

The Roots of Coercion: *China's Leverage in Indo-Pacific Countries and the Future of PRC Gray Zone Tactics*

Testimony of David O. Shullman before the U.S. HOUSE OF REPRESENTATIVES FOREIGN AFFAIRS COMMITTEE SUBCOMMITTEE ON ASIA, THE PACIFIC, AND NONPROLIFERATION

July 28, 2022

Chairman Bera, Ranking Member Chabot, distinguished members of this subcommittee, thank you for the opportunity to testify today. Thank you, also, for organizing a hearing on this topic critical to the United States ability to defend our interests and values in the Indo-Pacific.

Pursuing Preeminence without Instability

I would like to begin with a description of Chinese leaders' strategic conundrum in the Indo-Pacific. The region, China's own, is of undeniable centrality to Chinese Communist Party General Secretary Xi Jinping's overriding goal of achieving the "rejuvenation" of the Chinese nation by 2049. Without becoming the preeminent power in the Indo-Pacific, including resolving remaining territorial sovereignty disputes that occupy a significant portion of its attention and national security resources, China will not fulfill its ambitions to become a fully risen great power with global reach. At the same time, Beijing values stability in its periphery. Chinese leaders remain fixated on domestic development and seek to avoid the use of military means that could provoke a counterbalancing response from its neighbors or worse, the United States. Chinese leaders therefore value so-called gray zone tactics that advance towards China's strategic aims without causing regional instability.

The gray zone concept is intentionally broad, but typically includes the spectrum of activities that exist between peace and armed conflict, from military operations and cyberattacks to coercive economic and political actions. The Committee has asked that I address China's use of economic and political measures to advance its goals in the Indo-Pacific. Actions within this domain include geopolitical measures taken by China to exclude countries from international institutions or bilateral moves such as trade restrictions and public boycotts. While such evidently coercive actions garner significant focus, less attention has been paid to China's application of its growing power and leverage to shape countries' choices from the inside out.

I will therefore focus my remarks on China's cultivation of grassroots influence in Indo-Pacific countries' economic, information, and political domains to achieve—or lay the groundwork for achieving—its strategic aims. China's latent potential to use its leverage to coerce is shaping decision-making across the Indo-Pacific, producing policies more consistent with Beijing's interests and counter to those of the United States.

Economics as the Foundation of Coercion

Chinese leaders understand economic leverage as fundamental to the country's comprehensive national power and ability to achieve its geostrategic aims.¹ Countries' economic reliance on China ensures they will seek to avoid violating China's interests when determining their own policies and positions in international forums. Such leverage grants China the ability to coerce, when necessary, but also makes it likely China can achieve its aims without causing undue reputational damage to a cultivated narrative around the benefits of China's rise for all.

In the Indo-Pacific in particular, Beijing seeks to use its growing economic leverage to establish a zone of dependence on China and reestablish the country as Asia's preeminent power. Such dependence gives China leeway to prevent unified pushback against its territorial claims in the region and advance geostrategic goals such as the protection of sea lanes

¹ "China's Military Strategy (full text)," Xinhua, May 27, 2015, http://english.www.gov.cn/archive/white_paper/2015/05/27/content_281475115610833.htm

critical for the transport of energy and the establishment of military facilities to protect China's growing interests beyond its immediate periphery.

China has exerted economic coercion of varying kinds in the Indo-Pacific, to include popular boycotts, state-directed limits on tourism, and trade restrictions. Countries that support China's interests, or at a minimum do not challenge it on sensitive issues in international forums and elsewhere, receive benefits; conversely, countries that oppose China are denied access to these rewards and might even be punished.² In many cases, Beijing offers an official pretext for these punitive economic actions or denies government involvement.

In 2017, for example, China retaliated against Korea's entertainment, consumer, and tourist industries after the heightening of diplomatic tensions between China, South Korea and the US over the deployment of the Terminal High Altitude Area Defense (THAAD) anti-missile system.³ The Korean conglomerate Lotte in particular faced targeted retaliation for its willingness to provide land to the Korean government for the deployment site, including investigations that led to the shuttering of roughly 75% of all Lotte super markets in China under the pretext of safety violations, criticism of Lotte in state media, and cyberattacks.⁴ Beijing has similarly targeted Australian exports in an attempt to punish the Australian government for its support of an independent inquiry into COVID-19's origins. It has targeted Australian barley, beef, wine, seafood, coal, cotton, and a range of other exports and issued a list of 14 grievances in an attempt to pressure the Australian government.⁵ Last month, Prime Minister Anthony Albanese told NATO leaders that Australia was "economically coerced" by China.⁶

Leaders across the Indo-Pacific are familiar with these high-profile examples of China's economic coercion, including in less developed countries with far fewer resources to withstand any such campaign. The pronounced economic leverage China maintains over these countries – and the implied potential for China to use that leverage in damaging fashion – ensures that Beijing's wishes are respected without having to deploy coercive measures.

China's growing economic leverage in the Indo-Pacific can be ascribed largely to the fact that it is a \$17 trillion economy that is expanding trade and investment with regional countries hungry for both. This leverage translates into dependence in several ways, but two stand out. First, many countries have become deeply indebted to China. The BRI, China's ambitious global infrastructure and connectivity program, is founded on an expectation of generating economic benefit for Chinese companies—typically state-owned enterprises—by engaging in debt-financed projects in numerous developing countries. The narrative that Beijing intentionally indebts countries to seize their strategic assets has largely been debunked and China has pulled back significantly from BRI lending in recent years, taking a more circumspect approach to project financing. But the frequently lopsided and secretive terms of China's deals with investment- and infrastructure-starved countries continue to create a problematic cycle of reliance on China for further credit to finance mounting debts. Countries like Pakistan, Sri Lanka and Kyrgyzstan have thus found themselves in financial distress and increasingly dependent on China.

² David Shullman, "Protect the Party: China's Influence in the Developing World," Brookings, January 22, 2019, <https://www.brookings.edu/articles/protect-the-party-chinas-growing-influence-in-the-developing-world/>.

³ "China's Response to U.S.-South Korean Missile Defense System Deployment and its Implications," U.S.-China Economic and Security Review Commission, July 26, 2017, <https://www.uscc.gov/research/chinas-response-us-south-korean-missile-defense-system-deployment-and-its-implications/>.

⁴ Ibid.

⁵ Jonathan Kearsley et al., "If you make China the enemy, China will be the enemy': Beijing's fresh threat to Australia," The Sydney Morning Herald, November 18, 2020, <https://www.smh.com.au/world/asia/if-you-make-china-the-enemy-china-will-be-the-enemy-beijing-s-fresh-threat-to-australia-20201118-p56fqs.html>

⁶ Australian Associated Press, "Anthony Albanese says Australia was 'economically coerced' as NATO leaders condemn China," SBS News, June 30, 2022, <https://www.sbs.com.au/news/article/nato-condemns-china-as-anthony-albanese-says-australia-was-economically-coerced/rp40zn0u6>

Second, Chinese companies and other entities are cultivating corrupt elites in many countries who are only too willing to sign up to opaque investment deals that undermine their country's long-term prosperity in return for personal enrichment.⁷ In a growing number of Indo-Pacific countries, China is abetting the centralization of power in a small coterie of captured elites unaccountable to a civil society the CCP is helping to repress, and then providing those partners with the technology to control their citizenry and maintain that power indefinitely.⁸ Its favored partners are officials, business leaders, media tycoons, and others content to concentrate power in the hands of the few—and shut out the many. These dynamics allow the CCP to increase the likelihood that friends in positions of power will shape individual governments' choices around issues touching on China's interests.

Shaping Information and Politics at the Grassroots

Such perceptions of China's power and economic levers over elites are, in many developing Indo-Pacific countries, sufficient to ensure China's interests are protected against potential criticism and pushback in the media, civil society, and internal policy debates. The CCP is increasingly willing, however, to shape the actions of a wide array of information generators—in the media, academia, civil society, and in the policy deliberation space within government—to protect and deepen the leverage that gives it coercive power over regional countries.

Chinese leaders judge they are engaged in a “protracted public opinion war” not just at the global level but in a growing number of countries around the world. Beijing's foreign propaganda and censorship efforts have traditionally focused on promoting China's political and economic system while suppressing coverage of its domestic human rights abuses and religious persecution. But the Chinese government and its proxies are now also attempting to tilt countries' internal debates about their relationships and policies towards China. Ensuring the presentation of a positive “China story,” as President Xi has put it, heads off criticism of Chinese investments and corruption of a country's elites, thereby preventing CCP influence from becoming an election issue as it has in many countries, including Sri Lanka and Malaysia.⁹

The CCP has a large and growing set of tools it uses to advance its narrative and to quiet critics, including pervasive official propaganda and media outlets, investment in foreign media outlets, funding of research and academic institutions, covert efforts to cultivate thought leaders, and more aggressive use of so-called united front work, including through the Party's increasingly powerful United Front Work Department (UFWD), to squelch anti-China narratives. The CCP coopts local civic groups as proxies to advocate for PRC positions and against potential actions by local governments that go against China's interests. It threatens Chinese dissidents and their families, monitors Chinese students abroad, attempts to silence academic discourse deemed offensive to Beijing, seeks to control how foreigners are educated about China, and tries to turn Chinese diaspora citizens against parties or candidates it deems threatening to its interests.¹⁰ The CCP employs ties with Chinese-language media in diaspora communities across the Indo-Pacific, as well as control over content of Chinese-language social media such as WeChat, to shape perspectives on China and foreign policy choices made by regional

⁷ David Shullman (Ed.), “Chinese Malign Influence and the Corrosion of Democracy,” International Republican Institute, 2019, https://www.iri.org/sites/default/files/chinese_malign_influence_report.pdf

⁸ Ross Andersen, “The Panopticon is Already Here,” *The Atlantic*, September, 2020, <https://www.theatlantic.com/magazine/archive/2020/09/china-ai-surveillance/614197/>; Charles Edel and David Shullman, “How China Export Authoritarianism Beijing's Money and Technology Is Fueling Repression Worldwide,” *Foreign Affairs*, September 16, 2021, <https://www.foreignaffairs.com/articles/china/2021-09-16/how-china-exports-authoritarianism/>

⁹ Zhang Jianfeng, “President Xi Urges New Media Outlet to “Tell China Stories Well,” China Central Television, December 31, 2016, <http://english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml>
<http://english.cctv.com/2016/12/31/ARTIdbvXHYpQnQ35nWBGttZg161231.shtml>

¹⁰ Ross Andersen, “The Panopticon is Already Here,” *The Atlantic*, September, 2020, <https://www.theatlantic.com/magazine/archive/2020/09/china-ai-surveillance/614197/>; Charles Edel and David Shullman, “How China Export Authoritarianism Beijing's Money and Technology Is Fueling Repression Worldwide,” *Foreign Affairs*, September 16, 2021, <https://www.foreignaffairs.com/articles/china/2021-09-16/how-china-exports-authoritarianism>

governments. Beijing's manipulation of the information space neuters institutions such as independent media and civil society that should otherwise expose the negative consequences of China's opaque deal making and corrupt practices.

These efforts to manipulate countries' information spaces complement the CCP's increasingly direct interference in countries' political systems and elections of to support China-friendly politicians and policies.¹¹ China also increasingly employs tools in the cyber domain to shape the information space in Indo-Pacific countries, influencing popular perceptions by covertly influencing discourse on social media platforms. These moves are best understood as an outgrowth of the CCP's propaganda approach onto new, digital platforms, rather than an entirely new strategy that capitalizes on the possibilities of cyberspace.

Select Cases

China's mounting grassroots leverage in the economic and political-information domains combines to yield strategic advantage in countries across the Indo-Pacific, creating the conditions for gray zone coercion. The application of CCP tools and outcomes varies widely depending on China's strategic aims and the nature of its interests and current relationship to a country.

Taiwan

Beijing's grassroots efforts at influence with Taiwan, cultivated over decades, are instructive. China targets individual Taiwanese leaders, population strata, political parties, and proxies as part of its domestic political interference.¹² Experts at the RAND Corporation have identified examples such as Beijing's leveraging Taiwanese temples for pro-China agendas, particularly those temples located on the Matsu Islands; funding and helping new political parties such as the For Public Good Party in 2002 and Chinese Unification Promotion Party in 2005; and funneling PRC money to political campaigns of the Kuomintang (KMT) since 2007 and the New Party since at least 2013. China seeks to control Taiwan media outlets, purchase media content, and support pro-China media.¹³ These efforts amount to China trying to manipulate domestic circumstances within Taiwan to change it from the inside as opposed to simply exerting overt external pressure. In the economic domain, Taiwan's deep ties to the Chinese economy are an ever-present source of potential PRC leverage that has been used relatively sparingly. Recent years have seen China abruptly target Taiwanese agricultural exports such as pineapples, sugar and wax apples, and most recently, grouper with arbitrary bans under the pretext of various food safety and pest concerns.¹⁴ Beijing also tries to leverage its economic influence in the Indo-Pacific and beyond to shrink Taiwan's international space, as I will detail momentarily, including economic retaliation against countries that are deepening ties with Taiwan.¹⁵

Beijing's leverage in developing countries in the Indo-Pacific is both more nascent and far less consequential to the CCP's strategic aims – and US interests – than Taiwan. As discussed, however, China's laying the groundwork for future coercive

¹¹ David Shullman, "Protect the Party: China's Influence in the Developing World," Brookings, January 22, 2019, <https://www.brookings.edu/articles/protect-the-party-chinas-growing-influence-in-the-developing-world/>.

¹² Bonny Lin et al., "Competition in the Gray Zone Countering China's Coercion Against U.S. Allies and Partners in the Indo-Pacific," RAND Corporation, 2022, https://www.rand.org/pubs/research_reports/RRA594-1.html, p. 47

¹³ *Ibid.*, see figure 4.1, p. 44

¹⁴ Amy Chang Chien, "First Pineapples, Now Fish: To Pressure Taiwan, China Flexes Economic Muscle," The New York Times, June 22, 2022, <https://www.nytimes.com/2022/06/22/business/china-taiwan-grouper-ban.html>

¹⁵ Nathaniel Taplin, "Lessons from Lithuania's David-Goliath Clash With China," The Wall Street Journal, July 12, 2022, <https://www.wsj.com/articles/lessons-from-lithuanias-david-goliath-clash-with-china-11657633482>. Lithuania, as a key example, has faced massive economic (and political) retaliation from China after allowing Taipei to open a Taiwanese representative office in Vilnius. Lithuania's exports to China dropped approximately 80% from September 2021 to March 2022.

capability in strategically located countries where the power asymmetry in the bilateral relationship is especially pronounced is likely to prove important to both Beijing and Washington in the years to come. The following cases of the three strategically located island nations of Solomon Islands, Kiribati, and the Maldives are instructive.

*Solomon Islands*¹⁶

The Solomon Islands' sudden decision in 2019 to switch diplomatic recognition from Taipei to Beijing is emblematic of China's ability to successfully leverage economic influence over smaller countries in the Indo-Pacific to achieve strategic foreign policy victories. Trade with China has expanded rapidly since the switch and China has targeted infrastructure and investment gaps in the Solomon Islands. Civil society stakeholders and opposition leaders have pointed to Chinese firms' efforts in recent years to circumvent the central government and make investment and infrastructure deals directly with local governments and officials, such as a deal to lease an entire island that was ultimately ruled unlawful.¹⁷ This economic leverage is at the root of recent developments surrounding the country's signing of a security agreement with China that heightened U.S. and Australian concern about a Chinese military presence in the country. Most recently, Chinese police provided riot control police training and equipment to local police as part of both countries' expanding security relationship. China's provisioning of these trainings and tools helps a political ally control the local population, both allowing him to carry out potentially unpopular measures in line with China's interests and helping him to remain in power.

*Kiribati*¹⁸

The 33 islands of Kiribati are strategically important for their shared borders and proximity to US territories and military bases, fishing access, and history of switching recognition back-and-forth between China and Taiwan. During the first 23-year period of Kiribati's recognizing China, the countries established a space tracking station on the island of Tarawa that was believed to also track US weapons testing in the Pacific, especially at the Marshall Islands' Kwajalein atoll.¹⁹ China's increasing economic influence over Kiribati since the switch back to PRC recognition in 2019 has created concerns that Beijing can leverage the political influence necessary to gain similar access to islands close to US military bases or critical fisheries.²⁰ China has also worked to use its economic influence to help President Maamau—a PRC supporter responsible for the switch in diplomatic recognition—get re-elected in 2020. Sources inside the government told researchers that the CCP promised to President Maamau that they would fund welfare benefits, including a 200% pay raise for all members of Parliament, though the details of any such deal have never been publicly disclosed.

*Maldives*²¹

The case of the Maldives, a small but strategic archipelago nation in the Indian Ocean, illustrates how Chinese-funded infrastructure investments feed into corruption of government officials, enriching them while making them beholden to China just as critical sectors of the economy come to depend heavily on China. Under former President Abdulla Yameen, who was in office from 2013 to 2018, the Maldives took on massive debt, with borrowing for three large Chinese-funded

¹⁶ This case study is drawn from a forthcoming report by the International Republican Institute.

¹⁷ Jonathan Barrett, "Solomon government says Chinese company's lease of island 'unlawful'," Reuters, October 24, 2019, <https://www.reuters.com/article/us-china-solomonislands/solomon-government-says-chinese-companys-lease-of-island-unlawful-idUSKBN1X400G>

¹⁸ This case study is drawn from a forthcoming report by the International Republican Institute.

¹⁹ Sue Windybank, "Why China first wooed then jilted Kiribati," The Canberra Times, January 29, 2007, <https://www.cis.org.au/commentary/articles/why-china-first-wooed-then-jilted-kiribati/>.

²⁰ Barbara Dreaver, "Fears over China's Involvement in Kiribati's Ditching of Marine Reserve," One News, November 11, 2021, <https://www.1news.co.nz/2021/11/11/fears-over-chinas-involvement-in-kiribatis-ditching-of-marine-reserve/>.

²¹ This case study is drawn from forthcoming reports by the Baani Center, a research institution located in the Maldives; David Shullman (Ed.), "Chinese Malign Influence and the Corrosion of Democracy," International Republican Institute, 2019, https://www.iri.org/sites/default/files/chinese_malign_influence_report.pdf

projects alone ultimately totaling 40% of national GDP.²² As of 2020, an estimated 53% of public and publicly guaranteed debt in the Maldives is credited by China.²³ Before the pandemic, tourism accounted for 29.3% of the Maldives' GDP, and China was the top source of tourists for a decade.²⁴ Critically, the Chinese government can at any time revoke Maldives' Approved Destination Status, halting all travel of Chinese tourists. During previous diplomatic flare-ups, there were reports that the Chinese Ministry of Foreign Affairs summoned high-ranking Maldivian diplomats and noted the importance of Chinese tourism to the Maldives, contributing to the perception that the Chinese government would stop the flow of tourists if necessary. The 2018 election of President Ibrahim Mohamed Solih was a significant sign of progress, particularly in light of the civil society and media efforts to expose corruption and support democracy in the Maldives that led to his election. Still, China's ally Yameen is looking for an opening to return to power in 2023, at which point he would be well-positioned to unwind Solih's efforts to reduce vulnerability to Chinese economic coercion and combat corruption.²⁵

China's Leverage-Building Efforts Likely to Intensify

As these case studies demonstrate, China's expanding influence in throughout Indo-Pacific has significant implications for U.S. interests, collectively laying the groundwork for countries across the world's most critical geostrategic region to routinely defer to Beijing's wishes. The weak regulatory environment and minimal transparency around foreign financing and investments in many developing countries in the Indo-Pacific create ripe conditions for countries to become dependent on China, whether due to mounting unsustainable debt to Chinese policy banks or reliance on information communications technologies from Chinese government-linked companies. The consequence of this dependence is an expanding set of countries that will choose China as their primary economic and political partner and side with Beijing against U.S. interests when making critical foreign policy choices, as well as in multilateral institutions. It is no coincidence that the list of countries which already have or have reportedly considered welcoming a Chinese military base on their territory are countries indebted to or otherwise dependent on China.²⁶

As US-China bilateral tensions continue to mount, the Indo-Pacific will come into even clearer focus as the main geographic theater where the countries' geopolitical competition will play out. Chinese leaders have long expected the United States to seek to contain China's rise by working with regional allies to hem it in militarily in Asia. Recent U.S. moves to demonstrate firmer commitment to Taiwan and deepen its regional alliance network are fulfilling Beijing's expectations. Chinese leaders are likely to respond to an increasingly bifurcating global economy and technological landscape by more proactively institutionalizing countries' economic relationships with—and dependence on— China, ensuring that if they must choose, they pick Beijing.

Beyond this, Beijing is convinced Washington uses the guise of support for democratic governance to engineer “color revolutions” in China's periphery, replace China-friendly governments with those aligned with the United States, and ultimately help set the stage for the overthrow of the CCP in China. Chinese leaders view the protracted contrast ahead with the United States as one that will play out to a significant degree inside strategically relevant countries, as local elites make decisions that permit or deny Beijing to carve out influence where Washington was once dominant.

²² Amit Bhandari and Chandni Jindal, “The Maldives : Investments Undermine Democracy,” Gateway House, February 7, 2018, <https://www.gatewayhouse.in/chinese-investments-in-the-maldives/>

²³ Forthcoming report by the Baani Center.

²⁴ Forthcoming report by the Baani Center.

²⁵ John Kachtik, “The Maldives risks following in Sri Lanka's footsteps,” Nikkei Asia, July 26, 2022, <https://asia.nikkei.com/Opinion/The-Maldives-risks-following-in-Sri-Lanka-s-footsteps>

²⁶ Patrick Quirk and David Shullman, “Democracy as a Vital Interest: A Realist Approach to a New Threat Landscape,” The National Interest, March 15, 2022, <https://nationalinterest.org/feature/democracy-vital-interest-realist-approach-new-threat-landscape-201145>

In this context, Beijing is ever more convinced of the importance of building its influence in countries to ensure its interests will be protected and that, if need be, this leverage can be utilized to coerce countries facing US pressure to make choices counter to those interests. This is particularly true given Washington's role as many regional countries' most important bilateral security partner, including several with outstanding territorial disputes with China.²⁷

Countries' mounting economic dependence on China makes it more likely leaders that come into office will defer to its wishes even if they were critical of China on the campaign trail, lest they find themselves unable to deliver on promises of infrastructure and economic development. And Beijing's support for those leaders, including the provision of training and technology to monitor the opposition and civil society, will help ensure those friendly to China's interests remain in power.

If China decides to be more aggressive about using cyber as a component of coercive gray zone strategies, it could use "hack and leak" exposures to damage individual political figures or governments; disrupt infrastructure and public services to inflict economic damage and undermine confidence in governments; or selectively target the computer networks foreign companies that do business with hostile states or support causes of which Beijing disapproves. Taiwan is likely to be a target of some of these measures.

Addressing China's Mounting Potential for Coercion

China's use of economic and political coercion in the Indo-Pacific and mounting leverage to effortlessly shape less developed countries' choices present significant challenges to U.S. interests. An effective response will require better coordination across the U.S. Government to align policies designed to address countries' vulnerabilities. Washington should regularly and routinely discuss gray zone scenarios with regional allies, including airing differences over assessments of the most problematic PRC tactics, and publicly support partners and allies subject to coercion. The US should also discuss with allies and partners how to collectively counter China's use of economic coercion and assist targeted countries to mitigate the effects.

Gray zone tactics of the grassroots economic, informational, and political variety are arguably even harder to counter than those in the military domain, given the complex nature of identifying malign intent and attribution. Washington will need to rely on indirect efforts, supporting target countries and addressing their concerns in ways that complicate Beijing's cultivation of dependence and capture of elites. The United States should proactively share with trusted partners in less developed countries information related to political interference and information operations.

In dealing with China's economic leverage, Washington must not try to force regional countries to side with the United States against China and reject Chinese investment. For most countries in the region this is simply not an option. According to the Asian Development Bank, developing Asia needs about \$26 trillion in infrastructure investment through 2030 to maintain its growth momentum, tackle poverty, and respond to climate change. The challenge the United States and its allies face is to adjust to China's growing economic influence across the region while contesting its ability to translate that influence into potential to coerce countries and their leaders.

There are two broad categories of actions Washington should take to arrest the foundation Beijing is laying for grassroots leverage across the region. First, the United States should expand work already underway with allies to offer developing Indo-Pacific countries alternatives to China's investment and financing practices and technical assistance on project evaluation and negotiation. Wherever possible, the United States should work with multilateral development banks and partners such as the EU, Japan, India, and Australia to offer infrastructure alternatives to developing countries. There are encouraging signs that this sort of collaboration is increasing and yielding some results, including the launch of the G7's

²⁷ "Top US general calls Indonesia a 'key partner' on stopover in Asia-Pacific defence tour," ABC News, July 25, 2022, <https://www.abc.net.au/news/2022-07-25/us-indonesia-partnership-china-aggression/101266264>

Partnership for Global Infrastructure and Investment (PGII) and a new U.S. initiative to investing in clean energy infrastructure in Southeast Asia. Washington's launch of the Indo-Pacific Economic Framework for Prosperity (IPEF) in May with a dozen initial partners across the region was a step forward. Despite the framework's much maligned lack of binding tariff liberalization and questions about how countries will bridge divisive issues, it signals an effort to revive American economic leadership in the region and includes focus on infrastructure and anti-corruption relevant to countering China's economic leverage. Washington should also build on bilateral commitments with partners like Australia to combat CCP political Interference and information operations in the region as well as to mobilize private sector investment to deliver high-quality, resilient infrastructure.²⁸

Second, the United States and its allies must support the capacity of regional countries to protect their own independence of action in the face of China's mounting leverage. Transparency and investigative journalism in particular are essential to ensuring the resilience of recipients of Chinese financing, particularly in countries with leaders happy to conclude deals behind closed doors. Washington should provide additional assistance for countries that are deemed particularly vulnerable to China's influence. The U.S. should also work with country partners to raise awareness of China's tactics in think tanks, universities, NGOs, and media. Congress should maintain strong support for external democracy assistance, anti-corruption work, and helping civil society actors to identify and expose China's efforts to advance its political and economic leverage in countries.

In these efforts Washington and its partners can capitalize on evident of mounting regional pushback against Beijing's encroachment.²⁹ In Nepal, for example, a combination of mounting skepticism regarding the BRI, frustration with CCP efforts to pressure critical media, and consistent US attention and aid to the country have contributed to growing capacity to counter China's efforts to deepen its leverage over political and economic elites in the country.³⁰ Washington should proactively seek to expose developing countries in the Indo-Pacific to lessons learned from Taiwan's long experience with PRC gray zone coercion and its roots in CCP grassroots influence in the country.

What is needed now is greater commitment from United States and its allies to invest the resources and attention to follow through on their shared desire to prevent China from achieving gradual dominance in the Indo-Pacific, one country at a time. Above all, the United States must show up in the region, particularly at a time when Washington is understandably distracted by events in Europe after Russia's unprovoked invasion of Ukraine. President Biden's trip to the region in May was an important step in this direction. It will be imperative for the US to maintain focus on the Indo-Pacific, and not solely on the potential for a crisis with China over Taiwan. Countering China's non-military gray zone tactics in the Indo-Pacific will require a decades-long commitment that addresses the significant needs of regional countries increasingly at risk of dependence on China, particularly in the wake of the COVID-19 pandemic.

²⁸ "Joint Statement Australia-U.S. Ministerial Consultations (AUSMIN) 2020," Department of Foreign Affairs and Trade, 2020, <https://www.dfat.gov.au/geo/united-states-of-america/ausmin/joint-statement-ausmin-2020>

²⁹ David Shullman (Ed.), "Chinese Malign Influence and the Corrosion of Democracy," International Republican Institute, 2019, https://www.iri.org/sites/default/files/chinese_malign_influence_report.pdf; Sarah Repucci, "A Leaderless Struggle for Democracy," Freedom House, 2020, <https://freedomhouse.org/report/freedom-world/2020/leaderless-struggle-democracy/>

³⁰ David Shullman (Ed.), "A World Safe for the Party China's Authoritarian Influence and the Democratic Response Country Case Studies from Nepal, Kenya, Montenegro, Panama, Georgia and Greece," International Republican Institute, 2021, https://www.iri.org/wp-content/uploads/2021/02/bridge-ii_fullreport-r7-021221.pdf