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U.S. – CHINA RELATIONS: STRATEGIC CHALLENGES AND OPPORTUNITIES

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DEPUTY SECRETARY BLINKEN
TESTIMONY ON U.S.-CHINA RELATIONS: STRATEGIC CHALLENGES
AND OPPORTUNITIES
SENATE FOREIGN RELATIONS COMMITTEE
APRIL 27, 2016

Chairman Corker, Ranking Member Cardin, Senators—thank you for the opportunity to come before you today to discuss our relationship with China. I would also like to recognize this Committee’s leadership on policy in the broader Asia-Pacific region.

This past weekend, I returned from my sixth visit to the Asia-Pacific in a little over a year. With each trip, I have seen growing dividends of President Obama’s rebalance to Asia and our common efforts with our Pacific partners and friends to strengthen a rules-based, norms-based, institutions-based order that is advancing U.S. interests and addressing regional and, increasingly, global challenges.

Having inherited a nation immersed in the greatest financial crisis since the Great Depression, President Obama recognized from his first day in office that America’s leadership in the Asia-Pacific was not merely peripheral to our future prosperity and security—it was indispensable.

Nowhere in the world are our economic and strategic opportunities clearer or more compelling than in the Asia-Pacific—home to three of our top ten trading partners, five of the seven of our defense treaty alliances, the world’s largest and fastest growing economies, and some of the most wired and innovative people in the world.

The rise of Asia will help define this new century. How it rises—according to which rules, by which means, to what ends—will have significant impact on our national well-being, perhaps more so than any other region in the world.

Over the last seven years, our rebalance to Asia has helped shape and influence this trajectory by bolstering our alliances, building new partnerships, strengthening regional institutions and rule of law, advancing our economic ties, and engaging deeply with China.

Our intensive engagement in Asia has helped foster an increasingly broadly accepted vision for the future of the region, and for our role in it. A vision wherein countries come to each other's aid in times of disaster or crisis. Where borders are respected and countries cooperate to prevent small disputes from growing larger. Where disagreements are settled openly, peacefully, and in accordance with the rule of law. Where diversification of trade and investment flows allow countries to pursue their interests freely. And where the human rights of each and every person are fully respected.

This is the environment in which we are advancing our relationship with China. Secretary Kerry has called our relationship with China our "most consequential" relationship. It is crucial that we get it right.

As the President has said repeatedly, we welcome the rise of a peaceful, stable, and prosperous China that plays a responsible role in global affairs. We assess that we have more to fear from a weak and insecure China than from a confident and capable China.

Our approach to China seeks to broaden and deepen practical cooperation on issues of shared concern; directly resolve or narrow our differences wherever we can; and manage those differences peaceably where we cannot. We have encouraged China to contribute more—to apply its significant capabilities as a rising economic and political power responsibly in order to help meet practical needs in the international community, from peacekeeping to public health.

Over the past year, this approach has produced real progress on important issues that advance U.S. interests.

It paved the way for a landmark joint announcement on climate change that ignited momentum in the months leading to the historic Paris climate deal. And it brought city, state, and provincial leaders from China and the United States together to surface local solutions to combat global warming.

It engaged China in the global response to Ebola.

It grounded our work together to craft a deal that prevents Iran from developing nuclear weapons.

It produced new confidence-building measures between our militaries, and it sparked growing collaboration to meet development challenges in partner countries, from Afghanistan to Sierra Leone.

DEEPENING BILATERAL TIES

From top to bottom, this Administration has expanded and deepened our diplomatic links with China. Secretary Kerry and National Security Advisor Rice meet and speak regularly with their counterparts. The Secretary has even hosted State Councilor Yang Jiechi in his Boston home. Ambassador Baucus is among the most actively engaged U.S. ambassadors in the field, and he and his team work tirelessly in support of U.S. interests. And the Administration has created new multi-ministry engagement mechanisms, such as the U.S.-China Strategic and Economic Dialogue and the Strategic Security Dialogue, that force decisions that cut across an unwieldy Chinese bureaucracy and expand our access to the Chinese Politburo and State Council. In other words, we now have more direct and diverse channels of communication. This has led to a structural strengthening of the relationship—helping to lower the bar for identifying areas of cooperation, while at the same time enabling opportunities to narrow differences early on.

The same could be said for our colleagues at the Pentagon and the military-to-military relationship. This summer China will participate in the multinational RIMPAC exercise for the second time—an exercise that will include 27 countries working together to increase their collective capacity to cooperate on international humanitarian assistance and disaster relief operations.

We have also implemented confidence building measures that reduce the risk of incidents in the South China Sea or anywhere else our forces might come into contact. These measures are based on internationally recognized standards for safe and professional conduct—institutionalization of which may also reduce the risk of unintended incidents between the Chinese military and its neighbors.

With China hosting the G-20 this year, China's economy will be an important area of focus. An economically vibrant China that moves toward more sustainable and balanced growth benefits the global and U.S. economies. We continue to push China to implement much needed economic reforms to help unlock sustainable long-term growth.

We have also pressed China to change a number of discriminatory policies and practices that harm U.S. companies and workers, while also pushing for expanded opportunities for U.S. companies competing with Chinese companies. Since President Obama took office, our exports to China have nearly doubled, and China is now the largest market for American-made goods outside of North America. It is also one of the top markets for U.S. agricultural exports and a large and growing market for U.S. services. But there is more work to be done, and we will use every opportunity to create a more level playing field for U.S. firms, farmers, and workers.

The high-standards of the Trans Pacific Partnership (TPP) are increasingly eliciting interest within China itself, which is not a TPP signatory. I was in northeast Asia when the agreement on TPP was completed. In Beijing, I was struck by what I saw: a manifest turn from indifference to serious examination—and even interest in some quarters. Even a state-affiliated newspaper published an article highlighting the potential benefits of TPP for China.

And we have also made a significant investment in expanding our people-to-people ties, underwriting greater bonds of trust and understanding between the next generations in both of our countries. Last year more than 2.3 million Chinese nationals received a business or tourist visa to enter the United States and 304,000 Chinese students studied for credit at universities across the United States, a number representing around 30 percent of all foreign students in the United States. And through the Consultation on People-to-People Exchange, we have a new mechanism to promote additional opportunities for exchanges in both directions.

These efforts to deepen our bilateral ties have been designed to turn suspicious rivalry into healthy competition; to break free of zero-sum thinking and build a relationship with China that yields practical cooperation on regional and global issues.

STRENGTHENING REGIONAL STABILITY

We have seen results of this approach in our collaboration on some of the region's toughest issues, including North Korea and the provocative, destabilizing, and internationally unlawful actions it continues to take to advance its proscribed missile and nuclear programs.

While we have taken significant steps to make it more difficult for North Korea to acquire technology and equipment for those programs or the resources to pay for them, the fact remains that their development continues. As a result, they get closer to the day when they have the capacity to strike at our allies, at our partners, and at the United States with a ballistic missile armed with a miniaturized warhead. That is unacceptable. This threat—combined with an inexperienced leader who acts rashly and does not respect international law—makes it an urgent priority not only for us but also for China.

While the United States and China share an interest in ensuring that North Korea does not retain a nuclear weapons capability, we have not always agreed with China on tactics for engaging North Korea.

But in the last few months we have worked together to draft and pass the toughest UN Security Council Resolution (UNSCR) in a generation to compel the DPRK leadership to rethink its pursuit of nuclear weapons and ballistic missiles. It came about because China increasingly recognizes that North Korea's actions are the greatest source of instability in the region. At the same time, the United States has made clear it will take whatever steps are necessary to protect itself and its allies and partners—including steps that are not aimed at China but which raise its concern, such as the potential deployment of the THAAD missile defense system to the Republic of Korea.

If fully and effectively implemented, UNSCR 2270 will significantly reduce the North Korean regime's ability to procure, pay for, or produce weapons of mass destruction. More than any single previous expression of international opprobrium, UNSCR 2270 will challenge the calculus of the leadership in North Korea.

As North Korea's largest trading partner China has unique leverage in this regard. We welcomed President Xi's commitment at the Nuclear Security Summit earlier this month to fully implement the UNSCR. It is too early to draw firm conclusions about China's enforcement, but early trade restrictions that China has imposed suggest China is committed to following through on implementation.

The United States has demonstrated that it is prepared to engage countries with which we have the deepest of differences to advance our national security. The nuclear agreement with Iran is case in point. This was only possible because Iran took concrete steps to freeze, and in some regards roll back its nuclear program,

while allowing international inspections, which created the time and space to negotiate the Joint Comprehensive Plan of Action—an agreement that, as a practical matter, ensures Iran cannot acquire a nuclear weapon far into the future.

China's commitment to reduce its Iranian oil purchases helped build the economic pressure that brought Iran to the negotiating table, and China continues to contribute to the JCPOA's implementation, playing a leading role in redesigning and rebuilding the Arak heavy water research reactor.

ADDRESSING GLOBAL CHALLENGES

Seven years ago, Chinese leaders were reluctant to take on significant responsibilities in dealing with regional and international challenges. With our engagement, they are increasingly tackling issues of global importance from climate change to wildlife trafficking, global health to peacekeeping.

As the two largest economies and carbon-emitters, the United States and China have long been indispensable to global climate agreement negotiations. When those negotiations failed to produce an agreement in Copenhagen in 2009, there was finger-pointing and recriminations, but no obvious path forward and little optimism we could achieve a future agreement.

Yet in November 2014, our presidents made a historic joint announcement of our post-2020 climate targets. That announcement galvanized the international community to reach a global climate agreement in Paris last December.

This came about through deep personal engagement from the President, Secretary Kerry, and others. But it also came about because China eventually concluded its own interests—in addressing domestic environmental concerns and projecting a global leadership role—coincided with those of the United States and the international community. And with a new joint statement on climate change last month from Presidents Obama and Xi, and our two countries signing the agreement in New York last week, we are encouraged that we will continue to lead global efforts on this issue moving forward.

China is also an essential part of global efforts to address other urgent environmental issues, including wildlife trafficking. China is the largest consumer of wildlife products such as ivory, and its continued legal ivory market has had the

unintended consequence of fueling illegal ivory trafficking. As recently as a few years ago, our cooperation on this issue was nonexistent, but our persistent engagement produced important results last September, including an agreement to implement near complete bans on the import, export, and domestic commercial trade of African elephant ivory in both countries.

We also engaged China in the global response to Ebola. American and Chinese healthcare specialists worked side-by-side in West Africa to help drive the cases of Ebola to near zero. China's significant contributions to the international effort far exceeded its responses to prior international crises, and, frankly, stunned many long-time China observers.

In an effort to build on our Ebola cooperation, during President Xi's State Visit to Washington last September, our countries announced a formal partnership on development that includes building health capacity in Africa. These efforts, as well as Xi's UN General Assembly pledge of \$2 billion in support of the UN Sustainable Development Goals, will help address the great needs of developing countries while inculcating in China best practices in sustainable development.

And finally, we have seen China step up in a meaningful way to the challenge of conflict in fragile countries.

In Afghanistan, our alignment of interests has led us to join recently Afghanistan and Pakistan to form the Quadrilateral Coordination Group on the Afghan peace and reconciliation process. Chinese Foreign Minister Wang Yi joined Secretary Kerry last fall to co-host a high-level event on Afghanistan's reconstruction at the UNGA, and the \$327 million that China has pledged for Afghan reconstruction will provide crucial support to the Afghan government and people.

At the 2015 UN Leaders' Summit on Peacekeeping co-hosted by President Obama, President Xi announced a new Chinese peacekeeping rapid response standby force of 8,000 troops, a commitment to train 2,000 peacekeepers from other countries, and \$100 million in aid to the African Union for its peacekeeping operations.

While many of these developments are not the stuff of flashy headlines, that does not make them any less consequential. We are making methodical progress in pushing China to match its contributions to its capabilities on some of the world's most intractable challenges. And in the process, we are demonstrating that we

welcome China working alongside us—and investing with us—in strengthening the existing international order.

ENGAGING AND NARROWING OUR DIFFERENCES

Even as we build cooperation with China, we are directly engaging our differences with a goal to resolving or narrowing them while preventing conflict.

This is important, as significant areas of disagreement remain—in particular those concerning China’s assertive and provocative behavior in the South China Sea, its conduct in cyberspace, and its denial of internationally recognized human rights and fundamental freedoms to its citizens, as well as in some cases nationals of other countries.

China’s behavior in the South China Sea is a regular feature of our engagement with Beijing, and also our consultations with allies and partners in the region, who are concerned by dramatic land reclamation, construction, and increasing militarization on reefs and other features throughout the South China Sea.

While we are not a claimant to the territorial and maritime disputes in the South China Sea, we have a clear national interest in the way those claims are pursued—to include upholding freedom of navigation and overflight, unimpeded lawful commerce, respect for international law, and the peaceful resolution of disputes. And our alliance commitments remain iron-clad.

We oppose the use or threat of force to try to advance maritime or territorial claims, and we call on all parties in the South China Sea—not just China—to resolve disputes in a peaceful manner. These issues should be decided on the merits of China’s and other claimants’ legal claims and adherence to international law and standards, not the strength of their militaries or law enforcement ships or the size of their economies. The belief that all countries are entitled to equal rights irrespective of their size or strength is at the heart of our approach to this issue.

We continue working closely with China, other claimants, and others in the region to build regional consensus behind these principles.

At the East Asia Summit in December, 10 of the 18 leaders emphasized the importance of non-militarization of outposts, reflecting growing regional concerns

about China's activities in the South China Sea and consensus around the need to lower tensions.

In February, the United States and ASEAN issued a joint statement at the Sunnylands Special Leaders' Summit, which reaffirmed their shared commitment to peaceful resolution of disputes in accordance with international law, including full respect for legal and diplomatic processes. Weeks later, ASEAN Foreign Ministers issued their own statement, which reinforced the themes of the Sunnylands Summit. In March, the European Union issued a statement on the South China Sea. In April, G-7 Foreign Ministers released a statement on maritime issues.

China has heard this international chorus, and they don't like it. They know their actions are placing them at odds with the aspirations of the region, strengthening our alliances, and pushing others in the region to deepen security ties with the United States. The further China goes down this path, the sharper the choice it will face between adjusting its approach and clarifying its claims to be in accordance with international law, or instead, risking conflict, instability, and isolation.

Our progress on these challenges would also be improved with U.S. accession to the Law of the Sea Convention, as has been conveyed by our combatant commanders in their recent testimonies before the Senate.

China doesn't only face these tough decisions on the water but also within cyberspace. For years, we clashed with China regarding in our opposition to cyber-enabled theft for commercial gain by state actors. Following the 2014 indictment of People's Liberation Army members for cyber-enabled theft from U.S. entities to benefit their competitors in China, China suspended our bilateral cyber working group. But we persisted, making clear our understanding of acceptable State behavior and our intent to take action against bad actors. In the lead up to President Xi's visit last fall, China and the United States agreed to an unprecedented set of cyber commitments including an agreement that neither government will conduct or knowing support cyber-enabled economic espionage for commercial gain.

We are watching closely to ensure this commitment is followed by action, but it represents a significant step forward from China's previous posture of denying all activity emanating from China, and defying calls to rein it in. In short succession, the United Kingdom secured a similar agreement and the G-20 joined the United States,

UK, and China in reaffirming that states should not conduct or support cyber-enabled theft for commercial gain.

While we seek to work with China to promote stability in cyberspace, we remain concerned about recent moves by China that reduce space for free expression, including a raft of new domestic legislation that, if enacted as drafted, could shrink space for civil society and academia, inhibit U.S. business activities, and result in rights abuses.

Along with international partners, activists, and business leaders, we have made clear our concerns, and there have been some signs that China may be listening: they have delayed the passage of the cyber-security and information and communications technology laws from last year, and made significant, albeit still insufficient, changes to other national security legislation. Again, implementation matters most.

We are alarmed by the ongoing crackdown on lawyers, religious adherents, and civil society leaders and by growing attempts to restrict internationally recognized fundamental freedoms, including the freedom of expression. Hundreds of Chinese citizens have been detained, formally arrested, or held in incommunicado without due process. This includes the apparent abduction of five individuals associated with a Hong Kong bookstore, an action that strongly suggests that China has taken extrajudicial or extraterritorial action that is inconsistent with its international commitments. We also are deeply troubled by China's willingness to threaten journalists with expulsion or the non-renewal of their visas as a tool to influence their reporting.

As China's human rights situation has deteriorated, we have raised our concerns directly and candidly, including at the highest levels. The President, Secretary Kerry, and others regularly raise individual cases and systemic concerns with Chinese leaders. We will continue to reinforce the message that protecting human rights and the fundamental freedoms of association, peaceful assembly, religion, and expression, and respecting the rights of members of minorities, will make China more stable, secure, and prosperous. These are freedoms that I believe American and Chinese citizens value; we are urging Chinese authorities to value them as well. We also urge respect for equal rights of ethnic minorities, including Tibetans and Uighurs. We call on China to engage the Dalai Lama or his representatives, because we believe such a step would be conducive to stability.

As part of our efforts, we have increased coordination with likeminded countries. Last month, we led the first ever joint statement on China human rights at the United Nations Human Rights Council. We will continue to coordinate our efforts with like-minded partners to encourage China to protect the rights of its citizens.

We view China's adherence to its international commitments as an important indicator of the type of power that China seeks to become. The 1984 Sino-British Joint Declaration and the Basic Law are the bedrock of Hong Kong's autonomy as a Special Administrative Region of China. We strongly support Hong Kong's high degree of autonomy and rule of law tradition, as well as for the democratic development and protection of civil liberties in Hong Kong. This is why we are so concerned about China's actions involving the booksellers in Hong Kong. Beyond the immediate issue of the welfare of the five booksellers, this case called into question Beijing's commitment to "one country, two systems."

Taiwan will soon transition to a new administration. During this sensitive period, we have been clear with both Beijing and Taipei that we have a fundamental interest in maintaining cross-Strait peace and stability, and that we remain committed to our one-China policy based on the three joint communiqués and the Taiwan Relations Act. We have encouraged Beijing to exercise flexibility and restraint. We similarly have called on both sides to engage in constructive dialogue on the basis of dignity and respect, because we believe direct channels of communication reduce risk of miscommunication that could lead to miscalculation. We would like to see continued improvement in cross-strait relations.

CLOSING

For seven decades, the United States has invested in a system of international institutions and principles designed to protect the right of all nations to pursue their interests, irrespective of their size or strength. This international architecture has created a foundation of peace and stability that has unlocked a period of unprecedented economic growth, nowhere more so than in East Asia. This has not only benefited our nation, it has also benefited China. It is in our shared interests to see that these standards are strengthened, not undermined.

We welcome China as a global leader and responsible advocate for the international order. In areas ranging from climate to public health to peacekeeping, we have shown the benefits to both of our countries and the world when we

cooperate. At the same time, we will continue to stand firm in defense of the rules-based international order. We want China as our partner in many endeavors and believe our nations and the world would undeniably be better for it. But in the end, only China can choose to assume that role and demonstrate the commitment to international law and standards necessary to achieve it.

I thank you for your time and look forward to taking your questions.