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Before the U.S. House Select Committee on the Strategic
Competition Between the United States and the Chinese
Communist Party

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Chairman Gallagher, Ranking Member Krishnamoorthi, and members of the Select Committee:

This Committee's work is urgent and important because the United States has fallen behind in the consequential competition with the Chinese Communist Party (CCP). For too long leaders across the private sector in academia, industry, and finance as well as the public sector across multiple administrations and Congresses clung to the assumption that China, having been welcomed into the international system, would play by the rules and, as China prospered, would liberalize its economy and form of governance. Reality proved otherwise, but many leaders were slow to overcome wishful thinking and self-delusion concerning the intentions of the CCP. As a result, the United States and other nations across the free world underwrote the erosion of their competitive advantages through the transfer of capital and technology to a strategic competitor determined to gain preponderant economic and military power. This Committee can help the United States catch up in the competition with the CCP. It can do so by holding hearings that reveal the nature of CCP aggression and what is at stake for Americans and the citizens of the free world. And perhaps most important, the Committee can help determine the combinations of policies and legislation necessary to counter CCP aggression and rebuild America's and the free world's competitive advantages.

Nature of the Competition

It is past time to recognize that the CCP is the aggressor in this competition. When Matthew Pottinger and I, alongside others in the Trump Administration, undertook a deliberate effort to correct the U.S. approach to China, we met considerable resistance. Some tried to cast the 2017 National Security Strategy and the Indo-Pacific Strategy as inflammatory or unnecessarily aggressive. But those criticisms were based in strategic narcissism or the tendency

to define the world only in relation to the United States and to assume that U.S. actions are decisive to achieving favorable outcomes. Those reluctant to abandon the approach of cooperation and engagement with China in favor of transparent competition did not seem to realize that the CCP has ambitions far beyond those that are in reaction to what the United States and our allies and partners do. They undervalued the degree to which ideology, emotion, and aspiration drive and constrain the Party's leaders.

It is important to understand that Party leaders are driven by fear of losing their exclusive grip on power and an associated obsession with control. The CCP maintains control through the manipulation of history, brutal repression, a sustained campaign of propaganda, continuous surveillance, and the weaponization of social networks. Fear and obsession with control also drives the CCP's aspiration to realize its vision of "national rejuvenation." Chairman Xi Jinping and CCP leaders believe that they have a narrow window of opportunity to strengthen their rule and revise the international order in their favor – before China's economy sours, before the population grows old, and before events (e.g. the pandemic) expose the vulnerabilities the party created in their rush to surpass the United States and realize the China dream. Fears and ambitions are inseparable. The narrative of regaining honor lost during the "century of humiliation" and "taking center stage" in the world is meant to promote the "China model" of one-party authoritarian rule and portray that model as superior.

The Stakes

The stakes are high as the CCP is intensifying efforts to extend and tighten its exclusive grip on power internally and gain preponderant power externally through a campaign of cooption, coercion and concealment. China coopts countries, international corporations, and

elites through false promises of impending liberalization, insincere pledges to work on global issues such as climate change and especially the lure of short-term profits, access to the Chinese market, investments and loans. Cooption includes debt traps set for corrupt or weak governments. Cooption makes countries and corporations dependent and vulnerable to coercion. The Party coerces others to support or at least ignore its efforts to extinguish human freedom internally, as it did in the cases of the National Basketball Association, Nike and many other companies. And the CCP applies coercive power to force companies and countries to submit to Chinese demands and support the CCP's world view and violent self-conception as a one-party nation with no room for ethnic plurality except on its own rigid terms.

Examples include the CCP's subversion of the World Health Organization, the Human Rights Council, UNESCO, and the International Civil Aviation Organization just to name a few. This Committee can help remove any lingering doubts that the CCP intends to extend and tighten its exclusive grip on power internally and achieve "national rejuvenation" at the expense of other nations. In particular, the Committee might help correct what we might call the "two misunderstandings" about the Party's aggression, misunderstandings that the Party uses as cover for its campaign of cooption, coercion and concealment and to portray as innocuous programs designed to achieve primacy at the free world's expense such as Military-civil Fusion, Made in China 2025 and One Belt One Road. If the CCP succeeds in its ambitions, the world will be less free, less prosperous, and less safe.

The Two Misunderstandings

The Committee can help correct two fundamental misunderstandings about the competition with the CCP that impede America's ability to compete effectively. The first

misunderstanding is that Chinese aggression is the result of U.S.-China tensions or is a reaction to United States' description of China as a rival. This misunderstanding is a form of strategic narcissism – it is an arrogant, self-referential view based on the assumption that the Party has no volition of its own and no aspirations beyond those in reaction to what the United States does.

To correct this misunderstanding the Committee might highlight the CCP's actions in the midst of a global pandemic over the past three years and contrast those actions with Xi Jinping's words. Xi Jinping urged the world to “embrace cooperation and jointly defeat the pandemic” after suppressing information about the Covid-19 outbreak, prosecuting doctors and journalists who tried to warn the world, and corrupting the World Health Organization. Xi Jinping continued to promise cooperation in cybersecurity while launching massive cyberattacks globally including on medical research facilities in the midst of the pandemic. CCP leaders continued to speak the language of cooperation and global governance while repressing human freedom. Chairman Xi spoke of ‘rule of law’ while he interned millions of people in concentration camps, waged a campaign of slow genocide against the Uighur population in Xinjiang, and extinguished human freedom in Hong Kong (witness the ongoing kangaroo court trials against 41 dissidents). He vowed carbon neutrality by 2060 while becoming, by far, the world's largest carbon emitter and building scores of coal-fired plants each year, across the globe. Chairman Xi gave speeches on free trade while engaging in economic aggression, forced labor, economic coercion, and numerous unfair trade and economic practices. He inflicted economic punishment on Australia for having the temerity to propose an inquiry into the origins of the virus and Lithuania became the sixth European Union country to experience Chinese economic coercion after the opening of a “Taiwanese Representative Office” in Vilnius in November 2021. He shared his vision of a “community of common destiny” while fostering servile relationships with corrupt governments

and poor countries through economic coercion or military intimidation. He professed that China is not an aggressive power while he built and weaponized islands in an effort to control the South China Sea, his naval vessels rammed and sank ships in international waters, his aircraft violated the air defense identification zones of his neighbors thousands of times, and his soldiers bludgeoned Indian soldiers to death on the Himalayan frontier. Meanwhile, the CCP raced to perfect its technologically enabled police state and extend its repression into Hong Kong. Yet the CCP was unable to interdict China's export of the drug fentanyl and its precursors as over 200,000 Americans died from overdosing on the drug over the past eight years.ⁱ Those who are in denial about the nature and gravity of the threat from the CCP tend to listen to what Xi Jinping and party officials say to international audiences rather than pay attention to the Party's actions or what CCP leaders say in internal speeches and documents.

The second misunderstanding is that competition with China is dangerous or even irresponsible because of a Thucydides Trap that presents us with a binary choice between passivity and a destructive war. Prior to 2017, passivity in connection with CCP aggression in the South China Sea and elsewhere had put us on a path to conflict. Had we remained complacent under the strategy of engagement and cooperation, China would likely have become even more aggressive. Transparent competition can prevent unnecessary escalation and enable rather than shut down cooperation with China. But the Party promotes the false dilemma associated with the Thucydides Trap to portray efforts to defend against its aggression as simply the status quo power, the United States, trying to keep the rising power, China, and its people down. Calls to cooperate with China without reference to the need to defend against the Party's increasing aggression reinforce the CCP's narrative. It is important to correct the two

misunderstandings because they provide cover for the party's aggression and rationalization for those who are eager to shrink from competition in pursuit of short-term profits.

This Committee can demonstrate how the CCP's Orwellian reversal of the truth is consequential for Americans. The CCP is not only strengthening an internal system that stifles human freedom and extends its authoritarian control; it is also exporting that model and advocating for the development of a new international order biased in favor of China. In highlighting what is at stake, the Committee should focus on the CCP's actions and take care to distinguish between the CCP and the Chinese people who are so often the victims of their totalitarian government.

Comprehensive and Integrated Approach

To overcome the CCP's campaign of cooption, coercion, and concealment and counter the CCP's weaponization of its authoritarian mercantilist model against the free world, the United States and likeminded partners must adopt a comprehensive approach to economic statecraft. While recognizing that the complete decoupling from the Chinese economy is impractical it is important to note that CCP leaders are calling for selective decoupling on their own terms to create a "dual circulation economy" in which the United States and other economies are dependent on China for critical goods and technologies while China is insulated from financial or economic consequences that would follow brazen CCP aggression.

High-standard trade agreements are a vital part of any strategy to counter China. They can make it easier for companies and countries to link their supply chains with the United States, and help demonstrate to the world that we have a coherent, comprehensive international economic strategy to counter China. Tools of economic statecraft should aim to: combat Chinese

industrial espionage; screen Chinese investments to protect sensitive technologies; screen outbound investments in Chinese companies; implement export controls to prevent transfer of critical technologies; invest in the development of critical technologies to maintain advantages; strengthen human capital; and reform permitting to streamline approval processes. This Committee can help ensure that actions in each of these areas are mutually reinforcing and oriented on the objectives of countering CCP economic aggression and maintaining critical advantages in emerging technologies. New legislation will be necessary to advance efforts such as in the areas of immigration reform. International cooperation employing the tools of economic statecraft is vital to ensure that the CCP cannot take a divide and conquer approach.

First Do No Harm

The Committee might coordinate with the Administration and other Congressional committees to incentivize actions in the private sector consistent with principles designed to build corporate consensus and understanding. Policies and legislation should encourage businesses to adhere to something like a Hippocratic oath to do no hurt or harm in three ways:

1. Do not underwrite China's asymmetric pursuit of dominance in defense, dual-use technologies, and critical industries.
2. Do not undergird China's surveillance state, human-rights abuses, or oppression of ethnic and religious minorities.
3. Do not undermine your company or industry's long-term economic vitality or resilience in pursuit of short-term gains.

Because the CCP could engage in brazen aggression that triggers a rending of key financial and economic relationships with Chinese entities analogous to the rending of relationships with

Russian entities after the reinvasion of Ukraine in February 2022, it would be prudent for business and financial institutions to act now to reduce geopolitical risk. Moreover, due to the CCP's egregious human rights abuses including slow genocide against the Uighur population, companies will find it more difficult to shield themselves from reputational risk associated with doing business in China. The extinguishment of human rights in China should be an ESG topic of grave concern in boardrooms across the free world.

Lessons from Ukraine: Strengthen Defense and Diversify Supply Chains

The Committee might glean lessons from the war in Ukraine that apply to the competition with the CCP. The war revealed that the United States has underinvested in defense. Defense planning has been based on fundamentally flawed assumptions especially that the U.S. Joint Force would not have to respond to multiple major contingencies simultaneously and that future wars would conclude rapidly due, in large measure, to U.S. technological advantages. The U.S. Joint Force requires major investments to reduce a bow wave of deferred modernization and also requires additional capacity to deter conflicts, and if necessary, respond to crises in multiple theaters. As China's PLA continues its threatening behavior directed at Taiwan, Japan, South Korea, and in the South China Sea, the CCP is deepening its support for Russia's war-making machine. It is clear that 'triangular diplomacy' as practiced by President Richard Nixon and Secretary Henry Kissinger in the 1970s in which they sought closer relations with Russia and China than they enjoyed with each other is no longer feasible in a world in which the two revanchist powers have vowed that the "friendship between the two States has no limits." As much as getting China or Russia to moderate the other might appear as a nifty idea, our adversaries are coordinating joint action against the free world.

Although the courageous Ukrainian forces have greatly depleted Russia's capacity to wage war, China is continuing the largest peacetime military buildup in recent history. The PLA has invested heavily in modernizing its capabilities and expanding its capacity across all the domains of warfare, with a focus on enhancing force projection and strategic deterrence.ⁱⁱ These investments have been specifically targeted to "fight and win wars" against a "strong enemy," counter third party interventions, and project power globally.ⁱⁱⁱ China possesses the numerically largest navy in the world and the largest aviation force in the Indo-Pacific, with over half of its fighter force utilizing fourth or fifth generation aircraft. China's defense budget has almost doubled in the past decade, and in 2021 alone it launched more ballistic missiles for testing and training than the rest of the world combined.^{iv}

Moreover, Iran and North Korea are supporting Russia with weapons and ammunition and China may soon follow suit. Pyongyang continues missile tests and has threatened the use of nuclear weapons to wage what it described as a preemptive war. Iran continues its decades-long proxy wars while it progresses toward a nuclear threshold capability. The danger of cascading crises in which multiple adversaries take advantage of U.S. preoccupation in one region to take aggressive action in another is increasing. The Committee might help impart a sense of urgency in the Administration and among fellow legislators to increase investments in defense to fully modernize the force, increase capacity across the services, bolster critical military supply chains and build much larger stocks of weapons and munitions. As we might have learned from Ukraine's experience, it is much cheaper to deter a war than to fight one.

The United States and likeminded nations should race not only to improve their own military capabilities and capacities, but also help Taiwan and Japan accelerate improvements in their defenses. We might ask what more might have been done before February 23 to help

Ukraine deter the renewed Russian invasion? Priority should be on expediting the almost nineteen billion dollars of weapons and munitions that Taiwan has already purchased.^v

Another obvious lesson of the war in Ukraine is that it is a grave mistake to rely on authoritarian regimes for energy and other critical supply chains. For Germany, the leap to renewables while cancelling nuclear power and opening Nord Stream II was a leap off a cliff and into Moscow's arms. As mentioned previously, Xi Jinping wants an economy that depends little on overseas markets, finance, and technology while deepening dependence of other nations on Chinese manufacturing and upstream components and materials. Accelerating the energy transition to renewables without diversifying supply chains from solar panels to wind turbines to batteries to magnets could result in an energy dependence on China analogous to the energy dependence on the Gulf states in the 1970s.^{vi}

Conclusion

We can no longer afford to be complacent about the threat from China's campaign of cooption, coercion, and concealment. But we should be confident. We might remember how in May of last year the Kremlin leadership watched a well-choreographed military parade even as its poorly-led, ill-trained, and undisciplined military was failing in Ukraine. Meanwhile the CCP was doubling down on its self-destructive Zero Covid policy and continuing its crackdown on the tech sector as it scrambled to contain a real estate crisis. Authoritarian regimes are brittle. Democracies are resilient. This Committee is an example of why we should be confident. Americans have a say in how we are governed and can demand better policies to compete with the CCP.

ⁱ USA Facts, “Are Fentanyl Overdoses Deaths Rising in the US?” USAFacts.com, February 22, 2023, <https://usafacts.org/articles/are-fentanyl-overdose-deaths-rising-in-the-us/>.

ⁱⁱ John C. Aquilino, “Statement of Admiral John C. Aquilino, U.S. Navy Commander, U.S. Indo-pacific Command Before House Committee on Appropriations Subcommittee on Defense,” May 17, 2022, <https://docs.house.gov/meetings/AP/AP02/20220517/114752/HHRG-117-AP02-Wstate-AquilinoJ-20220517.pdf>.

ⁱⁱⁱ Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China*, U.S. Department of Defense, VI, <https://media.defense.gov/2022/Nov/29/2003122279/-1/-1/1/2022-MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA.PDF>.

^{iv} Excludes ballistic missiles employed in conflict zones. See Office of the Secretary of Defense, *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China*, U.S. Department of Defense, 64.

^v Karoun Demirjian, “Lawmakers Return from Taiwan Clamoring to Speed Up Weapons Deliveries,” *New York Times*, Feb 22, 2023, <https://www.nytimes.com/2023/02/22/us/taiwan-china-house-lawmakers.html>.

^{vi} Nadia Schadlow, “Trading One Dependency for Another,” *War on the Rocks*, May 12, 2021, <https://warontherocks.com/2021/05/trading-one-dependency-for-another/>.