

House Foreign Affairs Committee Hearing
“Smart Competition: Adapting U.S. Strategy Toward China at 40 Years”
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Chairman Engel, Ranking Member McCaul, and distinguished members of the Committee, I am honored to testify today about the challenge that China presents to the United States and what we should be doing about it. I commend this Committee for taking on this topic in such a comprehensive way. I also want to thank my fellow panelists for their immense scholarship on China, which I turn to often to inform my own. I have submitted for the record a written statement as well as a recent Center for American Progress strategy on China that I co-authored with Dr. Melanie Hart. I hope our report and its recommendations will prove useful to the Committee as you take this effort forward.

I would like to begin by offering **four** general observations:

First, at the 40th anniversary of U.S.-China relations, we are entering a new competitive phase in our relationship that will need to be managed carefully by both sides. China has been in a competition with us for a while, but we have been so invested in the Middle East and South Asia and paralyzed politically at home that we failed to take adequate action for many years. Going forward, we will need to make better choices about where we place our strategic focus—not just overseas but also here at home. And yes, there will indeed be choices and we will need to accept some risk in making them—whether it is what defense and security investments we make, what diplomatic efforts we choose to pursue, or what resource trade-offs we make across the national enterprise. The nature of this competition will be comprehensive.

Second, in this regard, I believe that competition with China will be defined as much by what we do to make ourselves competitive in Michigan and Ohio as by what we do in the South China Sea. Whether we successfully compete will be more about how we invest in our greatest strength--the American people--than how many aircraft carriers we have. And I say that as a former Defense Department official. Over the past few decades, China funneled trillions of dollars into public education, public infrastructure upgrades, high-tech research and development, and global diplomacy. At the same time, Washington dialed back investments in those fundamental pillars of national strength—and, most importantly, in the American people—and assumed the United States had enough of a head start to maintain its edge without the necessary investments at home.

Third, the United States cannot compete with China alone. We need our friends, whether to confront China’s unfair trade practices or to uphold international law in

the South China Sea. Generating a U.S.-China competition on a purely bilateral basis does not leverage collective strength of our allies. It also puts some countries in a position of feeling forced to choose – a dynamic we should scrupulously avoid.

Finally, U.S. policymakers should be cautious about over correcting with competition. We cannot abandon our democratic values. In fact, we should see those values are a comparative advantage on the field. They are what make us different from China and more attractive to others. Likewise we should avoid painting competition as somehow civilizational; that is not only wrongheaded but counterproductive. And even as we compete, we should remember that U.S.-China relations have also yielded constructive results for mankind.

With these observations in mind, I recommend the United States pursue a three-pronged strategy with respect to China:

- First, we need to **limit** China's ability to exploit our open system.
- Second, we need to **leverage** China's growing capabilities to advance collective interests.
- Third, we need to **compete** at full national strength.

Limit. U.S. markets and information platforms generally operate like an open public square. Individuals and companies from other nations can invest and do business in the United States. Visitors from other nations can share their views with the American public, enjoying some of the same rights and freedoms—such as the freedom of speech—that Americans do. To be sure, everyone must follow the law, and screening requirements do apply in some cases—but U.S. policy aims to keep the nation's markets and information arenas open so that market forces determine business outcomes and the U.S. public can make its own decisions about which information to take in and how to judge that information.

From Beijing's perspective, open systems in the United States and other liberal democracies give China the opportunity to exert influence in those nations, acquire sensitive information and technology, and bolster China's position at the target nation's expense. On the economic front, Beijing dispatches an array of firms and investment funds to acquire U.S. technologies that China cannot yet produce on its own, bring that know-how back to China, and use it to undercut U.S. comparative advantages in global technology markets.

Beijing deploys similar tactics on the information front, executing a coordinated campaign to flood public U.S. fora with positive information about China in order to counterbalance negative information about Beijing's intentions and actions. This occurs via direct propaganda and indirect narrative-shaping via proxy. On the direct side, China's state-run propaganda organizations operate their own English-language television, radio, and print media platforms in the United States; publicize pro-China material on those platforms; and insert material into major U.S.

publications. That material appears in the form of independent news articles, but these publications are part of a state-run, coordinated propaganda campaign. On the indirect side, Beijing funds language and research programs across hundreds of American primary schools, secondary schools, universities, and think tanks to support and promote pro-China school curriculums and policy research. Keep in mind, American businesses and information platforms are not afforded the same rights in China.

We cannot force China to change its approach. Nor can we abandon the openness and values that makes Americans who we are. But we can limit China's ability to exploit our openness by imposing enhanced transparency and screening. For example, we should take some of the following steps:

- Require Chinese firms to disclose their ownership structure and funding sources before entering the U.S. market.
- Mandate disclaimers on direct foreign government propaganda.
- Mandate transparency for U.S. civil society and educational institutions receiving Chinese government funding.
- Overhaul the U.S. legal framework on foreign interference to account for the scale of the China and Russia challenge.

Leverage. Where China's strategic intent aligns with U.S. and broader global interests, the United States should seek to leverage rather than limit Chinese initiatives. From a U.S. perspective, where multiple nations must share the burden to address a common global problem—such as climate change, international development, environmental degradation, nonproliferation, disaster relief, or a pandemic disease—U.S. interests are best served when all nations contribute their fair share. If the United States allows China to free-ride on global public goods provision, the United States will inevitably carry some of China's weight, and global problems will be harder to solve. And if the United States leans back diplomatically, such as the Paris Climate Accord, China then gets a freer hand to set the standards, which will inevitably be lower.

The U.S. needs to be selective and active in how it leverages China's capabilities. With this in mind, I recommend we take some of the following steps:

- Leverage China's Belt and Road Initiative where it is in our interest to do so and work to improve transparency and competition.
- Encourage greater Chinese contributions on humanitarian assistance, disaster relief and pandemic disease.
- Partner with China on global sustainability efforts so that we drive the international standards rather than ceding the field to China.

Compete. It is natural for China to seek a stronger global position and stronger influence over global rules and norms as its capabilities grow, and the United States

should not be intimidated by China. To be clear, the goal of competition should not be to prevent or hinder China's rise; rather, the goal should be to ensure that all countries are free to make their own economic and security choices free from coercion. We should also work to ensure that China's rise does not come at the expense of our fundamental interests. As we compete, it is important to remember that the United States still holds multiple advantages over China. We remain the world's largest economy (for now) and have the world's most capable military. However, we are failing to make the necessary strategic investments to sustain those advantages, both in our economic and foreign policy.

At home, the United States is not adjusting its economic policies to account for globalization. The international economy has shifted, but U.S. workers have not received the support they need to adjust to the consequences of an increasingly globalized economy. Wages are not rising despite strong economic growth, and the American middle class is being hollowed out. The United States has failed to establish domestic policies that ensure the benefits of growth are broadly shared; the result is increased inequality, stagnant wages for workers, and the lack of a viable economic model for shared prosperity in the 21st century. Going forward, the United States must make the necessary investments in the innovation drivers—science and technology education, R&D, among others—that are needed to sustain its comparative advantages in the global economy and pair those investments with policies that ensure gains are distributed equitably. A similar pattern is playing out on foreign and security policy, where the United States remains deeply invested—both in terms of resources and strategic focus—in the challenges of the past two decades.

Meanwhile, China's predatory technology acquisitions and techno-nationalist industrial policies are enabling it to dominate global markets across multiple key industries. It is then using its vast economic power to coerce countries politically. Militarily, China has made massive modernization efforts aimed at closing the gap with U.S. forces, eroding regional confidence in our security credibility, and upending regional maritime stability. Within the global governance system, China is making a series of moves—such as eroding U.N. mechanisms for human rights accountability—that undermines liberal democratic norms and augments or replaces them with more authoritarian ones.

It is becoming increasingly clear that the central contest of this century will likely be between the U.S. model of economic and political development and a more authoritarian model. We cannot rest on our laurels from the last century. With this in mind, I recommend the United States take some of the following steps:

- Launch a “National Competitiveness Initiative” with strategic investments in research and development, higher education, workforce development and public infrastructure.

- Fight back on trade in partnership with our friends and allies, in particular on digital trade and taking collective action in the WTO.
- Launch a next generation digital infrastructure initiative to ensure the U.S. is leading in setting the standards for information.
- Network a new Asia Pacific regional security architecture with an emphasis on our democratic partners, including India.
- Make the necessary defense investments to ensure effective deterrence and defeat aggression.
- Work collectively to uphold and defend democratic values, including holding China accountable for its gross human rights abuses against the Uyghur community and other marginalized groups.
- Position the U.S. national security infrastructure to compete successfully with investments in personnel, especially Chinese language training as well as more integrated policymaking structures.

In conclusion, the United States can manage this new phase in our relationship with China. We should be confident in our abilities, but vigilant to what is necessary to compete effectively. And while much of the national effort required will go well beyond the jurisdiction of this Committee, we must view this challenge comprehensively because that is how China views us. We can compete with China without sacrificing our values or driving ourselves into unnecessary conflict. But we have to change course now. Once we put some better fundamentals in place at home and abroad, we will be in a better position to succeed in this century regardless of what path China chooses to take.

Thank you again for the opportunity to testify. I look forward to answering your questions.