

THE BROOKINGS INSTITUTION

GLOBAL CHINA: ASSESSING CHINA'S GROWING ROLE IN THE WORLD

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Introduction:

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Remarks:

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United States Senate

Discussant:

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P R O C E E D I N G S

MR. JONES: Good afternoon. I am Bruce Jones. I am the vice president and the director of the Foreign Policy program here at Brookings. And it's a distinct pleasure to welcome you this afternoon to our event with Senator Mark Warner of Virginia.

I am delighted to welcome the senator back to Brookings. We have been very fortunate to engage the senator in several aspects of Brookings policy, research, since shortly after he was elected. In those days, I would say, particularly on India, I remember very vividly some of the work you did here with the Indian colleagues around what role India would play in the international order and in that very important relationship for our future. It's a delight to have him back on a slightly different topic, namely China.

As you know, Senator Warner has represented Virginia in the United States Senate since 2009, previously served as the governor of Virginia. And prior to his public service, he was a business leader, particularly in the technology field. Co-founder of the firm Nextel, which gave him, I think, a deep appreciation for the dynamics and the business of technology, a knowledge that he has brought and an acumen that he has brought to the Senate Select Committee on Intelligence, where he is a vice chair, and from which he has played a critical role in our democracy over the last several years. And senator, thank you very much for what you have done for our country.

I think, we all know that technology and its role in foreign policy is an increasingly important factor in our national security and our prosperity and that will infuse the senator's discussion today. Of late, Senator Warner, has turned his attention to the interplay between technology questions and the all-important US-China relationship and has become a very robust voice on the future of that interplay. He sought to eliminate the nuances surrounding the issues of 5G, co-sponsored legislation concerning the maintenance of America's technological and innovative edge, and really developed cutting-edge expertise on these issues within the Senate.

So, we could ask for no one better to join us today as we launch a major

new project called Global China: Assessing China's Growing Role in the World. Over the coming months this initiative will seek to define the central questions that US policymakers must understand to chart 21st century US-China relations. We aspire to provide policymakers and scholars with the base line assessment of China's now truly global role. This will be an ambitious project, comprehensive in scope, more than 50 Brookings Foreign Policy scholars undertaking assessments of China's role from every major region and cross cutting thematic issues ranging from BRI investments, to the naval domain, to multilateral institutions, to questions of nuclear escalation. I think, and I hope, it will become the most comprehensive assessment to date of China's global engagement and assessment which will be thoroughly empirical in its nature.

And we are delighted to begin that conversation with somebody whose broad empiricism and rigor and nuance to a critically important part of that debate around technology. After the senator makes some remarks, he will be joined on stage by Ambassador Victoria Nuland, to join him for a discussion. Victoria also needs no introduction. A leading American diplomat for 32 years and now back at Brookings. Delighted to have you here. Senator, delighted to have you at Brookings.

SENATOR WARNER: Thank you, Bruce. Thank you for that introduction. Thank you for having me back to Brookings. My apologies about being 10 or 15 minutes late. When people ask me sometimes what's the biggest difference between being senator and governor, governor you get to actually control your schedule, not so much the case with the Senate. And I look forward to our conversation with Victoria after these remarks. And again, my thanks and congratulation to Brookings for doing this, I think, absolutely critical new initiative on China.

Honestly, if I -- where I start with this is, a few years, I think you would have put me in a position vis-à-vis China, where a lot of business people were and were, I think, generally speaking, the kind of conventional part of the foreign relations establishment was. I looked at China with awe. Obviously, an enormously incredible great country. 1.3 billion

people. A country that was modernizing very rapidly with rising incomes and expectations.

And as I looked at China, whilst, you know, way way back, five, six years ago, I saw just, mostly just enormous opportunity. At that time I believed, similar to what I think again, most particularly conventional wisdom in the business community, that a rising China would be absolutely good for the world. That the more China rose, there would be more embracement of rule of law, there would be more embracement of the market. That, at the end of the day, China would become less authoritarian and that there would be this, kind of, rise of China with United States and the rest of the world and everything would be copacetic.

But the truth is after way too many classified briefings and a virtual unanimous opinion from our intelligence community and a series of changes in China, I have had to shift my viewpoint. I believe, under President Xi, a newly assertive China is pursuing a sophisticated whole of society strategy that exploits all elements of State power to strengthen and diminish China's position at the world. At the same time, with a conscious effort to diminish American power and influence in the world.

China, of course, uses all the traditional tools of State to exert influence and also with an expanded military presence. And as we continually see in my Vice Chairman role at the intelligence community and a very very aggressive, and in certain ways, unorthodox deployment of espionage to steal military industrial secrets. But the truth is, all of that is, kind of, in the more traditional realm.

China is also extraordinarily creative in using mechanism that takes advantage of their authoritarian model to force Chinese companies, researchers and others, to act on behalf of the national interest and more specifically the Chinese Communist Party interest. You know better than I, as experts in the field, in 2015 and 2016, China enacted new laws requiring all Chinese citizens and companies to act in support of national security and the Chinese government and again, more specifically, the Communist Party.

All of this has set the stage for China to aggressively deploy every level of power in service to the State. And at the same time exploit the openness of our society and

other Western societies to gain geopolitical and economic advantage. The national security challenges poised by a rising a China are enormous. I fully acknowledge that this area is one that we have a lot more questions than answers and why, again, I commend the Brookings effort.

But I would also argue that in a world that moves increasingly at internet speed, we can't wait until we have all the answers to wake up to this challenge. We all have to figure out how to protect ourselves, how to compete and how to make sure that we are able to take advantage in a global landscape with China increasingly important for us. Because the one thing we do know, that I have come to great conclusion, China has a plan. They have a plan and there a plan that they are able to execute on, that has -- that is not constrained by short term restrictions, that has a long-term vision.

As many of you know, as Bruce mentioned, before I got into politics, I was in the technology business. As a tech guy, I see the Chinese government's effort to outmaneuver US technologically, as one of the most alarming threats we face. And I think, this is something that we still have a hard time in the West, and I say, not just in America, Europe, Japan, Korea, Australia, kind of, wrap our heads around. With the exception maybe, and I am old enough to remember, at least been a while, maybe fully remember Sputnik, but to have been alive.

But in a world -- at least sent Sputnik, most of the great technological innovation has been either American or Western driven. And the truth was every technological invention of the last 60 years, the microchip, the modem, the internet, wireless communications, are basically either, it was driven by American or Western innovation and if we didn't directly invent it here in this country we set the rules. The rules, the policy -- that the technology rules, the policy rules, the legal rules for each of these technologies. And the truth was the rest of the world would then follow the American standard.

And I don't think we fully have appreciated the enormous strategic and economic value that inured to our country, inured to our businesses and, I would say indirectly, inured to the rest of the world. But now we are facing, I believe, another Sputnik moment in

areas like 5G, AI, quantum computing, robotics, hypersonics, augmented reality, and yes, even biotech, whilst we think about all the 23andMe background that we do those swabs, the back office of that is all in China.

And President Xi, I believe, is not making a play for second place. President Xi is frankly using the same model that America used in much of the 20th century to advantage China in the 21st century. I see this particularly as someone that had a background in telecom. On 5G, China is doing exactly what we did with the development of wireless during the 70s, 80s and 90s. They are building the equipment, creating the network, creating the financing, making a deal that you, frankly, you can't turn away from, to make sure that they are able to spread their technological vision, their equipment vision and in a way, they are also flooding a lot of the standard setting bodies that will set the rules for 5G.

The truth is, 5G, which -- and I think some people don't fully understand, for the non-techies, it's the equivalent of moving from radio to television, in a 20th century analogy. And the 5G networks that will be created, will basically be upon which all of the internet of things and all of the possibilities that come out of the internet of things, will ride on 5G networks. And the truth is, China isn't shy about employing aggressive and sometimes underhanded techniques to further advantage their advantage over the United States. Frankly, tactics that go well beyond the old-fashioned spy craft.

Often times through strategic collaboration with Western companies and universities, China is able to gain access to technology and transfer that technology into their ecosystem of innovation. China has ramped up investments in joint ventures, in both traditional companies and increasingly -- and some of the data here is really remarkable in terms of 2017, 2018, in terms of Chinese investments in startups in a lot of these key areas.

Disturbingly, much of this behavior has been actually enabled by US businesses. The truth is, and I say this as someone who, I think, the American business community is starting to recognize that the old model may not work, many American companies were willing to give up, in certain cases, intellectual property or their crown jewels because they

felt they could not avoid the opportunity to go into this emerging market. And they would do and make deals in China they would never make in any other nations anywhere else in the world.

And the truth was, increasingly, those companies that made those joint ventures, those companies that made those investments are finding that China is able to take over advantage of that intellectual property and the factory or lab that was built, sometimes a few years later, you will see a Chinese state-run enterprise pop-up right next door taking that same intellectual property. And the truth is, this is a problem that we talk a little bit about in 5G but increasingly will hit everything within the supply chain of most technological invention.

And the truth is, China is also using its new-found status of technology powerhouse to strengthen its authoritarian model. For years, I think, most of us in the US were convinced that as China continued to progress that China would actually move to a less authoritarian form of government, a less authoritarian form of business enterprise. Unfortunately, I don't believe that it has chosen to be the case.

And the truth is, I think about, in many ways, the internet. I think back to Bill Clinton, when he said famously back in the 1990s, that anyone that would try to regulate the internet, they would be like nailing Jell-O to the wall. The truth is China has figured out how to nail Jell-O to the wall. They have found that through the use of the great firewall and the ability to build at scale networks that monitor the Chinese citizenry in a way that, frankly, is unprecedented, that allows China to have a sense of what their people do where, when and how, in ways that are almost downright Orwellian.

And unfortunately, I believe, these tools have become a major export as China offers both an authoritarian form of government, the ability to say to regimes to around the world, we can offer you, not only our form of government, but our form of citizen control and, by the way, we can finance Belt and Road to your country as well. And we see that whether in Venezuela, Ethiopia, Ecuador, Pakistan and many other nations.

At same time, I believe, that China has been successful in recruiting Western companies and researchers to assist them with their efforts. To me, it's rather stunning that we

have some of our country's leading technology companies who may protest their willingness to partner with the American defense community but don't bat an eye of doing joint venture developments on social control systems in China.

Moving forward, I think the policymakers and academics and others need to think about these challenges in three different buckets. The first is candidly to sound the alarm. We need to make sure that we wake up our companies, our universities and others about the challenges of doing business in China. That means continuing to make clear, in a non-classified way some of the techniques and practices that have taken place.

The truth is, that's why I have gone about, and in a bipartisan way always with a Republican colleague, and then with Director of National Intelligence with, agents from the FBI, from Counterterrorism Center, from DHS, where we are bringing in groups of American businesses by sector and then, in a sense, of mini roadshow, we have done one in Austin, we have done one in the Valley, where we bring business, academic and other leaders in for a classified briefing to really, in a sense, share more of what's happening on the ground. So, we need to make sure we go forward with that effort.

Second, we need a near term approach. In this we need to make sure we can take steps to protect our technologies and preserve American leadership over the next few years. And I am concerned, very concerned, that the administration has not developed a coherent approach to counter China. I worry, for example, in its current trade negotiations and I give credit to the administration for sounding the alarm in terms of the saying the status quo is not acceptable.

But I fear the President in his insatiable effort to declare a victory, even sometimes when there may not be a victory in hand, that we may end up with a trade deal that sells a 100 billion Dollars' worth of soybeans but leaves off the questions around intellectual property, around joint ventures and around where the game is really moving in terms of 5G, AI, quantum, et cetera.

The truth is, if we are going to make sure we have this smart, and I think that

some of our missed opportunities even go back to the Obama administration, when in many ways, some of the first nations to fully be alert and awake to this threat were Japan, Korea, Australia. I think, there was a moment in time when either at the end of the Obama administration or at the beginnings of the Trump administration, we could have put together, a kind of, a grand coalition to go to China and say, China you are a great nation. You have a great history. You are going to be one of the most powerful nations in the 21st century. We welcome you in the community of nations but you got to play by the rules.

Instead, we have had an administration that has declared Canada a national security threat. In my mind, that is not smart thinking. We need to make sure that rather than walking away from our allies, we enforce that we work with our allies and find more common cause. We have got a -- we see this right now, as we look at the standard setting processes going on in 2019 on 5G. I think, we don't fully appreciate what will happen if we end up with a world dominated by Huawei and ZTE equipment and standards that are driven by China alone, that has enormous, enormous national security implications, that I don't think, we can -- we fully thought through.

We also, while we have made progress with CFIUS, I think we need look, frankly, beyond even the parameters of CFIUS. Often times CFIUS looks at majority control, we have to look at minority investments. We have to look, again, at some of the joint research development. The truth is, in many of the day, that virtually all of the great Chinese tech companies, the Alibabas, the Baidus, the Tencents, at the end of the day, they are still ultimately responsible to the Communist Party of China. And I don't think we have fully processed that.

So, how do we look at continued CFIUS reform? How do we look at some of the joint ventures that are out there? And frankly, one of the other areas I am looking at that are coming up on the banking front, is some reform around beneficial ownership, so that again, whether it be China or other countries, can't hide behind fake corporate forms in a way that penetrates our country. We then need as well, better tools to crack on economic espionage

and IP theft, once it's been identified.

And we need to set clear expectations on activities of US companies and researchers that directly involve working, whether with China or other foreign governments, that are actively promoting censorship of their people, that is counter to, I think, most of the American ideas. We also have, I think, a very challenging and potentially uncomfortable conversation to have with American universities. One of the challenges I found is we have 350,000 Chinese students in America at this point. And if we look historically, those students have been a great asset to our country.

Three things have fundamentally changed so in the last few years. One, particularly under President Trump, America has become less welcoming to immigrants. Two, China is obviously a much more attractive place to go back to. And three, and this where the really unfortunate, and frankly, dramatic transition that has taken place, the Chinese spy services are increasingly trying to weaponize these students with literally threatening their families if they don't come home after they have done that advanced research degree in the United States or elsewhere in the West and come home with intellectual property.

So, how do we maintain academic freedom? How do we maintain continuing be the place that has the secret sauce that collects the world's best and the brightest? But do it in a way that actually welcomes these immigrants in a sense where, if they can study here they can actually stay here and not simply go back. Finally, we have to have a long-term strategy. That means growing and investing more in our own STEM activities. It means having a visa process that is a little clearer, so that companies and universities don't simply think that somebody with a -- someone with a student visa is cleared to do research on any item.

We also have to recognize, as a nation, where we spend 716 billion Dollars on defense, I believe, we are overly investing in 20th century stuff, in that investments. And as we have seen, whether it was Russia's intervention in 2016 or China's move across a series of fields, China is closer to 250. The delta between what we spend and China spends, China is making massive investments in 5G, artificial intelligence, quantum computing and a host of

other areas where their intent, and frankly, their record and capacity is not to be second place but to lead the world.

That means America needs to make more investments in R&D. We used to fund 69 percent of all annual R&D in the world. Now, we are down to 28 percent, with only 7 percent of all our national R&D Dollars in non-defense capacities. That is not a great business plan for a country. And the truth is as well, even if in the short term, we are able to convince our companies and our Five Eye allies and others not to go, for example, with Huawei and ZTE, that only makes a difference in terms of first generation. If 80 percent of the world ends up with Chinese equipment that is vulnerable over the long term, by the time the second generation comes around, they will dominate.

So, the question here and these are difficult conversations to have, we need to sound that alarm, have that short-term immediate steps, we also need to have a long term strategic vision, that reasserts American leadership in research and development, reasserts American leadership in science, reasserts American leadership in STEM. These are areas where, I believe, there is an opportunity for common cause across political parties. It is an area where I know Brookings will continue to help lead us as well. And I hope as policymakers we can recognize there is no Democratic or Republican solution on this. There is a only question about what America's role will be in the 21st century.

So, with that, I thank you for your attention and look forward to our conversation. Thank you very much.

MS. NULAND: All right, Senator. Thank you for those really rich remarks and for all of your policy recommendations. And thank you for choosing Brookings to sound the alarm because, I think, we agree with you it's time and it's important. You know, you described with great detail the authoritarian model that China is fueled by, that it can now compel its companies to serve the State, not just financially but in terms of data, et cetera.

That its surveillance system, so well applied at home and against the Uighur population, is now up for export, including to some of our traditional partners, like Egypt and

who knows where that goes, including with respect to our own interests. The Belt and Road initiative where they are quietly or, you know, sometimes not so quietly acquiring strategic assets of other countries and crushing them with debt. And now challenging us as rule makers in the global system.

So, is this, my first question to you, really simply a competition? Is it simply about money and extending reach? Or is it much bigger than that? And as we sound this alarm, we have to be bigger about it. Is it now an ideological struggle? A structural struggle for the way the world is managed. And if so --

SENATOR WARNER: First of all --

MS. NULAND: -- what is to be done?

SENATOR WARNER: -- yeah. First of all, I would argue that part of the reason why, I think, China has been successful with this model, that is both exporting authoritarian form of government, offering great financing opportunities in terms of traditional plan equipment. But also, I think, in a sense, the secret sauce particularly for countries that would tend to authoritarian anyway, is also this notion of, we can show you how you can use tools of technology, the internet and others, to control your population. That visibility into what your people do 24/7, that is a -- those are powerful tools.

And compare that a time when, candidly, in the last 20 plus years, not just in America but in Western democracy writ large, has not had its greatest run. So, we are seeing some of the failings of a democratic system that doesn't, not just here in our country, but we see so many places in the Western Europe, we have seen that in -- we saw it in countries like Turkey and Brazil that we had, again, great hopes for in the decade past, in terms of democracy spreading, where rise of populism in the left and right, the messiness of our system, candidly a capitalism that is much too focused on the short term rather than long term value creation and doesn't recognize that we need to shift some of our, I would argue, basic incentives in capitalism to actually reward investment in human beings and human capital, which is a fairly radical notion but, I think, one that needs to be explored.

So, China has the opportunity to -- China's ability to bring wealth to a broader group of people in a faster time over the last 50 years, really is unprecedented. It's a remarkable remarkable story. So, I -- whether I -- what I am hedging on here is, whether we call this a ideological struggle in terms of the classic, you know, east-west communism-free enterprise struggle that dominated most of the 20th century, I am not sure it's that full ideological but they are two very different systems.

And the notion that all of the great enterprises that have been created in the last 30 years in China are all, at the end of the day, still subject to being that their first allegiance is not to their shareholders or their employees, but their first allegiance is the Communist Party of China, that is a -- that's a tool that can be leveraged in ways that are -- that I think we should all be concerned about. Their ability in China to build that social credit system is only built, not only because of the cameras and the facial recognition and the tools of the Chinese government, but with the willing collaboration of the great Chinese tech companies who share that data.

If Facebook, Google and Amazon shared all their personal data with the US government, we would have a similar model. Thank goodness we don't. So, I do think we need to make the case. I think we do need to find allies around the world. I am, again, though hesitant call this, kind of, an ideological struggle in the sense that we think about it in the 20th century.

MS. NULAND: Understood. You make clear that you think nonetheless China has a whole of society strategy and we don't have even a whole of --

SENATOR WARNER: We don't even have a whole of government strategy.

MS. NULAND: -- government response. Government response. But what you describe in your recommendations would require, not just a whole of government response, and not just strong leadership from the top and unity with the Congress. But would also require intense collaboration of the kind you have been trying to do with the business community, with the academic community, with society at large. Because frankly we are addicted to our cheap

Chinese products, to our infusion of capital in our businesses, to the way we have been operating. Do we, with all the things that you said about our own recent inability to capture the moment, how does that look? Do we have the ability now to put that genie back in the bottle to re-control so many of these things that has been open for so long?

SENATOR WARNER: I think that's a great question. I think it's an open question.

MS. NULAND: Yeah.

SENATOR WARNER: I think there is a growing recognition that, you know, for some companies who have invested in China have done great. A number who have more intellectual property and may have longer term horizons, have not done as well. I think there is -- that the -- that business opportunity is not what people may have expected.

MS. NULAND: Right.

SENATOR WARNER: And then even if you make your money, can you get your money out? I think there are -- there was a moment that still exists, the moment -- but I don't think it will happen under this administration, where we can really -- and I don't want to sound, you know, around the notion of encroachment or anything else vis-à-vis China. But I think there was a chance for us to build that, kind of, coalition.

MS. NULAND: Yes.

SENATOR WARNER: To say to China, a great nation, but you got to play by the rules, if we could roll back the clock. I would have much rather have the advocacy around TPP be built on a national security strategy, more than simply a trade policy. And third, I think, that it may just be American or Western arrogance that, for most of our lives, again I think Sputnik was the moment when, you know, post-World War II there was a moment where, oh my gosh, our competitor is actually ahead of us.

And then America woke up on that, made massive investments in science, made massive investments between government, the private sector, education system, to say we are going to win the race to the moon. And we also created enormous scientific innovation

that came out of that and then we have had this constant string, you know, as we talk about computing, as we talk about the internet, as we talk about telecom, where every next innovation was either American or Western driven. And I think that's all very much jump all at this point.

And I think we have a hard time wrapping our head around the fact that, you know, what are really the ramifications if China dominates 5G, if they set the rules? What are really the ramifications and you could argue and there is has been folks like Kai-Fu Lee make a very articulate argument that China is already way ahead and perhaps almost insurmountable ahead --

MS. NULAND: Yeah.

SENATOR WARNER: -- in artificial intelligence. And that's going to take, I think, a level of reckoning that I am not sure we have grappled with yet.

MS. NULAND: So, somehow to release the competitive juices of the United States, as we have been --

SENATOR WARNER: Well, the competitive juices -- the competitive juices that the basic research, I mean, you can argue in terms of the quality of the Chinese patents versus American patents, right? Probably everybody in this room are thinking, the projected 2021 that, in terms of just issuance of patents, that China will pass America. I think, there has been at times the sense that, you know, we have underestimated the ability of China to innovate. And what makes Chinese innovation even more powerful is they were able, I believe, in many many areas to, kind of, skip some of the initial research because they would steal the intellectual property --

MS. NULAND: Right.

SENATOR WARNER: -- which put them already at league and then they can build upon that innovation.

MS. NULAND: Right.

SENATOR WARNER: But I think we are at our own peril if we underestimate the ability of China to be a continuing dynamic innovative country in the 21st century.

MS. NULAND: So, at the same time, we have to be careful not to overheat this --

SENATOR WARNER: Right.

MS. NULAND: -- so much, right? And you started your remarks talking about, you know, the hope of our generation that as China got richer, as the middle class grew, as it integrated more into the global system, it would also open more and, of course, it seems to have gone in the other direction. I think, the question now is can you -- can we get back to a place where we are constructively channeling Chinese energy, setting rules that can work for more of us together without making China into a permanent enemy of the United States or a 1,000 feet tall when this a manageable challenge, unless you think it's not?

SENATOR WARNER: Well, I think it is a manageable challenge. And I think one of the differences between past, kind of, great power conflicts and the last thing I would want to see is turn this into a traditional, kind of, old school great power conflict.

MS. NULAND: Right.

SENATOR WARNER: And one of the things that maybe the best to prevent that, is the fact that we are enormously already connected through trade.

MS. NULAND: Right. We are co-dependent.

SENATOR WARNER: We are co-dependent. We are, you know, clearly, you know, China has owned a lot of US Treasuries, we buy a lot of their stuff, that the supply chain, worldwide supply chains are enormously already co-mingled. But I think it's really important that both our leaders and Chinese leaders outside the ruling elite realize that we got to play by the same set of rules.

MS. NULAND: Yeah.

SENATOR WARNER: And, you know, you can't build vulnerabilities into the supply chains, in terms of the equipment that you maybe building or producing. One of the areas that is -- that enormously frustrates me and it's a little nerdy but it's -- should be a no-brainer and that is around the question of internet of things, connected devices.

MS. NULAND: Yeah.

SENATOR WARNER: You know, we are going to buy 30 billion of them in America over the next four to five years. The fact that we have no, even de minimis security requirements on those internet of things devices, many of the centers in which that are actually being produced in China is, you know, frankly we are being almost criminally negligent. And I am not talking about, you know, high high end. I am talking about making sure that we don't have embedded passcodes, making sure that they are patchable.

MS. NULAND: I don't want my hairbrush to know where I am.

SENATOR WARNER: Right. Let hairbrush know where you are, that actually has a back door to.

MR. MARTINEZ: Exactly.

SENATOR WARNER: So, it's, you know -- and in this case it's, you know, American industry that's, you know, the low-end suppliers are concerned about frankly the extra nickel that might cost to put in basic security. In previous generations, America would have already set those standards.

MS. NULAND: Yeah.

SENATOR WARNER: And the rest of the world would have followed. We say the same thing in terms of America's retreat from setting standards and an area that I have also spent enormous amount of time on recently, in terms of social media. The fact that it was the Europeans that moved first on privacy rather than America, whether it's the fact that as we think through issues around content or identity validation or just playing transparency, in terms of social media companies, what kind of information they have about us? What that information is worth? The ability to have data portability in the way we had number portability.

You know, most of our lifetimes America would have already set those standards. And I think at the end of the day, those standards have generally worked for the rest of the world. We are not doing that right now.

MS. NULAND: Yeah.

SENATOR WARNER: And it's fallen to them. You know, in content UK and Australia, privacy the Europeans, data portability and other, some of the Europeans are moving on as well. But some of that leadership we need to retake.

MS. NULAND: In part, as you said, we have allies who want to work with us --

SENATOR WARNER: Right.

MS. NULAND: -- on these issues. Want to work with us on Huawei but don't see an alternative. Want to work with us on trade but haven't been invited to the talks going on downtown. But, as you say, you know it's perhaps of test of whether we can set rules together, these talks that are going on at the other end of the street.

SENATOR WARNER: And I hope, I really hope I am proven wrong.

MS. NULAND: Yeah.

SENATOR WARNER: But I hope the President's absolute desire to create win-lose circumstances, where he can claim to be a winner, he doesn't get a short term win and lose the long term challenge, particularly when we think about intellectual property, when we think about technology and standard setting and a whole host of areas where, I think again, the rest of the world would welcome America reasserting some leadership.

MS. NULAND: Good. Let's open to questions from the audience. Please make sure that you identify yourself and that you ask a true question that is concise. The gentleman right here. Wait for the microphone, coming to you.

MR. AKUETTEH: Thank you very much, Senator. I am sorry.

MS. NULAND: Please stand up and tell us who you are. Thank you.

MR. AKUETTEH: Sure. My name is Nii Akuetteh. I am an immigrant from Ghana. But I have been a foreign policy activist going back to the 80s. I live in Arlington. I am taken by a few times you mentioned building alliances. And I get it that you are looking at powerful countries around the world. But there are some global fora in which each country gets one vote and being African, my appeal is, don't overlook the African continent. So many of the governments there are very enamored of the Chinese. And it causes me and other African

immigrants great concern that people say, well, they are doing great things for Africa. We see it differently because we don't like the authoritarianism and we think that the US model of having democracy and openness, you can build growth and real economic growth on that. So, my question is, what would you advice the Democratic candidates as to what their China policy should be and how they will engage with Africa, including the community of African -- people of African descent in the country, in this country? Thank you very much.

SENATOR WARNER: Thank you for your question. And I hope the Democratic candidates will have a clear-eyed view about the challenges, threats and opportunities that come with China, number one. Number two, I, 100 percent -- you know, as a former telecom guy, as you said, many of these international standard setting bodies are really driven by one country, one vote, kind of, a UN system. And the idea that, you know, this is -- that the old 20th century idea that if you just get America and the Western Europe and pick off Japan and Korea, that's not going to work.

You have got to make sure that we actively engage with Africa. And Africa, South America, the balance of Asia. And I think there is an opportunity -- I think, there was this, you know, if you go back over the last decade, as China very aggressively went into Africa offering, what seemed to be deals that were too good to be true, in terms of access to natural resources. I think that's proven -- at least my exposure has been that that has proven too good to be true. China has gotten the natural resources they want but many times the infrastructure projects that were promised while they have been financed by China, they actually -- the Chinese then import the Chinese workers and the Africans, they have not received the, kind of, economic value to their people beyond just the value of the infrastructure.

MS. NULAND: And the debt burden has crushed them.

SENATOR WARNER: And the debt burden that comes on top of that is a real challenge. So, I really hope that the Democratic candidates will have that more global view and realize that the -- you know, you just look at the growth numbers in Africa in the last seven or eight years. That's where really most of the growth in the world has been coming. So, how do

we partner there? And there is a, you know, a unique opportunity we have with the African diaspora in America. There is a natural alliance there.

MS. NULAND: And how do we revive the American diplomacy all around the world?

SENATOR WARNER: Yeah.

MS. NULAND: My private little --

SENATOR WARNER: That will be part of that too, yes.

MS. NULAND: -- yeah. This lady right here, thanks.

MS. SHERMAN: Thanks. [Mariam Bach Sherman], [SAG] Cyber Security. Senator, are you at all concerned about US resistance to a WTO claim to be able to review national security claims, WTO assertion of rights, review national security claims, that that resistance by the US would alienate the very allies we are talking about building relationships with? This is in regards to banning Huawei from US supply chains, especially since countries like Germany and Britain have indicated or resisted the US push to ban those companies, saying they want to focus on a more comprehensive approach to cyber security. The vulnerabilities are often viewed as agnostic, not China specific necessarily, but can be exploitable regardless of what the technology is that they are in.

SENATOR WARNER: Great question. I am not going to -- I don't know enough, particularly about the WTO portion of that and I will try to get a better answer. In terms of Huawei equipment. I think we have -- I think we have made a mistake in trying to describe the problem. I think for a while and to a degree, remember the many European and other countries already have, UK in particular, a Huawei base on some of their traditional telecom. So, they have got this enormous investment already embedded, number one.

Number two, they can rightfully say, well hold on. You guys are making all of us concerned about Huawei, what about the local telcos, smaller telcos in America that have Huawei equipment? And that's true. And we are having sessions with them. Our big 4 do not but a lot of smaller telcos because Huawei equipment is pretty good and it's cheaper.

And I think, we have made the, kind of, mistake of saying -- and while, I think, most of the security forces in our countries, I mean, the [JCQ] indictment of Huawei is pretty comprehensive, if you read through it fairly clearly. But there are -- obviously there are current - - we made a mistake by trying to say -- we almost said, show us the back door right now. Is kind of the, what we hear from countries. And while there may not be -- there may not -- there is often -- there is not the back door right now.

There may be sloppiness and potential vulnerabilities in some of the code that goes in to the Huawei systems. You could make some of that same critique around Ericsson, Nokia and Samsung as well. One of the unique things -- one of the challenges that we have right now, is there no American provider. And -- but on the other hand, that should lessen the charge of, this is just America saying, they are trying to back an American horse in the race.

What I think we need -- I think the vulnerability here is really two-fold, and it cannot be corrected with simply improving the quality of the code that's in the devices right now. The two problems that we have, are one, that in a 5G system, it's not going to single switch, the way traditional wireless has been. It's a much broader distributed network. And the truth is when you buy the Huawei kit, which includes maintenance of the equipment, almost exclusively Chinese nationals.

And then the ability to send upgrades remotely, there is no way you can make -- even if the equipment is secured today, there is no way you can guarantee it will be secure tomorrow because the vulnerability that, even if Huawei says we have no -- you know, we are not subject to those Party imposition on our rules today, they can be tomorrow. It's the Chinese law that they have to be at the in -- loyal to the Communist Party. So, the ability to subsequently, once you have built out the network, to send the upgrade that has the back door or the malware, you cannot prevent that if you buy that system.

And on top of that, as we -- as again, probably some of the techies in room already know, just in terms of the system routing of communications, there is already the ability right now, with Huawei equipment, if you have a call that originates in St. Louis that goes to

London, it can be routed through the cloud, that China -- and once it touches China, the Communist Party can actually demand that Huawei scrapes the information. And I think, on a security basis, security firms know that and I think most of the intelligence community knows that.

And we have seen -- and it was really Japan, Korea and Australia, that went first in raising the concerns. Again, I think, America was little bit late to the game in terms of raising this issue to the level of importance that it has today. So, I don't see a technological solution out here. Although I would acknowledge with every set of equipment there is going to be some technological vulnerabilities. The difference is when the Communist Party in China can actually force the equipment vendor, in this case Huawei, to be an agent of the State. And I don't know how we get over that hurdle.

MS. NULAND: Take one more. Gentleman here.

QUESTIONER: My question is, how do you change the way that society -- how do you change the way that society views the role of the technology, the internet and China's role in that to make it more -- to make it more connected to the facts which is that China is manipulating it to its own good? How do you change society's consciousness around that?

MS. NULAND: Just a small question.

SENATOR WARNER: Small question, yeah.

MS. NULAND: Yeah, exactly.

SENATOR WARNER: Yeah, there you are. Sounds like an intern there. So, I think, you said -- I don't know. I am trying to -- you know, I am grappling with this. But let's take out the China context for a moment and go back to, you know, social media. We have seen, in this case Russia, use social media to dramatically try to divide our nation, to interfere in our elections and one of things that I am -- one of the reasons why I am so sure they or others will be back, is it's both cheap and effective. I like to make the point that if you add up all the Russian spend interfering in our elections in 2016, the Brexit vote and the French Presidential election, you add that all together, less than cost of one new F-35 airplane.

So, you know, to get pretty -- I don't know, riff here for a moment, but you know, pretty interesting that Chris used today one of the Facebook founders. Came out and he is now like person number 8, the couple of founders, many of the early investors, who have said, you know, Facebook has frankly -- it's simply got to big, needs to be broken up, I am not sure I am there yet, candidly, partially because these are all international companies at this point and if Facebook or Google are broken up, I am not sure I want them replaced by an Alibaba, Baidu or Tencent model, where there is no ability to have, kind of, controls.

But I think just, you know, we have got the American public, both in terms of recognizing that these social media companies, while they have created some good, you know, there is also a dark underbelly on them. And we have seen it with election interference. We have seen it with the ability of people to promote hate speech after the massacres in our synagogues here or the mosque in New Zealand or the church bombings in Sri Lanka and the Facebook and to a lesser degree Twitters and Googles say they would -- they don't mind some rules of the road, but we have not been able to even put some de minimis rules of the road in place on these enterprises.

So, how we, kind of, get society at a bigger level to realize with all this innovation there is enormous upside. But I think with any innovation there is an upside and there is also a downside. And I don't want to choke off innovation. So, I have strongly believed -- that's why I strongly believe in much more light touch, with an example of a legislation that I put forward recently, on the so-called dark patterns or the ability of social media companies to use manipulative behavior that force you to give up more information than we are aware of. For the non-techies in the room, the flashing arrows clicking on, okay or I agree, and your inability to ever find unsubscribe on any site.

MS. NULAND: Right.

SENATOR WARNER: You know, I would -- the way I try, I prohibit that type of behavior but I wouldn't start with some big governmental or regulatory body. I basically say, let's do an industry setting standard, as the first line of defense and the analogy would be that

the Motion Picture Association where they, kind of, put ratings on movies. It hasn't been a perfect solution but it's not stifled innovation in the film industry but it's still given some guidance point for it.

I think we need those kind of light touch approaches particularly with social media and I have got 20 different ideas, I laid out in the white paper that's going to have broad sets of six or seven pieces of legislation come out of that. The good news is, I have a Republican partner in all of it this is because it's much more future-past than it is left-right. But your bigger question about how we make, you know, society writ large understand the implications of all these technological changes and put some boundaries in place, it's a -- we are going to need young people like you to help figure it out.

MS. NULAND: I am told you have stay with us for another five minutes.

SENATOR WARNER: Yeah.

MS. NULAND: You mentioned Russia. How much do you worry about learning and collaboration now between Russia and China on all of these issues, whether it's these surveillance State issues, whether it is getting ahead on AI, whether it is manipulation of -- weaponization of social media, all of these things?

SENATOR WARNER: I worry. I mean, you know, obviously Russia and China have had their own sets of challenges. They have had for decades and it's historically way before that. You know, as we have discussed many times, I think, Putin's ultimate goal is maintaining power and part of the way you maintain power is to show how inept Western democracies can be, which reinforces his own power. I think China has a much much broader goal, I mean. China is playing for number one in the 21st century.

And a China that abided by all of the rules and a China that didn't base itself on intellectual property theft, a China that treated its people without these kind of totally tools of mind control, social credit and other things, I think would be a huge addition to the world, to the global economy, to the global world. And that's why, I think, we need to both try to -- both from an advocacy standpoint with the Chinese people, try to make the case that there is a better way

-- but it's going to be a challenge.

And I would argue with Russia, one of the things that is most disturbing to me, you know, after two and a half years of the last remaining bipartisan investigation there is and the maybe the last bipartisan committee in Congress, is that -- and I not so interested in still in simply re-litigating 2016. But the one thing we know is that whether Russia, China, Iran or North Korea, whomever, they will be back in 2020 because it's cheap, it's effective, it's based on trying to stir the dissension and split us apart and I will accept, you know, Bob Mueller's version that even though there were a hundred contacts between Russians and the Trump Organization or the Trump campaign, even though the Trump Campaign Manager gave classified or secret polling data to a known Russian agent, even though Roger Stone acted as a conduit for Wikileaks to dump hacked emails. Even if all that didn't rise to the level of a conspiracy charge, on a going forward basis it should.

On a going forward basis there should be an affirmative obligation, if a foreign government or foreign agents try to intervene in our elections, I don't care for who, there ought to be an obligation to report that to the FBI. There ought to be basic election security law in place and while we did better in 2018, the fact that we haven't said to states, if you want Federal money, you got to have a paper trail after your ballot. You got to have the ability to have real tools that you use at the local elections to protect our election system.

That's crazy that we don't put de minimis rules in place. It would get the Secure Elections Act that we have got -- to get 85 votes even on the floor of the US Senate today if we didn't have the White House and Mitch McConnell trying to impede it from even getting it to the floor. And frankly, if, as we have talked a little bit here about social media, if we don't have rules of the road, in a world where foreign or agents of hate can create fake identities and utilize bots in a way that drives our newsfeed at unprecedented levels, so you know, I say, let's put those guards in place to protect our elections.

I think, frankly, the rest of the West will do the same if we set those standards and our failure to do so, frankly, would encourage Russia and China to collaborate more

because it shows we are not doing enough to even protect our own values and protect our own systems.

MS. NULAND: We set the rules or they will. One last one from the audience. Okay, gentleman with the hat.

MR. HURWITZ: Yes. Thank you very much, Senator. I appreciate your presentation. My name is Elliot Hurwitz, I used to work for the World Bank and the intelligence community. You said that we need -- US and the PRC need to play by the same rules, same set of rules. This has been going on for a long time that we have told them that. And I wanted to just ask about the WTO, human rights, intellectual property and the World Bank and the IMF with which we -- for which we have given the PRC additional voting rights. So, if you could comment on those please.

SENATOR WARNER: With chance that you probably have a broader vision may be than I, I mean, in terms of all the international organizations, I think what we have always felt was, you know, China's ascension to the WTO, China's participation in more global entities, would move China towards to a more open society. That there would be an embracing of some democratic values, that there would be a market-based system. And I think -- and again there are -- people in this room, I am sure have much greater expertise on -- than I am on the intricacies of, you know, changes within the Chinese government in the last decade plus.

Plus, I think there was that struggle for a while. I think President Xi's consolidation of power circa 2015, 2016, the reassertion of the Communist Party's dominance and that the notion that, you know, a market economy that seemed to be evolving, really turned away from a market economy, where companies got to a certain size and they were, I believe, designated by the Communist Party to be the winners and they are consequently they are, at the end of the day, loyal to that Party, is really a phenomena that has gotten much much worse in the last three or four years.

And our -- and I would point, this is not just some American politician's view, the people who most often brought this to my attention, has been one, the intelligence

community but increasingly folks like our Japanese, Korean and Australian allies, who see this much more first hand, as they see increasingly, you know, again Chinese tech companies dominate more and more of the markets in much of Asia.

So, I have laid out where I think the threat is and how we need to, kind of, awaken international organizations as well as American organizations to that. I have laid the longer-term effort that that means a recommitment in our country towards research and development and innovation. You know, the interim step, I think, you know, what do we -- okay, when you tell a university, you tell a business, all right, what do you want me to do next six months or next two years, that's where I hope, whether Brookings or other policy -- can end us - - end up giving us some guidance.

But the one thing we know is, we have to find a world where we can co-exist, cooperate and to, as much degree as possible, collaborate with China. I don't want this as -- again, back to your first question, to turn back into a, kind of, a 20th century ideological battle between two camps. But the notion that it's going to be simply collaborative and copacetic because we want it to be, isn't going to be the case as well. How we sort that through, I think, it's the issue of our time.

MS. NULAND: Ladies and gentlemen, please join me in thanking Senator Warner for this really rich conversation. Good day. Thank you.

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