HEARING TO RECEIVE TESTIMONY ON THE UNITED STATES’ STRATEGIC COMPETITION WITH CHINA.

Tuesday, June 8, 2021

U.S. Senate
Committee on Armed Services
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m. in Room SD-G50, Dirksen Senate Office Building, Hon. Jack Reed, chairman of the committee, presiding.

OPENING STATEMENT OF HON. JACK REED, U.S. SENATOR FROM RHODE ISLAND

Chairman Reed: Let me call the hearing the order. The committee meets today to receive testimony on the United States' strategic competition with China. This morning we will hear from four distinguished witnesses who are true experts in their respective fields. I would like to welcome each of you and thank you for joining us today.

Ms. Bonnie Glaser is the Director of the Asia Program at the German Marshall Fund of the United States. She brings decades of experience working at the intersection of Indo-Pacific geopolitics and U.S. policy, including senior roles at the Center for Strategic and International Studies, the Department of Defense, and the Department of State.

Dr. Sheena Chestnut Greitens is an Associate Professor at the LBJ School of Public Affairs at the University of Texas at Austin, where her work focuses on East Asia, American national security, and authoritarian politics. She also serves as a fellow and adviser at many prominent think tanks and academic institutions.

Dr. Evan Medeiros is the Penner Family Chair in Asia Studies in the School of Foreign Service and the Cling Family Distinguished Fellow in U.S.-China Studies at Georgetown University. His expertise stems from his East Asia policy experience on the National Security Council and
as a top advisor to President Obama. And Dr. Medeiros was fortunate to grow up in Providence, Rhode Island, and I commend you for that.

Finally, Mr. Matt Pottinger is a Distinguished Visiting Fellow at the Hoover Institution at Stanford University. He served previously on the National Security Council and as Deputy National Security Advisor from 2019 to 2021, where he led the administration's work on the Indo-Pacific region, in particular its new emphasis on China policy.

We are grateful to have such an accomplished and wide-ranging panel of experts with us to discuss this important issue.

The Department of Defense has appropriately identified the Indo-Pacific as its "priority theater" and China as the "pacing threat" for the United States military. In the next 10 years, the Indo-Pacific region is projected to generate two-thirds of the global economy and be home to two-thirds of the global population.

For the past several decades, China has studied the United States' way of war and focused its efforts on offsetting our advantages. This strategy has achieved results, largely because China began without any significant legacy systems to maintain and built from the ground up, investing in disruptive technologies like AI, quantum computing, hypersonics, and biotechnology, and stealing
enormous amounts of intellectual property from other countries.

But despite its impressive military buildup, we must not assume that China is "ten feet tall." In the coming years, China faces a number of challenges both at home and abroad, including a significantly aging population, a push by Chinese minority groups for humane treatment by the government, and growing distrust and hostility toward China's predatory behavior around the world. I would welcome the witnesses' views on this aspect of our competition.

There is also broad consensus that our comparative advantage over China is our network of partners and allies in the region and globally. Strengthening that network should be at the center of any strategy for the Indo-Pacific region, but we must avoid making our approach "all about China" or we will risk isolating ourselves and alienating the very partners we will rely on. As the National Security Council Coordinator for Indo-Pacific Affairs, Kurt Campbell, said recently, "The best China policy really is a good Asia policy." Given economic, cultural, and geographic ties, we cannot simply ask other nations to choose between us and China. We have to present a more attractive alternative, and this is the very essence of competition.

In that vein, the maturation of the Quadrilateral
Security Dialogue, or Quad, involving the United States, Japan, India, and Australia, presents a strategic opportunity to establish a durable framework in the Indo-Pacific. We are already seeing this potential in the Quad's work to improve COVID-19 vaccine distribution, and it is my hope that the Quad will continue to develop into a platform for engaging other regional partners. I would ask that the witnesses share their perspectives on how we can best manage this multinational and multilateral relationship.

In order to maintain and boost our military advantage, the Armed Services Committee created the Pacific Deterrence Initiative, or PDI, to better align DoD resources in support of military-to-military partnerships to address the challenges posed by China, and PDI will remain a priority of this committee.

As we seek to more effectively compete with China through PDI and other military and non-military initiatives, we must also find new and better ways to responsibly manage this strategic competition and help to prevent hostilities between our two nations. Much has been written about the history of conflict between established and rising powers. History need not repeat itself, and armed conflict between the United States and China is not inevitable. Intended or not, such a conflict would be extremely costly to both sides and disastrous for the world.
We have many serious questions before us, and I am delighted we have such significant and wise witnesses to help us sort through these issues.

Now let me now recognize the ranking member.
Senator Inhofe: Thank you, Mr. Chairman, and also thank you for the great witnesses that we have, that we collectively brought in at the right time. We have some problems right now that we need to recognize, and we know that China is a full spectrum threat. They are competing with us in every area -- economics, technology, military, diplomacy, information warfare. Our witnesses today will give us a good idea of how China blends all of its tools of national power to achieve its objectives. That is something we need to do better here.

The 2018 National Defense Strategy, this document here, oriented the United States military toward competition with China. I think we have done a good job of pressing the Pentagon to implement that strategy. The Biden administration's Interim National Security Strategic Guidance should focus the entire Federal Government, not just the military, on long-term competition with China.

But it has failed to do that. This year's budget does not resource our troops at the levels necessary to carry out this 2018 NDS. President Biden wants to lead first with diplomacy, but we know a strong military underwrites effective diplomacy. We learned and others, including Ronald Reagan.
We have got a budget that cuts defense when we need real growth. You see the impact everywhere, underfunding of ships, aircraft, munitions, and more, and that includes the Pacific Deterrence Initiative, which the chairman referenced. And there is just clearly a disconnect from our language last year, from the language now.

We also just received the military unfunded priorities. Let's be straight. These are not wish lists. These are military commanders telling us the combat risks we are taking by not adequately resourcing our strategy, and risk means deaths.

We are not making hard choices. We are making bad choices. We also have not yet reoriented most of the U.S. Government to great power competition. Our executive agencies do not coordinate very well. We consistently and constantly ask the military to do things it should not do when our Federal agencies have failed to take action. We do not coordinate very well in Congress either. For the last month or so, we have been working on so-called China Bill, but key national security committees, including this one, were not consulted at all in the hurried and chaotic approach to this bill. So to counter China's comprehensive strategy in this long-term competition we need well-thought-out bipartisan and effective legislation instead of the rushed language that we have now.
I know our witnesses. They are the right ones at the right time. I appreciate the fact that they are here. They are very much needed, and I look forward to their comments.

Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Inhofe. And now let me recognize Ms. Glaser for her testimony.
STATEMENT OF BONNIE S. GLASER, DIRECTOR, ASIA PROGRAM, GERMAN MARSHALL FUND OF THE UNITED STATES

Ms. Glaser: Thank you, Chairman Reed, Ranking Member Inhofe, and distinguished members of the committee, thank you for the opportunity to testify today at this important hearing.

For some time to come, China will be the top strategic competitor of the United States, and therefore the U.S. must prepare for multidimensional competition with China. My written testimony focuses on three issues: China's gray zone tactics in support of its strategic objectives, deterrence in the Taiwan Strait and U.S. policy toward Taiwan, and the role of U.S.-China military ties in deterring conflict and managing escalation.

China has developed an expansive toolkit to advance its interests and goals. Increasingly prominent among these tools are gray zone tactics, activities of non-traditional statecraft that are designed to achieve strategic advantage without resorting to or provoking use of force. These tactics include economic coercion, cyber and information operations, disinformation campaigns, military pressure, and state-controlled paramilitary maritime forces.

China's confidence in its gray zone arsenal reduces its reliance on military force to secure favorable outcome, but it also complicates the ability of the U.S. to respond
effectively to deter Chinese bullying and to reassure allies and partners. China is using U.S. avoidance of risk to its advantage. It employs gray zone tactics because the costs are minimal.

The U.S. should be more proactive rather than reactive in its approach to China's gray zone challenges. In particular, the U.S. and its allies must be willing to incur some degree of escalation risk to effective deter and respond to gray zone coercion. We must also develop means to impose greater costs on China for its malign behavior in places like the South China Sea and the Taiwan Strait.

Taiwan remains the most dangerous potential flashpoint between the United States and China. China's priority is to deter Taiwan independence. Unification is a longer-term goal that Beijing prefers to achieve without bloodshed. It is employing a vast array of tools designed to undermine the confidence of the people of Taiwan in their government, and weaken their will to resist integration with China.

The U.S. can and should take measures to bolster Taiwan's security and cross-Strait deterrence, and I propose ways to do that in my written testimony. However, abandoning the longstanding U.S. policy of ambiguity regarding whether the United States would come to Taiwan's defense could provoke rather than deter a Chinese invasion of Taiwan.
Finally, the U.S.-China military relationship is an important component of the bilateral relationship that should be integrated into U.S. strategy. Mounting strategic mistrust and systemic rivalry between the U.S. and China have increased the need for regular dialogue to clarify strategic intentions and avoid misunderstanding, as well as for mechanisms to reduce risk, avoid accidents, and manage crises.

Top U.S. and Chinese leaders should reaffirm the importance of dialogue between the two militaries, as well as the establishment and enforcement of bilateral mechanisms aimed at crisis communication, risk reduction, and confidence building. The bilateral MOUs, signed in 2014, on rules of behavior for safety of air and maritime encounters can be strengthened by making them binding, rather than voluntary.

The Code of Unplanned Encounters at Sea should be extended to non-naval vessels. Dialogues on strategic stability, and deconflicting U.S. and Chinese forces in potential Korean Peninsula contingencies should also be pursued. Crisis communication links between the U.S. and Chinese defense establishments should be expanded to theater commands and used frequently. Nevertheless, it will be difficult to overcome Beijing's reluctance to use hotlines in a crisis, due to the nature of its political system.
I will end my oral remarks here, and look forward to your questions. Thank you.

[The prepared statement of Ms. Glaser follows:]
Chairman Reed: Thank you very much, Ms. Glaser. Dr. Greitens, please.
STATEMENT OF DR. SHEENA CHESTNUT GREITENS, ASSOCIATE PROFESSOR, LYNDON B. JOHNSON SCHOOL OF PUBLIC AFFAIRS, UNIVERSITY OF TEXAS AT AUSTIN

Ms. Greitens: Chairman Reed, Ranking Member Inhofe, and distinguished Senators, thank you for having me today to discuss this defining challenge for American foreign policy and national security. My written statement focuses on how internal security priorities shape repression inside China and China's behavior abroad.

In 2014, Xi Jinping introduced what he termed the "Comprehensive National Security Concept." In 2015, he launched China's first-ever national security strategy. What China calls national security, however, is probably better translated as state security. Chinese sources are clear that national security work is actually centered on internal security, and the central objective is preservation of the Chinese Communist Party and China's socialist system with Xi Jinping at the core.

This new strategy calls on the party state to proactively address threats of both physical harm and ideological contamination to guard against external threats, destabilizing China internally, and to prevent and control risks to internal stability and party control. Political threats are often described as viruses, and leaders speak of the need to immunize the Chinese body politic, implicitly
acknowledging that many of their interventions target citizens who have, as yet, exhibited no symptoms.

This framework explains much of the PRC's recent, more proactive, and more repressive behavior. It explains why, since 2014, the CCP has reorganized both the military and the internal security apparatus, purged senior leadership of both organizations on the grounds that corruption erodes the party's ruling foundation and has achieved national security threat, passed a dozen new national security laws that have both internal and extraterritorial reach, and dramatically boosted spending on internal security and surveillance in an effort to create what leaders call a "multidimensional information-based prevention and control system for public security."

Internationally, the PRC has sought to shape global regulation of surveillance technology to be compatible with China's own surveillance ecosystem, exported surveillance platforms to at least 80 countries, and expanded its international policing and law enforcement activities in an effort to shape global security governance. And on its periphery, China has engaged in conflict on the Indian border, escalated military activity around Taiwan and coercive pressure in the South China Sea, cracked down on Hong Kong, and escalated repression in Xinjiang, resulting in grossly disproportionate violations of human rights.
What does this framework mean for American competition with China? Let me offer four main thoughts. First, the CCP's central objective, as it directs the levers of national power at home and abroad, is to solidify its own ruling status. Some of the chief tools that it uses in doing so are nonmilitary, and some are tools developed for purposes of internal control but used beyond China's borders. Thus, while military competition remains central, the United States must also understand, predict, and address the use of these other tools, which are often used and prioritized by the CCP itself.

Second, the emphasis on regime security may somewhat complicate the task of reassurance in U.S.-China relations. The U.S. must address China's legitimate interests, but at the same time cannot and should not be in the business of assuring the CCP of its perpetual hold on political power.

Third, the United States must develop a robust interagency strategy to address China's efforts to shape global governance of both surveillance technology and law enforcement, to ensure that the frameworks that operate internationally protect democracy, basic human rights, and fundamental freedoms.

Fourth, the interlinking of internal and external security puts stress on Chinese diaspora populations worldwide. This manifests in a wide range of challenges,
from talent programs and illicit technology transfer to extraterritorial surveillance of ethnic minorities and activists, to concerns about organizations like Chinese Student and Scholar Associations on American campuses. It is entirely possible to address these challenges in ways that avoid racism and focus on the core problem, the party state's extension of its internal structures and sometimes its repressive practices abroad, but only if we correctly diagnose these problems in the first place.

Thank you for your time. I look forward to your questions.

[The prepared statement of Ms. Greitens follows:]
Chairman Reed: Thank you very much, Doctor. Now let me recognize Dr. Medeiros.
Mr. Medeiros: Chairman Reed, Ranking Member Inhofe, distinguished members of the committee, thank you for the opportunity to join you today to discuss U.S.-China strategic competition. Mr. Chairman, as a native of the great state of Rhode Island, it is a particular pleasure to share my views with your committee today.

It has become trite but accurate to point out that the U.S.-China relationship is the most consequential one in global politics today. But this claim is accurate not only because U.S.-China ties have become contentious and competitive, but because the competition is multifaceted, dynamic, and may ultimately be a greater challenge than the Soviet Union ever was.

To understand this, my testimony today will briefly touch on three issues: the changing global and regional context for U.S.-China competition, the nature of the U.S.-China relationships and the meaning of strategic competition, and third, recommendations for U.S. policy.

First, in terms of the global and regional context, the current global context for major power competition differs from previous eras in several important ways and in ways
that redound to the benefit of U.S. interests. Contemporary global politics is not purely multipolar, which would allow competition among major powers to be intensive, ultimately constraining U.S. policy options and resources. Today's global order is a mix of unipolar, bipolar, and multipolar elements.

The current order is not a blank-slate world of 1945, in which the system needs to be rebuilt from the ground up. Rather, major power competition today is re-emerging in the context of a diversity of widely accepted rules, norms, and institutions.

And thirdly, unlike past eras, major power competition is unfolding non-institutionalized the context of the existence of multiple nuclear weapon states, complex economic interdependence, and the relative prevalence of democracy. This plays to numerous U.S. advantages.

In Asia, the regional context is also important. A basic and enduring strategic reality for many policymakers in Asia is this: no one in Asia wants China to dominate, but at the same time no one in Asia wants to have to choose between the United States and China, including those countries who are most aligned with U.S. interests and values.

The space in between these two views is the current geopolitical reality for most Asian policymakers, and
American ones too. U.S. policy should be forged with this reality in mind, because it will impact the extent to which U.S. allies, partners, and friends in Asia will be willing to adopt risky and costly strategies of competition in coordination with the United States.

So what does this mean for the U.S.-China relationship today? The current U.S.-China relationship has the following core characteristics. First, U.S.-China competition is intensifying and diversifying. The longstanding differences on issues of security and economics have become sharper in recent years. There are also new sources of competition in the relationship coming online, and in particular, in my testimony I focus on the challenges of technology and differences in governance and values.

Number two, domestic politics in both countries are playing a greater role in shaping the relationship. We may be entering a period in which domestic politics will play a central, if not a defining role in the trajectory of the bilateral relationship.

Third, new U.S.-China dynamics are emerging as strategic competition intensifies and diversifies. Both Washington and Beijing are now pursuing more openly competitive and sometimes confrontational policies in which both sides are now taking risks as they probe the limits of the other, motivated by ambition and frustration as well as
new capabilities.

Fourth, the risk of U.S.–China conflict is real. Credible scenarios for accidents, miscalculation, and deliberate actions exist and carry a heightened risk of escalation to armed conflict.

And then lastly, the traditional U.S. toolkit to reduce mistrust, manage disagreement, and bound competition, such as strategic dialogue, reassurance, and cooperation, has proven to be of limited value.

So what should the United States do about this? I would argue, as I do in my testimony, that a strategic competition expands and intensifies and as the risk of armed conflict grows, the strategy challenge for American policymakers is immediate and complicated. The solution is not as simple as push back against China in all areas, using every tool, and at the same time. Washington needs to adopt a more tailored approach that seeks to alter Beijing's perceptions, incentives, choices, and, ultimately, its behavior, by both shaping the environment around China and also dealing directly with Beijing. This will require a dynamic mix of strategies, including security balancing, binding China to new and existing institutions, and promoting diplomatic dialogue and interaction.

The core challenge for U.S. strategy is to deter a growing diversity of Chinese behaviors while remaining
connected to allies and partners and not increasing the risk of armed conflict. In my testimony, I highlight three specific areas of policy action. First, bolster deterrence. The United States needs to get serious about strengthening deterrence in the Indo-Pacific, both the general and specific varieties of deterrence. The Pentagon's response should focus on modernization, diversification, and resilience of U.S. posture in the region. The U.S. military needs to develop new concepts of operation for fighting in highly contested environments.

Second recommendation, expanding operations with allies and partners. There is much the United States can do to expand the quality and quantity of military cooperation among allies and partners. For example, the connection should be more focused on specific military mission sets such as area denial in the South China Sea. Such connectivity should focus on better hug-and-spoke alignment as well as more spoke-to-spoke alignment.

U.S. should coordinate with allies not just in Asia but in Europe as well, to encourage them to think more systematically about their security interests in the Indo-Pacific. The upcoming NATO summit would be a good opportunity to do so.

My final recommendation is to explore U.S.–China interactions. In other words, beyond U.S. actions in Asia
and around China, the United States should consider a variety of ways to conduct direct dialogue with China. Building a credible and sustainable strategy toward Asia and China requires a deliberate approach toward interaction with Chinese officials. I support the Biden administration's judicious approach to date toward dialogue with China, and specifically their careful and deliberate sequencing of actions in support of a whole-of-government approach toward strategic competition with China.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Medeiros follows:]
Chairman Reed: Thank you, Dr. Medeiros, and you receive the right-on-time bonus, so I hope you appreciate it.

Mr. Pottinger, please.
STATEMENT OF MATT F. POTTINGER, FORMER ASSISTANT TO
THE PRESIDENT AND DEPUTY NATIONAL SECURITY ADVISOR;
DISTINGUISHED VISITING FELLOW, THE HOOVER INSTITUTION,
STANFORD UNIVERSITY

Mr. Pottinger: Chairman Reed, Senator Inhofe, it is a
privilege to appear before your committee today.

The free world was slow to realize it, but the
adversarial relationship between Washington and Beijing did
not begin with Xi Jinping's rise to power in 2012. It began
three decades ago, when the Chinese Communist Party revised
its grand strategy at the end of the Cold War. At the time,
Beijing had been shaken by three historic events: the 1989
pro-democracy protests in Tiananmen Square; the lopsided,
American-led victory over Saddam Hussein's forces in early

As Rush Doshi wrote in his recent book, The Long Game,
quote, "The United States quickly replaced the Soviet Union
as China's primary security concern, that in turn led to a
new grand strategy, and a 30-year struggle to displace
American power was born," close quote.

So China's grand strategy aimed first to dilute
American influence in Asia, and then to displace American
power from the region, and ultimately to dominate a global
order in ways that suit and promote Beijing's authoritarian
model.
While Xi Jinping didn't father this strategy, he has accelerated it. Beijing's old guiding precept that it should, quote, "hide its capabilities and bide its time" has given way to new slogans that China, quote, "take center stage" in the world and build "a community of common destiny for mankind."

Beijing's economic strategy, which was institutionalized in the party's latest 5-year plan, is to dominate supply chains, to make the world more dependent on Chinese high-tech exports, and more dependent on its huge market for low-tech imports, and then to use the accumulated leverage to try to extract political concessions from countries around the world. Beijing has already experimented with this approach by restricting trade with Australia, Canada, South Korea, the Philippines, Mongolia, and others, to try to force changes in those countries' laws and in their internal politics and judicial processes.

So U.S. policy towards China, during the Trump and Biden administrations, is best thought of as a counterstrategy to Beijing's 30-year-old grand strategy.

There are few areas where we need to strengthen our counterstrategy urgently. First is in the realm of what Beijing calls "information warfare." Free countries must work together to counter the CCP's malign narratives, leverage our values, and also make common cause with the
Chinese people.

Second is in the realm of finance. Without congressional action and oversight, the retirement savings of U.S. citizens will continue to flow into Beijing's military modernization and into Chinese entities that are complicit in crimes against humanity, including genocide.

Third, we must ensure that the United States beats Beijing in the race for high-tech supremacy, not only by running faster but also by actively frustrating the Communist Party's attempts at self-sufficiency in the all-important area of semiconductors.

Thank you.

[The prepared statement of Mr. Pottinger follows:]
Chairman Reed: Well, thank you very much to all the witnesses for your excellent testimony. And beginning with Ms. Glaser, we have all emphasized the formidable strength that China is displaying, but I think we have to also look at potential vulnerabilities and how we might exploit them. So starting with Ms. Glaser, could you comment about the vulnerabilities that China is looking at and how we can exploit them? What is keeping Xi up at night?

Ms. Glaser: Well, thank you for that question, Senator. I think there is a great deal that keeps Xi Jinping up at night -- whether or not the party will continue to have legitimacy. We saw, for example, in the early days of the pandemic, quite a bit of criticism of the Chinese Communist Party among average people. So that is an immediate problem but it is a longstanding concern that Xi Jinping has.

Secondly, I think the demographic issue is something that keeps Xi Jinping up at night. The Chinese are now trying to encourage women to have three children, but there are many who do not want to have any, or at most want to have one.

I think that the perhaps biggest vulnerability that China has is that it really does not have allies, and this is something that, of course, the United States can exploit, because we can bring together a network of countries to work
with us, yes, to push back, but also to make our own democracies and societies more resilient. It is not just that the Chinese choose not to have alliances, but countries around them really do not want to be China's best friend. They just do not want to be China's enemy. So this is an area that I think really plays to our advantage.

Finally, I will just say it is a question mark as to whether or not we should try to sow instability in China. My view is that that is dangerous, that that would likely shore up support for the party and make them tougher. But I do think that we should be getting information, where possible, into China about facts, what is happening in the real world, and in democracy, and in their own country.

Thank you.

Chairman Reed: Thank you. Dr. Greitens, your comments, please.

Ms. Greitens: Thank you very much. I think one of the advantages that the United States has is, as Ms. Glaser mentioned, the network of allies and partners that the United States has, not only in the Indo-Pacific but globally. Many of those partnerships also share a strong commitment to democratic values, and that is a second strength that I would identify of the United States in the competition that it is engaged in with the PRC.

In terms of the things that keep Xi Jinping up at
night, I think my statement made clear that I view him as fundamentally motivated, as is most of the Chinese leadership, by concern about maintaining the leadership position and the ruling status of the Chinese Communist Party, and so many of their activities, both internally and externally, are directed at that end. In my view, the United States needs to use that largely as a tool to understand and predict Chinese strategy and understand where it interferes with and compromises American values and American national security, as well as the security and interests of our partners and allies abroad. That is a very complex interagency challenge, but in my view that should be the framing orientation of the strategy that we form for this competition. Thank you.

Chairman Reed: Thank you. Mr. Medeiros, please.

Mr. Medeiros: Chairman Reed, I think, first and foremost, Xi Jinping is focused on how to sustain economic momentum. So much of the basis of Chinese powers rests on the large, growing, and modernizing Chinese economy, and yet the Chinese economy still runs the risk of falling into the middle-income trap. And Xi Jinping needs to continue the rebalancing of the Chinese economy from exports and investment, the old drivers, to consumption in services, the new drivers, in order to avoid falling into the middle-income trap.
And so the Chinese leadership, I think, faces a variety of challenges in dealing with economic imbalances at the heart of its economy, in particular such as its large and growing debt. So if the Chinese economy, the momentum of the Chinese economy were to stall, that would not only create challenges at home but I think it would also raise questions about China's global reach.

Second and final point is that I think a major vulnerability for the Chinese leadership is their inability to understand how the rest of the world sees them, and in particular, how much of the world sees Chinese behavior as non-transparent, coercive, and predatory, and their growing use of those kinds of tactics have been a negative for them in recent years. Thank you.

Chairman Reed: Thank you. Mr. Pottinger, and time is limited, but your comments, please.

Mr. Pottinger: Sir, I think that one of the key vulnerabilities of the Chinese Communist Party is that it does not actually view the United States as its chief adversary. It views its own people as the biggest threat to its rule. That is why they spend more money on surveilling and controlling their own population through their security apparatus than they even spend on their military. They do not stand for anything but their own power, and they know that.
And I agree with my other colleagues here that the economic model that they are pursuing is fundamentally unsustainable. What appears to be an innovation economy is actually innovation that has been largely siphoned from the United States, from training here, from our smart capital, from Silicon Valley, and I think that that will stall out. That economic miracle will quickly stall out as Beijing alienates more and more of its former partners around the globe.

Chairman Reed: Thank you very much. Senator Inhofe, please.

Senator Inhofe: Thank you, Mr. Chairman. The PDI -- well, first of all, in my opening statement I mentioned it did not really comport with our language in the Defense Authorization Bill of 2021. Mr. Pottinger, General McMaster tell us, of course, you were the top China expert during the Trump administration. Now as I mentioned in my opening, the budget request gets the Pacific Deterrence Initiative all wrong. As I said, there was clearly a disconnect there, and we will work with that with the Pentagon shortly here. PDI is about having the right infrastructure and combat-credible U.S. military force posture west of the International Date Line to deter and compete with China. It is not about buying ships and aircraft.

From your time, Mr. Pottinger, at the NSC in the
military arena, do Chinese leaders pay close attention to
the military infrastructure and forces we have stationed
forward in theater? Do our allies and partners pay a lot of
attention to the PDI, and what it funds?

Mr. Pottinger: Senator Inhofe, thank you. Absolutely,
the answer is a resounding yes on both those fronts. The
Chinese Communist Party, every time we expand our
infrastructure and give ourselves more places to operate out
of, it complicates, quite badly, their military strategy.
It complicates their plans for things like coercing Taiwan,
and they notice it. And our allies notice it just as much,
right? My experience was that a lot of our partners around
the region usually knew our defense budget better than we
did. They noticed every dollar that was committed or
withdrawn from FMF sales or from training and other
activities in the region.

So I couldn't agree more that the PDI is really about
building infrastructure, it is about improving our force
posture in theater, giving us that versatility and that
redundancy to be a formidable deterrent.

Senator Inhofe: That is good. Dr. Greitens, the
Chinese Communist Party has built a police state that would
make the Soviets blush, but they are doing it with new
technology, and they are exporting the technology that makes
monitoring and repression possible. How are they using that
technology to repress the Uyghurs and the people of Hong Kong, and what should the United States do to fight back against the global proliferation of this technology?

Ms. Greitens: Thank you, Senator. There is a lot in that question. Let me try to answer concisely. We often hear a lot about the fancy technology that collects data from Chinese citizens, but the heart of the surveillance project is actually the back-end database and platforms that put all of this information from different collection points together. That is what enables the CCP to look at your behavior, know where your parents work, where your children or child goes to school, your ID number, your passport and travel history, your religion, to use facial recognition to identify how many times you scanned into the mosque this week, whether you have bought gas, or bought a knife recently, just to take a few examples.

All of that can be put together in an algorithm, and we have seen that when the use of this kind of surveillance technology was applied in Urumqi or Xinjiang, for example, visits to religious sites dropped off sharply, because if you hit a certain quota in the algorithm you would be flagged for detention and re-education, and that made people, quite frankly, afraid to pray.

So that is the role that surveillance and these surveillance algorithms play in the repressive project that
the CCP has constructed, especially in Xinjiang. And that
same national security framework, under last year's Hong
Kong national security law is now being applied and is in
the process of being constructed in Hong Kong as well.

I think that there are a couple of steps the United
States could and should take. First of all, the United
States really needs a robust interagency strategy to address
the proliferation of Chinese surveillance technology
worldwide. That includes a plan for engaging more actively
with international organizations that are involved in
technology standard setting. It includes a lot of the
efforts that some of my colleagues have mentioned today,
about making sure that the United States is competitive in
key technologies and that those technologies are protected
from illicit tech transfer to China.

And we also need to recognize that some of the
countries that are adopting Chinese surveillance technology
are doing it because they are trying to solve a governance
problem, like crime, and this technology does not actually
work very well for solving crime problems, in most cases.
But we need to address the underlying challenges that are
leading some of those countries to turn to China, and we
need to make sure that we have robust efforts to do that.

Finally, I will say that when repression increases
domestically, the only available sites of opposition and
pursuit of freedom often move abroad. And so the United States could, and I believe should, take steps to support people from Hong Kong, for example, who want to claim refugee or asylum status in the United States, given the increasing climate of political persecution there. Thank you.

Senator Inhofe: Thank you, Dr. Greitens. You covered it all. Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Inhofe. Let me recognize Senator Shaheen, please.

Senator Shaheen: Thank you, Mr. Chairman, and thank you to each of you for testifying this morning.

Dr. Medeiros, in your statement you pointed out that many countries do not want to have to choose between the United States and China. So how do we better position the United States as the preferred partner?

Mr. Medeiros: Senator Shaheen, excellent question. The simple answer is raise our game. Devote more time and energy toward modernizing our military so our partners in Asia know that we are a highly capable partner. A second critical component is ensuring that the United States has a viable economic strategy toward the Asia-Pacific. One of China's greatest advantages is that its economy is large, growing, and present in Asia. And so one of the principal reasons allies and partners are torn is because American
provides security, China provides growth. The United States needs to get in the game of growth, modernization, and innovation, and I think the administration would do well to articulate a more robust strategy of economic engagement in Asia. Thank you.

Senator Shaheen: You also talked about the prospect for expanding. I translated it as expanding training with our allies in the region, and the importance of NATO looking at China as being an issue that is critical to the NATO countries. As NATO looks at preparing the 2030 new mission document, how do we convince our other NATO partners that they should also be worried about China?

Mr. Medeiros: Senator, the current Secretary General of NATO has actually been quite consistently outspoken about his concerns about China. I just heard him talk about China on NPR this morning. So I think what the United States should do is develop a systematic, diplomatic campaign to reach out to the many members of NATO to talk them through the changes in Chinese diplomatic strategy, economic coercion, as others in today's hearing have talked about, as well as military modernization, so they can come to understand the nature of the challenge we face by China. I think it is going to require careful, systematic diplomacy in order for NATO countries, who normally associate their interests with Europe and do not think about the Asia-
Pacific, to understand how connected their interests are in the face of a rising China and the emergency of U.S.-China strategic competition. Thank you.

Senator Shaheen: Thank you. Mr. Pottinger, you expressed your concern about allowing our thrift savings plan to be invested in China, which I certainly share. Are there other aspects of our financial system that we ought to be looking at in terms of China's ability to use our financing system to their own benefit?

Mr. Pottinger: Thanks, Senator, and thanks for your own support of that thrift savings plan issue, which was extremely effective. I think that the new Executive order that President Biden signed, which sort of refreshes a couple of President Trump's Executive orders designed to blacklist certain Chinese companies so that Americans can no longer invest in companies that are involved in gross human rights violations or in their military modernization, that list, in my view, through very close congressional oversight, needs to expand dramatically. Right now it is 59 companies. That is a good start. It probably needs to grow by a couple orders of magnitude.

Another area to look at would be potentially looking at almost a reverse CFIUS type of body. In other words, screening American outbound investment headed towards China to make sure that it comports with our national security
interests.

Senator Shaheen: Thank you. Ms. Glaser, the United States Innovation and Competition Act also includes $52 billion in emergency appropriations to support domestic semiconductor development production. How important do you think it is for us to make those investments, or do you think it is important to make those investments in semiconductor development so that we can compete in that realm?

Ms. Glaser: Thank you for the question, Senator. I think it is critically important for the United States to invest in semiconductors, and we have seen, just in this current period, because of disruptions that have taken place and changes in demand for certain types of chips, that there are now shortages around the world. This is a national security issue and one in which the United States must be competitive. So we have to work, of course, with allies and partners and other suppliers. We have to figure out which parts of the supply chain we want to have here in the United States, and we have to ensure that we are working closely with Taiwan, because as you know, TSMC is the leading company, the producer of chips, and it is terrific that they are going to be investing in Arizona. It will be a small plant, but we have to develop our own capabilities here. Thank you.
Senator Shaheen: Thank you. Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Shaheen. Senator Wicker, please.

Senator Wicker: Let's let all the panelists respond to Senator Shaheen's question about semiconductors and the larger question about what we are trying to do on the floor this last few weeks in this frontier and R&D. Start with Mr. Pottinger and go to my left. Are we on the right track? Are we spending too much money there? What advice do you have for us these last few days in this frontier?

Mr. Pottinger: Senator, thank you. I think that we are moving in the right direction. We do need to pay to bring back some of that fab capacity that we have lost over the decades, in large part because competitors, primarily now China, are subsidizing heavily those sectors. But it is not enough to run faster, by which I mean spending more on our own fab capacity, which is a very laudable objective. We also need to use our Commerce Department authorities much more sharply to ensure that China does not subsidize its way to dominating the semiconductor sector, including those fabs.

Senator Wicker: Dr. Medeiros, can you take a few seconds to answer that?

Mr. Medeiros: Sure. I agree with Mr. Pottinger. I think U.S. strategy in this area on technology,
semiconductors in particular, needs to be a combination of investing in American capabilities, in particular basic and applied R&D that is going to be essential, but you also want to slow down the competitor to some degree. But I would also encourage you to apply this strategy not just to semiconductors but also other areas of technology like 5G, in which I think it is going to be important for the United States to establish a lead in the future. Thank you.

Senator Wicker: Okay. I am out of time on that so I have to move on. Mr. Pottinger, why is China prioritizing naval expansion, and how does that fit into their long-term strategic ambitions?

Mr. Pottinger: Right now, sir, the objective is to take back Taiwan through either coercion or by making it sort of a fait accompli, whereby the Chinese military makes it more difficult over time for the United States to actually intervene on Taiwan's behalf. That is the reason why they have built a navy that now has more ships than the United States Navy, by about 60 -- less tonnage, but more ships than the United States.

If Taiwan falls, China will then be turning that navy into a global navy that will challenge us in every part of the world.

Senator Wicker: In terms of our shipbuilding budget, what does that instruct us to do?
Mr. Pottinger: As Stalin said, "Quantity has a quality all of its own." We do need more ships. We do have a troubling window where ships that are going offline, ending their terms of service, will leave a growing gap in the Western Pacific. And so part of it is building existing platforms and also working more on autonomous platforms that, over time, will actually cost less but be highly lethal and problematic for China's plans.

Senator Wicker: What is your advice to policymakers about staying with strategic ambiguity with regard to Taiwan or moving to a more strategic clarity position?

Mr. Pottinger: Sir, I think what China is going to be looking at, more than the answer to that question, is, is the United States actually investing where it needs to invest, urgently, to create more capability? China is going to be looking at our capability not only to respond but to respond quickly to a crisis in the Taiwan Strait. And so it to my mind those trajectories that we are currently on need to be remedied through capability. That will go much further in terms of deterring China than turning towards a strategic.

Senator Wicker: When China sees the recent budget request of the Biden administration, what does that tell them?

Mr. Pottinger: I think that the PDI that we were just
discussing needs to be revamped urgently. I think that
growth in our defense budget is warranted, in light of the
nature of this threat, and China is going to notice.

Senator Wicker: Dr. Medeiros, you quote, approvingly,
some statements of Admiral Davidson, and yet just a third of
the requested funds recently coming from the administration
go to INDOPACOM's top priority, the Guam defense system. Is
that something you approve of -- and we are out of time but
can you comment quickly about that?

Mr. Medeiros: My analysis of Admiral Davidson's
statement was that it was a very, very robust laydown of the
kinds of acquisitions that the United States needs to make
in order to shore up conventional deterrence in the Asia-
Pacific. Senators, this is an urgent problem for the United
States. The U.S. needs to think differently and creatively
in the face of a fairly systematic, long-term effort by
China, to undermine U.S. power projection, and my
interpretation of Admiral Davidson's statement is that it
was a very robust conception, and I hope that that --

Senator Wicker: Can we do that on the cheap, sir? Can
we do that on the cheap?

Mr. Medeiros: I am not a budget expert. I do not know
if we can do it on the cheap. But my instinct is no.

Senator Wicker: Thank you.

Chairman Reed: Thank you, Senator Wicker. Senator
Kaine, please.

Senator Kaine: Thank you, Mr. Chair and Ranking Member Inhofe. Great testimony from our four witnesses today.

So one of my favorite articles is the George Kennan piece, "The Sources of Soviet Conduct" in Foreign Affairs in 1947, and here is a great quote. Kennan's basic point with respect to the Soviet Union was U.S. strength, vis-à-vis the Soviet Union, was first and foremost a question of our internal strength. And he said, quote, "Exhibitions of indecision, disunity, and internal disintegration within this country have an exhilarating effect on the whole communist movement. At each evidence of these tendencies a thrill of hope and excitement goes through the communist world."

I would argue that one of the most important things that we need to, vis-à-vis China, is to be strong internally. Things like the attack on the Capitol on January 6th, and the dispute over the attack, and elected leadership challenge, and the integrity of American democratic elections are a much bigger obstacle for us than any Chinese military investment.

I want to ask, Ms. Glaser, you a question. When you were asked by Senator Shaheen, I believe, or maybe Senator Reed, what keeps Chinese leadership up at night, one of the things you mentioned is the U.S. network of alliances and
the fact that China, they may have relationships but not
alliances, that they are seen as too predatory, too
obviously focused on their own self-interest.

If that is the case, one of the areas I think we should
focus on is strengthening the alliances even more. And so I
view, for example, the upcoming Summit for Democracy that
President Biden has indicated he would hold, likely in 2022,
as a real opportunity for democracies all over the world to
band together, share best practices, be self-critical about
our own internal weaknesses, and link arms against
authoritarian nations. Would you agree that investment of
time in shoring up alliances and taking that to a new level
would be an effective strategy to counter China?

Ms. Glaser: Well, thank you, Senator Kaine. I could
not agree with you more. I think that the one thing that
China does really fear is the forging of a coalition of
countries. Whether or not we label it an anti-China
collection is not really the point. It is how it is
perceived in China. A grouping of countries around the
world that are determined to support their democracies, that
are determined to defend their interests. And, of course,
there are cases in which there are countries that are not
democracies but we still want to be partners with them, and
I hope that we can find ways to expand those relationships,
and I think Vietnam, in particular, comes to mind.
The period, I think, during the Trump administration, where some of our alliances were weakened -- and I do not think that that was permanent, but I do think that there was some questioning in our alliances -- that was a gift to China, and the Chinese saw it that way. This is one change in the Biden administration that the Chinese point out, time and again, they are concerned about the Quad, that was mentioned by Chairman Reed, they are concerned about the upcoming NATO meetings in Europe that our President will have, and they are concerned about the Summit for Democracy. Thank you.

Senator Kaine: I think the Quad is a great example. The first meeting of the Quad countries' actual political leadership was around vaccine distribution. It was not about military exercises, but it was about additional vaccine production in India that could be used both in India and throughout the Indo-Pacific. And I would encourage more activity of that kind.

Dr. Greitens, you talked about the fact that China's primary focus is the internal security, and you mentioned the deplorable treatment of Uyghurs in China. I am the Chair of the Foreign Relations Subcommittee over Western Hemisphere and Global Democracy, and my subcommittee and the East Asia Subcommittee of Foreign Relations, on Thursday, is having a hearing focusing on persecution of the Uyghurs. I
tend to believe that anything we can do in this body to shine a spotlight on the persecution of Uyghurs within China, but also China's long arm into U.S. allies, like the UAE and Saudi Arabia and Egypt, to get Uyghurs deported back to China, I tend to think anything we can do to shine a spotlight on that persecution is true to our values but also helpful in the U.S.-China relationship. Would you agree with that?

Ms. Greitens: Thank you, Senator, and thank you for your leadership on that really important issue. I think it is important that the United States understand what I would describe as a somewhat below-the-radar effort to augment its international law enforcement and police presence. That has taken a number of different forms -- police liaisons, extradition agreements, other forms of police cooperation, training of foreign police officials at provincial or other academies in China, and the export of surveillance technology that is specifically used in policing and public security, but then sometimes comes either with Chinese involvement or expectations.

And so I think it is critically important that the United States direct some attention and some resources toward figuring out how to deal with the increasing activity, globally, of Chinese police and public security officials.
Senator Kaine: Great. Thank you very much. Thank you, Mr. Chair.

Chairman Reed: Thank you very much, Senator Kaine. And now let me recognize, via Webex, Senator Fischer, please.

Senator Fischer: Thank you, Senator Reed. Mr. Pottinger, throughout the Cold War there were those who argued that United States defense spending stimulated Soviet spending on defense, and I recall that then Secretary of Defense Harold Brown's rebuttal of that argument was his famous line, "When we build, they build. When we cut, they build."

Do you believe that the U.S. defense spending stimulates China's investment in its military, and do you believe reducing U.S. spending or force posture in the Indo-Pacific would result in positive changes in Chinese behavior or reduce their military spending?

Mr. Pottinger: Thank you, Senator. I think 30 years ago you could argue, after China watched us mop up Saddam Hussein's forces in the Gulf War, that we did stimulate some Chinese spending. That was 30 years ago. China now spends more than all of the countries of Asia combined. It is the largest peacetime military buildup certainly in the modern era, maybe one of the largest in history. So I do not think that we are driving that. I think that it is incumbent upon
us to have a counterstrategy to actually more effectively, to be able to deny China's ability, for example, to forcibly subordinate Taiwan, including through some kind of fait accompli attempt. So I agree with the sentiment that you quoted.

Senator Fischer: Thank you. Ms. Glaser, do you have anything to add?

Ms. Glaser: I would agree, Senator, with Matt Pottinger on that issue. I think that the drivers of China's military modernization are in large part in support of what Xi Jinping has stated as his objective. In 2035, 2049, he has set out a series of goals, to make China basically a professional military by 2035, and by 2049 to be a top tier and peer competitor, or maybe even more capable than the United States.

The focus, of course, is on the region, but I think they also have global ambitions. So the way that China shapes its own military and its posture is in response, in part, to what the United States is doing and the access area denial capabilities. But in terms of the size of that budget and achieving China's ambitions, which Matt rightfully said is to take Taiwan -- that is the top priority -- I think that is driven by internal needs and goals set in China, not in response to the United States.

Senator Fischer: Thank you. As the United States
policy on China shifts towards competition, there are those who vocally argue that we should be focusing on cooperation instead of competition. Mr. Pottinger, how do you view that argument and what lessons do you think we can draw from previous eras where cooperation was a significant component of the U.S. policy towards China?

Mr. Pottinger: Yeah, Senator, I think that there is enough material available now where we can actually read what Chinese communist leaders have been saying to each other and in their own language, when they thought we were not hearing. And it is clear that they have identified us as their core adversary for some 30 years. So if we are going to cooperate, and in some areas we should, it should better be because it is directly in our national interest to do so and not because we think that we are somehow earning favors or reassuring China. That can lead to sort of fantastical thinking. We should not be emphasizing cooperation with a country with China’s record in damaging U.S. interests over the past couple of decades.

Senator Fischer: Thank you. And Dr. Medeiros, we have a few seconds left. I know you worked on cooperative efforts with China during your time with the Obama administration. What are some of the limitations we need to be mindful of when it comes to cooperation, and what do you think is a realistic expectation about the extent to which
cooperation will work with China?

Mr. Medeiros: Thank you, Senator. This is an important point. I agree with others on the panel that competition is more of a reality than a choice for the United States, and U.S. policymakers need to focus on a diversity of policies to compete with China.

One aspect of that is maintaining dialogue and interaction and cooperating with China, where possible. And I think in the Obama administration, for example, we prominently, in 2014, negotiated a deal with the Chinese to improve their behavior on climate change, to expand their commitment to more rapidly reduce greenhouse gas emissions. So that is an example of how cooperation can work to serve a global public good.

The Chinese, though, do sometimes use dialogue about cooperation to play for time and play for advantage, in an effort to generate leverage with the United States. So I think the United States policymakers simply need to be careful and judicious that discussions with China about cooperation are not used to play for time and advantage but actually are used to generate practical, tangible actions that advance U.S. interests. Thank you, Senator.

Senator Fischer: Thank you. Thank you, Mr. Chairman.

Chairman Reed: Thank you very much, Senator Fischer.

Now let me recognize, via Webex, Senator Gillibrand.
Senator Gillibrand: Thank you, Mr. Chairman, for this excellent hearing, and I just want to thank our witnesses for their expertise.

The cybersecurity threat that China poses to the U.S. obviously has become increasingly relevant, as we have seen cyber espionage attacks continuing, in March hackers gaining access to the Microsoft Exchange servers, which affected more than 100,000 private sector companies. Most recently, Chinese hackers were able to access the MTA system in New York. Although they did not do any significant damage at the time, or pose risk to users, obviously we are very concerned about the possibility that they could do so in the future.

We have also had several open hearings in this committee to discuss various vulnerabilities in the U.S. system as well as blind spots, and I have great concern about the vulnerability of our main infrastructure in the United States. To combat such security threats in response to the Colonial Pipeline hack, President Biden obviously is taking this very seriously and signed an Executive order about cybersecurity, and it includes basically telling companies that they should report severe cyber incidents within 3 days and strengthen Federal testing programs.

I want to talk a little bit about what is your recommendation to this committee about how we should respond
more proactively to create a better cyber defense system for our country? Because obviously we have very different authorities for what the U.S. military can do, what our intelligence services can do, and what the private sector really just relies on themselves to do. And I am deeply concerned because China uses the U.S. landscape as their warzone. They are intentionally undermining our democracy, our country, our infrastructure, and we need a stronger defense in the United States with full understanding that we have civil liberties, civil rights, and privacy concerns.

But I am very concerned every time I hear, in this committee, that we have blind spots or vulnerabilities. So I would like your expert advice on how we weigh these issues of building and creating a proper cyber defense that is consistent with our values. And each witness can answer.

Mr. Pottinger: Senator, Matt Pottinger here. Thanks for your question on that. I think that a couple of ideas would be for different types of cyberattacks on the United States, for example, some of the most damaging attacks have not been the more recent ones on some of our infrastructure, these ransomware attacks, but the wholesale theft of trillions of dollars' worth of our intellectual property. The Obama administration, actually Dr. Medeiros' work, they came up with a good Executive order, I think it was in 2015, that gave the United States the authority to sanction
Chinese companies that have benefitted from stolen American intellectual property. To date, no administration has ever actually employed that option. I think we should have a team that is constantly sanctioning Chinese companies that have benefitted from our stolen intellectual property.

When it comes to threatening our infrastructure, we do have asymmetrical ways of deterring that activity, and one of the most natural ones would be to threaten China's great firewall. In fact, we do not have to threaten Chinese, you know, domestic infrastructure. Just by threatening to poke holes in that firewall so that Chinese people can actually hear the conversations that are taking place around the world, like the one we are having in this room right now, would pose such a dramatic threat to the Communist Party's rule that I think we should wield that one with credibility.

Mr. Medeiros: Senator, I applaud your focus on Chinese cyber operations. It is an issue I dealt with fairly consistently during my time at the National Security Council. While I am not an expert on cyber policy, I know how the Chinese thing about deterrence, and U.S. policy needs to move in the direction of shifting China's calculus about the benefit associated with conducting cyber operations, reducing the benefits, increasing the costs.

And so where that leads one is then the path of much more investment in resilience, and I think there is more
space for public-private partnerships, the government working with the private sector. But I also think that the administration needs to think even further about both the application of defensive and offensive cyber operations so the Chinese fully appreciate the costs associated with their cyber activities. Thank you, Senator.

Senator Gillibrand: My time has expired, so if the other two witnesses have an answer, you could submit it to the record please. Thank you, Mr. Chairman.

Chairman Reed: Thank you very much, Senator Gillibrand. And now let me recognize, via Webex, Senator Cotton, please.

Senator Cotton: Thank you, Mr. Chairman. Mr. Pottinger, you and I have discussed a strategic and targeted decoupling of our economy from China. Any talk of decoupling, of course, gives the vapors to a lot of corporate America, and so many multinational companies, who long ago took their 30 pieces of silver from the Chinese Communist Party. But isn't China engaged in its own kind of decoupling, both trying to reduce its dependence on sole or limited-source imports of raw materials from other countries while also increasing the free world's dependence on China for manufactured and high-tech goods?

Mr. Pottinger: Senator Cotton, that is exactly what China is doing, and, in fact, that strategy that you just
described is one that is written and institutionalized in their latest 5-year plan. And I will give you an example of it in action.

If you look at what China is doing to Australia right now, Australia had the temerity to suggest to the World Health Organization that the world try to find out the origins of this virus that has now killed four million of our fellow souls and wrought catastrophe on the world economy. China, to punish Australia for suggesting that there should be an investigation, decided to use its leverage as a major market for Australian exports. About 30 percent of Australia's exports go to China. It decided to start cutting off Australia's exports, exports of coal, barley, beef, wine. And then they didn't just punish them but laid out a series of political demands. In fact, there was a list of 14 political demands that China made, including that Australia needs to stop challenging Beijing's outrageous claims over the South China Sea, that needs to roll back its own laws that are designed to counter malign influence and espionage, and that it needs to muzzle the free press in Australia so it no longer criticizes the Communist Party.

So this gives you a taste. Australia is a guinea pig for this new strategy that you just described, and it is being employed against other countries as well. It is one
that they plan to employ against the United States if and when they achieve the point where they no longer believe they need access to our capital and our technology, which is primarily stolen but in some cases willfully handed over by foolish business leaders who have the fantasy that it is somehow going to get them access to the China market.

So that is my view on that, Senator. Thank you.

Senator Cotton: China is engaged in this kind of strategic decoupling from the American economy and really from the free world's economy. Since that is the case, doesn't it make sense that we should go forward with our own kind of targeted decoupling so we can do it on our own terms?

Mr. Pottinger: Yes. Yes. And certainly in many of the areas that you outlined in your own paper a couple of months ago, the Beat China paper, all of the areas that China has identified in its Made in China 2025 strategy, all of the high-tech sectors that it wants to dominate in the 21st century are areas where we should be proactively and selectively decoupling from.

Senator Cotton: Yeah. You mentioned Australia commenting on the origins of the Wuhan coronavirus. What are your thoughts on the origins of that coronavirus and whether it is worthwhile to investigate all possible origins, to include the possibility that it leaked from the
1 labs in Wuhan?

2 Mr. Pottinger: Well, I think that the preponderance of circumstantial evidence -- and it is important to note that it is still circumstantial evidence -- weighs in favor of the hypothesis that this was an accidental leak from a laboratory and not a natural zoonotic event. China does not want us to actually find the answer to the question of what exactly happened, and I think that a bipartisan commission should be quickly established that has subpoena power. I think that we need to halt gain-of-function research and take the lead globally, really reinstituting an Obama administration ban on gain-of-function research, which was designed to help predict the current pandemic but may have actually seeded it.

3 And I think one other area would be to start building a surveillance network. You know, the technology is there, and with a little more effort could be quite powerful at detecting pathogenic disease through a global surveillance network.

4 Senator Cotton: Yeah, I agree with you that all the evidence points towards the lab, and I mean all the evidence. There is not a single piece of evidence that points towards that stupid food market the Chinese Communist Party used as a cover story. But I also agree with you that China does not want us to discover it, so I am very
skeptical that we will ever get direct evidence of the
origin in the labs, but we can make reasonable inferences
based on what we know, and common sense, as you have, Mr.
Pottinger, that this virus originated in those labs and
China needs to face grave consequences for unleashing this
plague on the world. Thank you.

Chairman Reed: Thank you, Senator Cotton. Let me
recognize Senator Blumenthal, please.

Senator Blumenthal: Thank you, Mr. Chairman, and thank
you for holding this hearing. Let me pursue the line of
questioning that Senator Cotton just raised. I think that
there has been a lot of commentary, including a lot of
conspiracy theories about the origins of COVID-19 and the
virus, but one point of consensus seems to be that the
Chinese regime has been patently uncooperative with efforts
to uncover the origins and report to the public in a way
that will help prevent such pandemics in the future. And
that lack of cooperation, perhaps verging on deliberate
coverup, has been frustrating to public health experts and
to all of us who care about preventing pandemics in the
future.

I am asking this panel -- we heard from Mr. Pottinger
-- what can be done to prompt and persuade the Communist
Party, which essentially runs China, that world health
depends on their being more forthcoming, more transparent,
and more cooperative in this effort to uncover the origins of the pandemic so that we can fight and prevent pandemics in the future?

Mr. Medeiros: Senator, why don't I begin. So I think, first and foremost, it is important to keep in mind that the origins of the virus may very well touch on the question of regime legitimacy, and it is one of the reasons why the government has been so incredibly untransparent and uncooperative. So it is an uphill battle.

And so in that context, I think that the best opportunity to influence the leadership on being transparent and cooperative would be for -- the best opportunity would be if an international consensus were to emerge that the Chinese needed to share more information. And to the extent that this was reflected in the statements by international organizations, of course beginning with the WHO, the activities of other countries, and I support Mr. Pottinger's recommendation that there be a bipartisan commission, 9/11-like, to investigate the origins of it. And the more that the Chinese recognize that they are simply out of step with the international community, and that they are alienating countries all over the world by being uncooperative, that has the best chance, but even then, as I said, this is an uphill battle.

Senator Blumenthal: It is an uphill battle but it is
one that we need to win.

Mr. Medeiros: Absolutely.

Senator Blumenthal: And it is like cyber, as you commented, the Chinese calculus has to be driven toward more transparency, the calculus involving the costs of failing to be cooperative. And I think a bipartisan commission -- I have support a 9/11-type commission from the very start of the pandemic, and I continue to support it, as you have suggested. But I think also making China pay a price for its failure to be forthcoming has to be made part of their calculus. Maybe others have comments as well.

Ms. Greitens: Senator, if I could add one thing. I think that we have to grapple with the fact that information problems are endemic to non-democratic systems. There is a term that we use called "preference falsification," which means that no one is forthcoming about their true beliefs and the extent of their knowledge, because of the costs sometimes of speaking truth in a political system that operates the way that China's does.

And the conclusion that I draw from that, while I applaud some of the efforts that have been recommended and think that they are worth pursuing, I think that the international community also fundamentally is going to have to grapple with the need for a fallback mechanism because of the reality going forward that the Chinese system is not
built for internal or external transparency and is not showing any sign of changing that any time soon. So there needs to be a workaround to protect global health.

Senator Blumenthal: That point is very well taken. Authoritarian regimes are not known for their transparency, obviously, so we cannot expect that the Chinese are going to be making international concessions about the origin, but they at least may allow access to people on the ground who know what the facts are, to the facilities that might be revealing. Maybe that hope seems naïve, but as part of the calculus that Chinese officials are going to have to confront, whether it is on cyber or on public health, we ought to consider all the available options, including for both Putin and the Chinese leaders, some disclosure of their ill-gotten gains, their concealed, illicit profits that are at the price of people who live in the very countries they are dominating.

So my time has expired. I appreciate the expertise and wisdom of this panel. And if anyone has additional thoughts on this topic I would really welcome them. Thank you.

Chairman Reed: Thank you, Senator Blumenthal. Let me recognize Senator Ernst, please.

Senator Ernst: Thank you, Mr. Chairman, and I want to thank our witnesses as well for putting together this hearing to address our great power competition that we have
already engaged in with China. And over the past, as you have heard from many of my colleagues as well, we have been expressing the hope that the U.S. will continue to make room and accommodate China's rise in the international order, that, of course, as they do that that their authoritarianism would smooth out and cooperation would increase. But unfortunately, folks, that is not what we have seen happen. The accommodation and the appeasement to China has failed, and the Chinese Communist Party's disruptive efforts have not softened, and our world is still being subjected to the pressure and threats of a totalitarian regime.

Their approach to governing has changed very, very little, and the leeway that we have granted them has to change, and it has to change now. The United States, as a whole, has become far too dependent upon Communist China. So we have heard from others about their unlawful incursions in the South China Sea. We have heard about their treatment of the Uyghurs, even far reaching outside of China, and we cannot ignore this any longer. And so, again, I am just grateful that we are having this discussion today.

So, Mr. Pottinger, if you would please, we have talked about our military and diplomatic operations. What countermeasures can we take through the military and diplomatic operations to create challenges for the Chinese approach and disrupt their activities in and out of the gray
Mr. Pottinger: Thank you, Senator. In addition to some of the ideas that Bonnie was talking about earlier, in relation to gray zone, I agree that we need to do much more with our partners in the region. We need to accept more risk but also expand areas of cooperation, intelligence sharing, for example, with key partners in the region, Vietnam, with the Philippines and Indonesia in addition to, you know, our bedrock partners like Japan and South Korea. Increasing our FMF spending to help them build up some of those standoff capabilities, you know, things like UAVs and helicopters and anti-ship missiles, things of that nature that can complicate China's gray zone calculus.

Senator Ernst: I appreciate that, and I think that is something that we need to have a broader discussion on as well, as we are looking at foreign military sales and supports through those types of approaches. But I do think that, as you said, information sharing, very important as well. There are many things that we need to be engaging in to counteract that gray zone activity that we have seen from China.

So moving on, of course during COVID-19 and a number of the recent cyberattacks as well, it is just really demonstrating the precarious nature that has been caused by our dependence on China and the global supply and
distribution chains. So what do you see as the most
critical elements to protecting our domestic critical supply
chains and ensuring we are able to meet our needs during
that national security crisis, or national security
requirements in the event of a crisis?

Mr. Pottinger: Senator, I think one good place to
start is first to recognize that the tariffs that we put in
place during the Trump administration on China have actually
helped to diversify supply chains, not only for us but for a
lot of our partners. I talked to someone this morning who
just returned from the region, visiting several countries,
and on his travels he learned that many countries in the
region are shifting a lot of their manufacturing out of
China because of political risk, because of, in part, the
tariffs that we put in place, and expanding that footprint
in ways that make the supply chain more resilient. So I
think recognizing the salutary effect of those tariffs is an
important place to start.

I think we should expand our trade with other partners
in the region through bilateral trade and investment
agreements, not multilateral ones, which the American public
rightly suspects do not serve their interest as well as was
promised, for example, when we brought China into the WTO.
But if we do more major bilateral trade agreements with many
of our partners out in the Indo-Pacific we have the ability
to enforce them better when they are bilateral, and to have terms that make it worthwhile, since we are still their best market.

Senator Ernst: Yeah, I appreciate that. And visiting with SOUTHCOM just recently, and Admiral Faller there, of course we do see China in our own neighborhood here in the western hemisphere. So having those great alliances, those great trading partners can be very beneficial for everyone to push back upon a nefarious China. Thank you very much. Thank you.

Chairman Reed: Thank you, Senator Ernst. Now let me recognize, via Webex, Senator Warren, please.

Senator Warren: Thank you, Mr. Chairman. So today's hearing is on the U.S.'s competition with China, and I just want to spend some time this morning talking about the idea of great power competition. This is a phrase that has been throw around a lot over the last five years. You know, someone must have thought that it was a clear articulation of the state of the world. But I am concerned that it obscures more than it reveals. Understanding the notion of great power competition is important because military leaders come before this committee using it as their justification for even higher budgets.

So let me just start with the basics. Can anyone tell me what this competition with China is over? For example,

Mr. Pottinger: Senator, I think it is all of the above, at least in the case of China. Not so much Iran or even Russia. But in the case of China it really is they are thinking big. Remember, the meeting that the Chinese had in their first face-to-face, high-level meeting with the Biden Administration in Alaska, what the Chinese were making a case for was Chinese leadership of the world, and in a very explicitly antidemocratic model. In fact, they mocked American democracy in that meeting. They mocked the idea of universal values, which we have stood for, which we sacrificed for, and built in order to help preserve following World War II. China is trying to undermine all of that, so I do think it is all of the above, ma'am.

Senator Warren: Well, okay. I hear you on all of the above, but what I'm hearing you saying is we are competing with them for advantage across a wide range of categories, and that makes it pretty easy to see how this great power competition can mean almost anything.

But let's make this simple and say we are trying to maintain our status as the dominant power economically and militarily. The problem with the idea of great power
competition is that I am not sure it is much different from
the way the policymakers and experts thought about our place
atop the international system in the 1980s and the 1990s.
You know, the notion of the U.S. as a dominant power in a
unipolar world, and that is what was used to justify the
Reagan defense buildup. So the way I see it, great power
competition looks like new packaging for an old concept.

So, Mr. Pottinger, let me ask you. You have described
the idea of great power competition as a series of
qualifying dashes that we must run and win in order to
qualify for the next dash, but no one knows when the race
will end. So is it fair to say that you view our
relationship with China as a sustained competition for the
upper hand over the coming decades rather than a contest
that would be decided, say, in the next few years?

Mr. Pottinger: Ma'am, I think that there are areas
where China has a window of opportunity to do grave damage
to our influence over international institutions, do damage
to our alliances, the things that keep us safe and
prosperous. And so when I talk about the idea that we have
to sprint, it is really on these areas where we have opened
up vulnerabilities that really should be strengths. For
example, our financial markets, our capital markets, which
are the deepest and most liquid in the world. Right now
those are benefitting the expansion of China's empire. This
is a dictatorship that is committing genocide and implementing a high-tech totalitarianism. We should not be doing that anymore, and I think that we need to sprint to rectify some of those areas where we have been playing to their advantage instead of our own. That will put us on a path to be able to have a stable, long-term competition where we do not have to live in quite as immediate fear --

Senator Warren: Okay. So I take it that was a long answer to say yes, this is going to be long-term competition here.

Mr. Pottinger: Yes, ma'am. I think it will be.

Senator Warren: I support investing in smart, cutting-edge technology for our military because we cannot keep building the world's best 20th century military for the 21st century. But too often in Congress, and in this committee in particular, the metric for whether we are making the U.S. stronger and more competitive in the world gets reduced to the number of bombers, the number of submarines, the number of missiles we have, compared with China. And whenever somebody points out the price tag, the Pentagon tells us it is justified because of great power competition.

So Dr. Medeiros, would you say that if we have any hope of competing over the next century, the United States needs an economy that is moving at full steam ahead for everyone and not just a tiny slice at the top?
Mr. Medeiros: Absolutely, Senator. I mean, the fundamental basis of American strength is not just our political system and our values, which obviously need some work, but also the United States economy, and the Chinese know that. They watch and track very carefully the health of our economy and, in particular, our technology sector.

To answer your previous question, I agree with your assessment. This will be a broad-spectrum, long-term competition with China, and I think that that means that the United States needs to invest more at home to ensure that we run faster and simply do not focus on slowing the other guy down. So the more we can invest in American jobs, in American families -- I support the administration's infrastructure initiatives -- the more we create the basis for the United States to run faster in this broad-spectrum, long-term competition. Thank you, Senator.

Senator Warren: Thank you, and I think it is important to emphasize that investing in our economy means more than boosting semiconductor production and throwing money at R&D. It also means broad-based investments in the American worker, like universal child care or cancelling student loan debt, and providing a strong social safety net for everyone. Competing with an authoritarian, corrupt, repressive regime, we need to be the model of democracy, the model of anticorruption, the model of freedom that the rest of the
world wants to follow.

You know, I am not interested in slogans that just justify another billion dollars in weapons spending. I think we need to focus on strengthening the U.S. through investments in our democracy and in our whole economy.

Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Warren. Senator Scott, please.

Senator Scott: I thank each of you for being here. Do any of you disagree with the belief that Communist China has a goal to completely dominate our way of life, control, you know, the worldwide economy and dictate the rules for how the worldwide economy works and what type of governments will be in power around the world? Does anybody disagree with that?

Do you believe that if Communist China continues to grow its economy and build up its military that American families are going to have better opportunities to compete and succeed, if we do not have the same opportunities that we have had because of control by Communist China? Does everybody agree with that?

Do you believe that if Communist China's economy continues to grow at the rate it has been growing that they are going to spend less on their military or more on their military? Does anybody believe they are going to spend
less? No.

So do you believe that American consumers and American businesses should be making decisions if they are part of our economy and part of what we want our way of life to grow, that we have got to stop, to the extent we can, of doing business with them and support our allies and support businesses in the United States?

Mr. Medeiros: Senator, can I ask you a question on that? So you raised one of the fundamental questions at the heart of the emerging era of strategic competition. What costs is the United States, the American consumer, the American business, willing to pay for a broad-based economic decoupling? We have a $650 billion trade relationship with China. That is an economic reality. So, you know, unwinding that would be a historically disruptive event for the United States.

And so I agree with your previous assessments of the nature of the challenges posed by China. The question is, you know, at what cost do we pursue a 100 percent economic decoupling?

Senator Scott: At what cost do we not have the same opportunity we have had in the past? So I think if American families knew that every time they buy a Chinese product, and if an American businessperson knew every time they do business with Communist China they reduce their chance for
their children and their grandchildren to live the dream
that we have all had the opportunity to live over the last
200-some years, then it is a small price to pay.

So do you, one, believe that we ought to, when you buy
products in America, you ought to know exactly where they
are produced, and many Americans would make the decision not
to buy a product in Communist China?

Mr. Pottinger: Senator, I strongly support the idea
that when people shop online they should be able to see, as
they are shopping, where goods are made, and they should be
able to make decisions about whether they want to buy goods
that are made in China. I strongly support that.

I think that it was historically disruptive for the
world to concentrate as much of the manufacturing base of
the planet into coastal China as we did over the past 30
years, and that it is inevitable that that needs to be
unwound. It will be to our benefit that it gets unwound.
That does not necessarily mean a wholesale decoupling.

I think that it is a straw man argument to say that,
you know, everything is going to stop. But certainly when
we are talking about some of those areas in the high-tech
sector, for example, where we out-innovate China, where
China is using technology to repress its citizens in deeply
disturbing ways, decoupling is more than called for. And I
think it is already underway. Some of the business
community here are outliers right now. That is why we have
government to tell them what the new rules are.

Senator Scott: As they build their economy, do you
think Taiwan is at less risk or more risk?

Mr. Medeiros: Greater. Greater risk.

Senator Scott: Anybody think they are at less risk?

Ms. Greitens: No, Senator, I do not. What I wanted to
do is just maybe add something to what Mr. Pottinger was
saying a moment ago, which is that I think that your remarks
highlight some of the coercive pressure that dependence on
the Chinese economy can create, and that has been brought to
bear not just on Australia, which was touched on earlier,
but American allies in Korea and the Philippines, just to
think about the last 5 to 8 years.

So one of the things I think we need to think about, in
terms of this selective or multistage decoupling process
that we have been discussing today, also has to do with, in
the meantime, how is it that we can coordinate effectively
with our allies and partners when they come under that kind
of targeted economic pressure. Because no matter what pace
or form decoupling takes -- and I would agree that China is
also pursuing its own form of decoupling to try to advantage
itself in that process -- that still means that in the next
few years we need a strategy to figure out how to make
ourselves and our allies less vulnerability to the economic
pressure that China is going to be able to bring to bear, and has already brought to bear on our allies and partners in the interim. And I think that is a really important point and piece of the strategy that we have to grapple with.

Ms. Glaser: if I could just quickly, Senator, add a point on Taiwan. Just as we have a very large trading relationship with China, obviously so does Taiwan. Over 40 percent of its exports go to China. An enormous amount of investment that has been accumulated, and over 1 million Taiwanese citizens live in China.

So I think that they should be diversifying. We should be encouraging them to do that. There are areas where they are vulnerable. Australia has shown what vulnerability brings. The Chinese so far haven't begun to use the tools, really, of economic coercion against Taiwan. That pineapple ban was just small potatoes compared to what they could do. But it is also, again, unrealistic. I think we cannot completely decouple from China, so Taiwan probably cannot either. But there is certainly more that they can do, and we can help them do, to diversify and reduce their vulnerabilities.

Senator Scott: Thank you.

Chairman Reed: Thank you, Senator Scott. Let me recognize Senator King via Webex.
Senator King: Thank you, Mr. Chairman. Ms. Glaser, in your opening statement you said something very important, I think, and that was the importance of maintaining the strategic ambiguity with Taiwan and that being more explicit, being explicit about a Mutual Defense Treaty or something like that could actually provoke the Chinese to take concrete steps to annex Taiwan.

Could you expand on that? I think that is an important point, because there is a lot of discussion in this committee and in the Congress that seems to assume a kind of Article V Mutual Defense Treaty with Taiwan, which we do not have, and why is it important to maintain the ambiguity?

Ms. Glaser: Thank you for that question, Senator. I believe that we all share an interest in supporting Taiwan and providing for its defense. If we choose, in a crisis, to go to Taiwan's aid, that is up to the President in consultation with Congress.

But I think that if we were to take a position of being clear that under all contingencies and circumstances we would come to Taiwan's defense, that China would view this as a resurrection of the Mutual Defense Treaty that the United States had with Taiwan from 1954 to 1979. This was a condition, breaking that of normalization with the PRC. And I believe that we should not rule out the potential for China to respond in ways that we don't want to see,
including launching an attack on Taiwan.

So we should help Taiwan to become more indigestible, in terms of the way we support its military. We should ensure, importantly, as Matt said earlier, our own ability to intervene militarily on Taiwan's behalf, that we ensure that is credible. We should be working with allies to bolster their support for Taiwan. We should help Taiwan to strengthen its economy, including through the negotiation of a bilateral free trade agreement with Taiwan, and we should do what we can to limit and reduce Taiwan's isolation from the international community. All of those things will help to strengthen deterrence. And simply making a declaratory statement that we will come to Taiwan's defense if it is attacked may, in fact, undermine Taiwan's security.

Senator King: Thank you. I think that is very important, and you use a term I've never heard in foreign policy -- indigestible. I like that concept.

Mr. Medeiros, why is it that the Chinese are reluctant to establish a kind of hotline, red hone, mil-to-mil connection, because it seems to me that one of the grave dangers both countries face is an accidental conflict. I just checked on Amazon. There are 11 copies left of the Chinese language version of The Guns of August, and perhaps we ought to send those to the Chinese Politburo, because this business of not wanting to be on the other end of the
phone if there is an incident in the South China Sea makes
no sense to me, from the point of view of China, let alone
our country.

Mr. Medeiros: Thank you, Senator. Excellent question,
and I strongly support your information operation of sending
Chinese language versions of The Guns of August to the
Politburo Standing Committee. Maybe we can work on that
after this hearing.

But more specifically, actually, the channels of
communication, crisis communication exists. In 2008, a
defense telephone link was created between the Pentagon and
the Ministry of Defense in China. The issue is less the
nonexistence of channels. It is the fact that the Chinese
choose not to use them.

There is both a structural reason and an incentive-
based reason for that. Structurally, oftentimes when the
U.S., if the call is not prearranged, and it usually takes
48 to 72 hours to prearrange it, nobody on the other end, in
Beijing, wants to pick up the phone, because either it is
not plugged in or they are not sure what to say when the
phone call comes in.

But more broadly than sort of the structural political
reason is the incentive reason. I have heard Chinese
retired military officers simply say, "The more we engage in
crisis communications and confidence building measures with
the United States, the more the U.S. will be present and push us in terms of conducting risky military operations within East Asia."

And so, you know, I worry that it is going to take a Cuban Missile Crisis-like situation for the Chinese leadership to appreciate how important crisis communication is, and encourage them to move away from such a stilted view of how to use these channels. Because the interactions between the Chinese military and U.S. military in East Asia are growing in frequency and complexity, and if we don't have the right measures in place, the risk of a crisis is growing, and then because of the weak communication channels our ability to manage that crisis is significantly constrained. Thank you, Senator.

Senator King: Thank you. Frequency, complexity, and danger, I would say.

Mr. Pottinger, my time is up. I would like to ask you a question for the record, and that is, how is the Belt and Road Initiative working out for the Chinese with regard to their international customers? I think America has allies; China has customers. My sense is that they are getting some significant pushback from countries around the world who are finding that dealing with the Belt and Road Initiative is not all that positive.

So if could submit for the record some thoughts on how
they are doing, if you will, politically, with the Belt and Road Initiative, I would appreciate it. Thank you.

Mr. Pottinger: I certainly well, Senator. Thank you.

Chairman Reed: Thank you, Senator King. Let me recognize Senator Sullivan, please.

Senator Sullivan: Thank you, Mr. Chairman, and I want to thank the witnesses for their excellent testimony. I have been watching this hearing. Really important hearing.

I am just back from Taiwan and Korea, actually, and I will tell you, there is nothing like being in a country, two places if it weren't for the sacrifice of America's military over decades you wouldn't have these free, prosperous, thriving democracies. It makes you very proud as an American citizen to see that.

Mr. Pottinger, I want to commend you on your Wall Street Journal op-ed, "Beijing Targets American Business," from March 26, and, Mr. Chairman, I would like to submit this for the record.

Chairman Reed: Without objection.

[The information follows:]

Senator Sullivan: So one thing that I want to address to you, Mr. Pottinger, many people, when you read the Financial Times and others, there is this narrative of the inevitable rise of China, with regard to power, economics, the military, but you have, already in your testimony today,
talked about how this could, particularly on the econ side, stall out, and you have emphasized smart capital, intellectual property. Can you briefly just mention that in a little bit more detail, and then I want to go into some of these finance concerns.

Mr. Pottinger: Senator, of course. One of the things that I was struck by over my time working on the NSC staff was the degree to which China is frightened of losing access to American know-how, as well as capital.

Senator Sullivan: Yeah.

Mr. Pottinger: And especially smart capital, like Silicon Valley venture capital that provides both the know-how and the money. And, in fact, if you look at China's tech sector, virtually every single major player, at least in the software space, was funded by Silicon Valley, and the software engineers were trained in the United States.

So the idea that China is inexorably going to continue to rise, that they have cracked the code, even though they have enormous talent -- there is no denying the incredible pools of talent and industriousness and entrepreneurship of Chinese people -- the system does not reward that, and decreasingly so. It is less and less rewarding to work in those sectors because the party fears those entrepreneurs in those sectors challenging party authority.

So I think that without the benefit of American know-
how and smart capital, you would see a stalling out of what appears a miracle.

Senator Sullivan: Good. Let me dig into that, and it's really troubling. The more you mentioned smart capital, the more that I dig into this. Senior Democrats in the Biden administration, senior Republicans from the Trump administration, have all mentioned to me, with alarm, this issue of American financiers -- private equity, big banks, they mention Sequoia Capital all the time, BlackRock -- these are Americans who have gotten super rich in our capitalistic society, but they knowingly are funding, financing our competitor, the PLA, AI. They funded the rise of China. This is a concern I am hearing about all the time.

Can you talk about these firms, others, and what we should do to stop it? China doesn't have this problem. They don't have billionaire Chinese funding us. But we have this problem. And I am going to start naming names. It is unpatriotic. It is a real problem. I am hearing it from Democrats and Republicans. Can you unpack that a little bit more? How damaging are these American companies to American interests?

Mr. Pottinger: Senator, I do think that that trend of growing flows of capital -- and I think there is both dumb money and smart money, but both of them are very useful.
Senator Sullivan: I wouldn't call money "smart" if it -- maybe these guys are going to get rich, but I do not think it is smart if it is funding our chief adversary globally. Do you?

Mr. Pottinger: I think one of our most potent advantages that we are now actually --

Senator Sullivan: How do we stop these American financiers from funding the Communist Party of China?

Mr. Pottinger: I think that congressional oversight of the Treasury Department, hard oversight, riding them hard to expand, like I said, by orders of magnitude the blacklist of companies that Americans are allowed to invest in in China is one. I think we should be looking at a CFIUS-like body for outbound investment, so that we screen outbound American investment headed toward China to make sure that it is not damaging our national interest and national security. Those are a few ideas.

Senator Sullivan: Let me ask one final question. You know, a lot of this hearing has talked about American comparative advantages. I think that is always an important area of focus. We have talked about allies, of freedom certainly, the rule of law. But let me give one other question for you -- energy. We are now the world's energy superpower. We are energy independent. We produce more natural gas, more oil, more renewables than any country on
the planet earth. We have been seeking that energy independence, in a bipartisan way, for decades. We are now there.

China, I believe, fears this tremendously. We now have an administration that actually is looking to restrict the production of American energy. Every time John Kerry goes to another country and says, "We are going to restrict production of American energy. You should restrict your production of energy too" -- Korea, Taiwan -- it is crazy. How big of a comparative advantage is American energy independence relative to China, and od you think like I do that this administration's policy of unilaterally disarming this enormous comparative advantage is strategic insanity?

Mr. Pottinger: Well, the second half of the 20th century, all of the wars that we got involved in, in the Middle East, are in one way or another tied to America trying to protect its energy supplies and energy security. So the fact that we have actually achieved energy independence is a godsend. It is something that gives us far more options, it allows us to avoid getting entangled into conflicts in parts of the world that we don't want to be in conflict in. And to that extent, I think that whatever approach we take in trying to greenify the economy first has to take into account the fact that gas is a lot cleaner than it is given credit for. But second, that we
don't want to end up in a position where we are suddenly making China the new Saudi Arabia because we are depending on their supply chains to provide us with, for example, batteries for our cars.

So if we are going to go to all-electric vehicles, we are going to have to have a pretty tough-minded policy of tariffs as well as subsidies that are designed to actually bring that entire supply chain back to the United States. That is not an easy thing to do.

Senator Sullivan: Thank you. Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Sullivan. Let me now recognize Senator Manchin, via Webex.

Senator Manchin: Thank you, Mr. Chairman. I appreciate it. And this first question will go to Ms. Glaser. Ms. Glaser, this committee is providing guidance to the Department of Defense on restructuring for a near-peer threat in Russia and China. I worry that we will continue to be stuck in our old mindsets. Historically, the United States has had the ability to move freely about the globe, uncontested, which likely would not be the case in the event of a conflict with Russia or China.

So how do we shift the entire Department's mindset from only having to fight when we get to fighting to get access to traditional sea lanes, and air space we have taken for granted in moving our troops? How are we able to get into
the fight if we can't get to the fight?

Ms. Glaser: Well, that is a very important question, Senator, and this is one of the reasons why we have to maintain our access to the region. We have to have the right kind of platforms in order to be able to get us to the fight. And we have to preserve our maneuverability within the Indo-Pacific region, should we end up engaging an enemy there. And that means dispersing our forces, being less reliant on these static bases. We have to develop operational concepts that will enable the United States to operate from more mobile areas.

Senator Manchin: Are you at all concerned about this? I understand the Marines have been worried about it, but are there any other branches concerned about it?

Ms. Glaser: I think that several of the Services have developed their own operational concepts. The Army has one, for example. As you said, the Marines do. Different Services are working on this problem. I don't think we yet have an integrated approach.

But this is what, I hope, the global posture review that the Biden administration is undertaking will address, because this is critically important to the United States going forward.

Senator Manchin: I would like to follow up with you on this later in time, and all the different branches, to find
out exactly what their intents are.

Mr. Pottinger, China has committed billions of dollars in loans and aid to Middle East countries, including Oman, Saudi Arabia, Egypt, UAE, and Pakistan. Pakistan alone has plans for up to $62 billion in projects, much of that devoted to military development. What are the implications of a China-allied Pakistan in our fight against violent extremists in Afghanistan and Pakistan?

Mr. Pottinger: Senator, thank you. I think that, you know, Pakistan will probably prove to be a mixed bag for China.

Senator Manchin: Always has been.

Mr. Pottinger: As it often has been for others as well. But, you know, the main approach that China is taking in the region, Pakistan is very much for China about trying to counterbalance and create problems for India, and then as you move further west into the Middle East, it --

Senator Manchin: That would be the follow-up of my question is the Middle East. Their involvement and their interests in the Middle East, what are your thoughts and concerns about that?

Mr. Pottinger: Yeah. I think that it is a similar play to the ones that they are playing in Central Asia, in Africa, and Latin America, but with the proviso that the Middle East is a lot more complicated even than all of those
great continents. But it is very much about securing
supplies. It is about playing a cynical role between the
Iranians and the Sunni Arab states and Israel.

So I think that countries there do not actually want to see China moving into a dominant role in the region, and I hear that from those countries, usually privately, but nonetheless quite consistently.

Senator Manchin: Well, the thing that bothers me more is the $62 billion they are receiving, and using it for their military aid. That bothers me a lot more than the infrastructure that is going into the countries.

Mr. Pottinger: Yes, sir. There is no doubt that there are dual-use facilities. They are looking to build airstrips as well as naval facilities that could be dual use. By the way, they are looking to do that in the Atlantic as well. China now has the aspiration to be an Atlantic military power. And so it all the more reason why we have to provide an alternative, through things like the Blue Dot Network that is being continued and built upon by the Biden administration, things to provide an alternative to the corrupt debt trap type money, highly corrupting money, that is being used to subvert the sovereignty of a lot of these countries to build out China's military footprint.

Senator Manchin: Thank you, Mr. Chairman.
Chairman Reed: Thank you, Senator Manchin. Now let me recognize Senator Blackburn, please.

Senator Blackburn: Thank you, Mr. Chairman. I appreciate that. And thank you to our witnesses for being here today.

Dr. Greitens, I want to come to you. General McMaster wrote something that I really like. He pursues the three-pronged approach when he is talking about the CCP -- corruption, coercion, concealment -- in how they pursue military fusion. And I find that so interesting, because that is one of the issues that really hits us in the face when we look at how China approaches this. And I know you have done a lot of study on this.

So what I would like for you to do is to lay out your concerns and also your recommendations on how we should proceed as we deal with each prong, knowing that we do not practice civil-military fusion. You know where our Commerce Department ends and you know where our defense industry begins. So if you would just lay that out, and then talk about how that affects our academic and research institutions.

Ms. Greitens: Thank you, Senator. That is a really important question, and I am happy to try to cover as much of it as I can, and then I will follow up.

Senator Blackburn: And let me just say this. If you
want to give a highlight and then submit to me for the record, I think that is something that as we look at the NDAA, we need to think this through and have a more thoughtful approach to this. You hear us talking about semiconductors. You hear us talking about AVs and EVs and AI. And there is an integration of every bit of that.

So hit the highlights and then, Mr. Pottinger, I have a question I want to come to you on.

Ms. Greitens: Yes. Thank you. Let me bracket the question of semiconductors, because we have had a little bit of a chance to discuss that already, and I am happy to follow up with you after the hearing to discuss that, and I will focus principally on your question about higher education for the moment.

I think American higher education is in the midst of a reckoning and a recalibration of its relationships with the People's Republic of China. I would look at four different areas in thinking about the challenges that China's role poses for American higher education.

First of all is research security. One of the things that you all are considering is an enormous amount of investment in American research, particularly in tech and the sciences, and it is really important that that funding not immediately get siphoned off --

Senator Blackburn: And as you are aware, we have a
trial going on in Knoxville, Tennessee this week with a UT professor, and we also have an issue with a Russian spy that somehow became connected to Oak Ridge. So very aware then.

Thank you for mentioning it.

Ms. Greitens: Yes, and thank you for your attention to that issue.

I think one of the things that needs to happen is tighter requirements, and I have publicly supported and written about some of these in the past, of disclosure of both funding coming from China or other foreign countries -- it not just a China problem but the size of the funding is a lot bigger -- and talent program participation. I can tell you, from having been at two American flagship public universities that the disclosure process is not standard across different institutions, and I would support some standardization and some collaboration between the Department of Education, the American universities, and other parts of the Federal Government to ensure that disclosures are more uniform and more complete.

Second, I think I would commend some excellent work by Mary Gallagher, that I would be happy to provide to the committee, where she looks at the role of Chinese Student and Scholars Associations. This is less an issue with espionage or tech transfer than it is in the social sciences and for free speech and free inquiry on campus, which is a
fundamental value of American society and American higher ed. Her suggestion is that given the nature of the funding and the close coordination between the CSSAs, the shorthand, and some of their relationships with Chinese government entities like consulates in the United States, that it may be appropriate for them to register as foreign agents, under the Foreign Agents Registration Act. So that is a second recommendation.

Third is that I think we need to grapple with the increasing use of what I would call "lawfare," meaning lawsuits and sanctions that punish researchers who publish work that is critical of the Chinese Communist Party. And we have seen that recently with researchers and people who have been advocates for human rights, in Europe and in North America as well. Much of this will be more of a university-level conversation, but I think Congress has a role in setting expectations for the support that will be provided to people if the pressure from the Chinese Communist Party gets brought to bear.

The last thing is that I think we have a pipeline problem, in that during the Cold War we funded open-source translation, and we funded the development of a cohort of analysts and experts who really knew the Soviet Union and were reporting in real time about a lot of developments. That pipeline, from my perspective, as the one who trains
doctoral students and researchers, is too thin. And so I think as we talk about Federal funding, and as we look at investments, a relatively small investment in social sciences and open-source translation services to build the intellectual base that we need for our long-term competition is going to be an important measure to consider. Thank you.

Senator Blackburn: Thank you. I appreciate that. And Mr. Pottinger, I am going to come to you with a written question pertaining to electric vehicles, and the supply chain issues that we face there with electric vehicles. We also see the same thing in pharmaceuticals. But, of course, we have an administration trying to really incentivize $200 billion into EVs. But what I have learned by talking to some of our researchers is we do not have the necessary support base for that, and I will send that in writing to you.

Mr. Pottinger: I will gladly respond. Thank you, Senator Blackburn.

Chairman Reed: Thank you, Senator Blackburn. Senator Kelly.

Senator Kelly: Thank you, Mr. Chairman. Ms. Glaser, good morning. You have rightly pointed out the challenges in building a unified bloc of international partners to stand up against China's economically coercive policies. And yet we know we are strongest when we act together with
our partners and with our allies. As we continue to observe
some of our closest international partners being
economically targeted by China for deploying U.S. missile
defense systems or supporting pro-democracy protesters, or
even for simply opting not to allow Chinese state-owned
companies to build their 5G networks, it is clear we face a
shared concern here.

So Ms. Glaser, how can the United States better
leverage our alliances to affect a more unified response to
China's coercive behaviors?

Ms. Glaser: Thank you for that question, Senator. I
think that, as I said earlier, China engages in these
practices because they don't pay any costs, and we have seen
this beginning with Norway, and it has gone through the
Philippines, as you said, South Korea, Australia. It is a
very large number of countries. And some cases the United
States, I think, has stood back and admired the problem. We
haven't done enough to push back.

So we really do need to get like-minded countries
together, first just to establish a coalition, to signal to
China that we are willing to take joint steps. That, in
itself, may begin to deter some of Chinese behavior.

But then we have to -- again, we have to reduce our
vulnerabilities, which we talked about earlier, and the
vulnerabilities of our allies. We should encourage all
countries to ensure that they are not sending a particular product to China, an enormous percentage of it, without having potential plans to diversify in the event that China imposes coercion on them. Countries have to be prepared, and maybe we can have a group effort to actually work with countries to buy some of their products if they are boycotted. We are not going to be able to replace all of the damages, in dollar-to-dollar terms, but again, we can signal China that we can do something.

And then I think we can look for WTO consistent ways to actually impose costs on China, maybe through tariffs, joint actions taken by other countries, maybe to boycott China's products in response.

So we have to have a menu of things, but it has to be voluntary. If we tell countries, "If you join up for this, these are all the things you must do," then we will probably be standing alone or with very few partners. So I really do think we have to work with countries and do what is comfortable for them, and on a case-by-case basis, we should start by building that coalition. Thank you.

Senator Kelly: Have you seen any effort by any administration to build this coalition?

Ms. Glaser: I have not. I have not seen, in the case of the economic coercive measures taken by China against South Korea, when it deployed THAAD. The one case I would
say is with Japan and the export of rare earths, which the Chinese tried to limit to Japan. We did join in a WTO case, and the EU joined with us, and we won that case.

So we could do the same with Australia. As a third party we are allowed to join WTO cases. So I think I would cite that as one example, but there isn't always enough data available to prove, to build that case for the WTO, because the Chinese do this deniability.

Senator Kelly: Thank you, Ms. Glaser. Dr. Medeiros, competition has increasingly come to define the U.S.-China relationship, and indeed this week the Senate is considering a bill that would enhance U.S. footing in strategic competition with China. Dr. Medeiros, you have spoken about China's increasing anxiety in the face of changing U.S. policy. What risks does this anxiety pose to U.S. national security interests and regional stability, and how should that inform U.S. strategy?

Mr. Medeiros: Thank you, Senator Kelly, and thank you for your longstanding commitment and work on the U.S.-China relationship. Chinese anxiety because of U.S. actions is not necessarily a bad thing. While the U.S. should seek to avoid accidents and miscalculation, I think it is also important to understand that American actions can signal to China the risks and costs associated with much of their behavior. And I very much agree with Ms. Glaser's written
and oral testimonies, where she talks about, in certain areas, both related to gray zone operations and specifically economic coercion, perhaps the Chinese haven't fully internalized the cost associated with their actions.

So I think that the more that the United States invests at home and signals to China that it is revitalizing itself, it is resilient, and it will be a strong, long-term competitor, but also the more China engages in both economic and military coercion, the more that the United States will work with other countries to constrain Chinese options. And I think that will have an important effect on China's calculus going forward. Thank you, Senator.

Senator Kelly: Well, thank you, and I couldn't agree more. I mean, we have got to stand up and put those roadblocks in place and coordinate with our allies, and also make sure they understand that we are going to build this capability at home. And so I think this legislation we are going to be voting on this week is a good first step, but it is not all that we need to do. Thank you.

Chairman Reed: Thank you, Senator Kelly. Senator Hawley.

Senator Hawley: Thank you, Mr. Chairman, and thanks to all the witnesses for being here. Let me start with you, Mr. Pottinger. I noticed that Xi Jinping said the following to the CCP Central Committee during a closed-door session
back in 2013. Here is the quote: "Most importantly, we must concentrate our efforts on continually broadening our comprehensive national power and laying the foundation for a future where we will win the initiative and have the dominant position." That is Xi.

Give us a sense of how seizing control of Taiwan plays into this, and to Beijing's strategy, in your judgment, in terms of Beijing winning the initiative, as Xi was talking about, and assuming a dominant position in INDOPACOM and the beyond.

Mr. Pottinger: Senator, yeah, that speech is a remarkable one for that quote and many others. It was actually kept secret by the Chinese government for more than 6 years, but it really did lay out, at the very beginning of Xi Jinping's rise, what the goal was, and it was to challenge and eventually defeat capitalism, in his words, and expand the Chinese version of socialism, which is a dark one.

When it comes to Taiwan, I mean, if we were to think of the unthinkable and imagine what would happen if Taiwan were coerced, and coercibly subordinated, it would not only snuff out the first Chinese democracy in history, a very successful one, it would also damage the democratic models of other neighboring countries in the region. It would do serious damage to U.S. credibility as an ally. It might
lead to nuclear weapons proliferation as countries scramble for something that they hope would be more reliable than the assurances of our extended deterrent. It would badly disrupt the chip and semiconductor industry, those supplies. If we think automakers are having trouble right now, you know, you haven't seen anything yet. And the list goes on and on.

So China views it as a means not only to solve something of a domestic matter in their view, and for something of the domestic credibility of the Chinese Communist Party, but also as a way of shattering U.S. influence, shattering U.S. alliances, and really shattering the defense concept of Japan, for example, to say nothing of Southeast Asia, and giving it a clear view all the way to Hawaii.

That would also mean that all of the effort that they put into arming for a Taiwan contingency could then be devoted to expanding China's influence everywhere else around the world.

Senator Hawley: For those reasons, do you agree with the Department of Defense that the U.S. government, and the DoD in particular, should prioritize defeating a fait accompli in Taiwan as a pacing scenario, as they sometimes say?

Mr. Pottinger: I do, and that is something that has
been in our 2018 Indo-Pacific strategy framework. It is in
the 2018 National Defense Strategy. It is not a question of
implementation, and the implementation isn't there yet, and
time is running short, because it is going to take some
years for the benefits of that implementation to start
showing up in the form of capability.

Senator Hawley: Give us a key, just a thumbnail
sketch, of what you think some of the key steps are when it
comes to implementation. You say it is not there yet. What
needs to happen?

Mr. Pottinger: Well, from what I understand, I haven't
read the budget submission, but from what I am reading in
the press, the Pacific Deterrence Initiative needs to be
resubmitted, in my view, in a way that is actually in tune
with what Congress clearly intended in a bipartisan fashion.

Senator Hawley: Yeah, I wanted to ask you about that.
The Department's FY 2022 budget, instead of the $2.2
billion requested by PACOM for force design and posture and
PDI, DoD is proposing $23 million. That seems strange.
What do you make of that?

Mr. Pottinger: Yeah. I mean, I hope that is something
that can be worked out, but the spirit and intent of this
initiative was really to expand the operating space for U.S.
forces, to make our allies more capable and interchangeable,
interoperable. It is not just about, you know, budgeting a
few more airplanes or an extra ship, which we should also be doing, by the way. But it is really more about changing the battle space in ways that complicate China's plans.

Senator Hawley: In the few remaining seconds that I have, Dr. Greitens, I want to ask you a question. It seems that China has become bolder, more and more aggressive, across a variety of fronts. We have seen it with their Uyghur genocide. We have seen it with their military adventurism. We have seen it, unfortunately, in the crackdown on Hong Kong, which I witnessed first-hand.

In your assessment, what has led to the CCP's bolder, more aggressive posture in recent years?

Ms. Greitens: I think it has a lot to do with the national security concept and strategy that was adopted by Xi Jinping in 2014 and 2015, and one of the things that that strategy does, it talks about that China is approaching the center of the world stage, there is this unprecedented period of strategic opportunity. So it is a recognition that China's power and its capability of pushing the envelope in all the areas you mentioned has really grown and increased.

At the same time, there is also this interesting strand of insecurity, even paranoia, that gets paired with that, where the CCP talks about, and the closer we get, the more resistance we are going to encounter, and therefore the more
vigilant we will have to be, the harder we will have to 
push, and the earlier we will have to crack down on any 
internal dissent or opposition abroad.

And so this concept, in the way that internal and 
external security are interlinked, really pushes the entire 
party state system, both internally and externally, toward 
this extreme form of prevention down to really trying to 
control and immunize politically incorrect thought, which we 
know to be really dangerous and has had disastrous 
consequences for the Chinese people, particularly people in 
Xinjiang, and now in Hong Kong.

Senator Hawley: Very good. Thank you very much.

Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Hawley. Let me 
recognize Senator Peters, please.

Senator Peters: Well, thank you, Mr. Chairman. This 
question I am going to direct to all four of you. Maybe, 
Ms. Glaser, we will start with you and then work down the 
dais.

I want to start with kind of the big picture of what we 
look at in this competition between China and the United 
States. It has been described as this is really a challenge 
between authoritarianism and liberal, small L, liberal 
democracy, and that translates into the economic systems.

You have a state capitalism system with the Chinese, a
market capitalism here in the United States. And from my background, I spent 20-plus years in the investment business, taught strategic management at university, and as we are thinking of companies in a competitive environment, you always want to think about what is your comparative advantage to your competitors, what is your comparative disadvantage to your competitors, and sort of you can think through your strategic approach to that challenge.

So my question to you is if you could just put one thing, what do you think is China's competitive advantage with their system versus the United States? What is their comparative disadvantage? And if each of you could kind of give me a sense of what you think is the top advantage and disadvantage from a competitiveness perspective, across all those things, from technology to the economy to military, the way their governance structure is. You can frame it in the way you would like, and we will start with Ms. Glaser.

Ms. Glaser: Well, thank you, Senator, for that question, and I will be short so I can leave time for my colleagues. I think that what is China's greatest strength is its ability as a state to allocate resources in ways that work to its advantage, and yet the other side of that coin is that it is also its disadvantage, because that capital is then allocated inefficiently. But there are times that this really works in China's favor. If they throw money at the
problem of developing semiconductors, if we are not putting in place the barriers to prevent them to catch up, then the resources they throw at that enables them to do that.

But the fact that the rest of the world is waking up to the challenges and threats that China poses is really the greatest threat, because that will make it more difficult for them to achieve their goals going forward. Thank you.

Senator Peters: Thank you.

Ms. Greitens: I would add to Ms. Glaser's comments the mobilization capacity and the ruthlessness of the Chinese party state, combined with sheer economic gravity are two pretty formidable strengths in this competition. The United States has unique values and a network of allies and partners that make it globally appealing. I continue to believe that that is a really important advantage for the United States, although I will add that I think when we talk about values and the importance of democracy we should treat it as an aspiration rather than an exclusive club of membership. That will make it much easier to work with some of the partners who are still aspirational or only partly democratic. And so I think striking that balance in our allies and partners and our networks globally is going to remain an important advantage for the United States.

Senator Peters: Great. Thank you.

Mr. Medeiros: Senator, I think the Chinese have two
advantages. As my colleagues said, number one, their ability to mobilize and allocate resources, absent dealing with domestic politics, is a real strength, and the fact that they have turned that into the second-largest economy in the world. Another major strength is that their economy is large and very present in Asia, which has a sort of gravitational pull on other economies in Asia, which is a strategic challenge for the United States.

The challenges that they face are, number one, that they have an inability to appreciate how other countries see them, how other countries have a growing number of concerns about coercive and predatory behavior. And if you are a Chinese citizen, the use of coercion by the part state system, the fact that the government could simply come in at any time and disrupt your life, I think is a major headwind toward their ability to become the kind of more open, innovative economy they want, going forward in the future.

Thank you.

Senator Peters: Thank you.

Mr. Pottinger: Senator, I think China's biggest advantage is its scale. They have incredible people and talented people, but, of course, a lot of countries do as well. It is simply the scale. And if China were a lot smaller it would be creaking and probably would have collapsed quite a long time ago. So that scale is a huge
advantage for them, and they are trying to leverage that to their advantage.

The biggest disadvantage is that the ruling Communist Party doesn't stand for anything except for its own power. There is no other answer. They don't have anything they can paper over to explain their reason for being in power other than power itself.

The United States is the flip of that. It is our values that are our biggest strength. It is the thing that we fight for. It is also a sharp instrument that we have to fight against tyranny. It is why we have alliances. It is why people want to trade and visit and study and move and immigrate to the United States.

Our disadvantage has been, and I think we are turning a corner on this, but it has been a lack of a sense of purpose or a sense of unity on this problem, and I think that we are achieving that. I think we have seen, and even heard today in this room, the degree to which this is really a bipartisan consensus now that is growing on this.

Senator Peters: Thank you. Each of you, thank you.

Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Peters. Let me recognize Senator Tuberville, please.

Senator Tuberville: Thank you, Mr. Chairman. Thank you for being here today. This has been pretty enlightening
for me, somebody who has been in education for the last 40 years.

Dr. Greitens, China's human rights violations against the Uyghurs were social monitoring and privacy violations. Do you think they used the same thing or are using the same thing against Hong Kong, as we speak?

Ms. Greitens: Senator, the tools that were developed and applied in Xinjiang actually began being tested and experimented with about 10 years earlier on China's eastern seaboard, in large urban areas. So in some ways it is actually easier to apply them in a place like Hong Kong, which is more similar to Shanghai or some of the big cities where these techniques were originally rolled out, than it was to adapt them to the geography and the sort of demography and the areas that the CCP is trying to control in Xinjiang.

What we've seen is that the sort of fusing of the national security state into Hong Kong's political system has been gradual, although I would say it has pretty rapidly accelerated since the passage of the national security law last summer. And yes, some of the same tools have been applied. There are some things that we have seen used on the mainland and throughout the rest of China that we have signals or signs may be employed in Hong Kong, but it has been a partial process and I don't think the CCP is finished
yet.

Senator Tuberville: Thank you. You know, I look at education as the key to freedom for any country. As we speak, we have got thousands of young men and women from China here in our higher education system. Now, a lot of them might be more apt to their economy or their lifestyle than ours. But as we speak, we have got 55 Confucius Institutes in this country, 55. How would you recommend we approach the threats that the Confucius Institutes put towards us here in this country?

Ms. Greitens: Thank you. I think that the Confucius Institutes, and the 55 that remain, are an interesting challenge, because one of the sort of principles that China uses in its own governance is to take a goal or a central principle and then adapt it to different circumstances on the ground. That was one of the lessons of the Chinese Revolution and it is sort of hard-wired to Chinese governance. We see that with Confucius Institutes as well, that right now, on different campuses in different places they fit in university structures differently, they serve different purposes, and therefore they also pose different challenges.

So I think that the way that I see it is that principally the challenge that is posed by an organization like a Confucius Institute is that students come to American
classrooms from China, from around the world, to study in an environment that is characterized by free and open intellectual inquiry and pluralistic debate. And so any arrangement that seeks to apply China's political security standards or sort of policing of political rhetoric to members of American educational communities, and to regulate them through what I would describe as corporatist or sort of monopolistic organizations and practices really does pose a risk to what makes American higher education unique and what makes it globally competitive.

And so what I think we need to think about is that in many cases the Confucius Institutes are either sort of -- there are cases where they are filling a gap in language training, and in that case, in my view, it is the role and responsibility of the United States government to step in and fill that gap, to ensure that the curriculum and the teaching that we need to compete with China, which includes that cadre of trained analysts that I talked about before, that cohort of trained analysts I talked about before, isn't being trained, necessarily, through funding from the Chinese government. I think that's the responsibility of the United States to invest in that project itself.

And so in the cases where the Confucius Institute is there because it fills a gap that wasn't being funded or addressed, then I think it is our responsibility to step in
and fix that.

Otherwise, I think it is really important that American higher education retain control over hiring, personnel review, the tenure process, publication, and that foreign governments not have the ability to influence any of those processes. So any arrangement where a Confucius Institute has involvement in any of those I think is actually inappropriate for American higher education.

Senator Tuberville: Thank you. Thank you. One more question. Mr. Pottinger, I hear all about the semiconductors, the lack of, and the things that we don't need to be doing business with China, and all that. We have got rare earth minerals here in this country, and we don't mine them. I don't understand that. And we are going to end up like we did with this pandemic. We are not going to have anything to use in terms of masks and equipment. But I hear nobody talking about rare earth minerals in this country. What are your thoughts on that?

Mr. Pottinger: Yes, sir. It is sort of a misnomer to call them rare earths, because they are all over the place. We have got a lot of deposits in the United States as well, and as you mentioned, those have been largely shuttered because they weren't economical in a competition with a country like China that doesn't have environmental standards, for one thing, and that also put an enormous
amount of subsidy into building not just the mines but, more importantly, the downstream components of the rare earths chain. So it is those factories that turn those minerals into things like neodymium magnets that are used in all kinds of things, that you can imagine.

So if we were to be competitive and to build sort of a new supply chain, we have to realize that you can't just go after one component of that supply chain. You actually have to incentivize the building of those facilities that are not only going to mine but actually create those products that can then go straight into automobiles and missiles and helicopters, and all the rest.

Senator Tuberville: Thank you. Thank you, Mr. Chairman.

Chairman Reed: Thank you, Senator Tuberville. Senator Rosen, please.

Senator Rosen: There we go. Sorry. Thank you, Chairman Reed, and thank you to all the witnesses for being here today for your thoughtful testimony and your work in these areas.

I would like to talk a little bit and touch on international standards for emerging technologies, because they serve as a foundation for the development of, and use of emerging technologies, as we have been speaking about, our global competitiveness. It depends on our participation.
and in our leadership for setting standards for the next generation of technologies. That is why last year I helped introduce the bipartisan Promoting United States Wireless Leadership Act of 2020, to ensure that the U.S. has a seat at the table in the wireless standards-setting process.

But we know China has an explicit plan to become a standards-issuing country by targeting emerging technologies where global rules have yet to be fully defined. In fact, China has a goal of achieving leadership in emerging technologies by 2030. That is only 9 years from now. So I want to repeat -- 9 years from now. It is going to go by this fast, right? So for the U.S. to remain a leader in this space and maintain our national security edge, our response must include working with the private sector, investing in research and development in these technologies, and coordinating with all the relevant agencies and engaging international standards-setting bodies.

So, Ms. Glaser, if China is set on achieving leadership in about 9 years, can you describe the importance and the impact of U.S. participation in international standards-setting bodies right now for the development and use of emerging technologies, and what do you think we need to do to coordinate with the private sector? We don't have any time to waste?

Ms. Glaser: Well, thank you, Senator. I agree with
you and I hear this from companies as well that are in associations that want to be leaders in standards setting, and they say that the Chinese come into meetings and they flood the agenda with very large numbers of papers, each putting forward their own standards. So we need to bolster the capabilities of our companies to compete in standards-setting organizations.

We also need to work together with our allies and partners. This is an important space for us to be working particularly with European companies who are very concerned about China's lead in standards setting and settings standards that will favor China's interest rather than their interests in combination with the United States. So I think we are knocking on an open door with our allies when we raise these kinds of issues, working with the Europeans. So I would very much support that. Thank you.

Senator Rosen: Well, I want to build on that, because we must maintain our technological edge. And, you know, our leadership in emerging technologies is increasingly challenged, primarily by China. They are making advances in critical areas like AI, robotics, cyber, hypersonics, while at the same time rapidly procuring commercial technologies that can be adopted, we know, for military purposes, so global competition, declining R&D, limited incentives. Our procurement processes are the few impediments that we have
to turn greater private industry and military partnership in
the U.S.

So again, Ms. Glaser, how can we capitalize on
collaboration between the military and commercial industries
to maintain our technological edge going forward?

Ms. Glaser: Well, in that area, Senator, I think that
we do need to be working more closely between our private
and public sectors. We have to be coordinating what our
defense establishment is doing with the private sector. I
think that is going on, to some extent. The answer, of
course, is not to have a military-civil fusion strategy like
China has, but we do need to be more integrated and ensure
that we are leaders in these key areas that China has set
out, for example, in Made in China 2025, which is only one
of their industrial strategies, because they have many.

But there is nothing that Xi Jinping is more determined
to do than to be the leader of these 21st century strategic
technologies. So it is imperative and should be a very high
priority of the United States.

Senator Rosen: And although we don't want a military-
civil fusion policy like the Chinese, what do you think we
can do to best nurture and empower our public-private
partnerships to continue to grow our investments and
strengthen technology?

Ms. Glaser: Well, let me pass on to maybe some of my
colleagues who might have specific ideas on that, but I'd be
happy to provide you something in writing.

Senator Rosen: Okay.

Mr. Medeiros: So, Senator, thank you for your
leadership on this issue. The issue of technology standards
is often seen as a technical one. I actually see it as a
strategy one, and I have two modest recommendations.

Number one, I encourage you to interact with the new
Secretary of Commerce, who, as you know, controls NIST, and
I believe that there will be a new leader of NIST appointed
soon. Secretary Raimondo has identified American technology
leaders and standards leadership as one of her priorities,
and I think that having the Commerce Department more
involved in incentivizing public-private partnership and
then having the Congress seed some of these efforts with
some initial funding to facilitate public-private
partnerships in this area, both of these initiatives will be
important. Thank you.

Senator Rosen: Thank you. I see my time has expired.
I believe we have a vote, so we can take -- I know you all
have some suggestions. We can take that for the record,
please. Thank you.

Chairman Reed: Thank you, Senator Rosen. And let me
thank the panel for an excellent presentation. Both your
testimony and your responses to questions have been
insightful, thoughtful, and very, very helpful to the
time line.

With that let me adjourn the hearing. Thank you.
[Whereupon, at 12:10 p.m., the hearing was adjourned.]