

**TESTIMONY OF REP. DANA ROHRABACHER
THE U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION
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I want to thank Commissioners Carolyn Bartholomew and Peter Brookes for the opportunity to testify today. The U.S.-China Economic and Security Review Commission was chartered by the Congress in 2000 and has served as one of the best sources for frank and realistic information and analysis of the problems posed to the United States by the rise of a China still under the control of a brutal and ambitious Communist Party.

The House Foreign Affairs Committee and its Subcommittees have held six hearings this year that touched on the People's Republic of China. The committee's first major hearing on China coincided with President Hu Jintao's state visit and Larry Wortzel of the Commission was the lead witness providing a wealth of data on Chinese capabilities.

My own Subcommittee on Oversight and Investigations will hold a hearing on cyber-espionage and technology transfers to China which have been a primary factor in Beijing's rise as a peer competitor to the United States around the world.

The Chinese Communist regime has identified the United States as its enemy. It understands that its tyrannical one-party rule will inevitably bring Beijing into conflict with this nation. We cannot keep our heads in the sand; not responding to its hostile intentions.

Last year, the Nobel Committee awarded its Peace Prize to Liu Xiaobo, a pro-democracy activist who was sentenced in December 2009 to 11 years in prison for "subversion" after co-authoring the "Charter 08" manifesto calling for political reform and broader human rights in China.

The Beijing regime was outraged. Zhu Wenqi, a professor of international law at Renmin University of China, said China was a vast and populous country, and its stability had direct bearing on the world order. "Responsible international organizations and institutions should weigh their actions against the interests of a peaceful world order," he warned.ⁱ Beijing claimed to have rallied the support of 100 other countries in condemning the "Western values" represented by the Nobel Prize.

The Chinese Foreign Ministry criticized the U.S. House of Representatives for voting a resolution congratulating Liu on his award. "We urge relevant U.S. lawmakers to stop their wrongdoing on this issue, change their arrogant and rude attitude and show due respect for the Chinese people and China's judicial sovereignty," said a Foreign Ministry spokesperson.ⁱⁱ

The Communists know who their enemy is, and say so. An editorial in the Communist Party newspaper *Global Times* argued, "Many Chinese feel the peace prize is loaded with Western ideology. Last century the prize was awarded several times to pro-West advocates in the former Soviet Union." An Oct. 14 editorial in the same paper asserted, "China "refuses to be westernized. The rejuvenation of the Chinese civilization is its dream. The more China learns from the West, the more confident it becomes in its own culture."

It was a matter of faith in America after the Cold War that there was only one model for the future, the model of democratic capitalism based on free people and free enterprise. China would evolve in the direction of Western values and become a “responsible stakeholder” in the existing international system and abandon its role as the leader of revolutionary movements and rogue states seeking to overturn the world order. That hope has been dashed by China in word and deed.

In the wake of popular agitation for reform in the Middle East, Beijing has intensified its crackdown on dissidents and tightening its control over communications. The artist and social critic Ai Weiwei was detainment for being “a maverick of Chinese society.” As a Communist Party editorial put it, “In such a populous country as China, it is normal to have several people like Ai Weiwei. But it is also normal to control their behaviors by law.”ⁱⁱⁱ

But Beijing is not just acting defensively. China is exporting its growth model of “state capitalism” with the message “A rising China with different fundamental principles disturbs the West, which is beleaguered in deep economic woes.” Beijing is exploiting the failure of the United States to get its fiscal house in order, even as it benefits from America’s twin deficits in trade and budgets which have given China the largest hard currency reserves in the world.

China is expanding its Confucius Institutes around the world, with some 500 now and the aim of 1,000 by 2020. There are some 64 in the U.S. in 37 states. They are usually associated with universities under the guise of teaching the Chinese language, but they do so by focusing on Chinese history and philosophy taught from the Communist Party perspective. They are clearly agents of influence. We are again engaged in a Cold War of ideas, even as Beijing constantly warns us not to return to Cold War thinking. Yet, the Communist regime openly laments the fall of the Soviet Union under the pressure of Western power built on concepts of capitalism and democracy that Beijing rejects as vehemently as the Soviets did.

When President Barack Obama welcomed Chinese President Hu Jintao for a state visit January 19, he referenced Deng Xiaoping as the man who had ushered in the new era of U.S.-China relations. Deng was the great post-Mao "reformer" who shifted the economy towards “market socialism” (or state capitalism) in pursuit of the "four modernizations" of industry, agriculture, national defense, and science and technology. Yet, Deng’s strategy was not rooted in any long term commitment to a Western-style international order. As he **said** in 1979, "Some people are afraid that China will take the capitalist road if it tries to achieve the four modernizations with the help of foreign investment. No, we will not take the capitalist road."

In Deng’s vision, the Communist Party would stay firmly in control, with state-owned enterprises (or state-controlled) dominating strategic industries. Joint ventures would keep the foreign firms subservient. Deng was no classical liberal. Although he never assumed the title of Communist Party chairman, he did take the title of chairman of the party's Central Military Commission, which gave him control of the People's Liberation Army, upon which he built his political base. He used the PLA to crush the student democracy movement in the Tiananmen Square massacre of 1989. For President Obama to praise Deng was very disturbing.

One of Deng's most cited slogans---including by President Hu, is “Hide one’s capacities and bide one’s time; seek concrete achievements.” Its origin goes back to ancient times and is a

paraphrase of the advice from the great Chinese military strategist Sun Tzu, "Although capable, display incapability to them. When committed to employing your forces, feign inactivity." The notion of a "peaceful rise" is part of the "way of deception" at the core of this strategy. America must not become alarmed at Chinese ambitions or it will cease to send capital and technology to China to further help it expand.

Deng's emphasis on economic development has led many in America to naively believe Beijing's propaganda that the country is engaged in a "peaceful rise" that threatens no other country. Yet, as Chinese wealth and capabilities have grown, so has its ambitions. It now seems that Hu has become impatient with Deng's cautious approach.

In every trouble spot around the world, the United States and China are on opposite sides.

Beijing continues to support Iran as its nuclear program moves forward. The January talks between Iran and the five permanent members of the UN Security Council plus Germany ended with the Islamic regime defiant. Tehran knew it was not facing a united front, as China has blocked any actions that could truly be dangerous to the regime.

On the Libya issue, the Communist Party press has called for China to lead the world "anti-interventionist" movement against "the Western supremacist interest."^{iv}

The summer saw competing naval and military exercises all along the Pacific Rim. China sought to protect North Korea from the consequences of Pyongyang's sinking of a South Korean warship, artillery fire across the border, and the exposure of a secret uranium processing plant. China deployed its fleet in the Yellow Sea west of the peninsula in an attempt to deter the U.S. from entering these waters in support of Seoul. There were bellicose speeches and editorials about how any show of force against Pyongyang was a threat to China, and that Beijing needed weapons to "kill" American aircraft carriers.

When North Korea fired artillery at the small island of Yeonpyeong, which is in the Yellow Sea not far from where the *Cheonan* was sunk, the U.S. had to finally call the Chinese bluff and head into the area. Beijing protested, asserting again its illegal interpretation of the law of the sea. "We hold a consistent and clear-cut stance on the issue. We oppose any party to take any military actions in our exclusive economic zone without permission," said a statement by Chinese Foreign Ministry Spokesman Hong Lei.^v

Besides the Yellow Sea, China also continued to claim all the islands in the East and South China seas as its territorial waters, bringing it into confrontation with Japan and Vietnam. In these cases, Washington did show its opposition to Beijing. Secretary of State Hillary Clinton's diplomacy in support of the members of the Association of Southeast Asian Nations (ASEAN) was backed by the deployment of a U.S. Navy aircraft carrier group.

In a workshop held at the U.S. Naval War College in June, 2009, retired PLA Maj. Gen. Peng Guangqian, then deputy secretary of the China Committee for National Security Policy Studies in Beijing, felt bold enough to tell the audience, "China's 'sea territory' includes its territorial waters, the contiguous zone, the exclusive economic zone, and the continental shelf, which in total are approximately one-third the size of China's land territory. China's sea territory or 'blue-colored land' is an important part of its entire national territory."^{vi} China claims all the islands in

these adjacent seas. “The Bo Hai Sea, Yellow Sea, East China Sea and South China Sea are all connected to each other and possess enormous geostrategic value” said Peng, who called the South China Sea “the maritime Silk Road.” The Bo Hai Sea is an inland body of water, the rest are considered to be international waters. For Beijing to assert “jurisdiction” over these vital trade routes as if they were mere Chinese lakes poses a threat of the first order to the rest of Asia. Yet, Chinese officials often speak of such control as a “core interest” of the regime, implying something they will fight to achieve.

Any look at a map reveals the importance of Taiwan in the Chinese plan for maritime expansion. Should the democratic island fall under the control of Beijing, the South China Sea really would take on the look of a Chinese lake. It is thus important to provide Taiwan with the arms it needs to defend itself and to maintain our own capacity to resist any resort to force or other forms of coercion by China that would jeopardize the security of the people on Taiwan. This is what is called for in the Taiwan Relations Act, which Congress passed in 1979.

The dispute with Japan over the Senkaku Islands southwest of Okinawa took a different turn. Beijing reacted strongly to the short detention of a Chinese fishing boat captain for trespassing near the islands. Beijing started blocking shipments of rare earth minerals to Japan in retaliation. Rare earth metals are vital for high-tech products such as hybrid cars, wind turbines, computers, aircraft-- and precision guided weapons. China accounts for 97 percent of world output, having gained a monopoly by underselling rivals in the U.S. and Australia to drive them out of business. China has now lifted its embargo, but has cut back its aggregate export to all foreign customers.

An Oct. 21 editorial in *Global Times*, a publication of the Chinese Communist Party, claimed China is merely protecting its mineral supplies which it needs for its own industry. "It is countries like the US and Japan that disobey business ethics. According to their mentality, they should be able to buy whatever they need in any volume at any time." the party newspaper argued, "Such practices of forced business are reminiscent of gangsters."

The overt use of Chinese economic leverage for strategic gains sent shock waves through the world trading system, but Beijing's actions have an economic objective as well. On March 1 of this year, new regulations were announced that would further centralize control of the industry, forcing small firms into the hands of larger firms and raising entry barriers to new miners. The resulting concentration will make it easier for the government to allocate the available supply for strategic uses, and to reward domestic firms and obedient foreign firms with favorable access. Beijing has been using its monopoly position to lure foreign high tech firms to locate in China, where additional demands can be imposed.

The proper American response has been to reopen the rare earth mine at Mountain Pass in California. It was closed in 2002 because of environmental concerns and the then low prices China was charging for exports. American production may reach 40,000 tons by 2014, compared to 150,000 tons in China this year.

Another arena for international rivalry and political battles aimed at changing the balance of wealth and power has been the United Nations climate talks. At the UN climate talks held in the Chinese port city of Tianjin in early October last year, State Councilor Dai Bingguo demanded that China's right to economic development be guaranteed. It was up to the West alone to cut

back its activities if it wanted to fight global warming. At both the UN and the World Trade Organization, Beijing has positioned itself to lead a clash of civilizations of the developing countries against the developed West.

U.S. policy has been both good and bad at the UN. Bad, in the attempt to impose universal mandates that would limit economic growth to combat the fictional threat of global warming. This has been unacceptable to most of the world and has only served to push countries like India into the arms of China in opposition. Good, in that under both Presidents Bush and Obama, the U.S. has refused to accept asymmetrical mandates that would put it at a competitive disadvantage relative to China and other developing countries. China's strong push for asymmetrical mandates that would cripple the American economy while leaving Beijing free to advance unimpeded by environmental restraints is clearly motivated by a desire to steal a march on the U.S. The UN climate talks have never been about the weather.

In an attempt to ease tensions with Beijing, President Obama has turned to the business community. At a roundtable of American and Chinese business leaders held during Hu's state visit, Obama noted, "There has been no sector of our societies that have been stronger proponents of U.S.-China relations than the business sector." Yet, this arena has its problems too, because the national economy of America is in competition with the national economy of China. China became the largest exporter in the world in 2009 and recently passed the United States to become the largest manufacturer in the world. And it is manufacturing that most directly relates to military power, which is why the United States was called the "Arsenal of Democracy" during World War II and the Cold War.

We defeated our enemies because we could out produce them. This may not be the case with China. And the infamy of this is that American firms have helped transfer critical capabilities to China, both by direct investment in the construction of factories and research centers, and by the use of the American market to support the expansion of Chinese industry. The \$2 trillion we have sent to Beijing via the trade deficit in the last ten years is only one measure of what has been the largest bilateral transfer of raw economic power in the history of the world.

The week before Hu's state visit, while Secretary of Defense Robert Gates was in Beijing trying to improve military-to-military relations with the People's Liberation Army, the Chinese revealed the latest product of their economic growth, the J-20 "stealth" warplane. The Communist media hailed "Reports about China's stealth jet and 'carrier-killer' missile are changing the strategic power balance in the West Pacific."^{vii}

It is what happens during "peace time" that determines the balance of power that then governs the outcome of confrontations. I'm a free trader, but my rule is "free trade with free people." Trade with a strategic rival does not foster peace; it only empowers the rival, especially when the trade runs so strongly in one direction.

Last year, I co-sponsored a bill that would have allowed action against Beijing for currency manipulation, just one of many tactics used to warp trade flows in China's favor. The bill passed the House 348-79, with majorities in both parties. So there is a bi-partisan consensus that action needs to be taken against predatory Chinese policies, at least in the House.

In a recent *Los Angeles Times* op-ed, Joseph Nye, who served in the Clinton Administration when the overly optimistic notion of a benign Chinese rise took shape, recounted, “On a recent visit to Beijing, I asked a Chinese expert what was behind the new assertiveness in China’s foreign policy. His answer: ‘After the financial crisis, many Chinese believe we are rising and the U.S. is declining.’”^{viii} So economic change produces changes in foreign policy, which means we cannot ignore international economics or leave it to an “invisible hand” because that hand turns out to belong to someone else who does not have our interests at heart.

This Commission is one of the few institutions that explicitly puts economics and security concerns together and its reports to Congress are of great value.

ⁱ “China has backing of more than 100 countries, organizations on Nobel Peace Prize” Xinhua, Dec. 7, 2010

ⁱⁱ “China expresses firm opposition to U.S. resolution on Liu Xiaobo” Xinhua, Dec. 9, 2010.

ⁱⁱⁱ “Law will not concede before maverick”, *Global Times*, April 6, 2011.

^{iv} “Anti-interventionist voices must be heard” *Global Times*, March 22, 2011; see also “UN resolution legality needs a gatekeeper” *Global Times*, March 29, 2011.

^v “Tensions persist on Korean Peninsula despite calls for restraint” *People’s Daily*, Nov. 28, 2010.

^{vi} Peng Guangqian, “China’s Maritime Rights and Interests” *Military Activities in the EEZ* edited by Peter Dutton (Naval War College, China Maritime Studies Institute, Number 7, 2010) pp. 15-16.

^{vii} “Chinese stealth jets tests U.S. confidence” *Global Times*, January 12, 2011.

^{viii} Joseph S. Nye, “U.S.-China relationship: A shift in perceptions of power” *Los Angeles Times*, April 6, 2011.