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CHINA'S RAPID POLITICAL AND ECONOMIC ADVANCES IN CENTRAL ASIA AND RUSSIA

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CHINA'S RAPID POLITICAL AND ECONOMIC ADVANCES IN CENTRAL ASIA AND RUSSIA

TUESDAY, APRIL 16, 2013

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EUROPE, EURASIA, AND EMERGING THREATS,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 o'clock p.m., in room 2200 Rayburn House Office Building, Hon. Dana Rohrabacher (chairman of the subcommittee) presiding.

Mr. ROHRABACHER. The committee will come to order.

Writing 10 years ago, the head of research at a Moscow bank suggested that China should just buy the Russian Far East because "if the Earth's territory were divvied up according to demographic need and by potential for economic development, China would play Pac-Man at the expense of the Russian Far East." This has not, however, been the view of either the Russian Government or the Russian people. China, though, finds the prospect appealing and much of what was on President Xi's agenda when he met with President Putin last month involved using China's new wealth to take control of the resource rich Russian eastern territories in Eurasia.

Beijing's economic, political and demographic integration with foreign lands follows a specific pattern. First, Chinese workers as well as managers, technicians and merchants accompany Chinese capital. Second, investments expand to control the entire supply chain for both exports and imports. Control of agricultural lands, raw materials, energy resources, local manufacturing, and retail business freeze out local firms and workers. Third, the areas of investment are directed by the Beijing regime through state-owned banks, sovereign wealth funds and state enterprises. They become an extension of the Communist Party and China itself. And finally, control of large, strategic segments of overseas economies gives Beijing dominate political influence over local governments. Corruption makes sovereignty a paper illusion, and if demographic shifts like those which could take place along China's border follow, the borders themselves can change.

While this Chinese model has been most evident and successful in Africa, where local governments are weak, it can be seen elsewhere as well. The advantages it confers on Beijing make it the preferred way of doing business. It is not in the national security interests of the United States for this to happen. For China to gain direct control of the resources of Russian Far East would tip the

balance of power not only in Asia but worldwide. America and its allies need to strengthen their economic relationship with Russia and provide a viable alternative to China for the development of the Far East. The Russian people and their leaders see the danger of falling into a neocolonial dependency on China, but if they cannot find other business partners, they will be drawn into the Chinese orbit because Beijing has the money, the power and the will to entrap them.

Finding common ground with Russia in the Far East could also lead to a wider strategic rapprochement. During the Cold War I was an implacable enemy of the Soviet Union; but I was never an enemy of the Russian people. The Cold War is long over, and we won it. Moscow is no longer the home of a Communist dictatorship. But there is still a Communist dictatorship in China. Curtailing the growth of its power should now be our prime concern; and we should work with other countries that come to see the same danger.

I would hope our panel today can provide some suggestions how we can add Russia to our alignment, or at least keep it out of China's clutches.

With that said, I know the ranking member Keating has an opening statement of his own, and you may proceed.

Mr. KEATING. Thank you, Mr. Chairman. And thank you for holding today's timely hearing. I would like to note I not only speak for myself, but for the other members here, that is we are here today, our hearts and prayers are with the Boston Marathon victims and families today. And this meeting, attendant to that that I apologize. I'll be leaving this hearing.

Both China and Russia have a long history within Central Asia. This history can both be viewed through at times, an adversarial relationship, more recently, through the framework of an opportune partnership. In fact, the seeming success of the recent China-Russia Summit highlights the dynamic nature of the modern Sino-Russian relationship, which has both domestic and international implications for both countries.

On the international stage, Beijing and Moscow have been actively leveraging their partnership to expand their influence over global affairs, particularly on the United Nations Security Council, where both Nations vetoed resolutions condemning the ongoing humanitarian crisis in Syria. Further, the two countries have been working to coordinate their efforts on the establishment of a new international lending institution to serve as an alternative to the International Monetary Fund and the World Bank. At home, the Chinese benefit from the domestic perception that they are recognized and respected by a major player like Russia while also expanding their outside energy sources.

In turn, the Chinese selected Russia for Xi Jinping's first visit abroad to grant credibility to an increasingly belligerent Russian leadership whose relationship with the West has deteriorated since the re-election of President Putin. At its foundation, energy and security agreements have drawn these two regional powers into what seems to be a relatively positive working relationship. In this way, their role in Central Asia is not only based on proximity, but on a natural need to ensure the stability of their neighborhood, given

that the Central Asian States only established their sovereignty after the dissolution of the Soviet Union. For this reason, despite differences between Russia, China and the United States, it is in the best interest of all three countries to work together.

Although both the Chinese and Russians have strong historical, security and trade links to Central Asia, the United States can also provide a stabilizing influence through increased trade and democracy-building initiatives to ensure the durability of future of those investments and bringing the influence to the rule of law. Kicking out foreign NGOs that work on rule of law and democratization has been an unfortunate trend in the region and does not necessarily bode well for U.S. business interests. Without the basic foundations of government being taught and exercised, the region will be prone to greater instability and chaos. This being said, Russia and China must display their own willingness to provide more freedoms, services and information to their people.

Finally, this subcommittee has been examining the potential for and the uncertainty surrounding the rise of extremism in Central Asia following the drawdown of troops in Afghanistan. The U.S., China and Russia have been working together on security matters since 9/11, and I believe that this cooperation should be maintained in a manner that is consistent with our own values in the United States. This includes cooperation on other transnational challenges such as narcotics, HIV prevention, and trafficking in persons.

In conclusion, there is no doubt that this is a dynamic region that holds great potential, but this potential can only be harnessed through a willingness to work with the United States and moreover, the West.

I look forward to circling back with you, Mr. Chairman, on this subject and in the meantime, will turn to Congressman Lowenthal who has graciously agreed to act as the ranking member for the remainder of the hearing. I want to thank you, Mr. Chairman, and thank you, Mr. Lowenthal.

Mr. ROHRABACHER. We appreciate your thoughtful statement and any questions you might have to submit to our witnesses you can do so within 10 days. And we will transfer them on and they will be made a part of this record.

Mr. KEATING. Thank you, sir.

Mr. ROHRABACHER. Mr. Cook, do you have any opening statement? Mr. Lowenthal? All right. I will introduce all of the witnesses and then how we will proceed, each witness will give an opening statement hopefully around 5 minutes, although the rest of your opening statement will be made part of the record and then we will go to a question and answer session.

Our first witness is John Tkacik, senior fellow and director of Future Asia Project at the International Assessment and Strategy Center. He spent 3 or 4 years in the United States State Department as a Foreign Service Officer with almost 20 years of that working in China, Taiwan, or Hong Kong. Before assuming his current position, he was a research fellow for China, Taiwan, and Mongolian Policy at the Heritage Foundation and holds a master's degree from Harvard University's Kennedy School of Government.

Next, we have Dr. Rensselaer Lee. He's a research fellow at the Foreign Policy Research Institute and president of the Global Advi-

sory Services in McLean, Virginia. Dr. Lee has performed overseas contract assignments for the State Department, the Department of Energy as well, the World Bank, the White House Office of National Drug Control Policy and other agencies. He has worked as an analyst for the Congressional Research Service and he is author, among other things, of "Smuggling Armageddon, the Nuclear Black Market in the Former Soviet Union and Europe," and he holds a Ph.D. from Stanford University.

Next we have Dmitry and I'm going to get this one, too, Shlapentokh, is that right? Okay, got it. He is an associate professor of history at Indiana University at South Bend. He holds master's degrees from Moscow State University and Michigan State University and received his Ph.D. from the University of Chicago. He was born in the USSR which no longer exists and emigrated to the United States in 1979. He has written monographs for the U.S. Army's Strategic Study Center and his new book, "Global Russia, Eurasianism, Putin and the New Right," will be published later this year.

Finally, we have Dr. Stephen Blank. He's a research professor of national security affairs at the U.S. Army War College where he also works with the Strategic Studies Institute. He has written on Russia's prospects in Asia as well as on other aspects of Russian policy. Dr. Blank holds a B.A. in history from the University of Pennsylvania, an M.A. and a Ph.D. in history from the University of Chicago.

So with that said, we will start off with Dr. Lee and work our way this way and why don't you start. And then as I said, if the witnesses could keep their remarks to about 5 minutes and put the rest in the record, it will give us more of a chance to have a dialogue. And let me just say, when I say dialogue, if you want to ask questions of other members of the panel, we are going to encourage that type of interaction.

So with that said, Dr. Lee, you may proceed.

STATEMENT OF RENSSELAER LEE, PH.D., SENIOR FELLOW, FOREIGN POLICY RESEARCH INSTITUTE

Mr. LEE. I think my remarks follow very closely the sentiments you expressed in your opening statement.

Mr. ROHRABACHER. Let's just note that when you're speaking with the microphone on, we are using energy. So all of a sudden we are using electricity, not using oil or natural gas.

Mr. LEE. Let me start with a few introductory remarks about the Russian Far East and where it figures in this dialogue. The Russian Far East is a land of contradictions, rich in resources and economic potential. It's also seriously under developed and demographically challenged. It makes up 36 percent of Russia's national territory, equivalent to about two-thirds the size of the United States but it only has 4 to 5 percent of Russia's total population. It accounts for just 5 to 6 percent of its national GDP. It's also a very vulnerable territory geographically. And you must consider that Vladivostok is five times closer to Beijing and almost six times closer to Tokyo than it is Moscow. And for these various reasons the Far East has traditionally been difficult to administer from

Moscow, a pain in the neck to administer from Moscow as a matter of fact, and a perennial opportunity for Russia's Asian neighbors.

Now to go back in time a little bit, Japan was the main threat to Russian sovereignty of the Far East, most conspicuously at the time of the Russian civil war when Imperial Japanese troops occupied parts of the region. Today, the main perceived threat, not a specifically military threat, but a much more subtle threat, comes from an increasingly powerful and regionally assertive China. China has made important economic and demographic inroads into the Russian Far East, as it has elsewhere along its long, Asian periphery.

Among other things, China wants to secure a land accessible base of raw materials as a hedge against a military conflict that could severe China's maritime lines of communication. What else China wants is a matter of speculation and controversy. But a sphere of influence, a sphere of Chinese influence in the Russian Far East if this is, in fact, in China's sights, could certainly compromise Russia's territorial sovereignty in an economic sense and perhaps politically as well.

Now political factors such as Moscow's strategic partnership with Beijing have contributed to China's evolving special relationship with Russia's Far East. The relationship also reflects factors on the ground such as the country's long 3600 kilometer common border and historical associations of the peoples and China's dynamically growing economy.

China dominates trade with Russia's border provinces supplying vital food stuffs and consumer goods to their populations. Migrant Chinese labor provides essential services in areas such as construction, agriculture, trade, forestry, and mining. The valuable energy and raw material endowments of Siberia and the Far East are increasingly being programmed to serve China's industrial requirements, especially in China's northeast, that is Manchuria.

Now as economic integration continues apace, the Russian Far East could become less a part of Russia's periphery and more a part of Asia's periphery or in the words of some Russian commentators, "a resource appendage of North East China."

I submit that this trend could have broader strategic implications. Even partial or indirect Chinese control over that vital region could increase China's overall geopolitical weight and even reshape the regional balance of power in North East Asia to China's advantage.

This won't happen overnight. And China isn't the only foreign power that has interests in the Russian Far East. And China's economic penetration is more advanced in the RFE provinces that adjoin the Sino-Russian border than in the provinces that are farther away. But given the regional dynamics of China's rise, its relentless quest for natural resources and uncertainty about its future ambitions, there is certainly no cause for complacency.

America and its Pacific allies need to be more engaged and proactive in Russia's Far East economically, politically, and otherwise. This is not for outright containment of China which would be impractical in any case and risky. But it just makes good sense as a balancing strategy. Russia needs large-scale financing and technical assistance to maximize the economic potential of Siberia and

the Far East. And Russia's democratic partners should be prepared to assume a role in this transformation.

Right now, America doesn't have much of a presence in the region. Our trade with the Russian Far East was just 2.2 percent of its total external trade in 2011. U.S. investment there has declined to near zero in recent years. U.S. development assistance for Russia's regions is less than what it was in the 1990s. U.S. policy makers don't seem to consider Russia as a serious Pacific partner in economic and security terms. In fact, our overall relationship with Russia is adrift right now. And maybe partnering with Russia and developing its remote Far Eastern territory would be a way to put the relationship back on track and reinforce America's Pacific security posture at the same time. Thank you.

[The prepared statement of Mr. Lee follows:]

The Russian Far East: Opportunities and Challenges

By: Dr. Rensselaer Lee
Foreign Policy Research Institute

House Foreign Affairs Subcommittee on Europe, Eurasia, and Emerging Threats

"China's Rapid Political and Economic Advances in Central Asia and Russia"

April 16, 2013

The Russian Far East, a vast territory lying east of Lake Baikal, is a valuable and strategically desirable piece of real estate and a potential focal point of international conflict in northeast Asia. The geopolitical significance of the RFE rests on its natural wealth—oil, natural gas, coal gold, diamonds, rare earth metals and the like—and on its strategic situation in the North Pacific, where the interests of several major powers intersect. Its significance is likely to grow with the shift of gravity of the global economy to the Asia-Pacific and as U.S.-China rivalry increasingly defines the contours of international politics in the Far East and beyond. My testimony today will explore several core propositions:

1. Moscow's ability to control and develop the RFE will have important implications for the economic and political balance in northeast Asia.
2. Current trends in the RFE toward economic integration with China could eventually weaken Russia's real sovereignty over that vital region.
3. China's evolving special relationship with the RFE could enhance the PRC's overall geopolitical weight, posing potential challenges to U.S. and allied security interests in the Asia- Pacific.
4. Despite China's increasing penetration of its Asian periphery, including the RFE, Washington does not yet take Pacific Russia seriously as an economic or security partner.
5. The United States and its Pacific allies should increase their presence and engagement in the RFE, not just to exploit commercial opportunities there, but also to limit China's growing power and reach.

Let me start with some comments about the setting of the RFE. This vast land encompasses 36 percent of Russia's entire territory – some 6.2 million square kilometers, or about two-thirds the size of the United States. But it has only 6.3 million inhabitants or about 4.4 percent of Russia's population, and its regional product amounts to just 5.6 percent, of Russia's total GDP.

Also, the RFE is rather inconveniently situated: far removed from Russia's European core and centers of power but uncomfortably close to dynamic and ambitious Asia-Pacific powers. Consider that Vladivostok is about 4,000 miles from Moscow but just 830 miles from Beijing and 660 from Tokyo, and that the RFE's southern provinces share a 3,600 kilometer frontier with China. So here's

a huge territory that is at once isolated, seriously underdeveloped, demographically challenged, and geographically exposed to the machinations of outside players.

To make a long story short, the RFE was practically abandoned by the central government after the collapse of the Soviet Union in 1991. Because of steep budget cuts in the 1990s, the region lost about 20 percent of its population, and up to 90 % of its heavy industry, plus a lot of its Pacific-based naval and air force capability. The general disintegration of the state apparatus encouraged regional bosses to assert a measure of independence from the center and to make their own deals on trade and migration issues, which was really a survival strategy for the RFE's provinces in this difficult time.

In the past decade, though, Russia has moved to enhance its power and presence in the Far East and the adjoining Trans-Baikal regions. Geopolitical considerations have spurred Russia's renewed interest in the eastern territories. Russia's leaders began to see the RFE's isolation, general backwardness, and hemorrhaging population as a threat to the security of the Russian state. Fears that the RFE provinces might detach themselves from the center, and that Russia as a whole could break up, and that outside powers could gain a major foothold in the region, began to pervade the national discourse.

With these concerns in mind, Moscow decided to make economic growth in the RFE and adjoining Siberian regions a top national priority. Moscow's modernizing strategy in the Far East has proceeded along two major tracks.

The first is to strengthen Russia's administrative and economic footprint in the RFE. Moscow recently has created a new State Ministry for the Far East and has planned a giant state company that would be responsible for the Far East and eastern Siberia. Massive state investments of $31 billion were pledged to uplift the RFE's economy, infrastructure, and living standards. Some 95 percent of the funding was allocated to the RFE (as opposed to the Trans-Baikal provinces) and most of this was earmarked for an extreme makeover of the city of Vladivostok – new roads, 2 big sea bridges, reconstruction of the airport, a conference center, a university campus, and so forth – in preparation for the 2012 APEC summit.

The second major thrust of strategy is to strengthen economic links with Russia's Asia-Pacific neighbors. According to some recent numbers, Russia accounts for only about one percent of regional Asia-Pacific trade; Russia is making a deliberate tilt eastward to harness the RFE's future to the dynamic and fast-growing economies of the Pacific region, as opposed to the sluggish, stagnant and crisis-ridden economies of the European Union. Obviously no amount of Russian state resources will suffice for the gargantuan task of developing an area two-thirds the size of the United States. Russia's Ministry of the Far East now says that 11 trillion rubles, some $370 to $380 billion U.S., will be needed for the RFE, more than half from extra-budgetary sources, and this will have to come largely from foreign investment.

Moscow hopes that its development plans will reaffirm and strengthen Moscow's sovereign control over its remote eastern territories, and send a clear message to outside foreign actors that Russia is a serious player in the Asia Pacific. Yet things may not work out to Russia's advantage. Moscow has made a strategic and possibly fateful decision to link RFE's future development closely to the economic requirements of neighboring China. China arguably can leverage geographical propinquity and its superior economic dynamism (not to mention its demographic advantage) to advance an integrationist agenda that eventually could undermine Moscow's real sovereignty over the RFE.

Consider that China is the dominant trading partner for the RFE border provinces and represents a vital market for the RFE's most important products such as metals, coal, and timber, and is an essential supplier of foodstuffs, clothing, and electronic products to RFE consumers. Practically speaking, large RFE populations already are economically integrated with China. Consider also the very long Sino-Soviet border and the huge population imbalance between China's Manchurian provinces and the Russian Far East – a ratio of about 16:1 or more. Indeterminate numbers of Chinese already have crossed into the RFE legally and illegally, and provide vital labor services in agriculture, construction, trade, forestry and other fields, though they do not yet constitute an organized political force (like, say, Mexican immigrants in the United States).

As you probably know, Russia and China have evolved a close-fitting strategic partnership in recent years, and the partnership right now is riding high. The countries have apparently resolved their outstanding border disputes, and they enjoy shared understandings on such international issues as Iran sanctions, Syria, NATO enlargement, and threats of ethnic separatism. But the partnership also includes a strong component of cross-border economic integration. According to a recent "agreement in principle" reached between Russian and Chinese leaders, Russia plans to increase the supply of oil to China from 15 million tons per year currently to 45 to 50 million barrels possibly as early as 2018. Already, China is Russia's largest trading partner, surpassing even Germany, with $90 billion of turnover in 2012 and $200 billion projected by 2020.

But especially noteworthy was an agreement between presidents Dmitry Medvedev and Hu Jintao in 2009 to link the development of China's northeast provinces (Manchuria) to the development of Russia's eastern regions. Under this agreement, Russia would initiate projects for mineral resource extraction, forestry, agriculture, water supply and power generation while China would establish or reconstruct factories to create an internationally competitive manufacturing base. The countries would build cross-border transportation networks to facilitate the supply of Russian raw materials to the PRC's northeast. Russian critics argue that this scheme relegates Russia to the role of a resource colony serving the needs of a "metropolitan" China. Discussion reportedly is underway on a $5 billion loan from China to Russia's Ministry of the Far East to speed implementation of the cooperative agenda. If economic relations continue down that path, the RFE eventually could become more a part of Asia's periphery than a territorial extension of Russia, and increasingly subordinate to China's industrial requirements.

Why is China so anxious to secure a major foothold in the RFE? Perhaps three main reasons: First, the PRC is short of just about every resource needed to sustain the country's pace of development, and the RFE possesses most of these materials in abundance. A second reason is that the RFE offers a secure resource base in Eurasia – a hedge against a conflict situation in which adversaries (like the U.S. Navy), could cut off maritime lines of communication to China. A third and more hypothetical reason is that a measure of control over the RFE—a buffer of sorts between the China and the United States—could change the balance of power in the Western Pacific to the PRC's overall advantage

So what is likely to happen to the RFE in the long term? The basic realities already mentioned – serious economic and geopolitical vulnerabilities, combined with China's relentless quest for sources of raw materials on its periphery--suggest to some a rather grim outlook: a gradual soft power assimilation of the RFE into a resource appendage of China's northeast. But such a judgment might be premature. For example, a look at trade patterns shows that while China clearly dominates trade with the RFE's border provinces, democratic countries (not all of them Asia-Pacific ones) are the dominant partners for the non-border ones. Also, the vast majority of foreign investment in the RFE, 84 percent, flows to just two provinces, Sakha-Yakutia and Sakhalin – world-class repositories of gold and diamonds, and oil and gas respectively – where China plays a relatively minor economic role Indeed, China's overall investment in the RFE in 2011, a puny $169 million, was only about 2 percent of total foreign investment there in that year. Yet this figure will doubtless increase. For instance, in 2013 China paid $238 million for a stake in a Russian company with iron ore mines in Amur province. The RFE, especially its northern reaches, is still a land of opportunity, but may not remain so indefinitely.

So what are America's interests in the future of the Russian Far East? The main strategic interest is to prevent the domination of that region by any single outside power, in this case China. Right now the United States exercises little influence in that part of the world. In the economic sphere, U.S. trade with the RFE accounted for just 2.2 percent of all RFE external trade in 2011, and U.S. investment in the region has dwindled to near zero in recent years. In general, Washington has failed to take Russia seriously as an economic and security partner in the Western Pacific. Underscoring this reality, a November 2011 article in *Foreign Policy* by Hillary Clinton entitled "America's Pacific Century" which outlined America's national security priorities in Asia (open markets, nuclear non-proliferation, freedom of navigation etc.) mentioned just about every country in Asia, but left out Russia. Since Russia's Far East represents a vast potential market, harbors significant nuclear assets (some of them inadequately protected) and occupies a commanding maritime location, the omission seems rather startling. Actually, the RFE –Pacific Russia--could be central to U.S. security calculations in the Western Pacific, if the objective is to balance China's looming regional clout.

How, then, to respond to the Chinese challenge.? Outright containment is unlikely to work, given America's limited resources and geopolitical distance from the region (not to mention the

reservations of other Pacific powers.). But some sort of coordinated action is needed to prevent China from dominating the RFE and surrounding regions by default. The United States should take the lead in putting together the pieces of an engagement strategy for the RFE. A partnership of America and its Pacific treaty allies can collaborate with Russia in sponsoring a range of economic projects, in energy and transport, high-tech manufacturing and other fields. Additionally, to promote investment interest, the partners should engage Russian regional leaders on RFE's unruly business environment, advocating international "best practices" in areas such as transparency in procurement and protection of physical and intellectual property. The partnership could even involve some common understandings on Pacific security issues, including informal consultations on economic, demographic and military trends that might affect the stability of the RFE and northeast Asia generally.

Finally, a regional development strategy for the Far East will require substantial government support. In the United States, funds for development assistance to Russia today are only a fraction of what they were in the 1990s, which partly accounts for the poor recent representation of U.S. business in the RFE and other Russian regions. The scale and level of China's economic (and increasingly, military) power argues for some redirection of overseas funding priorities. and the RFE certainly should be the beneficiary of such a shift, for the reasons cited above.

Mr. ROHRABACHER. Thank you very much for those thoughtful remarks and you've made some very significant points that we will come back to during the question and answer and dialogue part of this. I just note, I would have to say that just for the record, Russia needs to wake up. They need to wake up. Who is really and what is really the greatest threat to the security and the economic well-being of their own people? For some reason, they have been treating the United States as if we fit into their hostile category and enemy category and that the Chinese who are really their greatest threat to their security and their prosperity are in some way their friends. And I'm very anxious to hear about the opinion of the other witnesses as well on that. But thank you very much, Dr. Lee, for your testimony.

Now let me get this, Tkacik.

Mr. TKACIK. Tkacik.

Mr. ROHRABACHER. I'm sorry, pardon me.

Mr. TKACIK. The first K is silent.

Mr. ROHRABACHER. You know, I'll tell you, with a name like Rohrabacher, I actually can get other people's name wrong.

You may proceed, Doctor.

STATEMENT OF MR. JOHN TKACIK, JR., DIRECTOR AND SENIOR FELLOW, FUTURE ASIA PROJECT, INTERNATIONAL ASSESSMENT AND STRATEGY CENTER

Mr. TKACIK. Thank you, Mr. Chairman, distinguished members. I thank you for giving me this opportunity to appear today. Chinese's rapid rise as Eurasia's preeminent power is of the greatest strategic importance to the United States. And I say this because as one top America specialist in Beijing says, "In the world today, virtually all of America's adversaries are China's friends." When you think about that, indeed, that is the case.

Future Asia will not look like today's Asia. Eurasia in 10 years in 2023 will be a Chinese dominion and China is now being helped along by a strategic alignment with the Russian Federation. Why does Russia side with China in a relationship that makes little geopolitical sense in the year 2013? Might it be a prudent strategy for the United States to tip the scales in the Russia-China relationship once again, as we did 44 years ago to prevent the emergence of a new hegemon in Eurasia.

Now remember in 1969, 44 years ago, Russia and China were the bitterest enemies on earth. Now I don't have much of a sense of humor and neither did Soviet Premier Alexei Kosygin, but Chairman Mao apparently had a sense of humor, so let me tell you a humorous anecdote about Russia, China, and nuclear war. Russia almost launched a nuclear strike on China in 1969 after a summer of unrelenting Chinese provocations. And on September 11, 1969, following the funeral of North Vietnamese leader Ho Chi Minh, Soviet Premier Alexi Kosygin, seething about China's attacks, suddenly diverted his plane from Hanoi to Peking's capital airport where he was met by Mao Zedong himself. Kosygin warned Mao to his face that the USSR's patience was at an end and he alluded to a nuclear strike. Mao Zedong replied to Kosygin and I quote, "I have always said that the struggle between China and the Soviet Union will last for 10,000 years. But on the merit of your coming

to see me in person, Premier Kosygin, I will cut that down to 9,000 years."

Kosygin was not amused. Five days later, Moscow's top journalist in Europe wrote an authoritative commentary predicting a Soviet nuclear strike on China and alluding to the Soviet invasion of Czechoslovakia the year before, he reminded the world that "the Soviet Union adheres to the doctrine that socialist countries have the right to interfere in other's affairs in the interest of socialism." The Soviets had already approached the Nixon administration secretly about just such an attack. Nixon's reaction was explained in Kissinger's memoirs and this is Nixon's reaction:

> "A Soviet attack on China could not be ignored by us. It would upset the global balance of power. It would create around the world an impression of approaching Soviet dominance. Soviets may be using us to generate an impression in China and in the world that we are being consulted in secret and that we would look with equanimity on Soviet military actions."

It was then a tenet of America's 20th century foreign policy that no power should achieve hegemony in Eurasia. And for 20 years after Nixon's visit in China in 1972, U.S. strategy successfully balanced Soviet dominance in Eurasia by a counter alignment with Communist China. Since 1972, however, it has been the grave misfortune of the United States that neither its political leaders nor its professional diplomats appreciated the substance of that strategy. The Soviet Union abruptly gone and China not yet then coalesced into an economic super power that was more politically repressive than the Soviets were in the years before its collapse.

China did not have to struggle for Mao's 9,000 years for its victory over the Soviet Union. In the two decades since the Soviet Union's collapse, since the collapse of China's democracy movement in Tiananmen Square, the Chinese Communist Party has implemented a single-minded strategy by any means necessary to reincarnate the communist state in China's ancient dominance of Eurasia.

Today, the United States confronts Eurasia's new hegemon. Island Asia, Japan, Taiwan, the Philippines, most of Southeast Asia and most importantly Vietnam and Indonesia and India now look to the United States' pivot to the Pacific to organize a new Asia Pacific order to balance China. But for Russia, the key factor is—but for us, the key factor is Russia in this equation. India still relies on Russia for weapons systems to deter China. Central Asian Mongolia hope the Russian influence can balance China's tightening grip on their economies and resources. They hope that America can mitigate both Russian and Chinese pressures. And even our old enemy, Vietnam, was heartened last month by renewed Russian interest in a maritime presence in the South China Sea.

The new Russian state, its own legitimacy in tatters, seeks to legitimize its oligarchy by rebuilding influence over its lost Eurasian empire. It rationalizes political repression at home by rebuilding its Eurasian military power and it enhances its global prestige by leveraging its resource exports, oil, natural gas, metals, minerals, lumber and energy for political acceptance among the democracies. And I have an lengthy analysis of Russia's relationship to China

in my written submission and I think my colleagues here beside me will already address the details in their own presentation.

But let me conclude with the observation that Russia's relationship with China is not one of unalloyed affection. Just in the past few weeks we've seen tension between Russia and China on a matter of vital importance to Moscow, the gas pipeline in the Far East. For several years, we've seen the Russians insulate their border with Manchuria keeping out Chinese investment, controlling as they can Chinese immigration and legislating against Chinese domination of the small retail industry throughout Russia. I think we've seen a renewed Russian naval interest in the South China Sea and in the Pacific seemingly to show China and India, not just America, that Russia is still a global player. Russia also faces vast demographic, resource and environmental challenges from a self-centered China. But Russia has yet to recover from its collapse of 1992. It must rebuild its own agriculture, its own industrial, scientific and resources infrastructure. It must rebuild its atrophying population and it must rebuilt its defenses before it can afford to challenge China's hegemony in Eurasia.

And Moscow's leadership must rebuild its own legitimacy on the foundation of popular support among Russia's jaded and disillusioned citizens, so clearly that will have to wait for a new core leadership. Until then, Russia will try to accommodate China without jeopardizing its own future and until then, the United States must be hyper vigilant of the balance of power in Eurasia. Russia is now entering a period of instability that America has insufficient resources to moderate. As the new Chinese super power demonstrates, the United States has few permanent friends or enemies in Eurasia, but it does have permanent interests in preventing any one power from dominating the land mass. And we must, at all costs, avoid the appearance of collusion with China in the Asia Pacific as we do that. Thank you very much.

[The prepared statement of Mr. Tkacik follows:]

TESTIMONY FOR THE HOUSE COMMITTEE ON FOREIGN AFFAIRS
Subcommittee on Europe, Eurasia and Emerging Threats

China's Rapid Political and Economic Advances in Central Asia and Russia

April 16, 2013

John J. Tkacik, Jr.
Senior Fellow, Director Future Asia Project
International Assessment and Strategy Center

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Mr. Chairman, and distinguished members, I thank you for giving me the opportunity to appear before you today.

I submitted some written remarks, Mr. Chairman, and I ask that they be submitted for the record.

Future Asia will not look like today's Asia. Eurasia in ten years -- by 2023 -- is on a trajectory toward Chinese preeminence, and China is now being helped along that trajectory by a strategic alignment with the Russian Federation. Why does Russia side with China in a relationship that makes little apparent geopolitical sense in 2013? Might it be a prudent strategy for the United States to tip the scales in the Russia-China relationship once again, as we did 44 years ago, to prevent the emergence of a new hegemonic power in Eurasia?

Remember: in 1969, China and the Soviet Union were the bitterest enemies on earth. Through the summer of 1969, 488 premeditated Chinese military violations of the Soviet border provoked armed clashes between Soviet army and brigade-level units of the Chinese Army. Moscow regarded Communist China as run by dangerous madmen in

much the same way that Washington today regards Pyongyang. The difference then was that the Soviets were in a position to do something about it.

I. Factors in Russia-China Hostility: "For You, 9,000 years!"

Let me tell you an amusing story about nuclear war.

On September 11, 1969, following the funeral of North Vietnam leader Ho Chi-minh, Soviet Premier Alexei Kosygin – still seething about China's unrelenting summer attacks along the border – made a sudden, unannounced, and apparently uninvited flight into Peking's Capital Airport where he was met by Mao Zedong himself. The visit was not friendly.

Kosygin warned that the USSR's patience was at an end.

Mao Zedong replied to Kosygin:

"I have always said that the struggle between China and the Soviet Union will last for ten-thousand years, but on the merit of your coming to see me in person, I will cut it down to nine thousand years."[1]

Kosygin was not amused. Five days later, Moscow's top KGB journalist in Europe, Victor Louis, wrote an authoritative commentary in London's *Evening News* alerting readers that if the Soviet Union were to strike China, "the world would only learn about it afterwards."[2] Louis described a Soviet nuclear strike against China's nuclear weapons facilities in Lop Nor, and averred that the Chinese Army would rise up in a coup against Mao and ask for outside assistance. Louis, alluding to the Soviets' armed invasion of Czechoslovakia just a year earlier, reminded the world that "the Soviet Union is adhering to the doctrine that socialist countries have the right to interfere in each other's affairs in their own interests."

It was a credible threat, and the Soviets had already approached secretly several U.S. government officers asking what the U.S. reaction would be to a Soviet attack on China's nuclear weapons factories and bases. These probes convinced President Richard Nixon and his national security advisor Henry Kissinger that the Soviets meant business. As Kissinger explained in his memoirs, America's strategy in Eurasia was set:

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[1] Mao took great delight in telling this story to Henry Kissinger in November 1973. Henry A. Kissinger, *Years of Upheaval*, Little Brown, Boston, 1982, p. 689. The story is coherent in Kissinger's telling. But in the declassified transcript of Kissinger's November 12, 1973, conversation, Mao clearly states he loosed the quip during Kosygin's 1960 visit to Peking in the middle of the Sino-Soviet ideological dispute. In the ensuing years, Mao told Kissinger, Romania was the main mediator between Moscow and Peking and by the fifth Romanian intercession, Mao said he could reduce the length of the "struggle" no fewer than 8,000 years. U.S. Department of State, *Foreign Relations of the United States*, 1969-1976 Volume XVIII China 1973-1976, p. 381.

[2] Victor Louis, "Will Russian Rockets Czech-mate China?", *Evening News*, London, September 16, 1969. Kissinger refers to this commentary in his memoir, *White House Years*, p. 185.

A Soviet attack on China could not be ignored by us. It would upset the global balance of power; it would create around the world an impression of approaching Soviet dominance . . . the Soviets may be using us to generate an impression in China and the world that we are being consulted in secret and would look with equanimity on their military actions . . . I believe we should make it clear that we are not playing along with these tactics.[3]

Just as Britain's strategy for centuries had been to align against any rising hegemonic power in Europe, it was a central tenet of twentieth-century American foreign policy that no power should achieve hegemony in Eurasia.

II. Russia and China in America's Eurasia Strategy

All this was integral to America's balance of power in Eurasia. As a hegemonic power rises, the United States would align itself with other powers in Eurasia to balance and contain the hegemony. Through the 1950s, as the Soviet Union, China, Indonesia and India emerged as partners in post-World War II decolonization, the United States aligned with Pakistan, French Indo-China and "Island Asia" (Japan, Taiwan, Philippines). The Sino-Soviet split of the 1960s pushed India and North Vietnam into alignment with the Soviet Union, while "pro-America" Pakistan aligned with China against India and the USSR. By the beginning of the 1970s, America had thrown its weight behind China, and China quietly abandoned support for the USSR's North Vietnamese ally. In 1979, the United States calmly averted its eyes while China attacked Vietnam, and by the 1980s the United States openly colluded with China to supply arms to anti-Soviet fighters in Afghanistan.

Nixon and Kissinger had embarked on a strategy to counterbalance Soviet domination of Asia by a counter-alignment with Communist China. It was a strategy that the United States followed for twenty years (from 1971 to 1991) until the collapse of the Soviet Union. But it is the grave misfortune of the United States that neither its political leaders nor its professional diplomats appreciated its substance after 1992 – with the Soviet Union gone, and China not yet coalesced into an economic superpower more politically repressive than the Soviets were in the years before its disappearance.

China did not have to struggle for Mao's 8,000 years for its victory over the Soviet Union. In two decades since the USSR's collapse, and since the collapse of China's democracy movement, the Chinese Communist Party has embarked on a single-minded strategy to re-incarnate the communist state in China's ancient grandeur of economic, demographic, political, military and intellectual predominance in Eurasia.

Today, the United States is confronted by Eurasia's new hegemon: China. "Island Asia," most of Southeast Asia (most importantly Vietnam), and India now look to the United States to coordinate a new global order to balance China. But Russia remains the pivotal power. India still relies on Russia for weapons systems to deter China. Central Asia and Mongolia hope that Russian influence can balance China's tightening grip on their

[3] Henry A. Kissinger, *White House Years*, Little Brown, Boston, p. 186.

economies and resources, but hope that America can moderate both Russian and Chinese demands. Even Vietnam has been heartened by renewed Russian interest in a maritime presence in the South China Sea.[4]

Russia maintains obviously friendly ties with most of the countries on China's periphery, countries which also look to the United States for leadership in a new "Chinese Century." But this does not necessarily translate into Russian competition with China. Russia's leadership has deeper concerns that inhibit it from balancing China with an American alignment.

The new Russian state, its own democratic legitimacy in tatters, seeks to justify its new oligarchy by rebuilding its influence over a lost Eurasian empire; it rationalizes political repression at home by rebuilding its Eurasian military power; and, it enhances its global prestige by leveraging its resource exports, oil, natural gas, metals and minerals, lumber and energy for political acceptance among the democracies.

In all this, Putin's Moscow seems to have fixed on the United States as a dire threat to Moscow's great-power legitimacy. Whatever America and the democratic West want must perforce be bad for Russia.

How did this dynamic overcome Mao's 8,000 years of "struggle"?

III. Factors in Russia-China cooperation

By removing the two proximate causes of Sino-Soviet confrontation: territorial disputes and competing ideological legitimation. What was a 12,193-kilometer border in 1988 (including Mongolia), shrank to 3,645 kilometers in 1992. Huge territorial expanses of Kazakhstan and Mongolia, once on the frontlines, suddenly were interposed to buffer the two Eurasian empires. What was once a struggle of two ideologies both claiming to spring from the "universal truth of Marxism-Leninism" resolved itself with the disappearance of one of the protagonists.

By 1992, China's People's Liberation Army (PLA) had embarked upon a massive modernization effort and had the money to pay for it; Russia had an advanced-technology military-industrial base in collapse and needed money to preserve what was left. Over the next two decades, the PLA would procure roughly $50 billion in Russian conventional and nuclear weaponry, research and manufacturing infrastructure and space systems, and hire hundreds of former Soviet scientists and engineers to staff them. In the past two years, Russia has renewed its advanced-technology arms shipments to China, and the Chinese People's Liberation Army has begun subsidies for Russian armaments works to develop new systems for the PLA.

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[4] "Russia, Vietnam agree on submarine fleet deal," *Russia Today*, March 6, 2013, at http://rt.com/politics/russia-vietnam-agree-on-submarine-fleet-deal-891/; Rachel Vandenbrink, "Vietnam Boosts Defense Ties With Russia," *Radio Free Asia*, March 5, 2013, at http://www.rfa.org/english/news/vietnam/russia-03052013194408.html.

Since 2000, Russia has supplied China with a number of weapons systems that certainly have relevance to U.S. force postures in the Western Pacific. My colleague at the IASC, Rick Fisher, has written extensively on some of the more significant ones.[5]

Over the past seven years, Chinese and Russian military, naval and air units have held joint field exercises demonstrating their desire to coordinate defense operations both in Central Asia as well as in Chinese and North Korean coastal maritime spaces.

The signing of the multilateral "Shanghai Cooperation Organization" (SCO) pact in June of 2001 formally joined China and Russia with the Central Asian states of Kazakhstan, Kyrgyzstan, Uzbekistan and Tajikistan in a security bloc explicitly intended, in part, to enhance global "multi-polarity" – a Chinese euphemism for balancing the United States' then-unchallenged global weight.

While the SCO also has economic, trade and counter-terrorist agendas, the organization's primary focus has been the sophisticated annual "Peace Mission" military exercises starting in 2005. The 2005 exercise featured coordinated PLA-Russia naval, air and amphibious assault maneuvers on China's Pacific Ocean coast, far from Central Asia and seemingly irrelevant to the SCO charter. The "Peace Mission 2007" exercise in Russia permitted the PLA to deploy mechanized forces abroad for the first time. The 2011 "Peace Mission" exercises in Kazakhstan featured the PLA Air Force deployment of operational squadrons abroad for the first time. This range of activities will likely be repeated for the "Peace Mission 2013" exercises now in advanced planning. These have been very important for the PLA. For many years Iran has been pressing for full SCO membership (it is now an observer). If this happened, one would expect that PLA and Russian multi service force missions would go to Iran and conduct sophisticated exercises that would enormously benefit Iran's military.[6]

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[5] Papers are available at Richard Fisher's IASC page: http://www.strategycenter.net/scholars/scholarID.4/scholar_detail.asp. Key arms exports from about 2000 to 2008 relevant to US forces in Asia include: Leninets Radar for radar satellites; Podsolnukh-E surface wave over-the-horizon (SW-OTH) radar; 1,000 to 2,000 Almaz S-300PMU/PMU-1/2 surface-to-air missiles (SAMs); 100 Su-30 fighter bombers; 80+ Sukhoi Su-27SK/UBK fighters (and advanced air-to-air and ground attack weapons); 12 "Kilo" class conventional submarines (ten Project 636 boats and two Project 877) and various Novator "Club" submarine weapons systems for eight of the Kilos; Aircraft Carrier technical assistance for the Ukraine-built Varyag hull (now renamed the "Liaoning"); Technical assistance for carrier basing of Su-27 jets; Potential future procurement still under discussion between Russia and China include:
24 Su-35 fighters with upgraded engines and avionics; unknown number of S-400 SAM batteries;
10 Il-76MD military transport aircraft (China is said to have a requirement of 100 heavy military transports by 2017). See also Stephen Blank, "Shared Threat Perceptions Begin Renewal of Sino-Russian Arms Trade," Jamestown *China Brief*, February 15, 2013, at http://www.jamestown.org/programs/chinabrief/archivescb/2013/?tx_publicationsttnews_pi2%5Bissue%5D=4.

[6] The Russian representative to the SCO stated in June 2012 that the Organization's rules prohibit countries under United Nations Security Council sanctions from full SCO membership. "Russia Rejects SCO Membership for Iran Until UN Sanctions Lifted," Radio Free Europe/Radio Liberty, June 6, 2012, at http://www.rferl.org/content/russia-rejects-sco-membership-for-iran-until-un-sanctions-lifted/24605453.html. Apparently, Russia came up with this rationale, not China.

It is also noteworthy that when PLA naval forces make high profile deployments near or around disputed regions with Japan, that Russian will also deploy probing air or naval forces to add to Japan's defensive burden, to test Japan's defenses.

Would this kind of seemingly informal coordination, on top of their history of "Peace Mission" exercises, indicate that China and Russia may have agreements for military cooperation in the event of military crises in Korea, the Taiwan Strait or in Japan's East China Sea waters? This is a valid question to ask.

The China-Russia partnership may also extend to cyberespionage cooperation. This is suggested by the lack of target Russian IP addresses in any of the Chinese cyber espionage servers monitored by Mandiant, the Munk Center, or Northrop Grumman.

There is also a curious China-Russia coordination of United Nations policies aimed at easing pressures on North Korean and Iran nuclear weapons proliferation, and on international pressures on Syria.

Moreover, there was China-Russia policy coordination on the Russian invasion of Georgia that came – puzzlingly – during the opening ceremonies of the 2008 Beijing Olympics. Putin and Chinese President Hu Jintao met in Beijing two days after the Georgia invasion. Without a trace of irony, Hu praised China's relationship with its Russian "strategic cooperative partner" as "advancing across the board precisely in accordance with our commonly declared goals" – a full-throated endorsement if ever there was one.[7]

The consolidation of the newly independent Central Asian states and Mongolia as buffers between the two Eurasian superpowers in the 1990s gave both Moscow and Beijing a common strategic interest in managing the new states. The mutuality of that strategic interest intensified as the United States abruptly appeared in Central Asia almost overnight after September 11, 2001.

By 2013, Russo-Chinese strategic cooperation has transformed China into a global superpower second only to the United States. China and Russia are capable of holding the United States Navy at bay in the South and East China Seas, and, in virtual alliance with Pakistan, can cut supply lines to U.S. ground forces in Afghanistan and Central Asia.

IV. Factors dividing Russia and China

Let me conclude with the observation that Russia's relationship with China is not one of unalloyed affection. Just in the past few weeks, we've seen some tensions between Russia and China on an issue of vital importance to Moscow – the gas pipeline to the Far

[7] In Chinese, the phrase reads: "*Zhong E zhanlue xiezuo huoban guanxi zheng anzhao women gongtong quedingde mubiao quanmian xiang qian tuijin.*" See "Hu Jintao meets Russian Premier Putin," *Renmin Ribao*, August 10, 2008, p. 1, at http://paper.people.com.cn/rmrb/html/2008-08/10/content_76859.htm.

East. And for several years, we have seen Russia insulate its border with Manchuria with great protectiveness, keeping out Chinese investment, controlling Chinese immigrants. We have seen Russia's navy renew its presence in the Pacific seemingly to show China and India – not America – that it is still a player, whether in the Sea of Japan or the South China Sea. Russia's arms supplies to India appear to be more technologically-advanced than its sales to India's rival, China. And Russia's seeming condominium with China in Central Asia seems designed more to keep Russia in the Central Asian "Great Game" than to cede influence to China.

Russia also faces major demographic, resource and environmental challenges from China. What can Russia do to lessen its dependence on Chinese agricultural labor to keep Russia's farms from collapse? What can Russia do to control the more than 100,000 Chinese shopkeepers, construction workers, and illegals now residing in Moscow alone, much less mitigate their influence in all of Russia's major urban centers? In the coming decades, what can Russia do to discourage China from taking over Russia's mining, energy and fresh water resources?

V. Conclusion: Russia, Heal Thyself

Russia must rebuild itself from the ground up. It must rebuild its agricultural, industrial, scientific and resources infrastructure; rebuild its atrophying population; and rebuild its defenses before it can afford to challenge China's hegemony in Eurasia. And Russia's leadership must rebuild its own legitimacy on a foundation of popular support among Russia's jaded and disillusioned citizens. Clearly, this will have to await a new core leadership.

Until then, Russia must accommodate China without jeopardizing its own future. And until then, the United States must be hyper-vigilant of the balance of power in Eurasia. Russia may now be entering a period of instability which America has insufficient resources to affect. As the new Chinese superpower demonstrates, the United States has few permanent friends or enemies in Eurasia, but it does have a permanent interest in preventing any one power from dominating the landmass.

Mr. ROHRABACHER. Thank you very much and next we have Dr. Shlapentokh.

You may proceed, Doctor.

STATEMENT OF DMITRY SHLAPENTOKH, PH.D., ASSOCIATE PROFESSOR, INDIANA UNIVERSITY SOUTH BEND

Mr. SHLAPENTOKH. Thank you very much for giving me the opportunity to discuss these matters. My point is that—good.

Mr. ROHRABACHER. And we just had a hearing on cyber-attacks.

Mr. SHLAPENTOKH. That's right, that's right, that's right. Vigilance, vigilance, vigilance.

So the point of my presentation given the Russian dimensions of the relationship with China and my point is that Far East could well be a test for China because of the invasion of horde of Chinese or military stuff, but because as threats proceed, the Russians themselves from Far East could choose China, geopolitical domination over Moscow.

The reason for this is as following: The Far East prospered during the Soviet era mostly because of heavy investment from the center. Now all of this is gone. Moreover, most of their resources exploited by the Moscow-centered companies go back to Moscow, the money goes to Moscow, nothing left for the Far East.

In addition, the Moscow prevents the Far Easterners to engage in profitable trade with nearby countries like Japan. And this led to very serious resentment. In 2008, Moscow imposed heavy tariffs on the used cars brought from Japan which bring considerable benefits to the locals. There was a big demonstration in Vladivostok, the local police were not able or willing to deal with this demonstration and brought riot police from center, from Moscow, which beat up people relentlessly. There was extremely high level of anger and internet was full of remarks that we need to blow up the pipelines because of action in Moscow.

In 2010, a group of youngsters in the Far East called partisans, guerrillas, engaged in systematic killing of law enforcement in Far East. The interesting element of this story was that majority of the locals supported them completely, that law enforcement should be killed. So if at the same time where there is hatred to Moscow increases or there is fragmentation of the Russian nation conscience increasing regionalism as more people of the Far East represent part of the Russian Confederation.

At the same time they are increasingly rich and prosperous China became an attractive magnet for an increasing number of the Russians. There was quite a few tourists. People would go to China for trade. People who buy property over there or even plan a retirement which is absolutely extraordinary because you could hardly mention any Russia from Far East or from any part of Russia going not just to Central Asia, but even to the Russian Caucuses. Moreover, most of the Russian-speaking folk in Central Asia or Russian Confederation Caucuses tried to run away from those places. So some of them are planning to go retire in China indicates a considerable level of security and sort of ability to lead among the Chinese.

Of course, everything is predicated on the trends of China who has more and more reach, but if it proceeds in this direction and

China will be seen by the locals as sort of big Japan, sort of Eastern-West. Located in the West, but have the amenities and high living standard of the East, or the West, and in case if Moscow would not be able to control the area in case of big political crisis, the Far East could be attached to China. By the way, during the 2008 demonstration in Vladivostok some locals carried slogans, "Give Vladivostok to Japan." So this is what could happen. Of course, any prediction is hard, but with the strength to proceed, it could be done.

[The prepared statement of Mr. Shlapentokh follows:]

House Committee on Foreign Affairs
Subcommittee on Europe, Eurasia, and Emerging Threats

China's Rapid Political and Economic Advances in Central Asia and Russia

April 16, 2013

Dmitry Shlapentokh

China and Russian Far East: the possible scenarios of interaction

China's economic rise would have different implications for different parts of the world. In the case of the Russian Far East, the Chinese economy's vitality and Moscow's actual neglect of the Far East, despite a variety of plans to change the situation for the better, could lead in the long run to the attachment of the Russian Far East to China, even, possibly without direct Chinese involvement. The Russian Far Easterners' approach to China could not be understood unless their relationship with Moscow is taken into account.

Alienation of ethnic Russians and the possible scenario

The vitality of the Russian Far East was due to the direct support of Moscow. It had a huge subsidy from the Central Government that had led to the creation of the Far East industrial-military facilities and attracted migrants from European Russia to the region. After the collapse of the USSR, all of the investments had dried up; and the region entered a period of long decline. It would be wrong to assume that Moscow did not try to improve the situation, and plans to improve the Far East had been launched. In the last few years, the plans changed with kaleidoscopic speed. Still, they brought little or no results to the average residents of the Far East; and the funds were either stolen by corrupt bureaucracy or misused. While locals had

received little, if anything from Moscow, they regarded Moscow as the force that prevented them from using the available resources.. The locals receive nothing from the operation of those companies that extract the natural resources in the Far East, and all taxes go to Moscow. Secondly, the locals resent Moscow's restriction of local trade with foreign neighbors. All of this leads to resentment against the central government.

2008 events and repercussions

One could assume that 2008 was a watershed in the locals' approach to Moscow. Locals were engaged in a profitable car business, exporting cars from Japan and reselling them; business was booming. Still, in 2008, Moscow decided to stop the practice on the ground that Japanese cars created unfair competition for Russia-produced vehicles, thus, creating a problem for Japanese cars to enter the Russian Far East. A big demonstration took place in Vladivostok. The local riot police refused to disperse the demonstrators, and Moscow sent riot police to disperse them. The Russian riot police (Omon) treated the demonstrators quite brutally. The events led to overwhelming indignation among the locals and intensified and crystallized their feeling that Moscow regarded the Far East as its colonial appendix. Some of the locals were so outraged that they posted on the Internet the call to blow up the trans-Siberian railway or pipeline. After these events, the views of most locals became increasingly anti-government as was demonstrated by the phenomenon of the "Far Eastern partisans."

In the summer of 2010, a group of young boys in the Far East engaged in the systematic murder of members of local law enforcement. The overwhelming number of posts on the Internet expressed absolute support of the partisans. One could assume that the public mood, extremely anti-government and implicitly anti-Moscow as the symbol of not just the regime but also the

central government, would not improve in the future. And one might also assume that the public's displeasure will grow if the economic situation would not change much. And this feeling defined local attitudes toward their neighbors, including China. And their views of China became different from those of Russians in European Russia.

The Far East and China

Who could suggest that Far Eastern Russia would be much less antagonistic to China than other parts of Russia? The racist/anti-minority feeling is spreading in Russia and led to several major riots (2006-2010). There was also the dislike of the Chinese, leading to the close of a major market in Moscow (2009) with mostly Chinese trade. Nothing of this sort happened in the Far East. Here are recorded no anti-Chinese riots and no demand to limit Chinese trade and, implicitly Chinese presence.

Instead of animosity, there was interest in China/Chinese, manifested in the popularity of studying Mandarin, which competed successfully with the European languages and even English. This cultural linguistic rapprochement is well encouraged by Beijing through the web of Confucius Institutes, the place for study of the Chinese languages and culture.

The sense of tolerance toward the Chinese was highlighted by a slow changing of China's image in the minds of increasing numbers of ethnic Russians. And these changes are related to the change in the general perception of the Far East, the transformation of the East into a peculiar "West." Most Russians, at least those in the big cities, are European-oriented. They see in West Central Europe the model to follow. For them, it is the country of a high standard of living, protection, the rule of law, and a broad security net. "West" in this case lost any relationship with a particular geographical destination and cultural/historical framework and "Westernism"

could well be an attribute of Eastern countries, such as China. Russians' interest in China could also be due to the absence of visible mistreatment of Russians as a people of different race. An increasing number of them feel secure enough to travel and work in China. The sense of security is also underscored by the appreciation of the country's legal and, in a way, political system. And quite a few Russians, tired of the corruption/abuses of the native bureaucracy, are pleased by the China government's tough punishment of corrupt bureaucrats.

All of these features of China—increasing economic growth, nondiscriminatory treatment of Caucasians, Russians in our case, and protection against bureaucratic abuses—push Far Easterners closer to China; they become increasingly connected to China by webs of economic and personal ties.

What could be the repercussion of these trends? One, of course, should not be oversimplistic here. To start with, the Russian Far East's gravitation to China is predicated on the continuity of China's economic growth and its transformation into a peculiar type of Eastern "West"—whose authoritarian or even semi-totalitarian make-up goes along with a high standard of living, personal security and a modicum of personal freedom. The gravitation of the Russian Far East to China is also predicated on the continuous inability of Moscow to improve the living standard of Russian Far Easterners. Finally, this trend could be altered or deformed by some crisis of nature and implications that could not be predicted. Still, if the above-mentioned trends continue—as has been the case for the last twenty years—the Far East's attachment to China becomes quite a likely occurrence even if China would have no pressing reason to be in charge.

As a matter of fact, some residents of the Russian Far East assume that they would be much better off if they would find a different geopolitical sponsor; and during the 2008

demonstration some of them carried the signs: "Give Vladivostok to Japan."

Mr. ROHRABACHER. Thank you very much.

Dr. Blank, and then we'll have some questions and dialogue.

STATEMENT OF STEPHEN J. BLANK, PH.D., RESEARCH PROFESSOR OF NATIONAL SECURITY AFFAIRS, U.S. ARMY WAR COLLEGE

Mr. BLANK. Thank you. It's a great honor to appear before this subcommittee again and I wish to point out that my remarks do not reflect the views of the Army, the Defense Department or the U.S. Government. Since 2008, Russia has reoriented its foreign policy to try and recover what was once the Soviet and Czarist status of Russia in Asia, namely that of a great independent power that had to be consulted about any major change in security and development in North East Asia.

The precondition for success there is the reconstruction and development of the Russian Far East, RFE. Thanks to factors that are both natural, such as climate and cost of labor and absence—and demographic decline, as well as to systematic misrule by Russian Governments for years, this is an area that was quite literally depressed. And it's still not preforming at the same standard as European Russia. What that means is that unless the Russian Government comes up with a coherent development plan for the area, it will not be able to develop the region on its own. By 2009, it had already come to the conclusion that it could not do so on its own and it has been soliciting foreign partners. The main foreign partners that it solicits in the Russian Far East are, of course, China, Japan, South Korea, and the United States.

As Congressman Rohrabacher pointed out, the United States has not been particularly interested in seeing Russia as a Pacific power. I wrote an article calling for this 2 years ago. I got no response. So we're aligned in that respect.

Japanese business sees Russia in a very negative light, not just because of the unresolved Kurile Islands although efforts are now being made to solve that problem, but because Russia is a lousy place to invest. Your investment is not safe. You are subjected to confiscatory expropriation, taxation, corruption, criminality, unjustified sudden environmental penalties and the like. And the cost of doing business there are not conducive to investment, when you can invest elsewhere and get much more for your money. And that's not only in terms of oil and gas, but in terms of power stations, infrastructure, all the things that the Far East needs.

Russia's dream of building a railroad connection the Trans-Siberian Railroad to the Korean Peninsula, going through North Korea and then South Korea goes back to 1890, but it's still a dream. It's not a reality. And the idea of building a Trans-Korean pipeline that would bring gas to South Korea from Russia and give North Korea tariff payments, as well as access to gas, is obviously not going anywhere given the present conditions there. So by default, the only major investor in the Russian Far East is China and the Chinese are taking advantage of this opportunity to obtain what you might call points of pressure or pressure points, points of leverage, key nodes in the energy infrastructure and other key industries in the Far East.

The Chinese threats to the independence and sovereignty of Russia and the Far East are not Chinese migration. As a matter of fact, according to Russian scholars, Chinese migration has declined every year since the beginning of 2000. What is the real point or tip of the spear is Chinese investment and trade. And here, we see China utilizing the same kinds of tactics it has used elsewhere to obtain key economic and political leverage. The giant firm, Rosneft, has borrowed something like $27 billion from China in order to sell it oil and the Chinese are going to demand that that oil be sold at less than market price.

China is now getting access into the gas industry and into Russia's Arctic energy developments as well and the Arctic energy is the great hope of the Russian energy sector for the future so China is already there. What we see, therefore, is a systematic Chinese economic penetration to investment and trade which will give it the political leverage over key sectors of the Russian economy in the years to come. And in the absence of any competitors this could create major security issues for the rest of Asia and the United States. Thank you.

[The prepared statement of Mr. Blank follows:]

The Nature of Chinese Influence and Power in Russia's Far East

Testimony of Professor Stephen Blank

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To the House Committee on Foreign Relations Subcommittee on Europe, Eurasia, and Emerging Threats

China's Rapid Political and Economic Advances in Central Asia and Russia

The views expressed here do not represent those of the US Army, Defense Department, or the US Government

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Russo-Chinese relations possess immense importance for world politics and Asian international relatoins in particular, with the most critical zones of this relationship being Northeast and Central Asia. Since 2008 if not earlier Russia has reoriented tis foreign policies to emphasize the recovery of its previous status in Asia, namely the ststus of a major indepenent Asian player whose government had to be consulted or at lest reckoned with concerning any major alteration or issue in global and Asian international affairs. Moscow, like everyone else, fully understands that East Asia is now the most dynamic sector of the global economy from which it cannot remain aloof if it is to be a major economic and political actor in world affairs. It also understands that Northeast, Southeast, South and Central Asia, i.e all of China's peripheries, are also potentially very dangerous areas in world politics and that in many cases, as we now see in Korea, a breakdown in security threatens its vital interests. Moreover, it is very clear from its defense and foreign policies that Russia seeks to hedge against the possibility that China might use its growing power and capability to attempt to become an Asian hegemon. Therefore a precondition for Russia recovering the status of a great, independently acting, Asian power that it covets is the redevelopment of the Russian Far East (RFE)

But for Russia to regain that status it must overcome the legacy of years of misdirected and misconceived Soviet economic and other policies and of continuing systematic misrule. Therefore Russia must reverse the continuing trend towards the depopulation of its Far East and modernize its economy so that it can offer something that Asians either want or need to buy besides energy and weapons. Even in those sectors there are problems. In many cases Russian weapons are not especially

competitive and Moscow faces growing pressure in world markets form Asian producers like China and even South Korea. As for energy, the shale gas revolution and continuing discovery of new sources, e.g. methane hydrate and other forms of methane gas, call its future ability to export energy at comeptitive prices and dominate regional or international markets into question. While the RFE is potentially a treasure trove of hydrocarbons, timber, minerals, including so called rare earths, etc. there are severe obstacles to its development and modernization. Some of those obstacles are natural, e.g. a harsh unforgiving climate, topographical obstacles to devvelopment that make the extraction of minerals and hydrocarbons exorbitantly expensive. But most of the other obstacles to development there are man-made, the product tof years of misrule, bad economic decisions, and systematic underinvestment.[1] For example, whereas in the late Soviet period the government invested 31 percent of GDP in the last ten years the figure is 21.3 percent compared to China's 41 percent. Whereas the USSR built 700 KM of railways a year the present government only built 60KM in 2009.[2] Similarly the total length of paved roads in Russia in 2008 was less than in 1997, a sure sign of governance failure and misallocation of resources.[3] As Zbigniew Brzezinski wrote,

> Informed Russian observers are also increasingly concerned that Russia's reliance on capital inflow in return for Russia's oil and gas is breeding a decline in the country's capacity to sustain technological innovation and industrial dynamism on the global competition for economic preeminence. The renewal of Russia's industrial infrastructure, which in Soviet times was being replaced at an annual rate of 8 percent, has declined to 1-2 percent, in contrast to the 12 percent of the developed world. No wonder that the World Bank reported in 2005 that fuels, mining products, and agriculture accounted for 74 percent of Russia's total exports, while manufactures accounted for 80 percent of Russia's total imports.[4]

Consequently Russia has recovered more slowly from the 2008 economic crisis than did the other BRIC countries, Brazil, China, and India.[5] Since foreign direct investment in

Russia is a fraction of the total for the other BRIC members, 4.1 percent for 2007, that pace of recovery will probably not change anytime soon.[6] Not only reportedly about 20 years behind the developed countries in industrial technology, Russia also develops 20 times fewer innovative technologies than does China and devotes considerably less money to research and development than China does.

> Prime Minister Wen Jiabao of China, when visiting Russia in 2007, noted with satisfaction that Chinese-Russian trade in machinery products reached an annual level of $6.33 Billion. Out of politeness, however, he refrained from adding that $6.1 Billion of that sum involved Chinese machinery exports to Russia, leaving only $230 million of Russian machinery exports to China. Making matters worse, projections by the Organization for Economic Cooperation and Development for the year 2020 envisage not only China's gross domestic product as approximately four times larger that Russia's, but with India ahead of Russia as well.[7]

Although some misguided Western analysts believe that Russia has laid the foundations of a market economy, Russia cannot follow China or the West because its system actually represents the antithesis of a market economy. Even if there are markets and growth, there is neither an unconditional right to private property under law, nor any concept of a legally accountable political or state authority. The deep-rooted problems of the RFE can therefore only be overcome by sustained, coherent, and rational economic policies which are still not in evidence. For example, although timber exports frosm the RFE are vital, according to President Putin the Russian government only has data on the quantity and quality of its forest industry for 19% of its forests.[8] Similarly this buisness is, like other sectors in the Far East, plagued by corruption and general lawlessness.

> Russia's forestry business has been in the doldrums for the past two decades, marred by poor governance, low investment potential and the growth of illegal felling and illegal timber sales. Up to 20 percent of timber logging or about 35 million cubic meters of timber is illegal, with economic damage from illegal timber sales estimated at 13-30 billion rubles ($420-$970 million) annually, according to WWF Russia and World Bank data.[9]

Indeed, many of these pathologies continude to this day. A recent report by the prestigious Valdai Club found that,

> **First**, by degree of involvement in the Asia-Pacific economy Russia is second lowest among APEC countries – only ahead of Papua-New Guinea. The Russian Far East is virtually absent from the economic map of the region. The other Asia-Pacific countries see no need to turn to Moscow for a discussion of various free trade zone projects. It is precisely for this reason (and not due to the petty schemes of enemies) that U.S. Secretary of State Hillary Clinton in her policy article, entitled America's Pacific Century, made no mention of Russia. Regrettably, there is nothing worth mentioning.[10]

Beyond the second problem, of insufficient infrastructure that is already underlined above the third problem is,

> That scarce labor resources are the key problem of the Transbaikal region and the Russian Far East. There is a general shortage of personnel, not just skilled employees. Two decades of population flight from the region and of the social marginalization of many of those who stayed hit hard the region. Hence the fond dreams of building dozens of new factories in the region are utopian by definition. One has to clearly understand that, for these dreams to be realized, the labor force would have to be imported. There are no domestic labor resources. The architects of ambitious projects prefer to overlook this issue for understandable reasons. Is regional public opinion prepared for the new industrialization of the Transbaikal region and the Russian Far East to be accomplished by Chinese, Korean, Vietnamese, and Indian workers? At this point, it is unlikely.[11]

Given this problems it is, therefore, hardly surprising that in fact, Russian authorities have, for quite some time, actively welcomed Chinese migration to the RFE. If we remember that energy is by no means the only important economic issue in the RFE and that its labor shortage is an equally acute problem hampering its development; we quickly come to realize that the real Chinese penetration of the RFE has little or nothing to do with fantasies of vast hordes of Chinese migrants taking over the land. In fact, as a recent Chinese article observed, the RFE cannot afdfrod to spurn Chinese labor and/or capital.[12] Russian scholars make the same agument. Indeed, they note that Moscow has largely abandoned the effort to stimulate Rusisan migration from other parts

of Russia to the RFE having recongized the infeasiblity of such programs.[13] Thus while this Chinese argument is obviously self-serving; it also reflects the truth and the actual migration figures testify to the continuing failure of Russia's supposedly welcoming policy towards such labor and other migration. Part of the problem is the continuing diffusion in and out of Russia of scare stories about hordes of migrants seizing Russian land. Such images of the "Yellow Peril" dating back to Kaiser Wilhelm II who first originated the term in 1895 are vastly overdrawn and have little conneciton to reality though they provide good political fodder for Russian extremists and uninformed foreign observers. In fact there are probably about 250-300,000 Chjnese settlers throughout the area and many of them are shuttle traders. Moreover, there are no signs that Chinese people seek to settle in the RFE and indeed the number of Chinese citizens enteirng Russia has decreased since 2000.[14]

Rather the real penetration is the steady Chinese encroachment upon and acqusition of economic and political leverage in Russia's industries and raw material sectors, including energy. This trend, more than anything else, is the real threat to Russian national interests and the attainment of its goals in Asia.[15] Because Russia, despite its growth since 1999, still lacks the capital and technological knowhow to overcome the natural and man-made obstacles mentioned above, it must form partnerships or business alliances (not security alliances) with other interested actors to develop the key sectors of the RFE: exploration of oil and gas fields, builidng refineries and pipelines for those hydrocarbons, exploration and development of a production and transport infrastructure for liquefied natural gas (LNG) and commerical trade in general, i.e. roads, power generation, timber and timber processing, telecommunications, repair

of environemtnal degradation. etc. And because this region is also tied to those parts of the Arctic region that are situated in Asia and the Northeastern segments of the so called Northern Sea Route through the Arctic Ocean some aspects of the related issues generated by the opening up of the Arctic to more commercial exploitation include the RFE and Eastern Siberia.

The manmade obstacles include such structural features of the economy as dilapidated transport infrastructure and power transmission, high labor costs, and low productivity, shrinking population base as people migrate from the RFE to European Russia, and the usual features of state administration in Russia. These typical and regressive, even pre-modern facets of governance include widespread corruption, criminality both within and outside of local, regional, and the central government, excessive centralization from Moscow and the ensuing ignorance of local conditions, the manipulation of tax rates, capricious environmental, and business laws to make it difficult if not unrewarding for foreign buisnesses to invest here, and uncontrolled bureaucratic factionalism. That latter factor also corrupts foreign policy.

As a result the only areas where Russia seriously competes economically in Asia relate to the exploration and exports of energy deposits on land and/or sea, and arms sales to Asian countries like China, India, and Vietnam. Furthermore its quest for energy and other investment partnerships has not been very successful. India's Oil and Natural Gas Company (ONGC) is invested, as are some Japanese firms, in gas deposits on Sakhalin and ONGC is also considering further investments in the RFE and Arctic. Although there are signs of a thaw with Japan, no large-scale Japanese investments in the energy field beyond Sakhalin have not yet materialized and one should not expect any

rapid developments here. This is not just due to the long-standing impasse concerning the future status of the Kurile Islands annexed by the Soviet Union afer 1945. Japanese business, though it clearly wants to invest in Russia, is at the same time very leery of investing in a market famous for being a high-cost production plaform with low levels of labor productivity, but high rates of extortion, expropriation, corruption, criminality, kickbacks, etc.

On the Korean peninsula Russia's dream of a raiload connecting the Trans-Siberian Railroad with a trans-Korean railroad (TSR-TKR) has remained a dream but not a reality since the 1890s. Likewise, the dream of builidng a trans-Korean pipeine for gas that would bring Russian gas to South Korea thorugh the North, thereby enhancing Russia's status, helping satisfy South Korea's demand for gas, and giving North Korea access to gas and lucrative tariffs has gone nowhere. And given the current crisis generated by the DPRK no progress should be expected here. While Russia is courting Southeast Asian investors, it is obvious that they cannot furnish the capital and technologies that Russia needs except in limited cases and to a limited degree.

Thus by default this leaves China as the only major foreign investor with whom Russia has hitherto been able to make major deals in the RFE. And China, as we know is hardly reticient about pressing its advantage and demanding special terms and treatment. Russia has had to resume seling China advanced miliary technologies, not least to sustain Far Eastern defense industries as Middle Eastern markets have dried up since 2011. And this is despite the fact that Russian arms sellers have ben irate for years about China's pirating of Russian technologies, intellectual property, and knowhow. Here strategic considerations and sectoral rather than rational economic thinking trumped political

interests in not selling wepaons to potential enemies. What makes this even more irraitonal is the fact that there is no doubt that the Rusisan government and General Staff fully gtrasp the nature and trends of Chinese military capabilities and potential for threatening Russia. In the oveall economic sphere of Russo-Chinese relations we see, in fact, many tensions that belie the notion that relations are better than ever and that a total identity of interests exists between them.

To be sure there is much convergence against US policies but in fact Russo-Chinese trade relations are the achilles heel of the reationship. Russia constantly complains that China does not buy Russian goods except for raw materials. Bilateral trade balances favor China and China is able to drive a hard bargain on energy. For all the talk of perfect harmony, despite twenty years of talks there is still no gas pipeline to China. The main reason for this is that China has been able to refuse to pay more than the price it pays for coal for the gas while Russia demands world market prices. Moreover, China probably also wants to be the only customer for this gas, a situaiton that means it actuay owns the pipeline. It probably does not want to allow for a pipeline to continue on to other Asian states like South Korea. By making major deals with Central Asia and Australia and now exploring for shale gas, which Gazprom amazingly calls a bubble, China not only gets more gas from Central Asia than does Russia, it is able to exploit other osurces and essentially tell Russia that if it does not accept Chinese demands on price China has other altenrnatives.

An article by the former Indian diplomat M.K. Bharakumar demonstrates how China has been able to force Russia and Gazprom -- which it is in a position to bail out due to its corruption and state-mandated improvidence – to reverse their desires and

accept not only China's price demand but also China's long-standing demand for enhanced leverage in Russia's gas sector.

> Russia has been insisting on a price on par with what it was getting from its European customers - roughly US$400 per thousand cubic meters [Mcm], whereas China insisted on $250 per Mcm. Second, Russia was offering gas supplies from its East Siberian gas fields via the so-called Altai route, whereas China's preference was for supplies from a much shorter eastern route that could keep down the cost of transportation. Moscow has now accepted the eastern route, which is a pragmatic decision, because Russia's hope was to emerge as a swing supplier between Europe and Asia. On the other hand, the eastern route means that the cost of the gas falls significantly and comes much closer to the Chinese offer of $250 per Mcm. Now indications are that for reducing the remaining price gap of some $50 per Mcm, China might be willing to make an upfront payment of $25-30 billion to the Russian gas company Gazprom that can be set off against the gas exports over time. Gazprom needs to borrow at least $25 billion from financial institutions to fund this very project that would supply gas to China. Had it borrowed from the money market, it would have had to pay interest, while if China decides to give the money interest-free, the loan would bridge the remaining price gap. Indeed, this mega deal will be a game changer in the Russian-Chinese partnership.[16]

As regards oil, it is Chinese money in the form of huge loans of $15 Billion to Rosneft and $10 Billion to Transneft that got the East Siberian Pacifc Ocean (ESPO) pipeline built after 2009. Yet the first year that ESPO was in operation it was basically tied up in litigation. Although those issues seems to have been resolved, ESPO's underperformance has created a dangerous situation due to the rivalry between Rosneft, headed Igor Sechin one of Putin's closest henchmen, and Gazprom. Sechin has clearly bet on obtaining huge Chinese loans in return for contracts to sell it oil and/or gas to make Rosneft the number one firm in Russia. At the recent Sino-Russian summit he gained a contract to triple the size of current oil deliveries to China to 900,000 BPD, putting it on a par with Saudi deliveries to China.[17] But he won those contracts only at the price of agreeing to further huge loans of $25-30 Billion from China as infusions of cash to Rosneft and agreeing to facilitate Sinopec's acquisition of oil and gas assets in

Russia Specifically Rosneft would consider Sinopec's participatoin in its large-scale project in the RFE,the Eastern Petrochemical Reifnery jointly esta blished in 2007 by Rosneft and Sinopec's rival CNPC, China Naitonal Petrochemical Corporation.[18] While China may become Russia's biggest customer, it will do so while it has an enormous cushion of alternative supliers and very likely leverage over oil and gas pipelines that go exlcusively to China. Meanwhile Moscow will depend excessivley on exports to China in Asia thorugh these leveraged pipelines. This, as energy experts know, is not a winning strategy for Russia. But this sequence illustrates how the pursuit of sectoral, peronsal, and factional gain and short-term horizons of getting cash to cover debts run up due to irraitonal market decisoins and state policies is undermining Russia's position not only in Asia but even at home in the RFE.. Thus these deals may well come at the expense of Russia's national interest and come with stirngs attached as China is gaining leverage on key elements of Russia's crown jewel, its energy sector. Similarly, even though China is ramping up its Arctic presence and disputes Russia's claim to much of the Northern Sea Route and the Arctic's waters as part of its Economic Exclusion Zone, Russia recently signed several agreements with China to provide capital for its exploration of the Arctic.[19]

If we remember that energy is hardly the only ecponomic issue lof consequence in the RFE we come to relaize that the real Chinese penetration of the RFE has little or nothing to do with fantasies of vast hordes of Chinese migrants taking over the land. Such images of the "Yellow Peril" dating back to Kaiser Wilhelm II who first originated the term in 1895 are vastly overdrawn and have little conneciton to reality though they provide good political fodder for Rusian extremists and uninformed foreign observers. In

fact there are probably about 250-300,000 Chinese settlers throughout the area and many of them are shuttle traders. Rather the real penetration is China's steady encroachment upon and acqusition of economic and political leverage in Russia's industries and raw material sectors, including energy. This trend, more than anything else is the real threat to Russian national interests and the attainment of its goals in Asia.[20]

This trend, if allowed to continue without interfernce or substantial rivalry could, over time, undermine Russia's efforts to bandwagon with China against US policy on the global scale, missile defense, democracy promotion, and proliferation, while hedging with other Asian states against China's claims to regional hegemony. We see this dual trend in Southeast Asia where Russo-Chinese relations are deicidedly different from the alleged sweetness and light that both capitals would have us believe is the real story. In the contested South China Sea we find an almost opposite situation. Here Beijing has also repeatedly told Moscow to terminate its energy explorations there, clearly in response to Russia's display of its enhanced interests in boosting its presence in Southeast Asia. In 2012 Russia announced its interest in returning to a naval base at Cam Ranh Bay, a step probably connected to joint Russo-Vietnamese energy projects off Vietnam's coast, and as a means of checking China. Gazprom announced on April 6, 2012 that it had signed a deal to take a minority stake in the development of two gas projects off the coast of Vietnam. Gazprom will explore two licensed blocks in the Vietnamese continental shelf in the South China Sea. It took a 49% stake in the offshore blocks, which hold an estimated 1.9 trillion cubic feet of natural gas and more than 25 million tons of gas condensate. Those actions precipitated Beijing's demand to Moscow that it leave the area. However, while Moscow was silent, no doubt, to avoid

antagonizing China, Moscow never left the South China Sea. And since then it has doubled down in support of Vietnam, both with regards to energy exploration in the South China Sea, and perhaps more ominously from China's standpoint in arms sales and defense cooperation.[21]

The upshot of all this is that while Russia and China profess n identity of interest vis-a-vis the US; that identity exists only insofar as global issues are concerned, inervention on behalf of democracy as in Syria, missile defenses, democracy promotion and proliferation as a potential spur to armed intervention. But while both governments resist US regional policies against Notrh Korea and Iran and in Central Asia, Russia clearly wants to hedge against China's domnance in East and Central Åsia. Thus there is a subterranean rivalry, even on the acquisition of influence over North Korea between them. But just as we see a growing rivalry between China and Russia in Central Asia due to China's ever more visible commercial and financial superiority there which Russia cannot match, we see the same kind of phenomenon in East Asia. Here too Russia evidently cannot compete with Chiense economic and financial power and it is ever more apparent that China is the only foreign investor of any consequence in RFE and Siberian projects of great and growing importance to Russia. China is steadily accumulating pressure points or points of leverage inside Russia's economy because of the pervasive misrule Russia has displayed here. In that context, then, it would be unusual if China were to refrain from seeking, as it has elsewhere, to convert economic leverage into lasting political advantage.

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Mr. ROHRABACHER. Thank all of you for your very thoughtful testimony.

We are also joined with our good friends, Steve Stockman from Texas, and the Colonel is leaving now, but has no questions right now.

Mr. COOK. I wish I did. I have another commitment.

Mr. ROHRABACHER. All right, thank you, Colonel.

Mr. COOK. Great testimony.

Mr. ROHRABACHER. Tom, do you have an opening statement or would you like to ask some questions?

Mr. MARINO. Thank you, Mr. Chairman. I appreciate the opportunity say a couple of things or ask some questions. I travel a little bit and when I was in Venezuela, I was in the American Building built by American Airlines and they had a lot of Chinese folks there. I went to Republic of Congo and in the hotel, they had a lot of Chinese folks there. Wherever I travel, I see that the outreach is phenomenal in breadth. And one of my African leader friends said that they are now the new colonial masters of Africa.

I'm wondering if, any of you can comment on this, if you were in the position of making decisions for the United States and what would you recommend to counterbalance the ever-growing presence around the world to the garnering and gathering of key resources and minerals and oil, what would you recommend we do?

Dr. Blank?

Mr. BLANK. That question, you have to go region by region, but in the Russian Far East and in Central Asia, first of all, we'd have to restore American growth at home in order to be able to compete economically in a more robust way.

In the Far East, as I wrote 2 years ago, what is necessary, I believe, is to organize with Japan and South Korea a consortium that could actually come to the Russia Government and say that we are prepared to invest in selected projects in the Far East, energy, power transmission, infrastructure, etcetera in return for essentially the right to do so in a rational economic manner. As I put in the article, one of the preconditions is no more Magnitskys. Basically, that people can invest in Russia with the expectation that they get their money out safely, that profits can be made, that they're not subjected to extraordinary corruption and criminality. Unfortunately, that has not happened, one of the reasons why American investment generally, not just the Far East has slipped.

In Central Asia, it's even more imperative, another region because over there, to be honest with you and I wrote a big paper about this last year, we talk a lot about the Silk Road, but there's nothing concrete. It's talk. It's not actuality. President Karimov, I'm told, laughs every time he hears it because he knows it's not a reality. So if the United States wants to compete with China, it needs to be able to compete economically by demonstrating a capacity and willingness to invest and sustain big investments in major projects in areas that are critical to our national interests. If we don't take that first step, everything becomes much more difficult.

Mr. ROHRABACHER. Dr. Lee?

Mr. LEE. Yes, I would really second all of Steve's remarks. What I've been toying with is the idea of a U.S. partnership with our treaty allies in East Asia, Japan, and Korea, to come to the Rus-

sians and say look, we've got a lot of money we want to invest. We want to upgrade your railroads, your roads, your maritime facilities, your air traffic, all of this and meanwhile invest in the fabled resources of Siberia and the Far East, but you've got to make some changes at your end. And the changes have to be made that are going to improve the business environment.

We're talking about things like protection, physical, intellectual property. We're talking about transparency and procurement. We don't want to get the feeling that the Chinese have some kind of an edge getting early information about projects that are going out to bid. I mean we want to be in a position to be able to take advantage of all of the commercial opportunities that are available.

But I think at the same time, there should also be encouragement from the U.S. Government. It's not just a commercial issue here. We're not going into Russia here, the Far East, just for commercial reasons. There are big strategic—there's a big strategic stake here. We have to look upon the Russian Far East as kind of a gigantic buffer between China and North America. I think that we have to, in a sense, take a position there, increase our engagement and presence in the region, not just to make money, but also for our strategic well-being as a country.

Mr. TKACIK. If I could just add, when I was in the Foreign Service in my earlier days, it was at the last two decades of the Soviet Union. The State Department had a Soviet Affairs Officer in just about every office of the State Department, whether it was Oceans Environment, whether it was Visas, whether it was any geographic area, and everybody was tasked to write and report on how the Soviets were engaging in whatever sector they were in. We don't have that with China these days.

And if we're going to deal with the growing Chinese presence, you really have to know what you're dealing with. You have to have a Treasury Department that's focused on China. You have to have an Agriculture Department that has China people that are—whose task is to report on how China is competing with the United States. We don't—we really don't have that. And I think the first thing that should be done is some kind of perhaps mandatory requirement, a mandate on the State Department on all government agencies to report on China policy as it affects their missions. Until we have that, we don't even know what the size of the problem is unless, of course, a congressman shows up in Venezuela and he's overrun with 200 Chinese and he doesn't know what they're doing. And he goes to Africa and he sees the same thing.

If I could just be indulged 1 more minute, one of the places where I think we are facing the biggest challenge from China's sort of invisible hegemony is in the Pacific. The Pacific has been our sphere of influence for the last 60, 70 years. But now I think we're watching our Pacific foreign policy be outsourced to Australia and New Zealand, both of whom have completely different interests from us. And we're seeing China basically take over each individual Pacific island state one by one in a very subtle, but very effective way. And there's no American presence to counter balance that.

Mr. MARINO. Mr. Chairman, I'd like to point out that this morning on NPR they had a former President Obama official stating that very thing, that he feels we're abdicating and this his policy

maker, abdicating the Middle East and much of the area. And that's not coming from a conservative or a Republican official. It's coming from a former Obama official. And I'd like to, if I may, Chairman, if we can get it and submit it into the record, I think it's critical because while these hearings are vital, I think the overall problem is not a lot of people are aware of the dangers.

When I was a young man, my father was very much involved in international relations. That's how I got involved in politics. And not it's not popular to talk about anything beyond our borders. As people remember 9/11 and other times, it's a very grave danger to ignore the storms that are formulating outside our borders. And I yield back the balance of my time. Thank you, Mr. Chairman.

Mr. ROHRABACHER. Mr. Shlapentokh, did you have something to add to that?

Mr. SHLAPENTOKH. My point is the U.S. needs to invest in the Far East, but in order to attract the people of the Far East to the United States is this money should have some implication for them. It should be good jobs. It should be housing. It should be something that goes in their pocket, not just to the pockets of the big American company and its Russian partners.

In this case, they will go along the way of the money. The good way would be, of course, unite their efforts with the Japanese and South Koreans, but once again to be sure that money benefits go to Far East, not to Moscow.

Mr. ROHRABACHER. Thank you. Just to back up Mr. Tkacik's point about State Department not paying attention, we could not get the State Department to send anyone here today, for example, just to have a discussion, a dialogue with us about the subject. And to say that they're not interested is an understatement.

Mr. Lowenthal, would you like to proceed?

Mr. LOWENTHAL. First, I find the conversation very fascinating and obviously maybe it's an oversimplification what you all are saying, but obviously the increasing role of China in both Central Asia and throughout the world is cause of concern. The question I have are there any positive signs in this that we could work with and what is going to be the impact, not just between Russia and China, but on the emerging of the new Central Asian republics. Can you talk a little bit about the impacts of China on the—that used to be part of the Soviet Union that are now independent countries and where do they fit in? I believe that the Soviet Union wants to—how are they—what is to their advantage, the Soviet Union wanting them to come, to return Mr. Putin to kind of more under the relationship of the Soviet Union. What role is China playing actually in these Central Asian republics themselves and what role should we be playing with them?

Mr. BLANK. China is playing the role of investor and trade. It is now the number one investor and trade partner for Central Asia is also increasingly the place where they go to raise money on international capital markets.

Now Central Asian governments, all of them each in their own way, pursue what they call a multivector policy. They try to balance off all of the great powers, U.S., China, Russia, and keep them each at arm's length so that nobody can exercise a disproportionate influence. The problem is that we have a symmetry of means of in-

fluence in them. China's means of influencing them is this enormous economic power and in reserve, although it has never been used and China doesn't show any interest in it, is the possibility of military power.

Russia's economic power of Central Asia is steadily declining because of the fact that the Russians simply cannot compete with the Chinese capital, so they have tried to build a number of institutions, the Collective Security Treaty Organization, CSTO which is essentially an attempt to create a military organization to defend them against terrorism or invasion and to keep them in the Russian military orbit. Now they have set up a Customs Union, one purpose of which is to keep Chinese goods out. If you have a Customs Union, goods produced inside become much cheaper than those produced outside. You have a visible Chinese and Russian economic rivalry, but both of them see us as a potential threat because of our supposed desire to maintain a military presence in Central Asia after 2014 and of course, because they're all opposed, including Central Asian governments to democracy.

What the U.S. needs to do here is first of all come to a decision whether or not Central Asia is a strategically important area for the United States. That has not been done. There is no discernible strategy. Some talk of maintaining military bases or troops in Afghanistan of certain advisory level after 2014, but we're getting out of there militarily. Economically, we're not investing anything like what would be required to sustain a viable American presence. And instead, we're relying on Uzbekistan which is essentially a government whose security and legitimacy depends on the health of a 74-year-old dictator.

So what I'm saying is there's no U.S. strategy for that area. That answers your question about Central Asia.

Mr. TKACIK. I'd add that a dozen years ago, the Chinese finally pulled together a Central Asian-Russian alliance in the Shanghai Cooperation Organization. And I think the Chinese intent of this was to cement their influence in Central Asia as the Russian influence was receding.

I have to say in the intervening 12 years, the Russians have been very adept at moving in and sort of making sure that the SCO, the Shanghai Cooperation Organization, is mostly about Russian-Chinese cooperation and that the Central Asians wind up being sort of junior partners in this.

The problem, of course, is that the United States is far removed. We can't—we don't have a geographic border there. We have no way of getting our influence in. We have no way of getting either military or economic power into Central Asia without going through Russia or China or Pakistan or Iran. And it's very difficult, I think, for us to break that stranglehold. Central Asians, of course, as Steve mentioned, are desperate to try to play off both Russia and China and hope that the United States can come in and sort of tip the balance one way or the other.

Mongolia, in particular, I mean is the only democracy in the region, Mongolians are terrified of their future. They only have two land borders. They have Russia on the top north and China on the bottom. They're desperate to get the United States and Canada and Europe and Japan investing in there so at least they have a stake,

but if push comes to shove, it's going to be difficult for the United States to make its influence felt in any way other than that before the United Nations. But I mean if this, I thought I would—pass on, as China is usually the SCO to crystallize its security leadership in that region. Thank you.

Mr. ROHRABACHER. Thank you very much. The chair will ask a few questions and see if there's any final last minute statements by members of the panel. I guess what we're talking about is a major change in history in terms of who dominates certain areas and is there any question among the panel that let's say 70 years ago or 50 years ago that Russia, which was then the Soviet Union dominated Central Asia in that part of the world? Is there any question about that?

And is there any question among the panelists that 50 years from now China will play that same dominant role or at least be that dominant—maybe not as Dr. Blank suggested, they won't have Chinese troops occupying the various or even Chinese immigrants dominating the scene, but the decision making and economic—how do you say—dominance, thus the political dominance will be on the part of China 50 years from now, so we'll see that shift away. Does anyone disagree with that?

Go right ahead, Dr. Blank.

Mr. BLANK. I would be very hesitant about predicting first of all, that far out because 35 years ago people in our profession didn't think the Soviet Union was going to collapse, let alone peacefully.

Mr. ROHRABACHER. I did.

Mr. BLANK. Well, you are in a minority. And as Yogi Berra said "Prediction is difficult, especially about the future."

The Central Asians don't want to be subservient to anyone. They want to be independent. That's why they strive for these balancing policies. Second, I think we've all seen in Iraq and Afghanistan just how difficult it is to subjugate people who don't want to be ruled by foreign governments and therefore the age of direct empire and maybe even of indirect empire is becoming much more unlikely. The prospect of this could become much more costly to anybody.

The Chinese are certainly trying to gain economic and political leverage all across their periphery from Russia to Far East, Central Asia, Southeast Asia and into the South Pacific and so on. That doesn't mean their dominance is simply a foregone conclusion. It depends on what we do with the opportunities that we have and what other states do if the capabilities and resources and opportunities they have and the fact of the matter is that the aggressive Chinese policies of the last 4 or 5 years, have brought into being a pretty robust coalition that is becoming ever closer to the U.S., South Korea, Japan, Australia, key states in Southeast Asia like Vietnam and Indonesia and India who are making it clear that they are going to resist efforts by China to bring about a tributary or hegemonic Chinese system. I would not be nearly as confident that China is going to succeed in establish hegemony, although they may well try and that may lead to major crisis. But I think we have to leave the door open for countervailing actions by other actors.

Mr. ROHRABACHER. Thank you for that very optimistic answer. Let us just say the future is in our hands. There's nothing pre-or-

dained, but the trends seem to be going and the dominance that we were talking about again was not a dominance of that part of the world by occupation and I think perhaps one of the things that as most come out of this hearing from me is the idea that in the past when I had spoken to our Russian friends, I've talked about the potential of millions of Chinese migrating into territory which is their territory and that perhaps that will not be the methodology which creates Chinese power in those areas. That instead, people coming slowly, but carrying lots of money and buying all of the natural resources of an area and becoming the only employer in the area may well be just as powerful an influence as having large numbers of Chinese people moving there.

And that strategy, as you're pointing out, Dr. Blank, is a fascinating strategy and it does have its weaknesses as we've seen in Burma. Burma, for the last 30 years has been, 40 years, has been at least 30 years has been really under the major influence of China, that's not the domination of China, but now the Burmese regime is actually trying to break lose and head more toward the West.

Also let me note that the Russians, another factor that we put into this equation is that—and obviously, this is stereotyping, but the Russians seem to be people who have a creative genius about them. When it comes to science—I'm also on the Science Committee, Science, Space, and Technology Committee that we've always admired the fact that the Russians have been the power on this earth that has developed so much space technology and so much other technologies that were very innovative in pushing humankind, although they were not good at implementing those and commercializing them and put into practice. They were very good at the creative part.

The Chinese, on the other hand, have been very good at taking the creations of the West and building them and mass producing them at a cheaper price. I would think the genius is a very valuable asset that the Russians have. And also, I might add, as the United States is now finding that the Chinese are stealing our intellectual property by the boat load or by whatever megaload it is. The Russians will find that as well.

Just something about U.S. policy and Russia, are we—just very quickly with the panel. In the last, since the fall of the Soviet Union, have we pushed Russia into a good relationship with China? And should we have not been as tough on Russia in certain ways that we were? Just very quickly. We'll start over here with Dr. Lee.

Mr. LEE. Yes, I certainly have the feeling that we have missed out on many opportunities to make more of our relationship with Russia. And a lot of this in a sense is water over the dam. We can't do anything about some of the more controversial acts, the Magnitsky bill, NATO enlargement, arguments over Iran, over Syria, over a number of different issues. I don't think that we can do that much about these problems. These are sort of fixed in our relationship, at least for the time being. But I do think that if we can develop a relationship in the Pacific between what I call Pacific Russia and Pacific America, this relationship, which would affect the Russian Far East could certainly spill over into other areas of

the U.S.-Russia relationship and create possibilities for a broader, overall improvement.

In the Pacific, we don't really have many outstanding differences between us and Russia. I think there's the question of the demarcation of the Bering Strait. My understanding is that that's being negotiated, but it's between Atlantic Russia and European Russia where we have a lot of the problems. Let's try to build the relationship on the Pacific side and see if it might not have a positive effect on the U.S.-Russia relationship overall.

Mr. ROHRABACHER. That was a very good answer to that question. Thank you. And I want to come back with a follow up after we go through the——

Mr. TKACIK. Did we push Russia into China's hands? I don't think so. I think what happened is that we didn't—the United States was not sufficiently vigilant as Russia was transitioning from a Soviet dictatorship into a democracy and then into something else. And when—by the time Putin took over it seems to me that he was basing his legitimacy not on the consent of the governed, but more of how he would bring Russia back into the world as a global power again. And that if you were against Putin that you were against Russia. That's not to me us pushing Russia into China's hands. What we were doing was basically saying wait a minute, this is a dictatorship, this is not something that we can countenance. In the meantime, the Chinese said, oh, that's all right, we're dictators, too. We get along quite well.

I think this sense in Moscow that the United States championing democracy and human rights is an attack on the legitimacy of the Putin government is probably at bottom the real reason why we have this conflict with them. So if we're going to resolve the issue, I think one has to start, I think, there. A democratic Russia, to me, is a far better player in the world stage than non.

Mr. ROHRABACHER. Doctor.

Mr. SHLAPENTOKH. Here, I think we need to see two types of approach. Approach with a Moscow central government. Here, of course, there is a strong imperial feeling and of course, did start with the expansion of the NATO and especially after the Serbian war. It was sort of watershed. The liberals became look at the United States with the eyes of so-called red to brown Eurasianists and similar other folk.

The rise of dimension is Far East. In this case we will, the United States could, of course, played the same regionalism as China, but in this case the Far East would look at the United States much better than Chinese. The Russian preferences for masses would be in the peck order, Europe mostly, Germany, France, ideal. Second in the peck order would be United States. China, only if China became East and West, rich, property rights, more economically political, personal liberties. Russians would not mind to see tough Chinese dealings with bureaucracy. They would say yes, it's nice to shoot, we would like to see most of our bureaucracy be shot. But Russia would like to have some kind of property rights, some kind of personal liberties. They could travel abroad, no one interfering with this or that. So if United States will approach the Far East in the way that Far East would benefit personally with jobs, maybe scholarships or whatever, some material benefits,

not words, hard cash, they would play the game both with China and with Japan and the United States.

If the United States tried to play with Moscow, the central government, it is a another story.

Mr. ROHRABACHER. And finally, Dr. Blank.

Mr. BLANK. I believe that we've undoubtedly made mistakes in our foreign policy in the last 20, 25 years, but I would not want to eliminate the fact that the Russian turn to China begins in 1992 and I think is very much connected with the fact that the Russian Government already in 1992 was turning away from democracy. I'm one of those people who does not think that Yeltsin built a democracy. He certainly in many ways is more appealing a character than Putin is, but it was by no means democracy. It was what the Russians would call bezobrazie, sort of anarchy and lack of form. No limits. But the fact of the matter is that what drives Russian foreign policy back then and even now is the determination of the Russian elite to rule Russia in traditional autocratic authoritarian way and that Russia must be a great power, i.e., an imperial or at least neo-imperial presence and they can only get that by being friends with China.

To the extent that the United States is Russia's partner, the Russians would feel their regime under pressure because we represent the greatest threat to the security of the Russian federation, namely democracy, not military power, but democratic governance and they have said so in many different ways over many times.

Mr. ROHRABACHER. Interesting point.

Mr. LOWENTHAL. Yes, I'm struck with this balancing again, from the point of view of the Central Asian republics. One, how it is really to their advantage that the United States be part of this balancing act. I hear you saying in terms of their survival, you know, yet there's a lack of U.S. policy toward Central Asia in general. We spent a lot of time talking about Russia and China and I understand that, but I don't hear a lot how we can support or can we both the understanding of Central Asia, how we promote investment in Central Asia, in terms of the new Central Asia republics. Is that possible? Should we be doing that? Should that be part of a strategy? Should our strategy be less concern about where Russia or China is at this moment, but what role we can play in Central Asia? And how Americans do not even understand where Central Asia is or know anything about Central Asia and what can we do about that?

Mr. BLANK. As I said earlier, there needs to be a determination by the government in power at any given time in the United States, whether it's a Democratic or a Republican administration, whether or not we consider Central Asia to be strategically important. We are there essentially because we were attacked, but economic interests was actually growing before 2001.

There is talk of a Silk Road, but there's no follow through. To give you an example, in 2011–12, the Senate Foreign Relations Committee published a major study calling for the building of the Silk Road and for the investment. This was done under then Senator Kerry's leadership. The State Department has done nothing with it. There is no real funding for it. They simply cobbled together existing programs. We know that bureaucratic game. There

is no vision or strategy as to what we want to see in Central Asia after we leave Afghanistan and what instruments we have for influencing it and whether or not we even think it's important.

Mr. LOWENTHAL. Right.

Mr. BLANK. Now if you can't answer those questions, all the questions you've posed become unanswerable because you're completely adrift. You don't have a lever in which to move the situation. If you feel Central Asia is important and you educate the public to understand why we think it's important and you develop the instruments of policy primarily economic ones to advance that interest, then you can actually get a hearing for what the United States wants to do. But without that essentially our Central Asia policy is—well, now it's essentially arranging for the departure of our troops from Afghanistan and what happens afterwards nobody knows.

Mr. ROHRABACHER. I'd like to thank the witnesses and did you have another follow up? I just have one closing statement which is my prerogative, thank you. We don't live in a world that really looks anywhere like the world when I was a kid. And my dad was a Marine and he flew spy missions on the China coast. We lived in Japan. And anyway, of course, it was Russia and the Soviet Union and China then and then, of course, later that whole relationship with China supposedly changed. Whatever the reality is today we know that we can—it is not out of our control. One thing, one point that's been made over and again in this hearing is that we're not paying attention to this and we are not trying to control the events and not trying to have the influence that the United States should have in this part of the world and if we don't, things are going to turn out differently than might turn out in a way that we don't like. And so it is essential that we become players in that part of the world. And from the various elements that have also been talked about today, we've heard that America's involvement with Russia on its Pacific side is vitally important to how things will shape up in the world.

I would suggest then that perhaps one country that we haven't talked about much in this hearing can play and should play a major role because it is already a partner with the United States. I'm talking about Japan. If the influence that we have heard outlined today by China and how they are exercising their expansion of influence, what other country can really have a balance to that? And I think it's the Japanese. And the Japanese working with the United States can balance off exactly the threat that you have been talking about today which is expansion of Chinese influence based on their economic invasion rather than an invasion of troops or an invasion of migrants.

The Japanese are very capable of this and we should be working with them on it. I see a world in which Russia, the United States, Japan and India will play a major role in shaping the world and the reason I'm not including China is that China is ruled by tyrants who are the world's worst human rights abuser. But perhaps the coalition that I just mentioned, if we could establish that and not drive Putin away by trying to suggest or hold him to some sort of standard, by the way, you mentioned Dr. Blank early on that China is much more authoritarian and totalitarian now than the

Soviet Union was when it was the Soviet Union. Did you not say that?

Mr. TKACIK. No, I said that.

Mr. SHLAPENTOKH. Much brutish.

Mr. ROHRABACHER. It was Tkacik who said that and I happen to agree with that point.

Mr. SHLAPENTOKH. Much brutish.

Mr. ROHRABACHER. And today we have China that there is no opposition party in China. There is an opposition party in Russia. There are several opposition parties in Russia. You go to Russia, there are things that you can buy on the streets that are printed in Russia that oppose the Putin regime. You don't see this anywhere in China. And you don't see—and in Russia, there are talk radio show hosts that actually criticize their government. You certainly don't see that in China. And China is a country and the expansion of the influence of that dictatorship, that clique that runs China I suggest is a threat to the well-being of certainly Central Asia and Russia, but also to the rest of us in the world who again, going back to the purpose of the hearing hold that the dominance of Central Asia will have an impact on the equilibrium of freedom and liberty and security and stability throughout the rest of the planet. And if you have a small clique in China who feel that they have a cartel by the bribes that they've offered throughout the world, that is just as great a threat as if they controlled these countries via an occupation army. So we must be vigilant and committed to building, to creating a future and I would suggest focusing and what I've got out of this hearing today is let's try to focus with Russia on their Pacific role and see where that leads us and see where that leads Japan and the United States and I think that would be a very positive thing.

Now with that said, I thank our witnesses. Thank you for the discussion.

Mr. Lowenthal, thank you very much. You're adding a lot to the depth of this hearing. Let me note that Congressman Lowenthal represents the ports in the United States in which perhaps a majority of all the trade from that part of the world coming into the United States comes right through his district. I know, it used to be my district. And he's doing a great job in joining us today and thank all of you for your testimony. This hearing is adjourned.

[Whereupon, at 3:53 p.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

SUBCOMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Subcommittee on Europe, Eurasia, and Emerging Threats
Dana Rohrabacher (R-CA), Chairman

April 15, 2013

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Subcommittee on Europe, Eurasia, and Emerging Threats in Room 2200 of the Rayburn House Office Building (and available on the Committee website at www.foreignaffairs.house.gov):

DATE: Tuesday, April 16, 2013

TIME: 2:00 p.m.

SUBJECT: China's Rapid Political and Economic Advances in Central Asia and Russia

WITNESSES: Mr. John Tkacik, Jr.
Director and Senior Fellow
Future Asia Project
International Assessment and Strategy Center

Rensselaer Lee, Ph.D.
Senior Fellow
Foreign Policy Research Institute

Dmitry Shlapentokh, Ph.D.
Associate Professor
Indiana University South Bend

Stephen J. Blank, Ph.D.
Research Professor of National Security Affairs
U.S. Army War College

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF SUBCOMMITTEE ON *Europe, Eurasia, and Emerging Threats* HEARING

Day *Tuesday* **Date** *4/16/13* **Room** *2200 Rayburn*

Starting Time *2:31 pm* **Ending Time** *3:53 pm*

Recesses [*n/a*] (____to ____) (____to ____) (____to ____) (____to ____) (____to ____) (____to ____)

Presiding Member(s)

Chairman Dana Rohrabacher

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]
Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

China's Rapid Political and Economic Advances in Central Asia and Russia

SUBCOMMITTEE MEMBERS PRESENT:

Chairman Rohrabacher, Ranking Member Keating, Rep. Cook, Rep. Lowenthal, and Rep. Marino

NON-SUBCOMMITTEE MEMBERS PRESENT: *(Mark with an * if they are not members of full committee.)*

none

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

Prepared Statement of Mr. John Tkacik, jr.
Prepared Statement of Rensselaer Lee, Ph.D.
Prepared Statement of Dmitry Shlapentokh, Ph.D.
Prepared Statement of Stephen J. Blank, Ph.D.
NPR transcript, "Is The United States A 'Dispensable Nation'?" submitted by Rep. Marino

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *3:53 pm*

Subcommittee Staff Director

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE TOM MARINO, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF PENNSYLVANIA

STEVE INSKEEP, HOST:

OK, let's summarize what little is known about yesterday's attack in Boston. Three people are dead, well over 100 injured. Investigators say the attack was so generic in nature that it's not easy to identify suspects. We heard our colleague Dina Tempe-Raston report the improvised explosive devices were unsophisticated enough that many people could have made them; and police have no person of interest in custody.

DAVID GREENE, HOST:

As investigators do their work, we are also keeping a longer perspective in mind. Our next conversation is about the Middle East, and the United States' rivalry with China. After President Obama took office in 2009, the Mideast scholar Vali Nasr was appointed as an adviser to veteran diplomat Richard Holbrook, special representative for Afghanistan and Pakistan.

INSKEEP: Vali Nasr writes about that experience in a new book, called "The Dispensable Nation." He describes a disillusioning experience in which he saw Holbrook frozen out by the president's inner circle, for whom he believes diplomacy is a lost art. Vali Nasr says the U.S. is looking to reduce its role in the world, while China is primed to fill the void.

What is China doing to extend its influence in that part of the world?

VALI NASR: China is very interested in the energy supplies of the Middle East. Oil and gas are extremely important not only to China's overall economic development, but to the development of Western China and Central China as increasingly, population and industry moves westward in China. The Chinese are also very worried about the Central Asian republics Afghanistan and Pakistan because they think that ultimately, those countries can have an influence on political developments in Western China.

And generally, the Chinese look at Western Asia - that is, all the way to the Mediterranean - as part of greater Asia. When you tell Americans what do they think when they say Asia, they're talking about from Southeast Asia to Northeast Asia; from North Korea to Indonesia. And therefore, we are trying to pivot east, supposedly; leave the Middle East - where we have, actually, a very strong anchor - to go to China's backyard in Asia, whereas the Chinese are pivoting west.

INSKEEP: I want to translate that a little bit just because people are trying to put this map in their heads. You're saying that when we think of Asia - as Americans - we're thinking of that Pacific coastline of Asia, pretty much.

NASR: That's right, Asia Pacific.

INSKEEP: And the Chinese are thinking about the largest continent in the world, and everything in it; and all the interests, all the way across it.

NASR: Exactly. And everything that's been happening in recent years accentuates this - the need for Central Asian and Persian Gulf oil and gas; the need for markets. When you look at Chinese railway building investment, it's to connect Turkey to Iran to Pakistan, and then onto Western China.

INSKEEP: When you look at a map, that puts them practically in the Persian Gulf, if they're in that...

NASR: Practically in the Persian Gulf, and that raises important questions for the U.S. One is that if we are globally competing with China all the way from Africa, Latin America and then Asia, why would we abandon the Middle East and leave it to the Chinese, essentially, to gradually fill that vacuum? And secondly, are we really reconciled to the Chinese one day refereeing the Arab-Israeli issue, or the Chinese handling al-Qaida, or the Chinese refereeing disputes between Iran and Saudi Arabia? And therefore, our conception of this idea that all the game in the world is happening in East Asia and Asia Pacific, is at odds with the way I think the Chinese are looking at the global reality, which is pushing them westward.

INSKEEP: So you think the United States is, in some ways, abandoning this region. Your next point was that China may be putting itself into a position that it would be the referee of disputes in the Persian Gulf, or in the Middle East. Really?

NASR: Once you leave the bubble of Washington, the impression of the region is that we are retreating on the double.

INSKEEP: But are the Chinese really stepping in?

NASR: The Chinese will eventually be drawn in. It's not that the Chinese are looking to come in. But the Chinese, clearly, don't see Middle East as a declining, diminishing strategic asset. To them, it is a growing strategic asset. Now, I don't think that our calculations about

the Middle East are correct. I don't think Middle East's strategic value is declining. In fact, at the moment, we can see that the Middle East is valiantly trying to defeat President Obama's foreign policy.

INSKEEP: The Middle East is valiantly trying to defeat President Obama's foreign policy...

NASR: Because it's creating crisis after crisis, which makes it impossible for the administration to ignore the region, and to be able to say that this idea that we - OK, we brought the troops out of Iraq, we brought the troops out of Afghanistan; now, we can very happily move to Asia. It's just not happening. The president went on a highly touted trip to Burma and in the middle of it, the secretary of state had to fly back to Jerusalem in order to, you know, end the fighting in Gaza.

The president is being forced to focus on Syria. We are all seeing, increasingly, that Asian countries are getting nervous because they think the way U.S. role in Middle East is playing out may be egging on countries like North Korea or China in adopting a more belligerent posture. So, you know, when you go out of the United States, the debate is very different. People there see a United States that is timid, reluctant to get engaged and particularly, they look at the Middle East.

This is a place where the U.S. said for a decade is of critical consequence to its security, to its foreign policy. And now, all of a sudden, the message is that we really have no real, vital interests here anymore; and we don't see conflicts in Syria any different from conflict in Congo - and we don't want to get involved in Congo. We don't want to get involved in Syria. And that creates...

INSKEEP: I should mention, you're paraphrasing an actual quote by the president, in an interview with The New Republic. Right?

NASR: Which was quite consequential in the region. That was heard very loud and clear, that we're diminishing the importance of the region to the way we look at Central Africa, which also has conflicts and humanitarian crises. Well, that would force leaders in the region to say, OK, if you are not going to be here and the Chinese have interests here, or the Russians have interest here, we're going to begin looking there.

INSKEEP: You have called this book "The Dispensable Nation." Provocative title. What do you mean by that?

NASR: President Clinton used the term indispensable nation...

INSKEEP: To describe us.

NASR: ...to describe us, that we are indispensable to world order, to world security; even if we err and we overreach, the world without us would be less liberal, more conflictual; and no country has the convening power or the stabilizing power of the United States. And it is our mandate, and our duty and responsibility, to exercise that leadership. When you go outside the United States, it's very clear that the U.S. does not want to live up to that responsibility and duty. And it is happy, particularly in the Middle East, to play a less important role; to no longer be the stabilizer, no longer the provider of security.

And I think that basically means that we no longer want to be the indispensable nation. And I think it's important for Americans to consider what that means. Is that really where we want to go, and would that make the world a safer, more prosperous place?

INSKEEP: Vali Nasr - the book is "The Dispensable Nation." Thanks very much for coming by.

NASR: Thank you.

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