The subcommittee met, pursuant to call, at 9:36 a.m., in Room 2172 Rayburn House Office Building, Hon. Ami Bera [chairman of the subcommittee] presiding.
Mr. Bera. The Subcommittee on Asia, the Pacific, Central Asia, and Nonproliferation will come to order.

Without objection, the chair is authorized to declare a recess of the committee at any point and all members will have five days to submit statements, extraneous material, and questions for the record, subject to the length limitation in the rules.

To insert something into the record, please have your staff email the previously mentioned address or contact full committee staff.

Please keep your video function on at all times, even when you're not recognized by the chair. Members are responsible for muting and unmuting themselves, and please remember to mute yourself after you finish speaking.

Consistent with remote committee proceedings of H. Res. 8, staff will only mute members and witnesses as appropriate when they are not under recognition to eliminate background noise.

I see that we have a quorum and will now recognize myself for opening remarks.

I want to thank the witnesses for joining today's hearing on gray zone coercion in the Indo-Pacific. For years, our adversaries have used gray zone tactics to incrementally advance their objectives.
These operations draw from a range of geopolitical, economic, military, and cyber and information operational tools while staying below the threshold for kinetic military conflict, and are deliberately tailored to complicate our response by operating in the murky space between war and peace.

Over time, such antics have undermined not only countries' security and economic well being but also sovereignty and international norms. The tragedy in Ukraine is a stark reminder of the chaos authoritarians like Vladimir Putin can wreak through years of disinformation, cyber attacks, and other gray zone operations.

Although the Ukraine crisis is geographically distant from the Indo-Pacific, these tactics and the risk of escalation are, unfortunately, all too familiar to the countries of the region.

According to a study from the RAND Corporation, the government of the People's Republic of China has employed nearly 80 different gray zone tactics across all instruments of national power against some of its neighbors over the past decade.

Some of these activities are quite blatant and well known, such as building islands in the South China Sea. We also see for countries in the region China using their maritime militia, you know, disguised as fishing boats to harass, you know, fishermen in the Philippines and Vietnam. We have seen economic
coercion and economic retaliation against our friends in Korea after the THAAD deployment, economic coercion against our friends in Japan through withholding rare earth elements.

These are all tactics that threaten to disrupt the rules-based order and the orderly conduct in a prosperous 21st century.

If we look at what's happening in Ukraine and how Vladimir Putin is using Russian oil as an economic mechanism and a gray zone tactic against our European allies, it really does raise the question of how can we best understand this threat, understand how some of our adversaries use some of the tactics and some of the methods that they have available, and what we should be doing both as the United States but also with our allies and friends in the region to have the tools to counteract some of these perceived and real threats.

We have looked at how the PRC has used that diplomacy. There's a stark example right in front of us in Sri Lanka where the Sri Lankans now are in dire financial straits, yet, we see a reluctance of the PRC to renegotiate that debt and, you know, address some of the threats that the Sri Lankans face.

We also see -- you know, we had Millennium Challenge Corporation grants, and let me emphasize grants, that we had approved for Sri Lanka, which, you know, in private conversations with the Sri Lankan government they understood it was in their
benefit and their interest to accept this MCC compact.

That said, again, through coercive information, disinformation, it's my sense that, you know, I can't name exactly who's putting information out there but it did sour the public on it, created political pressure, which pulled the PRC out of that.

So as we think about these issues and think about some of the challenges in the 21st century, this is an influence game. This is one where we have to use the full tools of public diplomacy. We have to use our full economic tools as well. We have to signal to our friends, you know, in Korea and Japan and Australia and the region that America has got their back and we're going to be with them should they be subjected to coercion.

And we have got to be present in Southeast Asia with the ASEAN nations and others, both economically, both through information and, again, both through diplomacy.

So I very much look forward to the testimony of our witnesses, the questions. I know this is an area that the ranking member, Mr. Chabot, and I share deep concerns about and, again, you know, in the 21st century, influence, information, cyber, economic means are all going to be tools that we're going to have to be prepared to use and combat our adversaries.

So with that, let me recognize the ranking member, Mr. Chabot, for five minutes.
Mr. Chabot. Thank you very much, Mr. Chairman, and thank you for holding this, I think, very important hearing today, and we look forward to hearing our distinguished witnesses here shortly.

Mr. Chairman, as you know, the U.S. response to the CCP's -- Chinese Communist Party's -- gray zone aggression has been a focus of mine for a number of years now.

Whether it's the PRC's, as you mentioned, island building in the South China Sea and then militarizing them or their attacks on the Indian border, their economic coercion against many of our allies, their elite capture and united front work across the globe, especially in an Indo-Pacific, their debt trap-pushing Belt and Road Initiative or their politically driven industrial policy, everyone on this committee is well aware of the PRC's gray zone campaigns, even though they may not necessarily have referred to them as that.

Yet, despite this awareness, neither Congress nor the administration has thus far been able to figure out how to deter such malign activity. For instance, who hasn't thrown up their hands in frustration over our apparent inability to stop the PRC from building those militarized islands in the South China Sea?

That's why I think this hearing is particularly important. As far as we could tell, it's the first time the Foreign Affairs Committee has used the term gray zone in a hearing title.
Whatever you want to call gray zone competition, whether it's irregular warfare, political warfare, hybrid warfare, or sharp power -- excuse me -- understanding the gray zone as an arena for strategic competition with its own unique characteristics is absolutely critical.

Our adversaries, clearly, conceive of the gray zone as such an arena. The unchallenged predominance of the U.S. military in the past, of course, and hopefully into the future has pushed authoritarians from Moscow to Tehran, from Pyongyang to Havana, and, of course, in Beijing, to challenge us below the threshold of outright conflict in the space between war itself and peace.

This challenge has come in the form of so-called gray zone campaigns, which are state-directed operations that bring together various capabilities to achieve a political or security objective without resorting to outright conflict.

This is not unlike a military campaign, but instead of troops and tanks it involves paramilitary forces, space operations, cyber attacks, economic coercion, elite capture, strategic corruption, information warfare, or other similar forms of aggression.

Unfortunately, to date, the U.S. government has been slow to develop effective responses that either blunt our adversaries' efforts or deter them from prosecuting their campaigns.
I agree with those who have identified the following factors as part of the problem. First, the American view is that we are either at peace or at war while our adversaries recognize that there is a large space between the two which they can and have been exploiting over the years. We need a paradigm shift.

Second, after the Cold War, we let our ability to conduct and respond to gray zone threats, unfortunately, atrophy. We need to bring back capabilities like those of the U.S. Information Agency.

And third, our agencies are far too stovepiped, preventing the adequate coordination of our national power into a gray zone campaign. This is a widespread problem that has been identified by a number of high-ranking officials, but we can't seem to fix it. Not yet.

That's why I've been working on and preparing to introduce the Gray Zone Defense Assessment Act to see if the United States can start to break down some of these silos and identify capabilities we need to effectively compete in the gray zone.

Nowhere is an effective response more critical than in our generational competition with the Chinese Communist Party.

So I hope this hearing helps us better answer several key questions that are critical to counter their gray zone aggression.

How are we currently responding to Beijing and how does that
response fall short? Can we distinguish between gray zone campaigns and their general bad behavior? What will actually deter the CCP and what capabilities do we need to build out to effectively compete in the gray zone?

Mr. Chairman, everyone in this room and across America fervently hopes that the great power competition with the CCP does not lead to a hot war. But we could still lose the new Cold War to the CCP in the gray zone where they have effectively achieved their objectives for years now.

If we don't develop an effective response, the PRC will win the strategic competition without ever firing a shot. We absolutely cannot let that happen.

And I yield back.

Mr. Bera. Thank you, Ranking Member Chabot.

Let me now introduce our witnesses.

Dr. David Shullman is senior director of the Global China Hub at the Atlantic Council where he leads the council's work on China. Prior to joining the Atlantic Council, he was senior advisor at the International Republican Institute where he oversaw the institute's work building the resilience of democratic governments and institutions globally against the influence of China and other autocracies.

He served for nearly a dozen years as one of the U.S. government's top experts on East Asia, most recently as Deputy
National Intelligence Officer for East Asia on the National Intelligence Council in the Office of the Director of National Intelligence.

Thank you for being here.

Our second witness is the Honorable Matt Armstrong, who served as a member of the Broadcasting Board of Governors from 2013 to 2017. He is an author, lecturer, and strategist on public diplomacy and international media, and serves on several organizational boards, including the Public Diplomacy Council.

He has served as executive director of the U.S. Advisory Commission on Public Diplomacy and was an adjunct professor of public diplomacy at the Annenberg School of Journalism and Communication at the University of Southern California.

He'll join us virtually and, again, I want to just express my appreciation. He is in Hawaii right now on vacation. It's 3:30 in the morning, so thank you for getting up early this morning to join us.

And our last witness is Ms. Elisabeth Braw, who is a senior fellow at the American Enterprise Institute where she focuses on defense against emerging national security challenges such as hybrid and gray zone threats.

Before joining AEI, Ms. Braw was a senior research fellow at the Royal United Services Institute in London where she founded
and led its Modern Deterrence Project.

She has also worked for Control Risks, a global risk consultancy. In addition to authoring two books and columns on foreign policy, she often publishes in a wide range of outlets, including the Financial Times, Politico, and the Wall Street Journal.

I want to thank all our witnesses for being here today and will now recognize each witness for five minutes.

Without objection, your prepared written statements will be made part of the record.

I will first invite Dr. Shullman to give his testimony.
STATEMENTS OF DAVID SHULLMAN, PH.D., SENIOR DIRECTOR, GLOBAL CHINA HUB, THE ATLANTIC COUNCIL; THE HONORABLE MATT ARMSTRONG, FORMER GOVERNOR, BROADCASTING BOARD OF GOVERNORS; ELISABETH BRAW, SENIOR FELLOW, AMERICAN ENTERPRISE INSTITUTE

STATEMENT OF DAVID SHULLMAN

Mr. Shullman. Thank you, Chairman Bera, Ranking Member Chabot, distinguished members of the subcommittee, for the opportunity to testify today.

Chinese leaders face a strategic dilemma in the Indo-Pacific. The region is of undeniable centrality to Chinese Communist Party General Secretary Xi Jinping's overriding goal of achieving the rejuvenation of the Chinese nation by 2049.

Without becoming the preeminent power in its own region, including resolving remaining territorial sovereignty disputes, China will not fulfill its ambitions to become a fully risen great power with global reach.

At the same time, Beijing values stability in its periphery as important to allowing Chinese leaders to remain focused on domestic development and avoid the use of military means that could provoke a counterbalancing response from its neighbors or, worse, the United States.

It is in this context that Chinese leaders value so-called gray zone tactics, to avoid stoking regional instability while
advancing China's strategic aims.

The committee has asked that I focus my remarks on the economic, informational, and political measures that China employs to advance its goals in the Indo-Pacific.

I'll begin with economic leverage, which the CCP views as central to its comprehensive national power and the foundation for its capacity to coerce.

In the Indo-Pacific in particular, Beijing seeks to use its growing economic leverage to establish a zone of dependence on China and help reestablish the country as China's preeminent power.

Actions within this domain include coercive measures taken by China such as trade restrictions and public boycotts, whether it's China's retaliation in 2017 against South Korean industries after Seoul deployed the THAAD anti-missile system, or its targeting of Australian exports in an attempt to punish Canberra for calling for an independent inquiry into COVID-19's origins.

China is also using its economic leverage to shape countries' policy choices from the inside out. This latent leverage to coerce is quietly shaping decision-making in countries across the Indo-Pacific, producing policies more consistent with China's interests and counter to those of the United States.

While China has pulled back significantly from Belt and Road
Initiative lending in recent years, the lopsided and secretive terms of China's deals continue to create problematic cycles of reliance on China for further credit to finance mounting debts, leaving countries like Pakistan and Sri Lanka, Kyrgyzstan, and others dependent on China.

China is also cultivating corrupt elites in many of the Pacific countries, abetting the centralization of power and a small coterie of captured elites unaccountable to a civil society that the CCP is helping to repress, and then providing those friends with the technology to control their citizenry and maintain that power indefinitely.

The CCP is also increasingly shaping the information space in regional countries to protect and deepen its coercive leverage, using pervasive official propaganda, investment in foreign media outlets, funding of research in academic institutions, covert efforts to cultivate thought leaders, and co-optation of local civic leaders and groups as proxies to advocate for PRC positions.

These efforts complement the party's increasing interference in countries' political systems and elections to support China-friendly politicians and growing use of cyber tools to shape the information space in Indo-Pacific countries by covertly influencing discourse on social media platforms.

Combined, China's grassroots leverage in these different
are areas create the conditions for gray zone coercion. The application of these tools and outcomes, of course, varies widely across countries in the region.

In Taiwan, for example, Beijing has long targeted individual Taiwanese leaders, population strata, political parties, and proxies, and uses selective economic pressure to try to change Taiwan's approach to the PRC from the inside.

Beijing's leverage in developing countries in the region is more nascent and comparatively less consequential to Chinese and U.S. interests. But China's laying of the groundwork for future coercive capability in strategically located countries like the Solomon Islands, the Maldives, and Kiribati is likely to prove important to both Beijing and Washington in the years to come.

It's no coincidence that the list of countries which have reportedly considered welcoming a Chinese military base on their territory are countries indebted to or otherwise dependent on China.

As U.S.-China bilateral tensions continue to mount with the Indo-Pacific the main geographic theater for this competition, China will respond to an increasingly bifurcating global economy and technological landscape by institutionalizing countries' economic reliance on China, ensuring that if they must choose they pick Beijing.
China may also get more aggressive in using cyber as a component of coercive gray zone strategies, including by, potentially, using hack and leak exposures or by disrupting infrastructure and public services.

Taiwan is likely to be one of the first targets of some of these measures and the U.S. should do more to cooperate with Taiwan on cyber and information operations, and that cooperation should be a two-way street. We have much to learn from Taiwan's experience on the front lines of China's gray zone tactics.

Washington should also press ahead with forging greater economic ties with Taiwan to help lessen the country's economic reliance on China.

The U.S. should also routinely discuss gray zone scenarios with our allies and address how to collectively counter China's economic coercion and mitigate the effects on targeted countries and should proactively share with trusted partners in less developed countries information related to political interference and information operations.

Washington also needs to put greater urgency behind work underway with allies to offer Indo-Pacific countries technical assistance on project negotiation with China as well as alternatives to Chinese investment.

Addressing China's nonmilitary gray zone tactics in the Indo-Pacific and drive to achieve regional dominance one country
at a time will require a decade's long commitment that addresses
the needs of countries increasingly at risk of dependence on
China.

Thank you.

[The statement of Mr. Shullman follows:]

**********COMMITTEE INSERT**********
Mr. Bera. Thank you for your testimony.

I will now invite Mr. Armstrong to give his testimony.
Mr. Armstrong. Good morning. Thank you.

Chairman Bera, Ranking Member Chabot -- sorry, it is early -- distinguished members of the committee, thank you for inviting me here today.

The subject of this hearing is important and is why I decided to participate on my vacation at an early hour. I'm humbled that you asked me to participate and I'm hoping that the conversations that brought about this hearing will continue beyond the introduction of any bill, as the current situation has been and will continue to be the, quote, "new normal" and will thus require this committee's persistent attention.

Let me start with a reminder that the gray zone idea at the heart of today's hearing is neither new nor should it be unexpected. We have been here before and, in fact, this committee many decades ago played a substantial and positive role in setting up a serious and pervasive response to these kind of activities, a fact, ironically, buried by decades of misinformation and disinformation that contributes today to our challenges and issues in the stovepiping discussed.

No term is perfect. Considering the common understanding of gray zone is the space between peace and war, this framing inherently separates peace into something else.
However, it is the peace we should realize and remember that others seek to disrupt. It is the starting point and is the place that we must proactively defend which, again, this committee has aggressively acted upon.

Regardless of the term, these methods, sometimes updated through new technologies, are reused because they're relatively inexpensive, especially compared to the destruction wrought by combat, more enduring than open invasion as well, and refinable through successive iterations of effort.

There's a great deal of risk tolerance that's available in these activities, particularly by the actors who employ them. Whether intentionally or incidentally, these activities exploit our defective escalation ladders, the thresholds of which are destroyed, distorted from over reliance on dissuasion through the threat of waging combat.

The result on our side is confusion, questioning, grasping, tactical responses to strategic threats, and being constantly reactionary. The situation reveals that we don't -- we no longer know what we want tomorrow to look like.

This allows the adversary to set the time, tempo, manner, method, place of engagement instead of us determining proactively and better reactively responding to what we want to do and then how are they responding or how are they acting in these spaces.

The committee participated in supporting the establishment
of international organizations to further this peace and proactively resist various malicious gray zone activities in the past.

It's important to note that we did do set up international organizations for this. Some of these have since been subverted against us and against their original purpose.

Personally, I find it important and interesting that this committee helped introduce the basic legislation that provides the basic authorities required to respond to these gray zone activities.

I'm referring to a bill introduced by a former member of this committee, Karl Mundt of South Dakota, introduced on January 24, 1945 -- my birthday, as it turns out. It was -- not birth year -- it was signed into law three years and three days later as the Smith-Mundt Act and one of Congress first legislative responses to Russian gray zone activities.

The month before Mundt introduced his bill, the State Department finally acknowledged the importance of public opinion both foreign and domestic, which was the responsibility of this new office, the Assistant Secretary for Public Affairs.

The Assistant Secretary later commissioned an internal inquiry into whether the government needed a post-war International Information Program.

Six months later, the report opened with a statement: "The
adequacy with which the United States as a society is portrayed
to other peoples of the world is a matter of concern to the American
people and their government. Modern international relations lie
between peoples, not merely governments. International
information activities are integral to the conduct of foreign
policy."

Let me state that information in this context is far broader
a concept than what we think of it as today.

Mundt's bill was initially to exchange elementary and high
school teachers but it was expanded to include broader
educational, technical, scientific, and cultural exchanges,
funding individuals, institutions, agencies across the U.S.
government to engage abroad.

These are informational activities. They are not just
cultural activities. They are not just what we think of
educational activities. It was about sharing information. It
was about creating mutual understanding. It was about creating
connections.

So it is important to note that Congress neither suggested
nor intended that these programs authorized by the Smith-Mundt
Act should be anywhere in the State Department. It was integral
to the execution of our foreign policy and integral to the making
of our foreign policy as well.

My colleague, Chris Paul -- Dr. Chris Paul -- and I recently
wrote on how the State Department, ultimately, has rejected this role, which was at the time in 1953 40 percent of the staff of the State Department and 50 percent of the budget. This caused the creation of an entity called the International Information Administration within the State Department.

We tell how this organization was soon fragmented to create a lesser entity with fewer authorities, lacking the direct integration with foreign policymaking, coordination, and execution. It was moved out into something other. It was separated and segregated. This was the U.S. Information Agency.

If we look at the history, USIA is actually an example of failure to lead in this space and of segregating the informational activities broadly understood from our foreign policymaking.

In fact, it is this agency that caused the adoption of the term public diplomacy 10 years after the agency was created in order to defend it because it was under constant question of its effectiveness as separate and outside the foreign policymaking process.

That conceptual segregation reinforced by Fulbright -- Senator Fulbright's attacks on the agency in the '60s and '72, which created the modern concept that the Smith-Mundt Act is anti-propaganda has hampered us and strangled us and created this siloization within the foreign policy administration.
So let me close with three things. One, we have been here before, we straightjacket ourselves and, three, leadership matters. It starts with knowing what we want tomorrow to look like and how -- and we cannot organize out of this -- ourselves out of this. It takes leadership.

So last point is my -- I love to use quotes from the past because it shows how we have been here before and that they are relevant. 1961, Senator Thomas Dodd of Connecticut said, "So long as we remain amateurs in the critical field of political warfare, the billions of dollars we annually spend on defense and foreign aid will provide us diminishing measure of protection."

I look forward to your questions, and thank you.

[The statement of Mr. Armstrong follows:]

**********COMMITTEE INSERT**********
Mr. Bera. Thank you.

I'll now invite Ms. Braw to give her testimony.

Thank you.
STATEMENT OF ELISABETH BRAW

Ms. Braw. Chairman Bera, Ranking Member Chabot, and distinguished members of the committee, it's an honor to be invited to testify here today and I appreciate the opportunity to discuss gray zone aggression, which presents, as you have noted, a formidable problem to the U.S. and to its allies in the Indo-Pacific region and beyond.

And it presents such a powerful and formidable problem because formidable armed forces of the kind that the United States has can do little when the mode of aggression involves, for example, China punishing companies for statements or actions of their home governments, which has been the case in recent months with China doing that to companies based in Australia, in Lithuania, in Sweden, and in Taiwan, and a powerful military of the kind that the United States has is also of little use when the mode of aggression involves excavators regularly digging up sand from another country's seabed, which harms that country's natural habitat, and robs it of an increasingly rare natural resource.

This is, as you know, a regular occurrence of Taiwan's Matsu Islands. And the paradox of gray zone aggression really is that the U.S. military can deter a nuclear attack on its territory and on its allies but it can do very little to deter sand dredgers...
off the coast of Taiwan.

And this speaks to another reality of gray zone aggression, which may -- which is that the aggressor country may not want to occupy or take land from the country it is harming.

It may simply want to harm it, to weaken that country and/or to strengthen its own position, because as we have seen in Ukraine and, indeed, throughout history, occupying, controlling, administering occupied territory is expensive and a big headache.

Indeed, defense against gray zone aggression and deterrence of it, which is, of course, so important, is so difficult precisely because gray zone aggression is gradual, it's often hard to detect, and it's hard to distinguish from the bustle of the globalized world.

But as you have noted and as my fellow witnesses have noted, it's imperative that democracies including America's allies in the Indo-Pacific better deter gray zone aggression.

Allowing it to continue will allow the immediate harm to continue and it will also undermine citizens' trust in the viability of their country's institutions and political systems.

In the case of Taiwan, if China's brazen aggression continues to grow, we risk seeing a situation where global insurers can no longer model the many political risks facing the country.
Gray zone aggression could make Taiwan partly uninsurable just like Russia made Ukraine uninsurable before invading it.

There are ways to better deter gray zone aggression in the Indo-Pacific region and beyond. Since deterrence is about signaling to a prospective aggressor that his aggression will not yield the desired benefits, the first step countries should take is to signal that they are united against gray zone aggression and will respond to it.

Indeed, they should signal -- countries in the region along with U.S. should signal NATO style that one or more allies of the targeted country will avenge any act of gray zone aggression and that those countries will do so in a manner of their own choosing.

Any retaliation should clearly take place in the gray zone, what is known as horizontal escalation. As with traditional military threats, countries don't need to specify exactly how they would retaliate against the aggression. But the information should be specific enough to convince the hostile states to refrain from the aggression.

Consider visas as a tool, for example. Nobody has the right to get the visa in another country. The U.S. and other allies could signal that they will retaliate against China or against another offender or prospective offender by suspending the visas of certain citizens and those could be citizens of the country's
own choosing, of the United States' own choosing or another country.

Switzerland, as an example, did precisely this when Muammar Qaddafi in 2009 took two Swiss businessmen hostage. Switzerland cancelled all visas issued to Libya in one swoop.

The private sector is another crucial partner in gray zone deterrence signaling or, rather, it should become one. According to a recent survey, today 95 percent of multinational companies are concerned about the political risk of doing business in the Indo-Pacific, which is, in reality, China.

That makes companies open for deterrence cooperation with their home governments and other Western governments because it's in their interest to signal to prospective aggressors, in this case, Beijing, that the aggression will not be worth the effort.

There are more tools of deterrence by punishment and, equally importantly, deterrence by denial in the gray zone, which I'm happy to discuss with members.

The bottom line is that because deterrence is about psychology the countries wishing to deter gray zone aggression must signal their intent to withstand it and punish it.

Thank you, again, for the opportunity to discuss this vital subject.

[The statement of Ms. Braw follows:]
**********COMMITTEE INSERT**********
Mr. Bera. Thank you for your testimony.

I will now recognize members for five minutes each, and pursuant to House rules all time yielded is for purposes of questioning our witnesses.

Because of the virtual format of this hearing, I will recognize members by committee seniority, alternating between Democrats and Republicans.

If you miss your turn, please let our staff know and we will circle back to you. If you seek recognition you must unmute your microphone and address the chair verbally.

I will start by recognizing myself.

This is fascinating. I think Mr. Armstrong kind of laid out the history of, you know, some of the tools that we have had to counter gray zone tactics.

Certainly, my perspective is we did this fairly well in the Cold War era and, you know, Radio Free Europe and getting information out, and we don't do it quite as well today.

And some of that was, you know, the 75 years post World War II. You know, I think we can be proud of what we did as the United States of America in terms of creating peace and stability and prosperity and lifting millions -- tens of millions of people out of poverty and creating relative stability in the world.

But this is not those 75 years. The 21st century is a different era. You know, 10 years ago, I think we would have
hoped that the PRC, as they grew a middle class, as they grew
an entrepreneurial class, would go in a different direction and
continue to help elevate the peace and prosperity of all
countries.

Xi Jinping has decided to go in a very different direction.

We avoided big country conflicts for 75 years. With the Russian
invasion of Ukraine, that era is over as well.

And there's a battle of ideologies at this juncture. The
autocratic ideology of authoritarian rule versus, you know, our
values of democracy, of free markets, of the respect for human
rights and individual freedoms, the respect for rule of law, I
think that is the consummate battle that we face in the coming
decades and it's one that we can't fight on our own. We have
to fight with our allies.

But as the leading country in the world, still as the world's
global power, our allies also have to know we have their back
and that we will be there with them, and if they face these threats,
particularly smaller countries that are ill equipped to fight
these threats, that we are there with them.

So let me direct a question, maybe, to Dr. Shullman and
actually to the -- and Ms. Braw as well as Mr. Armstrong.

When we think about the tools and tactics that we need to
combat these threats, if you could just lay out one or two of
the tools -- the most critical things that you'd like Congress
to be thinking about both legislatively but then also -- you know, I think there is a challenge that the ranking member talked about how things are siloed and how do we get an interagency process that really is looking at all these key elements?

I think we'll start with that, Mr. Shullman.

Mr. Shullman. Thank you. Thank you, Chairman Bera, for that question.

I think that gets, really, to the heart of the issue, which is how do we respond, and there's been some great ideas already put out there, I think, on this topic.

And as you were mentioning, Ranking Member Chabot noted the siloing in the U.S. government and the need for better coordination within our own system and I think that's where we need to start. This is, as has been addressed, a problem that affects -- that covers, you know, the military, the economic, the cyber. It covers the board here so and the informational.

So we need to make sure that DOD is working with the State Department, is working with Commerce, is working with the intelligence community, is working with the U.S. Development Finance Corporation, to better coordinate our approach to these issues, to prioritize, in some respects, where we are going to focus because the Indo-Pacific is a very large place and so we can't do everything everywhere and we need to make sure that our
actions are targeted based upon what China is doing in each context, the rank that we would give it in terms of a strategic priority, and then coordinate to better address these issues.

I think it's also very important for us to work more closely with our allies on these issues. As has already been mentioned, we need to be routinely engaging on gray zone scenarios with our allies and addressing how to collectively counter China's economic coercion, and then to mitigate the effects on targeted countries by offering them assistance, especially when we're talking about developing countries that really are subject to this kind of leverage and there's a true asymmetric situation with China.

And we should proactively be sharing with our trusted partners in less developed countries information on what's happening in their information spaces that they may not be aware of.

Lastly, I'd say we really do need to focus on bolstering the capacity of our partners, specifically the developing countries, to better be able to engage with China, which they're going to continue to do, right.

As has been said many times, we can't ask these countries to choose. They're desperate for investment and China is going to offer that and we should expect that. But so that they can
do it in a way that is less detrimental to their sovereignty and creates less opportunities for China to coerce.

Mr. Bera. Ms. Braw, do you want to --

Ms. Braw. Thank you, Chairman.

I think that the most important thing, in addition to what David has just said, is trying to work with -- to educate the private sector, and I realize this goes beyond the immediate responsibility of Congress.

But we have the clash today between globalization and geopolitical confrontation and our companies, primarily U.S. companies, which in so many cases operate globally, I think, are a little bit slow to understanding this new reality and that they are the new front line.

And not just the new front line, they are also the new targets and, as a result, they create a national security vulnerability for their home countries, whether it be the United States or whatever their home country is.

And I think with a bit of education they could be helped to understand to reduce the risk that they pose because we all want them to be able to continue to operate internationally or otherwise our GDP will plummet.

But with a bit of -- with coordination with the U.S. government and education updates, they would be better able to understand the geopolitical reality within which they operate,
which they know on a tactical basis but not in a strategic way.

And, in addition, so the Cold War has been mentioned several times already, and it was the case during the Cold War companies thought of themselves as having a national obligation.

I don't think we can return to that scenario. In many cases, companies are led by nationals of other countries and are in many cases owned by entities based elsewhere.

But I think even if we can just bring companies to understand that on a tactical or on a purely selfish basis for them it makes sense for them to understand and to exchange ideas, information, with the U.S. government and other governments.

Mr. Bera. Hopefully, we'll have time for a second round of questions because I'm going to want to follow up on some of that.

But let me recognize the ranking member, Mr. Chabot, for five minutes.

Mr. Chabot. Thank you, Mr. Chairman.

Ms. Braw, let me start with you. The PRC engages in a wide range of gray zone operations, as you mentioned, against Taiwan to really wear them down, to wear down the will of the people to stand up for their democracy.

What can the United States do to deter the PRC in these campaigns?
And then also I've been to Taiwan quite a few times over the years. I'm co-chair of the congressional Taiwan Caucus; I was one of the founders of the caucus 20 years ago, and there have been many CODELS to Taiwan over the years.

The PRC always complains about them but even more vociferously lately in their threatening, and we have seen Speaker Pelosi -- and I'll give her credit for sticking to her guns, at least at this point, to go over there.

Because this is a very important -- one of the most critical alliances that the United States has. What should we be doing to push back on these things and to assist Taiwan in standing up to the Chinese Communist Party's threats and bullying?

Ms. Braw. Thank you. It is a dilemma, and when you mentioned Speaker Pelosi's planned trip, I think it's safe to assume that the Chinese government will try retaliation in the gray zone against -- in response to her trip.

For example, we could see a company based in California suffer unexpected consequences. And so that, again, highlights how important it is to work not just with other governments but within our own country, in this case, the U.S.

I wonder if -- and not just I wonder, I believe there's a case to be made for gray zone exercises. So, to date, Taiwan has been valiantly trying -- the Taiwanese coast guard has been violently trying to chase the dredges out that arrive every so
often, and now they arrive in smaller numbers but they still arrive, which indicates that China is not frightened by the Taiwanese coast guard including its now more beefed up -- with its more beefed up fleets.

So there is a case to be made for U.S. presence in the region below the threshold of armed formations. For example, what were to -- I think it would make sense to practice with the Taiwanese coast guard and with Taiwanese civil authorities situations such as supply chain disruption, which, I think, is another form of aggression that we’ll see increasingly frequently -- a critical resource cut off, something like that.

Mr. Chabot. Let me, if I could, stop you there just for a moment because I wanted to get in one more question at least before I run out of time. And it's related, really, but we're going in a different part of the world.

We saw something somewhat similar when Lithuania changed the name to the Taiwan representative office in Lithuania. Of course, PRC went nuts about that and it's been pressuring Lithuania in trade deals and canceling things, and then they've gone to the European Union and done similar things and tried to pressure them.

What can the United States do to help to prevent countries with smaller economies from falling under the PRC's thumb and how can we kind of coalesce those countries and working together
including the European Union as a whole?

Ms. Braw. That's an excellent question and thank you for asking it.

So the threat or the prospect of China punishing any country's economy will, of course, be on the mind or is on the mind of every single decision-maker in these countries and, of course, many are very small and would not be able to withstand Chinese repercussions or punishments of its -- of their country's economy.

I think -- so what we saw after China imposed tariffs on Australian wine was a global consumer movement with the hashtag #freedomwine.

I think something like this could be taken to a governmental level where Western governments say if any country, specifically China, punishes your industry, we will make up the difference in lost sales, in lost parts in the supply chain, and we will supply it from within our formal or informal alliance.

And that would be a way of signaling that that country won't have a serious -- won't get into serious industrial and commercial trouble if it does dare to say something that displeases China.

But the important thing is you have to signal it beforehand and not just do it once the problem happens because then the deterrence, clearly, is too late.
Mr. Chabot. Thank you very much. My time has expired, Mr. Chairman.

Mr. Bera. Great. Let me recognize the gentlelady from Nevada, Ms. Titus, for five minutes for questions.

Ms. Titus. Thank you very much, Mr. Chairman.

I have a general idea of what gray zone activity is and it's one of those things, well, I know it when I see it. But I would ask our witnesses if this term has gotten so broad and includes everything.

Is that making it less effective and making our response to it more scattered and less effective? Because just about anything government does, whether it's economic or propaganda or Radio Free Europe or interfering in elections can now be kind of dumped into this category of gray zone activity.

Anybody?

Ms. Braw. I can start.

That is, indeed, the challenge and it's very dangerous to use this term and it's also even worse with the term hybrid.

People have a tendency to call everything hybrid warfare, which then means that people out there say, well, what are you talking about? I don't see any warfare. I feel perfectly fine.

I think we have to be judicious in using the label gray zone aggression and the challenge is when to call something gray zone
aggression because often it's just the continuation or the intensification of something that's already happening.

So one Chinese dredger turning up in Taiwanese waters is, clearly, an annoyance but fleets of dozens of them that constitutes concerted aggression, and China putting one slab of concrete in the South China Sea we can say that's an annoyance.

But it's not yet gray zone aggression. But where is it gray zone aggression? Clearly, it's somewhere below there and the completion of artificial islands.

So we have to determine where the term gray zone aggression starts. I don't have a good definition yet simply because it continues to evolve.

But the bottom line is that we have to accept within our globalized economy some manner of disturbance, annoyance, on a daily basis.

But, I think, where it would be a good place to start to say where we see government involvement or government support or government condoning activity that's when it is gray zone aggression, and then we also have to be able to prove that a government is behind it or supporting it.

Ms. Titus. Well, I think about the interference by Russia in elections, and the U.S. and France. Even in Macedonia, they interfered in their referendum to change the name because they
didn't want Macedonia getting into NATO.

Now, is that gray zone tactics?

Ms. Braw. It, certainly, is because it was the Russian government trying to force a country to do something against its will and, again, involving no violence and yet having a massive effect on that country.

So it, certainly, was gray zone aggression. But we should also remember, I think, that a number of the activities that we, as the West, engage in in other countries, which we are very proud of and which is part of spreading democracy in the world -- for example, supporting NGOs in authoritarian countries -- can be construed by those countries as gray zone aggression and as an excuse for those regimes to engage in gray zone aggression against us.

That doesn't mean that we shouldn't do it. It just means that we should be aware that that's how they can construe what we consider to be honorable activities.

Ms. Titus. That's interesting. I sit on the House Democracy Partnership and we reach out to legislative bodies in new democracies because we think the legislature is the key to democratic success, change, rule of law, fighting corruption, and we deal with NGOs in all these visits where we go.

I wonder that, perhaps, that is gray zone tactics or we'd be accused of that. But are the small new democracies more
vulnerable or those that are backsliding, which we are seeing, say, in Eastern Europe? Are they most vulnerable?

Yes, sir?

Mr. Armstrong. Yes. You raise a really important point regarding gray zone and the example that you just gave regarding Macedonia.

Personally, I prefer the term political warfare. Gray zone tells us where along the spectrum between war and peace -- that we're operating in some place in there. But political warfare tells us why.

But your last example is really important because what may be innocuous in one situation -- for example, an exchange between the United States and France -- is going to be seen as political warfare or subversion it's received in China or, say, Russia.

A lot of this is, as you opened with, in the eye of the beholder because in these autocratic regimes they don't appreciate the freedom of thought and the freedom of information and liberty, and the exposure of their people to these ideas is dangerous. And, for us, we just want to exchange that and that's part of why we -- why this committee previously enabled those activities, authorized those activities.

So, yes, it is a challenge, but part of it is we need to appreciate there is something that's going on there and I think gray zone is a fair label. Like I said, I prefer political
warfare. But it is a challenging situation with the labeling but we can't get wrapped around that.

Ms. Titus. Thank you very much.

Thank you, Mr. Chairman. I yield back.

Mr. Chabot. Mr. Chairman?

Mr. Bera. Yes?

Mr. Chabot. I'd ask unanimous consent that the Mr. Shullman be given a minute to respond. I know he was trying to get something in there. If it's okay.

Mr. Bera. I'd be okay with that is Mr. Buck's okay with it.

Mr. Shullman. Thank you so much.

So I just wanted to jump in and say, you know, I think this is a really instructive way of thinking about this question in terms of countries where there has been over obvious coercion, especially in the information space, and those where, perhaps, China is laying the groundwork and has latent potential to coerce in the information space, and they're both important and we need to come at them from different angles, right.

So in a place like Taiwan, where we know that China has sought to control Taiwan outlets, purchased media content, supported pro-China media, and has also used cyber operations to shape information on social media and really try to shape election outcomes, that's one type of situation where the U.S. ought to
be cooperating with Taiwan in a certain way to be able to counter that, and I'm happy to get into that more as we go on.

But in other countries, as was asked, where if they're more fragile, young democracies, we're really going to have to focus on building up civil society, building up that capacity of independent media where it may not exist or where there may be only a few independent media organizations, and if China is able to co-opt those organizations or the elites that run them, then you're effectively neutering the kinds of institutions that in a healthy democracy would be checking up on what China's doing in the economic space to coerce and to capture elites in those countries and could really set back any progress that's being made in the democratic space.

Thank you.

Mr. Bera. Great. Let me recognize the gentleman from Colorado, Mr. Buck, for five minutes for questions.

Mr. Buck. Thank you, Mr. Chair.

One hundred thousand Americans died from fentanyl last year and it was shipped to the United States from China. The CDC -- Center for Disease Control -- reports that fentanyl overdoses are now the leading cause of death among young and middle-aged adults -- more than cancer, more than heart disease, more than accidents.

In China, drug abuse is punishable by death. Yet, the vast
majority of the fentanyl in the United States has been illegally trafficked from China.

Unfortunately, this reality isn't caused by an insufficient or incapable police force in China that can't trace the illicit production or transport of fentanyl and its precursors.

Rather, the Chinese government monitors every movement and statement made its U.S. citizens that casts a net of surveillance over their society that is so expansive that Uighurs can't leave their homes without the CCP knowing.

Chinese law enforcement agencies feign ignorance over the distribution of fentanyl, knowing that they're perpetrating a crisis in the United States and claiming more and more lives each year.

The Chinese government's gray zone tactics aren't just limited to the illegal drugs they ship into our country. They also steal billions of dollars of technology every year from American businesses.

They have responded to COVID in a way that has increasingly harmed the world economy. The Chinese government conducts cyber attacks against the United States, and as we speak, the Chinese government is hinting that they would engage militarily if Speaker Pelosi visits Taiwan.

My question to you is should we engage in some type of asymmetric warfare with China?
Mr. Armstrong. So --

Ms. Braw. Thank you for --

Mr. Buck. Go ahead.

Mr. Armstrong. Go ahead.

Ms. Braw. Thank you for that excellent question.

I think what you're asking is whether we should advance --

Mr. Buck. What I'm asking is are we in a war right now.

Nobody wants to call it a war but they're killing 100,000 people.

How is that not a war?

Ms. Braw. It is. It is an incredibly intense takeover of
the daily functions of our society and that involves, as you say,
many deaths from drug imports that could have been stopped.

I think that the challenge that we have is authoritarian
countries don't have any sort of -- they don't see any ethical
obligations for themselves whereas we, as liberal democracies,
see ourselves as bound by certain ethical considerations.

Mr. Buck. You're saying they're not doing it on purpose?

Ms. Braw. They --

Mr. Buck. They're not letting fentanyl in this country
because they know it disrupts our economy, it kills our people,
and it undermines our civil society? It's just by accident that
these drug dealers are doing it?

Ms. Braw. I don't think it's by accident. But I don't think
we should avenge like for like. In other words, it would --

Mr. Buck. How many Americans have to die before we avenge like for like? A million?

Ms. Braw. I think it would harm America if we were -- if America was seen as illegally shipping drugs to China to kill Chinese citizens. What we instead need to do is to make our society more resilient and punish China in other ways, for example, by canceling -- by suspending exports.

But we are under no obligation to export to China. Our companies can --

Mr. Buck. How about if we actually mined rare earth minerals in this country as opposed to importing everything? Maybe we could get rid of the left-wing environmental crazies and actually have an economy that could sustain itself and manufacture products here.

Ms. Braw. I think where we will move, regardless of -- where we will move out of necessity is a division of the world into two or maybe three blocs, one led by China, one led by the United States, and one possibly led by the European Union, where we will see companies trade much more with friendly countries.

And, of course, that already has a label. It's called friend shoring and it's happening. Companies are trying to remove as much as they can their supply chains from China simply because
they worry that if China gets -- if Beijing gets upset with their home governments they will suffer the consequences by, for example --

Mr. Buck. Let me ask Mr. Shullman, if I can, if he wants to respond. Are we at war with China?

Mr. Shullman. Well, I think, you know, as Elisabeth has said, there's many ways in which we are, essentially, in kind of a below military conflict situation with China. I think that's accurate in the economic space and in other spaces. But I wouldn't say we're at war with China because I feel like there's so much worse that things could get.

When we look at what China might do when we're talking this week about what might happen in the Taiwan Strait or what might happen in the years to come, when we look at what China might do in the cyber domain especially against the United States and against our allies, when we look at all these capabilities that China has to unleash a lot more hurt on the United States, I think it's helpful to think of where we are now and how we might be able still to stand up for our interests and our values along with our allies without necessarily going towards a hot war with China, which, as we all know, would be --

Mr. Buck. Yeah, I wasn't suggesting a hot war. I was talking about asymmetric. But I appreciate your being here and your responses.
And, Mr. Chairman, I yield back.

Mr. Bera. Thank you.

Since we recognized Dr. Shullman, I believe Mr. Armstrong wanted to make a quick comment as well.

Mr. Armstrong. Thank you, Mr. Chairman. Yes, I would.

The first thing I want to point out is that we fail to retaliate. We fail to punish bad behavior. We failed to punish Russia effectively. We don't dissuade the activity. So we don't dissuade China. We don't make it costly for them. We don't demand reciprocity in a variety of areas. We allow them to dictate the terms.

Some of that comes from -- and this goes to Chairman Bera's question at the beginning about how do we -- what are the easy fixes -- the tools and tactics.

It goes into our paralysis coming from compartmentalization but also a lack of leadership to actively defend our principles and this is an enduring problem that goes back years and years and years where we, again, as I mentioned in the opening comments, we allow the adversaries to set the time, tempo, manner, place, method of engagement.

In the case you cited, Mr. Congressman, it is fentanyl, and I would call this more political warfare for the very reason that it is intentionally disruptive and damaging to our nation, and this is where I think the gray zone is a little bit more -- less
effective for us to understand because China is actively waging political warfare against us in order to change us.

But we fail to dissuade, and so as I mentioned in the opening comments, it's, essentially, easy and cheap and they can keep doing it. We have not made it costly for them to act in this way.

Mr. Bera. Great. Thank you.

Let me now recognize the gentlelady from Pennsylvania, Ms. Houlahan, for five minutes.

Ms. Houlahan. Thank you, Mr. Chair, and thank you all for being here today. I've really, really enjoyed the conversation. I serve both on this committee as well as on the Armed Services Committee. I'm a veteran and I'm an engineer, and so this kind of conversation is really intriguing to me.

As an example, in the Armed Services Committee I decided to vote against raising the top line of the defense budget because of its representation of what it could do on the other side -- on the diplomatic side and on the humanitarian side.

And so when we talk about this concept of the gray zone or political warfare, I'm really intrigued because, to me, it feels as though this is a domain that we are talking about -- a domain of warfare.

How can we or can you give us some advice on how we can think about balancing gray zone capabilities with our traditional
military capabilities and resources?

Ms. Braw, you mentioned gray zone exercises. Can you kind of dive a little bit deeper for me on what it means to be able to think about this in the light of a domain as opposed to a kind of just cool war, I guess?

Ms. Braw. Thank you very much.

Yes, I think exercises are crucial, not just because they instill skills in all involved but also because they signal that our side, whether it be America or one of its allies, takes the issue seriously and has the ability to respond.

So, for example, the reason we were not able to respond very well to the COVID outbreak is that it hadn't been exercised across government and across society. So our societies ground to a halt, and that was, of course, a dream scenario for any country wishing to harm us at home, the fact that, really, COVID brought our societies to a standstill.

So if we can exercise gray zone scenarios within our countries it will instill those skills not just in government but across society, in civil society, in the private sector, which runs so much, so many, of the daily functions.

And so it can instill those skills and signal to the other side that we will be able to withstand the harm that they are trying to impose, for example, by suspending exports of crucial goods, by attacking our energy supply, by suspending energy
supply, as Russia is currently doing by conducting cyber attacks. And the Czech Republic is, in fact, pioneering such exercises and has conducted a couple already with key companies in the country, and it was interesting to hear from the Czechs that when they started the exercises they weren't sure whether companies would be interested.

But when they started inviting companies they then got inquiries from other companies saying, why haven't I been invited? Why haven't we been invited?

And so that's very good evidence that it works and, of course, it signals, too, that it's essentially deterrence by denial. We will be able to deny your aggression should you engage in it and so you better not engage in it.

Ms. Houlahan. And so with what remains with my time, Mr. Shullman or Mr. Armstrong, if you would like to contribute, our allies as well -- is there a way to integrate our allies into these sort of domain exercises or gray zone exercises and how important is that as well?

Mr. Shullman. Well, I think it's critical. In the military domain, in particular, of course, to the extent through the Quad grouping, whether we could bring in potentially the Australians, the Japanese, and others -- possibly not India but, you know, we could try to push back and to demonstrate that there's more allied unity on these issues and that we're going to not allow
these things to stand, as Ms. Braw said.

And, you know, I think that there's no -- people sometimes will say there's a danger of confirming China's fears that we're trying to contain them or that there's an alliance network that's trying to keep them down.

You know, China assumes that that is what we're trying to do and I think that, given the aggression that they've been carrying out in the region and also globally, both militarily and otherwise, I think we shouldn't let that in any way shape the actions that we take.

I would add on top of the military domain that in the cyber domain I think we need to be cooperating and working very closely with our allies and, in particular, Taiwan, which has been subject to China's cyber operations, just an incredible amount on a daily/monthly basis to shape the information space, to undermine Taiwan's democracy, and fundamentally to weaken the society.

And so what we ought to be doing is sharing lessons learned with Taiwan, working jointly to expose and defend against PRC cyber operations, and I think we also -- the U.S. government, our military, the intelligence community -- should be taking lessons learned from our efforts to hasten Ukraine's ability and computer networks against Russia's attacks and we should be determining what might work best in a Taiwan scenario both today and in the runup to an imminent conflict and we should be working
with our allies -- other allies on that as well with Taiwan.

Ms. Houlihan. Thank you, Doctor. I have run out of time, and I yield back.

Mr. Bera. Great.

I know Mr. Armstrong has a comment. Let me go to Mr. Burchett and then we're going to do a second round of questions. So I think we'll get back to that.

Mr. Burchett. Thank you, Mr. Chairman, Ranking Member.

I'm concerned about some of the things that -- maybe the Chinese Communist Party grey zones, things like that, that they're not getting publicity for.

I know they've, obviously, gotten some -- a lot of air play over the air incursions over Taiwan and some of their island building projects in the South China Sea.

And I'm wondering what are some of those areas that you all feel don't receive sufficient media attention that possibly should?

Ms. Braw. I can start.

I think one of the really important things is how Chinese maritime activities, whether it be the maritime militia or the sand dredges, destroy other countries' natural habitats. Now, that may seem like a small thing, but if you destroy another country's natural habitat --

Mr. Burchett. Sure. They're not able to produce and it
just -- I mean, it -- the problem.

Ms. Braw. Exactly. And when it comes to the fish it really is a source of enormous lost income for that country, and not just at that moment but the fish isn't able to reproduce at the rate it should.

So, in essence, you can claim -- one could argue and I think I would argue it's equivalent to taking territory from that country because you deprive that country of a natural resource that it cannot easily reproduce.

Then the other thing is, and this is where gray zone aggression is so clever, the punishment of our Western companies.

I'm sorry to keep coming back to it, but it really is a permanent danger to our globalized economy, the fact that no Western company operating in China, whether it be through sales or manufacturing or supply chain or some combination, that they can never be sure that they won't be punished by China, and that is not a good basis on which to build a business strategy.

And we need for these companies to be successful and, yet, they always have to worry that they will be punished. As a result, they're reducing their exposure to China.

And so one might say that's good or bad. It's happening.

But the threat to the globalized economy through the punishment of Western companies as proxies for their home governments, I
think, isn't really something that has sunk in with the wider public.

Mr. Burchett. Sir?

Mr. Shullman. Thank you for the question.

I would also come back to the focus on economic coercion and how much attention really ought to be paid to that. I feel like we talk about China's debt that it holds over countries and much of that is not necessarily an intentional debt trap strategy to seize strategic assets.

But because you have this mounting cycle of debt, you create a situation, as has already been mentioned by the chairman, in Sri Lanka, in the Maldives, in Kiribati, in a bunch of countries where they are so dependent on China that, ultimately, if China were to ask them to do certain things they're not really going to have a lot of choice but to do it, right, and so that's kind of that latent potential of coercion.

And I think in addition to the investment side, looking at trade is also very important. China is the main trading partner for many countries throughout the region and, in that sense, is critical for their economic livelihood and future, and so that's always going to be taken into account.

And then, lastly, the fact that through corrupt means, often intentional, sometimes just as the way in which Chinese state-owned enterprises are doing business in these countries,
China really has cultivated friends in many countries across the Indo-Pacific and globally, and that has real implications, going forward, for when these countries are making decisions about whether they're going to align with China, are going to accede to China's interests and wishes.

You know, are we going to be able to engage with them in the future in the way in which we are today where, you know, the United States is still the primary bilateral security partner for a lot of countries in the region.

But as China becomes more dominant economically and has more co-opted elites in the countries throughout the region, I think it's going to be very problematic for us to continue to advance our interests and also to advance and protect the interests of our allies and democratic partners.

Mr. Burchett. Thank you.

Mr. Armstrong. Mr. Congressman, if I can add something else that is directly within this committee's purview and is --

Mr. Burchett. Very, very quickly, in 15 seconds.

Mr. Armstrong. -- is China has thousands of journalists -- quote, "journalists" -- in the United States, whereas they limit the Voice of America to two journalists and one bureau in China, and it forces Radio Free Asia to operate underground there.

And this is an issue of reciprocity that we have let them slide with for decades and decades. There are principles behind
why we have, but we failed to act and -- in working in a positive
direction and a meaningful manner and it is, I think, low --
relatively low-hanging fruit for this committee to pursue and
look into.

Mr. Burchett. Thank you.

Mr. Chairman, I appreciate you. There's a lady on the back
row back there. She asked me at a luncheon if my views have
changed of anything since I've been on this committee.

There's one thing that has not changed -- it has bolstered
-- is the fact that we need to quit knuckling under to China and
their coercive ways, especially with Speaker Pelosi planning a
visit to Taiwan, for the White House to send a neutral type
message.

I think it's the wrong thing. We need to support Speaker
Pelosi in this effort and we need to stand by our allies because
China will -- clearly, we're playing checkers and they're playing
chess and, dadgum, we better step up to the table.

Thank you, Mr. Chairman.

Mr. Bera. Thank you. I thank the ranking member and I agree
that we ought to be playing three-dimensional chess here.

Mr. Chabot. Exactly.

Mr. Burchett. She didn't think I was listening to her
question earlier this week and I -- but I was.

Mr. Bera. Let me now recognize the gentlelady from North
Carolina, Ms. Manning, for five minutes of questions.

Ms. Manning. Thank you, Mr. Chairman, and thank you, Ranking Member Chabot.

Mr. Burchett, did I hear you say that we ought to be supporting Speaker Pelosi? Because I thought that's what I heard you say.

I just want to make sure I heard you correctly.

Mr. Burchett. Hell did not freeze over, ma'am, and --

Ms. Manning. Okay. I just want to --

Mr. Burchett. -- the end times have not come and you got left behind. But yeah, I do in this endeavor.

You know, I pray for Speaker Pelosi. I pray for --

Ms. Manning. Thank you. Okay. All right. We got -- I got what I needed. Thank you so much. I really appreciate that.

Mr. Burchett. Yes, ma'am. Go ahead and use it on a sound bite. It's all yours.

Ms. Manning. Thank you for that. I appreciate that.

Okay. Back to the subject at hand.

Dr. Shullman, you talked about some of the potentially unintentional avenue toward some of these tactics through building up of debt when China trades with other countries, when they do projects with other countries. I assume that the Belt and Road Initiative may be a way to get at that also.

I wonder if you could talk to us about how do we strengthen
and bolster the resistance and the defenses of the targets of
gray zone? What sorts of societies demonstrate the strongest
resistance to these tactics?

For example, in your testimony you highlighted the fact that
weak regulatory, environmental, and minimal transparency,
particularly around foreign financing in developing countries,
can be a real issue. So can you talk about that for a bit?

Mr. Shullman. Yes, ma'am. Thank you for that question.

I think, you know, this gets to the heart of the fact that
when we think about how to respond to China's gray zone activities
and especially what's happening inside countries and how China
is shaping them from the inside out, when we think about support
for good governance, when we think about support for democratic
institutions, when we think about support for the rule of law
and regulatory environments, these are not nice to have soft
things that you add on once you've done everything else in the
military domain or some other, you know, domain that has
traditionally gotten pride of place.

These are at the heart of how you prevent China from building
influence over societies and over countries, especially those
that are developing countries that have a very asymmetric power
relationship with China and that are increasingly dependent on
China.
And so building up, as has been already said, an understanding of the Chinese Communist Party's influence tactics, building up the capacity of civil society and independent media, helping those in those countries who are going to -- as I mentioned in my comments earlier, they are going to negotiate with China, with policy banks, with state-owned enterprises.

That's not going to change in most countries, but to make sure that when they do so, they have the ability to negotiate effectively and to understand how to negotiate effectively with Chinese actors.

These are all, truly, critical to preventing those countries from becoming more indebted to China, more reliant on China, more dependent on China and, therefore, you know, undermining their independence of action and their real ability to set their own foreign policy priorities.

Ms. Manning. So can you talk a little bit about some of the success stories, how countries like Australia, Taiwan, and, more recently, Nepal have become more capable of resisting CCP political influence?

What steps have they taken and how can we encourage implementation of the lessons learned by countries elsewhere in the region?

Mr. Shullman. Thank you for that question.

So I think, you know, there are some good news stories.
I mentioned -- you mentioned Nepal. There, for example, there has been a combination of mounting skepticism around the Belt and Road Initiative, frustration with Chinese Communist Party efforts to pressure critical media, and more consistent U.S. attention and aid to the country, and all of that have contributed to a growing capacity to counter China's efforts to deepen its leverage, although it's still very much an issue in the country.

I think if you look at Taiwan's response, you have evidence that they've been able to effectively deal with some of the interference that China's carried out in Taiwan over the years.

In 2020, President Tsai signed Taiwan's Anti-Infiltration Act, which allows law enforcement to investigate individuals or organizations suspected of engaging in activity on behalf of a foreign actor that damages national sovereignty or undermines Taiwan's democracy.

There has been much more attention paid to what's happening on social media. Taiwan has worked with Facebook and civil society fact-checking groups to limit the spread of false information.

And then if you look at a country like Australia, there have been also laws passed to prevent foreign infiltration. Australia is, you know, the classic example of China's ability to co-opt
a politician in a developed country in order to have someone advocate for China's position on the South China Sea.
So they've been on the leading edge of this. They've also been on the leading edge of making -- showing how really effective media action can expose what China is doing and cause the government to then take actions that help to resolve the situation or at least to ameliorate the situation.
So there's a lot more to do but there are good examples out there of what -- where to start and how to build resilience.
Ms. Manning. Thank you. My time has expired. I'll save the rest of my questions for the next round.
I yield back.
Mr. Bera. Thank you.
Let me now recognize the gentlelady from California, Ms. Kim, for five minutes of questions.
Ms. Kim of California. Thank you, Chairman Bera and Ranking Member Chabot, for holding this hearing on gray zone coercion, and I want to thank all of our witnesses for appearing before our committee today.
The CCP runs very sophisticated cyber operations to not only control information inside the PRC but also targets propaganda at countries with democratic governments to improve the CCP's favorability and influence the politics in those countries.
The CCP has also been using social media to promoting Russian
narratives and propaganda about the invasion of Ukraine.

I want to ask a question to Mr. Armstrong, who is joining us virtually. As a former governor of, you know, BBG, can you explain the now USAGM's role in efforts to combat CCP's propaganda?

Mr. Armstrong. Thank you, Madam Congresswoman.

I can describe, broadly. I'm not familiar with the current specific activities of USAGM in this regard. But, broadly, with what Voice of America and Radio Free Asia does in China and other related countries or countries in the region is to get factual information into the country regarding both the leadership of that country and its activities outside of the country and what is going on around that the citizens of those countries should know about.

It is also -- these operations are also about informing these people about alternatives -- what is the future, what are other futures that are possible?

For example, I was in Beijing meeting with the number two of the domestic propaganda agency and I mentioned the VOA is not a propaganda agency because it is not. It is a true factual news media organization, one of the -- probably the largest in the world, based on where it operates and the languages it operates, that we -- then we, Voice of America, will tell, for example, how an American registers to vote. That is a very subtle story.
For us it might be innocuous. For a Chinese citizen, as this senior official recognized, he pushed back and he said, don't tell us how to vote.

Well, we're not. We're telling you something else. But if you view this as a threat, and this goes to an earlier conversation, that we can have innocuous conversations in those countries, expose them to ideas outside, they see it as a threat.

Another area that USAGM operates in is internet freedom and that is penetrating the Chinese firewall and other technologies to allow for Chinese to get -- or North Koreans, for example, to get information from the outside to understand what is really going on and see that there is a difference between the official narrative they're being told and what is happening.

And in my meetings in China as a governor, it was really interesting to find academics and officials who were actively listening, accessing Voice of America and even Radio Free Asia, and often using surreptitious means to do so and eagerly consuming it when they're out outside of China.

So --

Ms. Kim of California. Thank you. I'm going to reclaim my time since I have very little time left.

Because I'm an immigrant from South Korea and I have family
members who have fled North Korea. So, you know, promoting U.S.
-- you know, human rights in North Korea and getting the
information into North Korea is very, very personal to me.

Yet, North Korea is very tightly controlled. So the -- you
know, the possession of a shortwave radio can result, as you know,
in execution. Getting outside and accurate information into
North Korea is very extremely difficult, which is why the role
of RFA, VOA, are very critical and important.

Despite all the challenges, they have the information
getting into it. I've also known many defector organizations
that are operating -- broadcasting into North Korea and North
Koreans regularly tune in to those broadcasts.

So USAGM hears directly from these defectors about the
programming's impact. So I would hope that our committee and
our, you know, witnesses will also pay attention to that.

But I want to also say that North Korea is very engaged in
information warfare and operates propaganda websites targeted
at swaying the public opinion of South Koreans.

So can you describe in the short time that we have and maybe
a little bit over the time that -- how these propaganda campaigns
and how USAGM countered those while you were on the Board of
Governors or -- I mean, I would like to ask that to be answered
by our witnesses here with us physically.

Could we -- time, please?
Mr. Shullman. Thank you. So the -- I appreciate your interest. My wife is Korean, and so there's a certain connection there as well.

The North Koreans, certainly, try to infiltrate the South in a variety of means and, of course, as you're well aware, South Korea's programming is heavily consumed.

But the Radio Free Asia and Voice of America are actively trying to make and successfully make media available domestically in the North. But there is other assistance that's necessary and within this committee's purview supporting the private-public partnerships when they're possible and enabling and promoting Voice of America and Radio Free Asia to support other media organizations to put maximum pressure, multiple channels going into the country, as well as engaging in the South, although we don't necessarily need to actively operate in the South as much because of the free and prosperous media that exists there.

Mr. Bera. I think we're going to do a second round of questions, if you have time.

And, again, I appreciate the witnesses indulging us. We may have votes that get called at some moment. But while we have here, obviously, a lot of interest in this topic, so let's go ahead and start a second round of questions and I'll start by recognizing myself.

Ms. Braw, you alluded to this, and it's something that I've
thought a lot about. You know, the pandemic really did expose an over reliance of our supply chains on a single source, in this case, the PRC, and we have seen those disruptions and we're still trying to recover from these supply chain disruptions.

In conversation with our allies in Asia and our conversation with our allies in Europe and looking at, you know, the Indo-Pacific Economic Framework, one of those pillars is supply chain redundancy, supply chain resiliency. This is an area that, you know, I think is incredibly important as we work with our allies to create in a strategic way.

One concern that I have -- and, again, my question alludes to this -- is as I talk to the private sector, as I talk to U.S. multinational corporations that are still making massive investments in China and, you know, we point out the fact that, you know, we have seen direct economic coercion with the Russian invasion -- they're putting themselves at risk -- what tools would you suggest we should use to incentivize our companies and direct future investments into, you know, in this case, I think, Southeast Asia is ripe for a lot of these investments -- the countries want U.S. and European investment to go there -- or what tools should we use to disincentivize U.S. companies from continuing to over invest?

Ms. Braw. Thank you. That's a crucial question because companies will continue to operate in China until it becomes
unbearable, and every CEO hopes that it's not going to be under his or her tenure, and they have a tenure of an average four and a half years.

So it's like elected officials. They hope it's going to be something for the next person to take care of. But, yet, we all know that it has to happen now. I think one important point or one important tool Western policymakers could use is to emphasize the incredible power of allies.

China is an incredibly powerful market, both for sales and for manufacturing. But there are other countries, and this whole new trend of friend shoring, I think, not only has a nice ring to it, it has enormous opportunities for companies.

And, yes, it is more cumbersome to manufacture and to sell to a string of countries or manufacture in a string of countries when -- whereas in China you can do it all under one roof with an educated workforce.

But, nevertheless, you then have -- you don't have to worry so much about falling victim to sudden punishment from the Chinese government simply because you happen to be in business with a country.

There's one other aspect, I think, is really important on this. That is the Western public opinion that has shifted so massively away from supporting China since, well, really, the past two and a half years.
And so companies are really sensitive to public opinion, wisely, I think, and Western public opinion no longer takes kindly to companies operating in China, especially not in Xinjiang but elsewhere as well, and we have seen the massive reputational damage that Volkswagen has suffered as a result of operating there.

So I think that's something to bear in mind and maybe to highlight that Western public opinion -- consumers, those wanting or potentially buying your products -- won't like the fact that you're making yourself beholden to the Chinese government if you lead a major or, indeed, a minor Western company.

Mr. Bera. Dr. Shullman?

Mr. Shullman. Thank you.

On top of Ms. Braw's comments, which I completely agree with, I think we should also note that China is doing some of this work for us, right, in the sense that the business environment in the PRC is becoming worse by the day.

You have companies that -- I agree, I think many companies will just wait until the very last minute until it's entirely untenable to operate in China because they've invested so much.

But I think there are other companies that are, when they're considering new investments or where they're thinking about diversifying, whether it's to Southeast Asia or elsewhere,
they're looking at what's happening in Xi Jinping's China.

They're looking at the -- you know, what this means in terms of complying with the Chinese data requirements in terms of China inserting little CCP cells not just into domestic companies but Western foreign companies.

So they're rethinking some of this. And this is not just from the United States' perspective. The EU and China recently held a trade dialogue and the EU's top trade official said so many European businesses are now reconsidering whether they want to do business in China.

So I think that, in addition to what was said, I think that is a key factor to look at and I think that there are ways that U.S. policy can help to push things along in that direction and help countries -- companies realize that it's not in their interest -- it's not in the interest of the bottom line, at the end of the day -- to deepen their exposure in China.

Mr. Bera. Great. Let me go recognize the ranking member, Mr. Chabot, for a second round of questions.

Mr. Chabot. Thank you very much, Mr. Chairman.

Actually, I have three questions and I'm going to direct one to each of the witnesses if I can squeeze them all in.

Mr. Armstrong, I'll begin with you. One of the CCP's greatest weaknesses is the corruption of its leadership, really, all the way up to the top with President Xi.
Could you discuss how the United States might be able to expose this corruption as a means of deterring the PRC's gray zone activities? Or I guess another way of putting it would be as a form of our gray zone effort against them.

Mr. Armstrong. Thank you for the question.

I think some of the obvious means would be helping Voice of America and Radio Free Asia expand their activities in China. I think expanding, putting pressure on China to reciprocate and allow VOA to have a more expansive footprint in China as China has in the United States.

Also, the internet or the information freedom programs, increasing the pressure to break through their censorship, expose the hypocrisy, not just the corruption of the Chinese government -- for example, how Chinese officials are active on Twitter and, yet, deny that platform within the country.

The integration of these type of informational programs with our policymaking, with our leadership in China at the ministerial level and below at every opportunity to engage and raise this issue with the Chinese public would, hopefully, start to ricochet. They can censor the information pretty quickly within but the Chinese people are pretty resilient and pretty creative in coming up with terms to describe things that they're not happy with.

So those would be the easy gets.
Mr. Chabot. Good. Thank you very much.

Ms. Braw, I'll turn to you next.

The CCP is particularly adept at co-opting elites or elite capture, whatever you want to refer to it as, over to its side including in Western democracies. What can we do to push back against this particularly pernicious form of gray zone operation?

And for those who may be watching at home, could you briefly describe what elite capture or co-opting elite really means in English?

Ms. Braw. Yes. Elite capture used to mean captured by the elites, capture of developmental -- of development aid in developing countries.

Now it means capture of the elites by our strategic rivals, and that is relatively easy to accomplish because if you look, for example, at policymakers once they leave public office they are looking for the next chapter in their lives and they are often open to or can be convinced by nice offers for, for example, positions in industry including Chinese companies.

And that is, again, the clash between globalization and geopolitical confrontation, that Chinese companies look just -- look like any other companies and maybe five years ago should have been treated as such.

Now it is a way for China -- corporate appointments for former civil servants and former legislators and other politicians are
a way for Chinese companies and, indeed, for China itself to make itself a palatable participant in our societies even as it tries to undermine our societies.

And that's why it's so dangerous. It's not just a matter of one person taking a position on the board and being nicely remunerated. I don't think anybody would want to prevent anybody from being compensated for their skills. But you also then, by doing that, enhance the reputation of China.

And one consideration that's, for example, being discussed in the U.K. is to lengthen the period of time that officials and politicians have to wait before taking corporate appointments or even to prevent them from taking appointments with Chinese companies altogether.

We should have --

Mr. Chabot. Thank you. Let me cut it off, if I can, there. I appreciate the answer.

I wanted to get to you, Mr. Shullman, here, real quickly. Hackers linked to the Chinese government have been implicated in the data breach of the Office of Personnel Management and Equifax and others as well.

How might the CCP weaponize this data as part of future gray zone campaigns and is there anything we can do about that? And if you could keep your answer relatively brief because my time has expired.
Thank you.

Mr. Shullman. Thank you for that question.

Well, I think -- I mean, the most obvious concern from those sorts of hacks is that there's going to be a hack and then there's going to be a leak that compromises the security of, potentially, millions of Americans or, in the OPM case, of, you know, servants of the U.S. government who have security clearances, and others, and I think that that is the primary thing that we need to worry about.

But, of course, there's many other ways in which China could, potentially, hack the U.S. government and critical private sector partners who are -- you know, there's been hacks of Microsoft.

There's regular hacks of numerous private sector partners of the U.S. government and who are key to U.S. competitiveness, and China is stealing information from those companies and using it for its own benefit and incorporating that into what they're doing economically and then depending on the company, potentially, incorporating that into what they're doing militarily, right.

So I feel like this is a key area to watch. I know that the agencies of the U.S. government who track cyber hacking, including the intelligence community, DHS, and others, are watching this closely.
But more needs to be done because I think this is an area where China is only going to step up its aggressive activities in the years to come.

Mr. Chabot. Thank you very much. My time has expired. Let me just commend you, Mr. Chairman, on holding this hearing. I think the witnesses, all three, were excellent and I think this is very, very important. So thank you for holding it.

Yield back.

Mr. Bera. Great. Thank you to our members for their questions and, obviously to the witnesses. You've given us a lot to think about.

With member questions now concluded what I'm actually going to do -- I'll take some chairman's prerogative. If witnesses want to take one minute to make any closing statements on any items that we didn't get to expound on.

I just think the topic is so important that I don't want to leave anything unturned. And maybe we'll start with Mr. Armstrong, if you want to take a quick minute to make a quick closing statement.

Mr. Armstrong. Thank you, Mr. Chairman. Thank you, Mr. Chabot.

I agree this topic is important and I really appreciate the holding of this hearing and I hope these conversations continue in depth.
The point I wanted to make is to answer a previous question by the congresswoman about other things to do with regards to monies, for example, being on the House Armed Services Committee and being on the Foreign Affairs Committee.

One topic that, I think, is obvious but yet we have left aside here is that if we're seeking nonmilitary solutions we need to be looking at the State Department and that within the purview of this committee we need to be looking at how is the State Department operating in this space, how is it not operating, how ineffective or effective is it, and that includes looking at the number of FSOs -- Foreign Service Officers -- and civil service that are there and if this is a so-called information war looking at the information officers that are there at State and the very few number of them -- the public diplomacy officers -- the challenges of leadership.

There is a quote that I have in my written testimony about the -- a senior public diplomacy official recently telling researchers that, quote, "It's vitally important to hide the work of public diplomacy from U.S. citizens in order to protect its mission," which I think is absurd, and I would hope that the committee would as well.

So taking a look at the activities, the lack of support, the lack of resources, the under staffing, and the marginalization of the, quote, "public diplomacy activities," a term of
segregation rather than integration.

So looking at this within your direct purview, I think, would be tremendously helpful in building our capacity to respond in this space proactively, which is urgent, as well as reactively, which is tremendously important as well.

And thank you.

Mr. Bera. Great. Thank you.

Let me recognize Dr. Shullman, if you have a close.

Mr. Shullman. Thank you, Mr. Chairman.

Yeah, I'll just close. I feel like we have talked a fair amount about solutions, which is great. So I'm fully comfortable closing on a bit more on the challenges, and I think two points that we haven't covered extensively.

One is that this is a situation where China has the capacity to combine various gray zone tactics to achieve its ends, right.

We have talked about somewhat -- we have talked somewhat about the economic, the cyber, the military, the informational, in different, you know, buckets. But those are all combined when China wants to achieve its strategic aims and that is what is, in many ways, the most challenging thing about it is that Beijing is able to apply these different tools in different ways, depending on the actor.

And then the last point I'll make is that there's also ways in which what China is doing in one country can be complicating
in and compounding China's coercion in another country that's a U.S. partner.

So, for instance, China's leasing of territory in Cambodia to, potentially, build a military base there has not just implications for Cambodia, which, as we know, is a poster child for dependence on China in many ways, given the corruption and economic leverage China has there, but it has an impact on Vietnam. Vietnam, if there were to be a Chinese base or even the potential for one in Cambodia, would find that its security was compromised, in addition to China's pressure on its northern border and what China does regularly in the South China Sea in, particularly, the Paracels to pressure Vietnam militarily.

So it combines to affect some of our partners in that fashion.

Mr. Bera. Ms. Braw?

Ms. Braw. Thank you for the opportunity.

I would highlight the fantastic achievement that the FIRRMA legislation was but also the importance to then look at the next step because every time the U.S. or another country -- another Western country -- legislates China then moves one step ahead, and FIRRMA limited opportunities for Chinese venture capital firms to invest in U.S. startups, which is exactly what was needed.

And now we have seen since then Chinese VC firms rebrand themselves and remake themselves as U.S. venture capital firms
with new general managers, which -- who have to be American citizens, clearly. But that doesn't mean that their investment has stopped.

So they now -- Chinese VCs now often, those who are, clearly, Chinese, often investors, limited partners, which means that you're, essentially, passive capital. But the U.S. government is in no position to check whether you're actually going beyond what your rights as a limited partner, and that's what is happening.

They are investing as limited partners, still getting access to the best ideas, the best innovation, in our countries -- in this case, the U.S. -- and that is really quintessential gray zone aggression, weakening the U.S., taking our best ideas without it being really obvious or clear that that's what's happening.

So I would encourage the committee to look at this practice as well because we need the innovation that is taking place within our universities but especially in the startup community. It's really the key to economic growth in this country and other Western countries.

Mr. Bera. Well, great.

I want to thank the witnesses because you've given this body a lot to think about what we need to do from the legislative perspective. And, again, my partnership with the ranking member,
Mr. Chabot, as well as the full committee chairman, Mr. Meeks, and the ranking member, Mr. McCaul, I don't think we look at these issues in a partisan lens.

I think we look at these issues both as national security issues for the security of the United States but also, as Xi Jinping has clearly laid out, he thinks democracy is in decline. He thinks autocracy is on the rise.

And I think it is imperative for us, along with our like-minded and like-valued allies around the world, to prove Xi Jinping wrong, that, you know, I think the values that we believe in -- free markets, individual liberties, human rights, the respect of, you know, the rule of law and standards and norms that have served us well in those 75 years post-World War II -- we want a peaceful and prosperous 21st century.

We want China to -- the PRC to be a responsible partner in that peace and prosperity both in the Indo-Pacific and going forward. But we want to do that based on the values that we hold so dear.

So, again, I want to thank the witnesses. I want to thank the ranking member and all the members who participated in this hearing.

And with that, the hearing is adjourned.

[Whereupon, at 11:20 a.m., the subcommittee was adjourned.]