

## **SFC Trade Subcommittee: “China’s Belt and Road Initiative” Opening Statement**

- Since its accession to the World Trade Organization, China has consistently engaged in unfair trade practices that bolster its domestic industries at the expense of free trade and global stability.
- China has weaponized foreign investment to force the transfer of cutting-edge IP, steal trade secrets, erode the technological gap and create Chinese state-controlled competitors for American companies.
- Last Congress, I authored the Foreign Investment Risk Review Modernization Act, which gives an interagency body known as the Committee on Foreign Investment in the United States additional tools to combat these threats.
- I am proud that President Trump signed this important legislation into law last year as part of the National Defense Authorization Act.

- While we have taken this important step to defend American against predatory Chinese investment practices, China's ambition is much more broad.
- In 2013, the Chinese government announced the "Belt and Road Initiative," through which it aims to construct billions of dollars of infrastructure projects in countries around the world.
- Since the creation of the Belt and Road, China has strategically invested hundreds of billions of dollars in ports, railways, roads and digital infrastructure.
- To date, China has entered in to Belt and Road agreements with more than 70 countries, covering nearly two-thirds of the world's population.
- Belt and Road is a cornerstone of the Chinese Communist Party's aggressive foreign policy goals and expansionist goals.
- It has been billed by their leaders as a way to modernize infrastructure corridors to and construct "community of common destiny."

- Unfortunately, this “community of common destiny” referred to by Chinese Communist Party members is one in which China reshapes the global order, and imposes its authoritarian economic regime and controls on the world.
- China’s Belt and Road plan poses three fundamental threats to the United States and our allies around the world: trade manipulation, economic exploitation and security erosion.
- At its core, the Belt and Road Initiative is fueled by China’s mission to manipulate and undermine the global rules-based trading system for its own benefit.
- China’s internal structures are predicated on the preferential treatment of its domestic industries, often at the expense of free and open competition.
- This is further evidenced by the “Made in China 2025” plan, which strategically compliments Belt and Road, and seeks to make China dominant in a number of high-tech sectors of interest to the United

States, including rail infrastructure, telecommunications and artificial intelligence.

- Belt and Road has only exacerbated China's unfair trade practices, in clear violation of their commitments as a member of the WTO.
- That's because the Belt and Road is rigged to empower and create monopolies for Chinese-controlled entities, like Huawei, ZTE, and CRRC, to carry out these projects all over the road.
- But China's strategic vision goes far beyond empowering its state-controlled companies – it also seeks to bend unwitting countries through their economic exploitation and “debt-trap” diplomacy.
- In numerous countries, China has financed projects resulting in “partner” nations accruing crippling foreign debt from which they cannot escape.
- For example, when Sri Lanka was unable to service billions of dollars of Chinese-backed loans under Belt

and Road, it had little choice but to grant China a 99-year lease allowing it to control a Sri Lankan port.

- In Venezuela, China reduced lending as the country's debt spiraled out of control. In order to renew China's interest, Venezuela agreed to sell nearly 10% additional stake in its state-owned oil enterprise.
- But most concerning are the direct national security threats posed by the Belt and Road.
- In 2017, China used construction of a Belt and Road seaport in the African nation of Djibouti as a trojan horse to open its first overseas military base in the country.
- Because of Djibouti's strategic location on the Horn of Africa, it serves as a gateway to global shipping traffic through the Red Sea and the Middle East.
- It is not hard to see why the presence of the Chinese military near the Middle East could destabilize the region and threaten our national security interests –

but that is exactly the objective of the Belt and Road Initiative.

- A 2018 Department of Defense Report highlighted the long-term implications of China's attempt to manage civilian ports, stating that China "has made requests for military access and basing agreements...which could allow the [People's Liberation Army] to pre-position necessary logistics to protect its interests."
- Equally as concerning is China's recent shift in focus from port and rail infrastructure projects to strategic plays in the world's digital infrastructure.
- In Chile, the Chinese government is investing more than \$650 million to build a subsea fiber optic cable, which will become the largest data flow between Asia and Latin America.
- China has even begun providing certain countries, like Zimbabwe, with cutting-edge facial recognition

software, which will give the Chinese control over additional troves of data.

- Given the grave threats posed by the Belt and Road Initiative, it is not enough for Congress to simply express concern or opposition to China's efforts.
- Congress and the Executive Branch must develop and implement a coordinated long-term strategy to ensure American trade and security policy can prevent the Belt and Road Initiative from achieving its objectives.
- I look forward to discussing this panel's perspectives on the Belt and Road Initiative, and hope this hearing can serve as a catalyst for the Committee's efforts to address this threat.