



**HOUSE PERMANENT SELECT
COMMITTEE ON INTELLIGENCE**

Open Hearing on China's Threat to American Government
and Private Sector Research and Innovation Leadership

Chairman's Opening Statement

July 19, 2018

Welcome to today's unclassified open hearing on "China's Threat to American Government and Private Sector Research and Innovation Leadership." This hearing is the second in a series of hearings by this Committee to highlight, on a bipartisan basis, the Chinese threat to American economic and security interests. Today's hearing is dedicated to the threat posed by China's industrial, financial, and economic strategy, as well as Beijing's hostile acquisition of American research, innovation, and intellectual property.

To help us highlight the threat posed by China, the Committee welcomes four leading experts:

Michael Brown, former CEO of Symantec and co-author of a Pentagon study on China's Technology Transfer Strategy;

Michael Pillsbury, Director of the Center for Chinese Strategy at the Hudson Institute;

James Phillips, Chairman of NanoMech; and

Elsa B. Kania, from the Center for a New American Security.

For many years, this Committee has warned about China's aggressive acquisition of the intellectual property of the United States and others around the globe. Specifically, China is targeting our innovation base through both legal and illicit activities including espionage, state-sponsored theft, forced technology transfers, the evasion and violation of U.S. export controls, and the use of "back doors" to encryption technology.

The Committee has led efforts to strengthen the authority of the Committee on Foreign Investment in the United States, or CFIUS (“siff-ee-us”), an interagency body that reviews transactions for national security risk. Transactions from China form a significant part of CFIUS’s work, and Congress should give CFIUS the ability to ensure China is not posing a national security risk through acquisition of sensitive U.S. assets. Meanwhile, there is no level playing field for U.S. businesses in China due to Beijing’s economic coercion, regulatory discrimination, and its use of state subsidies to prop up domestic firms.

America’s strategic competition with China involves economic, military, and technological domains, and it’s important to note that this competition is playing out in fundamentally different ways from the U.S.-Soviet competition during the Cold War. The United States and the Soviet Union had minimal interaction in the economic and academic spheres, as the two sides maintained strict barriers to mutual trade and academic exchanges. Today, by contrast, the United States and China are deeply intertwined in economic, trade, academic, and other realms, posing unique challenges for the United States across a range of areas.

By stealing our innovations, China is gaining strategic economic and military advantage while advancing its ambitious goals to dramatically increase its force projection capabilities in Asia and beyond. Previous administrations avoided direct confrontation with China, failed to mitigate Beijing’s activities or to fundamentally improve bilateral relations, and were continually hampered by a failure to properly account for the crucial role of the Chinese Communist Party, or “CCP.”

It is vitally important to understand how Beijing has aggressively sought to consolidate economic power under the centralized authority of the CCP. The Party has systematically exerted its influence within state owned enterprises, gained more control over non-state-owned enterprises, and advanced ambitious initiatives across multiple critical economic and technology sectors. Make no mistake, China’s private and state-owned enterprises are all ultimately subject to the decisions of the CCP.

America's major challenge is shaping how U.S.-China competition will develop over the coming years. Our Committee's efforts will be focused on sharpening our understanding, building awareness, and informing the public and U.S. leaders so that we can get our policies right. While much of the Committee's work will by necessity remain classified, the Committee hopes this unclassified hearing will ensure that Congress, the Administration, and the American people are fully aware of the growing challenges posed by China's activities.