

**Testimony before the House Armed Services Committee
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Chairman Thornberry, Ranking Member Smith, members of the committee, thank you for inviting me to testify before you today. It is an honor for me to be here.

In the time available, I would like to make three main points:

- First, the strategy that this country has been pursuing towards China over the past 25 years has failed to achieve its intended result.
- Second, as a consequence, we now face in China a nation whose wealth and power are growing at a rapid pace, but whose leaders have interests, values and objectives that differ fundamentally from our own.
 - Beijing is presently pursuing a wide-ranging, “whole-of-government” strategy that threatens our future security and prosperity and those of our democratic friends and allies.
- Third, meeting this challenge will require that we adopt a new, comprehensive strategy of our own, one that more effectively mobilizes, integrates and applies all of the various instruments of our national power and those of our partners.

Let me expand briefly on each of these points.

1) U.S. “legacy strategy:”

Following the end of the Cold War the United States adopted a two-pronged approach for dealing with China, one that combined engagement with “balancing”:

- On the one hand, the United States sought to engage with China across all fronts: diplomatic, cultural, scientific and above all economic.
- At the same time, successive Republican and Democratic administrations worked to maintain a favorable balance of power in the Asia-Pacific region; strengthening U.S. forward-based forces, bolstering traditional alliances, and building new, quasi-alliance partnerships with countries like Singapore and India.

The goals of this two-pronged strategy were essentially to preserve stability while waiting for engagement to “tame” and ultimately to transform China.

- Engagement was supposed to encourage China's leaders to see their interests as lying in the maintenance and strengthening of the existing, U.S.-led international order, while at the same time accelerating the liberalization of its economy and, eventually, the democratization of its political system.
- As in Europe, so also in Asia, the ultimate aim of U.S. policy was to build a region "whole and free:" filled with democracies, tied together by trade, investment, and regional institutions, and integrated into a global system built along similar lines; a free and open region in a free and open world.

Since the turn of the century, and especially in the last ten years, it has become increasingly evident that this approach has failed.

- China has obviously become far richer and stronger, but instead of loosening its grip, the country's Communist Party regime has become even more repressive and more militantly nationalistic.
- Instead of evolving towards a truly market-based economy, Beijing continues to pursue, and in certain respects has expanded its use of state-directed, market-distorting, mercantilist policies.
- Finally, China's external behavior, its attitude towards its neighbors and towards the United States as well, have become more assertive, and even in certain respects aggressive.
 - China is now clearly a revisionist power; it seeks to change important aspects of the existing order in Asia and, increasingly, the wider world.

Although they were present before, all of these tendencies were amplified by the effects of the 2008 global financial crisis and, even more, by the rise to power of Xi Jinping in 2013.

2) **China's strategy:**

Like their predecessors, Xi and his colleagues are driven by a mix of insecurity and ambition.

- They fear dissent, social instability, and political unrest, they believe that the United States and its democratic allies are out to encircle their country and undermine their regime, and they have learned that a measure of tension and controlled confrontation with other countries is a good way of stirring nationalist sentiment, mobilizing popular support, justifying tight domestic control, and deflecting public frustration outward against what they describe as "hostile foreign forces."
- At the same time, China's rulers believe that the United States is in decline, that their own power is on the rise, and that the moment has come for China to reclaim its rightful place on the world stage.

- Even this overall, long-term confidence is tinged with uncertainty and a sense of urgency.
 - China's rulers know that they face serious difficulties in sustaining growth, dealing with the needs of an aging population and a severely polluted natural environment, among other problems.
 - And they continue to have a healthy respect for the resilience and power of the U.S. system and our ability to mobilize resources once we recognize that we are being challenged.
 - One reason they are pressing so hard now is that they see a window of opportunity that may not stay open forever
 - They want to lock in gains; advance toward their goals.

What are those goals? China's current leaders have three objectives:

- First and foremost, to preserve the Communist Party's monopoly on domestic political power.
- Second, to restore China to what they see as its rightful place as the preponderant power in eastern Eurasia, including both its continental and maritime domains.
 - The major obstacle to achieving this goal is the presence of the United States and its system of democratic allies.
- Third, to become a truly global player, with power, presence, and influence on par with, and eventually superior to, that of the United States.
 - As part of this effort, China's CCP regime wants to weaken existing international rules, norms, and institutions that stand in its way or call into question the legitimacy of its system and to create new ones that better serve its interests and reflect (and reinforce) its governing ideology.
- These three goals fit together:
 - Beijing seeks to make its region, and the wider world, safe for authoritarianism
 - Or at least for continued CCP rule of China.

What are the means that Beijing is using to try to achieve these objectives?

- As suggested at the outset, China seeks to integrate all of the various instruments of its national power.

Military

- Despite a sustained and wide-ranging buildup in all aspects of their capabilities, China's military leaders don't believe that they can fight and win a war with the United States, or that they will be able to do so any time soon.

- But that isn't really their intention; they hope to be able to "win without fighting," tilting the military balance (or perceptions of the balance) in ways that raise questions about the willingness and ability of the United States to uphold its security guarantees, thereby eroding the foundations of its alliance system.
 - Together with the development by North Korea of long-range nuclear capabilities, the ongoing modernization and expansion in China's nuclear forces is beginning to raise questions about the long-term credibility of our extended nuclear deterrent guarantees.
- China's ongoing investments in A2/AD capabilities – including offensive cyber and anti-satellite weapons, as well as precision conventional ballistic and cruise missiles capable of striking fixed and mobile targets throughout the Western Pacific - are raising the prospective costs and difficulty of any U.S. effort to project and sustain air and naval forces into the region in a possible future conflict, a domain in which, until recently, the U.S. was essentially unchallenged.
- At the lower end of the spectrum of capabilities – China is using its maritime marine, coast guard, fishing fleet and ocean-going construction vessels, as well as its regular air and naval forces, to "create facts," building and now fortifying small islands that will enhance its ability to project power and enforce its claims to control most of the waters and resources of the South China Sea.
 - The true significance of these islands may lie, not in whatever role they might play in a future conflict, but in the seeming inability (or unwillingness) of the United States to prevent them from being built.
 - They are tangible tokens of China's growing power and of our seeming impotence.

Economic

- Rapid economic growth is the engine that has propelled China's rise.
 - The CCP regime has sought to sustain it, not by shifting towards increasing reliance on the market, but through continued, state-directed intervention, including:
 - Subsidies for domestic industries;
 - Restrictions on access to Chinese market;
 - Ongoing effort to acquire foreign technology and intellectual property by all means, fair or foul;
 - Since its entry into the WTO, China has found ways to exploit the rules of the international trading system to its advantage.
- Beijing sees continued growth as essential to achieving all its strategic objectives:
 - Preserving social stability by improving quality of life for much of the population;
 - Funding the military buildup;
 - Acquiring and mastering new technologies that would improve the performance of Chinese weapons systems, but also enhance the regime's capacity for monitoring and controlling the population, including AI, facial

recognition software and big data analytics that are already being combined into an Orwellian “social credit” system.

- Growth is also giving Beijing increasing access to the tools of economic statecraft:
 - China is using the promise of access to its massive and fast growing market, and the threat of *loss* of access, to try to pressure others and, in particular, to pull some longtime U.S. allies (like South Korea and the Philippines) out of its orbit and closer to Beijing.
 - These efforts have met with only limited success to date, but China has become bolder and more creative in its use of economic tools to achieve strategic ends.
 - Beijing has also launched a massive program of infrastructure investments – the so-called Belt and Road Initiative – that aims to reshape the economic and strategic geography of much of Eurasia.
 - BRI is at the heart of Xi Jinping’s vision for a new Eurasian order, a system of roads, railways, pipelines, and fiber optic cables, free trade areas, new rules written in Beijing, and mechanisms for political consultation, all with China at the center and the United States pushed to the periphery, if not out of the region all together.

Political warfare

- Last but not least, under Xi Jinping, China has also become more sophisticated and more ambitious in its use of “political warfare” to achieve its broad strategic objectives.
- Beijing is employing a variety of techniques to shape the perceptions of both leaders and elites in the advanced industrial nations (including the United States) as well as in the developing world.
 - These methods vary according to local conditions, but include: the funding of university chairs and think tank research programs; offers of lucrative employment to former government officials who have demonstrated that they are reliable “friends of China;” all-expenses-paid junkets to China for foreign legislators and journalists; expulsion of foreign media that present unfavorable views of China to overseas audiences; increasingly sophisticated use of well-funded official, quasi-official and nominally unofficial media platforms that deliver Beijing’s message to the world; pressure on movie studios and media companies to ensure continued access to the vast Chinese market by avoiding politically sensitive content; mobilization and exploitation of overseas students and local ethnic Chinese communities to support Beijing’s aims.
- As regards the advanced industrial nations (and especially the United States) China’s influence operations have two broad aims:

- To gain or maintain access to markets, technology, ideas, information and capital deemed essential to China's continuing economic success.
- To discourage foreign governments, acting separately or in concert, from pursuing policies that might impede China's rise or interfere with the achievement of its strategic objectives.
- As regards the nations of the developing world, China now seeks to present itself as providing an alternative model for development to that offered by the West, one that combines market-driven economic growth with authoritarian politics.
- Beijing seeks to attain its objectives by delivering two, at times contradictory messages:
 - China is a peaceful, non-threatening and still developing nation that is interested in "win-win cooperation."
 - China is a fast-growing power whose rise is inevitable and unstoppable.
 - Prudent leaders will seek to curry favor by getting on board "the China train" rather than incurring its wrath by opposing its wishes.

To sum up:

- China is now using a combination of its rapidly growing military, economic and political or information warfare capabilities to try to weaken the U.S. position in Asia with the aim of displacing it as the preponderant regional power.

How should the United States adjust its strategy to deal with this challenge?

3) A new U.S. strategy

We need to begin with the question of what it is that we are trying to achieve.

- At least for the time being, we are going to have to define our aims in largely defensive terms:
 - To prevent the direct, physical or indirect, economic and geopolitical domination by China of eastern Eurasia, and especially maritime east Asia;
 - To deter Beijing from using force or threats against our regional friends and allies and, if necessary, to assist them in defending themselves against attack or coercion;
 - To counter Beijing's attempts to use economic leverage, political warfare and other techniques to alter the perceptions and policies of democratic countries, including our own;
 - To preserve the widest possible gap between China's "comprehensive national power" and that of the United States, together with our friends and allies;
 - To continue to encourage tendencies that may eventually lead to liberalizing economic and political reforms in China.

To achieve these ends we do not need to abandon the mixed strategy that we have been pursuing since the end of the Cold War, but we will have to adjust the blend of its elements.

- We and our allies will need to intensify our efforts at balancing while at the same time modulating, and in certain respects, constricting our present posture of open, essentially unconstrained engagement with China.

Balancing has two dimensions: diplomatic and military.

Diplomatic

In the diplomatic realm, we are trying to strengthen and extend our network of alliance and quasi-alliance ties while China seeks to weaken and fragment them.

- China's increasing power and assertiveness have caused growing anxiety across Asia and this is contributing to closer ties, not only between us and our traditional allies and friends but *among* them, e.g. between Australia and Japan or Japan and India. This is a positive trend and we should do everything we can to encourage and enable it.
 - But it would be a mistake to assume that a favorable balance of power will form automatically or that it can succeed over the long-term without active U.S. leadership.

I will say more in a moment about how our military plans and activities can better support our diplomacy, but I want to comment briefly on the economic and political or informational aspects of our policy.

- In the economic domain, if we don't want others in the region to be drawn ever more closely into a Chinese dominated "co-prosperity sphere" we need to provide them with the greatest possible opportunity to remain engaged in mutually beneficial trade and investment with us and with one another.
 - For strategic as well as economic reasons, the U.S. should act to reduce remaining barriers to trade and investment between itself and its friends and allies in the region.
 - The willingness of the United States to enter into ambitious free trade agreements signals its continuing commitment to the prosperity and security of its allies.
 - Refusing to do so (as in withdrawing from the TPP) sends a strong contrary signal.
 - In addition to opening its own market even more fully to friendly countries, the U.S. should seek to expand its exports to them. For both strategic and economic reasons energy is an especially promising commodity in this regard.
 - Trans-Pacific exports of U.S. oil and natural gas can help alleviate some of the energy security concerns of key allies in Northeast

Asia, making them less susceptible to any disruption in shipping thru the South China Sea.

- One part of the line that China is pushing in Asia is that the United States is a declining power, with an increasingly narrow view of its own interests and that its commitments are therefore unreliable. To counter this narrative, U.S. diplomacy should highlight the common values that link it with its major regional allies and strategic partners (including India and Taiwan, as well as Japan, South Korea, Australia) and eliminate the possibility that it would ever willingly cede regional preponderance to China.
 - Aside from commercial interests or purely geopolitical concerns these shared beliefs provide an enduring foundation for cooperation.
 - As its track record of over 70 years makes clear, the United States is committed to helping its fellow democracies to preserve their open social, political and economic systems and to defend themselves against coercion or subversion.

Military

In the military realm, the United States is trying to preserve its ability to project and sustain power into the Western Pacific in order to uphold its alliances and ensure freedom of navigation.

- China is working to neutralize U.S. advantages (or at least to create the appearance that it has done so) in order to discourage intervention and raise doubts about the continuing viability of U.S security guarantees.
- Beijing has also been driving the military competition in directions that impose disproportionate costs on the U.S. , in other words it is practicing so-called “cost-imposing” or “competitive strategies” on us.

In response to these initiatives, the U.S. must therefore seek to:

- Enhance its ability to deter and if necessary defeat any Chinese attack on U.S. allies or forward-based forces;
- Reassure our allies;
- Regain the initiative in the long-term military competition, increasing the burdens that it imposes on China relative to those on the U.S. and its allies.

Somewhat more concretely, this will require making progress in 3 interrelated areas:

- Countering and offsetting China’s expanding A2/AD network.
 - By investing in capabilities that:
 - Reduce the vulnerability of U.S. (and allied) bases, forces and C4/ISR systems while enhancing our ability to conduct long-range conventional precision strikes, including against targets inside China, and, if necessary, to deny Chinese naval and commercial vessels the use of the waters off its coasts.

- The purpose of these investments would be to enhance deterrence by increasing the likelihood that, even in a severe crisis, Chinese decision-makers would conclude that they could not fight and win either a short or a protracted conventional conflict against the U.S. and its allies.
- Strengthening the credibility of our extended nuclear guarantee.
 - By maintaining significant, survivable theater nuclear forces backed by intercontinental forces that remain several orders of magnitude larger than their Chinese counterparts.
 - The aim here is to ensure that Chinese leaders never come to believe that they could achieve their objectives through a limited use of nuclear weapons against U.S. or allied forces and bases in the Western Pacific.
- Strengthening the ability of our friends and allies to withstand Chinese attempts at coercion using its developing power projection capabilities.
 - By helping them to monitor and defend their own waters and airspace and working with them, as well as with other nations from outside the region, to defy any attempt by Beijing to establish air or maritime exclusion zones by operating continuously wherever international law permits.

Engagement has both an economic and a political dimension. Our approach to both requires significant modification.

Economic

As has already been suggested, over the last several decades, China has taken advantage of the openness of the US economy, and of the entire Western-built trading system, not only (or even primarily) to promote the welfare of its citizens, but to advance towards its strategic objectives.

- Despite their rhetoric, China's leaders regard trade and investment as domains of strategic competition rather than simple "win-win cooperation."
- There is very little evidence that, if nothing else changes, they intend to abandon their present approach to economic policy and move closer to the market-driven model that we would prefer and which so many Western observers expected.

We need to adjust our approach to economic engagement with China to take account of these realities by:

- Joining forces with the other advanced industrial democracies to pressure China to modify or abandon some of its most egregious market-distorting policies, including the widespread use of subsidies, non-tariff barriers, restrictions on foreign direct investment, and the massive theft or coerced transfer of intellectual property and technology;
- Doing more to maintain our edge in strategically relevant technologies, including measures to:

- Stimulate innovation via more federal support for basic scientific research and education; selective government procurement programs that provide a sizable initial market for new technologies where initial commercial demand is lacking; innovation-friendly tax, patent and immigration policies;
- Slow the diffusion of critical technologies to China by (among other things) reforming the existing CFIUS process for reviewing proposed investments in U.S. high tech companies.
- Reducing U.S. vulnerability to possible Chinese economic leverage by:
 - Shrinking our external debt, including to China, primarily by adjusting government tax and spending policies to shrink the federal budget deficit and thus the trade deficit and the capital account surplus;
 - Identifying and repairing supply chain vulnerabilities, areas where sudden loss of access to imports from China could endanger economic performance, public health or national defense.
- Countering Chinese attempts to exert economic leverage over other nations:
 - In addition to the trade agreements and energy export policies already mentioned, the U.S. and its allies should seek to mitigate growing dependence of developing nations on Chinese FDI by revitalizing Western-led alternatives/complements to BRI infrastructure initiatives.
- Maintaining an adequate defense industrial base:
 - Adjusting procurement policies to preserve adequate capacity to sustain production of weapons and other military systems under a variety of plausible future conflict scenarios, including a possible protracted conventional war with China.

Political

Government and the private sector both need to do more to prevent strategic rivals that do not share America's liberal democratic values from exploiting the openness of our social, political, information, and economic systems for their own ends.

- Here the U.S. faces a significant "bootstrap problem":
 - Countering China's influence operations will require a more widespread consensus than currently exists regarding the challenge it poses to this country's interests. But the primary purpose of China's intensive political warfare efforts is precisely to prevent such a shift.
 - The premise that China is simply another friendly country with whom the U.S. seeks the best possible relations is a major impediment to effective self-defense.

U.S. strategy for countering China's political warfare campaign must have both defensive and offensive elements.

Regarding the defensive side of the equation.

- The federal government should:
 - Invest more resources in domestic counterintelligence;
 - Invoke national security provisions in existing laws to restrict investments by Chinese-linked entities in U.S.-based media companies;
 - Respond to denial of entry, harassment, or expulsion of U.S. journalists by revoking the visas of Chinese journalists working in the U.S.;
 - Tighten restrictions on lobbying or employment by former U.S. military and civilian government officials.
- Private sector organizations and institutions will have to take much of the responsibility for countering foreign influence attempts that are inappropriately manipulative and intrusive, even if they are not flatly illegal. The best defense against many of these techniques is transparency:
 - For example, the American Association of University Professors recently helped slow the spread of “Confucius Institutes” by demanding that universities stop signing secret covenants with the Chinese government or government-related agencies;
 - An independent body should track and publish information clarifying the connections between nominally private Chinese entities such as foundations and organs of the Chinese party-state. Scholars, universities and think tanks should agree to acknowledge when they accept funding from such entities;
 - Independent organizations like the National Endowment for Democracy’s Center for International Media Assistance are already playing a valuable role by publicizing Beijing’s attempts to influence Western perceptions, including its increasingly brazen attempts to coerce journalists, news organizations and their sponsors.

In addition to strengthening its own defenses, the U.S. should assist friendly governments seeking to harden themselves against Chinese influence operations by:

- Sharing information about the activities of “united front”-linked organizations and individuals;
- Sharing experiences (especially with younger democracies) regarding laws and best practices for monitoring and controlling undue foreign influence;
- Assisting in the formation of an organization or grouping (perhaps at the OECD) that will highlight the common challenges the democracies face in countering political warfare sponsored by authoritarian regimes.

Finally, U.S. political warfare strategy must also include an offensive component that seeks to convey the following messages to friends, allies, neutral parties and, to the extent they can be reached, the Chinese people:

- Despite its protestations of benign intent, the CCP regime is engaged in activities on a massive scale that are aggressive, destabilizing, flout international norms and impose disproportionate costs on other societies.

- Beijing's island building campaign in the South China and its ongoing theft or extortion of intellectual property provide recent examples of behavior that embody all of these characteristics.
- The "Belt and Road Initiative," with its massive construction projects, corrupting effects on local politics, environmental damage and predatory lending practices will likely provide more illustrations of these tendencies.
- China's massive, multi-decade military buildup threatens the security and strategic independence of its neighbors.
- Despite claiming that it seeks a more just and "democratic" global order, what China has in mind more closely resembles a new, Sino-centric regional empire.
- Notwithstanding the impressive growth in its material power, China has numerous social, economic and environmental problems and, absent significant changes in the character of its domestic political system, its continued rise, to say nothing of its ability eventually to dominate Asia and perhaps the world, are by no means inevitable.
 - A more widespread understanding of the challenges posed by demographic trends, resource scarcity and environmental contamination could serve as a useful corrective to the notion that an authoritarian China will somehow be able to dominate the 21st century.
- Whatever its other accomplishments, the Chinese political system is brutal, repressive and profoundly corrupt.
 - The CCP enriches its own members and their families, even as it denies ordinary Chinese people the right to express their opinions, choose their leaders and worship as they see fit.
 - Fearful of its own people, the CCP regime invests enormous resources in monitoring and controlling their activities. This is a vulnerability that the U.S. and its democratic allies should seek to exploit rather than engaging in futile attempts at "reassurance."
- The ideas that the United States espouses and seeks to defend – individual freedom; democratic self-government; political, economic, and religious liberty; a free press; the rule of law – are not "American values," they are *universal* values.