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AND MARITIME TRANSPORTATION

HEARING ON CHINA’S MARITIME SILK ROAD INITIATIVE

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Introduction
Chairman Maloney, Ranking Member Gibbs, distinguished members of the Subcommittee, thank you for your invitation to testify on China’s Maritime Silk Road Initiative, its implications for the Department, and our contributions to a whole-of-government response. We appreciate the opportunity to engage this Subcommittee on an important topic for collaboration and information sharing in order to compete effectively with China.

China’s Strategy and the One Belt, One Road Initiative
China’s leaders believe they can and must contend for global leadership in a “New Era for Socialism with Chinese Characteristics,” heralded at the 19th Congress of the Communist Party of China in October 2017. China’s leaders have consistently sought to expand China’s comprehensive national power to achieve the Party’s strategic objectives by promoting what they see as the advantages of their authoritarian model and reshaping the international order to their liking.

China’s leaders have set major economic and political milestones for 2021, 2035, and 2049 in the lead up to the 100th anniversary of the founding of the People’s Republic of China. China’s military ambitions are linked to these milestones. By 2035, China’s military leaders seek to complete military modernization, and, by 2049, they seek to become a “world-class” military. In this regard, China’s efforts are designed with a clear purpose in mind: to displace the United States in the Indo-Pacific region; to expand the reaches of China’s state-driven economic model; to reorder the region in its favor; and ultimately to compete for global leadership.

President Xi Jinping’s signature “One Belt, One Road” (OBOR) initiative also serves these goals. Made public in 2013, this initiative aims to use economic instruments to expand economic and commercial ties to China by developing transportation infrastructure, natural gas pipelines, hydropower projects, technology, and industrial parks. The initiative has transformed since its announcement in 2013 from a regional economic initiative centered along China’s periphery, to an economic and foreign policy strategy that spans Asia, Africa, Latin America, Europe, the Arctic, and even into the digital and space domains.

Ultimately, China’s leaders intend OBOR to facilitate greater political, diplomatic, and even military connectivity between China and other countries. Specifically, they seek to use OBOR to shape other countries’ interests to align with the Communist Party’s and to deter confrontation and criticism of China’s behaviors that do not comport with international rules and norms. China claims that more than 120 countries are participating in OBOR and has pressured other countries and international organizations – including the United Nations – to include language endorsing OBOR in policy documents.¹

Regrettably, some OBOR projects do not meet acceptable standards. Although we welcome China’s contributions to sustainable high-quality development in accordance with international standards, too often OBOR projects are characterized by corruption, lack of public oversight, opaque and excessive lending, and nonviable projects that do not adequately account for the needs of partnering nations’ populations. For example, China built a new wharf for Vanuatu at the cost of $100 million that failed to meet the specifications needed for visiting cruise ships,

resulting in more than a 50 percent decline in port usage and negative impacts on the local economy.

China has also failed to perform risk assessments for some OBOR projects and inflated project costs to the benefit of its state-owned firms. Moreover, to facilitate the growth of China’s statist economic model, Chinese policy banks have overburdened some countries with debt and jeopardized the economic viability of projects. In Kyrgyzstan, for example, Chinese firms engaged in corrupt practices that inflated project costs, forcing the Kyrgyzstan Government to launch a corruption investigation. In the Maldives, China made a series of inflated loans to the country’s former administration that were so opaque that the current Maldivian administration is still struggling to calculate the more than $1.4 billion in debt it has inherited.

**China’s Maritime Initiatives Under OBOR**

In 2017, China released a “Vision of Maritime Cooperation under the Belt and Road Initiative,” which lays out three maritime corridors and emphasizes the importance of maritime security cooperation. One of these corridors extends from China through the Indian Ocean to Africa and the Mediterranean Sea. Another corridor extends from China to Oceania and the South Pacific, and the last corridor extends from China to Europe and through the Arctic Ocean.

Today, China is the world’s largest exporter of goods, and its state-owned shipping firms carry more cargo than any other country. In fact, six of the top ten container ports in the world are in China. China’s maritime industry, therefore, has extensive experience in port operations, upon which China increasingly relies to develop the Maritime Silk Road (MSR). China’s commercial capabilities are matched by its growing military emphasis on the maritime domain and increasing demands on the People’s Liberation Army Navy (PLAN).

In recent years, China’s party-state regime has grown more vocal about increasing China’s role in the global maritime industry. President Hu Jintao first declared at the 18th Party Congress in 2012 that the Communist Party of China should “build China into a strong maritime power.” His successor, Xi Jinping, made the same declaration five years later at the 19th Party Congress, adding that China needed to “pursue coordinated land and marine development,” reflecting its efforts to develop roads, railways, and economic zones to link ports with inland resources and facilitate the transport of goods in China. In April 2019, President Xi called for building a “maritime community of common destiny,” describing maritime connectivity and development of the “blue economy” as MSR objectives. This scheme is especially notable across the Indo-Pacific and Africa. In Africa alone, China has nearly 50 commercial port projects either complete or in various stages of execution.

In addition to MSR, China has increased its activities and engagement in the Arctic region since gaining observer status on the Arctic Council in 2013. In January 2018, China published its first Arctic strategy that promoted a “Polar Silk Road” and self-declared China to be a “Near-Arctic State.” The strategy identifies access to resources, securing Arctic sea lines of communication, and promoting an image of a “responsible major country” in Arctic affairs as specific interests, and highlights China’s icebreaker vessels and research stations as integral to its implementation.

**Military Implications of OBOR and MSR**

*PLA Posture and Access*
China is competing for access and influence at the global level. This past August our office met with counterparts from China’s military for a brief on China’s 2019 *National Defense White Paper*, which they explained defines China’s national defense aims to include “safeguard[ing] China’s overseas interests” and identifies a need to build its far seas forces and a need for “overseas logistical facilities.” China’s *Science of Military Strategy*, an official military document published in 2013, indicates its military strategists have also long been concerned with safeguarding China’s maritime industry and the ability of Chinese ships to transit strategic sea lines of communication.

Although China’s senior leaders for many years disavowed any direct connection between OBOR and the PLA, Beijing has now explicitly linked China’s global development framework with its overseas military ambitions. At a January 2019 Communist Party study session, Xi Jinping called for completion of a “security system” for OBOR to “strengthen protection of [China’s] interests and ensure the security of major overseas projects,” without elaborating on the PLA’s role or how the concept will account for the sovereignty concerns of partnering countries. And in July 2019, China’s Defense Minister openly declared that “China is willing to deepen military exchanges and cooperation with the Caribbean countries and Pacific island countries under the framework of OBOR.”

There are more signs China will seek to use OBOR to expand its international military cooperation. China’s policymakers may believe that by leading with economic and technology exchanges in their interactions with partnering countries, they can subsequently generate opportunities for defense cooperation or military access. For example, in 2017, the PLAN deployed its Navy Task Group 150 on a cruise from Shanghai to Europe, not coincidentally along the pathway of the Maritime Silk Road. Along the way, Task Group 150 made numerous goodwill port calls and conducted at-sea exercises with OBOR partnering nations.

Furthermore, it is becoming increasingly clear China is aggressively seeking opportunities for military access and basing. The PLAN has argued in its publications for a long-term strategy to obtain bases overseas, using methods such as constructing, purchasing, and long-term leases to obtain rights to foreign ports. The PLA already opened China’s first overseas military facility in Djibouti, and has operated there since late 2017. International press reporting has indicated China is seeking to expand its military basing and access in the Middle East, Southeast Asia, and the western Pacific, and may be considering additional locations in Africa. In the Arctic, civilian research could also support a strengthened Chinese military presence.

*Exposure to Influence*

China’s maritime infrastructure activities could also be leveraged to exert political influence. OBOR is more than an economic initiative – it is a strategic program with strategic implications for partnering nations. Given China’s demonstrated history of using economic leverage to exact political retribution against other countries, we are concerned these projects will increase partner nations’ concessions from or exposure to Chinese influence or pressure. For example, the Chinese government is restricting trade and tourism with Australia and Canada, and detaining Canadian citizens, in an effort to interfere in their political and judicial processes. After the Dalai Lama visited Mongolia in 2016, the Chinese government closed its border with the land-locked country, effectively crippling Mongolia’s economy. Beijing consistently incentivizes and pressures elites, usually in an opaque manner, to toe the CCP line on issues such as Taiwan,
Hong Kong, human rights, etc.

**Technology Challenges**

Alongside OBOR, President Xi has promoted the “21st Century Digital Silk Road,” an initiative that includes cooperation in frontier technology areas and building information and communications technology infrastructure, particularly in developing countries. This has overlapped with the MSR as Chinese state-owned shipping enterprises seek to link their shipping operations and port developments with Chinese technology exports. Huawei has also identified the digitalization of ports as an emerging sector for its 5th Generation (5G) telecommunications equipment. For example, in June this year, Huawei announced an agreement with China Merchants Port Group (CMPort), the sixth-largest container operator in the world, to establish a 5G innovation hub. CMPort has stated the hub will demonstrate the integration of Huawei 5G into port operations and predicted these innovations would support the development of OBOR-affiliated ports in foreign countries.²

The presence of Huawei 5G equipment in Chinese-operated foreign ports would present new risks due to the inherent security vulnerabilities associated with Chinese telecom vendors. Future 5G networks will underpin critical infrastructure, including automated systems that will support industrial and maritime infrastructure, and systems that track shipping containers and products through the global supply chain. The presence of low-assurance components – such as equipment from Huawei or ZTE – would compromise the integrity of these vital sectors.

Of particular concern are China’s laws that compel Chinese companies to cooperate with its security and intelligence services, even when operating abroad. In addition, independent analyses have identified extensive security vulnerabilities in Huawei products compared to those of competitors.³ Maritime infrastructure reliant on Chinese 5G services would therefore be vulnerable not only to Beijing’s influence, but also to any other State or non-State actor with basic cyber capabilities. The presence of equipment from high-risk vendors in our allied and partner 5G networks could also affect the means and manner of U.S. information sharing. Lastly, China’s ability to aggregate vast amounts of SOE-furnished shipping data across entire regions or continents poses threats to the competitiveness of global markets and maritime economies. Chinese overseas port operations, working in concert from centralized data stores and enabled by artificial intelligence and big data analytics, could evolve to predict supply and demand at a scale beyond what we currently understand.

**Department of Defense Approach**

The U.S. National Defense Strategy (NDS) states that DoD will “support U.S. interagency approaches and work by, with, and through our allies and partners” to counter coercion by revisionist powers. The challenges presented by China’s expanding global access cannot be solved primarily or exclusively in the military “lane.” The Department therefore views our response as supporting a whole-of-government approach, primarily through the first two lines of effort of the NDS.

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The first line of effort is **preparing a more lethal and resilient joint force.** The NDS takes into account the scope and pace of our competitors’ ambitions and capabilities, and prioritizes investment in modernizing key U.S. capabilities, including nuclear forces; space and cyberspace capabilities; Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR); missile defense; capabilities to strike diverse targets inside adversary air and missile defense networks; smaller, dispersed, resilient, and adaptive basing; and autonomous systems. The Secretary of Defense designated the Chairman of the Joint Chiefs as the global integrator, which allows him to work across the Combatant Commands to ensure a lethal and resilient joint force is available at the right time, place, and scale. Within the Office of the Secretary of Defense, the Department established the Office of the Deputy Assistant Secretary of Defense for China in June to drive alignment on our strategic competition with China as we carry out NDS implementation.

The second line of effort is **strengthening alliances and attracting new partners,** which the NDS identifies as a crucial and durable asymmetric advantage no other country can match. This has been a key focus in our support to the *Indo-Pacific Strategy,* as strengthening and evolving U.S. partnerships into a networked security architecture helps uphold a “free and open” order characterized by 1) respect for sovereignty and independence of every nation, no matter its size; 2) peaceful dispute resolution without coercion; 3) free, fair, and reciprocal trade and investment; and 4) adherence to international rules and norms. Select efforts include integrating NDS implementation with Japan’s National Defense Program Guidelines; implementing Major Defense Partner status with respect to India; reinvigorating our alliances with Thailand and the Philippines; pursuing access and training opportunities in Singapore; investing in emerging partnerships with Indonesia, Vietnam, and Malaysia; and enhancing our engagement in the Pacific Islands to maintain access and promote our status as a security partner of choice. DoD is also investing $521 million over the next five years in programs like the Maritime Security Initiative to build the capacity of our allies and partners in the region, including developing partners’ ability to conduct maritime security and maritime domain awareness operations, and advancing interoperability with U.S. forces. The United States is also working closely with Australia, Canada, France, Japan, New Zealand, and the United Kingdom to enforce UN Security Council Resolutions that seek to prevent North Korea from exporting coal and importing refined petroleum in the maritime domain. DoD is also engaging on these challenges beyond the Indo-Pacific region, as seen by recent senior leader trips to Europe and the Middle East, for example.

To “drill down” on the subject of this hearing, there are three specific ways the Department is responding to challenges presented by China’s Maritime Silk Road activities: evaluating access, supporting targeted responses, and shaping high standards for engagement with China’s military.

**Evaluating Access**

First, DoD will continue to assess Beijing’s efforts to contend for influence and access globally, including by identifying where specific investments have security implications. Importantly, the Department does not view every one of China’s expanding global activities as problematic. Many countries have genuine economic development needs, particularly for infrastructure, and U.S. policy does not oppose China’s investment activities as long as they respect sovereignty and the rule of law, use sustainable financing, and operate in a transparent and economically

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sustainable manner in accordance with international standards. Instead, we promote the principles of a “free and open Indo-Pacific,” where countries can determine their own economic interests and needs. We are concerned, however, by actions China’s party-state has taken that are out-of-step with international norms, diminish countries’ sovereignty, or undermine U.S., allied, or partner security. To that end, we have set up a framework for evaluating where China’s investments in ports and other infrastructure could impact DoD equities, and have provided specific information to our interagency counterparts, recognizing this is one variable in our whole-of-government decision-making.

Targeted Responses
Second, and informed by our assessments, the Department has supported interagency counterparts and our allies and partners to respond in cases where there are acute needs. Our multilateral response to China’s state-driven initiatives has emphasized upholding shared principles and promoting high standards for trade and investment. The Department does not support a plan to counter China dollar-for-dollar or emulate its state-backed approach and the accompanying costs to host countries. Rather, DoD welcomes the development of new tools by our interagency and Congressional counterparts to increase our competitiveness: the Better Utilization of Investment Leading to Development (BUILD) Act which doubled our development finance capacity; targeted State Department initiatives like the Digital Connectivity and Cyber Security Partnership and Infrastructure and Transaction Assistance Network; and strengthened U.S. contributions to regional institutions – we believe these are exactly the type of actions needed to promote quality alternatives. Although DoD may not be the appropriate Department to employ such tools, we provide support through our own tools: deepening security engagements with allies and partners, underwriting the stability needed for partnerships to thrive, and providing timely assessments, as when DoD identified concerns about potential Chinese investment in a deep water port in the Indo-Pacific.

Allies and partners have promoted high-standard alternatives as well. Last year Australia worked to fund a military base for Fiji’s armed forces, for example. In September 2019, the European Union and Japan signed a deal for a 60 billion-Euro fund to coordinate infrastructure, transportation, and digital projects linking Europe and Asia.

Shaping Engagement with China’s Military
Finally, DoD shares our best practices with other countries for engaging with China, and with China’s military in particular. As China’s military is increasingly present around the globe and seeks to build bases in other countries, we encourage hard discussions regarding the risks associated with this presence. The Department stands ready to assist any country in its assessments. The Department also continues to engage with China to build a constructive, results-oriented defense relationship focused on building the communications necessary to de-escalate crisis and reduce risk to forces. DoD has worked to scope our own engagements with the PLA carefully to avoid contact that would constitute a national security risk while welcoming cooperation from China on issues of mutual interest.

DoD has also joined interagency counterparts in promoting national security-based investment screening mechanisms as a best practice for evaluating offers that could compromise maritime and digital infrastructure, and in advocating for a risk-based security framework for 5G infrastructure contracts in particular. DoD specifically emphasizes the defense risks presented
by the lack of an independent judiciary between China’s vendors and its security and intelligence services. Continued outreach on these issues will further deepen our cooperation with allies and partners and build a long-term foundation for addressing risks to our critical infrastructure.

**Conclusion**

Your Department of Defense will continue supporting these and other whole-of-government actions to respond to China’s efforts to influence the maritime domain in ways that are inconsistent with U.S. national interests and values. To that end, we will continue to field a Joint Force that can compete, deter, and win in this increasingly complex security environment. We welcome Congress’s continued attention to these vital issues.