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6 COUNTERING GRAY ZONE COERCION IN THE

7 INDO-PACIFIC

8 Thursday, July 28, 2022

9 House of Representatives,

10 Subcommittee on Asia, the Pacific,

11 Central Asia and Nonproliferation

12 Committee on Foreign Affairs,

13 Washington, D.C.

14

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17 The subcommittee met, pursuant to call, at 9:36 a.m., in
18 Room 2172 Rayburn House Office Building, Hon. Ami Bera [chairman
19 of the subcommittee] presiding.

20 Mr. Bera. The Subcommittee on Asia, the Pacific, Central
21 Asia, and Nonproliferation will come to order.

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

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

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

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

37

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

40 I want to thank the witnesses for joining today's hearing
41 on gray zone coercion in the Indo-Pacific. For years, our
42 adversaries have used gray zone tactics to incrementally advance
43 their objectives.

44 These operations draw from a range of geopolitical,
45 economic, military, and cyber and information operational tools
46 while staying below the threshold for kinetic military conflict,
47 and are deliberately tailored to complicate our response by
48 operating in the murky space between war and peace.

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

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

58

59 According to a study from the RAND Corporation, the
60 government of the People's Republic of China has employed nearly
61 80 different gray zone tactics across all instruments of national
62 power against some of its neighbors over the past decade.

63 Some of these activities are quite blatant and well known,
64 such as building islands in the South China Sea. We also see
65 for countries in the region China using their maritime militia,
66 you know, disguised as fishing boats to harass, you know,
67 fishermen in the Philippines and Vietnam. We have seen economic

68 coercion and economic retaliation against our friends in Korea
69 after the THAAD deployment, economic coercion against our friends
70 in Japan through withholding rare earth elements.

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

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

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

88 We also see -- you know, we had Millennium Challenge
89 Corporation grants, and let me emphasize grants, that we had
90 approved for Sri Lanka, which, you know, in private conversations
91 with the Sri Lankan government they understood it was in their

92 benefit and their interest to accept this MCC compact.

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

98 So as we think about these issues and think about some of
99 the challenges in the 21st century, this is an influence game.

100 This is one where we have to use the full tools of public
101 diplomacy. We have to use our full economic tools as well. We
102 have to signal to our friends, you know, in Korea and Japan and
103 Australia and the region that America has got their back and we're
104 going to be with them should they be subjected to coercion.

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

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

114 So with that, let me recognize the ranking member, Mr.
115 Chabot, for five minutes.

116 Mr. Chabot. Thank you very much, Mr. Chairman, and thank
117 you for holding this, I think, very important hearing today, and
118 we look forward to hearing our distinguished witnesses here
119 shortly.

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

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

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

137 That's why I think this hearing is particularly important.

138 As far as we could tell, it's the first time the Foreign Affairs
139 Committee has used the term gray zone in a hearing title.

140 Whatever you want to call gray zone competition, whether
141 it's irregular warfare, political warfare, hybrid warfare, or
142 sharp power -- excuse me -- understanding the gray zone as an
143 arena for strategic competition with its own unique
144 characteristics is absolutely critical.

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

151
152 This challenge has come in the form of so-called gray zone
153 campaigns, which are state-directed operations that bring
154 together various capabilities to achieve a political or security
155 objective without resorting to outright conflict.

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

161 Unfortunately, to date, the U.S. government has been slow
162 to develop effective responses that either blunt our adversaries'
163 efforts or deter them from prosecuting their campaigns.

164 I agree with those who have identified the following factors
165 as part of the problem. First, the American view is that we are
166 either at peace or at war while our adversaries recognize that
167 there is a large space between the two which they can and have
168 been exploiting over the years. We need a paradigm shift.

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

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

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

182
183 Nowhere is an effective response more critical than in our
184 generational competition with the Chinese Communist Party.

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

187 How are we currently responding to Beijing and how does that

188 response fall short? Can we distinguish between gray zone
189 campaigns and their general bad behavior? What will actually
190 deter the CCP and what capabilities do we need to build out to
191 effectively compete in the gray zone?

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

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

200 And I yield back.

201 Mr. Bera. Thank you, Ranking Member Chabot.

202 Let me now introduce our witnesses.

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

210 He served for nearly a dozen years as one of the U.S.
211 government's top experts on East Asia, most recently as Deputy

212 National Intelligence Officer for East Asia on the National
213 Intelligence Council in the Office of the Director of National
214 Intelligence.

215 Thank you for being here.

216 Our second witness is the Honorable Matt Armstrong, who
217 served as a member of the Broadcasting Board of Governors from
218 2013 to 2017. He is an author, lecturer, and strategist on public
219 diplomacy and international media, and serves on several
220 organizational boards, including the Public Diplomacy Council.

221

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

226 He'll join us virtually and, again, I want to just express
227 my appreciation. He is in Hawaii right now on vacation. It's
228 3:30 in the morning, so thank you for getting up early this morning
229 to join us.

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

234 Before joining AEI, Ms. Braw was a senior research fellow
235 at the Royal United Services Institute in London where she founded

236 and led its Modern Deterrence Project.

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

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

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

246 I will first invite Dr. Shullman to give his testimony.

247 STATEMENTS OF DAVID SHULLMAN, PH.D., SENIOR DIRECTOR, GLOBAL
248 CHINA HUB, THE ATLANTIC COUNCIL; THE HONORABLE MATT ARMSTRONG,
249 FORMER GOVERNOR, BROADCASTING BOARD OF GOVERNORS; ELISABETH BRAW,
250 SENIOR FELLOW, AMERICAN ENTERPRISE INSTITUTE

251

252 STATEMENT OF DAVID SHULLMAN

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

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

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

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

269 It is in this context that Chinese leaders value so-called
270 gray zone tactics, to avoid stoking regional instability while

271 advancing China's strategic aims.

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

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

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

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

288

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

294 While China has pulled back significantly from Belt and Road

295 Initiative lending in recent years, the lopsided and secretive
296 terms of China's deals continue to create problematic cycles of
297 reliance on China for further credit to finance mounting debts,
298 leaving countries like Pakistan and Sri Lanka, Kyrgyzstan, and
299 others dependent on China.

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

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

312

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

318 Combined, China's grassroots leverage in these different

319 areas create the conditions for gray zone coercion. The
320 application of these tools and outcomes, of course, varies widely
321 across countries in the region.

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

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

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

337 As U.S.-China bilateral tensions continue to mount with
338 the Indo-Pacific the main geographic theater for this
339 competition, China will respond to an increasingly bifurcating
340 global economy and technological landscape by institutionalizing
341 countries' economic reliance on China, ensuring that if they must
342 choose they pick Beijing.

343 China may also get more aggressive in using cyber as a
344 component of coercive gray zone strategies, including by,
345 potentially, using hack and leak exposures or by disrupting
346 infrastructure and public services.

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

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

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

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

365 Addressing China's nonmilitary gray zone tactics in the
366 Indo-Pacific and drive to achieve regional dominance one country

367 at a time will require a decade's long commitment that addresses
368 the needs of countries increasingly at risk of dependence on
369 China.

370 Thank you.

371 [The statement of Mr. Shullman follows:]

372

373 *****COMMITTEE INSERT*****

374 Mr. Bera. Thank you for your testimony.

375 I will now invite Mr. Armstrong to give his testimony.

376 STATEMENT OF MATT ARMSTRONG

377

378 Mr. Armstrong. Good morning. Thank you.

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

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

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

397 No term is perfect. Considering the common understanding
398 of gray zone is the space between peace and war, this framing
399 inherently separates peace into something else.

400 However, it is the peace we should realize and remember that
401 others seek to disrupt. It is the starting point and is the place
402 that we must proactively defend which, again, this committee has
403 aggressively acted upon.

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

409 There's a great deal of risk tolerance that's available in
410 these activities, particularly by the actors who employ them.

411 Whether intentionally or incidentally, these activities exploit
412 our defective escalation ladders, the thresholds of which are
413 destroyed, distorted from over reliance on dissuasion through
414 the threat of waging combat.

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

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

423 The committee participated in supporting the establishment

424 of international organizations to further this peace and
425 proactively resist various malicious gray zone activities in the
426 past.

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

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

434 I'm referring to a bill introduced by a former member of
435 this committee, Karl Mundt of South Dakota, introduced on January
436 24, 1945 -- my birthday, as it turns out. It was -- not birth
437 year -- it was signed into law three years and three days later
438 as the Smith-Mundt Act and one of Congress first legislative
439 responses to Russian gray zone activities.

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

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

447 Six months later, the report opened with a statement: "The

448 adequacy with which the United States as a society is portrayed
449 to other peoples of the world is a matter of concern to the American
450 people and their government. Modern international relations lie
451 between peoples, not merely governments. International
452 information activities are integral to the conduct of foreign
453 policy."

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

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

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

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

471 My colleague, Chris Paul -- Dr. Chris Paul -- and I recently

472 wrote on how the State Department, ultimately, has rejected this
473 role, which was at the time in 1953 40 percent of the staff of
474 the State Department and 50 percent of the budget. This caused
475 the creation of an entity called the International Information
476 Administration within the State Department.

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

482

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

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

491 That conceptual segregation reinforced by Fulbright --
492 Senator Fulbright's attacks on the agency in the '60s and '72,
493 which created the modern concept that the Smith-Mundt Act is
494 anti-propaganda has hampered us and strangled us and created this
495 siloization within the foreign policy administration.

496 So let me close with three things. One, we have been here
497 before, we straightjacket ourselves and, three, leadership
498 matters. It starts with knowing what we want tomorrow to look
499 like and how -- and we cannot organize out of this -- ourselves
500 out of this. It takes leadership.

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

508 I look forward to your questions, and thank you.

509 [The statement of Mr. Armstrong follows:]

510

511 *****COMMITTEE INSERT*****

512 Mr. Bera. Thank you.

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

514 Thank you.

515 STATEMENT OF ELISABETH BRAW

516

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

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

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

539 off the coast of Taiwan.

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

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

547

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

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

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

559

560 In the case of Taiwan, if China's brazen aggression continues
561 to grow, we risk seeing a situation where global insurers can
562 no longer model the many political risks facing the country.

563 Gray zone aggression could make Taiwan partly uninsurable just
564 like Russia made Ukraine uninsurable before invading it.

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

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

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

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

587 own choosing, of the United States' own choosing or another
588 country.

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

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

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

601

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

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

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

610 [The statement of Ms. Braw follows:]

611

*****COMMITTEE INSERT*****

612 Mr. Bera. Thank you for your testimony.

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

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

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

622 I will start by recognizing myself.

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

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

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

634 But this is not those 75 years. The 21st century is a
635 different era. You know, 10 years ago, I think we would have

636 hoped that the PRC, as they grew a middle class, as they grew
637 an entrepreneurial class, would go in a different direction and
638 continue to help elevate the peace and prosperity of all
639 countries.

640 Xi Jinping has decided to go in a very different direction.
641 We avoided big country conflicts for 75 years. With the Russian
642 invasion of Ukraine, that era is over as well.

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

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

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

657 When we think about the tools and tactics that we need to
658 combat these threats, if you could just lay out one or two of
659 the tools -- the most critical things that you'd like Congress

660 to be thinking about both legislatively but then also -- you know,
661 I think there is a challenge that the ranking member talked about
662 how things are siloed and how do we get an interagency process
663 that really is looking at all these key elements?

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

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

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

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

676

677 So we need to make sure that DOD is working with the State
678 Department, is working with Commerce, is working with the
679 intelligence community, is working with the U.S. Development
680 Finance Corporation, to better coordinate our approach to these
681 issues, to prioritize, in some respects, where we are going to
682 focus because the Indo-Pacific is a very large place and so we
683 can't do everything everywhere and we need to make sure that our

684 actions are targeted based upon what China is doing in each
685 context, the rank that we would give it in terms of a strategic
686 priority, and then coordinate to better address these issues.

687

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

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

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

705 As has been said many times, we can't ask these countries
706 to choose. They're desperate for investment and China is going
707 to offer that and we should expect that. But so that they can

708 do it in a way that is less detrimental to their sovereignty and
709 creates less opportunities for China to coerce.

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

711 Ms. Braw. Thank you, Chairman.

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

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

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

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

729 But with a bit of -- with coordination with the U.S.
730 government and education updates, they would be better able to
731 understand the geopolitical reality within which they operate,

732 which they know on a tactical basis but not in a strategic way.

733

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

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

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

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

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

749 Mr. Chabot. Thank you, Mr. Chairman.

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

754 What can the United States do to deter the PRC in these
755 campaigns?

756 And then also I've been to Taiwan quite a few times over
757 the years. I'm co-chair of the congressional Taiwan Caucus; I
758 was one of the founders of the caucus 20 years ago, and there
759 have been many CODELS to Taiwan over the years.

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

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

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

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

776 I wonder if -- and not just I wonder, I believe there's a
777 case to be made for gray zone exercises. So, to date, Taiwan
778 has been valiantly trying -- the Taiwanese coast guard has been
779 violently trying to chase the dredges out that arrive every so

780 often, and now they arrive in smaller numbers but they still
781 arrive, which indicates that China is not frightened by the
782 Taiwanese coast guard including its now more beefed up -- with
783 its more beefed up fleets.

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

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

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

801 What can the United States do to help to prevent countries
802 with smaller economies from falling under the PRC's thumb and
803 how can we kind of coalesce those countries and working together

804 including the European Union as a whole?

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

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

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

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

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

824

825 But the important thing is you have to signal it beforehand
826 and not just do it once the problem happens because then the
827 deterrence, clearly, is too late.

828 Mr. Chabot. Thank you very much. My time has expired, Mr.
829 Chairman.

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

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

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

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

842 Anybody?

843 Ms. Braw. I can start.

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

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

849

850 I think we have to be judicious in using the label gray zone
851 aggression and the challenge is when to call something gray zone

852 aggression because often it's just the continuation or the
853 intensification of something that's already happening.

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

858

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

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

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

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

873 Ms. Titus. Well, I think about the interference by Russia
874 in elections, and the U.S. and France. Even in Macedonia, they
875 interfered in their referendum to change the name because they

876 didn't want Macedonia getting into NATO.

877 Now, is that gray zone tactics?

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

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

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

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

898 I wonder that, perhaps, that is gray zone tactics or we'd
899 be accused of that. But are the small new democracies more

900 vulnerable or those that are backsliding, which we are seeing,
901 say, in Eastern Europe? Are they most vulnerable?

902 Yes, sir?

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

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

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

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

921 So, yes, it is a challenge, but part of it is we need to
922 appreciate there is something that's going on there and I think
923 gray zone is a fair label. Like I said, I prefer political

924 warfare. But it is a challenging situation with the labeling
925 but we can't get wrapped around that.

926 Ms. Titus. Thank you very much.

927 Thank you, Mr. Chairman. I yield back.

928 Mr. Chabot. Mr. Chairman?

929 Mr. Bera. Yes?

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

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

935 Mr. Shullman. Thank you so much.

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

943 So in a place like Taiwan, where we know that China has sought
944 to control Taiwan outlets, purchased media content, supported
945 pro-China media, and has also used cyber operations to shape
946 information on social media and really try to shape election
947 outcomes, that's one type of situation where the U.S. ought to

948 be cooperating with Taiwan in a certain way to be able to counter
949 that, and I'm happy to get into that more as we go on.

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

961 Thank you.

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

964 Mr. Buck. Thank you, Mr. Chair.

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

971 In China, drug abuse is punishable by death. Yet, the vast

972 majority of the fentanyl in the United States has been illegally
973 trafficked from China.

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

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

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

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

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

994 My question to you is should we engage in some type of
995 asymmetric warfare with China?

996 Mr. Armstrong. So --

997 Ms. Braw. Thank you for --

998 Mr. Buck. Go ahead.

999 Mr. Armstrong. Go ahead.

1000 Ms. Braw. Thank you for that excellent question.

1001 I think what you're asking is whether we should advance --

1002 -

1003 Mr. Buck. What I'm asking is are we in a war right now.

1004 Nobody wants to call it a war but they're killing 100,000 people.

1005 How is that not a war?

1006 Ms. Braw. It is. It is an incredibly intense takeover of

1007 the daily functions of our society and that involves, as you say,

1008 many deaths from drug imports that could have been stopped.

1009 I think that the challenge that we have is authoritarian

1010 countries don't have any sort of -- they don't see any ethical

1011 obligations for themselves whereas we, as liberal democracies,

1012 see ourselves as bound by certain ethical considerations.

1013 Mr. Buck. You're saying they're not doing it on purpose?

1014 Ms. Braw. They --

1015 Mr. Buck. They're not letting fentanyl in this country

1016 because they know it disrupts our economy, it kills our people,

1017 and it undermines our civil society? It's just by accident that

1018 these drug dealers are doing it?

1019 Ms. Braw. I don't think it's by accident. But I don't think

1020 we should we should avenge like for like. In other words, it
1021 would --

1022 Mr. Buck. How many Americans have to die before we avenge
1023 like for like? A million?

1024 Ms. Braw. I think it would harm America if we were -- if
1025 America was seen as illegally shipping drugs to China to kill
1026 Chinese citizens. What we instead need to do is to make our
1027 society more resilient and punish China in other ways, for
1028 example, by canceling -- by suspending exports.

1029 But we are under no obligation to export to China. Our
1030 companies can --

1031 Mr. Buck. How about if we actually mined rare earth minerals
1032 in this country as opposed to importing everything? Maybe we
1033 could get rid of the left-wing environmental crazies and actually
1034 have an economy that could sustain itself and manufacture products
1035 here.

1036 Ms. Braw. I think where we will move, regardless of -- where
1037 we will move out of necessity is a division of the world into
1038 two or maybe three blocs, one led by China, one led by the United
1039 States, and one possibly led by the European Union, where we will
1040 see companies trade much more with friendly countries.

1041 And, of course, that already has a label. It's called friend
1042 shoring and it's happening. Companies are trying to remove as
1043 much as they can their supply chains from China simply because

1044 they worry that if China gets -- if Beijing gets upset with their
1045 home governments they will suffer the consequences by, for example
1046 --

1047 Mr. Buck. Let me ask Mr. Shullman, if I can, if he wants
1048 to respond. Are we at war with China?

1049 Mr. Shullman. Well, I think, you know, as Elisabeth has
1050 said, there's many ways in which we are, essentially, in kind
1051 of a below military conflict situation with China. I think that's
1052 accurate in the economic space and in other spaces. But I
1053 wouldn't say we're at war with China because I feel like there's
1054 so much worse that things could get.

1055 When we look at what China might do when we're talking this
1056 week about what might happen in the Taiwan Strait or what might
1057 happen in the years to come, when we look at what China might
1058 do in the cyber domain especially against the United States and
1059 against our allies, when we look at all these capabilities that
1060 China has to unleash a lot more hurt on the United States, I think
1061 it's helpful to think of where we are now and how we might be
1062 able still to stand up for our interests and our values along
1063 with our allies without necessarily going towards a hot war with
1064 China, which, as we all know, would be --

1065 Mr. Buck. Yeah, I wasn't suggesting a hot war. I was
1066 talking about asymmetric. But I appreciate your being here and
1067 your responses.

1068 And, Mr. Chairman, I yield back.

1069 Mr. Bera. Thank you.

1070 Since we recognized Dr. Shullman, I believe Mr. Armstrong
1071 wanted to make a quick comment as well.

1072 Mr. Armstrong. Thank you, Mr. Chairman. Yes, I would.

1073 The first thing I want to point out is that we fail to
1074 retaliate. We fail to punish bad behavior. We failed to punish
1075 Russia effectively. We don't dissuade the activity. So we don't
1076 dissuade China. We don't make it costly for them. We don't
1077 demand reciprocity in a variety of areas. We allow them to
1078 dictate the terms.

1079 Some of that comes from -- and this goes to Chairman Bera's
1080 question at the beginning about how do we -- what are the easy
1081 fixes -- the tools and tactics.

1082 It goes into our paralysis coming from compartmentalization
1083 but also a lack of leadership to actively defend our principles
1084 and this is an enduring problem that goes back years and years
1085 and years where we, again, as I mentioned in the opening comments,
1086 we allow the adversaries to set the time, tempo, manner, place,
1087 method of engagement.

1088 In the case you cited, Mr. Congressman, it is fentanyl, and
1089 I would call this more political warfare for the very reason that
1090 it is intentionally disruptive and damaging to our nation, and
1091 this is where I think the gray zone is a little bit more -- less

1092 effective for us to understand because China is actively waging
1093 political warfare against us in order to change us.

1094 But we fail to dissuade, and so as I mentioned in the opening
1095 comments, it's, essentially, easy and cheap and they can keep
1096 doing it. We have not made it costly for them to act in this
1097 way.

1098 Mr. Bera. Great. Thank you.

1099 Let me now recognize the gentlelady from Pennsylvania, Ms.
1100 Houlahan, for five minutes.

1101 Ms. Houlahan. Thank you, Mr. Chair, and thank you all for
1102 being here today. I've really, really enjoyed the conversation.

1103 I serve both on this committee as well as on the Armed
1104 Services Committee. I'm a veteran and I'm an engineer, and so
1105 this kind of conversation is really intriguing to me.

1106 As an example, in the Armed Services Committee I decided
1107 to vote against raising the top line of the defense budget because
1108 of its representation of what it could do on the other side --
1109 on the diplomatic side and on the humanitarian side.

1110 And so when we talk about this concept of the gray zone or
1111 political warfare, I'm really intrigued because, to me, it feels
1112 as though this is a domain that we are talking about -- a domain
1113 of warfare.

1114 How can we or can you give us some advice on how we can think
1115 about balancing gray zone capabilities with our traditional

1116 military capabilities and resources?

1117 Ms. Braw, you mentioned gray zone exercises. Can you kind
1118 of dive a little bit deeper for me on what it means to be able
1119 to think about this in the light of a domain as opposed to a kind
1120 of just cool war, I guess?

1121 Ms. Braw. Thank you very much.

1122 Yes, I think exercises are crucial, not just because they
1123 instill skills in all involved but also because they signal that
1124 our side, whether it be America or one of its allies, takes the
1125 issue seriously and has the ability to respond.

1126 So, for example, the reason we were not able to respond very
1127 well to the COVID outbreak is that it hadn't been exercised across
1128 government and across society. So our societies ground to a halt,
1129 and that was, of course, a dream scenario for any country wishing
1130 to harm us at home, the fact that, really, COVID brought our
1131 societies to a standstill.

1132 So if we can exercise gray zone scenarios within our
1133 countries it will instill those skills not just in government
1134 but across society, in civil society, in the private sector, which
1135 runs so much, so many, of the daily functions.

1136 And so it can instill those skills and signal to the other
1137 side that we will be able to withstand the harm that they are
1138 trying to impose, for example, by suspending exports of crucial
1139 goods, by attacking our energy supply, by suspending energy

1140 supply, as Russia is currently doing by conducting cyber attacks.

1141 And the Czech Republic is, in fact, pioneering such exercises
1142 and has conducted a couple already with key companies in the
1143 country, and it was interesting to hear from the Czechs that when
1144 they started the exercises they weren't sure whether companies
1145 would be interested.

1146 But when they started inviting companies they then got
1147 inquiries from other companies saying, why haven't I been invited?
1148 Why haven't we been invited?

1149 And so that's very good evidence that it works and, of course,
1150 it signals, too, that it's essentially deterrence by denial.
1151 We will be able to deny your aggression should you engage in
1152 it and so you better not engage in it.

1153 Ms. Houlahan. And so with what remains with my time, Mr.
1154 Shullman or Mr. Armstrong, if you would like to contribute, our
1155 allies as well -- is there a way to integrate our allies into
1156 these sort of domain exercises or gray zone exercises and how
1157 important is that as well?

1158 Mr. Shullman. Well, I think it's critical. In the military
1159 domain, in particular, of course, to the extent through the Quad
1160 grouping, whether we could bring in potentially the Australians,
1161 the Japanese, and others -- possibly not India but, you know,
1162 we could try to push back and to demonstrate that there's more
1163 allied unity on these issues and that we're going to not allow

1164 these things to stand, as Ms. Braw said.

1165 And, you know, I think that there's no -- people sometimes
1166 will say there's a danger of confirming China's fears that we're
1167 trying to contain them or that there's an alliance network that's
1168 trying to keep them down.

1169 You know, China assumes that that is what we're trying to
1170 do and I think that, given the aggression that they've been
1171 carrying out in the region and also globally, both militarily
1172 and otherwise, I think we shouldn't let that in any way shape
1173 the actions that we take.

1174 I would add on top of the military domain that in the cyber
1175 domain I think we need to be cooperating and working very closely
1176 with our allies and, in particular, Taiwan, which has been subject
1177 to China's cyber operations, just an incredible amount on a
1178 daily/monthly basis to shape the information space, to undermine
1179 Taiwan's democracy, and fundamentally to weaken the society.

1180 And so what we ought to be doing is sharing lessons learned
1181 with Taiwan, working jointly to expose and defend against PRC
1182 cyber operations, and I think we also -- the U.S. government,
1183 our military, the intelligence community -- should be taking
1184 lessons learned from our efforts to hasten Ukraine's ability and
1185 computer networks against Russia's attacks and we should be
1186 determining what might work best in a Taiwan scenario both today
1187 and in the runup to an imminent conflict and we should be working

1188 with our allies -- other allies on that as well with Taiwan.

1189 Ms. Houlahan. Thank you, Doctor. I have run out of time,
1190 and I yield back.

1191 Mr. Bera. Great.

1192 I know Mr. Armstrong has a comment. Let me go to Mr. Burchett
1193 and then we're going to do a second round of questions. So I
1194 think we'll get back to that.

1195 Mr. Burchett. Thank you, Mr. Chairman, Ranking Member.

1196 I'm concerned about some of the things that -- maybe the
1197 Chinese Communist Party grey zones, things like that, that they're
1198 not getting publicity for.

1199 I know they've, obviously, gotten some -- a lot of air play
1200 over the air incursions over Taiwan and some of their island
1201 building projects in the South China Sea.

1202 And I'm wondering what are some of those areas that you all
1203 feel don't receive sufficient media attention that possibly
1204 should?

1205 Ms. Braw. I can start.

1206 I think one of the really important things is how Chinese
1207 maritime activities, whether it be the maritime militia or the
1208 sand dredges, destroy other countries' natural habitats. Now,
1209 that may seem like a small thing, but if you destroy another
1210 country's natural habitat --

1211 Mr. Burchett. Sure. They're not able to produce and it

1212 just -- I mean, it -- the problem.

1213 Ms. Braw. Exactly. And when it comes to the fish it really
1214 is a source of enormous lost income for that country, and not
1215 just at that moment but the fish isn't able to reproduce at the
1216 rate it should.

1217 So, in essence, you can claim -- one could argue and I think
1218 I would argue it's equivalent to taking territory from that
1219 country because you deprive that country of a natural resource
1220 that it cannot easily reproduce.

1221 Then the other thing is, and this is where gray zone
1222 aggression is so clever, the punishment of our Western companies.

1223

1224 I'm sorry to keep coming back to it, but it really is a
1225 permanent danger to our globalized economy, the fact that no
1226 Western company operating in China, whether it be through sales
1227 or manufacturing or supply chain or some combination, that they
1228 can never be sure that they won't be punished by China, and that
1229 is not a good basis on which to build a business strategy.

1230 And we need for these companies to be successful and, yet,
1231 they always have to worry that they will be punished. As a result,
1232 they're reducing their exposure to China.

1233 And so one might say that's good or bad. It's happening.

1234 But the threat to the globalized economy through the punishment
1235 of Western companies as proxies for their home governments, I

1236 think, isn't really something that has sunk in with the wider
1237 public.

1238 Mr. Burchett. Sir?

1239 Mr. Shullman. Thank you for the question.

1240 I would also come back to the focus on economic coercion
1241 and how much attention really ought to be paid to that. I feel
1242 like we talk about China's debt that it holds over countries and
1243 much of that is not necessarily an intentional debt trap strategy
1244 to seize strategic assets.

1245 But because you have this mounting cycle of debt, you create
1246 a situation, as has already been mentioned by the chairman, in
1247 Sri Lanka, in the Maldives, in Kiribati, in a bunch of countries
1248 where they are so dependent on China that, ultimately, if China
1249 were to ask them to do certain things they're not really going
1250 to have a lot of choice but to do it, right, and so that's kind
1251 of that latent potential of coercion.

1252 And I think in addition to the investment side, looking at
1253 trade is also very important. China is the main trading partner
1254 for many countries throughout the region and, in that sense, is
1255 critical for their economic livelihood and future, and so that's
1256 always going to be taken into account.

1257 And then, lastly, the fact that through corrupt means, often
1258 intentional, sometimes just as the way in which Chinese
1259 state-owned enterprises are doing business in these countries,

1260 China really has cultivated friends in many countries across the
1261 Indo-Pacific and globally, and that has real implications, going
1262 forward, for when these countries are making decisions about
1263 whether they're going to align with China, are going to accede
1264 to China's interests and wishes.

1265 You know, are we going to be able to engage with them in
1266 the future in the way in which we are today where, you know, the
1267 United States is still the primary bilateral security partner
1268 for a lot of countries in the region.

1269 But as China becomes more dominant economically and has more
1270 co-opted elites in the countries throughout the region, I think
1271 it's going to be very problematic for us to continue to advance
1272 our interests and also to advance and protect the interests of
1273 our allies and democratic partners.

1274 Mr. Burchett. Thank you.

1275 Mr. Armstrong. Mr. Congressman, if I can add something else
1276 that is directly within this committee's purview and is --

1277 Mr. Burchett. Very, very quickly, in 15 seconds.

1278 Mr. Armstrong. -- is China has thousands of journalists
1279 -- quote, "journalists" -- in the United States, whereas they
1280 limit the Voice of America to two journalists and one bureau in
1281 China, and it forces Radio Free Asia to operate underground there.

1282 And this is an issue of reciprocity that we have let them
1283 slide with for decades and decades. There are principles behind

1284 why we have, but we failed to act and -- in working in a positive
1285 direction and a meaningful manner and it is, I think, low --
1286 relatively low-hanging fruit for this committee to pursue and
1287 look into.

1288 Mr. Burchett. Thank you.

1289 Mr. Chairman, I appreciate you. There's a lady on the back
1290 row back there. She asked me at a luncheon if my views have
1291 changed of anything since I've been on this committee.

1292 There's one thing that has not changed -- it has bolstered
1293 -- is the fact that we need to quit knuckling under to China and
1294 their coercive ways, especially with Speaker Pelosi planning a
1295 visit to Taiwan, for the White House to send a neutral type
1296 message.

1297 I think it's the wrong thing. We need to support Speaker
1298 Pelosi in this effort and we need to stand by our allies because
1299 China will -- clearly, we're playing checkers and they're playing
1300 chess and, dadgum, we better step up to the table.

1301 Thank you, Mr. Chairman.

1302 Mr. Bera. Thank you. I thank the ranking member and I agree
1303 that we ought to be playing three-dimensional chess here.

1304 Mr. Chabot. Exactly.

1305 Mr. Burchett. She didn't think I was listening to her
1306 question earlier this week and I -- but I was.

1307 Mr. Bera. Let me now recognize the gentlelady from North

1308 Carolina, Ms. Manning, for five minutes of questions.

1309 Ms. Manning. Thank you, Mr. Chairman, and thank you,
1310 Ranking Member Chabot.

1311 Mr. Burchett, did I hear you say that we ought to be
1312 supporting Speaker Pelosi? Because I thought that's what I heard
1313 you say.

1314 I just want to make sure I heard you correctly.

1315 Mr. Burchett. Hell did not freeze over, ma'am, and --

1316 Ms. Manning. Okay. I just want to --

1317 Mr. Burchett. -- the end times have not come and you got
1318 left behind. But yeah, I do in this endeavor.

1319 You know, I pray for Speaker Pelosi. I pray for --

1320 Ms. Manning. Thank you. Okay. All right. We got -- I
1321 got what I needed. Thank you so much. I really appreciate that.

1322 Mr. Burchett. Yes, ma'am. Go ahead and use it on a sound
1323 bite. It's all yours.

1324 Ms. Manning. Thank you for that. I appreciate that.

1325 Okay. Back to the subject at hand.

1326 Dr. Shullman, you talked about some of the potentially
1327 unintentional avenue toward some of these tactics through
1328 building up of debt when China trades with other countries, when
1329 they do projects with other countries. I assume that the Belt
1330 and Road Initiative may be a way to get at that also.

1331 I wonder if you could talk to us about how do we strengthen

1332 and bolster the resistance and the defenses of the targets of
1333 gray zone? What sorts of societies demonstrate the strongest
1334 resistance to these tactics?

1335 For example, in your testimony you highlighted the fact that
1336 weak regulatory, environmental, and minimal transparency,
1337 particularly around foreign financing in developing countries,
1338 can be a real issue. So can you talk about that for a bit?

1339 Mr. Shullman. Yes, ma'am. Thank you for that question.

1340

1341 I think, you know, this gets to the heart of the fact that
1342 when we think about how to respond to China's gray zone activities
1343 and especially what's happening inside countries and how China
1344 is shaping them from the inside out, when we think about support
1345 for good governance, when we think about support for democratic
1346 institutions, when we think about support for the rule of law
1347 and regulatory environments, these are not nice to have soft
1348 things that you add on once you've done everything else in the
1349 military domain or some other, you know, domain that has
1350 traditionally gotten pride of place.

1351 These are at the heart of how you prevent China from building
1352 influence over societies and over countries, especially those
1353 that are developing countries that have a very asymmetric power
1354 relationship with China and that are increasingly dependent on
1355 China.

1356 And so building up, as has been already said, an
1357 understanding of the Chinese Communist Party's influence tactics,
1358 building up the capacity of civil society and independent media,
1359 helping those in those countries who are going to -- as I mentioned
1360 in my comments earlier, they are going to negotiate with China,
1361 with policy banks, with state-owned enterprises.

1362 That's not going to change in most countries, but to make
1363 sure that when they do so, they have the ability to negotiate
1364 effectively and to understand how to negotiate effectively with
1365 Chinese actors.

1366 These are all, truly, critical to preventing those countries
1367 from becoming more indebted to China, more reliant on China, more
1368 dependent on China and, therefore, you know, undermining their
1369 independence of action and their real ability to set their own
1370 foreign policy priorities.

1371 Ms. Manning. So can you talk a little bit about some of
1372 the success stories, how countries like Australia, Taiwan, and,
1373 more recently, Nepal have become more capable of resisting CCP
1374 political influence?

1375 What steps have they taken and how can we encourage
1376 implementation of the lessons learned by countries elsewhere in
1377 the region?

1378 Mr. Shullman. Thank you for that question.

1379 So I think, you know, there are some good news stories.

1380 I mentioned -- you mentioned Nepal. There, for example, there
1381 has been a combination of mounting skepticism around the Belt
1382 and Road Initiative, frustration with Chinese Communist Party
1383 efforts to pressure critical media, and more consistent U.S.
1384 attention and aid to the country, and all of that have contributed
1385 to a growing capacity to counter China's efforts to deepen its
1386 leverage, although it's still very much an issue in the country.

1387

1388 I think if you look at Taiwan's response, you have evidence
1389 that they've been able to effectively deal with some of the
1390 interference that China's carried out in Taiwan over the years.

1391

1392 In 2020, President Tsai signed Taiwan's Anti-Infiltration
1393 Act, which allows law enforcement to investigate individuals or
1394 organizations suspected of engaging in activity on behalf of a
1395 foreign actor that damages national sovereignty or undermines
1396 Taiwan's democracy.

1397 There has been much more attention paid to what's happening
1398 on social media. Taiwan has worked with Facebook and civil
1399 society fact-checking groups to limit the spread of false
1400 information.

1401 And then if you look at a country like Australia, there have
1402 been also laws passed to prevent foreign infiltration. Australia
1403 is, you know, the classic example of China's ability to co-opt

1404 a politician in a developed country in order to have someone
1405 advocate for China's position on the South China Sea.

1406 So they've been on the leading edge of this. They've also
1407 been on the leading edge of making -- showing how really effective
1408 media action can expose what China is doing and cause the
1409 government to then take actions that help to resolve the situation
1410 or at least to ameliorate the situation.

1411 So there's a lot more to do but there are good examples out
1412 there of what -- where to start and how to build resilience.

1413 Ms. Manning. Thank you. My time has expired. I'll save
1414 the rest of my questions for the next round.

1415 I yield back.

1416 Mr. Bera. Thank you.

1417 Let me now recognize the gentlelady from California, Ms.
1418 Kim, for five minutes of questions.

1419 Ms. Kim of California. Thank you, Chairman Bera and Ranking
1420 Member Chabot, for holding this hearing on gray zone coercion,
1421 and I want to thank all of our witnesses for appearing before
1422 our committee today.

1423 The CCP runs very sophisticated cyber operations to not only
1424 control information inside the PRC but also targets propaganda
1425 at countries with democratic governments to improve the CCP's
1426 favorability and influence the politics in those countries.

1427 The CCP has also been using social media to promoting Russian

1428 narratives and propaganda about the invasion of Ukraine.

1429 I want to ask a question to Mr. Armstrong, who is joining
1430 us virtually. As a former governor of, you know, BBG, can you
1431 explain the now USAGM's role in efforts to combat CCP's
1432 propaganda?

1433 Mr. Armstrong. Thank you, Madam Congresswoman.

1434 I can describe, broadly. I'm not familiar with the current
1435 specific activities of USAGM in this regard. But, broadly, with
1436 what Voice of America and Radio Free Asia does in China and other
1437 related countries or countries in the region is to get factual
1438 information into the country regarding both the leadership of
1439 that country and its activities outside of the country and what
1440 is going on around that the citizens of those countries should
1441 know about.

1442 It is also -- these operations are also about informing these
1443 people about alternatives -- what is the future, what are other
1444 futures that are possible?

1445 For example, I was in Beijing meeting with the number two
1446 of the domestic propaganda agency and I mentioned the VOA is not
1447 a propaganda agency because it is not. It is a true factual news
1448 media organization, one of the -- probably the largest in the
1449 world, based on where it operates and the languages it operates,
1450 that we -- then we, Voice of America, will tell, for example,
1451 how an American registers to vote. That is a very subtle story.

1452

1453 For us it might be innocuous. For a Chinese citizen, as
1454 this senior official recognized, he pushed back and he said, don't
1455 tell us how to vote.

1456 Well, we're not. We're telling you something else. But
1457 if you view this as a threat, and this goes to an earlier
1458 conversation, that we can have innocuous conversations in those
1459 countries, expose them to ideas outside, they see it as a threat.

1460

1461 Another area that USAGM operates in is internet freedom and
1462 that is penetrating the Chinese firewall and other technologies
1463 to allow for Chinese to get -- or North Koreans, for example,
1464 to get information from the outside to understand what is really
1465 going on and see that there is a difference between the official
1466 narrative they're being told and what is happening.

1467 And in my meetings in China as a governor, it was really
1468 interesting to find academics and officials who were actively
1469 listening, accessing Voice of America and even Radio Free Asia,
1470 and often using surreptitious means to do so and eagerly consuming
1471 it when they're out outside of China.

1472 So --

1473 Ms. Kim of California. Thank you. I'm going to reclaim
1474 my time since I have very little time left.

1475 Because I'm an immigrant from South Korea and I have family

1476 members who have fled North Korea. So, you know, promoting U.S.
1477 -- you know, human rights in North Korea and getting the
1478 information into North Korea is very, very personal to me.

1479 Yet, North Korea is very tightly controlled. So the -- you
1480 know, the possession of a shortwave radio can result, as you know,
1481 in execution. Getting outside and accurate information into
1482 North Korea is very extremely difficult, which is why the role
1483 of RFA, VOA, are very critical and important.

1484 Despite all the challenges, they have the information
1485 getting into it. I've also known many defector organizations
1486 that are operating -- broadcasting into North Korea and North
1487 Koreans regularly tune in to those broadcasts.

1488 So USAGM hears directly from these defectors about the
1489 programming's impact. So I would hope that our committee and
1490 our, you know, witnesses will also pay attention to that.

1491 But I want to also say that North Korea is very engaged in
1492 information warfare and operates propaganda websites targeted
1493 at swaying the public opinion of South Koreans.

1494 So can you describe in the short time that we have and maybe
1495 a little bit over the time that -- how these propaganda campaigns
1496 and how USAGM countered those while you were on the Board of
1497 Governors or -- I mean, I would like to ask that to be answered
1498 by our witnesses here with us physically.

1499 Could we -- time, please?

1500 Mr. Shullman. Thank you. So the -- I appreciate your
1501 interest. My wife is Korean, and so there's a certain connection
1502 there as well.

1503 The North Koreans, certainly, try to infiltrate the South
1504 in a variety of means and, of course, as you're well aware, South
1505 Korea's programming is heavily consumed.

1506 But the Radio Free Asia and Voice of America are actively
1507 trying to make and successfully make media available domestically
1508 in the North. But there is other assistance that's necessary
1509 and within this committee's purview supporting the private-public
1510 partnerships when they're possible and enabling and promoting
1511 Voice of America and Radio Free Asia to support other media
1512 organizations to put maximum pressure, multiple channels going
1513 into the country, as well as engaging in the South, although we
1514 don't necessarily need to actively operate in the South as much
1515 because of the free and prosperous media that exists there.

1516 Mr. Bera. I think we're going to do a second round of
1517 questions, if you have time.

1518 And, again, I appreciate the witnesses indulging us. We
1519 may have votes that get called at some moment. But while we have
1520 here, obviously, a lot of interest in this topic, so let's go
1521 ahead and start a second round of questions and I'll start by
1522 recognizing myself.

1523 Ms. Braw, you alluded to this, and it's something that I've

1524 thought a lot about. You know, the pandemic really did expose
1525 an over reliance of our supply chains on a single source, in this
1526 case, the PRC, and we have seen those disruptions and we're still
1527 trying to recover from these supply chain disruptions.

1528 In conversation with our allies in Asia and our conversation
1529 with our allies in Europe and looking at, you know, the
1530 Indo-Pacific Economic Framework, one of those pillars is supply
1531 chain redundancy, supply chain resiliency. This is an area that,
1532 you know, I think is incredibly important as we work with our
1533 allies to create in a strategic way.

1534 One concern that I have -- and, again, my question alludes
1535 to this -- is as I talk to the private sector, as I talk to U.S.
1536 multinational corporations that are still making massive
1537 investments in China and, you know, we point out the fact that,
1538 you know, we have seen direct economic coercion with the Russian
1539 invasion -- they're putting themselves at risk -- what tools would
1540 you suggest we should use to incentivize our companies and direct
1541 future investments into, you know, in this case, I think,
1542 Southeast Asia is ripe for a lot of these investments -- the
1543 countries want U.S. and European investment to go there -- or
1544 what tools should we use to disincentivize U.S. companies from
1545 continuing to over invest?

1546 Ms. Braw. Thank you. That's a crucial question because
1547 companies will continue to operate in China until it becomes

1548 unbearable, and every CEO hopes that it's not going to be under
1549 his or her tenure, and they have a tenure of an average four and
1550 a half years.

1551 So it's like elected officials. They hope it's going to
1552 be something for the next person to take care of. But, yet, we
1553 all know that it has to happen now. I think one important point
1554 or one important tool Western policymakers could use is to
1555 emphasize the incredible power of allies.

1556 China is an incredibly powerful market, both for sales and
1557 for manufacturing. But there are other countries, and this whole
1558 new trend of friend shoring, I think, not only has a nice ring
1559 to it, it has enormous opportunities for companies.

1560 And, yes, it is more cumbersome to manufacture and to sell
1561 to a string of countries or manufacture in a string of countries
1562 when -- whereas in China you can do it all under one roof with
1563 an educated workforce.

1564 But, nevertheless, you then have -- you don't have to worry
1565 so much about falling victim to sudden punishment from the Chinese
1566 government simply because you happen to be in business with a
1567 country.

1568 There's one other aspect, I think, is really important on
1569 this. That is the Western public opinion that has shifted so
1570 massively away from supporting China since, well, really, the
1571 past two and a half years.

1572 And so companies are really sensitive to public opinion,
1573 wisely, I think, and Western public opinion no longer takes kindly
1574 to companies operating in China, especially not in Xinjiang but
1575 elsewhere as well, and we have seen the massive reputational
1576 damage that Volkswagen has suffered as a result of operating
1577 there.

1578 So I think that's something to bear in mind and maybe to
1579 highlight that Western public opinion -- consumers, those wanting
1580 or potentially buying your products -- won't like the fact that
1581 you're making yourself beholden to the Chinese government if you
1582 lead a major or, indeed, a minor Western company.

1583 Mr. Bera. Dr. Shullman?

1584 Mr. Shullman. Thank you.

1585 On top of Ms. Braw's comments, which I completely agree with,
1586 I think we should also note that China is doing some of this work
1587 for us, right, in the sense that the business environment in the
1588 PRC is becoming worse by the day.

1589 You have companies that -- I agree, I think many companies
1590 will just wait until the very last minute until it's entirely
1591 untenable to operate in China because they've invested so much.

1592

1593 But I think there are other companies that are, when they're
1594 considering new investments or where they're thinking about
1595 diversifying, whether it's to Southeast Asia or elsewhere,

1596 they're looking at what's happening in Xi Jinping's China.

1597 They're looking at the -- you know, what this means in terms
1598 of complying with the Chinese data requirements in terms of China
1599 inserting little CCP cells not just into domestic companies but
1600 Western foreign companies.

1601 So they're rethinking some of this. And this is not just
1602 from the United States' perspective. The EU and China recently
1603 held a trade dialogue and the EU's top trade official said so
1604 many European businesses are now reconsidering whether they want
1605 to do business in China.

1606 So I think that, in addition to what was said, I think that
1607 is a key factor to look at and I think that there are ways that
1608 U.S. policy can help to push things along in that direction and
1609 help countries -- companies realize that it's not in their
1610 interest -- it's not in the interest of the bottom line, at the
1611 end of the day -- to deepen their exposure in China.

1612 Mr. Bera. Great. Let me go recognize the ranking member,
1613 Mr. Chabot, for a second round of questions.

1614 Mr. Chabot. Thank you very much, Mr. Chairman.

1615 Actually, I have three questions and I'm going to direct
1616 one to each of the witnesses if I can squeeze them all in.

1617 Mr. Armstrong, I'll begin with you. One of the CCP's
1618 greatest weaknesses is the corruption of its leadership, really,
1619 all the way up to the top with President Xi.

1620 Could you discuss how the United States might be able to
1621 expose this corruption as a means of deterring the PRC's gray
1622 zone activities? Or I guess another way of putting it would be
1623 as a form of our gray zone effort against them.

1624 Mr. Armstrong. Thank you for the question.

1625 I think some of the obvious means would be helping Voice
1626 of America and Radio Free Asia expand their activities in China.

1627 I think expanding, putting pressure on China to reciprocate and
1628 allow VOA to have a more expansive footprint in China as China
1629 has in the United States.

1630 Also, the internet or the information freedom programs,
1631 increasing the pressure to break through their censorship, expose
1632 the hypocrisy, not just the corruption of the Chinese government
1633 -- for example, how Chinese officials are active on Twitter and,
1634 yet, deny that platform within the country.

1635 The integration of these type of informational programs with
1636 our policymaking, with our leadership in China at the ministerial
1637 level and below at every opportunity to engage and raise this
1638 issue with the Chinese public would, hopefully, start to ricochet.

1639 They can censor the information pretty quickly within but
1640 the Chinese people are pretty resilient and pretty creative in
1641 coming up with terms to describe things that they're not happy
1642 with.

1643 So those would be the easy gets.

1644 Mr. Chabot. Good. Thank you very much.

1645 Ms. Braw, I'll turn to you next.

1646 The CCP is particularly adept at co-opting elites or elite
1647 capture, whatever you want to refer to it as, over to its side
1648 including in Western democracies. What can we do to push back
1649 against this particularly pernicious form of gray zone operation?

1650 And for those who may be watching at home, could you briefly
1651 describe what elite capture or co-opting elite really means in
1652 English?

1653 Ms. Braw. Yes. Elite capture used to mean captured by the
1654 elites, capture of developmental -- of development aid in
1655 developing countries.

1656 Now it means capture of the elites by our strategic rivals,
1657 and that is relatively easy to accomplish because if you look,
1658 for example, at policymakers once they leave public office they
1659 are looking for the next chapter in their lives and they are often
1660 open to or can be convinced by nice offers for, for example,
1661 positions in industry including Chinese companies.

1662 And that is, again, the clash between globalization and
1663 geopolitical confrontation, that Chinese companies look just --
1664 look like any other companies and maybe five years ago should
1665 have been treated as such.

1666 Now it is a way for China -- corporate appointments for former
1667 civil servants and former legislators and other politicians are

1668 a way for Chinese companies and, indeed, for China itself to make
1669 itself a palatable participant in our societies even as it tries
1670 to undermine our societies.

1671 And that's why it's so dangerous. It's not just a matter
1672 of one person taking a position on the board and being nicely
1673 remunerated. I don't think anybody would want to prevent anybody
1674 from being compensated for their skills. But you also then, by
1675 doing that, enhance the reputation of China.

1676 And one consideration that's, for example, being discussed
1677 in the U.K. is to lengthen the period of time that officials and
1678 politicians have to wait before taking corporate appointments
1679 or even to prevent them from taking appointments with Chinese
1680 companies altogether.

1681 We should have --

1682 Mr. Chabot. Thank you. Let me cut it off, if I can, there.
1683 I appreciate the answer.

1684 I wanted to get to you, Mr. Shullman, here, real quickly.
1685 Hackers linked to the Chinese government have been implicated
1686 in the data breach of the Office of Personnel Management and
1687 Equifax and others as well.

1688 How might the CCP weaponize this data as part of future gray
1689 zone campaigns and is there anything we can do about that? And
1690 if you could keep your answer relatively brief because my time
1691 has expired.

1692 Thank you.

1693 Mr. Shullman. Thank you for that question.

1694 Well, I think -- I mean, the most obvious concern from those
1695 sorts of hacks is that there's going to be a hack and then there's
1696 going to be a leak that compromises the security of, potentially,
1697 millions of Americans or, in the OPM case, of, you know, servants
1698 of the U.S. government who have security clearances, and others,
1699 and I think that that is the primary thing that we need to worry
1700 about.

1701 But, of course, there's many other ways in which China could,
1702 potentially, hack the U.S. government and critical private sector
1703 partners who are -- you know, there's been hacks of Microsoft.

1704

1705 There's regular hacks of numerous private sector partners
1706 of the U.S. government and who are key to U.S. competitiveness,
1707 and China is stealing information from those companies and using
1708 it for its own benefit and incorporating that into what they're
1709 doing economically and then depending on the company,
1710 potentially, incorporating that into what they're doing
1711 militarily, right.

1712 So I feel like this is a key area to watch. I know that
1713 the agencies of the U.S. government who track cyber hacking,
1714 including the intelligence community, DHS, and others, are
1715 watching this closely.

1716 But more needs to be done because I think this is an area
1717 where China is only going to step up its aggressive activities
1718 in the years to come.

1719 Mr. Chabot. Thank you very much. My time has expired.
1720 Let me just commend you, Mr. Chairman, on holding this hearing.

1721 I think the witnesses, all three, were excellent and I think
1722 this is very, very important. So thank you for holding it.

1723 Yield back.

1724 Mr. Bera. Great. Thank you to our members for their
1725 questions and, obviously to the witnesses. You've given us a
1726 lot to think about.

1727 With member questions now concluded what I'm actually going
1728 to do -- I'll take some chairman's prerogative. If witnesses
1729 want to take one minute to make any closing statements on any
1730 items that we didn't get to expound on.

1731 I just think the topic is so important that I don't want
1732 to leave anything unturned. And maybe we'll start with Mr.
1733 Armstrong, if you want to take a quick minute to make a quick
1734 closing statement.

1735 Mr. Armstrong. Thank you, Mr. Chairman. Thank you, Mr.
1736 Chabot.

1737 I agree this topic is important and I really appreciate the
1738 holding of this hearing and I hope these conversations continue
1739 in depth.

1740 The point I wanted to make is to answer a previous question
1741 by the congresswoman about other things to do with regards to
1742 monies, for example, being on the House Armed Services Committee
1743 and being on the Foreign Affairs Committee.

1744 One topic that, I think, is obvious but yet we have left
1745 aside here is that if we're seeking nonmilitary solutions we need
1746 to be looking at the State Department and that within the purview
1747 of this committee we need to be looking at how is the State
1748 Department operating in this space, how is it not operating, how
1749 ineffective or effective is it, and that includes looking at the
1750 number of FSOs -- Foreign Service Officers -- and civil service
1751 that are there and if this is a so-called information war looking
1752 at the information officers that are there at State and the very
1753 few number of them -- the public diplomacy officers -- the
1754 challenges of leadership.

1755 There is a quote that I have in my written testimony about
1756 the -- a senior public diplomacy official recently telling
1757 researchers that, quote, "It's vitally important to hide the work
1758 of public diplomacy from U.S. citizens in order to protect its
1759 mission," which I think is absurd, and I would hope that the
1760 committee would as well.

1761 So taking a look at the activities, the lack of support,
1762 the lack of resources, the under staffing, and the marginalization
1763 of the, quote, "public diplomacy activities," a term of

1764 segregation rather than integration.

1765 So looking at this within your direct purview, I think, would
1766 be tremendously helpful in building our capacity to respond in
1767 this space proactively, which is urgent, as well as reactively,
1768 which is tremendously important as well.

1769 And thank you.

1770 Mr. Bera. Great. Thank you.

1771 Let me recognize Dr. Shullman, if you have a close.

1772 Mr. Shullman. Thank you, Mr. Chairman.

1773 Yeah, I'll just close. I feel like we have talked a fair
1774 amount about solutions, which is great. So I'm fully comfortable
1775 closing on a bit more on the challenges, and I think two points
1776 that we haven't covered extensively.

1777 One is that this is a situation where China has the capacity
1778 to combine various gray zone tactics to achieve its ends, right.

1779 We have talked about somewhat -- we have talked somewhat
1780 about the economic, the cyber, the military, the informational,
1781 in different, you know, buckets. But those are all combined when
1782 China wants to achieve its strategic aims and that is what is,
1783 in many ways, the most challenging thing about it is that Beijing
1784 is able to apply these different tools in different ways,
1785 depending on the actor.

1786 And then the last point I'll make is that there's also ways
1787 in which what China is doing in one country can be complicating

1788 in and compounding China's coercion in another country that's
1789 a U.S. partner.

1790 So, for instance, China's leasing of territory in Cambodia
1791 to, potentially, build a military base there has not just
1792 implications for Cambodia, which, as we know, is a poster child
1793 for dependence on China in many ways, given the corruption and
1794 economic leverage China has there, but it has an impact on Vietnam.

1795 Vietnam, if there were to be a Chinese base or even the
1796 potential for one in Cambodia, would find that its security was
1797 compromised, in addition to China's pressure on its northern
1798 border and what China does regularly in the South China Sea in,
1799 particularly, the Paracels to pressure Vietnam militarily.

1800 So it combines to affect some of our partners in that fashion.

1801 Mr. Bera. Ms. Braw?

1802 Ms. Braw. Thank you for the opportunity.

1803 I would highlight the fantastic achievement that the FIRRMA
1804 legislation was but also the importance to then look at the next
1805 step because every time the U.S. or another country -- another
1806 Western country -- legislates China then moves one step ahead,
1807 and FIRRMA limited opportunities for Chinese venture capital
1808 firms to invest in U.S. startups, which is exactly what was needed.

1809

1810 And now we have seen since then Chinese VC firms rebrand
1811 themselves and remake themselves as U.S. venture capital firms

1812 with new general managers, which -- who have to be American
1813 citizens, clearly. But that doesn't mean that their investment
1814 has stopped.

1815 So they now -- Chinese VCs now often, those who are, clearly,
1816 Chinese, often investors, limited partners, which means that
1817 you're, essentially, passive capital. But the U.S. government
1818 is in no position to check whether you're actually going beyond
1819 what your rights as a limited partner, and that's what is
1820 happening.

1821 They are investing as limited partners, still getting access
1822 to the best ideas, the best innovation, in our countries -- in
1823 this case, the U.S. -- and that is really quintessential gray
1824 zone aggression, weakening the U.S., taking our best ideas without
1825 it being really obvious or clear that that's what's happening.

1826

1827 So I would encourage the committee to look at this practice
1828 as well because we need the innovation that is taking place within
1829 our universities but especially in the startup community. It's
1830 really the key to economic growth in this country and other Western
1831 countries.

1832 Mr. Bera. Well, great.

1833 I want to thank the witnesses because you've given this body
1834 a lot to think about what we need to do from the legislative
1835 perspective. And, again, my partnership with the ranking member,

1836 Mr. Chabot, as well as the full committee chairman, Mr. Meeks,
1837 and the ranking member, Mr. McCaul, I don't think we look at these
1838 issues in a partisan lens.

1839 I think we look at these issues both as national security
1840 issues for the security of the United States but also, as Xi
1841 Jinping has clearly laid out, he thinks democracy is in decline.
1842 He thinks autocracy is on the rise.

1843 And I think it is imperative for us, along with our
1844 like-minded and like-valued allies around the world, to prove
1845 Xi Jinping wrong, that, you know, I think the values that we
1846 believe in -- free markets, individual liberties, human rights,
1847 the respect of, you know, the rule of law and standards and norms
1848 that have served us well in those 75 years post-World War II --
1849 we want a peaceful and prosperous 21st century.

1850 We want China to -- the PRC to be a responsible partner in
1851 that peace and prosperity both in the Indo-Pacific and going
1852 forward. But we want to do that based on the values that we hold
1853 so dear.

1854 So, again, I want to thank the witnesses. I want to thank
1855 the ranking member and all the members who participated in this
1856 hearing.

1857 And with that, the hearing is adjourned.

1858 [Whereupon, at 11:20 a.m., the subcommittee was adjourned.]