea will agree to Washington's version of "complete, verifiable, irreversible denuclearization" because it would challenge the fundamental structure of North Korea's political system. Instead, he suggested North Korea will push for a watered down version. In light of this assessment by the highest profile defector to date, please explain what acceptable denuclearization would look like from the Administration's perspective?

*Answer.* The goal remains the same: the complete, verifiable, irreversible, denuclearization of the Korean Peninsula. This means the permanent and verifiable elimination of North Korea's nuclear program and delivery systems. We have seen that the incremental, phased approaches of past negotiations all failed. The Trump Administration is not interested in negotiations allowing North Korea to buy time. In the meantime, the global maximum pressure campaign will continue until North Korea denuclearizes.