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6 ALL ROADS LEAD TO BEIJING?

7 THE CCP'S GLOBAL DEVELOPMENT OFFENSIVE

8 Thursday, May 16, 2024

9 House of Representatives,

10 Select Committee on the Strategic Competition Between

11 the United States and the Chinese Communist Party,

12 Washington, D.C.

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16 The committee met, pursuant to call, at 9:30 a.m. in

17 Room HVC-210, The Capitol Visitor Center, Hon. John Moolenaar

18 [chairman of the committee], presiding.

19

20 *Chairman Moolenaar. The select committee will come to
21 order.

22 Good morning, and thank you all for being here. Thank
23 you to our witnesses. This is my first hearing as chairman
24 of the Select Committee on the CCP, and I am grateful to be
25 here with our colleagues on both sides of the aisle, and
26 especially ranking Member Krishnamoorthi. He has been very
27 gracious, and has said that he and Gallagher had a good thing
28 going, don't screw it up.

29 [Laughter.]

30 *Chairman Moolenaar. So I think we are off to a good
31 start.

32 When the United States invests abroad, we share our
33 democratic values, the rule of law, and respect for human
34 rights. We seek to lift those who work with us, protect the
35 local environment, bolster local institutions, and work to
36 create lasting, positive partnerships between nations.

37 The Chinese Communist Party does not think like us.
38 When it invests abroad, it does so in the name of control.
39 It exports authoritarianism, and exploits people and natural
40 resources in service of its own mercantilist interests. The
41 CCP's Belt and Road Initiative, the subject of today's
42 hearing, is officially a program where Beijing invests in
43 critical resources, transportation, and digital
44 infrastructure in lower and middle-income countries.

45 In reality, BRI has only one purpose: to expand the
46 CCP's influence and control around the world. The CCP uses
47 investment dollars to entrap unassuming countries in debt,
48 gain territorial control and influence, expand the reach of
49 its surveillance state, and dominate critical supply chains.
50 For the CCP, development finance is a weapon to undercut U.S.
51 influence, challenge U.S. interests, and bring countries
52 around the world under its authoritarian thumb. Any
53 suggestion that the BRI is about altruistic investment is a
54 lie. The Chinese Communist Party is not interested in
55 building infrastructure to be a friendly neighbor, or even to
56 make a profit. It wants strategic control, and it wants it
57 at the expense of the United States and liberal values.

58 Through the BRI, heavily-subsidized Chinese companies
59 purchase and develop mines to secure Beijing's control of
60 critical global supply chains. Chinese firms get cheap
61 credit to construct strategically-located ports, giving
62 Beijing the power to restrict U.S. access, collect valuable
63 intelligence, and exploit the ports for economic and security
64 gains. The CCP builds telecommunications networks with
65 built-in surveillance and cybersecurity risks to advance its
66 ultimate goal of technology-enabled authoritarianism, and the
67 list goes on.

68 Economic viability does not matter. Beijing readily
69 loses billions building shoddy infrastructure and

70 constructing CCP-controlled 5G networks at less than half the
71 price of Western alternatives, all for the promise of
72 influence. U.S. alternatives cannot compete on those terms.

73 The CCP's campaign of control entraps developing
74 countries. Poor infrastructure construction leads to
75 dangerous safety conditions on roads and in mines. Chinese
76 workers are imported to displace local workers, and the CCP
77 makes no pretense of respecting the environment, squandering
78 the natural resources of the host country. Corruption
79 increases, human rights are ignored, institutions are
80 weakened, and democratic backsliding is almost guaranteed.

81 We need to confront the CCP's Belt and Road Initiative
82 head on. Nations are desperate for an alternative to the
83 CCP's poorly-built roads, corrupt digital infrastructure, and
84 crooked loans. However, if the CCP shows up, it is hard to
85 turn it away. The United States needs to step up and take
86 action. That means reforming our development arsenal and
87 finding creative ways to collaborate with like-minded allies.
88 This includes enhancing the ability of the Development
89 Finance Corporation to work with a larger variety of partners
90 around the world.

91 There is also an urgent need to reform and revitalize
92 the Export-Import Bank as an arm of American strategic
93 investment. I look forward to hearing David Trulio's
94 recommendation on how to do just that.

95 We also need to provide support to governments most at
96 risk from CCP influence, and to reinforce international
97 institutions against Beijing's grip. Dan Runde has been
98 outspoken on our role our aid agencies played in all but
99 eliminating the AIDS pandemic from Africa and expanding
100 Internet access, and I look forward to hearing his ideas on
101 how we can build on this record of success.

102 I also look forward to hearing from Dr. Brad Parks about
103 ways that we can utilize aid to support our interests and
104 prevent partners in the developing world from signing up for
105 more than they bargained for.

106 [The statement of Chairman Moolenaar follows:]

107

108 *****COMMITTEE INSERT*****

109

110 *Chairman Moolenaar. We have a lot to cover today, so
111 now I yield to Ranking Member Krishnamoorthi for his opening
112 statement.

113 *Mr. Krishnamoorthi. Congrats, Mr. Chair. Thank you
114 again, and thank you to the witnesses and the audience for
115 your attention to this very important topic.

116 In 2013 Xi Jinping launched the Belt and Road
117 Initiative, also known as BRI. Xi's vision was to connect
118 the PRC, the People's Republic of China, to the rest of the
119 world through infrastructure.

120 [Slide]

121 *Mr. Krishnamoorthi. As you can see here on this
122 visual, 11 years later, believe it or not, over 75 percent of
123 the countries of the world have signed up for this
124 initiative, which has involved over \$1 trillion in Chinese
125 investment and loans.

126 But the BRI is more than economics. Xi Jinping calls it
127 a "solution for China to build a community of common human
128 destiny," an ominous-sounding euphemism for a world order
129 led by the CCP. To him, that means political influence,
130 military installations, and more. I will make four points
131 here.

132 First, the BRI fits squarely within the CCP's military
133 ambitions. As we will see, many BRI projects, especially
134 deepwater ports, are tailored for military use. China's

135 military, the People's Liberation Army, the PLA, is deeply
136 invested in the BRI, and talks about using ports and other
137 projects as part of its "going global strategy." And we
138 know that, by PRC law, any civilian asset around the world
139 must be made available to the PLA at its demand.

140 Second, BRI projects are not known for their high
141 quality, and that is an understatement. Take the Coca Codo
142 Sinclair Dam in Ecuador, for example. Despite costing almost
143 \$3 billion, the dam's reservoir is clogged with silt and has
144 over 17,000 cracks, forcing the dam to operate below capacity
145 or risk failure.

146 [Slide]

147 *Mr. Krishnamoorthi. The dam project has also
148 contributed to massive landslides which took out this road
149 right here, and had an oil spill that is harmed over 150,000
150 people in the area, many of whom are indigenous.

151 Third, the BRI is plagued with corruption and bribery.
152 In the case of this dam in Ecuador, for instance, China
153 bribed almost every single official involved with the
154 project, including then-President Lenin Moreno.

155 [Slide]

156 *Mr. Krishnamoorthi. Here is a picture of him with
157 former Premier Li. Over 10 years, Moreno and other officials
158 allegedly received almost \$80 million in bribes over a
159 decade, 80 million.

160 And fourth, these projects bring massive debt. China is
161 the world's single largest official creditor, having lent up
162 to \$1.5 trillion. A whopping 80 percent of Chinese
163 government loans have gone to countries in debt distress. It
164 is no wonder that people consider China to be the ultimate
165 predator creditor.

166 Zambia is a case in point. It owes China an estimated
167 \$6 billion, equivalent to Zambia's government expenditures
168 for an entire year. One study found that, while China's
169 projects boosted Zambian GDP, they raised foreign interest
170 payments so high that the government had to cut health care,
171 social services, and other domestic programs.

172 Now, with all these problems, the question becomes how
173 we in the United States must respond. I say we need our own
174 BRI, but it stands for Bring Real Improvement.

175 First, it starts with recognizing that these countries
176 around the world will need economic development. They will
177 get their deepwater ports. They will get their
178 infrastructure projects. The question is, from whom will it
179 be, China or will it be the United States and our partners?
180 I say it should be us. Bring real improvement.

181 Second, our BRI means our projects must be transparent,
182 high quality, and not burdensome for our taxpayers. We can
183 do this. We can do this through modest reforms through
184 institutions like the Development Finance Corporation, known

185 as the DFC. And we can make offerings that actually compete
186 attractively in comparison to the Chinese BRI projects.
187 Bring real improvement.

188 [Slide]

189 *Mr. Krishnamoorthi. This is what bringing real
190 improvement really looks like. On the left is this visual,
191 Women in Tech. It is a Women in Tech event hosted by
192 Africell, an African telecoms company that the DFC supported.
193 This DFC project replaced Huawei infrastructure and trained
194 locals, bringing local jobs and boosting the economy
195 sustainably. This is what bringing real improvement looks
196 like.

197 The picture on the right, that is Chinese -- it is a
198 Chinese oil agreement recently signed with Angola, male-only
199 in a boardroom choreographed and controlled. We can do
200 better than that.

201 Thank you so much and I look forward to the discussion.

202 [The statement of Mr. Krishnamoorthi follows:]

203

204 *****COMMITTEE INSERT*****

205

206 *Chairman Moolenaar. Thank you, Ranking Member
207 Krishnamoorthi.

208 If any other member wishes to submit a statement for the
209 record, without objection those statements will be added to
210 the record.

211 Today we are privileged to be joined by a great panel of
212 witnesses who have been on the front lines with U.S. global
213 investment and competition.

214 Our first witness is Mr. David Trulio. Mr. Trulio is
215 the president and chief executive officer of the Ronald
216 Reagan Presidential Foundation and Institute. Mr. Trulio
217 brings a distinguished career of government service and
218 expertise in strategic competition, having most recently
219 served at the Export-Import Bank as counselor to the chairman
220 and as senior vice president on China and transformational
221 exports.

222 Our second witness is Mr. Dan Runde, currently a senior
223 vice president at the Center for Strategic and International
224 Studies. Mr. Runde previously served at the U.S. Agency for
225 International Development and the World Bank Group, and he
226 helped create the International Development Finance
227 Corporation through the BUILD Act, which -- we will discuss
228 that today.

229 Finally, we are joined by Dr. Brad Parks. Dr. Parks is
230 the executive director of the AidData Research Lab at the

231 College of William and Mary. Like Mr. Trulio and Mr. Runde,
232 Dr. Parks has also served in government, helping to stand up
233 the Millennium Challenge Corporation.

234 Thank you for being here, gentlemen. And with that I
235 would like to welcome all the witnesses and thank you all for
236 being here this morning.

237 Mr. Trulio, you are now recognized for your opening
238 remarks.

239

240 STATEMENT OF DAVID TRULIO, PRESIDENT AND CHIEF EXECUTIVE
241 OFFICER, RONALD REAGAN PRESIDENTIAL FOUNDATION AND INSTITUTE;
242 DANIEL RUNDE, SENIOR VICE PRESIDENT, CENTER FOR STRATEGIC &
243 INTERNATIONAL STUDIES; AND BRAD PARKS, EXECUTIVE DIRECTOR OF
244 AIDDATA, WILLIAM & MARY'S GLOBAL RESEARCH INSTITUTE

245

246 STATEMENT OF DAVID TRULIO

247

248 *Mr. Trulio. Chairman Moolenaar, Ranking Member
249 Krishnamoorthi, distinguished members of the committee, thank
250 you for your very important work and opportunity to testify
251 today for all of us here on this panel. I am pleased to
252 discuss with you my views on how to address the CCP's global
253 development and economic offensive.

254 Of note, these are my own views and not necessarily the
255 views of my current or previous employers.

256 So simply put, as has been stated by the chair and
257 ranking member, the People's Republic of China, led by the
258 Chinese Communist Party, seeks to become the world's leading
259 power, and is challenging American interests, values, and
260 influence. The PRC, it is important to recall, is a serious
261 human rights abuser, and its approach to international
262 economics is aggressive and coercive, making economies less
263 free and less fair. No one who values freedom and democracy
264 and genuine economic opportunity would want to live in a

265 world dominated by the Chinese Communist Party.

266 Through BRI, the PRC is developing China-centric global
267 infrastructure, transportation, trade, and commercial
268 networks in over 100 countries. Projects are put together
269 using Chinese standards, and exposed host -- expose host
270 countries' sensitive infrastructure to PRC control or
271 influence.

272 The United States, working with its allies and partners,
273 must successfully counter BRI. However, given our commitment
274 to the rule of law, to transparency, and democratic
275 principles, our response to BRI must be consistent with our
276 values, play to our strengths, and be inherently different
277 from that of what the -- that the PRC offers. So what
278 follows are a handful of major focus areas for discussion
279 today.

280 First, a key challenge is that responsibility and
281 accountability for economic trade and related matters is
282 spread across a vast range of executive departments and
283 agencies. Unfortunately, there is no simple answer to the
284 question, who is in charge? We need much greater focused
285 responsibility and accountability, which brings me to my next
286 point on strategy.

287 Given all the economic players America has on the field,
288 producing an executive branch strategy on international
289 economic competition would necessarily force much-needed

290 thinking on priorities, trade-offs, courses of action, roles
291 and responsibilities, results to date, and appropriate
292 funding or, where appropriate, cutting.

293 Now, when it comes to interagency teams, because our
294 currently interagency players are often siloed, a noteworthy
295 success driver to counter the present state is greater use of
296 dedicated interagency teams. To that end we should look to
297 and consider lessons from the model of the National
298 Counterterrorism Center.

299 I will now turn to my fourth point, which is incentives.
300 For a whole-of-government approach to work optimally,
301 Congress and the executive branch should ensure that Federal
302 employees have greater incentives to seek out and succeed in
303 interagency assignments. And also, Federal employee
304 performance ratings and compensation should more fully take
305 into account appropriate support to U.S. businesses engaged
306 in global competition, including the number of deals
307 supported and the number of U.S. company wins achieved.

308 Now I will turn to the Export-Import Bank of the United
309 States, which represents a significant but underutilized tool
310 of statecraft. As the official export credit agency of the
311 United States, its mission is to support American jobs by
312 facilitating the export of U.S. goods and services.

313 Now, while I wish governments did not interfere in the
314 free market, there are over 100 export credit agencies in the

315 world, and it is unwise and unfair to American workers and
316 companies to ask them to fend for themselves in the face of
317 state-supported competition, particularly from the PRC. So
318 when it comes to congressional oversight, I would recommend
319 that EXIM's leadership be asked about results to date
320 regarding the congressionally-mandated China and
321 Transformational Export Program, CTEP. And then, more
322 broadly, there are several proposals to increase EXIM's
323 impact and support American jobs and employers.

324 So, for example, first among these issues, repeal the
325 statutory prohibition on EXIM financing defense articles and
326 defense services. That prohibition is outdated, and makes no
327 sense.

328 Second, for competition in sectors key to America's
329 long-term security and prosperity, replace EXIM's current
330 U.S. content policies with an approach based on export value
331 and job creation.

332 Third, raise EXIM's two percent statutory default limit
333 to four percent and, if the revised default rate is exceeded,
334 allow one year to cure the default rate before it limits the
335 operations of the bank.

336 Fourth, update EXIM's underwriting standard from
337 reasonable assurance of repayment to reasonable likelihood of
338 repayment in order to enable EXIM to more effectively support
339 U.S. companies competing against the PRC.

340 Fifth, and finally, put into law through EXIM's charter
341 the Make More in America initiative, an existing EXIM policy
342 but it is not in law yet, and that makes available the
343 agency's existing medium and long-term loans guarantees and
344 insurance available, which is very important.

345 So in conclusion, this is a time of great consequence
346 for our country and the world. Addressing these hard but
347 pressing issues described above will contribute materially to
348 our success.

349 I commend the bipartisan work of the committee, and look
350 forward to being a resource to you. Thank you.

351 [The statement of Mr. Trulio follows:]

352

353 *****COMMITTEE INSERT*****

354

355 *Chairman Moolenaar. Thank you very much.

356 Mr. Runde, you may proceed.

357

358 STATEMENT OF DANIEL RUNDE

359

360 *Mr. Runde. Thank you. Thanks, Chair Moolenaar,
361 Ranking Member Krishnamoorthi, members of the committee.
362 Thank you very much.

363 My main message is this: In this era of great power
364 competition, the United States needs an alternative solution,
365 rather than demand that developing countries cease working
366 with the CCP. We can't fight something with nothing. So
367 what is our something? That is the question.

368 There is some hard truths we have to face. The CCP is
369 the go-to financier and builder of infrastructure in the
370 developing world. We don't have to meet China dollar for
371 dollar, but we must be a better infrastructure investment
372 partner.

373 At the end of the day, infrastructure bends towards
374 trading routes. If your number-one trading partner is China,
375 then China-oriented infrastructure is going to follow.
376 Ideally, we would lead the world on trade as we did 25 years
377 ago.

378 Unfortunately, BRI is an ambitious and hopeful project
379 that speaks to the aspirations of China's friends and
380 potential friends. I hate it because it is a great idea,
381 because it inspires folks in the global south, it is just not
382 our idea. And it comes at a good time for them, because over

383 the next 15 years more infrastructure is projected to be
384 built globally than currently exists.

385 The United States has attempted to respond to this
386 challenge in a number of ways. Congress reauthorized the
387 EXIM Bank. That was great. Congress passed the BUILD Act,
388 which established the DFC. Excellent. President Biden stood
389 up something called PGII, the Partnership for Global
390 Infrastructure Investment. It is a work in progress. There
391 have been attempts since 2019 to try and standardize quality
392 infrastructure. There is something called the Blue Dot
393 Network. It is also a work in progress.

394 We haven't done enough. We have got to do a lot more,
395 and that is why I think this hearing is so helpful and
396 important. I have seven recommendations.

397 First, let's get America's soft power in order. The
398 BUILD Act, AGOA, which is a trade preferences act for Africa,
399 and the EXIM Bank are all going to be in front of the
400 Congress for reauthorization in the next two years. I would
401 recommend we reauthorize them, maybe with some tweaks. Okay,
402 there is the bipartisan Americas Act, which has been proposed
403 as a new partnership for our neighbors in the Americas. That
404 is in front of the Congress. There is a proposal in front of
405 the Congress to finance a capital increase for the private-
406 sector arm of the Inter-American Development Bank. These are
407 all actionable things that this Congress or a Congress could

408 take in the next two years.

409 Second, we are going to need a little bit more foreign
410 aid to counter China. It is going to be an eye-glazingly
411 boring stuff, but really important stuff. We need to find
412 probably about \$2 billion a year to do this, to counter
413 China.

414 Third, we are going to have to strengthen development
415 agencies. The DFC, which has been talked about, should be
416 able to operate in places like Panama more easily. It should
417 be able to operate more easily in places like Mexico more
418 easily. So it needs to operate in middle and upper middle-
419 income countries. Congress will have an opportunity to
420 change the -- raise the credit card limit on the DFC at its
421 next reauthorization.

422 The Millennium Challenge Corporation, started in the
423 Bush Administration, could be repurposed as a infrastructure
424 response to the Belt and Road. It has never been fully
425 funded, and it is something to look at.

426 We should also look at the example of Power Africa.
427 This was an initiative of the Obama Administration that has
428 endured across administrations, where AID is in the lead and
429 different agencies have roles and responsibilities. And it
430 is about providing financing and energy to Africa, and that
431 is a good template.

432 Okay, fourth, we need to ride herd on the World Bank and

433 the regional development banks. By that I mean we have got
434 to have active leadership. As a result, it can be a force
435 multiplier for American and Western forms of globalization.
436 We should kick China out of having developing country status.
437 It is totally bonkers that China gets to borrow money from
438 the Asian Development Bank and the World Bank.

439 Fifth, we are going to need to create some new vehicles
440 sponsored by the U.S. Government. I would love to see us
441 create an enterprise fund for undersea cables. I would also
442 like us to look at securitizing infrastructure projects in
443 the developing world. The International Finance Corporation,
444 as part of the World Bank, is looking at this. If we could
445 crowd in Western institutional investors the way we do in the
446 housing market in the United States, that would be a game-
447 changer for global infrastructure and a way to crowd in
448 American private capital.

449 Seven, we got to do a bunch of boring stuff. We are
450 going to have to train about 100,000 bureaucrats in the
451 developing world to buy and manage infrastructure a heck of a
452 lot better. This is eye-glazingly boring stuff. It is
453 really important.

454 Finally, we need to establish private-sector consortia.
455 We need to work with our allies and friends, and we need to
456 bring together companies of allied nations that could work
457 together to deliver projects that are just as turnkey-ready

458 as the way Belt and Road does it. They can bring money and
459 they can move more quickly, and they bring a whole bunch of
460 stuff in one package. We need to work together to do that.
461 That requires three things: we have got to have better
462 business intelligence; we got to be better in commercial
463 diplomacy; and we got to be more coordinated and work better
464 with our friends. Thank you.

465 [The statement of Mr. Runde follows:]

466

467 *****COMMITTEE INSERT*****

468

469 *Chairman Moolenaar. Thank you.

470 Dr. Parks, the floor is yours.

471

472 STATEMENT OF BRAD PARKS

473

474 *Mr. Parks. Good morning, Chairman Moolenaar, Ranking
475 Member Krishnamoorthi, and members of the committee. I am
476 honored to have the opportunity to speak with you.

477 If you were sitting in Beijing right now, and you were
478 looking at a dashboard of China's overseas project portfolio,
479 you would see a lot of flashing red lights. The Chinese
480 authorities are dealing with three big problems at the same
481 time.

482 The first is debt repayment. Beijing went on a lending
483 spree. It issued thousands of loans worth more than \$1
484 trillion for big-ticket infrastructure projects spread across
485 125 countries. Now its borrowers are having difficulty
486 repaying their debts. Eighty percent of China's overseas
487 lending portfolio is currently supporting countries in
488 financial distress.

489 The second problem is that a lot of Beijing's overseas
490 infrastructure projects are risky from an environmental,
491 social, or governance perspective. When China first got into
492 the global infrastructure market, it had only 17 problem
493 projects, and they were worth less than \$450 million. Today
494 it has nearly 1,700 problem projects worth more than \$450
495 billion, with a B.

496 The third problem is reputational risk. As Belt and

497 Road projects have run into trouble, Beijing has seen its
498 public approval rating in the developing world plunge from 56
499 percent to 40 percent. Media sentiment has also soured. And
500 with the grace periods on many Chinese loans expiring,
501 Beijing now finds itself in an uncomfortable position as the
502 developing world's largest official debt collector. It is
503 navigating this transition at a time when many of its biggest
504 borrowers are either illiquid or insolvent.

505 But here is the thing: Beijing is not going to stand by
506 and watch its flagship global infrastructure initiative crash
507 and burn. The Chinese authorities have already launched a
508 far-reaching effort to de-risk the Belt and Road Initiative.
509 They call it BRI 2.0.

510 In the short run, Beijing is scanning its global
511 portfolio and firefighting in response to crises. It is
512 refocusing its time and money on distressed borrowers,
513 troubled projects, and sources of public backlash.

514 But Beijing is also playing the long game. It is
515 putting in place new safeguards to future-proof the BRI.
516 China is making course corrections that address three
517 different types of risk in its portfolio: repayment risk,
518 project performance risk, and reputational risk. Beijing is
519 taking several short-term measures to manage the risk of not
520 being repaid.

521 First, it is paying itself by sweeping dollars and euros

522 out of the cash collateral accounts of borrowers. Then, if
523 borrowers ask for some type of debt relief like a temporary
524 suspension of repayments, Beijing is requiring that they
525 first replenish the accounts that they have depleted.

526 Beijing is also ramping up emergency rescue lending to
527 ensure that its biggest borrowers have enough cash on hand to
528 service their outstanding project debts. So that is one part
529 of the de-risking effort.

530 But Beijing is also making long-term changes to its loan
531 portfolio to reduce the risk of not being repaid in the
532 future. Rather than relying on its own banks, Beijing is
533 increasingly outsourcing risk management to lending
534 institutions with stronger due diligence standards. It is
535 dialing down its use of bilateral lending instruments, and it
536 is dialing up the provision of credit through collaborative
537 lending arrangements with Western commercial banks and
538 multilateral institutions.

539 With respect to project performance risk, Beijing is
540 focused on addressing a common criticism of the BRI, that it
541 privileges speed over safety. China is adopting increasingly
542 robust ESG safeguards, but it is doing so in a way that
543 preserves a longstanding source of competitive advantage:
544 its reputation for implementing projects with lightning
545 speed.

546 Finally, with respect to reputational risk, China has

547 recently experienced more losses than gains vis a vis
548 Washington on three measures of soft power: public opinion,
549 elite support, and the favorability of media coverage. But
550 the Chinese authorities are not resting on their laurels.
551 They are changing the way they allocate aid and credit.

552 Beijing now channels most of its money to highly
553 competitive jurisdictions. About two-thirds of Chinese aid
554 and credit goes to toss-up countries. These are places where
555 neither China nor the U.S. has an insurmountable lead over
556 its rival.

557 China is also doubling down in competitive jurisdictions
558 once they start to lean towards Beijing and away from
559 Washington.

560 The bottom line is that Beijing is several steps ahead
561 of its competitors. The U.S. and its G7 allies have
562 underestimated the ambition of China's effort to overhaul
563 Belt and Road. They are focused on competing with a version
564 of the BRI that no longer exists, BRI 1.0 rather than BRI
565 2.0.

566 Thank you so much for your time, and I look forward to
567 your questions.

568 [The statement of Mr. Parks follows:]

569

570 *****COMMITTEE INSERT*****

571

572 *Chairman Moolenaar. Thank you very much to all the
573 witnesses. And now we will move to questions, and I will
574 recognize myself for five minutes.

575 Mr. Runde, the BUILD Act, which transformed the Overseas
576 Private Investment Corporation into the International
577 Development Finance Corporation, expires next year. I think
578 we would all agree that Congress should reauthorize. But
579 what should be changed during this reauthorization?

580 *Mr. Runde. Thank you, Chairman.

581 I was very involved with the establishment of the BUILD
582 Act. I think there are several things that are easy to do,
583 and there is some harder things. So let me start with the
584 easier ones.

585 I think we, Congress, has an opportunity to
586 strategically increase the credit card limit. It is able to
587 lend about 7, 8, or \$9 billion a year, and it has got a
588 credit card limit of about 60 or 65 billion. There is an
589 opportunity to raise the credit card limit in the next
590 reauthorization for it to do more.

591 Second, I was in favor at the time of saying we should
592 focus on the poorest countries. I still think we should have
593 an emphasis and a special attention to poorer countries, but
594 we need to make it easier for the DFC to work in middle and
595 upper-middle-income countries. It is crazy that only four
596 countries in the Western Hemisphere are qualified to work on

597 kind of a clean basis at the DFC. My friends at the DFC will
598 say we can do stuff in the other countries, but you have got
599 to get, like, a permission slip to do it, and it is a real
600 headache. I think we need to fix this and allow for middle
601 and upper-middle-income countries. There is lots of ways to
602 do this, but we need to look at that.

603 My view, as -- I am a Republican. I think we ought to
604 have an all-of-the-above energy policy. So I think since the
605 Bush Administration increasingly there has been ratcheting up
606 against oil and gas projects. Especially in the poorest
607 countries in the world, I don't believe any poor country is
608 not going to develop their oil and gas resources. I would
609 rather have us do it than somebody else. I know this is more
610 -- a little bit more touchy, but I would just say that.

611 I think in certain targeted instances -- there is a
612 concept called "just transition." So for the poorest
613 countries we should -- so I think, in some instances, where
614 it is appropriate, we should finance gas projects, for
615 example. I think that should be less controversial than
616 maybe some of the other things I might propose. But I think
617 that.

618 I think we ought to learn to love nuclear power. They
619 are allowed to do nuclear power projects. I don't think they
620 have done many.

621 They have not done as many mining and minerals projects.

622 If we are concerned about the carbon transition, we have got
623 to learn to love mining in minerals to the tips of our toes,
624 and I don't see a lot of minerals and mining projects done.
625 Most people in the international development community would
626 rather get a root canal than work on mining and minerals
627 projects. And so I think that we need to encourage our
628 friends at the DFC and at aid agencies to -- if we are
629 concerned about a carbon transition, we are going to have to
630 do a heck of a lot more in mining and minerals, and I don't -
631 - you know, there have been a couple of projects, and I give
632 them credit for that.

633 I will stop there, Congressman.

634 *Chairman Moolenaar. Thank you very much.

635 Mr. Trulio, when Congress established the program on
636 China and transformational exports within the Export-Import
637 Bank, it recognized the EXIM Bank needed to be more strategic
638 and more aggressive in countering the CCP in strategic
639 sectors. You have led that effort. How would you evaluate
640 it, and what next steps should be taken to continue to
641 improve?

642 *Mr. Trulio. Yes, thank you for that. In 2020 we stood
643 up the program and handed it off to the dedicated
644 professional career staff, as well as the new Biden team.

645 I think the keys to consider is, look, the
646 congressionally-stated goal was 20 percent of EXIM's lending

647 authority should be the goal for the -- for CTEP, this
648 program. And I think a question for Congress to ask of
649 EXIM's leadership is, well, how many deals have you done
650 against that? The number of deals, how many deals are in the
651 pipeline, how much of the lending authority has actually been
652 used to that end. There have been some notable successes,
653 but I would say relative to need it is falling short, and
654 that is not to single them out. The whole enterprise that we
655 are talking about isn't matching the challenge of the CCP.

656 But I would look, you know, how much of that 27 billion
657 goal has been achieved, how many of those deals are in the
658 pipeline, and, crucially, do you have the talent within EXIM
659 to execute those deals? Are you able to attract and to
660 retain them? And what is the business plan to ramp that up?

661 *Chairman Moolenaar. And how would you evaluate the
662 level of coordination between some of the agencies -- DFC,
663 EXIM, USAID, MCC?

664 *Mr. Trulio. I think it is a huge challenge. I think
665 there are a lot of people of good will who want to do the
666 right thing. But institutionally, we have fallen short.

667 Back to what I said a few moments ago, who is in charge
668 of this overall enterprise? This is a problem decades in the
669 making, but there is no one clear lead in the interagency
670 community who is an executing body of -- certainly, the
671 National Economic Council provides policy, oversight, and

672 coordination, but who is in charge? That is a huge
673 challenge. It is, unfortunately, an organizational behavior
674 challenge.

675 *Chairman Moolenaar. Okay, thank you. I now recognize
676 the ranking member for five minutes of questions.

677 *Mr. Krishnamoorthi. Thank you, Mr. Chair.

678 In 2000 the CCP issued a white paper that said it "does
679 not station any troops or set up any military bases in any
680 foreign country.'" Well, the CCP cannot make that claim
681 anymore.

682 [Slide]

683 *Mr. Krishnamoorthi. Today it has a military base in
684 Africa, a base, as you can see here, in, of all places,
685 Argentina. And they have a suspected base in Cuba, that red
686 star up there. It is also now building deepwater ports
687 across Latin America and the Caribbean through the BRI. And
688 as you could see on that map, it covers, it covers the entire
689 region.

690 Dr. Parks, your organization recently did a study where
691 you argued that the CCP might try to use some of these ports
692 as military bases. Isn't that right?

693 *Mr. Parks. That is correct.

694 *Mr. Krishnamoorthi. And Mr. Runde, we can't even
695 compete in terms of developing deepwater ports in most of
696 those countries, because we can only -- the DFC, for

697 instance, can only lend in four of them. Right?

698 *Mr. Runde. That is correct, Ranking Member. We can't
699 fight something with nothing.

700 *Mr. Krishnamoorthi. Well, we got nothing in a lot of
701 these countries.

702 [Slide]

703 *Mr. Krishnamoorthi. Well, let's take a specific
704 example: Panama Canal. As we can see on this map, the canal
705 shortens the distance to go between the east and west ports
706 of America by three weeks, because it takes three more weeks
707 to go around South America, as opposed to going through the
708 canal.

709 Mr. Runde, although Panama has the operating rights to
710 the canal itself, it has given PRC companies managing rights
711 for these two ports on either side of the Panama Canal.
712 Isn't that right?

713 *Mr. Runde. That is correct, Ranking Member
714 Krishnamoorthi.

715 *Mr. Krishnamoorthi. And in a potential conflict over
716 Taiwan, for instance, the CCP could use its control of these
717 entry ports to potentially delay American civilian and
718 military shipping. Isn't that right?

719 *Mr. Runde. Ranking Member Krishnamoorthi, I share your
720 concern. I would say that in our treaty with the government
721 of -- Panama controls the entire canal. But I would say,

722 sir, that -- and that we have, as part of our treaty
723 commitments, the -- that we are on the hook for defending
724 Panama if there --

725 *Mr. Krishnamoorthi. And so that could be where a
726 conflict arises.

727 *Mr. Runde. Yes, sir.

728 *Mr. Krishnamoorthi. Because they control those entry
729 points, and they could decide to delay shipping in the event
730 of conflict.

731 *Mr. Runde. And it is --

732 *Mr. Krishnamoorthi. Let me turn --

733 *Mr. Runde. In --

734 *Mr. Krishnamoorthi. Let me turn --

735 *Mr. Runde. In an ideal world, we would ultimately see
736 that when those contracts end, which will be over the next 10
737 or 15 years, a chance to get them -- get those Hong Kong-
738 controlled companies out of managing those ports, sir.

739 *Mr. Krishnamoorthi. Yes, sir. Let me turn to another
740 topic, and that is the BRI saddling countries with massive
741 debt, and it is having real impacts on real people.

742 Take Kenya for example. The PRC accounts for almost
743 three-quarters of its bilateral debt, and this debt has even
744 led to deadly unrest. In 2023, 6 people died during
745 protests.

746 [Slide]

747 *Mr. Krishnamoorthi. And you can see the unrest in this
748 picture here in Kenya. And these protests were against a
749 proposed tax hike to pay back the debt to the PRC.

750 Dr. Parks, this type of debt burden from the BRI, the
751 Chinese BRI, is fueling social unrest in Kenya and in other
752 BRI countries, right?

753 *Mr. Parks. With respect to the tax hike issue, it is
754 true that the Ruto Administration in Kenya has increased
755 taxes. It has also cut food and fuel subsidies to avoid
756 defaulting on its repayment obligations to the Chinese and
757 non-Chinese creditors. And yes, it is also true that these
758 measures are deeply unpopular with Kenyan citizens.

759 *Mr. Krishnamoorthi. And let's see what this -- what
760 all this debt is for. Let me turn your attention to my final
761 topic, which is policy alternatives.

762 In Angola there is a train network. Angola contracted
763 with Chinese companies to rehabilitate its railways. But a
764 year later, a Chinese maintenance train collided with a
765 freight train, killing 18 people.

766 [Slide]

767 *Mr. Krishnamoorthi. This is a picture of that pileup.

768 In fact, after 10 derailments per year, Angola said
769 enough is enough, and so they no longer wanted China to run
770 the railways, they turned to us. And actually, there is this
771 corridor called the Lobito corridor, which gives us -- gives

772 the world access to critical minerals from the Congo.

773 [Slide]

774 *Mr. Krishnamoorthi. The Congo is here, and this rail
775 network goes to the coast through Angola.

776 Now, Mr. Runde, after the Angolans rejected the Chinese,
777 you know, they turned to the DFC to help to develop the
778 Lobito corridor. Correct?

779 *Mr. Runde. That is correct, Ranking Member.

780 *Mr. Krishnamoorthi. Now, tell us a little more, expand
781 a little more. What more needs to be done to help make sure
782 the DFC can offer this type of development to more parts of
783 the world?

784 *Mr. Runde. So thank you, Ranking Member, for that
785 question. I think a couple of things.

786 One is I think that there will be an opportunity with
787 the reauthorization to look at some of the things I mentioned
788 earlier.

789 There is also a much more wonky issue, which has to do
790 with something called equity authority, which allows the DFC
791 to make specific kinds of more flexible investments. And the
792 way in which we score equity, according to sort of the rules
793 of a variety of rules of the government, it makes it very
794 difficult for that to happen. I won't get into the reasons
795 for that here, but looking at this issue of equity authority
796 is an important thing to review.

797 I also think that, if I look at the Lobito corridor, I
798 think the Biden Administration has done a good thing by
799 saying we need to bring all of our partners together. So
800 this is a G7 initiative called the PGII. It is a mouthful,
801 but the Lobito corridor is sort of the first example of
802 saying, how can we all our friends work together to try and
803 develop infrastructure across the Lobito corridor?

804 In my world I would love to see us, Ranking Member, have
805 sort of 10 or 15 Lobito corridors. So one of the things we
806 need to think about is having the ability to -- a little bit
807 more flexibility with the DFC, but we also need to be able to
808 work better with our partners. We can't do this all alone,
809 as the DFC. We should be able to be more joined up with,
810 say, the Japanese, and with the Brits, and with the
811 Australians, and with the Canadians. They all want to work
812 with us. This conversation that we are having is being had
813 in Tokyo, in Ottawa, in London, and Canberra. So they are --
814 we are pushing on an open door. So I think working in
815 partnership is an important part of this, Ranking Member.

816 *Mr. Krishnamoorthi. Great, thank you.

817 *Chairman Moolenaar. Representative Luetkemeyer.

818 *Mr. Luetkemeyer. Thank you, Mr. Chairman, and
819 congratulations.

820 *Chairman Moolenaar. Thank you.

821 *Mr. Luetkemeyer. Welcome to the new position. I hope

822 it doesn't have as many headaches as the past chairman had to
823 deal with.

824 Mr. Runde, great to see you again. You appeared in
825 front of our Financial Services Subcommittee last May, and
826 did a great job, and I appreciate your participation today.
827 Can you describe China's role at the IDB, and how it came --
828 how that came about? Was that a mistake? How do we mitigate
829 that? And what can we do to help Taiwan?

830 *Mr. Runde. So it seemed like a good idea at the time,
831 sir. In the -- during the -- during -- from a 40-year
832 period, Republican and Democratic administrations had a
833 policy of what is called responsible stakeholder theory,
834 saying if we can bring the People's Republic of China into
835 various international institutions, that would be a good
836 thing.

837 And at the time we said, okay, well, we will have China
838 join the Inter-American development Bank. This was an idea
839 that was started in the Bush Administration, but then was
840 fully implemented in the Obama Administration. So we can't
841 blame either one. But I think, in retrospect, I don't think
842 it was such a great idea.

843 What we could have done at the time is we could have
844 said, "We will let you in, but if you want to come in we got
845 to let Taiwan in." So, as you know, Congressman, in the
846 Asian Development Bank, Taiwan is a shareholder of the Asian

847 Development Bank as an economy. Taiwan is also a member of
848 the WTO. We said to China, "We will let you into the WTO,"
849 which maybe wasn't so great either, "but we are going to let
850 Taiwan in as an economy.'" So there is like a specific kind
851 of diplomatic way they did it. So if I were to have done it
852 over again, I would have said, "Let Taiwan in."

853 I would like to see, as part of this potential capital
854 increase for the Inter-American Development Bank's private
855 sector arm, I would love it if the Congress were to say to
856 the Biden Administration and the -- because this is a
857 political conversation -- we should say, okay, we will put in
858 -- we will buy in some shares, but we would like Taiwan to
859 buy into the people -- to the private-sector arm of the
860 Inter-American Development Bank.

861 *Mr. Luetkemeyer. Thank you for that. Also, Mr. Runde,
862 in your seven ideas to help U.S. compete better with China,
863 you indicate that securitizing infrastructure and enticing
864 private capital in this, this is an interesting idea. As we
865 are talking more about the world financial institutions type
866 stuff, can you give me just a little idea on what you are
867 thinking here --

868 *Mr. Runde. Yes --

869 *Mr. Luetkemeyer. -- with regards to privatizing some
870 -- or get some private money in here?

871 *Mr. Runde. Yes, sir.

872 *Mr. Luetkemeyer. Because you are looking at government
873 guarantees on this, or just strictly --

874 *Mr. Runde. So --

875 *Mr. Luetkemeyer. -- like a second secondary mortgage
876 market --

877 *Mr. Runde. So think of it like a secondary mortgage
878 market or a secondary credit card market. We had to kind of
879 have standardization so that -- this attempt to try and have
880 standardization of quality through the Blue Dot Network, I
881 think a variety of smart people are looking at this.

882 So the International Finance Corporation, which is part
883 of the World Bank Group, has been tasked by the G7 and by the
884 Biden Administration to say, like, can we try and push on
885 this? It probably requires some kind of guarantees from the
886 United States. It probably requires some pushing on trying
887 to get better standardization.

888 *Mr. Luetkemeyer. Do you see an appetite on the private
889 side for this?

890 *Mr. Runde. I think, over time, I think the answer to
891 that is yes.

892 *Mr. Luetkemeyer. Okay.

893 *Mr. Runde. I think if we -- I could think of a lot of
894 really well-run countries where I could totally see that. I
895 think our -- one of our superpowers is that we have private
896 capital, we have capital markets, we have institutional

897 investors. We are not bringing those into this conversation.
898 This is a way to bring those into this conversation, sir.

899 *Mr. Luetkemeyer. Very good, thank you.

900 Mr. Trulio, you know, one of the things I do is I sit on
901 the -- I chair the Subcommittee on National Security in the
902 Financial Services Committee, and EXIM Bank is under our
903 purview, and so we deal a lot with that. And I thank you for
904 your comments on it this morning. To me, I think it is a
905 really important agency for our businesses in this country to
906 be able to compete on a national basis. And we have got
907 China in the mix here, which is unfortunate because they seem
908 to be able to utilize that bank a lot better than our own
909 folks here in this country.

910 One of the things I found over the last few months here
911 is nuclear reactor construction. And this is a way the rest
912 of the world can really help themselves and their economies
913 of their countries. And yet we really have a problem. There
914 is sort of a -- not a sort of a -- not necessarily a
915 prejudice -- there is a prejudice against it, not necessarily
916 some sort of hard, fast rule against the financing this. We
917 need to find a way to break through that barrier.

918 Have you got some ideas? Because I think our nuclear
919 reactor companies in this country that construct these things
920 could be very competitive.

921 *Mr. Trulio. And, Congressman, I agree with your -- the

922 thrust of your question. And further to your point, to the
923 extent that we want to do good things for the environment,
924 those who care about carbon, nuclear is really essential to
925 that conversation for it to be serious.

926 So a few things, specifically. The China and
927 transformational exports program that was -- that Congress
928 breathed into life names 10 sectors. Nuclear is not one of
929 them. That, I think, is a very straightforward opportunity
930 to --

931 *Mr. Luetkemeyer. Now, this is the one that is being
932 renewed in 2026, correct?

933 *Mr. Trulio. So EXIM's reauthorization, the whole
934 thing, is in 2026.

935 *Mr. Luetkemeyer. Okay.

936 *Mr. Trulio. The 2019 reauthorization included a
937 provision breathing life into a --

938 *Mr. Luetkemeyer. So in that reauthorization we could
939 sort of direct them to be able to be more aggressive --

940 *Mr. Trulio. Absolutely. It could be one of the 10 or
941 -- it could be the 11th, or the 12th, or whatever. I think
942 the point is the list of those 10 technologies was from back
943 in 2019, and there is no reason why nuclear shouldn't be part
944 of that, as in the context of China competition.

945 And more broadly, from an oversight perspective, I would
946 respectfully suggest that the EXIM leadership should be

947 queried very specifically about all the technologies,
948 including nuclear, that contribute to robust China
949 competition.

950 *Mr. Luetkemeyer. Thank you. My time is expired.
951 I yield back to the chairman.

952 *Chairman Moolenaar. Representative Moulton.

953 *Mr. Moulton. Thank you, Mr. Chairman. And
954 congratulations again.

955 President Xi Jinping goes around the world promising
956 win-win cooperation. But I think we have seen time and again
957 that it is really not win-win, it is China wins, you lose.
958 That is how it goes.

959 So let's look at the case of Djibouti, for example. The
960 PRC spent a whopping \$14 billion between 2012 and 2020 for a
961 country with fewer than a million people, a GDP below 2
962 billion, and almost no natural resources. In 2017 the PRC
963 built its first overseas military base in Djibouti, just 7
964 kilometers from our U.S. base. Now, Beijing says the base is
965 there to protect freedom of navigation. But we saw just this
966 past year, when merchant ships in the region started getting
967 hit by Houthi rebels, China refused to join a U.S.-led
968 coalition to protect international trade.

969 So these massive investments in Djibouti have literally
970 put the country in the PRC's debt. In fact, the PRC holds
971 more than 1.4 billion of Djibouti's debt, the equivalent of

972 some 45 percent, almost half the country's GDP.

973 Mr. Chairman, I would like to enter into the record a
974 statement from the Chinese Foreign Ministry dated December 9,
975 2022, summarizing a meeting between President Xi and the
976 President of Djibouti. The statement says, "We appreciate
977 Djibouti's valuable support for China on issues related to
978 Taiwan, Hong Kong, and Xinjiang, and China will continue to
979 support Djibouti.'`

980 The trade-off is clear as day. You support China as it
981 threatens an invasion, dismantles Hong Kong's democracy, and
982 conducts a genocide, and China will continue to lend you
983 money.

984 So, Mr. Runde, how can the U.S. counter these efforts
985 and help countries get out from under this China trap?

986 *Mr. Runde. Thank you, Congressman. This is one of the
987 great challenges of our time. I think it is
988 underappreciated, so I really appreciate you raising this.

989 There are many -- and Ranking Member Krishnamoorthi also
990 alluded to this, that there are many developing countries in
991 places like Africa where they are spending more on interest
992 payments than they are on basic education. They are spending
993 more on interest payments to China than they are on health
994 care. That is crazy.

995 Twenty-five years ago the United States led a major debt
996 forgiveness initiative at the turn of the century, and at the

997 time the Congress said this was going to be one and done, we
998 are not going to do this again. And so now it is very
999 unfortunate and ironic that we find ourselves in this new
1000 developing country debt crisis, where much of the debt is
1001 controlled by the People's Republic of China and then some
1002 controlled by hedge funds.

1003 Forty years ago, five or ten people would have gotten in
1004 a cigar-filled room, and they would have kind of worked it
1005 out among a handful of banks. It is -- instead of having 11
1006 or 12, we now have 1,200 debt holders. So it is much more
1007 difficult.

1008 Ultimately, we are going to have to have some sort of a
1009 haircut on the debt. China doesn't want to have a haircut
1010 because, if they give a haircut to Djibouti or Zambia, that
1011 means they will say, well, we can get a haircut in Shenzhen,
1012 and it is going to create problems there.

1013 They are also unwilling to be transparent. They don't
1014 follow the Marquess of Queensberry rules about how debt is
1015 followed. That is called the Paris Club rules. And so there
1016 have been attempts to try and do that through the G20.

1017 Ultimately, we are going to need countries to be better
1018 stewards of their money because we are in a real pickle here.
1019 So I think, ultimately, we are going to have to force the
1020 Chinese to some kind of a haircut, and we are going to have
1021 to force them to operate in a more transparent way. But it

1022 is very unfortunate --

1023 *Mr. Moulton. And that is not --

1024 *Mr. Runde. -- we have ended at this situation.

1025 *Mr. Moulton. Look, I mean, that is not going to be
1026 easy to do. China has a clear strategy here. I mean, we can
1027 whine about how they are putting these countries in debt, but
1028 it is, in some ways, from China's perspective, pretty smart
1029 because they are beholden to China, and they follow their
1030 policies.

1031 So Mr. Trulio, what do you think about this? And how
1032 should the United States adopt our foreign assistance
1033 strategies to meet this challenge?

1034 *Mr. Trulio. Sure. Well, look, we have the basic
1035 tools. There are the organizational issues I mentioned, but
1036 I think we need to really energize those tools. So I
1037 mentioned defense in my opening statement. I think we need
1038 to repeal the statutory prohibition on EXIM financing defense
1039 articles and services.

1040 Congressman, you are a veteran. You understand that
1041 when militaries start working together, when U.S. products
1042 and services which are high quality become part of an ally or
1043 partner's portfolio, that is training, it is maintenance, it
1044 is relationships over many, many years. There is no reason
1045 why we shouldn't use that as one very specific, very
1046 actionable tool.

1047 I think we need to look at EXIM's content policy, you
1048 know, that is -- it is antiquated. We need to move much more
1049 towards a export value and jobs-created approach, as opposed
1050 to the pure actual content provided.

1051 And then also -- we can talk more about it, certainly,
1052 if you have more time -- but raise the statutory default
1053 limit from two percent to four percent. Right now it is a
1054 sword of Damocles. The bank has to shut down lending
1055 operations if they cross over that two percent.

1056 *Mr. Moulton. Right --

1057 *Mr. Trulio. That is not a healthy way to do business.

1058 *Mr. Moulton. Thank you very much. Thank you both.

1059 Mr. Chairman, I yield back.

1060 *Chairman Moolenaar. And without objection, your
1061 statement will be added to the record.

1062 [The information follows:]

1063

1064 *****COMMITTEE INSERT*****

1065

1066 *Chairman Moolenaar. Representative Newhouse.

1067 *Mr. Newhouse. Thank you, Mr. Chairman, and it is great
1068 to see you in the chairman's seat there.

1069 Good morning. Thanks to our witnesses for being here,
1070 and also for your expert testimonies this morning on the Belt
1071 and Road Initiative. You guys may not know this, but the
1072 committee does, and a lot of the public does: we have now
1073 held more than a dozen hearings on this committee. And this
1074 one, I think in particular, brings up that burning question:
1075 Does the Chinese Communist Party aspire world domination?
1076 From massive infrastructure projects, global resource wars to
1077 high tech surveillance technologies, truly the CCP is
1078 exporting economic coercion and authoritarian capitalism.

1079 Kind of a lightning round question, I want each of the
1080 witnesses to describe the Belt and Road Initiative in one
1081 sentence.

1082 *Mr. Trulio. I will go first. It is a very
1083 sophisticated, strategic effort to put China in a dominant
1084 position in the world.

1085 *Mr. Newhouse. Very good.

1086 *Mr. Runde. Congressman, it is seductive. It is a
1087 seductive, positive, forward-looking agenda that speaks to
1088 the hopes and aspirations of developing countries. If we
1089 don't have an answer to it, they are going to take their
1090 business to the CCP.

1091 *Mr. Parks. It is a effort to help Chinese companies
1092 win commercial advantages overseas. It is also a program to
1093 solve domestic economic problems inside China.

1094 *Mr. Newhouse. Good. Not a trick question, I just
1095 wanted to get your quick thoughts on that perspective.

1096 Mr. Trulio, in your written testimony you expressed how
1097 there is no simple answer to the question of who is in charge
1098 of addressing the challenges posed by the BRI, so let me ask
1099 you. How would you recommend we reorganize all these
1100 different agencies tasked with international trade, and
1101 develop to counter the BRI?

1102 And then I am a farmer, a third-generation farmer. So
1103 in your answer would you please touch on the role of the USDA
1104 in these efforts? Because we know firsthand how important it
1105 is that we need to stand up to the CCP.

1106 *Mr. Trulio. Yes, absolutely, Congressman, and thank
1107 you for the question.

1108 In fact, in the written testimony which you referenced,
1109 I actually listed the Department of Agriculture first. It is
1110 one of a dozen departments and agencies that are players on
1111 the field here.

1112 And look, this is -- nobody came up with this approach
1113 deliberately. This is a problem decades in the making. We
1114 have a very robust interagency team, and they are all off
1115 doing things in a spirit of goodwill and according to their

1116 missions. But people respond to incentives, right? So the
1117 incentives are for them to work in their silo, and we have
1118 not done enough as a country and as a government to
1119 incentivize that behavior.

1120 So one of the very concrete steps is there needs to be
1121 an executive branch strategy on economic competition. That
1122 is going to force out issues of trade-offs, who is in the
1123 lead, what are the objectives, what are the specific courses
1124 of action, what should be resourced and what shouldn't be
1125 resourced. Let's reevaluate what these decades-long, in some
1126 cases, programs, what are they actually -- what is the return
1127 on investment there?

1128 And then I think it is an opportunity for Congress and
1129 the executive to designate or further empower certain natural
1130 lead departments and agencies. So obviously, the State
1131 Department and USTR play critical --

1132 *Mr. Newhouse. Okay.

1133 *Mr. Trulio. -- critical roles here, but so does
1134 Commerce and so does Treasury. You know, how robustly
1135 resourced is commerce, relative to its really important
1136 mission? That is a problem right now. And again, it has
1137 been decades in the making.

1138 So I think the strategy forces that out, and then -- and
1139 it -- but congressional oversight will really help focus in
1140 on solutions.

1141 *Mr. Newhouse. I appreciate that.

1142 Mr. Runde, as you know, China has recently reformed the
1143 BRI lending strategies based on, I think, legitimate
1144 accusations of debt trap diplomacy and, certainly,
1145 unsustainable business models following the 2015 stock market
1146 sell-off, as well as the COVID-19 pandemic, which both
1147 derailed some of their efforts in solvency as well as lost
1148 tremendous project value.

1149 Do you think some of their recent reforms, referred to
1150 as BRI 2.0, will actually change any of their predatory
1151 lending practices?

1152 *Mr. Runde. So I thought Dr. Parks's testimony was very
1153 helpful in that regard.

1154 The CCP is smart. I don't like them, but they are
1155 smart.

1156 *Mr. Newhouse. They are.

1157 *Mr. Runde. And so I just think they do respond to
1158 these sorts of complaints.

1159 Their tendency will be to kind of return to what they
1160 were doing originally, but they are having to respond to
1161 these challenges. And so I think Dr. Parks's point about --
1162 that we need to not respond to BRI 1.0, we need to respond to
1163 BRI 2.0 is on point, sir.

1164 *Mr. Newhouse. Good. And Mr. Chairman, just real
1165 quickly, I would like to commend Dr. Parks and his team.

1166 Your researchers pieced together the complex web of BRI
1167 investments, and that is going to continue to be a very
1168 important resource to help measure and guide our strategic
1169 responses. So thank you very much.

1170 Thank you, Mr. Chairman.

1171 *Chairman Moolenaar. Representative Brown.

1172 *Ms. Brown. Thank you, Mr. Chairman.

1173 As we have heard this morning, the Chinese Communist
1174 Party is attempting to promote its interests around the world
1175 through its far-reaching Belt and Road Initiative. We should
1176 all be concerned about the CCP's use of predatory lending to
1177 developing nations, offering high-risk loans in the short
1178 term, which have unwanted and negative long-term
1179 consequences. While the CCP's handouts may seem like a great
1180 deal up front, we must continue to remind all nations of the
1181 cost and risk associated with accepting Chinese investments
1182 directed, controlled, and overseen by the CCP.

1183 The Biden-Harris Administration is confronting this
1184 challenge by bringing together nations from all corners of
1185 the globe to defend the international order. In fact,
1186 President Biden united the European Union, India, Saudi
1187 Arabia, and other nations to establish the India-Middle East-
1188 Europe Economic Corridor. This historic effort is likely to
1189 make trading from Europe to India 40 percent faster, saving
1190 time, cutting costs, and reducing our supply chain's

1191 dependence on China.

1192 President Biden also recently announced the Partnership
1193 for Global Infrastructure and Investment Corridor to
1194 integrate our partners in the Indo-Pacific, including the
1195 Philippines and Japan.

1196 These Biden-led programs are just two substantial
1197 examples of a direct counter to the CCP's plans, putting the
1198 United States and our partners back on the map. So Dr.
1199 Parks, can you speak to the significance of these two Biden-
1200 Harris initiatives and other ways President Biden is bringing
1201 together our partners to counter the CCP's Belt and Road
1202 Initiative?

1203 *Mr. Parks. I think there are a number of efforts
1204 underway that are kind of positioned under the banner of
1205 PGII. I think the Biden Administration has articulated that
1206 it wants to develop a value proposition in the global
1207 infrastructure market that is really anchored in this idea of
1208 quality infrastructure.

1209 What I would like to see on a going-forward basis is to
1210 kind of be more specific about what that means. So I think
1211 about this from the demand side of the equation. To
1212 outcompete China, the USG value composition -- value
1213 proposition needs to be sufficiently different. So does that
1214 mean we are going to set economic rate of return thresholds
1215 for project approval? Does that mean we are going to have

1216 robust monitoring and evaluation standards to facilitate
1217 impact measurement? What does quality infrastructure mean?

1218 At the end of the day, developing countries are
1219 comparison shopping. And so I think the Biden Administration
1220 is onto something with this quality infrastructure idea, but
1221 I think we need to move beyond the buzzword. We need to make
1222 it very tangible for our would-be partners in the developing
1223 world.

1224 *Ms. Brown. Thank you. The Biden-Harris Administration
1225 has also made investments here at home to bring all specs of
1226 the manufacturing supply chain back to American soil. The
1227 Inflation Reduction Act, and CHIPS and Science, and the
1228 Bipartisan Infrastructure Law all have contributed to a
1229 booming American manufacturing economy. In the United States
1230 the President's Investing in America agenda has already
1231 created more than \$860 billion in investments in everything
1232 from chips manufacturing to electric vehicle factories. To
1233 quote President Biden, "American workers and businesses can
1234 outcompete anyone as long as they have fair competition.'`

1235 Dr. Parks, can you speak to the increased growth and
1236 success of the United States competition on the world stage
1237 in critical sectors like clean energy, chips manufacturing,
1238 and infrastructure under the Biden-Harris Administration?

1239 *Mr. Parks. That is outside my area of expertise, I am
1240 sorry.

1241 *Ms. Brown. Oh, okay. Well, thank you for that.

1242 I will say this in closing. President Biden continues
1243 to shape a brighter path for the United States and the global
1244 economy, one which puts fair trading practices, domestic
1245 manufacturing, and everyday Americans first. It is truly
1246 exciting to see the growth of American industry in the last
1247 couple of years and what will continue for decades to come,
1248 thanks to our historic investments.

1249 And with that, Mr. Chairman, I yield back.

1250 *Chairman Moolenaar. Thank you.

1251 Representative Johnson.

1252 *Mr. Johnson. Thanks, Mr. Chairman.

1253 Mr. Runde, we have had experts from across the political
1254 spectrum tell this committee for 18 months that the Chinese
1255 Communist Party seeks to gain coercive economic power over
1256 almost every corner of the globe. I liked your testimony
1257 comparing the relative size of the Development Finance
1258 Corporation's portfolio -- or the loans last year -- to those
1259 of the Belt and Road Initiative. So let's underline that a
1260 little bit. What were -- what was the size of the deal flow
1261 that the DFC made?

1262 *Mr. Runde. Thank you, Congressman. Last year the DFC
1263 did about \$9 billion.

1264 *Mr. Johnson. Okay, so nine billion. What was the --
1265 what is the similar comparison to the Belt and Road

1266 Initiative?

1267 *Mr. Runde. Thank you, Congressman. The Belt and Road
1268 Initiative, all in the various spigots, about \$90 billion,
1269 sir.

1270 *Mr. Johnson. Yes, so I loved in your testimony that
1271 you called out the fact that, if we are trying to make it
1272 seem as though this is an answer to the Belt and Road
1273 Initiative, we are off by an order of magnitude, and we just
1274 need to call out that there is a lot of additional work to be
1275 done here.

1276 Now, clearly, there is not a singular source for
1277 American soft power, but this tool in our toolbox is
1278 substantially smaller than the commensurate tool that China
1279 is using. That is fair to say?

1280 *Mr. Runde. That is fair to say, Congressman, and I
1281 have heard very intelligent people say that our answer to
1282 Belt and Road is the DFC. It is an important instrument. I
1283 am all for it. I was involved with setting it up. But it is
1284 not sufficient to respond fully to the Belt and Road. They
1285 are 10 times bigger in terms of what they are doing than what
1286 the DFC is doing on an annual basis, sir.

1287 *Mr. Trulio. Congressman, if I could interject also,
1288 there is also a speed issue, right? So it is volume and also
1289 velocity of how quickly we can do deals.

1290 *Mr. Runde. Yes.

1291 *Mr. Johnson. Yes, at some point, if people view
1292 working with us as overly bureaucratic and slow, you are
1293 going to see good deal flow go elsewhere, right, and
1294 unfortunately, look to the Chinese Communist Party, which is
1295 not where we want them to look.

1296 I liked your comments about making sure that the DFC is
1297 capable of working with some middle and upper-income
1298 countries. I am working with Mr. Stanton on the
1299 Semiconductor Supply Chain Security and Diversification Act.
1300 We are the two leaders of that push.

1301 Now, obviously, that is an industry-specific push. It
1302 would make it easier for us to make investments in the
1303 semiconductor industry, both upstream and downstream. Is
1304 that kind of -- number one, is that what we should be doing,
1305 looking at that kind of an industry to make investments?

1306 *Mr. Runde. Yes, sir, I think so.

1307 I want to just echo Mr. Trulio's point. I think there
1308 is this issue of speed. Japan, in response to Belt and Road,
1309 has made a commitment in its agencies to respond to an
1310 infrastructure idea within 11 months. We might actually say
1311 we would like agencies to make some sort of a commitment to
1312 say we are going to have some kind of -- if you come in that
1313 door with an idea, we will give you a straight up or down
1314 answer within 12 months. That seems like a pretty reasonable
1315 thing.

1316 So I think yes, sir, on speed. And then yes, sir, on
1317 your question about supply chains and the -- what you are
1318 describing. I think we should be using the DFC for those
1319 sorts of things, sir.

1320 *Mr. Johnson. And so an industry-specific approach, we
1321 have done a little bit of that in the past with the DFC. Is
1322 it reasonable to do that in other industries?

1323 *Mr. Runde. Yes, sir. I would, for example, suggest
1324 mining would be one, undersea cables would be another, ports
1325 would be another. I think we ought to have special
1326 initiatives. I think there is some very excellent
1327 professionals, both at the political level and at the career
1328 level at the DFC. I think with some additional tools they
1329 could do even more, sir.

1330 *Mr. Johnson. So let's -- I would like to turn our
1331 attention to 2021 Ecuador. We made an agreement to, I guess
1332 you would call it, refinance some of the debt that Ecuador
1333 had with the Chinese, with the PRC. We had some commitments
1334 there as a part of the framework that said you can't have
1335 Huawei as a part of your telecommunications networks. Now,
1336 from what I understand, that framework is not being pursued
1337 any longer.

1338 So I think my question would be, number one, why is
1339 that? And number two, are those kinds of strings -- do we
1340 want strings like that attached to these DFC deals?

1341 *Mr. Runde. So Congressman, I think it is really
1342 important -- if the Chinese Communist Party wants to build a
1343 farm-to-market road in the middle of nowhere, we shouldn't
1344 worry about that. But if they want to make a play to control
1345 the digital rails of the future through the unholy trinity of
1346 Huawei, ZTE, and Alipay, we ought to do everything we can to
1347 stop that. So I am open to creative ideas to stop it, and so
1348 I do think we need to enable an alternative so that Huawei,
1349 ZTE, and Alipay don't control the digital rails of the
1350 future, sir.

1351 *Mr. Johnson. Yes. With my time remaining, Mr.
1352 Chairman, I would like to submit for the record on behalf of
1353 Mr. Gimenez, who led the letter -- although I also signed
1354 onto it -- to the embassy in Panama, calling out some of the
1355 issues that the ranking member talked about, and concerns
1356 that we would like further pursued.

1357 *Chairman Moolenaar. Without objection, it will be
1358 added to the hearing record.

1359 [The information follows:]

1360

1361 *****COMMITTEE INSERT*****

1362

1363 *Mr. Johnson. Thanks much.

1364 *Chairman Moolenaar. Representative Auchincloss.

1365 *Mr. Auchincloss. Thank you, Chair. This has been a
1366 terrific hearing, and I appreciate the testimony from our
1367 experts.

1368 Mr. Runde, you note in your written testimony that, in
1369 the long run, infrastructure investments follow trade.
1370 Regrettably, trade has become a four-letter word in Congress.
1371 That is unfortunate because, ultimately, reciprocal market
1372 access is one of the most compelling things that the United
1373 States has in our competition with the Chinese Communist
1374 Party globally.

1375 And I think there is a grand bargain that needs to be
1376 struck here in Congress first in which we acknowledge and
1377 organize behind de-risking from China, and recognizing that
1378 China has been cheating in the global, rules-based trading
1379 order, but then complementing that de-risking from China by
1380 then further engaging with the global south and with
1381 developing nations in trade and investment ties. It has got
1382 to be a one-two punch, not merely a stick, but also a carrot.

1383 To that end, this committee, almost unanimously, has
1384 supported the concept of reauthorizing the Generalized System
1385 of Preferences, which is really, functionally that grand
1386 bargain crystallized in a single policy. It is reducing
1387 trade ties with China while simultaneously increasing them

1388 with the global south. Mr. Runde, can you speak about how
1389 reauthorizing GSP would help us outcompete the Belt and Road
1390 Initiative?

1391 *Mr. Runde. Thank you, Congressman. That is a really
1392 important question. Thank you for asking this.

1393 So all of our trade deals, all of them, have had a
1394 geopolitical reason behind them. I could use the term,
1395 "geoeconomic," but for this kind of -- there has been --
1396 something other than trade has been behind every trade deal
1397 we have ever done since World War II: when we said we were
1398 going to set up the GATT after World War II as part of the
1399 Bretton Woods institutions to rebuild the world; NAFTA; now
1400 USMCA. So we do need a grand bargain.

1401 I think GSP has been an important set of rules of the
1402 game. It has lapsed for four years. That is a problem. It
1403 is part of our offer to developing countries, and so we need
1404 to reestablish GSP. And getting AGOA done, the African
1405 Growth and Opportunity Act, is somewhat linked to GSP, so we
1406 do need a grand bargain.

1407 Twenty-five years ago, we led the world, a hundred and
1408 twenty countries. Our number-one -- we were their number-one
1409 trading partner. In China there were 60. That has flipped.
1410 They are now the number-one trading partner for 120
1411 countries. It is hard for us to, you know, tell developing
1412 countries, if their biggest trading partner or biggest debt

1413 holder is China, you know, "You really ought to do this, or
1414 you really ought to do that, or really consider this, or
1415 really ought to consider that.'" It is really important, so
1416 I really appreciate your question, Congressman.

1417 *Mr. Auchincloss. Thank you. Market access has to be
1418 part of the conversation here.

1419 I want to press further, Mr. Trulio, on bringing --
1420 crowding in private capital to this conversation. I will
1421 associate myself with the comments from Mr. Luetkemeyer about
1422 the importance of tapping into really what is a strong U.S.
1423 advantage here, which is that we have long-term, patient,
1424 disciplined, sophisticated capital that wants to be invested
1425 in infrastructure, particularly in infrastructure and
1426 emerging economies that is going to pay big dividends.

1427 I hear the points about DFC reforms, equity scoring, and
1428 I also hear the points that it is necessary but insufficient
1429 as part of a toolkit.

1430 What else can we be doing besides your EXIM
1431 recommendations, besides your DFC recommendations to get
1432 trillions of dollars of private capital off the sidelines and
1433 investing in Africa and ASEAN nations?

1434 *Mr. Trulio. Thank you Congressman. Look, I think it
1435 is a combination of individual wins on the policy level.
1436 There are -- of course, there are huge organizational issues
1437 that we talked about earlier. But putting -- making it

1438 clearer who is in charge and how to pursue it, how to pursue
1439 opportunities.

1440 But I think things -- basically, my own direct
1441 experience was that the private sector gets frustrated and
1442 then kind of just walks away, or thinks this is too hard.

1443 *Mr. Auchincloss. Is it -- do they get frustrated
1444 because they don't feel like they have one phone number to
1445 call in Washington, or do they get frustrated because of the
1446 risk premium that they have to pay in developing economies
1447 that doesn't get --

1448 *Mr. Trulio. Well, it is certainly who is in charge,
1449 who do we talk to. There is -- you know, you have to go
1450 around town. A lot of companies, especially the innovative,
1451 smaller to medium-sized enterprises, they don't have people
1452 in Washington. They don't have consultants here who can help
1453 navigate all that. That certainly imposes a cost on them.
1454 So those are huge challenges. And then -- so we make it hard
1455 to use these tools, even though we are paying for these tools
1456 as taxpayers, and we walk away.

1457 There is an added element to that that we haven't really
1458 addressed, which is we are behind on some of these key
1459 technologies. I lived through this on the 5G issue. There
1460 was no specific U.S. solution or counter to Huawei or ZTE.
1461 So having to -- you know, we need, as a country, to work with
1462 other allies and partners, for example, Samsung, and Nokia,

1463 and Ericsson from South Korea, from Finland, and Sweden. We
1464 are going to have to work together creatively like that to
1465 come up with the counter.

1466 As Mr. Runde said, you can't beat a comprehensive offer
1467 from the Chinese with nothing, or with a new project to go
1468 figure it out on a bespoke basis.

1469 *Mr. Auchincloss. Another example of the grand bargain
1470 here is -- what I am hearing is that, just like GSP is about
1471 trade with the global south to contradict trade with China,
1472 commercial diplomacy with our developed economy allies,
1473 Japan, South Korea for everything from 5G to --

1474 *Mr. Trulio. Absolutely, and --

1475 *Mr. Auchincloss. -- is strengthened.

1476 *Mr. Trulio. In Europe and in Asia, that is going to be
1477 really important.

1478 *Mr. Auchincloss. I will yield back.

1479 *Chairman Moolenaar. Representative Steel.

1480 *Mrs. Steel. Congratulations to your chairmanship. And
1481 thank you for chairman and ranking member holding this really
1482 important hearing today. And thank you, all the witnesses
1483 coming out. I am just so grateful.

1484 I want to submit for the record a recent article that I
1485 wrote, CCP Belt and Road influence in South America called,
1486 "President Biden Must Get Serious About China's South
1487 American Ambitions.'`

1488 *Chairman Moolenaar. Without objection.

1489 [The information follows:]

1490

1491 *****COMMITTEE INSERT*****

1492

1493 *Mrs. Steel. Thank you. You know, this is not just --
1494 it is all over the world, in the Pacific region, developing
1495 countries, African countries that we -- Ways and Means
1496 Committee had a CODEL trip, and we went -- I see these small,
1497 developing countries, that they actually see a lot of Chinese
1498 investment coming in. They are building highways, ports,
1499 airports, and then in the Pacific region same thing. And
1500 South America, it is our backyard. And you know what? This
1501 is very, very dangerous, and we really have to take
1502 seriously.

1503 And on the, actually, article that I wrote about
1504 Peruvian capital of Lima, that they were building the gateway
1505 from South America to Asia, they put \$3.5 billion investment,
1506 and they are building 15 terminals, mobilizing more than 5
1507 million containers annually. And this morning we got the
1508 news that actually they are building the tunnel under that
1509 city. There are 1.8 kilometer, it is about 1.1 mile that --
1510 under the city, and it collapsed. This under the city means
1511 that they tried to hide something that this highway, a 1.1-
1512 mile highway, is very, very long under the city. I mean, it
1513 is -- I am glad that it has collapsed, that, you know, we
1514 found out from the news this morning. But I cannot say
1515 really happy for Peru, but, you know, for what China is --
1516 you know, what they tried to build.

1517 How much we have to take seriously, because these

1518 national security issues, because they are building this
1519 port, airport, and they try to use, actually, that for next
1520 war, and they try to dominate the world. How important it
1521 is, and how are we going to prevent that?

1522 Because it seems like every country that you go --
1523 Cambodia, Taiwan, Thailand, and other areas -- that you see a
1524 lot, these infrastructure buildings. And then what they do
1525 is, these companies -- I mean countries -- they cannot pay
1526 for it, and they take over charging of it. So how are we
1527 going to prevent, and how are we going to go out there?

1528 And we spent -- actually, one of the African countries
1529 that almost -- we invest the same amount as China. But, you
1530 know what? China, its favorable rate is almost same as
1531 America. So how are we going to work with these countries,
1532 and how are we going to get out, and then actually our
1533 infrastructure building and other stuffs that, you know, we
1534 work together with our allies?

1535 *Mr. Runde. Congresswoman, thank you for this very
1536 important question. There is not one answer to this really
1537 important question, but we need to do several things a lot
1538 better.

1539 We need to have better commercial intelligence to know
1540 when these projects are coming. We need better commercial
1541 diplomacy. So for example, in Africa I think we have, from
1542 the Commerce Department, something like 11 -- don't quote me

1543 on this -- 11 foreign and commercial service officers in the
1544 continent of Africa, and I think there is something like 11
1545 foreign and commercial service officers in the country of
1546 Germany. So we need to, I think, maybe perhaps look at this
1547 issue of how many foreign commercial service officers we have
1548 in these countries, because they are part of this.

1549 We got to work with our friends and allies. We can't do
1550 this alone. I have explained that, that we on our own can't
1551 do this. We should be lashed up with Japan, we should be
1552 lashed up with the Australians and the Canadians.

1553 We should ride herd on the multilateral development
1554 banks. The Inter-American development Bank is a major
1555 financier of infrastructure. They have really excellent
1556 professionals.

1557 Peru is a friend. They would like more -- all these
1558 countries, most of the time, if they were given a choice,
1559 they would like America to be there. They always ask -- I am
1560 sure, Congresswoman, you were in Africa -- like, where is the
1561 United States? I am sure you were asked this question.

1562 So it is -- we need to make it easier for our American
1563 businesses to be there. There are ways to do that. But we
1564 are -- absolutely, we should be concerned because there is
1565 dual use concerns with these ports and military use, but also
1566 triple use in terms of doing it for intelligence operations,
1567 et cetera. So absolutely, we should be concerned,

1568 Congresswoman.

1569 *Mrs. Steel. So I have just a little bit of time that,
1570 you know, I have been raising awareness about LOGINK, it is a
1571 maritime tracking system, a Chinese system that -- a lot of
1572 our allies are using it -- Japan, South Korea, Portugal,
1573 Spain. And I am glad that that actually -- LOGINK
1574 legislation was included in the fiscal year 2024 NDAA. So I
1575 am very happy about that.

1576 But you know what? This is not just like a trade issue
1577 and other issues, but you know what? This is actually
1578 national issues -- national security issues because our Navy
1579 ships are going out to these ports. They know exactly what
1580 time and when they are, you know, getting to the port and
1581 they are leaving to the port from the port. So, you know
1582 what? We have to work much harder. And I am so happy to be
1583 in this committee because, you know, we can really show the
1584 awareness of what China does, and we really have to study
1585 more.

1586 So thank you very much, and I yield back.

1587 *Chairman Moolenaar. Thank you.

1588 And Representative Hinson.

1589 *Mrs. Hinson. Thank you, Mr. Chairman. Good morning to
1590 our witnesses today.

1591 If there is one thing that is abundantly clear, it is
1592 that the relationships that the Chinese Communist Party is

1593 developing around the world are nothing more than truly
1594 aggressive, blatant attempts to undermine Western influence
1595 and democracy on the world stage.

1596 China, as we know, is playing a zero-sum game here, and
1597 President Xi intends to wrap up as much of the world as he
1598 can in this Belt and Road Initiative debt trap diplomacy. So
1599 it is extremely concerning that we see one of China's largest
1600 exports of technology is surveillance-related systems to weak
1601 democracies and authoritarian governments. A couple
1602 companies -- Huawei, ZTE, many other companies -- are
1603 involved in this AI surveillance technology, and they have
1604 supplied that to over 60 countries so far that we have
1605 tracked, and you may have better data on that, specifically.
1606 But of these, we know 36 nations have signed on to China's
1607 Belt and Road Initiative.

1608 So again, this is the CCP blatantly spreading their
1609 surveillance state around the world. So my first question,
1610 Mr. Runde, are we seeing a correlation between the exports of
1611 this surveillance technology tied with these Belt and Road
1612 agreements as a means for the coalition-building, continuing
1613 to spread their influence?

1614 And then how does that surveillance state in these other
1615 countries benefit the CCP?

1616 *Mr. Runde. Thank you, Congresswoman. I would say yes,
1617 absolutely.

1618 There is also another technology called NucTech. So
1619 NucTech is like X-ray equipment, and looking at, like,
1620 looking for nuclear weapons and other sorts of things that
1621 they make. That is like the Huawei of security industries,
1622 and they are exporting it to our allies, as well. So I think
1623 what you are raising is something very critical,
1624 Congresswoman.

1625 Absolutely, this sort of technology -- China is
1626 exporting a form of techno-authoritarianism. The bad guys
1627 are getting better at being bad. And this sort of technology
1628 allows the bad guys to be better at being bad. So I do think
1629 there is absolutely a link between the export of these
1630 surveillance technologies and sort of a closing of democratic
1631 space. We should absolutely see this, and also deeper
1632 linkages.

1633 They are absolutely allying with bad actors. There is
1634 an alliance of bad countries. The Star Wars bar of countries
1635 is aligned against us. So it is -- think of it, it is China,
1636 it is Vladimir Putin's murderous regime, Belarus. I mean, it
1637 is all these thug regimes.

1638 *Mrs. Hinson. It is BRICS.

1639 *Mr. Runde. Yes, it is all these thug regimes. And so
1640 think of it like the Star Wars bar of countries. And they
1641 would like to over -- they would like to overthrow the
1642 Western international order.

1643 And so this tech, this techno-authoritarianism, these
1644 surveillance technologies is a way in which they are trying
1645 to make a play to do that. Thank you, Congresswoman.

1646 *Mrs. Hinson. Yes, absolutely. We know this is
1647 designed to establish an alternative world order, correct?

1648 And so we know Brazil and Russia would be able to
1649 dominate the world's supply of raw materials by 2050
1650 coincides with China's goal of being the dominant power by
1651 2049. So if the blatant nature of this Belt and Road Ponzi
1652 scheme wasn't enough, BRICS should be, I kind of think, the
1653 final evidence of China's intentions here to undermine the
1654 West.

1655 Mr. Trulio, how do you anticipate the BRICS bloc really
1656 helping with China's sway, with the influence there?

1657 And what concerns do you see arising from its recent
1658 expansion?

1659 *Mr. Trulio. So my huge concern, Congresswoman, is not
1660 only with BRICS, but also just the whole nature of the
1661 trading partner relationships. And Mr. Runde referenced how
1662 many number-one trading partners China has around the world.
1663 I believe I am correct to say that Brazil's number-one
1664 trading partner is now China.

1665 *Mrs. Hinson. Right.

1666 *Mr. Trulio. When one thinks of the Western Hemisphere,
1667 one might logically think that it would be the United States

1668 that would be the number-one trading partner of a lot of
1669 these countries, but it is not. And that has huge
1670 implications politically, militarily, economically. So that
1671 trend is certainly very concerning.

1672 And you mentioned BRICS. I want to zero in specifically
1673 on Brazil, a hugely important country to the United States
1674 and to the Western Hemisphere, over 200 million people, an
1675 enormous economy, tremendous depths of innovation among the
1676 people there, a huge potential market for us. And yet, if we
1677 think of where is Brazil in the policy conversation in the
1678 United States and the diplomatic conversation, I would argue
1679 it is not where it is supposed to be.

1680 *Mrs. Hinson. Right. We have ceded many of those
1681 authorities by not being more aggressive on trade, which is
1682 something I think we need to absolutely be doing, trade and
1683 supply chain. I think those are the two things where we need
1684 to address immediately.

1685 So supply chain, when you look at how China has been
1686 undercutting markets and global competitors, that is
1687 incredibly important, and when it comes to our
1688 pharmaceuticals. So, Dr. Parks, how might China's capacity
1689 to expedite pharmaceutical innovation and development and
1690 leveraging subsidies, data collection, clinical trials really
1691 affect the global pharmaceutical market?

1692 *Mr. Parks. I am afraid I can't speak to that issue. I

1693 don't know if any of my fellow witnesses are better
1694 positioned.

1695 *Mrs. Hinson. Yes, yes.

1696 *Mr. Trulio. Well, look, if we think of what are the
1697 critical areas for -- that are vulnerabilities, but also key
1698 technologies or capabilities in the future, if we had a blank
1699 piece of paper, we would never design a system where we
1700 depended on China for critical pharmaceutical chemicals. It
1701 is just ridiculous.

1702 *Mrs. Hinson. Yes.

1703 *Mr. Trulio. Right? So -- but that is, I think, where
1704 it is not just we need to do more here inside the United
1705 States, which we do, but also working with our friends and
1706 allies, whether it is Canada, Mexico, or, you know, Italy,
1707 whatever, what have you, friendly countries that share our
1708 values, right? Freedom, democracy, individual liberty, that
1709 should be the filter by which we assess.

1710 *Mrs. Hinson. Absolutely. Thank you.

1711 *Mr. Runde. Congresswoman, when they said they were
1712 going to cut off our pills and cut off our ventilators during
1713 COVID, those were grounds for a divorce. So we need to have
1714 reshoring and nearshoring and friendshoring of
1715 pharmaceuticals. And so I appreciate you raising this
1716 question.

1717 *Mrs. Hinson. Thank you. Thanks to our witnesses.

1718 And Mr. Chairman, I yield back. Thank you.

1719 *Chairman Moolenaar. Thank you. I want to thank all
1720 the members. I especially want to thank our witnesses today.

1721 Questions for the record are due one week from today.

1722 And without objection, the committee hearing is
1723 adjourned.

1724 [Whereupon, at 10:57 a.m., the select committee was
1725 adjourned.]