

**Background Brief** 

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# SELECT COMMITTEE ON THE STRATEGIC COMPETITION BETWEEN THE UNITED STATES AND THE CHINESE COMMUNIST PARTY: A NEW TARGETED AMERICAN APPROACH?

### **Executive Summary**

- The official mandate of the Select Committee on the Strategic Competition between the United States and the Chinese Communist Party is unique compared to previous China-focused initiatives in the House or Senate.
- Media interviews with Representative Gallagher and author's interviews with senior staff members indicate that this Select Committee will seek to directly address American national security issues derived from alleged hostile Chinese state activities.
- 3. All meeting minutes, policy recommendations, reports and other outputs will be publicly available as per standard US House of Representatives rules. The formal relationships with the White House, Senate, State Department, Department of Defence, Department of Justice and other US government agencies are still being determined.
- 4. Within the United States, there is a growing school of thought that believes China is engaged in a form of hybrid warfare or grey zone operations. According to this view, China has invested more heavily in specific capabilities that enable the same type of results traditionally accomplished by war. This Select Committee appears to represent this view.
- 5. In the first Session of the Select Committee on 28 February 2023, the "Fentanyl Crisis" and "Money Laundering" were two of the top agenda items alongside the Russia-Ukraine War and TikTok. These two issues were also discussed ahead of the Chinese high-altitude balloon issue and intellectual property theft.
- 6. A focus on the fentanyl issue enables Representative Gallagher and his colleagues to be seen as directly addressing a major domestic problem that is killing tens of thousands of Americans each year. It also can be used to demonstrate that this group is confronting China both within the borders of the United States and internationally.

- 7. If the Select Committee does indeed prioritise the fentanyl issue and allegations of Chinese involvement, this could generate a new option to address Wall Street's relationship with China.
- 8. Despite China's official policy of dual circulation and decoupling from American markets and supply chains, Beijing still requires access to US markets to procure critical resources. This arrangement could prove fragile if the Select Committee applies broader American financial sector scrutiny by using fentanyl trafficking as one of the justifications.
- The convergence of financial, national security and international military issues by the Select Committee has the potential of becoming the key driver increasing China-US tensions.

## SELECT COMMITTEE ON THE STRATEGIC COMPETITION BETWEEN THE UNITED STATES AND THE CHINESE COMMUNIST PARTY: A NEW TARGETED AMERICAN APPROACH?

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#### Leadership and Structure

- 1.1 The Select Committee on the Strategic Competition between the United States and the Chinese Communist Party was established on 9 January 2023 led by US House Representative Mike Gallagher. Gallagher is a former US Marine Corps Intelligence Officer with a PhD in International Relations from Georgetown University.<sup>1</sup>
- 1.2 Representative Gallagher believes that China poses an "existential" threat to the United States and that the "most fundamental freedoms are at stake". Gallagher believes that this mindset should be adopted in all dimensions of China-US relations.<sup>2</sup> He has also committed to winning the "new Cold War".<sup>3</sup>
- 1.3 The Select Committee was formed after the Republican Party gained a majority in the House of Representatives in mid-term elections in November 2022. Had this change in control not occurred, it is likely that this Select Committee would not have been formed.

<sup>&</sup>lt;sup>1</sup> "About Mike", Official Webpage of Mike Gallagher, Eighth District of Wisconsin, <<u>https://gallagher.house.gov/about></u> (accessed 30 January 2023).

<sup>&</sup>lt;sup>2</sup> Laura Kelly and Rebecca Beitsch, "House panel lays out 'existential struggle' with China in primetime debut", *The Hill*, 28 February 2023, <a href="https://thehill.com/homenews/house/3878516-house-panel-lays-out-existential-struggle-with-china-in-primetime-debut/">https://thehill.com/homenews/house/3878516-house-panel-lays-out-existential-struggle-with-china-in-primetime-debut/</a>> (accessed 21 March 2023).

<sup>&</sup>lt;sup>3</sup> Bryant Harris, "GOP pick to lead House China committee vows to win 'new Cold War'", *Defense News*, 11 January 2023, <a href="https://www.defensenews.com/congress/2023/01/10/gop-pick-to-lead-house-china-committee-vows-to-win-new-cold-war/> (accessed 21 March 2023).

- 1.4 The Select Committee was officially established through a House Resolution tabled by Representative Kevin McCarthy, the then-Republican House Representative.<sup>4</sup> Kevin McCarthy is now the Speaker of the House.
- 1.5 According to the founding resolution:

"The sole authority of the Select Committee shall be to investigate and submit policy recommendations on the status of the Chinese Communist Party's economic, technological, and security progress and its competition with the United States. The Select Committee may, at its discretion, hold public hearings in connection with any aspect of its investigative functions".<sup>5</sup>

- 1.6 The Select Committee serves a key coordination function with other House Committees that have jurisdiction over different aspects or domains of China-US relations. Many members of this Select Committee are also sitting members of other committees (Annex A). Thus, this Select Committee may be used as a bridge to coordinate with other House Committees for common interests against China.
- 1.7 The Select Committee is a bipartisan one comprising 13 Republicans and 11 Democrats.<sup>6</sup> Members from both Parties are nominated by Kevin McCarthy. For this, Democratic members have the approval from their own Party leadership. The most prominent Democratic member of this Select Committee is Raja Krishnamoorthi from Illinois<sup>7</sup> (see Annex A for additional biographical information of all Select Committee members).

<sup>&</sup>lt;sup>4</sup> US House of Representatives, "H.Res.11 - Establishing the Select Committee on the Strategic Competition between the United States and the Chinese Communist Party", 118th Congress (2023-2024), US House of Representatives, 9 January 2023, <a href="https://www.congress.gov/bill/118th-congress/house-resolution/11">https://www.congress.gov/bill/118th-congress/house-resolution/11</a> (accessed 30 January 2023).

<sup>&</sup>lt;sup>5</sup> House Resolution 11 - Establishing the Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party. https://www.congress.gov/bill/118th-congress/house-resolution/11/text.

<sup>&</sup>lt;sup>6</sup> "Newhouse Appointed to House China Select Committee", Official Webpage of Dan Newhouse, Press release, 23 January 2023, <a href="https://newhouse.house.gov/media-center/press-releases/newhouse-appointed-house-china-select-committee">https://newhouse.house.gov/media-center/press-releases/newhouse-appointed-house-china-select-committee</a> (accessed 30 January 2023).

<sup>&</sup>lt;sup>7</sup> Interview with Select Committee Senior Staff Member 1, 3 March 2023.

#### Focus Areas, Other House Committee Linkages and Protocols

- 2.1 Official House proceedings, media interviews with Representative Gallagher and author's interviews with senior staff indicate that this Select Committee will seek to directly address American national security issues caused by alleged Chinese hostile state activities. Domains that have been specifically cited from these interviews include:
  - alleged United Front Work Department activities, including American media manipulation and election interference;
  - alleged Chinese state involvement in fentanyl and synthetic narcotics trafficking, including jointly operating with Mexican drug cartels;
  - allegations of harassment and intimidation of Americans of Chinese/Taiwanese descent on American soil; and
  - alleged American intellectual property theft, specifically in key dual-use domain areas with potential military applications.<sup>8</sup>
- 2.2 Through its bipartisan membership, this Select Committee has links to the following additional House Committees for this new initiative to serve in a key coordinating function:
  - House Armed Services Committee<sup>9</sup>

<sup>&</sup>lt;sup>8</sup> The Realignment, "Rep. Mike Gallagher: Inside the CCP Select Committee & Cold War II - The Realignment Podcast, Interview with Representative Mike Gallagher", 24 January 2023, *YouTube* video, 59:18, <<u>https://www.youtube.com/watch?v=W3SbtTQ8My4&ab\_channel=TheRealignment></u> (accessed 26 January 2023).

<sup>&</sup>quot;Speaker McCarthy Remarks on China Select Committee", *C-SPAN* video, 7:56, 10 January 2023, <a href="https://www.c-span.org/video/?c5050930/speaker-mccarthy-remarks-china-select-committee">https://www.c-span.org/video/?c5050930/speaker-mccarthy-remarks-china-select-committee</a> (accessed 30 January 2023).

<sup>&</sup>quot;Gallagher Outlines Vision for Select Committee on China", Official Webpage of Mike Gallagher (representing the Eighth District of Wisconsin), Press release, 9 December 2022, <a href="https://gallagher.house.gov/media/press-releases/gallagher-outlines-vision-select-committee-china">https://gallagher.house.gov/media/press-releases/gallagher-outlines-vision-select-committee-china</a> (accessed 30 January 2023).

Interview with Select Committee Senior Staff Member 1, 3 March 2023.

Interview with Select Committee Senior Staff Member 2, 13 March 2023.

<sup>&</sup>lt;sup>9</sup> "Committees", Official Website of Jim Banks, <a href="https://banks.house.gov/biography/committees">https://banks.house.gov/biography/committees</a> .htm> (accessed 16 March 2023).

<sup>&</sup>quot;Committees and Caucuses", Official Webpage of Carlos Gimenez, <a href="https://gimenez.house.gov/committees-and-caucuses">https://gimenez.house.gov/committees-and-caucuses</a> (accessed 16 March 2023).

<sup>&</sup>quot;Committees and Caucuses", Official Webpage of Ro Khanna, <a href="https://khanna.house.gov/about/committees-and-caucuses">https://khanna.house.gov/about/committees-and-caucuses</a> (accessed 17 March 2023).

- Permanent Select Committee on Intelligence<sup>10</sup>
- House Foreign Affairs Committee<sup>11</sup>
- House Committee on Energy and Commerce<sup>12</sup>
- Committee on Ways and Means and Congressional Executive Commission on China<sup>13</sup>
- House Committee on Appropriations and Homeland Security<sup>14</sup>
- House Select Subcommittee on the Coronavirus Crisis<sup>15</sup> and
- Science, Space and Technology Committee<sup>16</sup>
- 2.3 The first Select Committee hearing included sworn testimony from H R McMaster, (former national security adviser during the Trump administration), Matthew Pottinger (former deputy national security adviser of the Trump administration), Tong Yi (Chinese human rights advocate) and Scott Paul (president of the Alliance for Manufacturing). The statements of each participant reflected the acute nature of

<sup>&</sup>lt;sup>10</sup> "Committees and Caucuses", Official Webpage of Mike Gallagher (representing the Eighth District of Wisconsin), <https://gallagher.house.gov/about/committees-and-caucuses> (accessed 22 March 2023).

<sup>&</sup>quot;Committees and Caucuses", Official Webpage of Raja Krishnamoorthi, <https://krishnamoorthi. house.gov/about/votes-and-legislation> (accessed 17 March 2023).

<sup>&</sup>quot;Committee Assignments", Official Webpage of André Carson, <a href="https://carson.house.gov/about/committee-assignments">https://carson.house.gov/about/committee-assignments</a>> (accessed 17 March 2023).

<sup>&</sup>lt;sup>11</sup> "Committees and Caucuses", Official Webpage of Andy Barr, <a href="https://barr.house.gov/committees-and-caucuses">https://barr.house.gov/committees-and-caucuses</a> (accessed 30 January 2023).

<sup>&</sup>quot;Committees and Caucuses", Official Webpage of Andy Kim, <a href="https://kim.house.gov/about/committees-and-caucuses">https://kim.house.gov/about/committees-and-caucuses</a> (accessed 17 March 2023).

<sup>&</sup>lt;sup>12</sup> "Committees and Caucuses", Official Webpage of Neal Dunn, <a href="https://lahood.house.gov/committees">https://lahood.house.gov/committees</a> (accessed 16 March 2023).

 <sup>&</sup>quot;About", Official Webpage of Michelle Steel, <a href="https://steel.house.gov/about">https://steel.house.gov/about</a>> (accessed 16 March 2023).

<sup>&</sup>lt;sup>14</sup> "Committees and Caucuses", Official Webpage of Ashley Hinson, <a href="https://hinson.house.gov/about/committees-and-caucuses">https://hinson.house.gov/about/committees-and-caucuses</a> (accessed 16 March 2023).

<sup>&</sup>lt;sup>15</sup> "Committee Assignments", Official Webpage of André Carson.

<sup>&</sup>lt;sup>16</sup> "Committees and Caucuses", Official Webpage of Mikie Sherrill, <a href="https://sherrill.house.gov/about/committees-and-caucuses">https://sherrill.house.gov/about/committees-and-caucuses</a> (accessed 17 March 2023).

the perceived threats posed by the Chinese Communist Party to American national security.<sup>17</sup>

- 2.4 In his remarks, McMaster emphasised the principle of "First Do No Harm" stating that American businesses should adhere to the following principles:
  - do not underwrite China's asymmetric pursuit of dominance in defence, dualuse technologies and critical industries;
  - do not underpin China's surveillance state, human-rights abuses, or oppression of ethnic and religious minorities; and
  - do not undermine a company or an industry's long-term economic vitality or resilience in pursuit of short-term gains.<sup>18</sup>
- 2.5 Pottinger focused some of his remarks on the fentanyl issue in the United States and asserted that China is directly responsible. He stated that Chinese companies used to mail fentanyl directly to addresses but have since transitioned to providing precursor chemicals to Mexican drug cartels who then traffic fentanyl into the United States.<sup>19</sup>
- 2.6 Within the United States, there is a growing school of thought that believes China is engaged in a form of hybrid warfare or grey zone operations.<sup>20</sup> Therefore, according to this school, China has invested heavily in specific capabilities that enable the same type of results traditionally accomplished through war.

<sup>&</sup>lt;sup>17</sup> "Select Committee on China Hearing on U.S. National Security", *C-SPAN* video, 3:06:26, 28 February 2023, <<u>https://www.c-span.org/video/?526319-1/national-security-adviser-mcmaster-testifies-</u> select-committee-china&live> (accessed 21 March 2023).

<sup>&</sup>lt;sup>18</sup> "Testimony of Lt. General H.R. McMaster (US Army, Retired) Senior Fellow, Hoover Institution at Stanford University Before the US House Select Committee on the Strategic Competition between the United States and the Chinese Communist Party", Hoover Institution, Stanford University, 28 February 2023, <a href="https://www.hoover.org/sites/default/files/research/docs/FILE">https://www.hoover.org/sites/default/files/research/docs/FILE</a> 1998.pdf> (accessed 21 March 2023).

<sup>&</sup>lt;sup>19</sup> "Select Committee on China Hearing on U.S. National Security", *C-SPAN* video, 3:06:26, 28 February 2023, <<u>https://www.c-span.org/video/?526319-1/national-security-adviser-mcmaster-testifies-</u> select-committee-china&live> (accessed 21 March 2023).

<sup>&</sup>lt;sup>20</sup> For more information on the concept of hybrid warfare, please see Frank G Hoffman, *Conflict in the 21st Century: The Rise of Hybrid Wars* (Arlington, Virginia: Potomac Institute, 2007), <a href="https://www.potomacinstitute.org/images/stories/publications/potomac\_hybridwar\_0108.pdf">https://www.potomacinstitute.org/images/stories/publications/potomac\_hybridwar\_0108.pdf</a>> (accessed 30 January 2023).

Gray Zone Project, Centre for Strategic and International Studies, <a href="https://www.csis.org/">https://www.csis.org/</a> programs/gray-zone-project> (accessed 30 January 2023).

- 2.7 This Select Committee is focusing on the financial sector in the United States as a potential key enabler of perceived Chinese hostile state activity, specifically synthetic narcotics trafficking. An entire dedicated team has been formed within the Select Committee to investigate financial matters.<sup>21</sup> The willingness to openly state this strategic orientation is a first regarding other China-focused committees and potentially represents a new trend.
- 2.8 As part of this effort, this Select Committee has assembled a dedicated team focusing solely on matters related to suspected Chinese money laundering and other fraudulent financial activities inside the United States. The intent is to surface new illicit networks and activities, inform the American public, and subpoena those suspected of involvement in these activities. These investigations are "equal opportunity" in that they will apply equal focus on potentially hostile Chinese interests as well as Americans who may be working on behalf of those.<sup>22</sup>
- 2.9 Another dedicated team has been established within the Select Committee to focus exclusively on the "People's Liberation Army Hard Power", which includes investigations into suspected Chinese bioweapons, cyberwarfare and space warfare. The intent of this team is similar to that of its money laundering-focused counterparts. Notably, this team focuses equally on both Chinese and American potential involvement in bioweapons research.<sup>23</sup>
- 2.10 It intends to extend investigations and legislative activities beyond its focus on high-profile American officials (current and former), such as Dr Anthony Fauci. This is due to their perceived involvement in high-risk pathogen research in China, including on the SARS-CoV-2 virus that causes COVID-19.<sup>24</sup>
- 2.11 There is an awareness and recognition that high-risk pathogen research involves a myriad of individuals and institutions in both the United States and China, and that

<sup>&</sup>lt;sup>21</sup> Interview with Select Committee Senior Staff Member 1, 3 March 2023.

<sup>&</sup>lt;sup>22</sup> Interview with Select Committee Senior Staff Member 2, 13 March 2023.

<sup>&</sup>lt;sup>23</sup> Interview with Select Committee Senior Staff Member 3, 15 March 2023.

<sup>&</sup>lt;sup>24</sup> Interview with Select Committee Senior Staff Member 3, 15 March 2023.

this entire transnational network must be thoroughly understood. Without this understanding, meaningful legislative or other American policy actions are unlikely to achieve their desired objectives.<sup>25</sup>

2.12 Interviews indicate that this Select Committee will be interacting with the White House, National Security Council, Senate, Pentagon, Department of Justice and State Department. While these formal relationships are still being formalised, the interaction will involve receiving briefings from these organisations and reports and policy recommendations by the Select Committee. The Select Committee also has the power of subpoena but it is unclear as to how this will be used and under what specific circumstances.<sup>26</sup>

#### American Financial Sector in the Spotlight?

- 3.1 The Select Committee on the Strategic Competition between the United States and the Chinese Communist Party will address the full spectrum of challenges between China and the United States. This will involve critical supply chains, intellectual property, trade imbalances and the military balance in East Asia. However, as research in these fields has been excessive, it will likely prove difficult for this Select Committee to establish a new unique angle.<sup>27</sup>
- 3.2 Nevertheless, a focus on the fentanyl issue enables Representative Gallagher and his colleagues to be seen as directly addressing a major domestic problem that is killing tens of thousands of Americans each year. It also can be used to demonstrate that this group is confronting China both within the borders of the United States and internationally. This puts this group with other competing Committees in Congress that also position themselves as confronting perceived hostile Chinese activities.
- 3.3 If this approach is taken, this foundation can be used to widen the scope of actions that this Select Committee advocates against China. Even during the most acute

<sup>&</sup>lt;sup>25</sup> Interview with Select Committee Senior Staff Member 3, 15 March 2023.

<sup>&</sup>lt;sup>26</sup> Interview with Select Committee Senior Staff Member 1, 3 March 2023.

<sup>&</sup>lt;sup>27</sup> Interview with Select Committee Senior Staff Member 3, 15 March 2023.

phases of the Trump administration's trade disputes, Wall Street firms largely maintained their normal operations in China. This is not to suggest that issues related to fentanyl and anti-money laundering are the sole method for this Select Committee to address China-Wall Street ties, but they do however provide new options.

- 3.4 The fentanyl issue has become a "whole of society" problem that harms families and generates other fatalities beyond simple drug overdose statistics, such as car accidents caused by impaired drivers. Any American politician seen to be taking definitive action against these developments will be rewarded.
- 3.5 Interviews with drug enforcement officials have highlighted that the greatest "business risk" in fentanyl trafficking is the storage and efficient movement of cash. Given the involvement of international distribution, supply chains and production zones, fentanyl trafficking syndicates require professional financial services on par with those offered to Fortune 500 companies.<sup>28</sup>
- 3.6 While precursor chemical production and fentanyl pill manufacturing may mostly occur outside of the United States,<sup>29</sup> the majority of profits are generated in the country. This poses a problem for the syndicates operating out of Mexico in that they must interact with the American financial system to fund their on-shore operations and repatriate illicit profits back to Mexico or other off-shore locations.
- 3.7 Leading American financial institutions having exposures to the cartels could be targeted by this Select Committee. This pressure target could point to not only

<sup>&</sup>lt;sup>28</sup> Interview with senior Drug Enforcement Administration official, 27 January 2023.

<sup>&</sup>lt;sup>29</sup> Attorney General of the State of Florida and the Attorney General of the State of Connecticut, "Fentanyl Letter to President Biden", 14 September 2022, <a href="https://www.tn.gov/content/dam/tn/">https://www.tn.gov/content/dam/tn/</a> attorneygeneral/documents/pr/2022/pr22-35-letter.pdf> (accessed 30 January 2023).

National Centre for Health Statistics, "Provisional Drug Overdose Death Counts – 12 Month-ending Provisional Number of Drug Overdose Deaths by Drug or Drug Class", US Centres for Disease Control and Prevention, 1 January 2023, <a href="https://www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm">https://www.cdc.gov/nchs/nvss/vsrr/drug-overdose-data.htm</a>> (accessed 30 January 2023).

Drug Enforcement Administration, "Fentanyl Flow to the United States", *DEA Intelligence Report*, January 2020, <a href="https://www.dea.gov/sites/default/files/2020-03/DEA\_GOV\_DIR-008-20%20Fentanyl%20">https://www.dea.gov/sites/default/files/2020-03/DEA\_GOV\_DIR-008-20%20Fentanyl%20</a> Flow%20in%20the%20United%20States\_0.pdf> (accessed 1 February 2023).

Europol and US Drug Enforcement Administration, "Complexities and Conveniences in the International Drug Trade: The Involvement of Mexican Criminal Actors in the EU Drug Market", a Joint Europol-US Drug Enforcement Administration Analysis Report, December 2002, <a href="https://www.dea.gov/sites/default/files/2020-03/DEA\_GOV\_DIR-008-20%20Fentanyl%20Flow%20in%20the%20United%20States\_0.pdf">https://www.dea.gov/sites/default/files/2020-03/DEA\_GOV\_DIR-008-20%20Fentanyl%20Flow%20in%20the%20United%20States\_0.pdf</a> (accessed 30 January 2023).

fentanyl trafficking in the United States but also the full spectrum of cartels' activities in China as well. Under such a scenario, questions can arise regarding (i) the specific Chinese clients and partners that American investment banks transact with, and the nature of those transactions; (ii) the Chinese companies or Chinese projects American private equity funds own shares in and how these investments are managed in China; and (iii) American hedge funds and/or venture capital firms that manage Chinese capital and their terms and conditions.

3.8 Although these are not new questions, they have not previously been asked by a focused Select Committee under a Chinese hybrid warfare framework. This type of convergence across the financial, national security and military domains would represent a new development within the House of Representatives.

#### **Implications for US-China Relations**

- 4.1 The Chinese government has refrained from officially commenting on the formation of this new Select Committee. However, various Chinese state-run media outlets have accused the United States of forming this Select Committee to distract from domestic problems and encouraged the Chinese to be wary. Commentaries have also accused Gallagher and McCarthy of being reckless and running counter to mainstream American interests.<sup>30</sup>
- 4.2 Some within the United States have also warned that the Select Committee risks alienating Americans who have linkages with the Chinese government and companies. They argue that these Americans have some of the most in-depth knowledge and understanding of dynamics in Beijing but they could be labelled as

<sup>&</sup>lt;sup>30</sup> For examples, see "The fire McCarthy set is like McCarthyism reincarnated: Global Times editorial", *Global Times*, 12 January 2023, <a href="https://www.globaltimes.cn/page/202301/1283653.shtml">https://www.globaltimes.cn/page/202301/1283653.shtml</a> (accessed 17 March 2023).

Wang Qi, "More aggressive adventurism, restored McCarthyism alarming as GOP-led House approves setting new committee targeting China", *Global Times*, 12 January 2023, <hr/><hr/>https://www.globaltimes.cn/page/202301/1283652.shtml> (accessed 17 March 2023).

<sup>&</sup>quot;COVID origins tracing is on US' 'anti-China production line' again: Global Times editorial", *Global Times*, 28 February 2023, <a href="https://www.globaltimes.cn/page/202302/1286397.shtml">https://www.globaltimes.cn/page/202302/1286397.shtml</a> (accessed 17 March 2023).

*Xinhua*, "Commentary: Bipartisan ecstasy in containing China a pity for ordinary Americans", People's Daily Online, 28 February 2023, <a href="http://en.people.cn/n3/2023/0228/c90000-10213876.html">http://en.people.cn/n3/2023/0228/c90000-10213876.html</a> (accessed 17 March 2023).

compromised or operating against American national interests. This would be occurring at a time when their expertise would be needed the most.<sup>31</sup>

- 4.3 Despite China's official policy of dual circulation and decoupling from American markets and supply chains, Beijing still requires access to US Dollar markets to procure critical resources for the state. For example, Chinese food and energy imports must still be procured in Dollars from international markets. As such, China still needs to interface with the American financial system in one form or another.
- 4.4 These activities have largely continued unabated in recent years as they are viewed as normal commercial operations. American investment banks have enjoyed the continued advisory and transaction fees generated by supporting these Chinese market activities. However, this arrangement could prove fragile if the Select Committee on the Strategic Competition between the United States and the Chinese Communist Party applies broader scrutiny using fentanyl trafficking as the driver.
- 4.5 While recent issues related to semiconductors and other strategic technologies have generated concerns for China's leadership, impaired access to international markets for food and energy imports represents a higher level of severity of risk. Despite its current challenges, the US Dollar remains the international reserve currency and the country maintains the world's deepest pools of Dollar liquidity. Other major financial centres (including London) would struggle to continue to meet the massive Chinese demand for Dollars.
- 4.6 If the Chinese leadership has national-level concerns regarding its fundamental food and energy import requirements, this has the potential of producing different types of strategic behaviour. This would be especially true towards the United States and its allies in the Indo-Pacific.

<sup>&</sup>lt;sup>31</sup> For example, see Anatol Klass, "The Real Risk of the China Select Committee: Why alienate the very people whose expertise and connections might help Congress understand the Chinese government?" *Foreign Policy*, 20 March 2023.

<sup>&</sup>lt;https://foreignpolicy.com/2023/03/20/china-united-states-competition-congress-select-committee-cold-war/> (accessed 27 March 2023).

- 4.7 These actions would be occurring against a domestic American backdrop of viewing China through an increasingly hostile lens. The convergence of financial, national security and international military issues by the Select Committee on the Strategic Competition between the United States and the Chinese Communist Party has the potential of becoming the key driver that increases China-US tensions.
- 4.8 The establishment and operationalisation of this Select Committee have served as a clarion call against the Chinese Communist Party. This has likely convinced Beijing that this represents an American Cold War mentality that will trigger an ideological confrontation between the two sides.

#### ANNEX A ALL SELECT COMMITTEE NAMES, POLITICAL PARTY MEMBERSHIP, STATE, ADDITIONAL RELEVANT COMMITTEE MEMBERSHIPS AND RELEVANT LEGISLATION AND OTHER INFORMATION

Select Committee Member	Political Party	State	Additional Relevant Committee Memberships	Relevant Legislation and Other Information
Mike Gallagher	Republican	Wisconsin	Chairman of the House Armed Services Subcommittee on Cyber, Information Technologies and Innovation Permanent Select Committee on Intelligence <sup>32</sup>	H R 1346 — 118th Congress (2023-2024) To require the director of National Intelligence to declassify information relating to the origin of COVID-19 and for other purposes <sup>33</sup> H R 1081 — 118th Congress (2023-2024) Anti-Social CCP Act <sup>34</sup> H R 334 — 118th Congress (2023-2024) Significant Transnational Criminal Organisation Designation Act <sup>35</sup> H R 331 — 118th Congress (2023-2024) Illicit Arms Trafficking Security Enforcement Act <sup>36</sup>
Dan Newhouse	Republican	Washington	Subcommittee on Homeland Security <sup>37</sup>	On 30 June 2021, Representative Newhouse introduced an amendment to the Agriculture, Rural

<sup>32</sup> "Committees and Caucuses", Official Webpage of Mike Gallagher.

<sup>33</sup> US House of Representatives, "H.R.1346 - To require the Director of National Intelligence to declassify information relating to the origin of COVID-19, and for other purposes", 118th Congress (2023-2024), US House of Representatives, 3 March 2023, <a href="https://www.congress.gov/bill/118th-congress/house-bill/1346?s=1&r=1">https://www.congress.gov/bill/118th-congress/house-bill/1346?s=1&r=1</a> (accessed 22 March 2023).

<sup>34</sup> US House of Representatives, "H.R.1081 – ANTI-SOCIAL CCP Act", 118th Congress (2023-2024), US House of Representatives, 17 February 2023, <a href="https://www.congress.gov/bill/118th-congress/house-bill/1081?s=1&r=3">https://www.congress.gov/bill/118th-congress/house-bill/1081?s=1&r=3</a> (accessed 22 March 2023).

<sup>35</sup> US House of Representatives, "H.R.334 - Significant Transnational Criminal Organization Designation Act", 118th Congress (2023-2024), US House of Representatives, 12 January 2023, <a href="https://www.congress.gov/bill/118th-congress/house-bill/334?s=1&r=5">https://www.congress.gov/bill/118th-congress/house-bill/334?s=1&r=5</a> (accessed 22 March 2023).

<sup>36</sup> US House of Representatives, "H.R.331 - Illicit Arms Trafficking Security Enforcement Act", 118th Congress (2023-2024), US House of Representatives, 12 January 2023, <a href="https://www.congress.gov/bill/118th-congress/house-bill/331?s=1&r=7">https://www.congress.gov/bill/118th-congress/house-bill/331?s=1&r=7</a> (accessed 22 March 2023).

<sup>37</sup> "Committees and Caucuses", Official Webpage of Dan Newhouse, <<u>https://reservedcloud.tumblr.</u> com/post/705079965108060160/write-ups-for-the-family-gossip-meme> (accessed 16 March 2023).

				Development, Food and Drug Administration, and Related Agencies appropriations bill to prohibit the purchase of agricultural land by Chinese interests and make agricultural lands currently owned by Chinese interests ineligible for farm programmes <sup>38</sup>
Rob Wittman	Republican	Virginia	Vice Ranking Member of the Armed Services Committee Ranking Member of the Subcommittee on Seapower and Projection Forces <sup>39</sup>	None
Blaine Luetkemeyer	Republican	Missouri	Chairman of the Subcommittee on National Security, Illicit Finance and International Financial Institutions <sup>40</sup>	Luetkemeyer specifically cited the economic threat posed by China upon assuming this new position <sup>41</sup>
Andy Barr	Republican	Kentucky	House Foreign Affairs Committee Member on the Subcommittee on Asia, the Pacific, Central Asia and Nonproliferation <sup>42</sup>	On 4 February 2023, Representative Barr introduced a bill that would force President Biden to directly sanction all Chinese companies that were involved in the "balloon incident" over American airspace <sup>43</sup>
John Moolenaar	Republican	Michigan	None	Sparse independent legislation track record

<sup>&</sup>lt;sup>38</sup> "Newhouse Protects US Food Supply From Chinese Influence", Official Webpage of Dan Newhouse, <a href="https://newhouse.house.gov/media-center/press-releases/newhouse-protects-us-food-supply-chinese-influence">https://newhouse.house.gov/media-center/press-releases/newhouse-protects-us-food-supply-chinese-influence</a> (accessed 16 March 2023).

<sup>41</sup> Ibid.

<sup>42</sup> "Committees and Caucuses", Official Webpage of Andy Barr.

<sup>&</sup>lt;sup>39</sup> "Issues – Fighting for the Future of First District", Official Webpage of Rob Wittman, <a href="https://robwittman.com/issues/">https://robwittman.com/issues/</a> (accessed 30 January 2023).

<sup>&</sup>lt;sup>40</sup> "Luetkemeyer to Serve as Chairman of Subcommittee on National Security, Illicit Finance, and International Financial Institutions", Official Webpage of Blaine Luetkemeyer, 12 January 2023 <a href="https://luetkemeyer.house.gov/news/documentsingle.aspx?DocumentID=400793">https://luetkemeyer.house.gov/news/documentsingle.aspx?DocumentID=400793</a> (accessed 30 January 2023).

<sup>&</sup>lt;sup>43</sup> "Barr: 'Let's take the air out of the CCP's next spy balloons with my sanctions bill", Official Webpage of Andy Barr, <a href="https://barr.house.gov/press-releases?id=2480E552-6179-49A7-B410-DE18560E1F13">https://barr.house.gov/press-releases?id=2480E552-6179-49A7-B410-DE18560E1F13</a> (accessed 16 March 2023).

Darin LaHood	Republican	Illinois	Chairman of House Permanent Select Committee on Intelligence Subcommittee on NSA and Cyber, Information Technologies and Innovation Subcommittee on National Intelligence Enterprise <sup>44</sup>	None
Neal Dunn	Republican	Florida	House Committee on Energy and Commerce <sup>45</sup>	In January 2023, Representative Dunn introduced a bill to designate fentanyl-related substances as a weapon of mass destruction <sup>46</sup>
Jim Banks	Republican	Indiana	House Armed Services Committee <sup>47</sup>	Sparse independent legislation track record
Dusty Johnson	Republican	South Dakota	None	On 8 December 2021, Representative Johnson and John Garamendi (California Democrat) passed the Ocean Shipping Reform Act. They claimed this Act addresses the ongoing supply chain crisis and safeguards South Dakota agriculture exporters from unfair trade practices, and reduces the United States' longstanding trade imbalance with export-driven countries like China <sup>48</sup>
Michelle Steel	Republican	California	Committee on Ways and Means and	Representative Steel was born in Seoul and has made

<sup>44</sup> "Committee Assignments", Official Webpage on Darin LaHood, <a href="https://lahood.house.gov/committees">https://lahood.house.gov/committees</a> (accessed 16 March 2023).

<sup>45</sup> Ibid.

<sup>46</sup> US House of Representatives, "H.Res.39 - Expressing the sense of the House of Representatives that illicit fentanyl-related substances are a weapon of mass destruction and should be classified as such", 118th Congress (2023-2024), US House of Representatives, 17 January 2023, <a href="https://www.congress.gov/bill/118th-congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress.gov/bill/118th-congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress.gov/bill/118th-congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress.gov/bill/118th-congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress.gov/bill/118th-congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%22search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%23search%22%3A%22h+res+39%22%7D&s=1&r=1>">https://www.congress/house-resolution/39?q=%7B%23search%23sear

<sup>47</sup> "Committees", Official Website of Jim Banks.

<sup>48</sup> "Johnson & Garamendi's 'Ocean Shipping Reform Act' Passes the US House", Official Webpage of Dusty Johnson, Press release, 8 December 2021, <a href="https://dustyjohnson.house.gov/media/press-releases/johnson-garamendis-ocean-shipping-reform-act-passes-us-house">https://dustyjohnson.house.gov/media/press-releases/johnson-garamendis-ocean-shipping-reform-act-passes-us-house</a> (accessed 16 March 2023).

US House of Representatives, "H.R.4996 - Ocean Shipping Reform Act of 2021", 117th Congress (2021-2022), US House of Representatives, 9 December 2021, <a href="https://www.congress.gov/bill/117th-congress/house-bill/4996/text?r=3&s=1">https://www.congress.gov/bill/117th-congress/house-bill/4996/text?r=3&s=1</a> (accessed 16 March 2023).

			Congressional - Executive Commission on China <sup>49</sup>	the representation of Asian American interests in California a key priority in her leadership. <sup>50</sup> She is also a Taiwan supporter who introduced the Taiwan Democracy Defence Lend- Lease Act <sup>51</sup>
Ashley Hinson	Republican	Iowa	House Committee on Appropriations and Homeland Security <sup>52</sup>	None
Carlos Gimenez	Republican	Florida	Homeland Security – Ranking Member on the Transportation and Maritime Security Subcommittee, and Cybersecurity and Infrastructure Protection Subcommittee House Armed Services Committee – Readiness Subcommittee and Tactical Air and Land Forces Subcommittee <sup>53</sup>	Representative Gimenez was born in Cuba and has officially stated that he has joined Representative Gallagher to prevent communism from destroying the United States in the same manner that communism destroyed Cuba <sup>54</sup>
Ranking Member Raja Krishnamoorthi	Democrat	Illinois	House Select Subcommittee on the Coronavirus Crisis House Permanent Select Committee on Intelligence <sup>55</sup>	Co-Sponsor of Bill H R 1368 (3 March 2023) to impose sanctions on the transfer of arms and related materiel by the People's Republic of China to the Russian Federation or the evasion or circumvention of US

<sup>49</sup> "About", Official Webpage of Michelle Steel.

<sup>50</sup> Hanna Kang, "Reps. Lou Correa and Michelle Steel to co-chair group focused on Vietnamese communities", *The Orange County Register*, reposted on the Official Webpage of Michelle Steel, 24 January 2023, <a href="https://steel.house.gov/media/in-the-news/reps-lou-correa-and-michelle-steel-co-chair-group-focused-vietnamese-communities">https://steel.house.gov/media/in-the-news/reps-lou-correa-and-michelle-steel-co-chair-group-focused-vietnamese-communities> (accessed 30 January 2023).

<sup>51</sup> "Steel meets with Taiwanese President", Official Webpage of Congresswoman Michelle Steel, Press release, 20 December 2022, <<u>https://steel.house.gov/media/press-releases/steel-meets-taiwanese-president</u>> (accessed 30 January 2023).

<sup>52</sup> "Committees and Caucuses", Official Webpage of Ashley Hinson.

<sup>53</sup> "Committees and Caucuses", Official Webpage of Carlos Gimenez.

<sup>54</sup> "Congressman Carlos Gimenez Appointed to New Select Committee on China", Official Webpage of Carlos Gimenez, 24 January 2023. <a href="https://gimenez.house.gov/2023/1/congressman-carlos-gimenez-appointed-to-new-select-committee-on-china">https://gimenez.house.gov/2023/1/congressman-carlos-gimenez-appointed-to-new-select-committee-on-china</a> (accessed 30 January 2023).

<sup>55</sup> "Committees and Caucuses", Official Webpage of Raja Krishnamoorthi.

				sanctions or multilateral sanctions by the People's Republic of China in regard to the Russian Federation, and for other purposes <sup>56</sup>
Kathy Castor	Democrat	Florida	None	None
André Carson	Democrat	Indiana	House Permanent Select Committee on Intelligence Subcommittee on Counterterrorism, Counterintelligence and Counterproliferation Subcommittee Subcommittee on Strategic Technologies and Advanced Research <sup>57</sup>	None
Seth Moulton	Democrat	Massachusetts	None	None
Ro Khanna	Democrat	California	Armed Services Committee <sup>58</sup>	None
Andy Kim	Democrat	New Jersey	Armed Services Committee Foreign Affairs Committee <sup>59</sup>	None
Mikie Sherrill	Democrat	New Jersey	Armed Services Committee Science, Space and Technology Committee <sup>60</sup>	None
Haley Stevens	Democrat	Michigan	Science, Space and Technology Committee <sup>61</sup>	None

<sup>&</sup>lt;sup>56</sup> US House of Representatives, "H.R.1368 - To impose sanctions with respect to the transfer of arms and related materiel by the People's Republic of China to the Russian Federation or the evasion or circumvention of United States sanctions or multilateral sanctions by the People's Republic of China with respect to the Russian Federation, and for other purposes", 118th Congress (2023-2024), US House of Representatives, 3 March 2023, <https://www.congress.gov/bill/118th-congress/house-bill/1368?s=1&r=6> (accessed 17 March 2023).

<sup>&</sup>lt;sup>57</sup> "Committee Assignments", Official Webpage of André Carson.

<sup>&</sup>lt;sup>58</sup> "Committees and Caucuses", Official Webpage of Ro Khanna.

<sup>&</sup>lt;sup>59</sup> "Committees and Caucuses", Official Webpage of Andy Kim.

<sup>&</sup>lt;sup>60</sup> "Committees and Caucuses", Official Webpage of Mikie Sherrill.

<sup>&</sup>lt;sup>61</sup> "Committees and Caucuses", Official Webpage of Haley Stevens, <a href="https://stevens.house.gov/about/committees-and-caucuses">https://stevens.house.gov/about/committees-and-caucuses</a>> (accessed 17 March 2023).

Ritchie Torres	Democrat	New York	None	None
Jake Auchincloss	Democrat	Massachusetts	Subcommittee on Coast Guard and Maritime Transportation <sup>62</sup>	None
Shontel Brown	Democrat	Ohio	None	None

<sup>&</sup>lt;sup>62</sup> "Committees and Causes", Official Webpage of Jake Auchincloss, <a href="https://auchincloss.house.gov/about/committees-and-caucuses">https://auchincloss.house.gov/about/committees-and-caucuses</a>> (accessed 17 March 2023).