

Opening Statement of Carolyn Bartholomew, Vice Chairman
U.S.-China Economic and Security Review Commission
November 14, 2018

Thank you, Chairman Cleveland. Every year we cover a few issues of enduring importance—Taiwan, and Hong Kong, among them and review the past year’s themes in the security and foreign affairs arena. This year, we have highlighted China’s relations with U.S. allies and partners, China’s evolving strategy on North Korea, and as the Chairman mentioned, the Belt and Road Initiative.

A common thread throughout the report is the implications of China’s assertive “going-out” strategy, coupled with President Xi’s consolidation of power. Regionally, China seeks dominant influence over its neighbors and has stepped up its diplomatic, economic, and military intimidation activities. China has declared its ambitions to be a global leader and, around the world, is making efforts to quiet voices critical of the Chinese Communist Party.

To support its global leadership ambitions, the Chinese government has set a number of new goals for its military. The first is to build a “world-class” force on par with the United States, and another speeds up China’s timeline to build a fully “modern” military by 15 years, now to be completed by 2035. Our report looks in-depth into some aspects of Chinese military modernization, which is streamlining its command structure and improving its ability to contest U.S. operations in the region. One of our key recommendations for Congress is to direct the U.S. Departments of Defense and Homeland Security to report on the implications of the change in the Chinese Coast Guard’s command structure, which now reports to the Central Military Commission. Should it be designated as a military force? How could this change affect U.S. Navy and U.S. Coast Guard interactions with the Chinese Coast Guard?

Our Chairman mentioned the Belt and Road Initiative, which has economic, diplomatic and military implications. We have recommended that Congress require the Director of National Intelligence to produce an NIE detailing the impact of existing and potential Chinese military access and basing facilities along the Belt and Road.

China is pouring resources into cyber and space warfare, hypersonic weapons, artificial intelligence, long-range missiles, and other advanced weapons systems. It is already outpacing the United States in some of these areas. China is also pursuing a national strategy it calls “military-civilian fusion,” which aims to harness technological breakthroughs in the commercial sector—including those derived from Chinese access to U.S. companies and universities—to power its military growth. This strategy has significant implications for the transfer of commercial technology and equipment. The Commission intends to explore this key issue in even greater depth next year.

Military tensions between China and its neighbors in the region intensified this year due to China’s increasingly assertive military activities and uncompromising stance on its sovereignty claims. In the South China Sea, China took new steps to consolidate its military hold over international waters through the militarization of its artificially-constructed islands. President Xi publicly congratulated China on the success of these efforts. This year, the Commission has

recommended that Congress consider imposing sanctions on key Chinese state-owned enterprises and individuals involved in this militarization activity.

China also continues attempts to undermine and subvert countries around the world so that they will support Beijing's policies and goals. One focal point of our Report, and of another staff report released earlier this year, is China's efforts to neutralize voices critical of Beijing through influence operations and what it calls "United Front" work. These efforts are occurring in the media, in universities and colleges, in think tanks and elsewhere. We recommend that Congress direct the National Counterintelligence and Security Center to produce an annual report on the CCP's influence and propaganda activities in the United States.

In Taiwan, Beijing is significantly ramping up its intimidation efforts, aiming to undermine Taiwan's democracy and further isolate the island. This year, after China required U.S. and other foreign companies to list Taiwan as part of the People's Republic of China on their websites, the Commission has recommended Congress consider amending U.S. anti-boycott laws to prohibit U.S. companies from complying with these types of bullying demands. Such legislation could include measures authorizing reciprocal sanctions on Chinese entities in the event of Chinese retaliation. We also recommend that Congress direct the Department of Defense to include Taiwan military personnel in U.S. and U.S.-led multilateral military exercises, as well as raise the threshold for Congressional notification on sales of defense articles and services to Taiwan to those set for major U.S. allies.

Similarly, Beijing continues to encroach on Hong Kong's political system, rule of law, and freedom of expression. While Hong Kong remains important to U.S. interests as a global financial and business hub, its diminishing autonomy from mainland China is causing some observers to argue the territory is losing the unique characteristics and legal protections that make it an important U.S. partner. In light of these developments, the Commission recommends that Congress reexamine U.S. export control policy as it relates to U.S. treatment of Hong Kong and China as separate customs areas.

Finally, I wanted to highlight our research this year on China's evolving strategy toward North Korea. While China increased its enforcement of sanctions targeting North Korea through the early spring, it looks to have eased up on enforcement since the diplomatic thaw began between North Korea, the United States, and South Korea. China's foremost interest on the Korean Peninsula is to maintain stability and ensure it is not isolated in any future peace agreement for the Peninsula. Eventually, Beijing would like to steer negotiations in a direction that undermines the U.S.-South Korea alliance and gets American troops out of Korea.

To summarize, our Report clearly documents China's increasing campaign to influence countries around the world through both implied and real diplomatic, economic, and military threats. Domestically, China is doubling-down on censorship and repression, including against the Uyghur ethnic minority population. China's diplomats are acting more assertively abroad, while being backed by a military that now seeks to become a world class force and is extending its own presence around the globe.

We hope you find the Report informative and the recommendations helpful as we enter into a new era of the U.S.-China relationship. You can find this Report, and all of our hearing transcripts, research reports, policy briefs, and other useful resources on the Commission's website, www.uscc.gov. Thank you.