Testimony of Secretary Leon Panetta
Before the U.S. House Select Committee on the Chinese Communist Party
January 30, 2024

Chairman Gallagher, Ranking Member Krishnamoorthi, distinguished Members of the Committee, thank you for inviting me to testify on the increasing threat posed by the People's Republic of China (PRC) and its ongoing efforts to align with America's adversaries to undermine U.S. and allied interests around the world.

The national security threat environment today is starker and more dangerous than it has been in decades – and this moment demands principled, bipartisan American leadership on the global stage.

And that is where I want to start because I believe this Committee is exemplifying such bipartisan leadership. You are doing so by highlighting the threats posed by the Chinese Communist Party (CCP) and by recommending concrete steps we can take to accelerate the United States' responses. Along that vein, I also want to acknowledge your recently published report on economic competition with the CCP and the nearly 150 recommendations in that report. The details in that report provide specific examples of how the United States can lead the free world in countering the autocratic forces aligning to undermine the international rules-based order.

The Threat Landscape

We live in a dangerous world. Autocrats around the globe are challenging Western values and interests and working to discredit democracy as an inferior model of governance. We have seen this manifest in several different ways. In the information space, this has taken the form of coordinated mis- and dis-information campaigns. Our adversaries routinely weaponize economic tools of market-access and trade dependencies, such as fossil fuels from Russia and critical minerals from China. Revisionist powers are undermining the very international institutions that were designed to thwart authoritarian repression and aggression.

This challenge has escalated into armed conflict, as evidenced by Russian President Vladimir Putin's illegal and destabilizing invasion of Ukraine in 2022. This war is not only representative of the larger ideological battle taking place globally between democracies and autocracies, but I believe that the outcome of this war will determine the fate of democracy in the 21st century. Putin chose to invade Ukraine because, after annexing Crimea, intervening in the Syrian and Libyan Civil Wars, and even conducting a cyber-attack against the United States of America, he was not forced to pay a meaningful price. When Putin, and other adversaries, including PRC General Secretary Xi Jinping, perceive the United States as weak, they are incentivized to act more aggressively against us and our allies.

I am proud of the way that the United States and our partners and allies have come together in support of Ukraine. We deployed our forces to NATO's eastern flank. We provided Ukraine with

weapons, with intelligence, with advice, and with diplomatic backing. We enlarged NATO to include Sweden and Finland. We helped Ukraine stave off cyber attacks. And we sanctioned Russia's war-making machine to the point where they have to turn to inferior militaries like Iran's to help them on the battlefield.

Our ability to stand together against Putin and provide support to the Ukrainian warfighters sends a critical message to autocrats considering similar incursions: the United States will stand by its allies and partners; we will make you pay. I believe that continued support for Ukraine is key to ensuring that Xi thinks twice about the consequences of attempting an invasion of Taiwan. We simply cannot be tough on China and weak in our support for Ukraine.

The threat we are facing is not just from China or Russia, however. We are facing an increasingly aligned group of autocrats from around the world united in their determination to maintain absolute power domestically and their intent to destabilize the international order that we helped build after World War II. This alignment of autocrats is evident not only between China and Russia through their "no limits" partnership that they announced around the Beijing Olympics in 2022, their mutual support in international institutions, and increasing military cooperation between Russian and Chinese forces, but also through trade of weapons and dual-use technologies among Russia, Iran, China, and North Korea. I am particularly concerned about the role that Iran is playing – it is sponsoring Hamas, Hezbollah, the Houthis, and Shia proxies in Iraq and Syria attacking our forces, and it is sending drones to the battlefield in Ukraine.

China is exploiting these conflicts to advance its narrative of Western decline. China has largely refused to condemn Russia for its invasion of Ukraine or Hamas for its attack on Israel. At the same time, it is promoting an alternative world order through the expansion of Beijing-led blocs, such as the Shanghai Cooperation Organization and the BRICS grouping. In this global context, the United States and its allies must stand together and stand up for what we believe.

The PRC Threat

In the midst of active war, both in Europe and the Middle East, and the alignment forming amongst our adversaries, we must prioritize our responses to the significant political, military, economic, and technological challenge posed by China. In 2012, I met then PRC Vice President Xi Jinping multiple times – once during a trip to the Asia Pacific, and once here in Washington. While I had anticipated a well-scripted interaction, he surprised me by dispensing with talking points and speaking frankly – using the ideological language about China's destiny that showed me his ambition. At that time, we assessed that ambition would take the form of accelerated reforms and bringing China into greater alignment economically with the West. What we have seen from Xi's actions is indeed ambitious – but the direction is quite the opposite. China has taken every opportunity to undermine the United States and the West, to make us "pay" for access to their markets by stealing our intellectual property, to conduct economic espionage, and to try to keep us out of the Pacific. For example, China has built 3,200 acres of artificial

islands with advanced military weaponry in contested areas of the South China Sea, despite promising otherwise.

Since Xi's rise to CCP general secretary in 2012 and PRC president in 2013, we have seen an increasingly assertive PRC. China has been engaging in an ideological campaign, largely focused on the Global South, to garner goodwill while discrediting the United States and its allies. It has been utilizing mis- and dis-information campaigns to impact public opinion and influence elections. This is of particular concern this year, as we head into a presidential election in the United States and nearly 80 other nations hold elections. We need to be vigilant, especially given the threat of deepfakes posed by Artificial Intelligence.

China is also continuing to build up its global economic influence in a way that affords Beijing additional tools for shaping geopolitics. It is developing indigenous technologies to reduce reliance on Western countries, while increasing other countries' reliance on China across strategic sectors such as biotechnology, agriculture, infrastructure, and communications. Beijing has shown its willingness to leverage market access to punish other countries – as seen with Australia following its inquiry into the origins of COVID-19 and Lithuania regarding relations with Taiwan, among others. We have every reason to believe China will continue to leverage key parts of critical supply chains to advance its interests.

We are also acutely aware of China's efforts to modernize the People's Liberation Army (PLA). China strives to have a "world-class" [*their words*] military by the 100-year anniversary of the People's Republic of China in 2049 and is making strides towards this goal. It already has the world's largest navy, with over 370 ships and submarines. The PLA air force continues to produce manned and unmanned aircraft and is developing inter-continental ballistic missiles to enable its nuclear missile forces. China is also expanding its nuclear arsenal at an accelerating rate, with over 500 warheads, which is set to more than double by the end of the decade. Additionally, through its Military-Civil Fusion strategy, China is working to leverage the advancements of private sector companies, including foreign companies in China, towards further PLA modernization.

As China's capabilities grow, the CCP is increasingly willing to employ the threat or use of force, in addition to economic coercion, to compel acquiescence, particularly in the Taiwan Strait. Taiwan has long been a target of Beijing's mass mis- and dis-information campaigns and economic coercion aimed at advancing its goal of "reunification." Xi Jinping recently said that "the reunification of the motherland is a historical necessity" and that China reserves the right to use force to achieve this aim. This, of course, is directly contrary to the decades of effort to preserve the status quo, to ensure that China does not try to take Taiwan. We have provided Taiwan weapons so that it can be the proverbial "porcupine" – hard to swallow by China. We are going to need to train and support Taiwan in accordance with the Taiwan Relations Act. This is an urgent task. The PLA's modernization efforts aim to prepare for a Taiwan Strait contingency and, as those capabilities mount, we have also seen increasing aggression – including ballistic missile overflights of Taiwan and major military exercises surrounding the island. We could see China try to move on Taiwan sometime this decade. And to that end, I

think President Biden had it exactly right when he said, yes, we will defend Taiwan militarily if it comes to that. I believe strongly that when the United States gives its word, it must stand by its word.

Beijing's military coercion extends beyond Taiwan. The PLA is increasingly pressuring the Philippines in the South China Sea. In recent months, PRC coast guard cutters have fired water cannons and even rammed Philippine coast guard vessels attempting to resupply its marines on Second Thomas Shoal. On its border with India, China has also used force against Indian soldiers resulting in frequent skirmishes.

Aggression against our partners and allies increases the likelihood of conflict and challenges our solemn commitments; it cannot be tolerated. The United States, as a Pacific power, has a responsibility to stand up against this aggression and support our partners and allies in doing the same.

U.S. Global Leadership

While this alignment of autocrats is concerning, there is good news. The alignment of autocrats does not even come close to approaching the strength, depth, and breadth of the United States' global network of allies and partners. We are facing big challenges, but we are not facing them alone. The U.S. ability to build strong partnerships affords us a significant advantage over our adversaries.

Following President Putin's invasion of Ukraine, North Atlantic Treaty Organization (NATO) allies came together in support of Ukraine's self-defense. NATO has since expanded to include new members and remains committed to Ukrainian sovereignty. Even more recently, the United States has led multi-lateral efforts to protect shipping routes in the Red Sea and provide support to our ally Israel and humanitarian assistance for civilians since Hamas' invasion of Israel on October 7.

In the Indo-Pacific, several partnerships and alliances are key to a comprehensive approach to the region's security. Through the Indo-Pacific Quad, the United States, Australia, Japan, and India cooperate on key issues including maritime domain awareness, cybersecurity, and health security. Following the 2023 Camp David Summit, the United States, South Korea, and Japan are increasing trilateral coordination and security cooperation. Through AUKUS, Australia, the United States, and the United Kingdom are cooperating to bolster deterrence and capabilities in the Indo-Pacific region, including through providing Australia with conventionally armed nuclear-powered submarines. Through the Pacific Islands Forum (PIF) and the Compacts of Free Association (COFA), the United States is able to cooperate with pacific island nations to address regional security and economic issues. I believe this Administration, with Congressional bipartisan support, has done an excellent job supporting these partnerships and alliances.

The United States has treaty allies across the Indo-Pacific, including South Korea, Japan, the Philippines, Thailand, and Australia in addition to other partners such as Taiwan. We have

troops, ships, and aircraft across the region ready to act with our allies and partners should the need arise. Strengthening these relationships bolsters our ability to respond to the threats that we face.

Time to Act

In the face of such significant challenges, it is clear that the United States needs to ensure that we remain the global leader. Our response to these threats must be rooted in U.S. global leadership abroad and bipartisanship at home. Key to addressing the threat posed by the PRC will be a set of policy priorities that I believe should have bipartisan support, and I believe they do. These include:

- Arming Taiwan to increase deterrence and prepare the island to defend itself.
- Strengthening our force posture in the Indo-Pacific with more modern capabilities.
- Investing in the next generation of military technology to counter the threat posed by China's military modernization.
    - I am pleased that the Secretary of the Navy will establish an innovation center at the Naval Post Graduate School in Monterey, California, to build partnerships with the private sector and to focus on new technology.
- Bolstering our alliance relationships – with Australia, the Philippines, Thailand, Japan, and South Korea, both bilaterally and multilaterally.
- Strengthening engagement with India, including through multilateral fora such as the Quad.
- Maintaining strong export controls on critical technologies to the PRC, which the Administration has done and has already begun to impact the PRC in key industries.
    - Huawei continues to be a threat and is now expanding into cloud and smart vehicles.
- Investing in strategic sectors here in the United States – including semiconductors, AI, could computing, and quantum technologies.
    - The CHIPS and Science Act provides $52 billion to bolster domestic semiconductor manufacturing and ensure America has access to technology critical to our economy and national defense. Projects receiving CHIPS Act funding should advance with great urgency, including by removing any regulatory hurdles that may impede those efforts and streamlining federal environmental reviews.
- Bolstering our cyber defenses, particularly for U.S. critical infrastructure, to ensure we are not vulnerable to China's sophisticated cyber hacking capabilities.
- We have to strengthen and expand our intelligence on China. They have always been a tough target. But we need good intelligence if we are to understand what this adversary is up to.
- Demonstrating that democracy works, that we can pass budgets, that our election systems are tamper proof, and that we can have a peaceful transfer of power. We have

to show the world that our model of governance can work. Frankly, the greatest threat to national security is if we fail to govern our democracy.

FY24 Emergency Supplemental Request

An example of the need to govern our democracy is passing the FY24 Emergency Supplemental.

Failure to do so would send a terrible message to our adversaries, such as the PRC, and to our allies regarding American leadership and reliability.

President Biden's emergency supplemental request for fiscal year 2024 provides continued support for Ukraine, Israel, and security assistance for the Indo-Pacific, including Foreign Military Financing for Taiwan, the Philippines, and Vietnam. It provides $3.3 billion for investment in the U.S. defense industrial base – specifically to support submarine building in the United States. This not only has clear implications for U.S. military readiness but is also a key part of our cooperation with the United Kingdom and Australia under the AUKUS framework.

The supplemental also bolsters U.S. diplomacy and strategic positioning in the Pacific, for example through funding for the Compacts of Free Association (COFA), agreements between the United States and the Freely Associated States of Palau, Micronesia, and the Marshall Islands that give the United States exclusive military access in the Pacific between Hawaii to the Philippines. These agreements with our longtime partners are critical to our national security and serve as a key component of the U.S. military posture in the Indo-Pacific. The longer Congress takes to approve and fund the renegotiated agreements, the more time we are giving Beijing to further deepen its influence in the region.

Israel cannot wait. Ukraine cannot wait. Taiwan cannot wait. The world is watching – and we need to act.

Conclusion

In this increasingly complex and challenging global context, we must constantly remain apprised of threats, find new and innovative solutions to address them, and act. I cannot emphasize enough the importance of this Committee, both because of its focus on this key national security threat and its bipartisan approach. It may not be feasible to establish similar Committees to address the specific threats posed by North Korea, Iran, Russia, and other adversaries; I would argue that that is not necessary if this Committee is able to succeed in sending the message that the United States must provide global leadership in response to new and existing threats and build and maintain strong alliances. We must demonstrate just how effectively our democracy functions – that the United States is guided by leadership, across the aisle, that can work together and make tough decisions.

I tell the students at the Panetta Institute that in a democracy, we govern by leadership or by crisis. If leadership is there – strong, principled leadership, willing to take risks – crisis can be avoided. If leadership is not there, we will govern by crisis. The United States has governed by crisis, and in many ways, is paying the price for it – both through damaging the trust of the American people and undermining U.S. global leadership.

This Committee provides hope that we can govern and work together.

I want to thank you all for your leadership and for working together to keep our nation and our world secure and prosperous for ourselves and for future generations.

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