



The Full Speech of H. R. McMaster at INSS 13th Annual International Conference

Well good morning everyone. It's a real pleasure to be with all of you and to be at INSS, an organization that I've benefitted from over the years, and to be here with General Yadlin, my friend, and with all of you, to see some old friends and to make some new ones here over the past couple of days. I thought what I might do is share with you our thinking as we confronted the challenge of the Chinese Communist Party in 2017 and how that thinking, I think, has served as a basis for a very significant shift in US foreign policy, a shift that I think has bipartisan support and is a multigenerational shift in how we approach this particular challenge to our national security and to international security.

But I would like to begin first by suggesting that the climate we find ourselves in is not one of a new Cold War. For example, the world is not divided as starkly into Communist and Free blocks as during the Cold War and our free and open societies are intertwined with China and the Chinese people in ways that are far different from the experience of the Cold War with the Soviet Union. I think it is important to acknowledge that our problems are not with China, our problems are with the policies and actions of a small minority within China, the leaders of the Chinese Communist Party. And I would like to suggest that what we face today is not a Sino-U.S. challenge. It is a challenge that the Chinese Communist Party is presenting to the United States, Israel, and other free and open societies as well as the rules-based international system -- the liberal international order we built together after a costly World War and the horror of the Holocaust -

- one of respect for universal rights; free, fair and reciprocal trade and economic practices; the respect for the sovereignty not only of nations but also of their citizens. The liberal order is not North American, Israeli, or European, but an order valued by all who believe that *people should have a say in how they are governed*. All who share that belief and commitment to rule of law are welcome in the system. And as we see in Hong Kong, and in the great success that is Taiwan in their most recent elections, and as we saw forty years ago in Tiananmen Square, the Chinese people are not culturally predisposed to forfeit their sovereignty to an autocracy that today is determined to extend and tighten its absolute control over the Chinese people.

China's extension of its authoritarian, closed system not only internally as we see with the interment of one to three million people in concentration camps in Xinjiang, but also *the export* of its system is making the world less safe for all of us -- those who live in liberal democracies, those who suffer under corrupt dictatorships, and also the Chinese people. So I hope you do not mind me suggesting a modification to how we frame this problem and to suggest that our problem is with the Chinese Communist Party and that Party's challenge to freedom, security, and prosperity and prospects for the liberal international order.

So, I thought that we might consider the recent past to help us understand the present. The Communist Party's foreign policy toward the free world shifted forty years ago. US-China normalization in 1979 came as China wanted a relationship with America to mitigate threats from the Soviet Union. With the launch of Reform and Opening, China benefitted tremendously from the industriousness of its people who were freed from the devastating Maoist policies such as the Great Leap Forward and

the Cultural Revolution. And China benefitted, of course, from the increased access to North American, Asian and European markets as well as western investment in China. Our strategic and commercial engagement with China after the Cold War was based though on three fundamental assumptions:

- First, that increased economic engagement would induce China to liberalize its economy and evolve from a state-driven model toward a free market model. Even though China did not meet the standards for membership, we even welcomed China into the World Trade Organization in 2001.
- Second, that as China prospered that it would also liberalize its form of governance and establish some degree of rule of law.
- And third, that China, once integrated into the international order would play by the rules and become a responsible stakeholder in that order.

We now know that those fundamental assumptions that underpinned our approach to China since the end of the Cold War were false. Xi Jinping, as you heard the panelists discuss earlier, has strengthened the Party's authoritarian capitalist model while stifling human freedom internally and exporting that model. The effort undermines the international order and fosters a different order to advantage China's authoritarian, closed system.

As the Trump Administration, along with allies and like-minded partners assessed China policy in 2017, we concluded that the United States and other free and open societies could no longer remain passive. It was past time for the United States and our partners to return to arenas of competition from which we were absent due those three flawed assumptions.

So, I thought that we might consider why we clung to those flawed assumptions for so long and then pose a new set of assumptions that might guide us as we compete to preserve freedom and promote prosperity.

We held on to those assumptions, I believe, because we did not give due consideration to the emotions, aspirations and ideology that drive the Chinese Communist Party. And we dealt with the Party's aggressive acts discreetly rather than viewing them in context of the Party's goals and the strategy it is implementing to accomplish those goals.

The behavior of the Chinese Communist Party is driven by emotion -- fear and the aspiration to return to greatness. The Party fears losing its exclusive grip on power. Internal and external efforts to extend the Party's control and influence are connected. Efforts to expand its comprehensive national power are integrated under programs such as military-civil fusion, Made in China 2025 and One Belt One Road. Those programs aim to ensure the Party's absolute control internally and along China's frontiers. They are also aimed at developing servile relationships with its neighbors. And they are aimed at achieving primacy in the Indo-Pacific region and to supplant the United States and its allies. They are also aimed at promoting an alternative system of governance, economic development, and commerce to revise the international order in a way that benefits China. The strategy combines cooption and coercion. And it depends on the concealment of some of its most pernicious efforts.

The Party wants to coopt its own population with high economic growth, as we heard discussed earlier, and its narrative of national rejuvenation while it sharpens its tools for coercion and develops a surveillance state far beyond that imagined in George Orwell's

dystopian novel 1984. It coopts foreign governments with the lure of so-called win-win investments and economic entanglements that give the Communist Party coercive power through unsustainable debt levels and corruption. The Party coopts international companies as well as countries through the lure of access to China's vast market and lucrative short-term profits before stripping those companies of sensitive technologies and knowledge and then forcing them to support or at least acquiesce to their abuse of their own citizens and their increasingly aggressive foreign policy. The Party gets away with it, in large measure, because its leaders portray even their most egregious behavior as normal business, diplomatic, military, or commercial practice. In true Orwellian fashion, those leaders broadcast a narrative of upholding global norms even as they subvert them.

So armed with an understanding of the emotions and aspirations that drive the Party's behavior as well as the Party's goals and the strategy they are employing to achieve those goals, we might want to replace those three flawed assumptions that underpinned our policies toward China with five new assumptions:

First, China, under the Chinese Communist Party will liberalize neither its economy nor its form of government.

Second, the Chinese Communist Party will not play by international rules and will instead try to undermine and eventually replace them with new ones more sympathetic to China's interests.

Third, China will continue to combine its form of economic aggression including unfair trade and economic practices with a sustained campaign of industrial espionage to dominate key sectors of the global economy and lead in the development and application of disruptive technologies.

Fourth, China's aggressive posture is designed to control strategic locations, maybe even ports in Israel, establish exclusionary areas of primacy, and dominate global systems such as logistics, and communications. This is why letting China run ports and put in infrastructure at a discount comes with a hidden price.

Fifth, absent more effective competition from the United States, Europe, India, Japan, I would say Israel as well, and other likeminded nations, China will become *more* aggressive in promoting its statist economy and authoritarian political model as an alternative, an alternative to our free market economics and our democratic governance.

So, what I would suggest is that we use these new assumptions as the basis for determining how we might compete. There is much that we are doing now and can do in the future that is under our control. Our complacency actually created opportunity. Our game cannot help but improve because we have been absent from the arena. I would like to suggest one overarching theme and four more specific initiatives.

The theme is turning what the Chinese Communist Party perceives as our weaknesses into strengths. We might do so by strengthening democracy, rule of law, the free press, and international investment standards.

First, the Party views democratic societies, such as ours, as weaker than authoritarian systems. But, in fact, strong democratic institutions and processes are the best way to resist the Party's effort to co-opt and coerce nations. A key advantage of democracies over autocracies is the power that citizens have to demand change. For example, the unintended consequence of the Chinese Communist Party's predatory policies such as the debt trap under One Belt One Road has been to strengthen citizens'

participation in democratic processes. Chinese so called ‘investment’ is no longer playing well with populations who were the real victims of those ‘debt traps,’ what the new (and former) Prime Minister of Malaysia, Mahathir Mohamad called the “unequal treaties” with Beijing. That is why support for democratic institutions and processes is not just an exercise in altruism. Democracy is a practical means of competing effectively with China and other adversaries who attempt to promote their interests at the expense of other nations through corrupt practices.

Second, Chinese Communist Party leaders view the rule of law as weakening the “rule of the Party,” but rule of law in free and open societies like the United States and Israel has tremendous potential for countering the Chinese Communist Party’s strategy. Investigations by law enforcement play important roles in countering China’s malicious cooption tactics abroad, such as One Belt One Road debt traps. Multinational cooperation in investigating and prosecuting Communist Party criminality is already paying off. One example is the December 2017 when there were indictments and sanctions against the APT-10 campaign of cyber-industrial espionage.

Third, the Chinese Communist Party views an open press and freedom of expression as weaknesses that allow its agents to wage disinformation campaigns such as those the Party launched to mischaracterize the protests in Hong Kong. But a free press is one of the greatest strengths of free and open societies relative to China’s closed system. Assistance to and partnerships with independent media, investigative journalists, and non-governmental organizations are particularly valuable in exposing the CCP’s strategy to coopt and coerce governments, universities, and businesses.

Finally, the Party sees standards for investment and infrastructure projects as constraining our ability to compete effectively with its use of bribes and kickbacks to gain approval for costly projects that indebt countries without an adequate return on investment. But the ability to contrast how the United States, India, Japan, Australia, Israel, and European nations do business could turn the CCP's model into a liability. In 2019, many of the countries I mentioned promoted principles to govern investment in infrastructure projects such as transparency; high quality; responsible and sustainable lending; no tolerance for corruption; adherence to rule of law; and respect for sovereignty.

Some have argued that competing with China is dangerous because it is tantamount to a "Thucydides Trap"—a term used to express the high likelihood of a military conflict between a rising power (China) and a declining power (the United States). The Thucydides Trap poses a false dilemma, between war and the passive accommodation of China's use of a broad range of predatory, aggressive, and unfair practices. When engaging with our Chinese counterparts, I tried to explain respectfully our need to compete fairly as the best means of avoiding confrontation. Had we remained complacent about China's violations of international law and national sovereignty in the South China Sea, for example, China would have continued its aggressive militarization efforts, and it would have become even more provocative. Had we remained inactive toward China's use of state actors in stealing key U.S. technology, their clandestine campaigns would have grown more aggressive rather than decrease in scale. Had the United States remained passive concerning China's unfair trade and economic practices, there would have been no Phase 1 agreement and there would have been no serious follow-on discussions to



protect intellectual property and sensitive technologies while removing barriers to entry to the Chinese market. Transparent competition can prevent unnecessary escalation between the two countries and enable cooperation on pressing challenges where our interests overlap. Competition should not foreclose on cooperation on problems such as climate change, environmental protection, food and water security, of course pandemic prevention and response and even North Korea's nuclear and missile programs.

Competing effectively with China, I believe, is the best way to avoid confrontation. Diplomacy with China should aim for clarity and honesty as the United States and others expose the aggressive nature of Chinese Communist Party's policies. We should make clear that the United States and our like-minded partners are not trying to keep China down. We are competing to preserve our way of life and an international order that produced and sustained an unprecedented period of security and prosperity not only for our free and open societies, but also for the Chinese people. That competition should aim, in part, to convince the Chinese Communist Party leaders that they have achieved and will be able to achieve in future, enough without threatening and undermining our free and open societies.

What a pleasure it is to be with you and thank you for allowing me to share my thoughts on an important topic. Thank you.