# HEARING ON AN AXIS OF AUTOCRACY? CHINA'S RELATIONS WITH RUSSIA, IRAN, AND NORTH KOREA

**HEARING**

BEFORE THE

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

**ONE HUNDRED NINETEENTH CONGRESS**
FIRST SESSION

THURSDAY, FEBRUARY 20, 2025

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U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

WASHINGTON: 2025

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QUESTION FOR THE RECORD

## Panel III: Military and Security Cooperation

**HEARING ON AN AXIS OF AUTOCRACY? CHINA'S RELATIONS WITH RUSSIA, IRAN, AND NORTH KOREA**

THURSDAY, FEBRUARY 20, 2025

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U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

*Washington, DC*

The Commission met in Dirksen Senate Office Building, Room 608, and via videoconference at 9:00 a.m., Commissioner Jonathan N. Stivers and Commissioner Aaron Friedberg (Hearing Co-Chairs) presiding.

## OPENING STATEMENT OF COMMISSIONER JONATHAN N. STIVERS HEARING CO-CHAIR

COMMISSIONER STIVERS: Good morning and welcome to the second hearing of the U.S.-China Economic and Security Review Commission's 2025 annual report cycle. Thank you all for joining us today, and thank you to our witnesses for sharing your expertise and for your work you have put into your testimonies. And thank you to the staff, most importantly, who have done all the preparation for this hearing. I would also like to thank the Senate Budget Committee for allowing us to use their hearing room, and the Senate Recording Studio for their assistance livestreaming this event.

And finally, I would like to remind everyone attending here in person and for those listening online that all testimonies from our witnesses are available on the USCC website at USCC.gov. A transcript of this hearing will also be posted on the website.

Chinese Communist Party General Secretary Xi Jinping often posits that the world is undergoing changes not seen in a century. Central to this perspective is an assumption of U.S. decline and a movement towards an even more multipolar world. No nations share a desire to splinter U.S. power, influence, and our relationships with our partners and allies more than the repressive regimes in China, Russia, Iran, and North Korea.

Like Xi, leaders of these authoritarian states do not just limit their accountability at home to harsh methods of control. They are working to shape a world where they can safely act with impunity abroad, and in the case of China and Russia, to expand their territorial ambitions in Taiwan, the South China Sea, Ukraine, and Eastern Europe.

China has extended an observable level of rhetorical and material support to each axis country. To Russia, after its invasion of Ukraine, to Iran, in spite of its destabilizing actions in the Middle East, and to North Korea, given nuclear provocations and threats against our allies, South Korea and Japan.

The implications for the United States and our allies are extensive. China, Russia, Iran, and North Korea supporting one another has magnified the relative capability of each. This is vividly on display when we consider weapons, components, and manpower supplied by these

countries that sustained Russia's war of aggression in Ukraine.

As highlighted by this Commission last year, the ongoing China-Iran shadow oil trade undermines U.S. and international sanctions. It dulls tools short of war that could be brought to bear against bad actors. And continuing support from China, Russia, Iran, to North Korea risks emboldening a rogue nation known for making nuclear threats, with potential catastrophic consequences on the Korean Peninsula and beyond.

So it is in this context that the tectonic plates of deterrence are shifting drastically. U.S. relationships with our traditional NATO allies are being questioned in new ways. What China's role may be, if any, in ending Russia's war of aggression in Ukraine is in question. U.S. diplomatic and development tools that have provided our country with influence and power, and importantly, trust between countries across the world are being dismantled here at home, despite past strong bipartisan support in Congress and having been established in law.

While these relationships and tools always need to be strengthened, they are essential to compete and counter this authoritarian, or so-called axis, and the Chinese Communist Party's ambitions all over the world.

So today, in these shifting waters even over the last week, our witnesses have the added challenge of trying to provide wisdom and guidance on how our adversaries are helping each other in contravention of our interests and to describe the role of the United States Congress that it should play in response.

So to the extent possible, we aim to reach a determination of whether China, Russia, Iran, and North Korea are indeed forming a new axis that collectively presents a direct challenge to the United States, its partners and allies, and ultimately to the existing world order. And no matter whether or not it is proper to use the term, as the relationship between these countries, of axis, we will also explore steps policymakers should take to sharpen the tools needed to counter such cooperation.

And I now turn the floor over to my colleague and co-chair for this hearing, Commissioner Aaron Friedberg.

**PREPARED STATEMENT OF COMMISSIONER JONATHAN N. STIVERS**
**HEARING CO-CHAIR**

**Hearing on "An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea"**

**February 20, 2025**

**Opening Statement of Commissioner Jonathan Stivers**

Good morning, and welcome to the second hearing of the U.S.-China Economic and Security Review Commission's 2025 Annual Report cycle. Thank you all for joining us today. Thank you to our witnesses for sharing your expertise and for the work you have put into your testimony, and thank you to our staff for the preparation that went into today. I would also like to thank the Senate Budget Committee for allowing us to use their hearing room and the Senate Recording Studio for their assistance livestreaming this event. Finally, I would like to remind everyone attending here in person, and those listening online, that all testimonies from our witnesses are available on the USCC website at USCC.gov. A transcript of this hearing will also be posted to the website.

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China has extended an observable level of rhetorical and material support to each Axis country – to Russia after its invasion of Ukraine, to Iran in spite of its destabilizing actions in the Middle East, and to North Korea given nuclear provocations and threats against our allies South Korea and Japan.

The implications for the United States and our allies are extensive. China, Russia, Iran, and North Korea supporting one another has magnified the relative capability of each. This is vividly on display when we consider the weapons, components, and manpower supplied by these countries that sustain Russia's war in Ukraine. As highlighted by this commission last year, the ongoing China-Iran shadow oil trade undermines U.S. and international sanctions, dulling tools short of war that can be brought to bear against bad actors. And continued support from China, Russia, and Iran to North Korea risks emboldening a rogue nation known for making nuclear threats, with potential catastrophic consequences on the Korean peninsula and beyond.

It is in this context that the tectonic plates of deterrence are shifting. U.S. relationships with our traditional NATO allies are being questioned in new ways. What China's role may be, if any, in ending Russia's war in Ukraine is in question as diplomatic talks take place. U.S. diplomatic and development tools that have provided us with influence and power, and importantly trust with countries across the world, are being dismantled, despite past strong bipartisan support in Congress and having been established in law. While these relationships and tools always need to be strengthened, they are essential to compete and

counter authoritarianism and the Chinese Communist Party's ambitions all over the world.

So today, in these shifting waters, our witnesses have the added challenge of trying to provide wisdom and guidance on how our adversaries are helping each other in contravention of our interests, and to describe the role the U.S. Congress should play in response. To the extent possible, we aim to reach a determination of whether China, Russia, Iran, and North Korea are indeed forming a new "Axis" that collectively presents a direct challenge to the United States, its partners and allies, and ultimately to the existing world order. No matter whether or not it is proper to term the relationships an "Axis," we also will explore steps policymakers should take to sharpen the tools needed to counter such cooperation. I will now turn the floor over to my colleague and co-chair for this hearing, Commissioner Aaron Friedberg.

**OPENING STATEMENT OF COMMISSIONER AARON FRIEDBERG, HEARING CO-CHAIR**

COMMISSIONER FRIEDBERG: Thank you very much, Commissioner Stivers. Welcome. Thank you to all of our witnesses for participating in today's hearing.

Cooperation among China, Russia, Iran, and North Korea has expanded significantly over the past few decades. In recent years it has become increasingly visible on the global stage. The question of whether these four states constitute a formal axis has fueled debate, but the precise terminology used to describe their alignment is also, to a considerable degree, I think, irrelevant.

Regardless of the label, the war in Ukraine has acted as a catalyst, intensifying the cooperation among these states, and reviewing the extent to which they actively support each other's repressive regimes and revisionist ambitions. Despite the absence of formal multilateral agreements or structured alliances, their actions demonstrate a pattern of clear, if still largely informal, coordination aimed at undermining the United States and its democratic allies while advancing their own strategic objectives.

Understanding the evolving relationship among these four dictatorial regimes is central to grasping the extent and seriousness of the threat they pose to American interests, to the survival of an international order based on rules and principles rather than brute strength, and to the security and prosperity of all nations that rely on the continued functioning of that order.

As its most militarily and economically powerful member, China plays a central role in shaping and sustaining this loosely aligned but increasingly cohesive grouping. While Beijing presents itself as a neutral actor in global conflict, its actions, including supporting Russia's continuing aggression against Ukraine, tell a different story. These include, but are not limited to, the provision of arms and dual-use technologies, they extend to diplomatic backing, the use of propaganda and influence operations to divide democratic societies and weaken their governments, and the extension of economic and financial lifelines to states that have long been regarded as global pariahs.

Through their alignment, these four states have developed complementary roles in their collective effort to erode U.S. influence, undermine prevailing international norms, subvert existing international institutions, and reshape the global distribution of power.

The coordination among the members of this grouping is ad hoc, opportunistic, and in some cases, covert. Unlike traditional military alliances, it does not rely on formal agreements or rigid structures but rather on a shared desire to challenge U.S. influence and alter the status quo in their respective regions.

While mutual mistrust, fears of manipulation, and concerns about excessive dependence no doubt exist among these countries, and may impose a check on the extent of their collaboration, each continues to contribute in ways that exploit its own strengths and those of its partners.

The result is a growing convergence of interests and a tacit coordination of policies that poses a multidimensional challenge to the United States and its allies. If left unchecked, this collaboration will result in further instability and could lead to a world more conducive to the survival and possible spread of authoritarian rule.

In short, as this informal axis continues to evolve, recognizing and countering its impact must remain a top priority for the United States. The war in Ukraine has provided a clear view of the extent of this cooperation. How the United States chooses to respond will shape the geopolitical landscape for years to come.

I look forward to hearing from our witnesses on these issues and on the steps Congress can take to mitigate these challenges.

**PREPARED STATEMENT OF COMMISSIONER AARON FRIEDBERG, HEARING CO-CHAIR**

**Hearing on "An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea"**

**February 20, 2025**

**Opening Statement of Commissioner Aaron Friedberg**

Thank you, Commissioner Stivers. Welcome, and thank you to our witnesses for participating in today's hearing.

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As its most militarily and economically powerful member, China plays a central role in shaping and sustaining this loosely-aligned but increasingly cohesive grouping. While Beijing presents itself as a neutral actor in global conflicts, including Russia's continuing aggression against Ukraine, its actions tell a different story. These include but are not limited to the provision of arms and dual-use technologies—they extend to diplomatic backing, the use of propaganda and influence operations to divide democratic societies and weaken their governments, and the extension of economic and financial lifelines to states that have long been regarded as global pariahs. Through their alignment, these four states have developed complementary roles in their collective effort to erode U.S. influence, undermine prevailing international norms, subvert existing international institutions and reshape the global distribution of power.

The coordination among the members of this grouping is *ad hoc*, opportunistic and in some cases covert. Unlike traditional military alliances, it does not rely on formal agreements or rigid structures but rather on a shared desire to challenge U.S. influence and alter the status quo in their respective regions. While mutual mistrust, fears of manipulation, and concerns about excessive dependence no doubt exist among these countries and may impose a check on the extent of their collaboration, each continues to contribute in ways that exploit its own strengths and those of its partners. The result is a growing convergence of interests and a tacit coordination of policies that poses a multidimensional challenge to the United States and its allies. If left unchecked, this collaboration will result in further instability and could lead to a world more conducive to the survival and possible spread of authoritarian rule.

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I look forward to hearing from our witnesses on these issues and on actionable steps Congress can take to mitigate these challenges.

## PANEL I INTRODUCTION BY COMMISSIONER JONATHAN N. STIVERS

COMMISSIONER STIVERS: Thank you, Commissioner Friedberg.

Our first panel today will provide an engaging discussion on the extent to which China, Russia, Iran, and North Korea are organized enough in their interactions to be effectively described as an axis, and the degree to which China serves as a key nexus of support for the autocratic regimes.

We will start with Dr. Andrea Kendall-Taylor. She is Senior Fellow and Director of Transatlantic Security Program at the Center for New American Security. Dr. Kendall-Taylor's testimony will evaluate the strategic interests driving China's collaboration with Russia, Iran, and North Korea.

And next we will hear from Mr. Christopher Walker, the Vice President for Studies and Analysis at the National Endowment for Democracy. Mr. Walker will discuss the coordination of the axis countries in international institutions and efforts to reshape global norms in favor of autocratic governance. And as an aside, Mr. Walker was the person who coined the term "sharp power," which is now a regular part of the lexicon of international affairs, and a central idea to this hearing.

And finally we will hear from Dr. Christopher Chivvis, Senior Fellow and Director for the American Statecraft Program at the Carnegie Endowment for International Peace. Dr. Chivvis will discuss the internal tensions and limitations for cooperation among the four axis of autocracy countries.

Thank you all very much for your testimony. The Commission is looking forward to your remarks. I ask that all of our witnesses please keep their remarks to seven minutes.

Dr. Kendall-Taylor, we will begin with you.

**OPENING STATEMENT OF ANDREA KENDALL-TAYLOR, SENIOR FELLOW AND DIRECTOR OF TRANSATLANTIC SECURITY PROGRAM, CENTER FOR NEW AMERICAN SECURITY**

DR. KENDALL-TAYLOR: Wonderful. Commissioner Friedberg, Commissioner Stivers, and distinguished members of the U.S.-China Economic and Security Review Commission, thank you for inviting me to speak today about China and its role in what I call the "Axis of Upheaval", a term that my colleague, Richard Fontaine and I coined to describe the growing partnership between China, Russia, Iran, and North Korea.

I want to note, at the top of my remarks, that the world appears to be in a state of remarkable flux. There are seismic shifts seemingly underway. My remarks today reflect the research and analysis I have conducted over the last several years. However, many of the dynamics we are discussing today are likely to be shaped significantly by decisions and actions currently being carried out by the new Administration.

So with that aside, my overarching argument today is that the Axis of Upheaval matters for the United States and its allies because it amplifies the military capabilities of our adversaries while, at the same time, diluting the foreign policy tools we have to confront them. And I want to spend a little time on each of those two broad points.

On the military front, China, along with Iran and North Korea, have been critical enablers of Russia's war machine in Ukraine, allowing Moscow to sustain and prosecute its war in a way that would not have been possible without their backing. China, in particular, has been Russia's most critical lifeline. It has increased its purchase of Russian oil and gas, sending billions of dollars back into Moscow's coffers, and just as critically is sending vast amounts of technology, things like tools for tanks, propellants for missiles, turbojet engines, all enabling Russia to circumvent U.S. and Western sanctions.

But just as importantly as what Russia has received from its backers is what it is giving away in return, increasing the military capabilities and brazenness of America's adversaries. Military cooperation between Russia and China was already problematic before Russia's full-scale invasion of Ukraine. From 2018 to 2022, Russia supplied 83 percent of China's arms imports and played a meaningful role in the PLA's efforts to augment it air defense, anti-ship, and submarine capabilities. The joint military exercises between them have grown in scope and frequency and give Chinese officers valuable operational experience, helping them to offset one of the PLA's most significant weaknesses relative to the United States.

I would like to highlight one notable announcement that underscores just how rapidly the defense relationship between China and Russia is evolving. In September 2024, U.S. officials announced that Russia provided China with sophisticated technology that will make Chinese submarines quieter and more difficult to track. Such an agreement was nearly impossible to imagine just 2 to 3 years ago, given the highly sensitive nature of that technology. So I think that underscores just how quickly things are evolving.

The same dynamic we see between Russia and China is now also playing out with Iran and North Korea. Both countries have a long wish list of technologies they would like from Russia, and if Moscow complies it would increase the threat those countries pose to the United States. If this military cooperation deepens it would produce new challenges for the U.S. and its allies. Each of these countries will use their relationships to fill key gaps in shortcomings, making them more formidable and resilient adversaries. Their cooperation will move into new areas.

Russia and China have stepped up their cooperation in the Arctic, including between their Coast Guards, and they are increasing their coordination in the hybrid domain. And their cooperation will enable them to increase their power projection by allowing each other basing and overflight rights. In July 2024, Russian and Chinese nuclear-capable bombers flew together into the Alaska Air Defense Identification Zone, which was only possible because of their deeper cooperation. It was the first time that Russian and Chinese planes took off from the same base.

My second point is that the cooperation between these countries dilutes the foreign policy tools the U.S. and its allies have to confront them. They are learning how to effectively circumvent U.S. and Western sanctions. They are working to reduce their dependency on the U.S. dollar, and by moving their transactions out of the reach of the United States they dilute the efficacy of those Western-imposed sanctions.

The Axis of Upheaval makes it harder to rally coalitions of countries to oppose their destabilizing actions. Beijing and Moscow have impeded Western efforts to isolate Iran. They brought Tehran into the Shanghai Cooperation Organization and then orchestrated an invitation for Iran to join the BRICS.

And their parallel efforts in the information domain weaken international support for U.S. positions. After Russia's invasion of Ukraine, all four countries defended Russia's actions and parroted Kremlin talking points that NATO was to blame for instigating the war. The response to the October 7 Hamas attacks on Israel followed a similar pattern.

I want to close by making three final points and recommendations.

First, getting to a just and durable peace in Ukraine is the most urgent and impactful thing the United States can do to confront this axis of upheaval. It will deter China, isolate Iran, and take the wind out of North Korea's sails. It is tempting to imagine that if the U.S. presses Ukraine to end the war and pursue a more pragmatic relationship with Russia that Moscow's cooperation with members of this axis could lessen. But that is wishful thinking. Russia is committed to undermining NATO and pushing the United States out of Europe. Concessions made to Russia to end the war would only strengthen Russia's position to wage further aggression in Europe and to help its partners weaken the United States.

Second, to effectively address China, the U.S. must ramp up pressure on Russia, not cut deals. Once the fighting in Ukraine ends, Russia will have a significant percentage of its forces and budget free to pursue destabilizing actions elsewhere, fomenting challenging that benefit far more than just Moscow. Russia has become the pointy end of Beijing's spear, willing to upend dynamics in key regions in ways that aid China's ambitions to undermine U.S. dominance.

And finally, while prioritization in U.S. national security is important, so too is sequencing. To effectively address China, Washington must first set European security on the right path. The United States cannot simply hand off European security to a Europe that is not yet capable of managing the Russian threat. If Washington downsizes its commitment to Europe prematurely, Moscow could take it as a sign of growing U.S. disinterest, and use the opportunity to press ahead, both directly and through the axis of upheaval it supports.

Thank you for the opportunity to speak to you today.

COMMISSIONER STIVERS: Thank you. Mr. Walker.

**PREPARED STATEMENT OF ANDREA KENDALL-TAYLOR, SENIOR FELLOW AND DIRECTOR OF TRANSATLANTIC SECURITY PROGRAM, CENTER FOR NEW AMERICAN SECURITY**


FEBRUARY 20, 2025

TESTIMONY BEFORE THE U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

# Hearing on "China's Role in the Axis of Autocracy"

BY

**Dr. Andrea Kendall-Taylor**

*Senior Fellow and Program Director, Transatlantic Security Program*
*Center for a New American Security*

## I. Introduction

Commissioner Friedberg, Commissioner Stivers, distinguished members of the U.S.-China Economic and Security Review Commission, thank you for inviting me to speak today about China and its role in what I call the axis of upheaval, a term my colleague Richard Fontaine and I coined to describe the growing partnership between China, Russia, Iran, and North Korea.[1,2] Some people bristle at the term "axis," but in my view it is the most appropriate way to describe the dynamics among these four countries that we see today. Benito Mussolini's first use of the term "axis" was in a speech he gave in Milan in 1936. Back then, he described Italy's relationship with Germany as "an axis around which all European States animated by a desire for peace may collaborate on troubles."[3] This well describes what China, Russia, Iran, and North Korea are doing—they are collaborating on their troubles. Their shared aim of weakening the United States and its power and influence provides such strong motivation for their actions. This new axis of upheaval, then, is best thought of as a collection of dissatisfied states converging on a shared purpose of overturning U.S. leadership, along with the principles, rules, and institutions that underlie the prevailing international system.

My overarching argument today is that the cooperation among these four countries is likely to be deeper, more durable, and more consequential than many policymakers and analysts currently assume, making the axis of upheaval one of the most significant national security challenges facing the United States and its allies. My goal now is to unpack that argument. To do that, I will make two broad points. I will argue that the axis of upheaval matters because it: 1) amplifies the military capabilities of America's adversaries and 2) dilutes the foreign policy tools we have to confront them.

## II. Amplifying the Military Capabilities of America's Adversaries

Analysts understand well the challenges that China, Russia, Iran, and North Korea individually pose to the United States, but little thought has been given to how their actions combine. When these four countries cooperate, their actions have far greater effect than the sum of their individual efforts.

**China, along with Iran and North Korea, are critical enablers of Russia's war machine in Ukraine, allowing Moscow to sustain and prosecute its war in a way that would not have been possible without their backing.**

Since the start of the war, Moscow has fired more than 8,000 drones at Ukraine—most of them Shaheed drones provided by Tehran. As the war has continued, relations between Russia and Iran have only deepened. Russian drone strikes against Ukraine increased tenfold from 2023 to 2024, in large part because Moscow and Tehran signed a deal in early 2023 for Russia to start production of the Iranian drones in Russia's Alabuga Special Economic Zone, about 600

[1] This testimony reflects the personal views of the author alone. As a research and policy institution committed to the highest standards of organizational, intellectual, and personal integrity, the Center for a New American Security (CNAS) maintains strict intellectual independence and sole editorial direction and control over its ideas, projects, publications, events, and other research activities. CNAS does not take institutional positions on policy issues and the content of CNAS publications reflects the views of their authors alone. In keeping with its mission and values, CNAS does not engage in lobbying activity and complies fully with all applicable federal, state, and local laws. CNAS will not engage in any representational activities or advocacy on behalf of any entities or interests and, to the extent that the Center accepts funding from non-U.S. sources, its activities will be limited to bona fide scholastic, academic, and research-related activities, consistent with applicable federal law. The Center publicly acknowledges on its website annually all donors who contribute.

[2] Andrea Kendall-Taylor and Richard Fontaine, "The Axis of Upheaval: How America's Adversaries Are Uniting to Overturn the Global Order," *Foreign Affairs*, April 23, 2024, https://www.foreignaffairs.com/china/axis-upheaval-russia-iran-north-korea-taylor-fontaine. Much of this testimony is based on the analysis first presented in this essay.

[3] Jason Daley, "Why We Call the Axis Powers the Axis Powers," *Smithsonian Magazine*, November 1, 2016, https://www.smithsonianmag.com/smart-news/why-we-call-axis-powers-axis-powers-180960980/

miles east of Moscow.[4] That factory produced more than 2,500 drones in 2023 and is on track to more than double that figure in 2025 to 6,000 attack drones per year.

North Korea is sending ballistic missiles to Russia and has provided Moscow with more than 2.5 million rounds of ammunition in a war in which ammunition is a highly coveted commodity. Russia has received more ammunition from North Korea than Ukraine did from the United States and NATO combined. And even if some of that ammunition is faulty and low quality, the sheer volume of it has helped Russia in the war. Likewise, by 2024, North Korea's missiles made up nearly a third of Russia's ballistic missile launches at Ukraine[5]—a key factor allowing the Kremlin to bombard Ukrainian cities while its own missile production was hobbled by Western sanctions. Then, in a turn that no one saw coming, North Korea sent 12,000 soldiers to fight on Russia's behalf—the first time in more than a century that Russia has invited foreign troops onto its soil.

Beijing, for its part, has emerged as Russia's most critical lifeline. China has increased its purchase of Russian oil and gas, putting billions of dollars into Moscow's coffers, and just as critically, is sending vast amounts of technology. China has provided machine tools for tanks, propellants for missiles, intermediary goods used in producing gunpower and explosives, turbojet engines, and geospatial intelligence, including satellite imagery which the Russian military uses to support military operations in Ukraine.[6] China has also allowed Russia to circumvent the sanctions and export controls put in place by the West. Russian customs data shows, for example, that despite Western sanctions, Moscow's imports of computer chips and chip components—parts that are needed to sustain Moscow's defense industrial production—are back to pre-war levels, with China sourcing more than half of these imports.

**Just as important as what Russia has received from its backers is what it is having to give away in return, increasing the military capabilities and brazenness of America's adversaries.**

Military cooperation between Russia and China was already problematic before Russia's full-scale invasion of Ukraine. From 2018 to 2022, Russia supplied 83 percent of China's arms imports.[7] Moscow has played a meaningful role in the People's Liberation Army's (PLA) efforts to augment its air defense, anti-ship, and submarine capabilities, which make a possible U.S. intervention in a Taiwan contingency more difficult. Joint military exercises between Russia and China have grown in scope and frequency and give Chinese officers valuable operational experience alongside their Russian counterparts who have now seen combat in Ukraine and Syria—helping offset one of the PLA's most significant weaknesses relative to the United States.

China's own military modernization makes defense cooperation with Russia less pressing, but the two countries are likely to step up cooperation on joint development, licensed production, and transfers of technology. In February, Russian officials confirmed that the two countries are consulting on military applications of artificial intelligence. Yet while China is narrowing the technological gap, Chinese industry remains behind in certain key areas, including submarine technology, remote sensing space satellites, and aircraft engines. If China can pressure a more dependent Russia to provide support in these areas, it would erode America's military position relative to China in the Indo-Pacific.

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[4] Howard Altman, "Russia Firing Record Number of Shahed-136s at Ukraine," The War Zone, November 4, 2024, https://www.twz.com/air/russia-firing-record-number-of-shahed-136s-at-ukraine. Clare Sebastian, et al., "Russia Is Intensifying Its Air War in Ukraine. A Secretive Factory Is Ramping Up Drone Production to Fuel the Offensive," CNN, December 27, 2024, https://www.cnn.com/2024/12/27/europe/russia-ukraine-war-drones-alabuga-factory-intl-invs/index.html

5 Daria Tarasova-Markina, Lauren Kent, Nick Paton Walsh and Victoria Butenko, "Ukraine is being hit with a surge of attacks using North Korean missiles. Western components help make it possible," CNN, November 23,2024.

[6] Cameron Manley, "China is providing satellite intelligence for military purposes to Russia, US warns, says report," Business Insider, April 7,2024.

[7] Pieter Wezeman, Justine Gadon and Siemon Wezeman, "Trends in International Arms Transfers, 2022," SIPRI, March 2023. https://www.sipri.org/sites/default/files/2023-03/2303_at_fact_sheet_2022_v2.pdf

I would like to highlight one notable announcement that underscores how rapidly the defense relationship between China and Russia is evolving. In September 2024, U.S. officials announced that Russia had provided China with sophisticated technology that will make Chinese submarines quieter and more difficult to track.[8] Such an agreement was hard to imagine just a few years ago, given the sensitive nature of the technology.

This same dynamic is now playing out in Iran and North Korea. In Iran, Moscow is advancing Iranian weapons capabilities. Russia has provided Iran with multi-role aircraft, air defense, cyber, and intelligence, surveillance, and reconnaissance capabilities that would complicate any U.S. or Israeli military operation against Iran, whether to take out Iranian nuclear infrastructure or other reasons. Likewise, in return for its support, North Korea is reportedly seeking advanced space, missile, and submarine technology from Moscow. If Russia were to comply with those requests, North Korea would be able to improve the accuracy and survivability of its nuclear-capable intercontinental ballistic missiles and use Russian nuclear propulsion technology to boost the range and capability of its submarines. Already, Russia's testing of North Korean weapons on Ukraine's battlefields has supplied Pyongyang with information it can use to refine its missile program, and Russian assistance may have helped North Korea launch a military satellite in November 2024 after two previous failures.[9]

Even beyond the weapons and technology, deepening relations with Moscow are emboldening the leadership in Tehran and Pyongyang, spurring more antagonistic and destabilizing actions. Kim Jong Un, who now enjoys strong backing from both China and Russia, abandoned North Korea's decades-old policy of peaceful unification with South Korea and stepped up its threats against Seoul, and indulged in nuclear blackmail and missile tests.[10] And although there does not appear to be a direct connection between their deepening partnership and Hamas's attack on Israel on October 7, 2023, growing support from Russia likely made Iran more willing to activate its regional proxies in the aftermath.

**Finally, this military cooperation will deepen, producing new challenges for the United States and its allies.**

As defense cooperation among China, Russia, Iran, and North Korea grows, it will enable these countries to offset vulnerabilities relative to the United States. Each of these countries will use their relationships to fill key gaps and shortcomings, making them more formidable and resilient adversaries.

Their cooperation will also move into new areas. Already, Russia and China have stepped up their cooperation in the Arctic, including between their coast guards—cooperation that paved the way for a Chinese coast guard fleet to enter the Arctic Sea for the first time for a joint patrol with Russia in 2024.[11] Likewise, Russia and China may be increasing cooperation in the hybrid domain. Although it is difficult to assess the extent of cooperation and/or coordination, in October 2023 the Chinese container ship the Newnew Polar Bear—sailing near a Russian vessel—damaged the Balticconnector pipeline in the Gulf of Finland.

Their convergence complicates net assessments. Contemplating a war between NATO and Russia, policymakers and defense planners will now have to consider what military assistance China, Iran, and North Korea could provide in addition to what they have given Russia for its war in Ukraine. A war between Russia and NATO would likely illicit greater military cooperation between the four countries.

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[8] Stuart Lau, "US Accuses China of Giving 'Very Substantial' Help to Russia's War Machine," *POLITICO Europe*, September 10, 2024, https://www.politico.eu/article/united-states-accuse-china-help-russia-war-kurt-campbell/.
[9] Hyonhee Shin, "Failed North Korea satellite launch engine points to Russian role, say South Korean lawmakers," Reuters, July 29, 2024. https://www.reuters.com/world/asia-pacific/daughter-north-koreas-kim-being-trained-next-leader-media-report-says-2024-07-29/
[10] Choe Sang-Hun, "North Korea Says It Is No Longer Interested in Reunifying With the South," New York Times, January 16, 2024. https://www.nytimes.com/2024/01/16/world/asia/north-korea-reunification-policy.html
[11] Reuters, "China's coast guard enters Arctic for the first time for patrol with Russia," October 2, 2024. https://www.reuters.com/world/chinas-coast-guard-enters-arctic-first-time-patrol-with-russia-2024-10-02/

The cooperation among members of the axis of upheaval will also lead these countries to increase their power projection by allowing each other basing and overflight rights. This is, to an extent, already a reality. In July 2024, Russian and Chinese nuclear-capable bombers flew together into the Alaska Air Defense Identification Zone (ADIZ). This incident was the first of its kind for the two countries. Beijing and Moscow coordinated their strategic nuclear forces and together signaled their willingness to stand up to Washington by taking a joint action near the U.S. homeland. This joint flight was only possible because of their deeper cooperation; it was the first time that Chinese and Russian aircraft have taken off from the same (Russian) air base. That new power projection, in turn, will force U.S. strategists to account for new scenarios.

## III. Diluting the Foreign Policy Tools the United States and Its Allies Have to Confront Them

### The axis of upheaval dilutes the efficacy of Washington's economic tools of coercion.

China, Russia, Iran, and North Korea are learning from and aiding each other in how to effectively circumvent U.S. and Western sanctions. We all understand how China is undercutting sanctions on Russia, but all members of the axis of upheaval are learning and aiding each other. Moscow, for example, released millions of dollars in North Korean assets that previously sat frozen—and in compliance with UN Security Council sanctions—in Russian banks.[12]

They are also working to reduce their dependency on the U.S. dollar. The share of Russia's imports invoiced in Chinese yuan jumped from 3 percent in 2021 to 20 percent in 2022.[13] And in December, Iran and Russia finalized an agreement to conduct bilateral trade in their local currencies.[14] By moving their economic transactions out of reach of U.S. financial measures, they dilute the efficacy of Western-imposed sanctions.

### The axis of upheaval makes it harder to rally coalitions of countries to oppose their destabilizing actions.

China's refusal to condemn Russia's invasion of Ukraine, for example, made it far easier for countries across Africa, Latin America, and the Middle East to do the same. Beijing and Moscow have impeded Western efforts to isolate Iran. They brought Tehran into the Shanghai Cooperation Organization last year as a permanent member and then orchestrated an invitation for Iran to join the BRICS.

### Their parallel efforts in the information domain further weaken international support for U.S. positions.

After Russia's invasion of Ukraine, all four countries defended Russia's actions and parroted Kremlin talking points that NATO was to blame for instigating the war. Their response to the October 7 Hamas attacks on Israel followed a similar pattern. Iran, Russia, and to a lesser extent China used state media and social media networks to express support for Hamas, vilify Israel, and denigrate the United States for enabling Israel's response. Even if axis members do not overtly coordinate their messages, they still push the same themes—and the repetition makes them appear more credible and persuasive.

### Finally, geography matters, and the axis of upheaval is taking advantage of their shared borders and littoral zones, building trade and transportation networks safe from U.S. interdiction.

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[12] Motoko Rich, "A Russian Bank Account May Offer Clues to a North Korean Arms Deal," New York Times, February 6, 2024. https://www.nytimes.com/2024/02/06/world/asia/north-korea-russia-missiles-bank.html

[13] Jorgelina Do Rosario, "Russia ramps up China yuan payments for imports amid sanctions, study finds," Reuters, September 27, 2023. https://www.reuters.com/world/europe/russia-ramps-up-china-yuan-payments-imports-amid-sanctions-ebrd-2023-09-27/

[14] Reuters, "Iran, Russia to trade in local currencies instead of US dollar - state media," December 27, 2023. https://www.reuters.com/world/iran-russia-trade-local-currencies-instead-us-dollar-state-media-2023-12-27/

Iran, for example, ships drones and other weapons to Russia across the Caspian Sea, where the United States has little power to stop the transfers. If the United States were engaged in conflict with China in the Indo-Pacific, Beijing could increase its overland exports of oil and gas from Russia, reducing Beijing's dependence on maritime energy imports that U.S. forces could block during a conflict. Russia's defense industrial base, now in overdrive to supply weapons for Russian troops in Ukraine, could later pivot to sustain a Chinese war effort. Such cooperation would increase the odds of China prevailing over the U.S. military and help advance Russia's goal of diminishing the United States' geopolitical influence.

## IV. Looking Forward

I want to close by making three additional points:

### First, the axis of upheaval can develop quickly and unpredictably.

The arrival of North Korean troops in Russia is a worrisome reminder that with highly personalized authoritarian regimes at the helm in Russia and North Korea and with the regimes in China and to a lesser extent Iran moving in this direction, cooperation can evolve rapidly and in unpredictable ways. A body of political science research shows that this particular type of regime tends to produce the most risky and aggressive foreign policies. Countries with personalist authoritarians at the helm are the most likely to initiate interstate conflicts, the most likely to fight wars against democracies, and the most likely to invest in nuclear weapons. Russia's growing military and political support for China, Iran, and North Korea will only facilitate these tendencies.[15]

### Second, the axis of upheaval will persist beyond the Ukraine war.

It is tempting to imagine that if the United States presses Ukraine to end the war and pursue a more pragmatic relationship with Russia, Moscow's cooperation with members of this axis could lessen. Yet this is wishful thinking. The growing ties among China, Iran, North Korea, and Russia are driven by incentives far deeper than the transactional considerations created by the war in Ukraine. Russia is preparing for a long-term confrontation with the West and the Kremlin understands that it is less isolated and vulnerable when it has the backing of these countries. Because Russia has been the critical catalyst, it will continue to drive this confrontation. If anything, concessions made to Russia to end the war would only enhance the Kremlin's ability to help its partners weaken the United States.

### Finally, China and Russia, and to a far lesser extent Iran and North Korea, are increasingly forging a shared vision for a future global order—a vision that enhances the durability and potentially the consequences of their partnerships.

You often hear that these countries agree on what they oppose, but that they lack a shared, positive vision for the future. That is changing. In the last two to three years, the broad contours of a shared vision for the future appear to be taking shape. These countries agree on the centrality of state-determined political rights. They share a desire for spheres of influence, and Russia and China both seek multipolarity. They share the notion of indivisible security, or that one country cannot take actions that make another country feel unsafe. This was the justification that Vladimir Putin used for his invasion of Ukraine. Now this language has found its way into China's Global Security Initiative (GSI) and the Shanghai Cooperation Organization. There is strong overlap in Xi Jinping's vision of building a "community with a shared future for mankind" and Russia's attempts to work with "the world majority."[16]

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[15] Andrea Kendall-Taylor and Michael Kofman, "Putin's Point of No Return: How an Unchecked Russia Will Challenge the West," *Foreign Affairs*, December 18, 2024, https://www.foreignaffairs.com/russia/putins-point-no-return.

[16] Andrea Kendall-Taylor, et al., *Russia and China in Central Asia: Cooperate, Compete, or De-conflict?* (Center for a New American Security, November 12, 2024), https://www.cnas.org/publications/reports/russia-and-china-in-central-asia.

The fact that this emergent order lacks a cohesive and fully developed view of the future at this stage of their project is not historically unique. For example, the Concert of Europe—the order that emerged in the aftermath of the Napoleonic Wars—was borne out of a shared desire to fight against national and liberal movements. It began as a bastion against democracy and revolution. It is only with time that the states challenging the status quo forge a more positive vision. The early contours of the new order Russia and China envision are emerging. We have to remain attentive.

## V. Recommendations for Confronting the Axis of Upheaval

### Enable Ukraine to achieve a just peace.

Washington and its allies must help Ukraine strengthen its position ahead of negotiations to end the current war. Getting a Ukraine settlement right is the most urgent and impactful thing the United States can do to confront the axis of upheaval—it will deter China, isolate Iran, and take the wind out of North Korea's sails. More generally, even as Washington rightly sees China as its top priority, addressing the challenge from Beijing will require competing with other members of the axis in other parts of the world. If the United States is to counter an increasingly coordinated axis, it cannot treat each threat as an isolated phenomenon.

### To effectively address China, ramp up pressure on Russia.

If the United States is to counter an increasingly coordinated axis, it cannot treat each threat as an isolated phenomenon. Once the fighting in Ukraine ends, Russia may have a significant percentage of its forces and defense budget freed to pursue such operations and assistance elsewhere, fomenting challenges that will benefit more than just Moscow. Russia has become the pointy end of Beijing's spear—willing to upend dynamics in key regions in ways that aid China's ambitions to undermine U.S. dominance. Those that are skeptical of Russia's relations with China argue that Beijing dislikes the Kremlin's penchant for disruption because it threatens China's economic interests. Yet China did not object to Russia's provision of support to the Houthis, despite the risks it creates for global shipping. And even if Beijing is wary of Russia's deepening relations with North Korea, it is unlikely to do much to stop it. Instead, Russia is likely to do much of the heavy lifting in upending the international system and creating an environment more conducive for China's rise.

Likewise, while prioritization is important, so too is sequencing.[17] To effectively address China, Washington must first set European security on the right path. The United States cannot simply hand off European security to a Europe that is not yet capable of managing the Russian threat. If Washington downsized its commitment to Europe prematurely, Moscow could take it as a sign of growing U.S. disinterest and use the opportunity to press ahead, both directly and through the axis of upheaval it supports.

### Prepare for opportunistic aggression.

If Beijing invades Taiwan and prompts a U.S. military intervention, for instance, Russia may be tempted to move against another European country, and Iran or North Korea could escalate threats in their regions. Even if the axis members do not coordinate their aggression directly, concurrent conflicts could overwhelm the West. Washington will therefore need to press allies to invest in capabilities that the United States could not provide if it were already engaged in another military theater.[18]

### Engage the "swing states."

[17] Kendall-Taylor and Kofman, "Putin's Point of No Return: How an Unchecked Russia Will Challenge the West."
[18] Greg Weaver and Andrea Kendall-Taylor, "What NATO Allies Must Do to Prepare for Russian Aggression," *POLITICO Europe*, March 5, 2024, https://www.politico.eu/article/nato-allies-prepare-russia-aggression-defense-military/.

Neither the West nor the axis will become wholly distinct political, military, and economic blocs. Each coalition will compete for influence all over the world, and blunting the implications of the axis will depend on the ability of Washington and its allies to compete in the "global swing states." Brazil, India, Indonesia, Saudi Arabia, South Africa, and Turkey are likely to be especially important. The United States and its allies should work to deny advantages to the axis members in these countries, encouraging their governments to choose policies that favor the prevailing order. In practice, that means using trade incentives, military engagement, foreign aid, and diplomacy to prevent swing states from hosting axis members' military bases, allowing axis members access to their technology infrastructure or military equipment, or helping axis members circumvent Western sanctions.

**Increase spending on defense, foreign aid, diplomacy, and strategic communications.**

The axis of upheaval now represents a new center of gravity—a core around which other states that are dissatisfied with the United States and the order it leads can coalesce, even if just opportunistically and unevenly. The axis of upheaval, then, is transforming the international system into one now characterized by two increasingly organized and competing orders, which will have profound effects on global stability. Political science research shows that such periods of competing order are characterized by a higher incidence of inter-state war. Wars grow out of their own unique conditions—territorial disputes, intent to protect nationals or commercial interests, defending an ally, or regime survival, for instance. But the likelihood that those conditions lead to the onset of war increases during periods of dueling orders.

Navigating such a rise in global instability, along with the other challenges I have described will require the United States to devote additional resources to national security, engage in more vigorous diplomacy, sustain existing partnerships while developing new ones, and, at a minimum, maintain Washington's positive role in the world. Generating public consensus to meet this moment will require that public officials communicate the changing geopolitical climate to the public. More leadership is needed in this regard.

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There is a tendency to downplay the significance of growing cooperation among China, Iran, North Korea, and Russia. Many have argued, for example, that Russia's turn to Iran for drones and use of North Korean munitions illustrates the Kremlin's desperation. Or that China's embrace of Russia shows only that Beijing could not achieve the positive relationship it originally sought with Europe and other Western powers. Yet such analysis misses the underlying dynamics at play. There are four powers that are increasingly aligned and coordinating their efforts to upend the prevailing world order and its U.S. leadership. Their combined military, economic, and diplomatic capabilities, propelled by a shared motivation to change the way the world has worked since the end of the Cold War, make for a dangerous mix. This is a group bent on upheaval, and Washington and its allies must treat the axis as the generational challenge it is.

## OPENING STATEMENT OF CHRISTOPHER WALKER, VICE PRESIDENT FOR STUDIES AND ANALYSIS, NATIONAL ENDOWMENT FOR DEMOCRACY

MR. WALKER: Co-Chairs Friedberg and Stivers, distinguished Commissioners and staff, thank you for the opportunity to testify on China's pivotal role in shaping the international environment and how deepening cooperation among a group of repressive powers is supercharging authoritarian influence globally.

This hearing is especially timely given China's role in leading and enabling the efforts by a set of ambitious authoritarian regimes to undermine democratic rivals, pioneer new techniques of social control, and carry out acts of aggression that threaten global security and stability. China's leadership over the last generation has invested heavily in projecting power internationally. Less obvious has been the extent to which China has used a web of relationships with other autocracies to enhance its leverage, where possible, to achieve multiplier effects, and more generally, guide the global rules of the road in a direction more friendly to the Chinese Communist Party's interests and preferences.

And as Beijing deepens its strategic cooperation and coordination with countries that include Iran, Russia, and North Korea, China functions as the keystone that makes the authoritarian whole stronger than any single one of its parts. This development represents a comprehensive threat to the United States and other free countries. The ways in which autocratic powers have coalesced behind Russia's brutal, full-scale invasion of Ukraine puts the new situation into focus.

A networked response from the community of autocracies has taken shape to back Moscow's war effort. Iran produces kamikaze drones. Belarus serves as a critical staging area for Russian operations. North Korea provides troops. Quite remarkable. If we were sitting here 10 years ago and someone said there would be thousands of North Korean troops on the European continent, fighting on behalf of Russia against Ukraine, it would have sounded preposterous, but this is what we are facing today.

And China offers a full complement of support to Russia, ranging from diplomatic cover to putting the formidable Chinese global state propaganda machinery to work, pushing out Kremlin-friendly narratives. These acts of cooperation are driven, in part, by opportunism, yet there is a deeper story behind these regimes' cohesiveness and willing to work together, and we should not suffer a failure of imagination regarding their ambition.

These regimes are telling us what they want to do. Xi Jinping and Vladimir Putin, for example, have characterized the friendship between their countries as one with no limits. In Moscow, in 2023, at another meeting between Xi and Putin, they pledged to drive changes the world has not seen in 100 years. And following the trend, in May 2024, they pledged a new era of partnership between their countries, and a joint statement coming out of the meeting described a deepening of the strategic relationship to enhance military ties.

While the deepening authoritarian cooperation in the military sphere stands out, it is important to recognize China has been investing in the wider world and building its web of global alliances over a protracted period of time, more often than not in ways that rely on non-kinetic forms of influence. On this count I will briefly devote attention to the challenge in the context of international institutions and the technology sphere.

Accustomed to protecting their power through the suppression of right and freedoms at home, repressive regimes led by China are eagerly seizing opportunities to extend these practices globally. To such ends, Beijing, in key respects, relies on the exertion of sharp power, that is to

say, efforts to achieve political advantage through the monopolization of ideas, suppression of alternative viewpoints, and the exploitation of partner institutions, as a way to shape the global operating environment and influence the political dynamics of countries in one region of the world after another.

Non-democratic governments are acting systematically to undermine and repurpose the infrastructure of organizations in the UN system, and beyond that set the rules, whether around human rights, economic development, and the development and use of critical technologies. Beijing's influence is particularly concerning in the tech domain. Here, on-the-ground control of digital infrastructure across Africa, the Indo-Pacific, and beyond, by CCP-aligned companies such as Huawei, functions in tandem with PRC efforts in the UN to legitimize norms of censorship, surveillance, and invasive social control.

Through these dual streams of action, China is also fortifying its autocratic alliances. PRC tech companies help friendly autocracies to shore up their control at home, and governments increasingly reliant on PRC digital infrastructure themselves become reliable votes in international bodies.

It is worth emphasizing that the CCP's efforts to subvert the guiding institutions of our international system in ways that undermine principles of transparency, rule of law, and freedom of expression take on particular urgency given the rapid diffusion of emerging technologies. DeepSeek has drawn the world's attention to China's rapid progress in the development of key technologies, and the export of authoritarian norms, such as censorship of content about the Tiananmen Square crackdown along with them. But DeepSeek represents only the tip of the iceberg when it comes to the CCP's increasing influence over the networks that relay our digital communications, the platforms that shape our access to information, and, not least, the governance and surveillance technologies that governments worldwide are deploying in their cities.

So what are the implications for free societies? At a basic level, any response to the global China challenge must take into account the essential importance of keeping pressures toward greater openness and freedom alive within China itself. But equally urgent is to recognize and counter the intensive, well-resourced efforts of China's present leadership, working in common cause with other repressive regimes, to mainstream, as a global norm, the authoritarian practices that crush individual freedom in the name of an artificially imposed harmony.

Civil society has a fundamental role to play in this regard. This is why the National Endowment for Democracy and its partner organizations have supported dedicated, courageous people on the ground, who are standing up for their own freedoms and working in a systematic way to cut through the authoritarians' sophisticated cross-border efforts to normalize censorship and surveillance, keep people divided and afraid, and cloak their moves to consolidate power in a web of opacity.

Democratic systems need to recognize the challenges presented by the networked authoritarian grouping of countries. Unfree systems are mounting a concerted effort to undermine, weaken, and ultimately dominate free societies, which themselves must undertake a far more cohesive response that leverages the competitive advantages of free systems.

A final observation. China is actively seeking to displace the United States as the world's most influential country. Such a world were to materialize unquestionably would be one of diminished American stature, security, and economic opportunity.

Thank you for your attention.

COMMISSIONER STIVERS: Thank you. Dr. Chivvis.

**PREPARED STATEMENT OF CHRISTOPHER WALKER, VICE PRESIDENT FOR STUDIES AND ANALYSIS, NATIONAL ENDOWMENT FOR DEMOCRACY**

"China as the Keystone of a Global Network of Autocracies"

Testimony of Christopher Walker

Vice President, Studies and Analysis

National Endowment for Democracy

Before the U.S.-China Economic and Security Review Commission at the hearing

"An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea"

February 20, 2025

Co-Chairs Friedberg and Stivers, distinguished Commissioners and staff, thank you for the opportunity to testify on China's pivotal role in shaping the international environment and how deepening cooperation among a group of repressive powers is supercharging authoritarian influence globally. This hearing is especially timely and critical, given China's increasingly essential role in leading and enabling the efforts by a diverse set of ambitious authoritarian regimes to undermine democratic rivals, pioneer new techniques of social control, and carry out acts of aggression that threaten global security and stability.

China's leadership over the last generation has invested heavily in projecting power internationally. This has been especially evident since the time of Xi Jinping's rise to a position of paramount power in 2012. Less obvious has been the extent to which China has used a web of relationships with other autocracies to enhance its leverage, where possible to achieve multiplier effects, and more generally guide the global rules of the road in a direction more friendly to the Chinese Communist Party's (CCP) interests, values, and preferences.

And as Beijing deepens its strategic cooperation and coordination with countries that include but are not limited to Russia, Iran, and North Korea, China functions as the "keystone" that makes the authoritarian whole stronger than any single one of its parts. This development represents a comprehensive and even systemic threat to the United States and other free systems.

Moreover, as China and other ambitious authoritarian regimes have worked more intentionally in common cause, their ability to exert influence has grown. Over the years, democracies have consistently underestimated the scope and durability of the challenge from this networked authoritarian grouping. Assumptions that authoritarian relationships are temporary or superficial "marriages of convenience," for instance, have led analysts to understate the true risk we face. We need to look at the coordinated actions of these regimes, as well as the structures they are building, in order to understand the depth and scope of their ambitions.

The ways in which autocratic powers have coalesced behind Russia's brutal, full-scale invasion of Ukraine lay bare the new situation. A full, networked response from the community of autocracies has taken shape to back Moscow's war effort: Iran produces kamikaze drones; Belarus serves as a critical staging area for Russian operations; North Korea provides troops; and China offers a suite of support to Russia, ranging from diplomatic cover to putting the formidable Chinese global state propaganda machinery at work pushing out Kremlin-friendly narratives.

These acts of cooperation are driven, in part, by opportunism. Leaders in Beijing, Moscow, Tehran, and Pyongyang no doubt sense a crisis of confidence in free societies and are pressing what they perceive as an advantage to bolster their power on the global stage.

Yet there is a much deeper story behind these regimes' cohesiveness and willingness to work together; we should not suffer a failure of imagination regarding their high strategic ambition. They are telling the free world what they would like to do.

In February 2022, following a summit in Beijing between Xi Jinping and Vladimir Putin, the two leaders issued a joint statement that described the relations between the People's Republic of China and the Russian Federation as a friendship with "no limits." Days later, Moscow dispatched thousands of troops to Ukraine, launching a full-scale invasion of the country that has upended European, and global, security in ways not seen since the first half of the 20th century.

In Moscow in March 2023, at another meeting between the leaders, Xi and Putin pledged to drive significant changes in the world that have "not been seen in 100 years." At the time, they signed agreements aimed at boosting bilateral cooperation on a range of issues. That same year, China launched the Global Security Initiative, the Global Development Initiative, and expanded BRICS. These groupings aim to carve out autocratically-minded regimes and developing economies from the U.S. and other democracies, leaving Beijing to sit at the helm.

And, following the trend, in May 2024 Xi and Putin pledged a "new era" of partnership between their countries. A joint statement from the leaders coming out of the meeting described the deepening of the strategic relationship, including plans to enhance military ties and how defense sector collaboration between Beijing and Moscow would improve regional and global security.

## China's Focus on Institutions and Ideas

While the deepening authoritarian cooperation in the military sphere stands out, it is important to recognize that China has been investing in the wider world—and building its web of global alliances—over a protracted period of time, more often than not in ways that rely on non-kinetic forms of power. In this era of fierce competition, the leadership in Beijing has largely sought "to win without fighting."

For the remainder of my testimony, I will focus on the following areas of critical interest:

- China's leadership in reshaping international institutions
- Beijing's acumen and ambitions in the ideas and technological realms

Across these domains, autocrats seek to tear down the scaffolding of liberal institutions that might either constrain their aggression on the global stage, or preserve bastions of free expression where people at home or abroad dare to criticize their behavior. Accustomed to protecting their power through the suppression of rights and freedoms at home, they are eagerly seizing opportunities to extend these practices globally. To such ends, Beijing in key respects relies on the exertion of sharp power — authoritarian efforts to achieve political dominance through the monopolization of ideas, suppression of alternative viewpoints, and exploitation of partner institutions — as a way to shape the global operating environment and influence the political dynamics of countries in one world region after another.[1]

Non-democratic governments are acting systematically to undermine and repurpose the "infrastructure" of organizations in the UN system and beyond that set the rules—whether around human rights, economic development, or the development and use of critical technologies. Beijing's influence is particularly concerning in the tech domain. Here, on-the-ground control of critical digital infrastructure across Africa, the Indo-Pacific, and beyond by CCP-aligned companies such as Huawei functions in tandem with PRC efforts in the UN to legitimize norms of censorship, surveillance, and invasive social control. Through these dual streams of action, China is also fortifying its autocratic alliances: PRC tech companies help friendly autocracies to shore up their control at home, and governments increasingly reliant on PRC digital infrastructure themselves become reliable votes in international bodies.

## Reshaping International Institutions

Authoritarians are using a two-pronged strategy in the institutional sphere: unmoor the institutions that have served as the glue of the post–Cold War order, on one hand, while promoting alternative, authoritarian-friendly organizations, on the other.

Repressive regimes are diligently working within the regional and international organizations that have been integral to the global political framework — the United Nations, the Organization of America States, the Council of Europe, and the Organization for Security and Cooperation in Europe — in order to neuter their ability to support rule of law and democracy standards—essentially as a method for removing the stigma of authoritarianism.

In the UN system, Moscow and Beijing serve as key nodes of the Like-Minded Group, a largely autocratic grouping that has worked to hollow out and make a mockery of the international human rights system.

Meanwhile, authoritarian governments are establishing their own organizations, including the Shanghai Cooperation Organization (SCO) and the Eurasian Economic Union (EEU), which are promoting alternative, authoritarian-friendly rules, and expanding the circle of countries that are participating. For instance, Iran and Belarus joined the SCO in 2023 and 2024, respectively. These

[1] Christopher Walker, "What Is 'Sharp Power'?" Journal of Democracy 29 (July 2018): 18, https://www.journalofdemocracy.org/articles/what-is-sharp-power/.

efforts and structures have matured to a degree that some analysts now speak of "authoritarian international law."[2]

Since its inception in 2009, the BRICS grouping of countries — originally Brazil, Russia, India, China, and South Africa — has expanded to an extent that its members now encompass nearly half of the world's population. At the last BRICS summit in 2023 held in South Africa, six new member states were admitted, starting in 2024: Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates.[3]

In the UN system, Beijing's exertion of influence touches wide-ranging interests, from aviation to health to technology, in ways that challenge the U.S. and other democratic countries' interests.

Beijing, for example, exploited its position as head of the UN International Civil Aviation Organization (ICAO) in 2021 to shield dictator Aleksandr Lukashenko when Belarusian authorities, using a ruse of a false bomb threat, forced a civilian airliner to land in Minsk.[4] This was part of a brazen, norm-shattering gambit to detain passenger and independent journalist, Raman Pratasevich, on the flight. Then Secretary General of the ICAO, Fang Liu, a PRC national, was around the same time also criticized for keeping Taiwan marginalized on crucial COVID-19 protocols.

PRC leaders have also sought to manipulate the UN system in ways that reflect their penchant for enforcing secrecy and dodging accountability—at home, as well as in their opaque bilateral tech, infrastructure, and investment deals with foreign governments around the globe. Beijing was responsible for grievous harm, at global scale, in the context of the World Health Organization (WHO) when the CCP authorities suppressed domestic discussion of the Wuhan outbreak and refused to share information with global authorities. This concealment hobbled the WHO's response, causing millions of people beyond China's borders to pay a horrific price. Later, Beijing tried to manipulate the outcome of WHO inquiries into the origins of COVID-19. Now, some four years since the onset of the pandemic, Beijing continues to resist WHO requests for data that might shed light on the source of the virus.[5]

## Beijing's Focus on Technologies that Will Shape the Future of Freedom

The CCP's efforts to subvert the guiding institutions of our international system in ways that undermine principles of transparency, rule of law, and free expression all take on particular urgency given the rapid diffusion of emerging technologies. Last month, Deep Seek drew the

[2] Tom Ginsburg, "How Authoritarians Use International Law," Journal of Democracy, October 2020, https://www.journalofdemocracy.org/articles/how-authoritarians-use-international-law/.
[3] "BRICS: The Burgeoning of an International Repressive Alliance?," CIVICUS Lens, September 1, 2023, https://lens.civicus.org/brics-the-burgeoning-of-an-international-repressive-alliance/.
[4] Brett D. Schaefer and Danielle Pletka, "Can the ICAO Recover After Chinese Stewardship?," The Heritage Foundation, July 29, 2021, https://www.heritage.org/global-politics/commentary/can-the-icao-recover-after-chinese-stewardship.
[5] Christopher Walker, "How China Exports Secrecy," Foreign Affairs, July 11, 2023, https://www.foreignaffairs.com/china/how-china-exports-secrecy.

world's attention to China's rapid progress in the development of key technologies—and the export of authoritarian norms, such as censorship of content about the 1989 Tiananmen Square crackdown, along with them. But Deep Seek represents only the tip of the iceberg when it comes to the CCP's increasing influence over the networks that relay our digital communications, the platforms that shape our access to information, and, not least, the governance and surveillance technologies that governments worldwide are deploying in their cities.

In this regard, Beijing's export of AI-powered surveillance systems and other repressive technologies helps expand the web of autocratic relationships on the ground, while the CCP's activity in the international system challenges norms of openness that have long shaped internet governance. With its "Great Firewall" monitoring and restricting all internet traffic into and out of the country, China has long been known for incubating and refining digital censorship and control. These techniques serve as a model for emulation for other authoritarian states, with regimes in countries as diverse as Cuba, Iran, and Belarus, drawing on parts of the system.[6]

As Russia deploys increasingly sophisticated blocking mechanisms to close citizens' access to outside information and Pakistan, Nepal, and Cambodia pursue internet gateways that will funnel all international internet traffic through a government-controlled chokepoint, the world is looking ever more like China.

China's technological prowess enables it to tutor other governments in suppressing online freedom. In part, this is due to a technical or technological aspect through which Beijing offers capacity with tools. In a 2024 report, Article 19 showed how China's export of fiberoptic and satellite systems, 5G infrastructure, digital economy, smart cities, and other emerging technologies across the Indo-Pacific region under the banner of its "Digital Silk Road" could be used for data access and information control.[7] But the ability to curate information according to authoritarian preferences in an era of information abundance offers "proof of concept" that in effect feeds other autocrats' hopes and desires for the possibility of tech-based social control.

China's tech prowess also supports the development of technologies of social control: At home, citizens carry digital identification cards with microchips containing personal data that allow the Chinese Communist Party (CCP) to recognize faces and voices of its 1.4 billion-plus inhabitants.[8]

Facial-recognition cameras, phone interception devices, various "smart" systems, and newer techniques such as emotion recognition feed into centralized systems meant to incentivize conformity and penalize dissenting behavior. These include "safe cities" at the urban level, social credit registers that blacklist specific individuals, and draconian policing platforms that have made

[6] Jordan J. Foley, "China's Authoritarian Grip: How China Reinforces Social Control, Cultivates a Climate of Fear, and Minimizes Dissent," Journal of Indo-Pacific Affairs, November/December, 2023, https://media.defense.gov/2023/Nov/14/2003340193/-1/-1/1/VIEW%20FOLEY%20-%20JIPA.PDF/VIEW%20FOLEY%20-%20JIPA.PDF.
[7] "China: The Rise of Digital Repression in the Indo-Pacific," Article 19, April 18, 2024, https://www.article19.org/resources/china-the-rise-of-digital-repression-in-the-indo-pacific/.
[8] Foley, "China's Authoritarian Grip."

possible unprecedented levels of ethnic and religious repression in the Xinjiang Uyghur Autonomous Region.

Other governments have also caught on to the opportunities provided by advanced digital surveillance technologies, including the use of facial recognition to track down dissenters in Russia and Belarus, and women in Iran who refuse to wear the hijab. Recent data show that two PRC companies—Hikvision and Dahua—alone make up a third of the global market for surveillance cameras, and PRC-sourced AI surveillance solutions are present in more than eighty countries worldwide. Researchers have also found that autocratic states and weak democracies make up a disproportionate share of the purchasers of PRC surveillance technologies, and that these purchases increase during periods when they are seeking to crack down on their own people.[9] PRC-sponsored digital ID packages have also proved appealing to authoritarian regimes in other corners of the world, including Uganda and Venezuela.[10]

In short, China's specialized authoritarian technologies make PRC ties an asset for current and aspiring autocrats around the globe. Meanwhile, PRC companies leverage these projects to collect ever greater volumes of digital data, which Beijing views as a strategic asset. By siphoning off data from insecure surveillance cameras, translation tools, and much more in countries worldwide, the CCP gains a powerful lever of control that might be used for traditional purposes (such as blackmail or espionage), the creation of next-generation influenced campaigns tailored to people's hopes and fears, or even the establishment of systems designed to reward and punish individual behavior. By controlling the data, they put themselves in a position to control people as well.

The web of influence woven by PRC companies on the ground, together with a concerted public-private effort under rubrics such as China Standards 2035, have in turn put Beijing in a position to rally its allies and shift digital ground rules in global forums. While China has long sought to reshape what it sees as a U.S.-dominated digital governance ecosystem, Beijing is now more effectively coordinating autocracies and forming coalitions, especially within the UN system. These efforts have bolstered anti-democratic digital governance projects and secured influential positions for Beijing-aligned candidates in bodies such as the International Telecommunication Union. Rights advocates fear that authoritarian regimes fundamentally hostile to free expression, with Russia and China in the lead, have succeeded in infusing the recently adopted UN Cybercrime Convention and other international frameworks with principles that will legitimize vague laws on "fake news," violations of privacy, and other techno-authoritarian moves by governments around the globe sympathetic to Beijing's model of cybersovereignty.[11]

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[9] Martin Beraja, Andrew Kao, David Y. Yang, and Noam Yuchtman, "Exporting the Surveillance State via Trade in AI," National Bureau of Economic Research (Working Paper 31676), September 2023, https://www.nber.org/papers/w31676.

[10] Olivia Solon, "Uganda's Sweeping Surveillance State Is Built on National ID Cards," Bloomberg, June 4, 2024, https://www.bloomberg.com/news/features/2024-06-04/uganda-yoweri-museveni-s-critics-targeted-via-biometric-id-system.

[11] "Defending Democratic Norms in Global Tech Governance," National Endowment for Democracy, December 13, 2024, https://www.ned.org/defending-democratic-norms-in-global-tech-governance/.

While working actively within existing institutions, China also has been at the vanguard of developing parallel fora to promote its vision of digital governance, such as the World Internet Conference. In October 2023, at a Belt and Road Forum, China announced its own Global AI Governance Initiative, and in 2024 it issued the Shanghai Declaration on Global AI Governance. These initiatives seek to challenge the role of earlier, democracy-led AI governance initiatives, position Beijing as an AI norm-setter vis-à-vis the developing world, and situate AI governance more squarely in UN frameworks that will give authoritarian states greater weight in decision-making.[12] [13]

These efforts to replace existing international initiatives with ones more fully subject to PRC control are part of a larger phenomenon that transcends the tech sphere and includes authoritarian clubs such as the Shanghai Cooperation Organization, the Gulf Cooperation Council, and the Eurasian Economic Union that seek to institutionalize authoritarian preferences.

More fundamentally, the authoritarians' efforts across rules-setting institutions are not a theoretical exercise. An adversely reinforcing cycle has emerged: as norms and standards have come under more concerted pressure from the grouping of authoritarians and eroded at a system level, the reality on the ground, at a local level, is being reshaped as well. The phenomenon of transnational repression exemplifies this dynamic. Recent research from Freedom House points out that "cooperation between like-minded autocrats is particularly dangerous for exiled dissidents." And, for example, "Belarusian and Central Asian authorities have relied on their deep-rooted ties with the Russian government to drive their transnational repression campaigns."[14]

## Authoritarian Cooperation in the Ideas Realm

In order for China's institutional ambitions to gain traction, they require ideas that ultimately acquire resonance with key audiences. On this count, the Chinese authorities have built up capabilities that accompany China's interests as they have spread globally.

The Chinese authorities are making an argument — including with the UN system but also beyond it, often dressed up in flowery language — about the supposed benefits of China's governance approach. As Xi Jinping put it at the 19th National Congress of the CCP in 2017, this approach offers a "new option for nations that want to speed up their development while preserving their independence." It is a message that China's global propaganda machine relentlessly pushes. The notion that Beijing preserves other countries' independence is fanciful and should be actively

[12] "China Launches Global AI Governance Initiative," GIP Digital Watch Observatory, October 18, 2023, https://dig.watch/updates/china-launches-global-ai-governance-initiative.
[13] Huw Roberts, "China's ambitions for global AI governance," East Asia Forum, September 10, 2024, https://eastasiaforum.org/2024/09/10/chinas-ambitions-for-global-ai-governance/.
[14] Grady Vaughan, Yana Gorokhovskaia, and Nate Schenkkan, "Ten Findings from Ten Years of Data on Transnational Repression," Freedom House, February 6, 2025, https://freedomhouse.org/article/ten-findings-ten-years-data-transnational-repression.

countered. So too, for that matter, should any efforts to get "Xi Jinping language" incorporated into the text of UN documents.

The scope of ambition is visible in the "Global Civilization Initiative," which Beijing introduced in March 2023. It promotes "a state-focused and state-defined values system" and marks another effort by the Chinese authorities to eliminate universal values in areas such as human rights and democracy.[15]

As a way of anchoring its ideas, for example, the CCP supports training initiatives for officials from developing countries in controlling civil society, censoring the internet, and building a single-party regime.[16]

Beijing's ideas – and the values that underpin them – have a larger purpose. For instance, its vision is one where unchecked surveillance technology is used without limits to monitor everyday life. It is a vision where free speech is effectively nonexistent, replaced instead by ever-more sophisticated propaganda campaigns and a constrained set of state-sanctioned views. It is a vision profoundly hostile to the survival of any independent institutions—media outlets, universities, trade unions—that might serve as a launching pad for critics of authoritarian rule. It is a vision, shared by Beijing's authoritarian partners, where authoritarian state power feels at liberty to take down just about any figure or organization that is perceived to pose a threat to the authorities. And in an era of transnational repression, this means both within, and beyond, borders.

China has spent tens of billions of dollars to shape public opinion and perceptions around the world, employing a toolkit that includes thousands of people-to-people exchanges, wide-ranging cultural activities, and the development of media enterprises with global reach. Some estimates put China's outward-facing media spending at $10 billion. PRC companies are working closely with state institutions on emerging technologies, such as generative AI and virtual reality, that are likely to supercharge these efforts, making possible ever more persuasive and personalized approaches to the top-down manipulation of people's understanding of reality.[17]

Meanwhile, other well-resourced authoritarian powers are mutually reinforcing narratives in the global commons. Russia reportedly puts more than $300 million annually into RT alone. Other estimates place Moscow's outward-facing information-related investments at $1.5 billion. And, according to one account, the Islamic Republic of Iran Broadcasting in 2022 saw its budget increase to approximately $1.26 billion.[18]

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[15] Michael Schuman, Jonathan Fulton, and Tuvia Gering, "How Beijing's Newest Global Initiatives Seek to Remake the World Order," Atlantic Council, June 21, 2023, https://www.atlanticcouncil.org/in-depth-research-reports/issue-brief/how-beijings-newest-global-initiatives-seek-to-remake-the-world-order/.
[16] Elizabeth C. Economy, *The World According to China* (Cambridge, UK: Polity, 2022), https://www.cfr.org/book/world-according-china.
[17] Daria Impiombato et al., "Persuasive Technologies in China: Implications for the Future of National Security," Australian Strategic Policy Institute, November 2024, https://www.aspi.org.au/report/persuasive-technologies-china-implications-future-national-security.
[18] Christopher Walker, "Discourse Power: The CCP's Strategy to Shape the Global Information Space," testimony before the Select Committee on Strategic Competition between the United States and the Chinese Communist Party,

This media sphere engagement plays out in different ways in different settings. In Latin America, collaboration between the Russian and Chinese governments and their regional authoritarian counterparts, such as those in Venezuela and Cuba, enables a multiplier effect on narratives that, among other things, systematically assail the U.S., while propounding the ostensible benefits of one-party rule and focusing on democracies being decadent and unreliable.[19]

## Implications for Free Societies

China and the networked grouping of authoritarian regimes have preferences about the way the world should operate. They have their own set of "first principles." Such principles could be understood as stemming from an ideological posture that "privileges state power over individual liberty and is fundamentally hostile to free expression, open debate, and independent thought," and are plainly at odds with those of free societies.[20]

At a basic level, any response to this global challenge also must take into account the essential importance of keeping pressures toward greater openness alive within China itself. But it is equally urgent to recognize and counter the intensive, well-resourced efforts of China's present leadership—working in common cause with other repressive regimes—to mainstream as the global norm authoritarian practices that crush individual freedom in the name of an artificially imposed "harmony."

For the United States and other free societies, the ever more cohesive network of autocratic states that Beijing inspires and supports presents a top-order challenge. As China deepens its strategic cooperation and coordination with countries such as Russia, Iran, and North Korea across the military, technological, and political spheres, the global operating environment is bound to become even less hospitable to U.S. interests. It is important to recognize, however, that networked authoritarian state power, while formidable, is not invincible. It has its own vulnerabilities. Free systems' full range of societal power, when applied intentionally and systematically, is more resilient and potent than the dead-end prescription on offer from the autocrats. Countries are likelier to flourish in the long run, and be partners in a durable peace, when businesses can grow and thrive without depending on the favor of the ruling party, journalists can shine a light on threats to the public's well-being, and the checks and balances of representative government give all parts of society a say in the nation's political direction.

Civil society has a fundamental role to play in this regard. This is why the National Endowment for Democracy (NED) and its partner organizations have supported dedicated, courageous people

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United States House of Representatives, November 30, 2023, https://www.ned.org/wp-content/uploads/2023/12/Discourse-Power-CCP-Strategy-to-Shape-the-Global-Information-Space-Christopher-Walker-testimony-November-2023.pdf.

[19] "Deepening the Response to Authoritarian Information Operations in Latin America," National Endowment for Democracy, November 28, 2023, https://www.ned.org/deepening-the-response-to-authoritarian-information-operations-in-latin-america/.

[20] "Sharp Power: Rising Authoritarian Influence," National Endowment for Democracy, December 5, 2017, https://www.ned.org/sharp-power-rising-authoritarian-influence-forum-report/.

on the ground who are standing up for their own freedoms, and working in a systematic and intentional way to cut through authoritarians' sophisticated, cross-border efforts to normalize censorship and surveillance, keep people divided and afraid, and cloak their moves to consolidate global power in a web of opacity.

The principal adversaries of the United States are authoritarian states with a deep-rooted hostility to our country, our allies, and our values and institutions. In the context of today's global competition, NED helps to challenge these regimes, and keep the world better informed of emerging threats, by supporting local citizen efforts to advance freedom. With a focus on empowering local groups that challenge oppression abroad, NED addresses sources of instability before they become crises that impact U.S. security and cost American taxpayers.

NED helps counter threats from authoritarian regimes like Iran, Russia, North Korea, Cuba, and China. For instance, groups that NED supports fight CCP censorship and document the Party's egregious persecution against religious minorities and Chinese dissidents abroad. These groups also expose CCP corruption around the world. Given the predatory and corrupting approach that is part and parcel of China and its fellow autocracies' approach to foreign investment, development projects, and security cooperation, such exposure is crucial for safeguarding critical rule of law standards, while defending against autocrats' cooptation of foreign leaders and distortion of competition and free markets.

Fundamentally, a civil society sector that is knowledgeable about and alert to the risks of engagement with global authoritarian powers is integral to this contest. Journalists, human rights monitors, advocates for the rights of religious minorities, and other independent voices contribute to greater transparency and informed policymaking. The information and analysis they provide also serves as a vital line of defense that reinforces institutional integrity, sovereignty, and a competitive playing field within free societies under assault from sharp power.

Democratic systems need to recognize the challenges presented by networked authoritarianism. Unfree systems are mounting a concerted effort to undermine, weaken, and ultimately dominate free societies, which themselves must undertake a far more cohesive response that leverages the competitive advantages of free systems. All too often, democratic institutions and their leaders have placed themselves at a disadvantage, either through complacency or inadequate preparation — or some combination of them.

Therefore, free systems will need a decidedly different scope and quality of preparation.

Democratic governments and nongovernmental organizations alike must do a more comprehensive job of explaining the threats that stem from Beijing's secretive and often corrupting practices, which its authoritarian partners amplify. A clearer understanding of the downsides of cooperation with the authoritarians and their proxies will help countries avoid making choices that compromise institutional integrity, thereby reducing the autocrats' competitive advantage, especially in the commercial sphere.

**The Bottom Line**

Let me take a moment to punctuate the points made in this testimony: China is actively and purposefully seeking to displace the United States as the world's most influential country. The leadership in Beijing has laid out a "blueprint" for doing so.[21]

This shift would amount to much more than a shuffling of the chairs at international forums. China's leadership aims to pull countries into its orbit, gain privileged access to markets, ports, and natural resources from governments economically and technologically dependent on Beijing, and assault the remaining bastions where people are free to criticize the CCP. The broader coalition of repressive regimes is keen to see the U.S. retreat from the world, so that they can amplify their influence within their respective geographic regions and tighten their control where it already exists.

This vision includes a more prominent role for Cuba in Latin America, Iran in the Middle East, Russia in Europe and Eurasia, and so forth. It would exacerbate the global challenges—from Russia's military aggression, to Cuba's support for destructive dictatorships in Venezuela and Nicaragua, to Iran's state sponsorship of terrorism—that are fueling migration flows and creating insecurity globally. It would also fuel the spread of a 21st-century, tech-powered authoritarian model that fundamentally challenges not only the maintenance of a competitive playing field for commerce and for ideas, but the very existence of zones of individual free thought, association, and expression safeguarded from the ever-present threat of state surveillance and control.

To achieve this, these regimes must delegitimize the ideas and political systems of the U.S. and its allies, corrode international confidence in democracies, and undermine their ties both to governments and to people in the countries where they are seeking to build their sway. The path to realizing authoritarian ambitions runs through not only suppressing the political rights and information access of people currently living under authoritarian regimes, but eroding those rights in societies that currently enjoy them—leaving the CCP and regional authoritarian powers new leeway to co-opt political systems and spread the technologies of repression untroubled by the civil society efforts to shine daylight on these activities. Such a world, should the authoritarians bring it about, unquestionably would be one of diminished American stature, security, and economic opportunity.

[21] Schuman, Fulton, and Gering, "How Beijing's Newest Global Initiatives Seek to Remake the World Order."

**OPENING STATEMENT OF CHRISTOPHER CHIVVIS, SENIOR FELLOW AND DIRECTOR OF AMERICAN STATECRAFT PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

DR. CHIVVIS: Thank you, Co-Chairs and members of this Commission, for the chance to be here to testify on China's relations with Russia, Iran, and North Korea.

Let me start by saying that there is no question that these nations are a threat to U.S. interests around the world. And there is also no question that their cooperation exacerbates this threat. But I think what is at stake here is how much does their cooperation exacerbate the threat. And my own assessment is that this cooperation has been greatly increased by the exigencies of the Ukraine war, and could therefore diminish once the war ends.

Indeed, I think there are several reasons to believe that it is likely to diminish and would like the United States to actively pursue the dealignment of this grouping.

At the core of what binds these states together is their common fear of American power and that of its allies. If you go back to the 1990s, you can already see that fear developing. For example, over the Kosovo War and then, of course, Iraq, Libya, and other cases, that these countries believe are indicative of an America that is unmoored from international law and a basic threat to their security. I disagree, of course, with that perspective, but they are not the only countries in the world that think this, and they have seen their relations with Washington deteriorate over the last decade, and have naturally drawn closer together as a result.

We were already seeing signs that Russia and China were working out their long-standing differences and forming an entente, of sorts, during the first Trump administration. China and North Korea obviously have long-standing cooperative relations of a kind. Russia and Iran also found themselves on the same side of the war in Syria after Russia intervened there in 2015. So this cooperation has been nascent for years.

But Russia's attack on Ukraine has acted as a high-octane accelerate to the cooperation. The embarrassing failure of Russia's initial invasion forced the Kremlin to seek out military, financial, and political support from these countries, support that Russia has repaid largely in the form of military technology and energy. China, for example, has benefited from the cutoff of Russia's need to find new markets for its natural gas, and in return has sent Russia manufacturers that have helped it sustain the war.

The fact that the great bulk of their cooperation has been spurred by the war should lead us to wonder how durable that cooperation is. In other words, we should be careful not to logroll these threats or project the trends of the last few years into the future in a simplistic way. That is not good analysis, and it robs us, the United States, of agency to shape the future, and it risks creating self-fulfilling prophecies.

In fact, I see at least five important reasons to believe that the four countries' cooperation will attenuate once the war ends. First, the cooperation among these powers is not rooted in shared ideology. They are looking for concrete benefits from one another as a result of the war. They are all autocracies, but autocracy is not an ideology. During the Cold War, Marxism, Leninism predicted and even called for a revolution in the capitalist world. That is not what we have here.

Second, cooperation among these states is almost entirely bilateral in character. Washington has begun to conceive of them as a group, but they are not. What we have is a set of six overlapping, bilateral relationships, and I have actually tried to depict this graphically in the testimony that I submitted for the record. To say the least, this is nothing even remotely like the

Warsaw Pact, much less NATO.

Third, their cooperation is not institutionalized militarily. Now, you might see some institutionalization come out of the war, but right now it is still very weak. In other words, there is no equivalent to NATO headquarters, even a very, very weak version of it, that would bind these countries together when their interests collide.

And that brings me to my fourth reason for thinking that their cooperation is weak. This is that their support to Russia's war covers over very real differences. For example, China has long sought to develop a closer relationship with the EU, but it's relationship with Russia is an impediment to this strategic objective. China and Ukraine also once had a solid relationship, and in fact I heard at the Munich Security Conference over the weekend from some senior Ukrainians that they would like to return to that warm relationship once the war is over.

Fifth, once the war is over, China's fear that Russia might collapse will be alleviated, and that is one of the things that I think is driving its support to Russia during this war. And at the same time, the traditional threat that Russia poses to China's own border is likely to return.

So all of this indicates that once the war ends there should be opportunities to weaken this coalition, and the United States should seize them. To best way to do this, first and foremost, is to end the war. Second, it is to stabilize America's own relationship with China and avoid decoupling or a new cold war. Without China, as some of my colleagues here have been noting, this coalition looks really weak. Indeed, it looks anemic, as I have also tried to depict in my written testimony.

Now, there are strong reasons to prevent this coalition from hardening. If it were to harden, I think there are at least two major concerns that we should be worried about. First, nuclear proliferation, especially from Russia to Iran and North Korea. Russia and China have, in the past, as you all of course know, supported nonproliferation efforts of the international community. But the incentives are changing, and the transfer of nuclear and advanced military technology would be a real problem, especially if it goes from Russia to Iran and North Korea, or as Dr. Taylor suggested it has, from Russia to China.

Second, and of greatest concern to me as I look ahead to the future, is the possibility for opportunistic coordination in a crisis. If China attempts a military attack across the Taiwan Strait, for example, Russia might see an opportunity to attempt to take a slice of the Baltic states, while Iran attacks Israel. If this happened it would stretch American resources to the maximum, and potentially beyond.

So to conclude, there are real risks here, but we should avoid making straight-line assumptions about the trajectory of those risks. Most of these states' cooperation is contingent on the war in Ukraine. Their interests, while congruent, are not perfectly aligned, not by a long shot. Ending the war and stabilizing the relationship with China are, therefore, important strategic priorities for Congress and for America. Thank you.

**PREPARED STATEMENT OF CHRISTOPHER CHIVVIS, SENIOR FELLOW AND DIRECTOR OF AMERICAN STATECRAFT PROGRAM, CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

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CONGRESSIONAL TESTIMONY

# Cooperation Between China, Iran, North Korea, and Russia

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Testimony before the U.S.-China Economic and Security Review Commission

February 20, 2025

The idea that the United States now faces an imposing new Axis of Autocracy around which it should orient its national security strategy has caught on recently, but it risks exaggerating the degree of cooperation between these four U.S. adversaries—China, Russia, Iran, and North Korea. Cooperation between these U.S. adversaries does present clear national security challenges in specific areas, including Ukraine, future nuclear proliferation, and what I will call opportunistic coordination in a crisis. Policymakers should be careful, however, to avoid exaggerating the overall depth of these countries' cooperation in order not to waste precious U.S. resources or create a self-fulfilling prophesy that more deeply unifies them.

This coalition's military cooperation has been increasing, the members have made rhetorical statements of mutual support, and Russia has signed formal treaties with Iran and North Korea. It is it not inevitable that this cooperation will deepen further, however, and on many comparative measures the coalition's cooperation is still weak. For example, the members' cooperation is almost entirely bilateral, is grounded on modest economic links in most cases, lacks institutional supports, and covers over important differences of national interest and outlook. These countries do not share a common ideology. Their ties look unimpressive beside the robust network of alliances that America today enjoys.

Russia's war on Ukraine has been the main driver of these countries' cooperation to date. Iranian, North Korean, and Chinese contributions to Russia's war effort harm U.S. interests by increasing Russian resilience in the face of sanctions and support to Ukraine. Once the war ends, however, their cooperation may attenuate. U.S. policy should seek to encourage this lest their wartime ties take deeper root. This means negotiating an end to the war in Ukraine and discouraging the deepening of China's relationships with the other three countries. This will be difficult, given Beijing's current foreign policy trajectory, but without China, the coalition looks much less formidable and China's medium-term interests are not well aligned with the others'.

## THE CENTRAL ROLE OF THE WAR IN UKRAINE

Russia's war on Ukraine has played a driving role in deepening the cooperation between these U.S. adversaries. Most of the observable cooperation that has drawn attention to the coalition is directed at supporting Russia's war effort on a bilateral basis. When the war ends, cooperation should be expected to diminish.

*Iran*

Iran and North Korea's military backing for Russia hampers U.S. efforts to support Ukraine and coerce Russia to end its invasion. Russia has compensated Iran and North Korea for their contributions to its war effort in the form of cash, energy, advanced weapons technology, and promises of deeper economic ties.

Iran has equipped Russia with its Mohajer and Shahed drones and short-range ballistic missiles, and helped Russia establish domestic drone production facilities east of Moscow.[1] Iran's support builds on ties that were established when the two militaries cooperated to support Bashar al-Assad's regime in Syria after Russia's 2015 intervention there.[2] In exchange for Iran's support, Russia has reinvigorated preexisting plans to provide Iran Su-35 fighter aircraft to replace its aged F-14s. Iran plans to operationalize these new Russian jets by the end of 2025.[3] Russia and Iran will integrate their payment systems and activate a new free trade agreement, reducing tariffs on many goods. This should foster bilateral trade, but because of the size of Iran's economy, Iran is unlikely to become as critical a trading partner to Russia as other regional partners like Türkiye and the United Arab Emirates.

Overall, however, military ties between Russia and Iran should not be exaggerated. Despite recent cooperation, mutual suspicion is strong and the new strategic agreement signed in January 2025 only commits each side not to support an attacker of the other.[4] In short, this means committing not to support the United States if it attacks one of them.

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[1] Julian E. Barnes and Christoph Koettl, "A Drone Factory that Iran Is Helping Russia Build Could Be Operational Next Year, the U.S. Says," *New York Times,* June 9, 2023, https://www.nytimes.com/2023/06/09/world/europe/iran-russia-drone-factory.html?smid=nytcore-android-share; and Dan De Luce, "U.S. Says Iran Is Sending Ballistic Missiles to Russia in a 'Dramatic Escalation'" NBC News, September 10, 2024. https://www.nbcnews.com/investigations/us-says-iran-sending-ballistic-missiles-russia-dramatic-escalation-rcna170414.

[2] Nicole Grajewski, "The Evolution of Russian and Iranian Cooperation in Syria", Center for Strategic and International Studies, November 17, 2021, https://www.csis.org/analysis/evolution-russian-and-iranian-cooperation-syria; and Hanna Notte, Jim Lamson, "Iran-Russian Defense Cooperation: Current Realities and Future Horizons," James Martin Center for Nonproliferation Studies, August 6, 2024, https://nonproliferation.org/op61-iran-russia-defense-cooperation-current-realities-and-future-horizons/.

[3] "Iran's Revolutionary Guards commander says Iran purchased Russian-made Sukhoi 35 fighter jets" Reuters, January 27, 2025, https://www.reuters.com/business/aerospace-defense/irans-revolutionary-guards-commander-says-iran-purchased-russian-made-sukhoi-35-2025-01-27/; "Iran to Operationalise Russian Su-35 Fighters by Year's End," *Military Watch Magazine*, January 5, 2025, https://militarywatchmagazine.com/article/iran-to-operationalise-russian-su-35-fighters-by-year-s-end-reports.

[4] Nikita Smagin, "New Russia-Iran Treaty Reveals the Limits of Their Partnership," Carnegie Endowment for International Peace, January 21, 2025, https://carnegieendowment.org/russia-eurasia/politika/2025/01/russia-iran-strategic-agreement?lang=en.

*North Korea*

Russia also sought support for its war from North Korea. North Korea has now deployed some 11,000 troops to fight alongside Russian soldiers in Russia's Kursk border region, which Ukraine invaded in August 2024. Some reports indicate the North Korean troops are now pulling back, but Pyongyang has promised to send more.[5] The effectiveness of the North Korean troops is an area of some debate among experts, and their losses have been heavy, but they are nonetheless helpful to Russia in a war where manpower has become vital.[6] Russia has now also deployed North Korean artillery systems against Ukraine and used dozens of North Korean missiles in strikes, according to defense blogs and news wires.[7]

North Korea has also benefited materially from its support to Russia's war. Reports indicate that Russia is providing North Korea with upgraded air defense systems and additional Mi-29 and Su-27 fighter jets.[8] Russia has also been sending oil to North Korea—a significant benefit given North Korea is the only country in the world that cannot buy oil on the open market. Russia may also be loosening proliferation controls on advanced technologies that could benefit North Korea's strategic nuclear capabilities as discussed below in the section on key threats. In November 2024, Russia and North Korea also reached an agreement that will expand economic cooperation, but did not elaborate on the details.[9] The two countries are working from a very low baseline; in 2023, Russia only accounted for 1 percent of North Korean trade.[10]

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[5] James Waterhouse and Jaroslav Lukiv, "Ukraine Says North Koreans May Have Pulled Out of Front Line," BBC, January 31, 2025, https://www.bbc.com/news/articles/cjder8zgk48o; and Justin McCurry, "North Korea Preparing to Send More Troops to Ukraine War, Says South Korea," *The Guardian*, January 24, 2025, https://www.theguardian.com/world/2025/jan/24/north-korea-preparing-to-send-more-troops-to-ukraine-war-says-south-korea.

[6] Christina Harward et al., "Russian Offensive Campaign Assessment, January 11, 2025," Institute for the Study of War, January 11, 2025, https://www.understandingwar.org/backgrounder/russian-offensive-campaign-assessment-january-11-2025; Mark F. Cancian and Chris H. Park, "North Korean Troops Deploy to Russia: What's the Military Effect?" Center for Strategic International Studies, October 25, 2024, https://www.csis.org/analysis/north-korean-troops-deploy-russia-whats-military-effect; Angelica Evans, "Ukraine's Kursk Incursion: Six Month Assessment," Institute for the Study of War, February 6, 2025, https://www.understandingwar.org/backgrounder/ukraine%E2%80%99s-kursk-incursion-six-month-assessment; and Frank Gardner, "About 1,000 North Koreans Killed Fighting Ukraine in Kursk, Officials Say," BBC, January 22, 2025, https://www.bbc.com/news/articles/c87djeezjxeo.

[7] Tom Balmforth, "Exclusive: Ukraine Sees Marked Improvement in Accuracy of Russia's North Korean Missiles," Reuters, February 6, 2025, https://www.reuters.com/business/aerospace-defense/ukraine-sees-marked-improvement-accuracy-russias-north-korean-missiles-2025-02-06/.

[8] Thomas Newdick, "North Korea Getting New Air Defenses In Return For Supporting Russia in Ukraine: Official," The Warzone, November 22, 2024, https://www.twz.com/land/north-korea-getting-new-air-defenses-in-return-for-supporting-russia-in-ukraine-official.

[9] Kim Tong-Hyung, "North Korea and Russia Agree to Expand Their Economic Cooperation," AP News, November 21, 2024, https://apnews.com/article/north-korea-russia-trade-flights-tourism-ukraine-a6dd64440b4d451026c0bb32d5235a91.

[10] "Trade Turnover Between Russia, North Korea Up 9 Times in 2023—Russian Presidential Aide," TASS, June 17, 2024, https://tass.com/economy/1804561.

The partnership treaty that North Korea and Russia signed in June 2024 has a foreboding ring to it, but what it amounts to in practice is unclear. The language only promises vague "military assistance" in the event of a war. Russia likely kept the terms of the treaty vague in order to preserve flexibility and avoid getting entrapped into a war with the United States in Asia. Tellingly, Russian President Vladimir Putin has avoided calling the partnership an alliance, unlike North Korean Supreme Leader Kim Jong Un, who quickly touted his new "ally" to the world.[11] Right now, Russia would be very unlikely to divert meaningful resources from its war in Ukraine to support North Korea in a conflict on the Peninsula.

*China*

Among the four members of this coalition, China and Russia are the most powerful. This makes their relationship the most important. When it comes to the war in Ukraine, China has refused to condemn Russia's invasion, eschewed western sanctions on Russia, and supported the Russian war economy. Its deepening political relations with Russia predate the war and reflect Putin's need for partners at a time of growing pressure and isolation from the West. Putin and Chinese President Xi Jinping's declaration of a "no limits" partnership on the eve of Russia's invasion was a step toward greater cooperation at a critical moment but has not resulted in unlimited Chinese support to Russia.[12]

Russia-China security ties are long-standing and rooted in Russia's support for the development and modernization of China's military, but the relationship has deepened considerably as a consequence of the war. China benefits from the war in several ways. For one, it greatly reduces the threat that Russia can pose to China itself from its eastern regions and thus alleviates a long-standing strategic concern for China. Clearly, the fact that the war is a burden for the United States and has distracted Washington from a strong focus on Asia is also beneficial to Beijing. Moreover, Beijing is now benefiting from higher supplies of energy from Russia at lower prices and a stronger position in the bilateral relationship overall.

[11] Kim Tong-Hyung and Jim Heintz, "What's Known, and Not Known, About the Partnership Agreement Signed by Russia and North Korea," AP News, June 20, 2024, https://apnews.com/article/russia-north-korea-putin-kim-agreement-7221909867dbb999de8adb23604e3c79.
[12] "Moscow-Beijing Partnership Has 'No Limits,'" Reuters, February 4, 2022, https://www.reuters.com/world/china/moscow-beijing-partnership-has-no-limits-2022-02-04/.

China is reported to have provided Russia with a range of dual-use goods for its war, including machine tools, semiconductors, drone engines, and other technology.[13] Russia does not produce many of these technologies domestically and needs them for its weapons. China's export of advanced microchips is important for Russia's precision-guided weapons.[14] In 2023, about 90 percent of Russia's microelectronics came from China.[15] In September 2024, the United States claimed that this assistance was now going beyond dual-use technologies and that Russia was providing China with advanced military technologies.[16]

Despite its support for Russia's war, however, there is reason to believe that Beijing may have reservations and is limiting its support as a result. For one, Beijing has tried to maintain "a façade of impartiality"[17] about the war, and its avoidance of blatantly providing weapons to Russia suggests that it is not wholly committed and may fear more severe Western reprisals.[18] Beijing may also have lingering frustrations with Moscow because the war has strained its own relations with Europe—a dynamic that Washington should exploit.[19] China may also be concerned that Russia could collapse, creating chaos on its border. Russia's defeat could also end in regime change and a pro-Western government in the Kremlin, another development that Beijing would surely view as a strategic threat.

## COMPARATIVE WEAKNESSNESS OF THE COALITION

Beyond their support for Russia's war in Ukraine, the ideological, economic, and institutional ties that bind these four states remain fairly weak, especially when compared with the ties that bind

[13] Kylie Atwood, "China Is Giving Russia Significant Support to Expand Weapons Manufacturing as Ukraine War Continues, US Officials Say," CNN, April 12, 2024, https://www.cnn.com/2024/04/12/politics/china-russia-support-weapons-manufacturing/index.html.
[14] Nathaniel Sher, "Behind the Scenes: China's Increasing Role in Russia's Defense Industry," Carnegie Endowment for International Peace, May 6, 2024, https://carnegieendowment.org/russia-eurasia/politika/2024/05/behind-the-scenes-chinas-increasing-role-in-russias-defense-industry?lang=en.
[15] Aamer Madhani, "US Intelligence Finding Shows China Surging Equipment Sales to Russia to Help War Effort in Ukraine," AP News, April 19, 2024, https://apnews.com/article/united-states-china-russia-ukraine-war-265df843be030b7183c95b6f3afca8ec.
[16] Stuart Lau, "US Accuses China of Giving 'Very Substantial' Help to Russia's War Machine," Politico, September 10, 2024, https://www.politico.eu/article/united-states-accuse-china-help-russia-war-kurt-campbell/.
[17] Eugene Rumer, "Taiwan and the Limits of the Russia-China Friendship," September 3, 2024, Carnegie Endowment for International Peace, https://carnegieendowment.org/research/2024/08/taiwan-and-the-limits-of-the-russia-china-friendship?lang=en.
[18] Alexander Gabuev, "Putin and Xi's Unholy Alliance," *Foreign Affairs*, April 2024, https://www.foreignaffairs.com/china/putin-and-xis-unholy-alliance.
[19] James Palmer, "Did Russia Catch China Off Guard in Ukraine?," *Foreign Policy*, March 28, 2024, https://foreignpolicy.com/2022/03/02/china-russia-ukraine-invasion-surprise/.

the United States to its allies in Europe and Asia. Recent attention to the coalition's wartime military support to Russia also obscures differences of national interest and strategic outlook.

*The limited role of ideology*

These states have sometimes been referred to as an "axis of autocracy," but this moniker can be misleading.[20] In practice, the states in this coalition are animated by quite different ideologies. Iran is a religious theocracy whose intellectual origins are essentially premodern, and it came to power by defeating its secular Marxist counterparts.[21] China's animating ideology is a blend of Confucianism and Marxism.[22] Russia under Putin is animated by Russian nationalism, which has little in common with China or Iran.[23] The only real ideological affinity between these U.S. adversaries is therefore between China and North Korea, which shares China's communist ideology.

The ideologies that animate these states also do not for the most part prescribe existential conflict with America. In contrast, the Marxist ideology that animated the Soviet Union during the Cold War expressly predicted, and in some interpretations prescribed, conflict with liberal capitalist world. These states also do not champion "autocracy" as a preferred system in the same way that Western leaders uphold liberal democracy, the Soviets championed communism, or Hitler proclaimed National Socialism.

Cooperation among these states is driven far more by the perception that they are threatened by the United States and its allies than by ideological affinity.[24] All four have seen their relations with the United States deteriorate sharply in recent years. In 2018, the United States withdrew from the Iran nuclear deal and pursued a "maximum pressure" campaign on Tehran. Russia's invasion of Ukraine provoked an impressive reaction from NATO that has severed Russian ties to Europe, increased European defense spending, and resulted in the enlargement of NATO. The United States has meanwhile identified China—for obvious reasons—as its main adversary in the Donald Trump

[20] Jonathan Leader Maynard, "Authoritarian and Totalitarian Ideologies," in *The Routledge Handbook of Ideology and International Relations*, ed. Jonathan Leader Maynard and Mark L. Haas (Routledge, 2022).
[21] Robin Wright, *The Last Great Revolution: Turmoil and Transformation in Iran* (Knopf Doubleday, 2010) [notes from original working paper].
[22] Kevin Rudd, *On Xi Jinping: How Xi's Marxist Nationalism is Shaping China and the World* (Oxford University Press, 2024); Rana Mitter, The Real Roots of Xi Jinping Thought," *Foreign Affairs*, February 20, 2024, https://www.foreignaffairs.com/reviews/china-real-roots-xi-jinping-thought.
[23] Charles Clover, *Black Wind, White Snow: The Rise of Russia's New Nationalism* (Yale University Press, 2017).
[24] Stephen M. Walt, *The Origins of Alliances* (Cornell University Press, 1987); John J. Mearsheimer, *The Tragedy of Great Power Politics* (W.W. Norton, 2001).

administration's 2018 National Defense Strategy and in the Joe Biden administration's 2022 National Security Strategy.[25] The United States and U.S. allies have of course long ostracized and sanctioned North Korea because of its nuclear program, which threatens regional stability and long-standing U.S. non-proliferation goals.

*Modest economic ties beyond energy*

Among the axis countries, Russia and China have the deepest economic relationship. The foundation is China's desire for cheap and reliable energy, which it imports in exchange for manufactures that Russia is unable to produce domestically—some of which help Russia in its war effort. China has benefited from the war's diversion of Russian energy away from Europe and the resulting lower prices to increase its imports of Russian oil and gas. Beijing now accounts for around 40 percent of all Russian fossil fuel exports, and Russia is now China's top supplier of gas.[26] China's overall trade with Russia is still one-fifth of its trade with Europe and the United States, however.[27]

China also imports a discounted supply of Iranian oil as part of a twenty-five-year strategic partnership. In 2024, an estimated 15 percent of China's oil imports came from Iran.[28] This is not trivial, but China will likely seek to prevent a deepening dependency by maintaining large imports from the Gulf Arab states. Russia and Iran seek to deepen economic ties in other areas,[29] but as two energy exporters, they have less to offer one another in trade. The inherent difficulties are reflected in their long-standing but stalled effort to build a north-south trade corridor.

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[25] "Summary of the 2018 National Defense Strategy," Department of Defense, 2018, https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf. "National Security Strategy," White House, October 14, 2022.

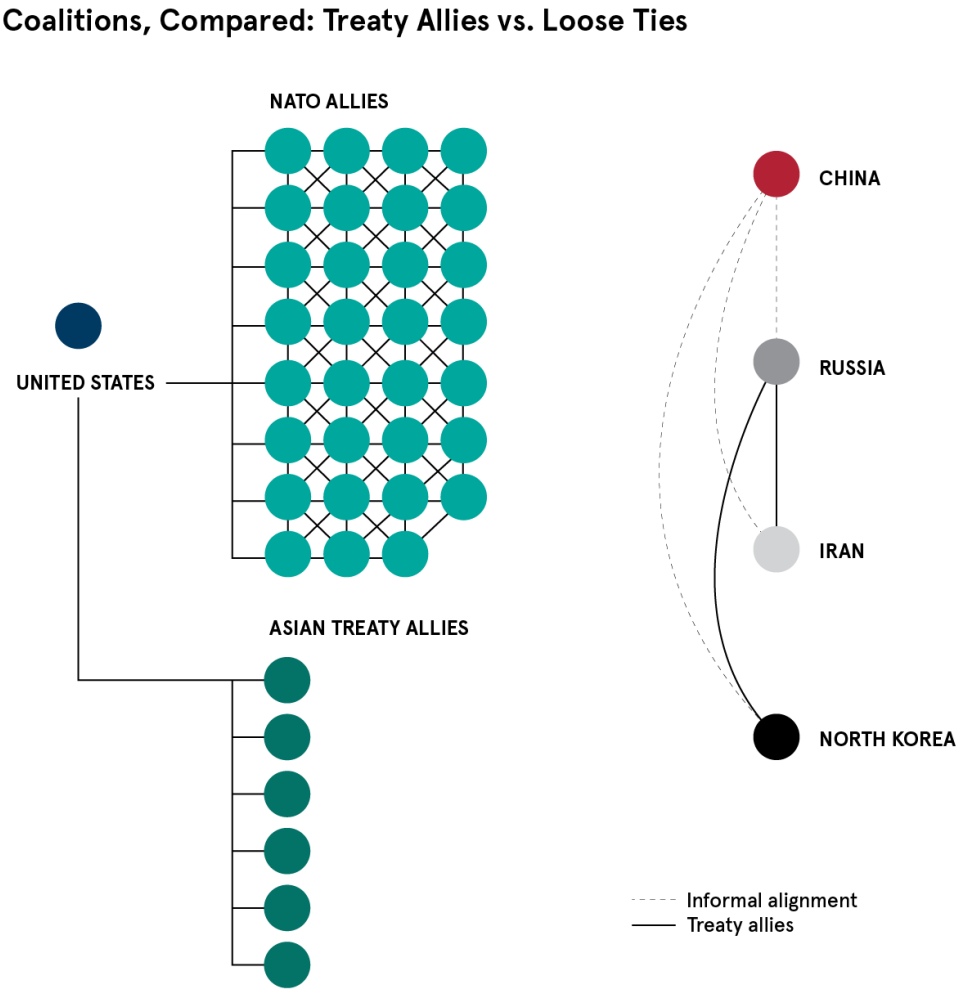
[26] Daisy Xu, Cindy Liang, and Oceana Zhou, "Russia to Increase Oil, Gas Exports to China in 2025 to Sustain Income: Tsingua," S&P Global, December 13, 2024, https://www.spglobal.com/commodity-insights/en/news-research/latest-news/crude-oil/121324-russia-to-increase-oil-gas-exports-to-china-in-2025-to-sustain-income-tsinghua; and Vaibhav Raghunandan and Petras Katinas, "Monthly Analysis of Russian Fossil Fuel Exports and Sanctions," Centre for Research on Energy and Clean Air, January 10, 2025, https://energyandcleanair.org/december-2024-monthly-analysis-of-russian-fossil-fuel-exports-and-sanctions/.

[27] For China-Russia trade, see "China-Russia 2024 Trade Value Hits Record High – Chinese Customs," Reuters, January 13, 2025, https://www.reuters.com/markets/china-russia-2024-trade-value-hits-record-high-chinese-customs-2025-01-13/. China-EU trade totaled $762 billion in 2024, according to China's customs data. See "China-EU Trade Rises by 1/6% in 2024, Largely Resilient Despite Some Trade Spats: General Administration of Customs," *Global Times*, January 13, 2025, https://www.globaltimes.cn/page/202501/1326779.shtml. China-U.S. trade totaled $582 billion. See United States Census Bureau, "Trade in Goods with China, 2024," https://www.census.gov/foreign-trade/balance/c5700.html.

[28] Keith Bradsher, "China Buys Nearly All of Iran's Oil Exports, but Has Options if Israel Attacks," *New York Times*, October 4, 2024, https://www.nytimes.com/2024/10/04/business/iran-oil-sales-china.html.

[29] Vladimir Isachenkov, "Russia and Iran Sign a Partnership Treaty to Deepen Their Ties in the Face of Western Sanctions," AP News, January 17, 2025, https://apnews.com/article/russia-putin-iran-pezeshkian-treaty-partnership-71a20990373851741d1fe76a81699036.

The shambolic state of North Korea's economy makes it a supplicant for assistance from the other countries in the coalition. Its economic relationship with China is highly lopsided, with China making up over 90 percent of North Korea's trade yet North Korea only a small fraction of China's.[30] Its trade with Russia and Iran is meager, although imports of Russian energy are important to its economy.[31]




[30] "China's Exports to North Korea Return to Growth in November," Reuters, December 20, 2023, https://www.reuters.com/world/china/chinas-exports-north-korea-return-growth-november-2023-12-20/; and Anton Sokolin, "North Korean Trade with China Doubles in 2023 to Highest Since Pandemic Began," North Korea News, January 18, 2024, https://www.nknews.org/2024/01/north-korean-trade-with-china-doubles-in-2023-to-highest-since-pandemic-began/.
[31] "Trade Turnover Between Russia, North Korea Up 9 Times in 2023 – Russian Presidential Aide," TASS, June 17, 2024, https://tass.com/economy/1804561.

*Bilateral nature of their cooperation*

The coalition is also weakened by the fact that their cooperation is almost entirely in bilateral channels, unlike America's cooperation with many of its allies. Russia has deepened cooperation with Iran and separately with North Korea, for example. China has supported Russia while maintaining its long and complicated relationship with North Korea and a separate relationship with Iran. Iran and North Korea have almost no ongoing cooperation.

Occasionally these states have conducted coordinated military exercises that go beyond the bilateral framework. These operations are conducted primarily for their optics. For example, Russia, China, and Iran now conduct a trilateral naval exercise called the "Sea Security Belt" with the stated purpose of expanding multilateral cooperation on maritime security and "to create a maritime group in the future."[32] The latest iteration of this, in Spring 2024, was a five-day naval and aviation exercise near the Gulf of Oman involving around twenty Chinese, Russian, and Iranian warships.[33] This pales in comparison to exercises regularly conducted by the United States and its allies, such as NATO's Neptune Strike exercise in 2024, which stretched from the Mediterranean to Arctic Circle and involved aircraft carriers, submarines, surface vessels, aircraft, and exercises ranging from drone defense and counter-mine operations to amphibious landings.[34]

*Points of divergence and potential friction*

Although they share a common animosity toward the United States, there are differences in how these states view the world that could hamper their future cooperation. For example, each of these countries has a different relationship with the EU. China has sought to maintain a positive economic and political relationship with the EU, but this has become more difficult on account of its support for Russia's war on Ukraine (among other issues, such as electric vehicle exports). Needless to say, Russia's relations with the EU are in freefall. Iran also may have once hoped to repair its frayed relationship with Europe, which has historically been an important source of technology and finance, but its deepening relationship with Russia will complicate this.

[32] "Russian, Chinese Warships Arrive in Iran's Territorial Waters For Joint Drills," Islamic Republic News Agency, March 12, 2024, https://en.irna.ir/news/85416320/Russian-Chinese-warships-arrive-in-Iran-s-territorial-waters.
[33] Dzirhan Mahadzir, "Russia, China and Iran Finish Drills in Gulf of Oman," *U.S. Naval Institute News,* March 14, 2024, https://news.usni.org/2024/03/14/russia-china-and-iran-finish-drills-in-gulf-of-oman.
[34] "NATO Begins Neptune Strike 2024-2," NATO, October 23, 2024, https://sfn.nato.int/newsroom/news-archive/2024/nato-begins-neptune-strike-242.

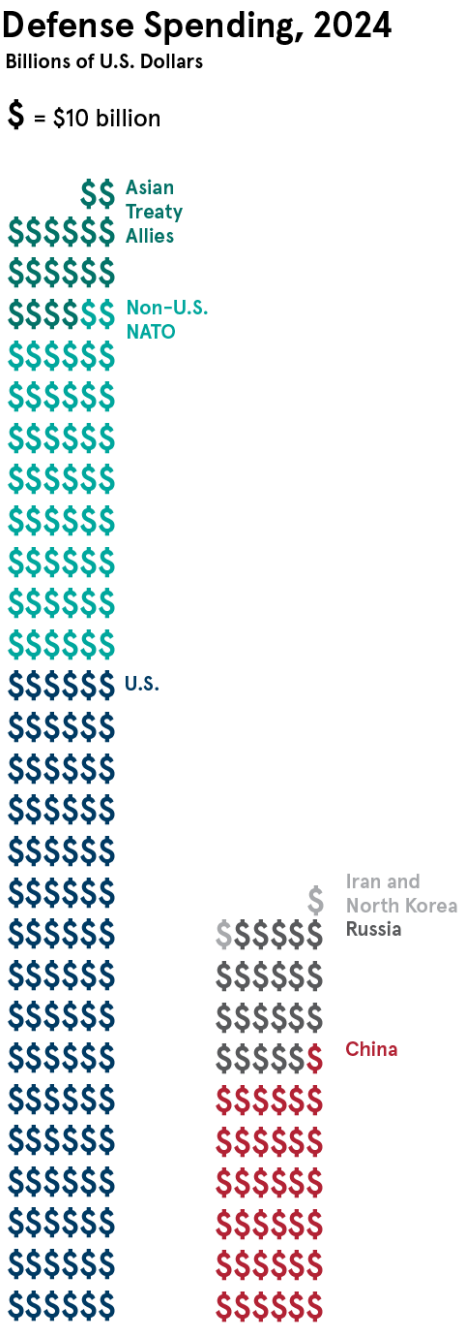
Other sources of contention include the fact that China does not wholly back Russia's claim to Crimea, frictions from Russia's recent outreach to North Korea, long-standing historical issues between Iran and Russia, and the fact that China has a greater overall stake in maintaining a rules-based international order supportive of continued cross-border trade and investment—even if it seeks to change the current rules in its favor.[35]

Future cooperation between these states is also likely to be constrained by the non-democratic nature of their regimes, which creates commitment problems. Strategic cooperation between nations requires the capability to make credible long-term commitments. Authoritarian or autocratic leaders are less able to make such commitments because doing so entails limits on sovereignty in foreign policy, which they are especially eager to avoid.[36] The lack of domestic constraints on their foreign policy and the generally capricious nature of such regimes—especially when they are personalized—also creates a trust and credibility deficit.[37]

[35] Zhang Lihua, "Explaining China's Position on the Crimea Referendum," Carnegie Endowment for International Peace, April 1, 2015, https://carnegieendowment.org/research/2015/04/explaining-chinas-position-on-the-crimea-referendum?lang=en; and Karim Sadjadpour and Nicole Grajewski, "Autocrats United: How Russia and Iran Defy the U.S.-Led Global Order," Carnegie Endowment for International Peace, October 10, 2024, https://carnegieendowment.org/research/2024/10/russia-iran-oil-gas-ukraine-syria?lang=en.

[36] Matthew Kroenig, "The Autocratic Advantage?," in *The Return of Great Power Rivalry: Democracy versus Autocracy from the Ancient World to the U.S. and China*, ed. Matthew Kroenig (Oxford University Press, 2020), https://doi.org/10.1093/oso/9780190080242.003.0003.

[37] Michaela Mattes and Mariana Rodríguez, "Autocracies and International Cooperation," *International Studies Quarterly* 58, no. 3 (2014), https://doi.org/10.1111/isqu.12107.

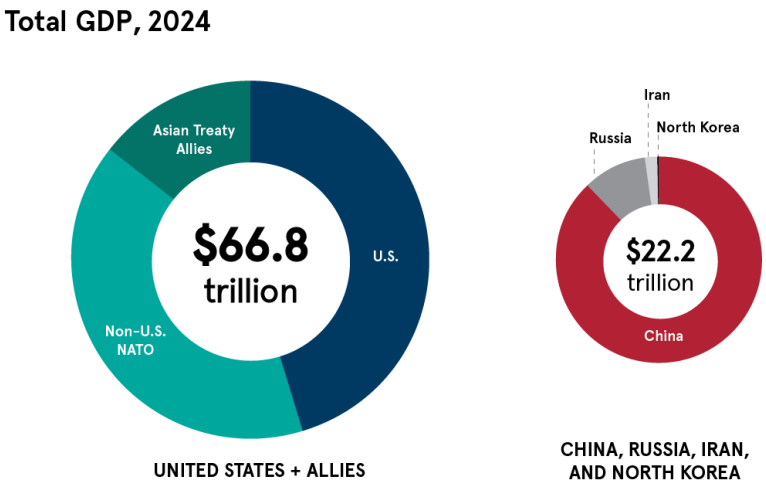



*Comparison with U.S. alliances*

In general, the cooperation between these four countries pales in comparison to that between the United States and the allies it enjoys around the world. America has an unparalleled global network of allies and partners. Not only are U.S. alliances far greater in economic, and military power, the levels of economic and military integration are also light years ahead of where this coalition is today. Moreover, if China is excluded from this coalition of adversaries, the disparity grows far greater, as discussed below.

Whereas U.S. security relationships are deeply institutionalized through formal structures at the international and domestic levels, the relationships between the four coalition countries have little glue holding them together. Although there are some military-military relationships that Russia and Iran have leveraged in their recent practical cooperation, truly strategic cooperation between America's adversaries would not be bilateral but entail joint mechanisms, regular military exercises to integrate command and control at the strategic and operational level, military interoperability, and joint strategic planning. None of this has occurred and nothing in this coalition resembles the cooperation that occurs on a daily basis through NATO headquarters or at U.S. Forces Korea. Nothing resembles the established domestic interests and bureaucratic structures that have grown up in support of America's alliance relationships both in Washington and in allied capitals.

This coalition could still deepen institutional links over time, of course. Although it would be mistaken to assume that an automatic deepening will take place based on current cooperation, cooperation may beget more cooperation if it is viewed as providing mutual benefit.




## KEY RISKS FOR THE UNITED STATES

To summarize, this coalition is driven primarily by the war in Ukraine, lacks a deep economic or ideological basis, and has proceeded largely along bilateral lines. The treaty commitments of its members are weak and could be reversed or obsolesce. The continuation and deepening of cooperation among these nations, however, does present important risks for U.S. national security. The key risks are proliferation of advanced weapons technology to Iran and North Korea, and the threat of opportunistic coordination in a future crisis.

*The proliferation risk*

Offering Iran and North Korea nuclear and other advanced military technologies is one way Russia can compensate them for their war support. Proliferating to both countries also serves Russia's interests by intensifying existing problems for the United States and its allies in the Middle East and East Asia. Russia may also view arms and technology transfers to Iran and North Korea as a means of

imposing costs on the United States in the Middle East and East Asia—doing unto the United States in these regions as it believes the United States is doing unto it in Ukraine.

Pyongyang could benefit substantially from Russian technology to enhance its nuclear and ballistic missiles programs. Russia once joined U.S. efforts to persuade North Korea to denuclearize as a participant in the Six Party Talks, but Russia now appears to accept North Korea as a nuclear-armed state.[38] Russian technology could help North Korea upgrade its tactical nuclear weapons, reconnaissance satellites, intercontinental ballistic missiles (ICBMs), and submarines. Russia might also help North Korea develop nuclear-armed cruise missiles or MIRVed ICBMs, thus creating serious problems for U.S. missile defenses—both regionally and in CONUS. These are dangerous possibilities.

Russia could also offer technology that would accelerate Iran's nuclear weapons program. Once a key supporter of the Joint Comprehensive Plan of Action, Russia may now see a nuclear Iran as a useful way to distract the United States from the war in Ukraine.[39] In September 2024, the U.S. intelligence community reported that Russia had expanded its nuclear cooperation with Iran in exchange for short-range ballistic missiles for use in Ukraine.[40] Since July 2023, Russia has sent technicians to help Iran with its space launch vehicle program—a move that experts and U.S. officials view as a way for the countries to share missile technology.[41] Iran has not built a nuclear weapon, but its weakened conventional position after a devastating Israeli strike in October may push it to weaponize. Press reports indicate that Iran has been sending its top leaders to meet secretly with Russian officials as part of a back-channel effort to gain their assistance on Iran's nuclear program and air defense capabilities.[42] The closer Iran gets to building a nuclear weapon, the greater the chance that Russia (and theoretically China) could view its prior counter-proliferation position as overtaken by

[38] Michelle Nichols, "US Alarmed Russia Close to Accepting Nuclear-Armed North Korea," Reuters, December 18, 2024, https://www.reuters.com/world/us-alarmed-russia-close-accepting-nuclear-armed-north-korea-2024-12-18/.
[39] Nicole Grajewski and Or Rabinowitz, "Will Iran and Russia's Growing Partnership Go Nuclear?," Foreign Affairs, January 28, 2025, https://www.foreignaffairs.com/russia/will-iran-and-russias-partnership-go-nuclear-trump.
[40] Shweta Sharma, "Growing Fears in UK and US of a Secret Nuclear Deal Between Iran and Russia," *Independent*, September 16, 2024, https://www.the-independent.com/news/world/europe/iran-russia-nuclear-deal-uk-us-nato-b2613388.html; Grajewski and Rabinowitz, "Will Iran and Russia's Growing Partnership Go Nuclear?"
[41] "Russian Rocket Launches Iranian Satellites Into Orbit as Moscow and Tehran Expand Ties," AP News, November 5, 2024, https://apnews.com/article/russia-iran-satellites-space-launch-944a6bc87aa2511e38acf58e37c02c28; and "Fireside Chat with Director William Burns: Aspen Security Forum 2023," U.S. Embassy in Russia, July 20, 2023, https://ru.usembassy.gov/fireside-chat-with-director-william-burns-aspen-security-forum-2023/.
[42] Gabrielle Weiniger and George Grylls, "Iran in Secret Talks With Russia to Bolster Nuclear Ambition," *Times*, January 12, 2025, https://www.thetimes.com/world/middle-east/article/iran-russia-nuclear-talks-deal-lfzbdh7z7.

events and embrace a nuclear Iran. This could turn Iranian nuclear weapons into a dangerous source of conflict between the world's major powers.

Russia and China do have incentives to protect their technological advantages from these less powerful states. For example, if they become nuclear powers in their own right, Iran and North Korea will be less susceptible to Russian and Chinese pressure over time. Neither Russia nor China wants uncontrolled escalation in their respective regions, or a nuclear cascade.

*Nightmare scenario: Coordination in a major crisis*

Longer-term, but more concerning, this coalition might opportunistically coordinate in a crisis. For example, if China were to blockade or invade Taiwan, Iran might seize the opportunity to attack U.S. forces in the Middle East directly or through its proxies. North Korea might engage in provocations against South Korea and Japan that could complicate the politics of the war and constrain U.S. military responses. Russia would almost certainly not intervene directly in support of China, but it might be China's most reliable source of energy, materiel, or other indirect support for the war. Moreover, Russia might issue threats of its own in Europe, timed to maximize strain on the United States and thus extract concessions in a form of blackmail. Coordination of this kind would resemble the interplay between Nazi Germany and Japan in the Second World War, although it would be more improvisational in nature.

This type of coordination would not, of course, be automatic. These states would face significant challenges in committing to credible joint action, given their divergent interests and the autocratic nature of their regimes. Moreover, the timing and circumstances of joint action would have to align perfectly for all parties involved. This is why coordination would likely be opportunistic rather than planned in advance. Regardless, if an orchestrated crisis did arise, it would stretch U.S. resources, force Washington into very difficult strategic tradeoffs, and transform a regional crisis into a global one—potentially on a massive scale.

## POLICY RECOMMENDATIONS

The foregoing analysis implies the following four major policy recommendations for Congress:

1) Congress should support efforts to intensify monitoring and prevention of the proliferation described above, including by preparing additional sanctions legislation, by fully funding U.S. monitoring and intelligence collection tools, and with any other actions that will strengthen the nuclear nonproliferation regime. Congress should call on Beijing to support these nonproliferation objectives, which are in China's interest.

2) Congress should support steps to attenuate China's ties to Russia. This includes ensuring that future U.S. technology export restrictions remain limited to the "small yard, high fence" model, protecting open trade and investment regime with China, and moderating rhetoric on Taiwan to ensure congruence with Washington's long-standing One China policy. Reassuring Beijing that the U.S. Congress does not seek to change the status quo with regard to Taiwan will be especially important in the next few years.

3) Congress should also back realistic efforts to negotiate an end to the war in Ukraine and establish a stable balance of power in Europe that features continued burden-shifting toward European allies. This includes backing current White House initiatives to achieve a ceasefire by providing military and reconstruction funding that will be needed to secure a deal and preparing to either impose or gradually lift sanctions on Russia in accordance with its degree of cooperation with the effort.

4) Strategically, in order to reduce the risk and consequences of a worst-case scenario of opportunistic collaboration in a crisis, Congress should support measures to limit U.S. exposure to Iranian threats in the Middle East. This requires both funding systems to protect U.S. forces in theater and seeking to reduce the number of U.S. forces in exposed positions in Iraq and Syria. Under current conditions, this objective would be furthered by eschewing major new U.S. security commitments in the region.

## PANEL I QUESTION AND ANSWER

COMMISSIONER STIVERS: Thank you. Thank you all for your testimonies.

Let me start out by trying to frame the discussion as best as possible into the current context, again, even over the last week. This week, U.S. and Russian leaders met to discuss the war in Ukraine, without our allies in Europe and even without the Ukrainian government officials.

I would like to hear from each of the panelists, how do you think that Beijing is viewing what looks like a new partnership between the U.S. and Russia, that even goes beyond the war in Ukraine? Are they threatened? Are they comforted in terms of their own ambitions, especially in Taiwan? And how does this change the dynamic between the axis countries if the U.S. and Russia have a stronger relationship, moving forward?

Dr. Kendall-Taylor.

DR. KENDALL-TAYLOR: Thank you. I think it is my analysis that, first of all, that the war, although the war in Ukraine has been a critical catalyst for this relationship that this cooperation does not end with the war in Ukraine, in large part because Russia sees itself as being in a long-term confrontation with the West. It wants to weaken the United States, undermine NATO, and push the United States out of Europe. And therefore it understands that it is less isolated and less vulnerable when it has the support of Russia, China, Iran, and North Korea.

So to bring me to your question, I think Putin and Xi have a deep, strong, and durable relationship. They have met more times than any pair of leaders in the world. Xi has referred to Putin as his closest and bosom buddy. I think that they have a deep understanding of the objectives that they are trying to accomplish. As Chris said, they are trying to bring about changes we have not seen in 100 years.

So while there may be some nervousness in Beijing about exactly what is going on, given the state of the world of flux, my assessment would be that Russia will simply pocket any concessions that it gets from this Administration, like sanctions relief, like the withdraw, potentially, of U.S. troops from part of the eastern flank, to pocket those concessions and strengthen its position to continue to challenge the United States and to strengthen its partnership and their capabilities of the axis of upheaval.

COMMISSIONER STIVERS: Thank you. Mr. Walker.

MR. WALKER: So it is always hard to know what will happen in the future, but one thing we can look at is the past and the way the relationship between Xi and Putin, in particular, evolved. 2012 is a critical year. That is the year that Xi Jinping ascended to paramount power in the PRC. It is also when Vladimir Putin returned to power in Russia after the seat-holder period when Dmitri Mendeleev served as president. Putin returned, and Putin returned in a much more belligerent and aggressive posture. That was right around the time the relationship with Xi and Putin started to deepen, and by all accounts, they themselves, and their principal lieutenants started having regular meetings. And this is now more than a dozen years of deepening the relationship.

So I think it is also important for us to be circumspect about using February 2022 as the real catalyst for the deepening of that relationship. That relationship has been building for a far longer period of time.

The assumptions about what engagement with today's Russia will bring us is really predicated on our likely ability (a) to prize Russia away from this deeper relationship with

today's PRC. That is a big assumption. And also, at the values and interest level, just looking at the values and interest that today's Russia and today's China share. In my written testimony I talked about this as being a shared antipathy to principles of individual liberty, freedom of expression, and all of the things that Americans hold dear.

So I think this is fundamental to any assumption about how we might or might not prize Russia away from today's China.

COMMISSIONER STIVERS: Dr. Chivvis.

DR. CHIVVIS: Really interesting point that you make, Commissioner Stivers. It was really striking to see Wang Yi on the stage at the Munich Security Conference, looking almost happy at the chaos that was taking place over the course of the day before, and that would continue really up until now.

So I think it is pretty clear that when it comes to the transatlantic division that has emerged, China is pretty happy about it. This is a long-standing goal, I think, as you know, of Chinese strategy.

I think on balance, China would be happy if the war ends, provided that it does not end in a Russian collapse, because I see that as one of their main concerns in supporting Russia in this war.

And I think, finally, insofar as they interpret what President Trump is doing as indicating that this Administration is willing to do big deals, they may see that as an opportunity. I mean, certainly it is possible that from China's perspective the idea that Trump is going to be willing to go beyond constraints that have existed in U.S. policy before could be something that they view as a positive.

COMMISSIONER STIVERS: Thank you. Commissioner Friedberg.

COMMISSIONER FRIEDBERG: Yes, thank you. I would like to pursue this point about ideological commonality or convergence. It is certainly true that these countries don't share an ideology in the way that the Soviet Union and the People's Republic supposedly shared an ideology during the early stages of the Cold War. Of course, in that case ideology became an issue that divided them, and it is possible that the lack of a formal common ideology could actually be a source of strength.

Moreover, it would seem to me that, in fact, these countries are united by what I would call an anti-ideology, and that is anti-liberalism and a fear of liberal democracy, and that that's what has driven their greater cooperation over a period of years -- I think it preceded the war in Ukraine -- and it seems to me likely to continue after.

So I would like each of you just to offer your further comments on this question on the existence, or lack of, an ideological glue that holds the members together. Dr. Kendall-Taylor?

DR. KENDALL-TAYLOR: Yeah. I think it is a really important point, and I think if you would have -- I mean, the common refrain is that these countries are united in what they stand against. But I think if you look closely, you are starting to see a much greater convergence and a shared vision for what a future world order could look like, and that is particularly true between Russia and China, the most important powers.

So if you look closely, they share this idea of spheres of influence, all of them. Russia and China seek multi-polarity. They share this notion of indivisible security or the idea that one state's safety should not come at the other's expense. That was the justification that Putin gave for the invasion of Ukraine. And now that kind of language has found its way into China's Global Security Initiative, the GSI. So they are using each other's language.

So you can begin to see, state rights over individuals rights. I think if you had asked me a

year or two ago I would have been hard pressed to try to tell you what they agree on. But I believe the contours of a shared vision for a future world order are coming into sharper focus. They are beginning to take shape.

And one important point is when you look at the history of these shifts between a single world order and a competing world order, the competitors at the beginning of that process are, by definition, aligned in what they oppose. The have to tear the existing thing down first. And it is only over a matter of years that these competing orders then begin to converge and agree on what a future world order looks like, and I believe that is kind of the stage, the process that we are in.

So there is more overlap, I think, in what they would agree on, for how a future international system should look and be ordered than there was just one or two years ago.

COMMISSIONER FRIEDBERG: Thank you. Mr. Walker.

MR. WALKER: I think it is important, in the spirit of not suffering a failure of imagination, to recognize that these regimes have agency. I think there has been a tendency from open societies to say that these regimes have no agency, they are potted plants, they are simply objects. That is simply not true. And in a period where they are feeling emboldened and they are using their resources, including beyond their borders, in ways that is quite formidable, they are testing what they can exploit in the international system.

And in the same way that it might have been incredible, and we have become inured to North Korean troops being on European soil, we also can't be inured to the fact that the leadership in Beijing and Moscow do not permit freedom of expression, political opposition, any challenge to their power. And so the state is dominant. The state comes first in every instance.

And I would suggest that part of the ideological ambition is to have the state be dominant beyond their own borders, including in international bodies where you can see where independent voices try to make their voices heard, say in the OSCE or the OAS or these sorts of bodies. Venezuela, Nicaragua, Cuba, China in the UN work assiduously to have states have the only say in those setting. And this is something, in terms of individual freedom and fighting for freedom, we need to keep front and center in our thinking, because these regimes won't stop where they are today in the absence of a meaningful strategy to respond.

COMMISSIONER FRIEDBERG: Thank you. Dr. Chivvis.

DR. CHIVVIS: I think the reason why the question of ideology matters is that it could be a source of durability among this coalition, although as Commissioner Friedberg pointed out, it might also not be. I mean, after all, you have nations with different ideologies that often align with each other.

Just when I look empirically at these states, I mean, Iran is not animated by the same ideology as Russia. One is a religious theocracy and the other is a secular nationalist regime. There is just no commonality there. And we could go through all of them, and there are going to be some commonalities in some places and some differences in others.

But I agree that in the extent to which they are united in a general world view, it is an anti-liberal world view. But for me that is different from saying that they share a common ideology which would animate them to act jointly and together.

And I think when you look at the question of why do they have this anti-liberal world view, it ultimately comes down to the threat that they feel, both from liberalism as an ideology that we, in the West, have, and also because they are concerned about American power, as I said in my opening remarks.

COMMISSIONER FRIEDBERG: Thank you.

COMMISSIONER STIVERS: Thank you. And then we have Commissioner Goodwin,

who is there on the monitor.

COMMISSIONER GOODWIN: Thank you, Mr. Chairman, and my appreciation to the panel for their great testimony today.

Dr. Kendall-Taylor, I want to discuss with you some of your recommendations for confronting the axis of upheaval, especially the recommendation you make to engage with what you refer to as the global swing states. Acknowledging that, as we just heard in the discussion prompted by Commissioner Friedberg's question, these groups are not wholly distinct. They are not bound together by a common ideology or institutionalized military blocks, and the like, which makes it all the more important to compete against them individually all around the world, including in these nations you describe as global swing states, which you identified as Brazil, Indonesia, India, Saudi Arabia, and South America.

My question is how are we doing in that fight now? How are we competing in those global swing states today, and are we doing better in some places than others, and what can we do better?

And additionally, what is the best approach? We have explored China's influence in regions around the world, and oftentimes commentators will have modest disagreement about the best approach for us to engage in those regions. Should we pursue a value-based approach or one based solely on economics? Should we pursue, again, the competition of ideological terms emphasizing the importance of a rules-based international order -- human rights, democracy, humanitarian assistance, and the like. Or simply dollars and cents?

I would think, with some of those states you identify, shared values are not going to be capable of sustaining some of those partnerships. So if it is solely an economic competition, what is our capacity to compete on those terms, and what is the risk of doing so?

DR. KENDALL-TAYLOR: Great. I also look forward to input from my panelists. But, I mean, how are we doing? I don't think we are doing particularly well, and I don't think it is something that we have really taken seriously. I would say, you know, what should we not do? I agree that the values proposition is not particularly effective or appealing to many of these countries. And under the Biden administration, especially at the beginning, we had a framing of the world as democracy versus autocracy, and what we heard resoundingly from many of these swing state countries was that they didn't much appreciate that framing, and it wasn't something that appealed to them.

I think we have also had a track record of telling these countries not to engage with countries like China, but then we have nothing to offer them as an alternative, so that is another area that we have fallen short.

I do think it is really critically important for us to recognize the deep discontent that exists in large swaths of the globe with the state of the current global order. Looking at the kind of significant spike in demand and rush to membership of the BRICS organization, I think puts into clear focus that there are a lot of countries that are quite unhappy with the current state of the global order.

So I do think it is important that the United States think about what are the kind of key tenets of the global order that we have to keep, and are there some areas where we can make revisions, make adjustments, things that we can offer that helps alleviate and address some of the discontent.

I also think kind of having a very clear-cut, directed, kind of mode of engagement with these countries. I mean, our primary objective should be to deny advantage to the members of the axis of upheaval in these countries. We have to encourage them to choose policies that favor the

prevailing order. So, in practice, that means using the full suite of our tools. We have to be using trade incentives, military engagement, our foreign aid and diplomacy are really critical to preventing these countries from aligning with other countries. We have to put a lot of pressure on these countries to prevent them from hosting axis members' military bases, or to prevent them from allowing China and axis members to access their technology.

So we really have quite a lot of things that we can do, but we have to rely on the full suite of our tools. Our foreign aid is a really critical piece of that in our diplomacy, and if we cede that space, then we should expect that these axis of upheaval countries will rush in to fill that void.

MR. WALKER: Just briefly, I think part of the challenge is that in crucial swing states, and relevant to something we were touching on a moment ago, the Chinese propaganda machine, often working in tandem with fellow autocracies, really is focused on the "anti" part of the argument, assailing the U.S., assailing the credibility and the prestige of the U.S., assailing the reliability of the U.S., in often grossly distorted ways that has increasing traction in many parts of the world.

I also think the idea of whether we pursue economics or values, they are not mutually exclusive. China uses economics as a vector to advance its own values, which often include censorship and surveillance and the like. I think free societies, including the U.S., need to think hard about being engaged in ways where our values are at a competitive peak against what is now a very significant Chinese entreaty around the world.

And maybe not to go into detail here, but China's use of secrecy and concealment as an integral part of its economic engagement is something that has been under-scrutinized and really deserves more scrutiny.

COMMISSIONER GOODWIN: Thank you.

DR. CHIVVIS: I would agree pretty strongly with what Dr. Kendall-Taylor said right there. I would just make one brief point about propaganda. We see a lot of efforts to use propaganda to bring the emerging powers over to the side of China and Russia. There is not much evidence that it is working very well, however, and I think that is important to bear in mind.

COMMISSIONER GOODWIN: Thank you.

COMMISSIONER STIVERS: Commissioner Kuiken.

COMMISSIONER KUIKEN: Thank you very much. Mr. Walker, in your opening you talked about social engineering, is I think the term you used. Can you just expand on that a little bit more, about how we should evaluate that in the context of the tools that they are deploying and where they are deploying those tools?

MR. WALKER: I think it is fair to say domestically this is an ambition of the leadership of the CCP. We can look to the Xinjiang Uyghur autonomous region as ground zero for that effort. They are also pursuing, the authorities are, such activities in Tibet. This is true across the PRC now, especially through technological advances.

As we look at an increasing part of the world where PRC technologies are being adopted, often with inducements, sweeteners, state subsidies that give the PRC an advantage over companies operating from free societies, the mechanisms by which those technologies work are designed to condition people and to guide them in certain directions, certain ways of behaving.

My colleagues and I released a report last week titled "Data-Centric Authoritarianism," which goes into these issues in great detail. Frontier technologies that the CCP are now investing in have the possibility -- it is not guaranteed, but the possibility -- to advance these ambitions for social control, moving, in a sense, from dumb to smart, I would argue to sharp applications of

these technologies to advance control of people's prioritization of issues and thinking, steering clear of issues.

I would note in the propaganda context it is true it is hard to evaluate that. But I think what we have seen in the last 10 to 15 years is that very influential institutions and figures have seen fit to sidestep key issues relating to Taiwan, Tiananmen Square, Tibet, corruption in the upper reaches of the CCP, in ways that wasn't happening 15 or 20 years ago. That is, I would say, a pretty successful effort by the leadership in Beijing to condition people in free societies to follow the preferences of the leadership in China.

COMMISSIONER KUIKEN: Thank you, Mr. Walker. I am going to ask you a follow-up on the social engineering and then have a question for Dr. Taylor, as well.

As we evaluate the social engineering space that you talk about, how effective is the axis at amplifying their narrative to overcome truth? That is the follow-up for you.

And then Dr. Taylor, you talked about sanctions evasion. You can you just talk a little bit about how we should evaluate how this axis uses the blockchain and crypto space to, obviously, evade sanctions and other economic tools that the rest of the world might deploy against them? I am just trying to, as we think through that space and evaluate recommendations we might make, I would be really interested in your view on that.

MR. WALKER: So thank you for the question Commissioner. I think what we have seen over the last decade or so is more intentionality among these regimes, and their now formidable information capabilities. By some estimates, China's outward-facing communications investments eclipse $10 billion a year. It is very hard to know that definitively, but the people who follow this most closely feel that is at least in the ballpark. It may well be more. Russia doesn't skimp on those things. They prioritize information capabilities globally before they prioritize their schools and hospitals domestically.

Increasingly we see the narratives that are favored by these regimes, that are unchallenged by other powers, aligning, usually to be anti-postured against the U.S. and other democracies. And in Latin America, just to use this example now, we see Telesur, which was Hugo Chavez's brainchild years ago, also aligning in ways with the narratives that are being pushed out at multiple levels through traditional media, social media, new forms of media, from Chinese state media and Russian state media.

So it may be hard to definitively measure the precise impact of these things, but I think we have to be very careful not to underestimate their impact and say, therefore, we don't have to take meaningful action to respond. Because it may well be that our strategic interests, our legs may be sawed out from under us before we even realize it.

COMMISSIONER KUIKEN: Dr. Taylor?

DR. KENDALL-TAYLOR: Yeah. I unfortunately don't have a good answer for you. This is not an area of expertise. So I would like to be able to come back to you and consult with colleagues. At CNAS we have Emily Kilcrease, who runs our economic security team. So if you don't mind I would like to come back to you.

COMMISSIONER STIVERS: Commissioner Miller.

COMMISSIONER MILLER: Thank you. In some of your testimonies you go beyond the bilateral relationships and talk about the multilateral fora that China, Russia, and others are involved in, Shanghai Cooperation Organization, of course, BRICS.

I would be curious to all your view on how we should view these multilateral fora now and in the future. BRICS seems like an expanding acronym that has very little importance in the world right now. Shanghai Cooperation Organization has been around for almost 25 years, has

done very little, but has added member after member, year after year.

What is the right lens to view these? Are they organizations that are going to become incrementally more important over the future? Are they going to become suddenly more important in the event of a war or a situation where the United States gives up global leadership in a sudden instance? How should we view these organizations, going forward?

DR. CHIVVIS: My view on these organizations is that we should monitor them but that they do not pose any major threat to the United States as they are right now. I mean, take the SCO, for example. I always forget India is a member of that organization, and it has potentially the most to worry about from China, yet nevertheless finds it of some value to cooperate and communicate with China on security issues through that. So I think there is very little to be concerned about, not that we shouldn't monitor it, obviously.

BRICS, I think, was a bigger concern before it enlarged. I think enlargement of BRICS is going to make it much, much more difficult to manage, especially if it continues to grow in numbers, because the only way that it could potentially function with a larger number is if China takes a much stronger, kind of hegemonic position, and I think a lot of countries will resist that. So again, I would monitor it, but not be overly concerned about it.

MR. WALKER: Thank you for the question, Commissioner. I don't think we should overstate the role these institutions play. I think it is a signal and an indicator that China and Russia, for example, are keen to create alternative bodies. So in the Latin America context, the CLAC as created as an alternative to the OAS, and in many ways the SCO, the Eurasian Economic Union, and such bodies offer alternative fora that can be a bit of theater to say that there is an alternative to say the OSCE and the Council of Europe, and the like.

At the same time, my understanding is that they perform a valuable informal function when these countries get together to discuss their agendas, what they feel is important. In the SCO context, there have been indications that something akin to authoritarian international law is crafted by virtue of the preferences of the groups there. There is a scholar by the name of Thomas Ginsberg, who has written on this, and it is provocative and persuasive, to a degree.

But in this respect I think it is important to keep a close eye and not underestimate, but also not overestimate.

DR. KENDALL-TAYLOR: Yeah, I will just add really three quick points. I think one of the fundamental purposes of these multilateral fora is the diffusion of norms. I mean, these are wonderful opportunities for Russia and China to socialize their world views, to convince other states and actors of their world view. When you look at the international relations scholars on the role of regional and international organizations, that diffusion of norms, I think, is a really important one.

And I think one broader point would be just because there -- and we have heard there is an absence of kind of a multilateral structure in which they coordinate -- I worry that we keep applying the wrong criteria, the wrong metric, just because their relationship doesn't look identical to the way that we have our alliances. You know, we have a NATO headquarters; they don't. But I don't think, for me, that makes it any less potent or dangerous for the United States, and I feel like we fall into this trap of, well their relationships don't look exactly the way our partnerships, therefore they are less meaningful, less durable, less consequential. I think that is really a danger.

And then the final point that I would make is, I mean, I agree with Chris Walker that they are creating structures that eventually could become a viable alternative. Through the BRICS, they are working on de-dollarization. And I agree that it is highly unlikely that they would be

able to replace the dollar. But again, that is setting a very high bar, and if we focus on this maximalist thing, we are missing the fact that they are diluting the efficacy of our sanctions. They are putting their economic transactions out of the reach of the U.S.

So there are things that are still happening, even if it is not the most maximalist criteria, so we need to be paying attention to and addressing those issues, as well.

COMMISSIONER KUIKEN: Thank you.

COMMISSIONER STIVERS: Commissioner Price.

CHAIR PRICE: Thank you all very, very much for your excellent testimonies today. I want to start with Mr. Walker and your discussion in your testimony on international institutions and concerns. Do you have a triage list or a list of where you would start first if you were trying to focus attention, in particular?

MR. WALKER: So much in the way that the leaders of Russia and China have been building their relationship over time, I think the effort to erode and chip away at the institutions that have been integral to the successful system we have had over a protracted period of time that has protected individual rights and freedoms, there would be no quick fix for this, in my view. I think focusing on the ambition of China, first and foremost, but followed closely by the countries we are talking about today, to shape the future of freedom through technology is really important. And China is working assiduously in all the relevant bodies and entities, within the UN system in particular but beyond it, to privilege the role of the state to enable control. They are very adept at doing this.

The China of today, and their diplomats in these bodies is not the China of 2015 or 2010. And I think this is an area where we need both the diplomatic and official focus, on the one hand, but also the ability to tell the story and educate those who need to understand these things better. There are often very complicated esoteric issues relating to technology, and in that regard you need capable, independent voices that can help animate the discussion and really explain what the stakes are in that context.

CHAIR PRICE: Could you connect the dots between your answer and a recommendation you would give to Congress on how to focus that attention?

MR. WALKER: From my perch, where I am working, maybe I will frame it in the context of what would have the most salutary impact in the larger picture rather than giving a specific policy recommendation. I think the momentum and the focus that is coming from the forces aligned against freedom, who understand the importance of technology to the future of freedom, that needs to be understood clearly. And the way we get that understanding is to have independent groups, civil society groups, that can square these issues up, explain why it is important to prioritize the focus on safeguarding freedom, making sure that technology is not subsumed entirely through state decision-making in the way that the PRC would prefer to do it.

So I would put it in those terms, Commissioner price.

CHAIR PRICE: Thank you. Dr. Chivvis, I was looking at your policy recommendations, in particular. The fourth one spoke to Iran, "specifically, "Congress should support measures to limit U.S. exposure to Iranian threats in the Middle East." Can you expand on that a bit?

DR. CHIVVIS: I am happy to do that. I think that is in the context of my concern about the possibility of opportunistic coordination during a crisis that could expose the United States across multiple regions to pressures which would be extremely taxing for the United States to handle, potentially more taxing than we could. And in an effort to avoid that, from a strategic perspective, it is a question of reducing vulnerability.

So it seems to me that the strategic importance of the Middle East, if you look at these

three regions, has been declining, whereas the strategic importance of Europe is about steady, and the strategic importance of Asia is rising. So to me, form that sort of 50,000-foot perspective, it suggests that if we have to triage between these three regions, the Middle East is the area where we ought to be looking to reduce risk and vulnerability in order to avoid this kind of cataclysmic scenario that I think we should be very concerned about, were the cooperation among this coalition to deepen.

CHAIR PRICE: Is there a specific action that you would be suggesting Congress take?

DR. CHIVVIS: I would reduce U.S. force posture in Syria and Iraq, to begin with.

CHAIR PRICE: Okay. Thank you very much.

COMMISSIONER STIVERS: Commissioner Schriver.

VICE CHAIR SCHRIVER: Thank you Mr. Chairman, and thank you to all our witnesses. Really excellent statements, and I appreciate the discussion so far.

I think if I sensed any differences or tensions it might have been -- and I am not trying to create any problems -- on this question of durability, where Dr. Chivvis seemed to imply solving the Ukraine war would lead to attenuation of this axis, and I think Dr. Kendall-Taylor was suggesting that there is a lot of other cooperation developing in the midst of all this.

I was really struck by your comment about the Arctic cooperation. I mean, this has traditionally been seen as a huge point of tension as the Russians watch the Chinese build all these icebreakers. And the military technology transfer, the partnership with no limits. But there has always been limits when it came to tech transfer and military security assistance.

So I just wanted to draw you both out a little more on that, particularly as we are engaged in discussions to try to end the war in Ukraine. I am concerned it is not going to be the just piece that you describe in your statement, the way things look right now to me. But if I could just draw you out a little more on this durability question and where you think things go, assuming things are concluded in the Ukraine conflict, and where do you see this in 3, 5 years, and what are the opportunities for us to -- if it is attenuating, then there is an argument for remaining relatively passive. If it is not, there is an argument for seeking ways to either counter it or to drive wedges.

So if I could invite you both to draw it out. I have a question for Dr. Walker, if I get to it on this round, or maybe a second.

DR. KENDALL-TAYLOR: Okay. I think this is the hardest question to assess is how durable are these relationships, so we should put the uncertainty up front. It would be my assessment that this cooperation, particularly between Russia and China, will endure past the war in Ukraine, in large part because, at least from Russia's perspective which is the side of the equation that I know better, they really do see themselves as in a civilizational struggle, an existential struggle with a West that wants to break Russia apart.

So it is plausible to me that if we strike a very bad deal over Ukraine you could see a calming down. It could take some of the urgency out of the relationship. But my assessment would be ending the war is not enough, and if we don't have a just and durable peace, I have no doubt that Putin will be rearming, reequipping, and that he will retry, and we will find ourselves back in this place once again. So for me, this notion that we can drive wedges seems incredibly misguided, given the deep relationship that has built up thus far.

And I also believe that the costs and the risks that come with our ability to truly drive a wedge -- what is it that Putin would be asking for? It is a reduction of sanctions, a withdrawal of U.S. forces from the Eastern Flank. Are we really willing to give Putin the resources and the space to sustain his aggression in Europe, and particularly against a NATO member? That would be, to me, the deal that Putin would look to drive. So for me, the cost of this wedge-driving

strategy, while it may do something to temporarily diminish the level and the urgency of cooperation between Russia and China, it would create problems, in my view, that would be far greater to U.S. economic prosperity and security down the line.

DR. CHIVVIS: So let me put my thesis in a slightly different way. If it were not for the war in Ukraine, I don't think we would be here in this room having this conversation. So that is one of the core points that I am trying to make. That does not mean that if the war in Ukraine ends, the coalition is necessarily going to break up, but I see opportunities for the United States to seize the mantle, avoid a self-fulfilling prophecy, and try to attenuate these ties.

There are real differences. I noted, for example, China has long wanted to have a sustained and better relationship with the EU. This war is making that extremely difficult. China obviously, as we know now, was surprised at the extent to which Russia and North Korea are cooperating and has real reservation about that.

And also my view is that China doesn't, in the end, want to just be the head of this coalition with Russia, Iran, and North Korea. It wants a much greater role in the world. It wants to be America's equal on the world stage. And that the longer that this goes on, the more it is going to have difficulty in realizing what it really believes it is civilizationally entitled to, in terms of world order.

COMMISSIONER STIVERS: Commissioner Sims.

COMMISSIONER SIMS: Thank you all for your testimony today. Dr. Chivvis, I would like to start with you on this one. As we look at the outcomes, the potential outcomes of the Russia-Ukraine conflict, and basically, what would the final deal look like -- we don't know at this point -- but on the spectrum of outcomes, how impactful will where we land on that spectrum of outcomes be on China's assessment of a Taiwan contingency? And I want to preface your answers by saying I hope you can assess it through that lens and not feel like anyone here is going to feel like you are making a value judgment about where on that spectrum that we land, but simply how would China assess that outcome when they start thinking about what they might want to do, vis-à-vis Taiwan.

DR. CHIVVIS: Commissioner, I am among those who thinks we have to be very careful about assuming that China is drawing major lessons from the war in Ukraine for its own situation in Taiwan. I think certainly there is probably a list of 10 or 15 different factors that will affect China's thinking about Taiwan and whether or not it actually wants to conduct the extremely risky cross-strait operation or do something further down the scale of escalation. Factors like what is the political situation in Taiwan, what is the political situation in the United States, what is happening in Japan, what is the state of the global economy, where are U.S. forces postured -- I think all of those are actually going to have a much larger impact on China's thinking about Taiwan than will the outcome of the war in Ukraine.

Obviously, that said, some kind of a settlement which freezes the war along the current line of contact could potentially give China reason for concern, actually. You can't take half of Taiwan. That is one of the fundamental differences, I think, between the situation in Ukraine and in Taiwan. Of course, if the situation turns out with the United States abandoning Ukraine entirely and Ukraine being overrun by Russian forces, that could give some encouragement to China. But I think that has to be, again, viewed in the context of this larger set of factors that would shape Chinese thinking about whether or not to conduct any kind of operation against Taiwan.

COMMISSIONER SIMS: Thank you. Mr. Walker?

MR. WALKER: So I think fundamentally we have to think about whether deterrence has

worked with respect to Russia's encroachment on Ukraine. It didn't work in 2014, when Russia initially launched its attack on Ukraine, and it is an open question today whether it is working.

I think the conclusions the decision-makers in Beijing will make will be based on a whole host of factors relating to Ukraine. But I suspect that the leadership in Beijing does not want Ukraine to be seen prevailing, at a minimum, and would welcome a different outcome there as a way to justify what it would like to do in Taiwan.

DR. KENDALL-TAYLOR: I agree that there are myriad factors that will shape Beijing's calculus, and many of them, like balance of forces and other things are likely to be more important. But I do think the way that this war is settled will be one of the factors that shape's Beijing's calculus.

And if we are talking about an end to the war in Ukraine, that entails sanctions removal, bringing Russia back into the G8. I think the moral of the story for China is wait 3 years and then you will be brought back in from the cold, and the world will move on, and I think that is a really dangerous lesson.

I think another important thing that they can learn is that there may be, particularly if it happens in the next 4 years, that there is a deal that can be done. Offer some economic incentives. If the United States gets something nice out of it then maybe President Trump would be willing to accept a spheres of influence kind of move on China's part.

So I actually think there are some very dangerous lessons that will be learned if there is the type of deal that looks to be taking shape.

COMMISSIONER SIMS: Thank you all.

COMMISSIONER STIVERS: Thank you. With everyone's indulgence, we will go through some other questions that the Commissioners will have, kind of in an ad hoc way. So if you have other questions, just let me know.

We will start with Commissioner Friedberg.

COMMISSIONER FRIEDBERG: Thank you. Dr. Chivvis, I want to ask you a question which I realize is slightly unfair, so I hope you won't take offense at the way I have framed it. I am not accusing you of saying this. But it would seem to me that if the reason that these countries we have been talking about have increased their cooperation and become more cohesive is, as you have suggested, two things, one, the growth in exercise of American power, but also America's commitment to liberal democratic values, which threaten each of these regimes in its own way. If we wanted to reduce the cohesion of this grouping, if that was really our principal objective, wouldn't it then make sense to draw back from the kind of global role we have taken on over the last decades, and reduce our commitment to liberal democratic values? If our goal is to reduce the cohesion of this group, that would seem to be the formula.

DR. CHIVVIS: I mean, I think on a very general level what you are suggesting is true, but, of course, the devil is in the details and the specifics of how you went about doing that would be extraordinarily important.

I think the point that I am making is that, again, as I think we all agree here, China is the key part of this coalition, and without China, this coalition just looks anemic. So anything that we can do to demonstrate, obviously keeping in mind America's vital interests and values, to China that there is another option I think would help to attenuate these ties. I think the end of the war in Ukraine is the moment to try to do that. And I understand it is not easy to do, but strategically, to me, that is what makes sense.

COMMISSIONER FRIEDBERG: Okay. Thank you.

I would like to ask, Dr. Kendall-Taylor, you have commented on this already, but I would

like to hear more of your views on it. As you know, one of the arguments that people have made recently about efforts to improve relations with Russia is that this might somehow enable us to do a reverse Kissinger, to draw Russia away from China.

I would like to ask each of you for your views on the prospects, in fact, of driving a wedge between Russia and China. Is that possible? Would improvement in relations between the United States and Russia accomplish that objective?

Maybe, Mr. Walker, we could begin with you.

MR. WALKER: I think given the depth of the relationship that has emerged between Russia and China, as we have discussed over the course of the last hour or so, we really have to make sure that our assumptions are grounded in some basis for that to materialize. So much of the evidence, in terms of the alignment between Russia and China suggests it will be very difficult to do so.

Part of the challenge is, I think, taking our mindset and viewpoint from the way we may have looked at things during the Cold War or even 10 or 15 years. One of the common refrains was that these kinds of relationships were marriages of convenience. And that was often an easy way to say they will only be temporary, or they are very superficial, or it is impossible they could be deepened. But what we have seen in recent years, on so many different levels, in so many different domains -- the information domain, the technological domain, the military domain, the ideological domain, in the ways we have discussed -- that there has actually been a deepening of that relationship.

So what it would take for the United States to meaningfully prize Russia away from China today, I think that cost and price would have to be understood quite clearly.

COMMISSIONER FRIEDBERG: Thank you. Dr. Kendall-Taylor?

DR. KENDALL-TAYLOR: Yeah, I think I will just repeat my points. I mean, I couldn't agree more with what Chris just said. I think that we have already seen some of the demands that Russia is making over Ukraine. It will include sanctions removal. It will include the withdraw or the rolling back of U.S. forces from the NATO territory. They are talking about rolling U.S. forces back to the 1997 or even 1990.

So essentially Putin is asking for the time and the space to reconstitute his military. The Russian economy is on the wartime footing. They are talking about growing the size of the military to over a million. The objectives that Putin holds to undermine the United States, to undermine NATO, and get the U.S. out of Europe are quite clear. So the bargain that he would be driving would amount to kind of the destruction, I would argue, of our NATO alliance, and I think it would amount to creating conditions that would be more conducive for Russia to expand aggression, including against a NATO member.

So those would be the costs and so in that case. I don't think there is a cheaper deal to be made, and so in that case it is very unwise, I think, to try to peel Russia away from China.

COMMISSIONER FRIEDBERG: Thank you. Dr. Chivvis.

DR. CHIVVIS: I mean, I do think that there are ways that we can try to attenuate the relationship. I have noted a number of areas in which Russia, China, and the other members of this coalition don't share common interests. I think we should play on those differences of interest.

And one of the most important to me is the difference with regard to the European Union. As I have said, stabilizing and even deepening its relationship with the European Union is a key strategic objective of China. I think that the United States can use that desire. It has become more difficult over the course of the last year for a number of political economic reasons. But I think

there are still opportunities to use that desire to try to draw China away from Russia.

COMMISSIONER FRIEDBERG: Thank you.

COMMISSIONER STIVERS: Commissioner Kuiken.

COMMISSIONER KUIKEN: Thank you. I am going to put two questions to the panel, just bang out both questions and then you guys can take your time answering.

We have talked a lot this morning about Iran, Russia, and China. We have not talked much about North Korea. I would be interested in sort of hearing your views specifically on North Korea and how we should be evaluating them in the context of this axis.

And the second question for the panel is, we have talked a lot about the multilateral institutions that the Russians, Chinese, and others have created and attempted to leverage. We haven't really talked about the institutions, like the OECD, OSCE, WHO, and some of the other UN multilateral organizations, and how we should evaluate both our contribution and role in those organizations and the role of this axis in those institutions, and whether or not we should consider changes or evaluate these organizations differently in the coming years.

MR. WALKER: I am happy to start with the international organizations.

COMMISSIONER KUIKEN: And all three of you should answer both questions.

MR. WALKER: Commissioner, perhaps I will start with the multilateral regional organizations. I think two big trends have occurred over the last quarter century. One is -- I will use the OSCE as an example -- authoritarian powers that are member states of that body have worked pretty assiduously to try to shape the decision-making and the rules in ways that favor their interests. This is true, for example, in things like election monitoring.

So the Office of Democratic Institution and Human Rights, the ODIHR within the OSCE, has been a focal point of the Russian government, the Belorussian government, the Azerbaijani government, and so forth, in ways that isn't consistent with international election observation normal. And they go after the budgets of the personnel in those bodies, and so forth and so on. That is just one example.

Similar things happen in the OAS over time with countries such as Nicaragua, Venezuela, and the like, before their status has been adjusted. That has happened concurrent with the creation of alternative bodies. So it has been a one-two punch of trying to minimize or hobble the institutions that many expected to carry the standard coming out of the 1990s, while creating these alternative bodies that are, to the best of their ability, shaping norms that are not consistent with, I would argue, standards of democratic accountability, freedom of expression, and individual freedom.

The big question is who sets the rules in the end, and I think the challenge is many of these institutions, including the UN, have evident drawbacks and problems. There is no question about it. But if we are not competing and engaged, the fact of the matter is China and other such countries are in there shaping the rules, including on issues like technology. So I think we need to take a step back and really think about how to marshal our focus in ways that works to the best of U.S., and I would argue, free societies' interests.

I am not a North Korea expert so I won't go into great detail. I might just reiterate what I said before. If someone had said, 15 years ago, 10 years ago, had on their bingo card North Korea will have thousands of troops on the European continent, it would have sounded preposterous. But in a sense we can't become inured to how incredible that is today. And I think that is probably the biggest takeaway I would offer.

DR. KENDALL-TAYLOR: I guess the piece on North Korea, I think it is a perfect microcosm of this argument that these countries are using their relationships to fill key gaps and

vulnerabilities that they have in their own countries. So it is not just the 10,000 to 12,000 fighters. It was all of the ammunition, the ballistic missiles. But now there are reports that North Korean workers are showing up in Russia to fill construction jobs and other things because Russia has a labor shortage in the civilian sectors of its economy, so now they are importing workers.

So they are able to use these relationships to make them less vulnerable, more resilient in many important ways. And obviously the sanctions evasion has been key, and it is not just North Korea helping Russia but Russia has released millions of dollars that had previous sat frozen in bank accounts. According to UN regulations, Russia has released those funds. We know North Korea has a long list of Russian technologies that could help North Korean missiles be more accurate and survivable. They want submarine technology that would help their nuclear-powered subs.

And so again, they are greater than the sum of their parts. They are amplifying the challenges that all of these countries pose to the United States. And it is increasing the provocativeness, the brazenness of these leaders. So now North Korea, with the backing of both Russia and China, has torn up its peace agreement for the peaceful reunification of the continent. They have done their missile testing. And if they were to get more Russian support on the conventional military, it then would allow them, I think, to increase their provocations on the peninsula.

And the things that we have to be working about, Dr. Chivvis talked about the simultaneity issue. If there were a contingency over Taiwan, what would North Korea do in that? It is now starting to complicate U.S. planning. We have to plan for new contingencies that I think that we didn't have to before.

DR. CHIVVIS: If I may, just to take --

COMMISSIONER KUIKEN: Dr. Taylor, do you have anything on the multilateral organizations?

DR. KENDALL-TAYLOR: No. Thank you.

DR. CHIVVIS: Just to step back and give you my sort of big picture view on the question of world order here, it is often said that these countries don't want to have a rules-based world order, that they are trying to overturn the rules-based world order. Maybe that is true for Russia. I don't think it is true for China. China wants a rules-based world order. They just want somewhat different rules than those that exist today.

So I see their project as a project of trying to reform and revise the rules of the international system. That is going to bring them into conflict with the United States in a lot of ways, to be sure, but it is an important distinction, I think, to make. Because many countries around the world, like it or not, share that ambition, for some kind of a revision to the existing world order.

So I think we have to be careful when we look at international institutions, to distinguish between things that China is doing individually, within these institutions, in order to pursue its vision of a revised world order, and cooperation among these four states, in particular.

As I tried to imply at the outset of my remarks, these four states are all adversaries of the United States that create problems for us. But what we are really talking about in this particular analysis is their cooperation and how much that cooperation actually furthers their objectives. And I think when you get down to the question of world order, sure, China is leading the way. They have some different view, and the actual extent of their cooperation, empirically, within these institutions, may not be as great as it sometimes is made out to be.

DR. KENDALL-TAYLOR: Can I add just one little point, and it is something we haven't really addressed. It is a broader point. What we have seen in China is the personalization of power. The Chinese Communist Party under Xi Jinping looks a lot closer to the Putin regime in Russia than it has in a very long time. And there is a wonderful body of political science research that talks about when leaders personalize power they tend to become more accepting of risk, more prone to miscalculation.

So I guess my concern is that although it has been, up to this point, very true, the conventional wisdom has been that China benefits from a rules-based international order, it wants to rise from within, but I think we have to constantly check that assumption, and understand as Xi is increasingly surrounded by yes-men and sycophants, will we see the same kind of dynamic that we saw in Russia begin to evolve in China? And if we do see a Xi Jinping that becomes more accepting of risk, will then his relationships with Russia, Iran, and North Korea become ever more valuable and enable him to, I think take on greater risk in world affairs.

COMMISSIONER STIVERS: Commissioner Schriver.

VICE CHAIR SCHRIVER: Thanks. Yeah, there is just one question I wasn't able to get to. I was going to address it to Mr. Walker, but other thoughts could be welcomed.

The Chinese have objected strenuously to this idea of axis of authoritarianism, or axis of any kind. They don't like it. They have said that from the podium, official channels. They say that sitting across the table in Track 2, Track 1.5. To me that is enough reason to keep saying it.

But I think we should understand why. Is it that they think we are grossly overstating the degree of cohesion and cooperation? Do they want to obscure it and not be called out on it? Do they want the Russia relationship but they don't want the Russia DPRK relationship?

Just thoughts on why the Chinese object so much to this term and the impact of continuing to use it.

MR. WALKER: It is a wonderful question, Commissioner Schriver. My guess is that it doesn't align with the meta-messages that the CCP is projecting out to the wider world. There has been a slight change in recent years, I think, from some of the main messaging that often embedded the word "democracy" in the external utterances coming from main propaganda channels, democracy with Chinese characteristics and the like.

That has actually been suppressed in the recent past, and you hear a much more strong willingness to talk about the benefits of one-party rule and the efficiency of one-party rule. The Tanzania political party school that China helped underwrite actually promotes these sorts of ideas to hundreds and hundreds of African students.

So I suspect it is wanting to have the cake and eat it too. The functional value of having this latticework of authoritarian powers that are helping each other, reinforcing each other to the degree it benefits them, really valuable in practical terms. This label, for those who use it, of an axis of authoritarianism, not so good.

Perhaps, as you suggest, that is more of a reason to kind of test why it isn't the case and have a good debate on that in the way we are doing here. But my guess is that is what the leadership and the propaganda decision-makers in Beijing are agitated by.

COMMISSIONER STIVERS: Mr. Walker, your organization, the National Endowment for Democracy, was created in the vision of Ronald Reagan in his famous "tear down this wall" speech. NED has supported reformers around the world, pushing back against these axis countries, in particular, and especially China.

NED has been under attack here in the United States in recent days, and the funding has even been suspended, despite strong support by Republicans and Democrats in Congress and

despite being funded and established in law.

Mr. Walker, I am going to throw you a softball here. Why is NED so important in pushing back on China and axis countries, and should Congress be pushing back on support for NED?

MR. WALKER: Thank you for the question, Chairman Stivers. I first of all say that NED welcome the review that is underway and looks forward to that. I would also say that we are, as this hearing has indicated, in a period of intense competition with a host of countries that don't share the values of the U.S., in any meaningful way. That is true for every country under discussion. It is particularly true for the PRC, which has global ambitions to reshape, if not change the global order, certainly to recast it in a meaningful way that does not privilege individual freedom and the rights of people anywhere, whether it is within the PRC or beyond its borders.

The work that we do, and the courageous people we support, are working to ensure a world of that kind does not materialize, and we support truly amazing people in and around China, in all of these autocracies where the leadership is focused on ensuring people don't get to enjoy the rights that we, as Americans, are so blessed to have.

So I would suggest that this kind of support, whether it is for my organization or others like it, is actually quite critical in the context of the global competition in which we find ourselves today.

COMMISSIONER STIVERS: Thank you. Any other questions from the Commissioners?

Thank you to the witnesses. We very much appreciated this very timely and important discussion.

We will begin back at 11:50 for the second panel. Thank you.

## PANEL II INTRODUCTION BY COMMISSIONER AARON FRIEDBERG

COMMISSIONER FRIEDBERG: Our next panel will examine the efforts of China, Russia, Iran, and North Korea to evade sanctions and what these actions mean for the effectiveness of U.S. policy and U.S. tools of economic statecraft.

We will start with Ms. Kimberly Donovan, Director of Economic Statecraft Initiative at the Atlantic Council. Ms. Donovan will describe the United States' economic statecraft strategy against this group of countries and how China's support impacts the success of these measures.

Next we will hear from Ms. Elina Ribakova, Nonresident Senior Fellow at the Peterson Institute for International Economics. Ms. Ribakova will examine the China-Russia economic relationship, particularly how it has expanded since sanctions were imposed regarding the war in Ukraine.

Then we will hear from Mr. Anthony Ruggiero, Nonproliferation and Biodefense Program Senior Adjunct Fellow at the Foundation for Defense of Democracies. Mr. Ruggiero will describe how China is aiding Iran and North Korea in evading sanctions and export control programs targeting weapons technology.

Thank you all very much for your testimony. The Commission is looking forward to hearing your remarks. And I would ask that all the witnesses please keep their remarks to 7 minutes.

Ms. Donovan, we will start with you.

## OPENING STATEMENT OF KIMBERLY DONOVAN, DIRECTOR OF ECONOMIC STATECRAFT INITIATIVE, ATLANTIC COUNCIL

MS. DONOVAN: Commissioner Friedberg, Commissioner Stivers, and members of the Commission, it is an honor to speak with you today about China's role in the axis of autocracy, and specifically economic linkages and sanctions evasion. While I am currently employed by the Atlantic Council I am providing my testimony in my personal capacity. The views I express today are my own and do not represent those of the Atlantic Council.

My testimony draws from a body of research my team and I have conducted at the Atlantic Council measuring the effectiveness of economic statecraft tools targeting Russia and our assessment that China is enabling Russia, as well as Iran, to circumvent and evade Western sanctions. We have coined this network the "axis of evasion."

My testimony also draws on my prior experience as a career civil servant in the U.S. Federal Government for 15 years in the intelligence community, the Department of the Treasury, the National Security Council, and most recently head of intelligence at FinCEN. I spent my career in national security, following the money of illicit actors, terrorists, and rogue states to safeguard the U.S. financial system from abuse and protect the American public from harm. My experience has informed my understanding of sophisticated money laundering techniques and my perspectives on how U.S. adversaries work together to take advantage of the global financial system and evade U.S. sanctions.

The United States and many of its Western partners have levied significant sanctions on Russia, Iran, and North Korea. Being sanctioned by the West is one of the few things these rogue states have in common. Sanctions severely restrict these countries' access to the U.S.-led global financial system, limit their ability to trade in commodities, generate revenue, and import sophisticated technology. Many Chinese individuals and entities are also sanctioned by the United States and its allies. When the United States closed the proverbial front door to the global financial system, China opened the back door to these countries to transact and conduct trade, often outside the reach of U.S. sanctions and monitoring authorities.

Against this backdrop, my testimony today focuses on three key areas. First, China, Russia, Iran, and North Korea have constructed elaborate systems to evade U.S. sanctions; second, third-country procurement networks enable these sanctions evasion systems; third, these systems have limitations that may present opportunities for U.S. action, and I will conclude my remarks with a set of policy recommendations for consideration.

First, I would like to briefly discuss elements that create a system for sanctions evasion used by China, Russia, Iran, and North Korea, starting with the shadow fleet, which is a key tool of sanctions evasion. Russia, Iran, and North Korea use a network of old and poorly maintained tankers to transport sanctioned oil and goods while evading sanctions and maritime regulations. These ships frequently change flag registrations and obscure their ownership, allowing billions in illicit trade.

Alternative currencies and payment systems provide another mechanism for sanctions evasion. China's opaque financial system provides Iran, Russia, and North Korea the opportunity to launder the proceeds of oil exports by facilitating payments in renminbi and bypassing U.S. dollar and financial system. Further, Russia has been working to integrate SPFS payment system with China's CIPS, to facilitate cross-border payments, while Iran and North Korea use Chinese money laundering networks and witting or unwitting Chinese banks to access global markets.

Meanwhile, complex money laundering networks facilitate Iran's movement of oil

revenue through front companies and financial facilitators based in Hong Kong and the UAE, and opaque banking channels to convert RMB into more usable currency. Separately, North Korea uses Chinese and UAE-based intermediaries to launder its ill-gotten gains from cybercrime.

We are also seeing Hong Kong increasingly become a hub for sanctions evasion. China's influence over Hong Kong and the region's financial opacity allows shell companies and Chinese bank subsidiaries to provide access to the global financial system for sanctioned Russian, Iranian, and North Korean actors, potentially leveraging offshore interbank U.S. dollar clearing systems.

Finally, barter trade among sanctioned regimes allows Russia, Iran, and North Korea to bypass financial restrictions by exchanging goods and weapons directly. Russia allegedly trades food and oil for North Korean weapons, while Iran and China engage in barter transactions involving food, oil, and manufactured goods.

The second point I would like to discuss is the involvement of third-country procurement networks. While China plays a key role in sustaining these sanctioned economies, third countries help them stay afloat. India, Malaysia, and the UAE, as examples, facilitate sanctions evasion by serving as transshipment hubs and financial facilitators for Russia, Iran, and North Korea. For instance, Russia's rupee surplus from oil sales to India created the environment for India to emerge as a primary transshipment hub and the second-largest provider of sensitive technology to Russia after China.

Finally, while these countries have developed complex sanctions evasion mechanisms, they are not without limitations. China's reliance on U.S. dollar markets for now make it vulnerable to secondary sanctions and financial pressure, limiting its ability to support sanctioned states indefinitely. Further, complex money laundering schemes are costly and susceptible to disruptions and enforcement actions, while shadow fleet operations pose environmental and legal restrictions and risks that could justify broader international enforcement actions.

To conclude my remarks I would like to offer the following recommendations to address the challenges I described. Congress should direct the Administration to develop a comprehensive national security strategy and economic statecraft approach that accounts for the economic and financial ties between China, Russia, Iran, and North Korea, and considers these states as a network of actors. The strategy should include both punitive as well as positive measures to drive a wedge between these rogue states and the third countries that enable their activity.

To inform this strategy, Congress should fully resource the departments and agencies responsible for collecting and analyzing financial intelligence to assess the financial connectivity among these states and those responsible for sanctions enforcement investigations.

Congress should direct the Administration to strengthen multilateral coordination on China's involvement in sanctions evasion by enhancing information sharing and encouraging joint investigation with foreign partners into money laundering and illicit trade networks operating in China.

Congress should request the Secretary of the Department of Defense, in coordination with the Federal Reserve and other competent authorities to assess offshore interbank U.S. dollar clearing to determine if they are being used to circumvent U.S. sanctions and offer recommendations to the Federal Reserve to increase transparency.

Congress should direct funding towards anti-money laundering and countering the

financing of terrorism capacity building within the United States and abroad to strengthen the resilience of the global financial system. This includes working with India, the UAE, and Malaysia to reduce their role in facilitating sanctions evasion and encouraging Chinese authorities to identify and weed out illicit financial schemes within its financial system or risk secondary sanctions as they relate to Russia and Iran.

While I understand Congress may already be considering this, I would like to request that Congress request the executive branch to assess the environmental risk and piracy risk associated with the shadow fleet and offer recommendations to leverage international maritime law and safety regulations, in coordination with European allies, to justify seizing high-risk vessels linked to sanctioned oil.

By combining financial, economic, legal, intelligence, and diplomatic tools, the United States can increase the costs and risks for China's participation in sanctions evasion while disrupting the financial lifelines Russia, Iran, and North Korea have come to rely on.

Thank you for the opportunity to speak with you today. I look forward to your questions.

COMMISSIONER FRIEDBERG: Thank you very much. Ms. Ribakova.

**PREPARED STATEMENT OF KIMBERLY DONOVAN, DIRECTOR OF ECONOMIC STATECRAFT INITIATIVE, ATLANTIC COUNCIL**

**February 20, 2025**

**Kimberly Donovan**
**Director, Economic Statecraft Initiative, Atlantic Council**

**Testimony before the US-China Economic and Security Review Commission**
**Hearing on "An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea"**
**Panel II: Economic Linkages and Sanctions Evasion**

## I. Summary of testimony

Commissioner Friedberg, Commissioner Stivers, and members of the US-China Economic and Security Review Commission, thank you for the opportunity to provide testimony. It is an honor to speak with you today about China's role in the Axis of Autocracy and specifically on economic linkages and sanctions evasion.

While I am currently employed by the Atlantic Council, I am providing testimony in my personal capacity. The views I express today are my own and do not represent those of the Atlantic Council.

My testimony draws from a body of research my team and I have conducted at the Atlantic Council's Economic Statecraft Initiative measuring the effectiveness of economic statecraft tools targeting Russia and our assessment that China is enabling Russia as well as Iran to circumvent and evade Western sanctions. We have coined this network "the axis of evasion."

My testimony also draws on my prior experience as a career civil servant in the US federal government for 15 years in the Intelligence Community, the Department of the Treasury, the National Security Council at the White House, and most recently serving as head of intelligence at Treasury's Financial Crimes Enforcement Network or FinCEN. I spent my career in national security "following the money" of illicit actors, terrorists, and rogue states to safeguard the US financial system from abuse and protect the American public from harm. My experience has informed my understanding of sophisticated money laundering techniques and my perspectives on how US adversaries, such as China, Iran, Russia, and North Korea work together to take advantage of the global financial system and evade US sanctions that are intended to deter and disrupt their nefarious activity.

The United States and many of its Western partners have levied significant sanctions on Russia, Iran, and North Korea. Being sanctioned by the West is one of the few things these rogue states have in common. Sanctions severely restrict these countries' access to the US-led global financial system, limit their ability to trade in commodities, generate revenue, and import

sophisticated technology. Many Chinese individuals and entities are also sanctioned by the United States and its allies. When the United States closed the proverbial front door to the global financial system, China opened the backdoor for these countries to transact and conduct trade often outside the reach of US sanctions. Against this backdrop, my testimony today focuses on three key areas:

- First, China, Russia, Iran, and North Korea have constructed elaborate systems to circumvent and evade US sanctions;

- Second, third country procurement networks enable these sanction evasion systems; and

- Third, these sanctions evasion systems have limitations and vulnerabilities that may present opportunities for US action.

This assessment informs policy recommendations for Congressional consideration. A summary of which is as follows:

- Congress should require the Administration to develop a comprehensive national security strategy and economic statecraft approach that accounts for the economic and financial ties between China, Russia, Iran, and North Korea and considers these states as a network of actors. The strategy should include both punitive as well as positive or inducing measures to drive a wedge between these rogue actors and third countries that enable their activity. Foreign policy decisions related to these states can no longer be considered in silos because these actors do not operate in silos.

- Congress should invest in and resource the departments and agencies responsible for collecting and analyzing financial intelligence and information to assess the financial connectivity among these states and invest in and resource the departments and agencies responsible for sanctions enforcement and investigations.

- Congress should direct the Administration to increase information sharing and collaboration with like-minded foreign partners bilaterally and in multilateral fora to develop a comprehensive intelligence picture of the systems of sanctions evasion and jointly target vulnerabilities within the system to disrupt and deter sanctions evasion.

- Congress should request the Secretary of the Department of the Treasury, in coordination with the Federal Reserve, Departments of State and Justice, as well as the Intelligence Community, to assess offshore interbank US dollar clearing systems to determine if they are being abused by nefarious actors to circumvent US sanctions and offer

recommendations to the Federal Reserve to increase transparency of these systems and ultimately security of US dollar settlements and payment rails.

- Congress should direct funding towards anti-money laundering and countering the financing of terrorism (AML/CFT) capacity building within the United States and abroad to strengthen the resilience of the global financial system and prevent malicious actors from taking advantage of it to launder their proceeds. This includes engaging with China on AML/CFT and encouraging Chinese authorities to identify and weed out sanctions evasion within China's financial system, or risk secondary sanctions as they relate to Russia and Iran.

- Congress should request the Secretaries of the Departments of Energy, Justice, Defense, and Homeland Security (US Coast Guard), as well as the Director of National Intelligence, to assess the environmental risk and piracy risk associated with the shadow fleet and offer recommendations to leverage international and maritime law, in coordination with European allies, to hold accountable those involved in shadow fleet operations to disrupt the export and import of sanctioned Russian and Iranian oil. Congress should also request these departments and agencies to collaborate with European allies to identify the true beneficial owners of the shadow fleet tankers and hold them accountable through restrictive economic measures and/or civil or criminal legal proceedings.

## II. Introduction

Russia, Iran, and North Korea represent three different economic and autocracy models, but they have one problem in common: All three are subject to US sanctions. For decades, the United States has leveraged the dominance of the US dollar as a global reserve currency to advance its national security objectives by using sanctions to cut adversaries' access to the dollar and thereby the global financial system, with the intent of changing their nefarious behavior.[1] The United States sanctioned these rogue states for a myriad of different reasons and restricted their access to the global financial system and international markets, severely reducing their ability to move funds, trade, and generate revenue.

### *US sanctions targeting Russia*

Following Russia's invasion of Ukraine in 2014 and again in 2022, the United States and its Western partners took unprecedented joint action to restrict Russia's access to the global financial system, reduce its revenue from commodity exports, and restrict its import of sophisticated technology to limit Russia's success on the battlefield. The financial sanctions

include a secondary sanctions clause that provides Treasury authority to designate foreign financial institutions that continue to transact with sanctioned parties, greatly expanding the reach of the sanctions.[2] The United States and several of its Western partners have also sanctioned Russian individuals and entities for a range of nefarious activity[3] including election interference,[4] cybercrime,[5] corruption, and human rights abuses.[6]

***US sanctions targeting Iran***

Iran has been subject to US sanctions since 1979, when the Islamic Republic seized the US Embassy in Tehran and took US hostages at the start of the revolution. US sanctions on Iran are the most extensive and comprehensive set of economic measures that the United States maintains on any foreign country, including Russia, and financial activity with Iran is subject to US secondary sanctions.[7] The intent of the sanctions is to change the Iranian regime's behavior, including its support for terrorism and its disruptive activities in the Middle East, human rights abuses against its people, and nuclear proliferation ambitions.

US sanctions on Iran block Iranian government assets in the United States, prohibit foreign assistance and arms sales, and ban nearly all US trade with Iran, except for humanitarian carve outs such as medicine and medical supplies. During the maximum economic pressure campaign President Trump undertook during his first term, the United States sanctioned nearly every sector of Iran's economy in addition to designating thousands of individuals and entities that are a part of or associated with the regime. In addition to OFAC-administered sanctions, Treasury's FinCEN found the entire jurisdiction of Iran to be a primary money laundering[8] concern in 2019 pursuant to Section 311 of the USA PATRIOT Act, further isolating Iran from US correspondent banks[9] and the financial system.

***US sanctions targeting North Korea***

The United States maintains a sophisticated sanctions regime on North Korea,[10] consistent with United Nations Security Council Resolutions[11] and US foreign policy. North Korea, like Iran, is designated by the State Department as a state-sponsor of terrorism.[12] The United States has sanctioned North Korea for nuclear proliferation, ballistic missile procurement, cybercrime, and human rights abuses among other issues. As a result, North Korea is isolated from the international community and global financial system and is increasingly dependent on China for connectivity and access to goods and services.

***China's role in evading US sanctions***

Chinese individuals, entities, and financial institutions have found themselves subject to a variety of US sanctions due to corruption and human rights abuses,[13] cybercrime,[14] and sanctions and

export control evasion.[15] These sanctions, when coupled with strategic geopolitical and economic competition with the United States, as well as China's need for cheap energy, provide a motive for China to work with Russia, Iran, and North Korea to evade Western sanctions. Meanwhile, these states have found a powerful economic ally in China and are increasingly dependent on China for access to the global financial system and international markets.

China, Russia, Iran, and North Korea have developed trade systems that bypass Western financial systems and shipping services. In this system, payments are denominated in Chinese currency and processed through China's opaque financial system. Meanwhile, goods and commodities, such as oil, are carried by the "shadow fleet" tankers that operate outside of maritime regulations and take steps to obscure their operations.

Propping up three heavily sanctioned autocracies plays into China's geopolitical objective of undermining US global influence, while also reaping economic benefits. China saved a reported $10 billion dollars in 2023 by importing sanctioned oil from Iran, Russia, and Venezuela.[16] While North Korea does not provide much economic benefit to China, it is a strategic and political ally that keeps US influence in check on the Korean peninsula and broader Indo-Pacific region.

## III. Systems for sanctions evasion

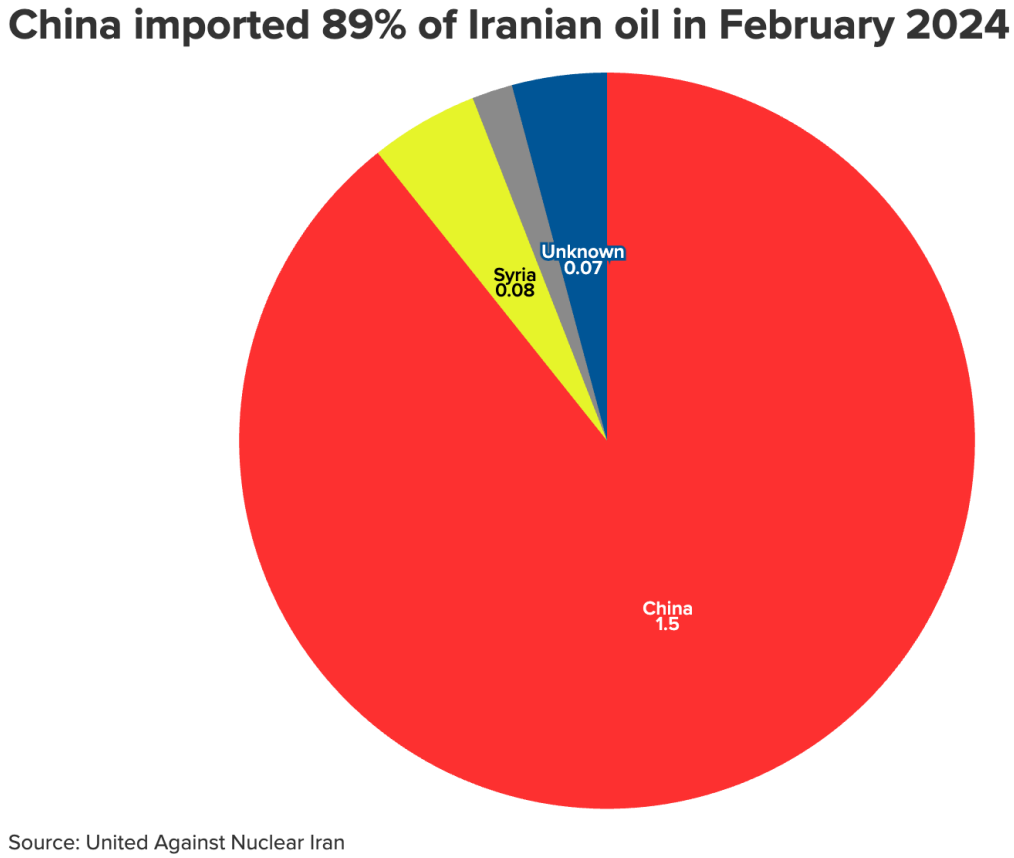
While China's trade models with Russia, Iran, and North Korea differ, they all share elements that create the system for sanctions evasion: (1) the shadow fleet, (2) alternative currencies and payment systems, and complex money laundering schemes, and (3) barter trade.

### *The shadow fleet*

Russia, Iran and North Korea use the global shadow fleet to bypass Western shipping services while transporting sanctioned cargo. The shadow fleet is composed of aging and poorly maintained vessels with opaque ownership structures.[17] They often change flag registrations and take steps to obscure their operations.[18] The size of the global shadow fleet has increased tremendously since Russia's invasion of Ukraine, currently comprising 17 percent of all oil tankers.[19]

North Korea uses the shadow fleet and deceptive shipping practices to import luxury goods, technology, and refined petroleum,[20] in turn exporting its sanctioned weapons to countries like Russia.[21] Meanwhile, Iran and Russia have used the shadow fleet to export oil to China. Thanks to the shadow fleet, Iran's oil exports reached $53 billion in 2023.[22] China buys the majority of Iranian oil[23] and in February 2024, imported 89 percent [24] of Iran's oil, at an estimated 1.5 million barrels per day. Likewise, the shadow fleet, responsible for 90 percent of Russia's seaborne crude oil exports, generated an extra $9.4 billion revenue for Russia in the first eleven

months of 2024.[25] In 2024, China reportedly imported 2.17 million barrels per day, marking a 1 percent increase from 2023 and a record high for Chinese imports of Russian oil.[26]




The growth of the global shadow fleet since 2022 is a direct result of Western sanctions on Iran, Russia, and North Korea and a consequence of the lack of beneficial ownership information on the buyers of these tankers. The number of tankers sold to undisclosed buyers more than doubled from 2021 to 2022. The undisclosed buyers of European tankers were most likely shell companies or individuals representing Russian beneficial owners of the shadow fleet tankers.[27] The Financial Action Task Force (FATF),[28] and intergovernmental organization founded in 1989 by the Group of 7 (G7) to develop policies and international standards to combat money laundering and the financing of terrorism, has previously recommended its member states to make the identities of true owners of companies available to competent authorities. This would help European companies identify if they are selling tankers to sanctioned Russian or Iranian buyers, prevent further growth of the global shadow fleet, and disrupt Russia and Iran's sale of its sanctioned oil to China.

***Alternative currencies, alternative payment systems, and complex money laundering schemes***

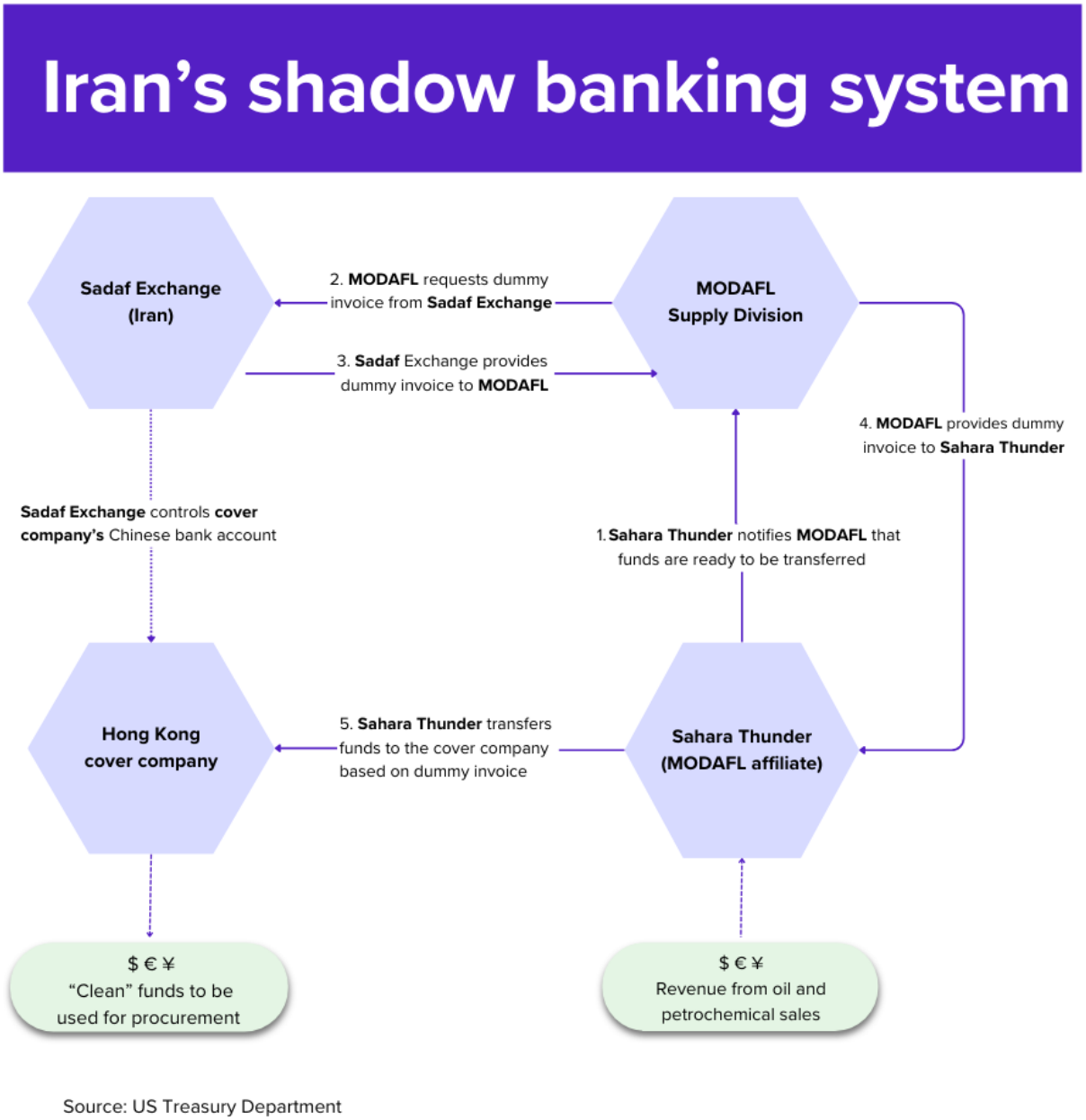
Iran, Russia, and North Korea take advantage of China's opaque financial system and payment systems to launder the proceeds of oil exports.[29] Meanwhile, Russia, which is not as heavily sanctioned as Iran or North Korea and has a more sophisticated banking system, has sought to blunt the blow of sanctions by adapting its financial system to use Chinese renminbi (RMB) and connecting its financial system to China's. Finally, North Korea, which does not have considerable oil or natural resources, uses China's financial system to launder the proceeds of cybercrime, which often involves converting cryptocurrencies to fiat currencies, including RMB.

***Iran's schemes for laundering the proceeds of oil exports to China***

Small Chinese independent refineries called "teapots", which absorb 90 percent of Iranian oil, are believed to be paying[30] Iranian companies in RMB using smaller US-sanctioned financial institutions such as the Bank of Kunlun.[31] In this case, Iranian companies are accumulating RMB which can create challenges for the Iranians because Chinese currency is not entirely freely tradeable. Since Iranian companies cannot spend RMB outside of China, they have to buy Chinese goods. In 2023, Iran imported $10 billion worth of goods from China, mostly vehicles, machinery, and electronic equipment.[32] Thus, out of the reported $53 billion Iran made from oil exports in 2023, $10 billion could have been used to buy Chinese goods in RMB through small Chinese banks.[33] Assuming that this is the case, Iran would still have to launder the rest of the $43 billion through the global financial system in order to use it.

Recent investigations of the transaction scheme between Iranian oil companies and Chinese refineries revealed that Iran uses a complex web of financial facilitators and front companies to move dollars and euros through the global financial system.[34] Iran is reported to have about $53 billion dollars and €17 billion euros parked abroad.[35] This money laundering scheme consists of the (1) financial departments of the Iranian oil companies, (2) local Iranian money exchanges handling illicit payments for oil companies, and (3) front companies or "trusts" abroad. These front companies maintain accounts with Chinese banks, which provides them access to the global financial system. It has been speculated that large Chinese banks could be processing transactions for these front companies unwittingly, in addition to smaller provincial banks. While it is difficult to assess if the Chinese government is wittingly involved or has "blessed" this scheme, the government willingly buys sanctioned Iranian oil and is in a 25-year agreement with Iran to build economic, diplomatic, and security cooperation, which increases the likelihood of their awareness.[36]

In June 2024, the Treasury Department sanctioned the shadow banking network that moves billions of dollars for Iran's Ministry of Defense and Armed Forces (MODAFL) and Revolutionary Guard Corps (IRGC), which generate revenue through the sale of Iranian oil and petrochemicals.[37] Treasury's designation targeted 27 cover companies in Hong Kong and the United Arab Emirates (UAE) that facilitated MODAFL's sanctions evasion activity.




Source: US Treasury Department

More recently, on February 6, the Treasury Department also sanctioned a global network of entities, individuals as well as vessels across China, India, and the UAE for facilitating oil shipments for the front company of Iran's Armed Forces General Staff (AFGS).[38] Iranian oil sales to China, facilitated by this network of front companies and brokers, have generated billions of dollars for the Iranian regime, which uses the revenue to fund terrorist organizations like Hizballah and Hamas.

***Russia's adoption of RMB and efforts to connect the Chinese payment system with the Russian alternative of SWIFT***

Since Russia has faced a gradual escalation of sanctions dating back to 2014, rather than a single overwhelming strike, it has had time to adapt its financial system to utilize the RMB. In 2024, Russia-China trade reached an all-time high of $244.8 billion,[39] a staggering 74 percent growth from the $141 billion[40] in 2021. At the same time, in July of last year, the share of RMB in Russia's foreign exchange market reached almost 100 percent.[41] Setting up the energy-for-technology trade model with China and switching to the use of RMB threw a lifeline to the Russian financial system and significantly mitigated the effects of Western sanctions.

However, after the United States established the Russia secondary sanctions authority and expanded the definition of Russia's military-industrial complex in 2024, Chinese banks became cautious about transacting with sanctioned Russian entities.[42] As a result, oil payments from Chinese banks were either suspended or delayed.[43] On January 10 of this year, the Treasury Department designated two of Russia's most significant oil producers and exporters and their subsidiaries—Gazprom Neft and Surgutneftegas—which was by far the most powerful measure taken against Russia's energy sector.[44] These two companies and their subsidiaries handle more than a quarter of Russia's seaborne oil exports, and sanctioning them could severely restrict Russia's energy revenues this year.[45] One consequence of the January 10 designation is that China and India have suspended[46] March purchases of Russian oil and started looking for alternative oil suppliers in the Middle East.[47]

On the payments side, Russia has developed its own version of SWIFT called SPFS (Sistema Peredachi Finansovykh Soobcheniy) and developed a national payment system, MIR, to avoid reliance on payment platforms run by US companies including Mastercard, Visa, and American Express.

In the beginning, SPFS served as a messaging platform only for domestic banks. However, the platform's international reach expanded significantly in 2022, when the West deSWIFTed ten major Russian banks (but still left 314 Russian banks in the system).[48] In 2024, the Russian News Agency reported that over 160 non-residents from twenty countries have joined SPFS, including financial institutions from Armenia, Cuba, and Central Asia.[49] The reported number of total participants is currently 557.[50]

To deter sanctions evasion through SPFS, the US Treasury Department's Office of Foreign Assets Control (OFAC) issued an alert, warning foreign financial institutions that joining SPFS will be considered sanctionable activity.[51] OFAC considers SPFS part of Russia's financial sector, indicating that any financial institution that joins or has already joined SPFS could be sanctioned pursuant to Executive Order 14024.

Russia has been working towards integrating SPFS with China's CIPS (Cross-Border Interbank Payment System). CIPS is an RMB clearing and settling mechanism which relies on SWIFT to transmit bank messages.[52] Since SPFS has a similar function as SWIFT, connecting SPFS with CIPS would allow Russian banks to transact with Chinese banks without having a Western sanctions-compliant intermediary in the middle. However, Russia's plans will likely be hindered by Chinese concerns about the secondary sanctions risk associated with SPFS.

Russia's MIR National Payment System[53] has also been identified and sanctioned by OFAC[54] as a mechanism for Russia to reconstitute cross-border payments and evade US sanctions. The Russian Central Bank developed MIR after US sanctions restricted Russian access to cross-border payment networks following Russia's 2014 invasion of Crimea. MIR is used domestically in Russia and is also accepted in a handful of countries including Iran, Cuba, Belarus, and Venezuela. MIR has recently connected with Iran's Shetab interbank network to allow for the use of their respective bank cards across their jurisdictions.[55] Russian banks also issue co-badged MIR – UnionPay cards, allowing Russians to leverage China's expansive UnionPay payment network that is accepted in 180 countries.[56]

***How China-based financial facilitators launder North Korea's ill-gotten cryptocurrencies***

North Korea has set up an extensive network of front companies to evade sanctions and launder the proceeds of cybercrimes, particularly in countries such as China, Russia, and Southeast Asia. State-sponsored hacking groups, most notably the Lazarus Group, are responsible for cyberattacks targeting financial institutions and cryptocurrency exchanges. Once illicit gains are converted into hard currency through money laundering schemes, they are used to procure technology and materials for North Korea's nuclear program.

While China officially supports United Nation sanctions on North Korea, its loose regulatory environment in certain regions—especially in provinces bordering North Korea—allows for minimal oversight. Chinese companies, particularly those in shipping and finance, act as intermediaries for North Korean front companies, enabling illicit transactions that support the regime's activities. This also includes the use of Chinese financial institutions, such as the US sanctioned Bank of Dangdong, to move money and bypass international scrutiny.[57] While China is often criticized for not fully enforcing sanctions, it continues to play an indirect but significant role in facilitating North Korea's sanctions evasion.

For example, the Department of Justice uncovered that Hong Kong-based financial facilitators helped North Korean hackers launder the proceeds of ransom payments. In July 2024, the Department of Justice charged one of the members of the North Korean hacking group Andariel for extorting ransom payments from US hospitals and using the proceeds to fund hacks into government agencies and defense companies across the globe.[58] Andariel received ransom

payments in cryptocurrency and converted them to hard currencies, including in RMB, with the help of Hong-Kong-based facilitators.

Just a few months later, in December 2024, the Treasury Department, in partnership with the UAE, sanctioned a UAE-based front company and two Chinese nationals who were facilitating money laundering and cryptocurrency conversion services that channeled illicit funds back to North Korea.[59] Illicit funds were obtained through cybercrime and fraudulent information technology worker schemes.[60] The sanctioned Chinese individuals were acting on behalf of OFAC-sanctioned Sim Hyon Sop, China-based banking agent for North Korea who coordinates money laundering operations to finance the regime.

The United States' vigilance and thorough investigation of North Korea's sanctions evasion and money laundering schemes is essential for thwarting the advancement of North Korea's weapons programs. This will require cooperation and information-sharing with partners such as the UAE, and stronger messaging about the threat and implications of sanctions with China.

***Hong Kong as a hub for sanctions evasion***

China's opaque financial system and decreasing transparency in economic and financial data make it difficult to determine exactly how Chinese banks are transacting with Iran, Russia, and North Korea, and granting them access to the global financial system.[61] However, recent investigations[62] and several Treasury[63] and Commerce[64] actions point towards Hong Kong. Many international banks still treat Hong Kong as a global financial hub, but Beijing is cracking down and has significant influence over the so-called "special administrative region."[65] Notably, in 2022, Hong Kong's Chief Executive John Lee said that the city would not implement US sanctions on Russia, raising concerns that Hong Kong would become a permissible environment for sanctions evasion.[66] It is important to note that Western financial institutions operating in Hong Kong are required to comply with Western sanctions. However, several Chinese banks have subsidiaries in Hong Kong and Iranian,[67] Russian,[68] and North Korean[69] actors use shell companies[70] with complex ownership structures to get around sanctions compliance screening measures, which ultimately provide them access to the global financial system and US dollar.

A unique aspect of the Hong Kong financial sector is USD CHATS, the US dollar Clearing House Automated Transfer System and interbank real-time gross settlement system. USD CHATS was established in 2000 to process US dollar interbank payments in real time, as well as bulk US dollar clearing and settlement of cheques and stock market related payments.[71] The Federal Reserve authorized Hong Kong, Tokyo, Singapore, and Manila as official offshore US dollar clearing centers to alleviate delays in transaction timelines due to the time difference between these financial hubs and the United States.[72] USD CHATS is considered to be a safe and efficient settlement platform for US dollar interbank payments settled in commercial bank

money.[73] However, competent authorities in the United States do not have direct oversight of this payment or other off-shore interbank dollar clearing platforms for monitoring purposes. This lack of monitoring and transparency may create a vulnerability that enables Chinese banks, wittingly or unwittingly, to clear dollars on behalf of sanctioned entities.[74] US competent authorities should consider conducting an assessment of off-shore interbank dollar clearing systems and sanctions evasion risks to identify and address potential money laundering and/or mitigate concerns that have been raised by journalists about these systems.[75]

***Barter trade among sanctioned regimes***

Barter trade is another technique sanctioned regimes have adopted to trade with one another. Despite being antiquated, inefficient, and inapplicable in most situations, the desperation caused by sanctions has pushed Russia, Iran, and North Korea to use barter to exchange sanctioned goods with one another and China. Barter trade creates a black hole for US sanctions enforcement authorities because it completely bypasses the financial system. For example, North Korea is believed to be shipping weapons to Russia through the shadow fleet tankers and receiving food and oil in exchange. Russia's arms deal with North Korea is estimated to range between $1.72 and $5.52 billion but since the weapons trade was likely conducted through barter trade or a mix of barter and cash, the transactions cannot be tracked or blocked.[76]

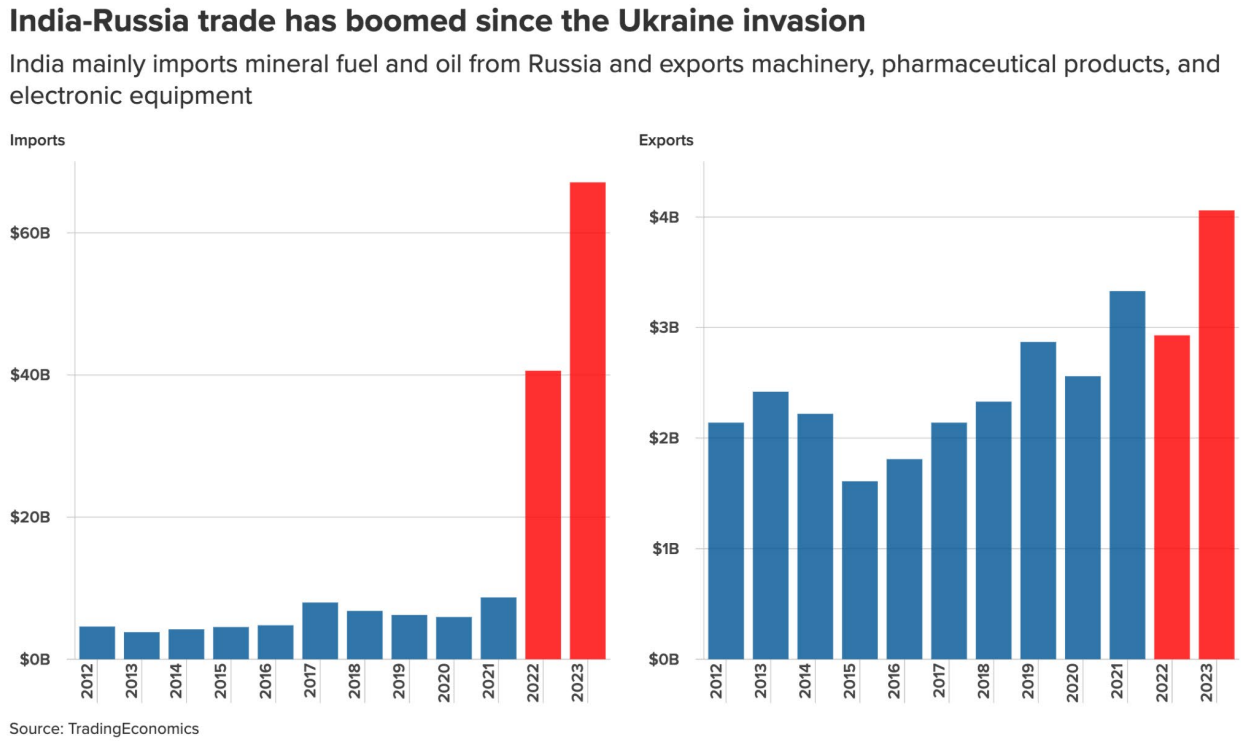
Iran, China, and Russia also have a history of using barter trade to bypass the global financial system. In 2021, a Chinese company exported auto parts to Iran in exchange for $2 million worth of pistachios. In the summer of 2024, Russian bank officials claimed that Russia was preparing a barter trading scheme with China and developing regulations for barter trade.[77] Russia has also been actively working on barter trade with Iran, primarily to exchange weapons.[78]

While US sanctions enforcement authorities will face difficulties in monitoring or preventing barter trade, it will be even more challenging to arrange such transactions. Pairing two companies that mutually require each other's products with comparable valuations is a difficult task. Sanctioned regimes are likely to keep barter trade as an option but will keep using alternative currencies or money laundering schemes as the primary sanctions evasion activity.

**IV. How third countries enable the Axis of Evasion**

While China plays a key role in sustaining the sanctioned economies of Iran, Russia, and North Korea, third countries also play a significant role in keeping them afloat. Last year, India emerged as a primary transshipment hub and the second largest provider of sensitive technology to Russia after China. Largely fueled by oil sales, India's total imports from Russia surged from approximately $9 billion in 2021 to $67 billion in 2023.[79] India paid Russia in rupees for a part

of these imports, leaving Moscow with a significant surplus of rupees it could not spend elsewhere, mirroring its RMB dilemma with China.[80]




Based on leaked documents, the *Financial Times* reported that Russia's Industry and Trade Ministry made a secret plan by October 2022: Russia would purchase sensitive technology from India worth 82 billion rupees (about one billion dollars) using funds accumulated by Russian banks from oil exports.[81] The transactions would occur within a "closed payment system between Russian and Indian companies", including through digital assets, bypassing Western oversight.[82] Although verifying whether the plan succeeded is challenging, it is reasonable to assume that it did, as India has become Russia's second largest technology provider, and deSWIFTed Russian banks maintain presence in India which could potentially facilitate payments in local currencies and outside Western monitoring.

## DeSwifted Russian banks' presence in India

| Russian bank | deSwifted | Secondary sanctions | Branch(es) in India | Sanctioned by |
|---|---|---|---|---|
| Sberbank | ✅ | ✅ | ✅ | US, UK, EU, Canada, Switzerland, Australia, Japan |
| VTB | ✅ | ✅ | ✅ | US, UK, Canada, Switzerland, Australia |
| VEB | ✅ | ✅ | ✅ | US, Canada, Switzerland, Australia, Japan |
| Promsvyazbank | ✅ | ✅ | ✅ | US, UK, EU, Canada, Switzerland, Australia, Japan |
| Moscow Credit Bank | ✅ | ✅ | ❌ | US, Switzerland |
| Bank Otkritie | ✅ | ✅ | Unknown | US, UK, Canada, Switzerland, Australia |
| Russian Agriculture Bank | ✅ | ❌ | ❌ | US, UK, Canada, Switzerland, Japan |
| Sovkombank | ✅ | ✅ | Unknown | US, UK, Canada, Switzerland, Japan |
| Novikombank | ✅ | ✅ | ❌ | US, UK, EU, Canada, Switzerland, Australia, Japan |
| Bank Rossiya | ✅ | ❌ | Unknown | US, UK, EU, Switzerland |

Sources: Bankiros, OFAC Sanctions Search, S&P Global, Russia Sanctions Database, European Parliament • The chart includes 10 out of Russia's 324 banks that have been deSwifted and sanctioned.

Since Treasury's January 10 designation[83] of the two major Russian oil producing and exporting companies and 200 tankers of the shadow fleet, India started blocking payments for Russian oil imports and will not let sanctioned tankers enter Indian ports after March 12.[84] Sanctioned Surgutneftegaz and Gazprom Neft accounted for 20 percent of Russian oil exports to India, while sanctioned tankers used to carry 25 percent of all deliveries.[85] Indian refineries have reportedly entered agreements to purchase crude oil from the UAE and Oman.[86] While this is a welcome step on India's part, Indian authorities should also work towards ensuring that Indian financial institutions cut ties with sanctioned Russian banks as well as any potential connections with SPFS.

Meanwhile, Malaysia has been instrumental in facilitating Iran's oil exports to China. While China imported almost all[87] Iranian oil in 2024, Chinese customs did not report any crude oil imports from Iran that year.[88] However, China's oil imports from Malaysia—often recognized as a transshipment hub for sanctioned Iranian and Venezuelan oil—increased by 28 percent last year.[89] Notably, the volume of Malaysia's crude oil exports to China exceeds Malaysia's crude

oil production capacity. This could indicate that the oil Malaysia exports to China is in fact blended or rebranded Iranian oil.

The UAE, in addition to being a global financial hub, has also become a global evasion hub for Iran, Russia, and North Korea.[90] A substantial portion of entities within Iran's sanctioned shadow banking network operate out of the UAE. UAE-based foreign exchange houses and front companies have enabled sanctioned Persian Gulf Petrochemical Industry Commercial Co. (PGPICC) to facilitate sales of Iranian petrochemicals worth billions of dollars to foreign buyers.[91] The UAE quickly became a popular destination for sanctioned Russian individuals and companies as well. Shortly after Russia's invasion of Ukraine started, now-sanctioned Russian companies, such as private equity company Huriya, moved their assets into UAE institutions to protect them from sanctions.[92] Financial facilitators based in the UAE have also been instrumental in laundering the illicit proceeds of North Korean hackers.

UAE-based entities and individuals have been included in the recent tranches of designations against Russia,[93] Iran,[94] and North Korea.[95] Notably, UAE authorities worked closely with the Treasury Department in targeting the North Korean money laundering network and have historically taken targeted action against exchange houses facilitating Iranian transactions. However, policy alignment between UAE and the United States appears less evident when it comes to comprehensive sanctions enforcement against Russia and Iran. It is important to remember that, China is UAE's largest trading partner and Abu-Dhabi is balancing its relationships with the United States and China amid increasing competition between them and their competing foreign policy interests and demands.[96] A thorough investigation, increased information sharing, and possible secondary sanctions designation of UAE-based financial institutions facilitating Russian and Iranian sanctions evasion activity could be needed to prevent illicit actors from taking advantage of the UAE's financial system.

## V. Limitations in the Axis of Evasion

The axis of evasion has developed complex mechanisms to evade US sanctions, but they are not without limitations.

### *China needs access to the US dollar and market*

The dominance of the dollar is a vulnerability and a significant limitation for China's, as well as the third countries described above, willingness to support sanctioned regimes. China's economic strength[97] is derived from its exports and dominance over supply chains, while the United States' economic power resides in the dominance of the dollar[98] in international trade and the global financial system. According to Atlantic Council analysis, the US dollar and euro together make up 80 percent of global foreign exchange reserves and the dollar remains the most

important currency in international banking.[99] While China has been able to maneuver within the financial system and evade sanctions to continue trade with Russia, Iran, and North Korea, it still needs access to the US dollar and market to bolster its dragging economy,[100] poor domestic consumption, and issues of overcapacity.[101]

China is Russia's largest trading partner, especially after Western governments levied sanctions on Russia in response to the war in Ukraine. However, following the Treasury Department's June action[102] expanding the scope of secondary sanctions against Russia to include all persons blocked by Executive Order 14024, such as designated Russia banks such as VTB Bank and Sberbank, we saw Chinese banks retreat from transacting with sanctioned Russian entities.[103] While political will between Russia and China remains intact and Chinese banks ultimately found workarounds to the threat of secondary sanctions, Russian imports from China declined by one percent in the first half of 2024 due to payment problems.[104] China finds itself in a precarious balancing act. The fact that Chinese banks restricted their exposure to sanctioned Russians signals concern within China about the potential of losing access to the US dollar and global financial system. As Russia, Iran, and North Korea increase their financial linkages and economic ties to China, China increases its exposure to sanctioned entities, which increases the sanctions risk for its financial institutions.

***Complex money laundering schemes are costly and vulnerable to disruption***

The complex money laundering schemes discussed in this testimony are costly. Moving funds through shell companies and constantly needing to obscure the true beneficial owner of an asset takes time and money, which can drain an adversary's resources.

US authorities continue to identify money launderers and financial facilitators, key nodes that enable this network of rogue states to evade sanctions and target them with sanctions and other enforcement actions, including civil and criminal penalties.[105] While these actions can create a "whack-a-mole" solution, they are disruptive and have an effect on the broader money laundering network.[106] Effective disruption of the axis of evasion network requires intelligence collection, analysis, as well as targeting investigations, and sanctions enforcement. Over the years, Congress has allocated greater resources to Treasury and Commerce to enhance their targeting capabilities. However, these teams remain exceptionally small relative to the size of their missions. As a result, enforcement cannot keep up. While the enforcement teams across Treasury, Commerce, and Justice, have taken considerable action through the Disruptive Technology Strike Force,[107] the REPO Task Force,[108] and the recently disbanded Task Force KleptoCapture,[109] to name three specific efforts, they are often faulted for not more aggressively enforcing sanctions. To effectively disrupt the axis of evasion and its money laundering schemes, the departments and agencies tasked with enforcing sanctions need to be resourced to do it.

***US efforts are bolstered by multilateral action***

US allies and foreign partners have taken considerable restrictive economic action targeting Russia, Iran, and North Korea. North Korea and to an extent Iran, remain under United Nations sanctions as well as unilateral sanctions taken by key European and FVEY (Five Eyes intelligence alliance between the United States, United Kingdom, Australian, New Zealand, and Canada) partners. Russia, while not subject to United Nations sanctions, is heavily sanctioned by G7 partners and a broader Western coalition because of its invasion of Ukraine. Chinese entities, especially in Hong Kong, are also subject to sanctions by the United States and its allies. These multilateral efforts extend the reach of sanctions and have further restricted these rogue states' access to the global financial system, by limiting their access to payment rails that carry the yen, euro, pound, and other currencies. Increased information sharing and collaboration with foreign partners bilaterally and multilaterally can result in more coordinated action to disrupt sanctions evasion.

***The Shadow Fleet is an environmental disaster waiting to happen***

As discussed, the shadow fleet that the axis of evasion relies on to export and import sanctioned oil is made up of old tankers that are not deemed seaworthy. Iranian ship-to-ship transfers in the Persian Gulf resulted in a major oil spill last October.[110] Meanwhile, Russian oil tankers have recently been in the news for splitting in half at sea[111] and experiencing explosions while at ports,[112] highlighting the environmental risks associated with using old ships and deceptive practices to transport oil. This presents a massive vulnerability for Russia and Iran in particular. European countries are beginning to consider implementing international law to seize Russian tankers pursuant to environmental or piracy grounds.[113] Russia and Iran's mechanism for exporting their sanctioned oil could be severely disrupted if the United States were to join European efforts to hold Russia, Iran, and countries like China that buy shadow fleet oil, accountable for environmental damage and risk associated with the shadow fleet.

**VI. Conclusion and Policy Recommendations**

In conclusion, China maintains economic and financial ties with Russia, Iran, and North Korea that enable sanctions evasion, while undermining US and partner actions to counter these rogue states. Further, the money laundering techniques these actors employ undermine the integrity, security, and stability of the US-led global financial system. China's economic ties and financial connections with Russia, Iran, and North Korea will continue to grow if left unchecked. To resolve these challenges, I offer the following recommendations for Congressional consideration:

- Congress should require the Administration to develop a comprehensive national security strategy and economic statecraft approach that accounts for the economic and financial

ties between China, Russia, Iran, and North Korea and considers these states as a network of actors. The strategy should include both punitive as well as positive or inducing measures to drive a wedge between these rogue actors and third countries that enable their activity. Foreign policy decisions related to these states can no longer be considered in silos because these actors do not operate in silos.

- Congress should invest in and resource the departments and agencies responsible for collecting and analyzing financial intelligence and information to assess the financial connectivity among these states and invest in and resource the departments and agencies responsible for sanctions enforcement and investigations.

- Congress should direct the Administration to increase information sharing and collaboration with like-minded foreign partners bilaterally and in multilateral fora to develop a comprehensive intelligence picture of the systems of sanctions evasion and jointly target vulnerabilities within the system to disrupt and deter sanctions evasion.

- Congress should request the Secretary of the Department of the Treasury, in coordination with the Federal Reserve, Departments of State and Justice, as well as the Intelligence Community, to assess offshore interbank US dollar clearing systems to determine if they are being abused by nefarious actors to circumvent US sanctions and offer recommendations to the Federal Reserve to increase transparency of these systems and ultimately security of US dollar settlements and payment rails.

- Congress should direct funding towards AML/CFT capacity building within the United States and abroad to strengthen the resilience of the global financial system and prevent malicious actors from taking advantage of it to launder their proceeds. This includes engaging with China on AML/CFT and encouraging Chinese authorities to identify and weed out sanctions evasion within China's financial system, or risk secondary sanctions as they relate to Russia and Iran.

- Congress should request the Secretaries of the Departments of Energy, Justice, Defense, and Homeland Security (US Coast Guard), as well as the Director of National Intelligence, to assess the environmental risk and piracy risk associated with the shadow fleet and offer recommendations to leverage international and maritime law, in coordination with European allies, to hold accountable those involved in shadow fleet operations to disrupt the export and import of sanctioned oil. Congress should also request these departments and agencies to collaborate with European allies to identify the true beneficial owners of the shadow fleet tankers and hold them accountable through restrictive economic measures and/or civil or criminal legal proceedings.

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**OPENING STATEMENT OF ELINA RIBAKOVA, NONRESIDENT SENIOR FELLOW, PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS**

MS. RIBAKOVA: Thank you so much. Honorable members of the Commission and esteemed staff, it is an honor to be presenting here today. I am presenting my work here from more than 15 years in the financial industry and then also 10 years at the International Monetary Fund, and most recently the think tanks, Peterson, Bruegel, and the Kyiv School of Economics. Some of my work is joint work with my colleagues, and I am sure will be increasingly more familiar with that work.

There are several key messages that I would like to deliver. The first one is that the relationship between Russia and China has indeed changed dramatically in recent years, particularly after the beginning of the full-scale invasion on Ukraine and imposition of sanctions on Russia. If you think about Russia and China, they should have been working already more closely before, but the relationship has exploded in recent years. So now China is the largest trade partner for Russia, now moving aside Europe, and becoming the largest trade partner for Russia.

The issue, however, here is that the relationship is symbiotic but deeply asymmetric. So if China now accounts for more than 34 percent of whole trade turnover, imports and exports, for Russia, Russia accounts for only 4 percent of trade turnover for China. So it is a very small partner for China but not always an insignificant one.

However, for Russia, China is the most critical enabler. Without China, Russia won't have the revenues, and my colleague, Kimberly, has talked here about -- we can elaborate later -- and neither would have the critical components for its war machinery to continue to war in Ukraine and also to undermine the rules-based global order.

However, the relationship between the two is not without limits, and again, my colleague already highlighted that here. But China is not fully embracing Western sanctions, but at the same time, in the way of financial sector sanctions, it is very careful not to cross the red lines. Putin and President Xi have recently announced that more than 90 percent of trade between Russia and China is done in local currencies, in ruble and yuan. Nonetheless, in 2024, we have seen a slowdown in trade, and some months even a reduction in trade between the two countries because they were looking for schemes for sanctions evasion. And this is already after a lot of the settlement has been happening in local currencies. Nonetheless, they need the Western-based, the U.S.-based payment system to be able to circumvent sanctions, and they are struggling to find them. So as you have discussed in the earlier session, BRICS is not very interested in embarking on these kind of alternative payment systems. So there are indeed limits.

The other limit is also from the Russia side. Now, yuan is the largest currency on the local market, foreign currency, in Russia. It is on the exchange and also over the counter. But at the same time it exposes Russia to a currency that is severely under capital controls, where we have ambiguity about the balance of payments of Chinese data, and it is fully at sort of the mercy of Chinese authorities. So Russians themselves are beginning to worry about this exposure, the excessive use of yuan, which is a very highly controlled, not very liquid currency for Russia, as well.

So we should not forget that the challenge posed by Russia and China to the rules-based international order is a joint, concerted effort. Russia has now become severely indebted to China. For example, if we were to approach Russia now, if there would be a settlement in Ukraine and maybe some relief for sanctions, you could quickly find yourself in a situation

where Russia would be supporting China for sanctions circumvention. So they are working together.

And for China, Russia is providing an important tool to promote renminbi internationalization, or maybe also to undermine some of the global systems. For China, Russia is an important test case for sanctions and export controls. It is not only us here investigating the export controls on Russia but China is also looking for practical ways, and using Russia as a test case, to find these alternative systems.

So my key recommendations for this Commission and for Congress are three ways. The first one, and again, my colleagues have been talking about, is the energy sanctions. Energy revenues account for more than 30 percent of Russia's federal budget, and the reason that they are so successful in financing the war is because China, and also India, have increased purchases of Russian oil. Russian oil to China rarely goes below the oil price cap, because we don't have the reach, partially because of the shadow fleet but partially because of difficulties in implementation of the oil price cap. We could look into the solution where U.S., as the large energy producer and exporter, could look to substitute away Russian oil from the market. We have seen alarmist conversations about what one or two million dollars barrels per day could do to the market, but indeed, with the high production from the U.S., and potentially its partners, it could potentially fully replace Russian oil. Also, at the lower level of oil price cap, Russia can continue to export because their cost of production is in the 20s, and therefore it would still be profitable for them to have a price cap at 60 or 50 even.

The second one is we need to focus on examining Russian sanctions as a test case for any further application sanctions. Russia is not an ideal proxy to China, just like Iran was not an ideal proxy to Russia's sanctions analysis, but nonetheless, that is what we have. Russia is highly integrated into global markets, and it gives us an important test case. We are doing this analysis and China is doing this analysis.

So in this respect it is particularly important to focus on export controls, because China is helping Russia to evade export controls. Therefore, if indeed we would like to change or ease off 'our application of export controls on Russia, we would see potentially Russia helping China to evade export controls, and I would present you the same wonderful charts I have in my testimony. I will just change the country names in those charts.

And finally, we should continue to leverage the primacy of the U.S. base financial systems. This is not just about the use of the dollar. It is about the critical node that the U.S. and other countries are still controlling into the global payment systems. That is often misunderstood. It is not just about the use of the dollar and dollar clearing but it is also about the payments, the messaging systems that we can use. And as an example of Russia-China relationships, particular difficulties in 2024 in settling trade show that this power of the financial sanctions remains still largely intact.

With that I would like to conclude and just remind you that it is indeed a joint effort between these two countries. They are very close. It is an asymmetric but still a symbiotic relationship, and if we were to ease off, just like the two vessels that communicate with water, if we were to ease off on one it is likely to pop up in the other.

Thank you so much.

COMMISSIONER FRIEDBERG: Thank you. Mr. Ruggiero.

**PREPARED STATEMENT OF ELINA RIBAKOVA, NONRESIDENT SENIOR FELLOW, PETERSON INSTITUTE FOR INTERNATIONAL ECONOMICS**

**Elina Ribakova**

**US-China Economic and Security Review Commission**

**February 20, 2025**

**Economic Linkages and Sanctions Evasion**

**Export Controls and Technology Transfer: Lessons from Russia**

## I. Summary of Testimony

Honorable members of the Commission and esteemed staff, thank you for the opportunity to testify today. It is both a pleasure and an honor to present my views before the Commission.

My name is Elina Ribakova, and I am the director of the International Affairs Program and vice president for foreign policy at the Kyiv School of Economics, non-resident senior fellow at the Peterson Institute for International Economics and at Bruegel.

My testimony today is not on behalf of any organization and should be considered as reflecting my own views alone. The testimony draws on a large body of research that I have conducted – including with my colleagues at the Peterson Institute for International Economics and the Kyiv School of Economics – on economic statecraft, sanctions, and export controls. It also reflects my prior experience in the financial markets and at the International Monetary Fund.

**There are several key messages that I would like to convey in my testimony:**

- The economic relationship between Russia and China has **undergone a significant change** since the start of Russia's full-scale invasion of Ukraine and the imposition of sanctions on the country by the United States and its allies.
- The relationship is **symbiotic but deeply asymmetrical**. China has become an indispensable partner for Russia, providing the markets for Russia's exports and access to critical inputs, while Russia is a beneficial but inessential to China, who opportunistically exploits commercial ties without engaging in a full partnership.
- Russia's ability to continue its war against Ukraine and to challenge the rules-based international order is entirely **dependent on Chinese support**. Russia would have neither the financial means to pay for the war, nor the technology required on the battlefield without China's help with sanctions evasion and circumvention.
- While China does not officially embrace Western sanctions, it attempts to **minimize risks posed by sanctions**. Chinese companies, including banks, are wary of transactions that may expose them to sanctions or jeopardize their commercial interests which extend far beyond the relatively small Russian market.
- The Russia-China relationship is **not without tensions** despite somewhat aligned objectives and Chinese support is not without limits. Russia's increasing reliance on the Chinese market, China-based circumvention networks, and Chinese financial infrastructure creates new vulnerabilities for Russia.

- The challenge posed by Russia and China to the rules-based international order is a **concerted joint effort**. China is Russia's lifeline in the current situation, but, following a potential settlement to the war in Ukraine and potential removal of sanctions from Russia, their roles may reverse.
- It is possible to envision a scenario where in case of rising tensions between the US and China, **Russia helps China circumvent sanctions imposed on China** by the US and others. Fundamentally, Russia will owe China and enable it as much as possible.

**My key policy recommendations for congressional consideration are as follows:**

- Revise the current energy sanctions framework to remove Russian oil from the market in a manner that raises costs for Russia, without granting China the benefit of cheaper energy. Russia is a key energy competitor to the U.S., which, alongside other producers, is capable of absorbing the loss of Russian oil barrels from the global market.
- Thoroughly examine the Russia sanctions case for lessons applicable to China policy.
- Approach the task of improving controls on critical technology exports to Russia as a pilot with possible applicability to a future confrontation with China. This includes strengthening the enforcement measures focused on Chinese entities and individuals involved in the evasion and circumvention of Russia-related technology restrictions as well as stepped-up due-diligence by Western companies.
- Leverage the primacy of the US and Western financial systems for global sanctions enforcements. The Russia case shows that, despite concerns about attempts by countries such as Russia and China to move away from Western systems, the power of financial sanctions remains very much intact.

Let me conclude by stressing that the challenges emanating from Russia and China with regard to US interests around the world are somewhat similar. Therefore, the Russia case can teach important lessons with regard to any policies with regard to China.

Furthermore, it is important to understand the challenge from these countries to US primacy and the rules-based international order as a concerted and joint effort. China may be Russia's lifeline in the current situation but, following a settlement to the war in Ukraine and potential removal of sanctions on Russia, the shoe may quickly be on the other foot.

I am deeply grateful for the opportunity to address these critical issues and look forward to your questions.

## II. China-Russia: Economic Linkages

Since Russia's full-scale invasion of Ukraine in 2022, bilateral trade between Russia and China has surged to record levels.[1] Both nations benefit from their new "no limits"[2] partnership, though not equally so. Their relationship is symbiotic, yet profoundly asymmetric, with China playing a much more dominant role. For Russia, China has become an essential trading partner, overtaking Europe in importance, while for China, Russia remains a relatively unimportant market. In exchange for its energy and commodities,[3] which are critical to Russia, but not indispensable for China, Russia receives Chinese consumer goods, cars, and technological imports.[4]

Although trade between Russia and China has steadily increased since the 2000s, both countries remain cautious with one another. Trade volumes were much lower than expected, given their proximity, the size of their economies, and the natural synergies. However, Russia's invasion of Ukraine in 2022 marked a pivotal moment, significantly boosting trade between the two nations. Despite this surge in trade flows, China appears to follow a more transactional approach, rather than offering full support to the Russian economy. While trade flows are booming, investment from China to Russia remains modest.

Chinese companies have opportunistically capitalized on the withdrawal of Western competitors from Russia. However, despite bold announcements of planned investments totaling $200 billion,[5] most cooperation projects remain largely theoretical, and large-scale ventures like the Power of Siberia 2 pipeline exist only on paper. While there has been some progress in areas of financial and payment system linkages, cooperation in these sectors, and even trade transactions, has been significantly hindered by the US's threat of secondary sanctions.

Both Russia and China are discontent with the current multilateral order,[6] though with different motives. Russia has long been advocating for a multipolar world and increasingly isolationist policies, seeking to reduce its reliance on the West. In contrast, China, which has benefited significantly from the existing multilateral system, aims to claim a greater role on the global stage, rather than seeking to dismantle it entirely. China continues to engage actively in trade with the EU, the US, and other global powers, while Russia's global presence has been significantly scaled down, particularly by sanctions following its invasion of Ukraine in 2022, narrowing its opportunities for international engagement.

The relationship between Russia and China, while strategically significant, is not without its tensions. Russia resents its position as a junior partner and a price taker in the partnership. This dissatisfaction is underscored by the fact that Russia, once a major exporter of higher value-added goods to China, has been reduced to primarily exporting energy and other commodities,

[1] "China-Russia 2024 Trade Value Hits Record High - Chinese Customs." Reuters, 13 Jan. 2025, URL.
[2] Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development. 4 Feb. 2022, URL.
[3] It is worth remembering that Russia's energy exports to China are just as, if not more, necessary for Russia than China.
[4] Seddon, Max, et al. "China-Russia: An Economic 'Friendship' That Could Rattle the World." Financial Times, 15 May 2024, URL.
[5] Skan, Oksana. "Investments in Russian-Chinese Business Projects Exceeded 200 Billion Dollars." garant.ru, 19 Dec. 2024, URL. [ru]
[6] Gabuev, Alexander. "Can Trump Split China and Russia?" Foreign Affairs, 6 Dec. 2024. Foreign Affairs, URL.

while increasingly relying, in some sectors almost entirely, on importing more complex products from China. Russia is also disillusioned by China's reluctance to invest and its hesitation to cross key red lines, established by Western sanctions. Additionally, Russian authorities are concerned over the growing influence of the yuan. Ultimately, Russia's stance toward the Trump administration in the U.S. is expected to differ significantly from that of China.

China's relationship with Russia faces its own set of challenges. Russia remains a relatively small market for China's exports, and China is not heavily reliant on Russia for energy imports, as it adheres to its approach of diversified energy sources. Additionally, the energy intensity of China's growth model has been steadily decreasing. Leading Chinese companies are unwilling to risk their access to global markets by running afoul of Western sanctions through closer ties with Russia. China is also apprehensive about Russia's strengthening ties with North Korea, given China's historical role as the patron for the regime. This evolving dynamic could complicate China's strategic interests in the region. Finally, while the border issues between the two nations are currently dormant, historical grievances persist.

The fundamental asymmetry inherent in the Russia-China relationship has been exacerbated by Russia's war in Ukraine. China is a *necessary* partner for Russia, while Russia is a *nice to have* partner for China. China's approach to the relationship has been opportunistic. But without China, Russia's ability to continue its war of aggression would be seriously compromised as it would lack the money and technology to pursue it.

## A. How Does Russia Benefit from China's Support?

China has become an essential lifeline for Russia in the face of international sanctions. With few exceptions, sanctions and export controls have effectively cut Russia off from directly acquiring Western dual-use products, severely limiting its access to critical technologies, high-end machinery, and advanced components. In response, Russia has turned to China as a vital partner to circumvent these restrictions. By utilizing complex trade routes via China (but also, to a lesser degree, Turkey, the UAE, and the member states of the Eurasian Economic Union: Armenia, Belarus, Kazakhstan, and Kyrgyzstan), Russia continues to import goods that are crucial for its economy and military production, including items that are part of the Bureau of Industry and Security's Common High Priority List (CHPL).[7]

China also plays a crucial role as a source of energy earnings for Russia, which the Kremlin desperately needs as a source of balance of payments inflows as well as budget revenues. Oil and gas exports currently make up around 30% of Russia's budget revenues, meaning the loss of the European market would have been devastating without a viable alternative. China became the top destination for Russian oil, and by 2023, Russia emerged as China's leading source of crude oil.[8] This shift has helped Russia offset the loss of European buyers and the US, and has ensured a steady stream of revenues from its energy exports. Diverting gas exports from Europe to Asia has been more complex, however, due to the gas trade's reliance on pipelines.

China is not merely a facilitator for Russia's sanctions evasion and a hydrocarbon revenue stream. It also provides broader economic support. In addition to the vast quantities of consumer goods,

[7] See the full list on BIS' website here.
[8] For more analysis of Russia's oil exports, see KSE Institute's monthly publications, Russia Chartbook and Russian Oil Tracker, here. For more on China' energy imports, see EIA's analyses of oil here and gas here.

cars, electronics, and other products necessary for Russia's economy, China supplies critical raw materials[9] essential for Russia's industrial and military needs. Without these imports, Russia lacks the industrial capacity to produce the tools, components, and machinery required to sustain both its war efforts and its economy. These Chinese supplies are crucial for keeping Russia's economy operational in the face of increasing isolation from the West.

With Russia's ability to transact in dollars and euros severely restricted by sanctions, the Chinese yuan has steadily grown in prominence in the Russian economy. Importantly, Western sanctions have targeted Russia's central bank (CBR), its sovereign wealth fund (NWF), its stock exchange (Moscow Exchange, MOEX), as well as foreign financial institutions involved in trade with Russia. As a result, Russia has undertaken a concerted effort to move away from US dollar and euro as far as settlements for its trade are concerned, with the combined share of currencies of countries "unfriendly" to Russia declining from 87% to 18% for exports and 67% to 18% for imports between January 2022 and December 2024. At the same time, the ruble's share and that of other currencies, largely yuan, rose significantly. Reportedly, more than 90% of Russia-China trade is now settled in yuan or ruble. As a result, currency trading in Russia has also shifted towards the yuan. This is not without potentially negative consequences, however, as yuan shortages have emerged in Russia during sanctions-triggered stress episodes.

Accepting a major role for a foreign currency in one's economy—especially when that currency is subject to strict capital controls, lacks liquid markets, and is beyond one's control—indicates a position of weakness. In addition to currencies used in trade, China has also been critically important for Russia in terms of the setup of payments processing system alternatives to SWIFT and CHIPS. Furthermore, to evade secondary sanctions from the US, Russia is dependent on its friends' setting up infrastructure for cross-border transactions that cannot be reached by them. Reportedly, this has been a key focus of interactions between Russian and Chinese officials in recent months and years, as well as Russia pressure on the BRICS partners.[10]

## B. What Are the Economic Benefits to China?

For China, Russia's primary advantage as an economic partner lies in its role as a more affordable source of energy. Due to sanctions, including embargoes and the G7+ oil price cap, Russian oil has been sold at a wider discount since 2022.[11] While China is not strictly dependent on increased imports of Russian oil and gas—there are other sources available and China limits its exposure to any single energy supplier—this discounted supply is advantageous, allowing China to secure energy at lower prices and strengthen its energy security.

In addition, the broad sanctions against Russia, including its disconnection from SWIFT, have given China a valuable opportunity to expand the use of its homegrown alternatives to Western

[9] Ovsyaniy, Kyrylo, et al. "China Supplying Key Chemicals For Russian Missiles, RFE/RL Investigation Finds." Radio Free Europe/Radio Liberty, 30 Jan. 2025, URL. A forthcoming KSE Institute report will further address the sources of raw materials used in Russia's military industrial complex.

[10] Prokopenko, Alexandra. "Putin's Trip to China May Show US Threats Are Wishful Thinking." Financial Times, 14 May 2024, URL.

[11] Ribakova, Elina. "Sanctions against Russia Will Worsen Its Already Poor Economic Prospects." Realtime Economics, 17 Apr. 2023, URL;
KSE Institute, "Energy sanctions impact summary", July 2024, see here;
Kilian, Lutz, et al. The Impact of the 2022 Oil Embargo and Price Cap on Russian Oil Prices. Federal Reserve Bank of Dallas, Jan. 2025, URL.

financial infrastructure. While the Chinese yuan does not pose a significant challenge to the US dollar or Euro in global trade or finance, the increasing use of the yuan in Russian-Chinese trade highlights what China can offer to countries that fall out of favor with the West. The shift towards yuan-based trade not only strengthens China's financial influence–much like the use of the dollar strengthens America's global reach–but also positions its currency as an alternative for nations seeking to bypass Western-dominated systems.

Chinese companies have opportunistically filled the void left by others, although they have largely refrained from making significant investments. In automotive exports, China has become the dominant player. Russia is now the largest importer of Chinese cars globally, with Chinese vehicles accounting for over 60% of Russia's new car market.[12] With slowing domestic demand, China needed to export most of its car production. Thanks to the Russian market, China has become the world's largest car exporter, as it faces trade barriers when exporting to the US and the EU.[13] Importantly, most of the Chinese cars on Russian roads are imports, unlike before when Western companies operated manufacturing facilities in Russia. As a result, Russia recently increased import taxes, effectively targeting Chinese-made cars.[14] Cars are just one of several export categories that have made Russia a more valuable trading partner for China. By fulfilling the demand in the Russian domestic vehicle market, Chinese companies have allowed Russian companies to redirect their focus more towards military production.

## C. Dramatic Shift in Economic Linkages

### *Summary of International Trade Dynamics*

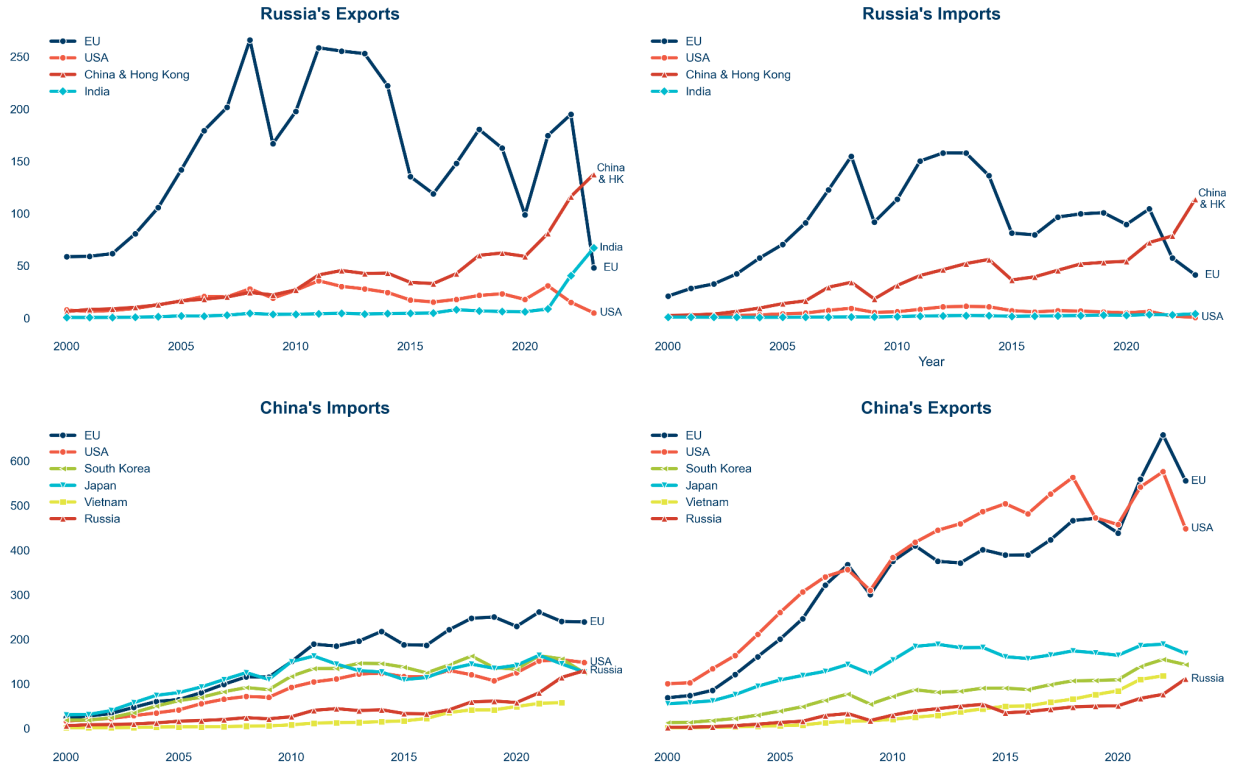
Since 2022, China has been Russia's largest trade partner, surpassing the EU (Figure 1). However, while China accounts for 34% of Russia's total trade turnover (i.e., the sum of exports and imports),[15] Russia represents only 4% of China's total turnover.[16] For China, Russia remains a much less important trading partner vs. countries in the sanctions coalition. Trade between Russia and China increased by 26% in 2023 vs. 2022 to $240 billion, but only moderately in 2024 vs. 2023 to $245 billion.[17] Clearly, the reorientation of Russia's trade relations after the start of the full-scale invasion and imposition of sanctions has now largely been completed.

The threat of US secondary sanctions on Chinese banks in an executive order issued in December 2023[18] is another key reason behind this as it could extend to non-financial companies in the future. Exports from China to Russia contracted by about 1% in the first half of 2024, while

[12] If one counts the EU as a whole, then the EU countries import the most significant number of cars (~32 billion), followed by Russia (~25 billion), and then the US (~20 billion). See: here and here [ru].
[13] Chang, Agnes, and Keith Bradsher. "How China Became the World's Largest Car Exporter." The New York Times, 29 Nov. 2024. NYTimes.com, URL.
García-Herrero, Alicia. "The EU's Duties on EVs Are a Turning Point in EU-China Relations." The Wire China, 20 Oct. 2024, URL.
[14] "Imported Cars Face Higher Fees as Russia Plans Domestic Production Boost." Reuters, 30 Sept. 2024. www.reuters.com, URL.
[15] "Customs Revealed Russia's Top 10 Trading Partners." РБК, 2 Jan. 2025, URL [ru].
[16] "China's Total Export & Import Values by Country/Region, December 2024 (in USD)." General Administration of Customs People's Republic of China, 13 Jan. 2025, URL.
[17] International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics), KSE Institute
[18] Executive Order 14114: Taking Additional Steps With Respect to the Russian Federation's Harmful Activities. 22 Dec. 2023, URL.

Russian exports to China grew only modestly. Nearly 90% of the transactions are reportedly settled in yuan and rubles, as President Putin announced in December 2024.[19]

**Figure 1: China, Russia: Top Trading Partners, in $ billion**




Source: UN Comtrade, KSE Institute

## *Russia's Exports to China*

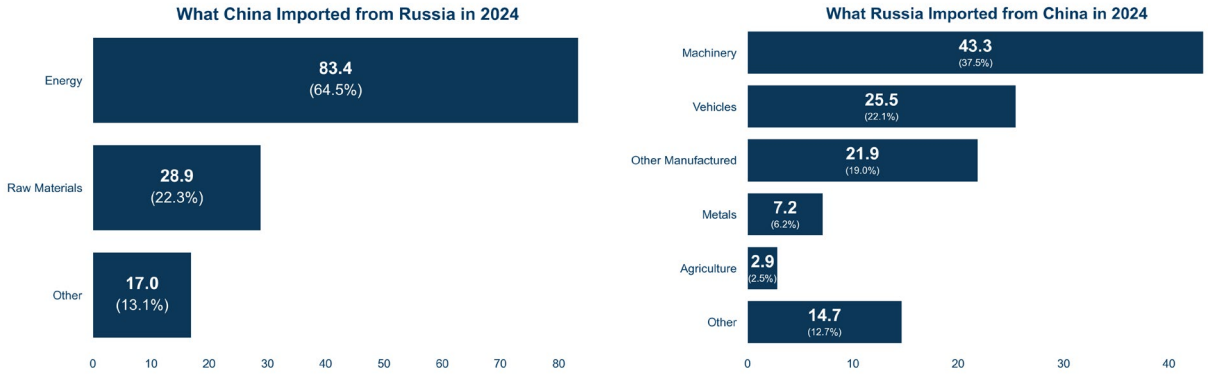
Energy (i.e., oil and gas) dominates Russia's export to China, accounting for more than 70% of the total (Figure 2). When combined with metals—particularly aluminum, copper, and nickel—and other minerals, over 85% of Russia's exports to China consist of natural resources. This marks a stark shift from the 2000s, when energy accounted for roughly 15% of Russia's exports to China, and machinery and industrial equipment were the leading categories, making up over 20% of total exports to China. And it is the opposite of what countries generally try to achieve with regard to their exports, i.e., selling higher value-added products instead of raw materials. Sanctions imposed on Russia play a major role for these developments.

Following the imposition of embargoes on Russian oil, most importantly by the EU in late 2022, and the adoption of the G7+ oil price cap mechanism, which intends to reduce Russia's export earnings from oil while keeping its supplies on the market, Russia had to pivot to Asia to find new buyers. India became the most important one, but China's purchases also rose. While the oil price cap had a limited effect on the price of Russian oil,[20] alongside the embargo, it created an

[19] "Putin Says Russia-China Mutual Investment Policies Effective." Xinhua News Agency, 4 Dec. 2024, URL.
[20] Ribakova, Elina. "Sanctions against Russia Will Worsen Its Already Poor Economic Prospects." Realtime Economics, 17 Apr. 2023, URL;

environment where Russia became highly dependent on a limited number of buyers from countries non-aligned with Western sanctions (Figure 3). This created a market situation where Russia had to offer a much wider discount and these buyers benefited from lower prices.

**Figure 2: China, Russia: Composition of Trade, in $ billion**

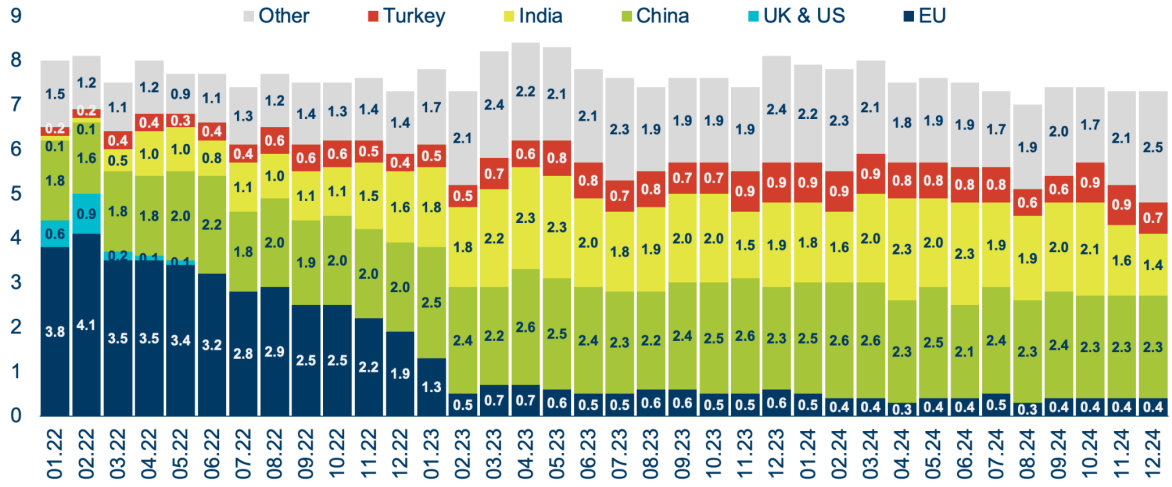



Source: General Administration of Customs of People's Republic of China, KSE Institute

Russia's oil exports to China have increased significantly (Figure 4), rising to about 20% of China's total oil imports (vs. 16% in 2021). This shift has allowed Russia to gain market share in China vis-a-vis Saudi Arabia as China's largest oil supplier (Figure 5). However, if the moderate discount on Russian oil were to disappear, there is no guarantee that China would continue purchasing such high volumes, which could drastically alter the terms of trade between the two countries. Ultimately, China is opportunistically taking advantage of the current situation.

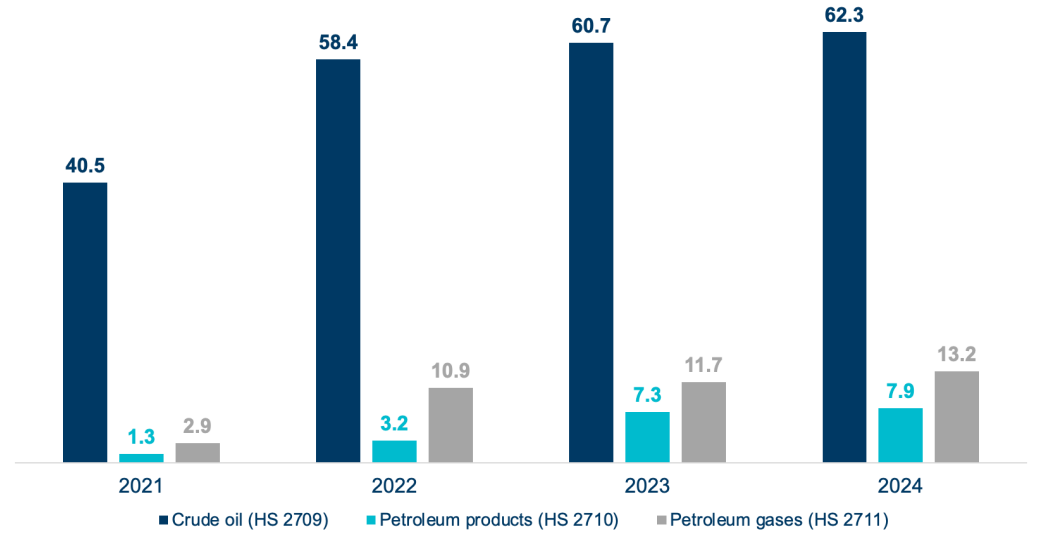
KSE Institute, "Energy sanctions impact summary", July 2024, see here;
Kilian, Lutz, et al. The Impact of the 2022 Oil Embargo and Price Cap on Russian Oil Prices. Federal Reserve Bank of Dallas, Jan. 2025, URL.

**Figure 3: Russia: Oil Exports by Destination, in mbd**



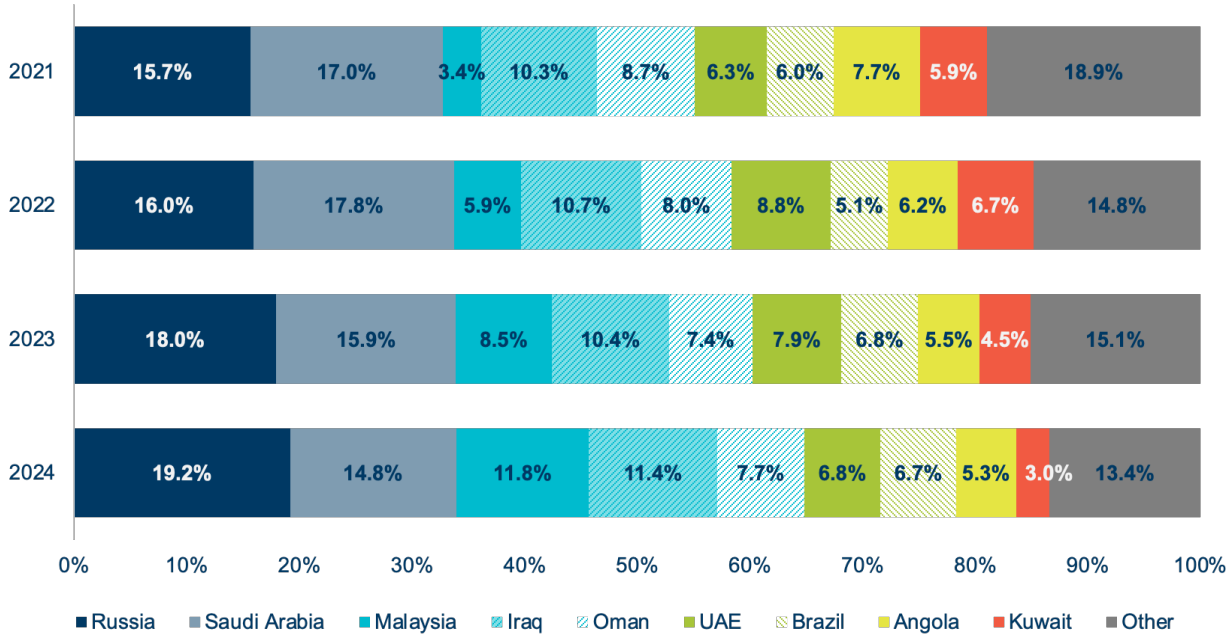

Source: International Energy Agency, KSE Institute

**Figure 4: China: Energy Imports from Russia, in $ billion**




Source: International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics), KSE Institute

**Figure 5: China: Top Suppliers of Crude Oil (HS 2709), in $ billion**




Source: International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics), KSE Institute

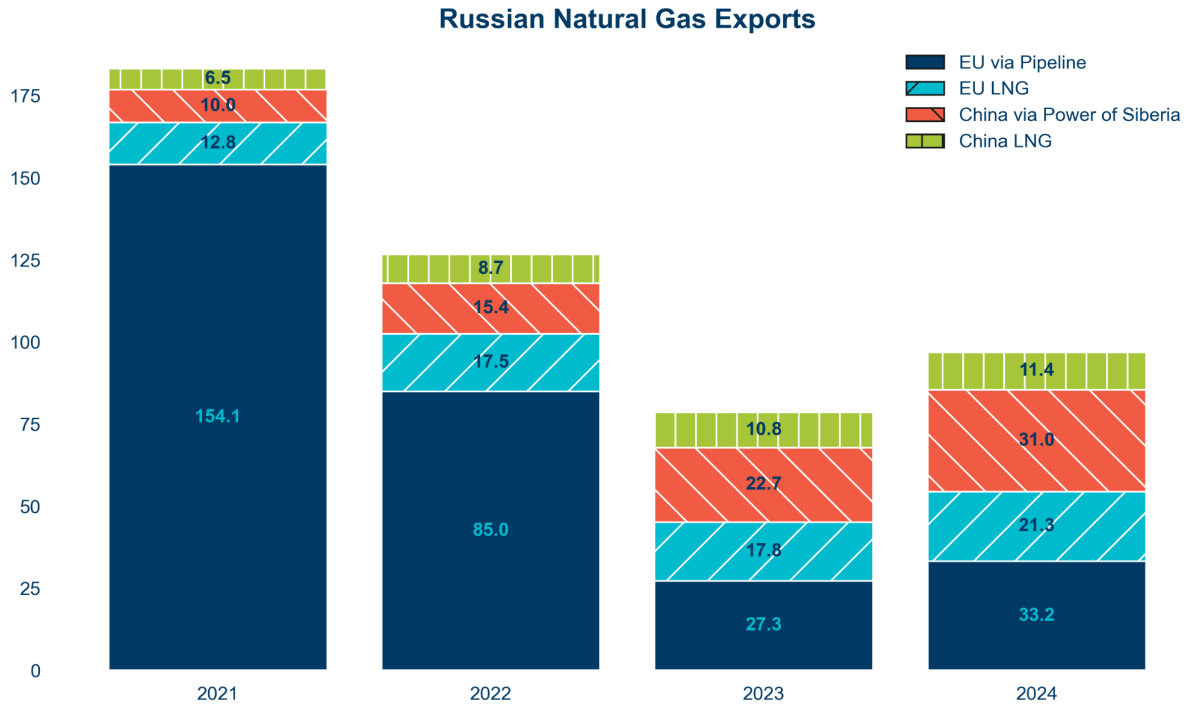
Unlike oil, redirecting natural gas exports from Europe to Asia has been more complex due to the reliance on pipelines for gas trade–and absence of sufficient such infrastructure. While Russia continues to export LNG globally, including to Europe, the increase in gas sales to China has not come close to replacing the volumes lost from the European market (Figure 6). As a result, Russia's gas sector is under significant pressure. Gazprom, once the crown jewel of Russia's state-owned companies, posted a staggering $7.3 billion[21] loss in 2023. Historically, Gazprom earned two-thirds of its profits from just one-third of its production, primarily exported to Europe.

From 2021 to 2023, EU imports of Russian natural gas dropped by 73% (or 122 billion cubic metres), driven by a collapse in pipeline flows (-82%, -127 bcm), while LNG deliveries increased (+39%, +5 bcm). Over the same period, exports to China more than doubled, but the difference in volume terms was only 17 bcm. In 2024, exports to the EU increased by 21% vs. 2023 (or 9.4 bcm), largely in the form of LNG, and to China by 27% (or 8.9 bcm).

However, as far as China is concerned, a further increase is unlikely due to limited capacity of the existing infrastructure and total exports to Europe and China are still 47% lower than in 2021. What is more, with the end of transit through Ukraine, roughly half of the pipeline gas exports to Europe will disappear in 2025 and the EU is considering a quicker phaseout of Russian LNG. Any talks from Russia about building new, eastward-flowing pipelines (e.g., Power of Siberia 2) to replace its lost European customers so far appear to be empty political declarations and would take many years to become a reality in any case.

[21] Seddon, Max, and Anastasia Stognei. "Gazprom Plunges to Worst Loss in Decades as Sales to Europe Collapse." Financial Times, 2 May 2024, URL.

**Figure 6: Russia: Natural Gas Exports, in billion cubic meters (bcm)**




Source: Bruegel, Eurostat, S&P Global, KSE Institute

China has so far refused to invest in expanding pipeline capacity (e.g., Power of Siberia 2) despite the already significant discounts on Russian gas, demanding prices similar to domestic gas prices in Russia. According to the Russian government's forecast, the price of gas for China will be $261 per thousand cubic meters in 2025, $247 in 2026, and $235 in 2027, which represents discounts of 23%, 25%, and 29%, respectively, compared to other foreign buyers.[22] This is significantly lower than the current European price of above $500 per thousand cm. Importantly, domestic gas prices in Russia are heavily subsidized and gas producers have traditionally lost money in this market segment, which they offset with earnings from highly-profitable exports. What China is demanding here is, thus, something which would be extremely difficult for Russia to accept.

### *Russia's Imports from China*

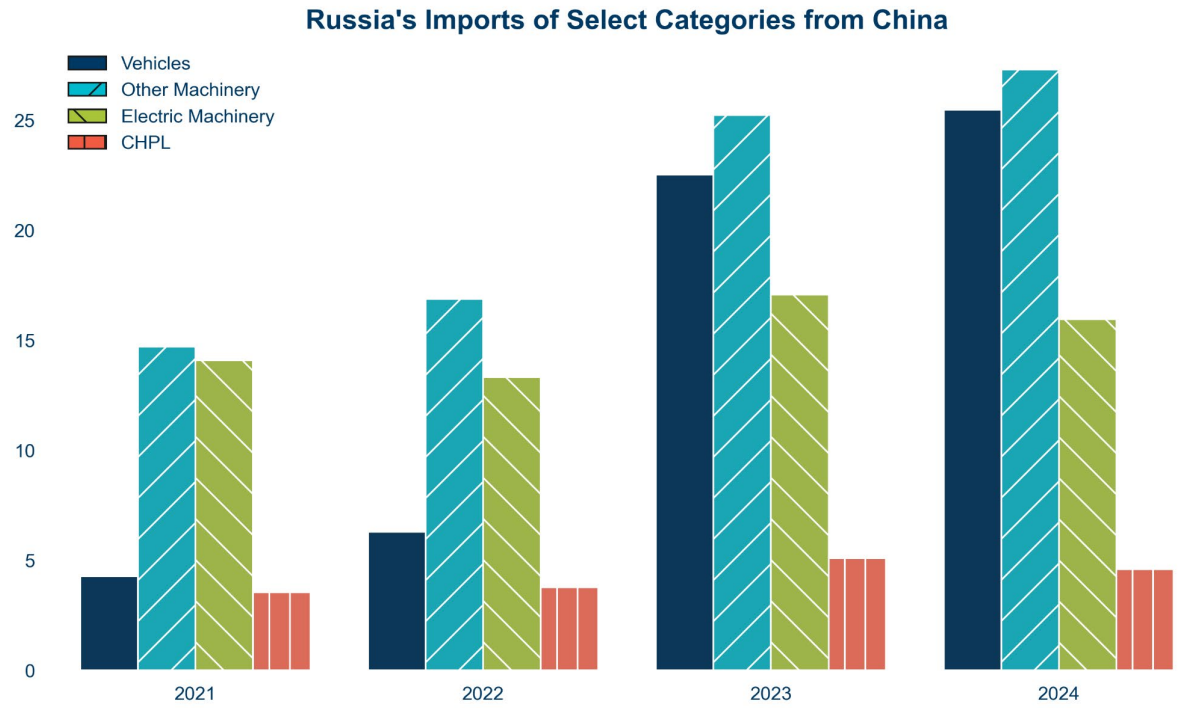
Russia's imports from China are diverse and technologically advanced, reaching $115 billion in 2024, led by machinery, electronics, and vehicles (see Figure 7). While these imports have served as a crucial lifeline for Moscow in the face of its increasing isolation from the West, the trade flows are far less meaningful for China. Russia, on the other hand, is running significant risk by accepting any one country, in this case China, as the sole dominant supplier of industrial equipment and machinery, as well as cars.

Some of the categories have seen dramatic increases since the start of Russia's full-scale invasion of Ukraine and imposition of sanctions on the export of goods to the country. For instance, in value terms, Chinese car exports to Russia increased by a cumulative 495% between

[22] "The Russian Budget Includes a 30 Percent Discount on Gas for China." Moscow Times (Russian Service), 12 Sept. 2024, URL [ru].

2021 and 2024 (from $4.3 billion to $25.5 billion) with the largest increase taking place in 2023. For other machinery, the increase is smaller, both in percentage as well as absolute terms, but still significant. Between 2021 and 2024, Chinese exports of these items to Russia increased by 86% (from $14.7 billion to $27.3 billion). China's role with regard to Russian imports of common-high priority list (CHPL) items is discussed in more detail below.

**Figure 7: Russia: Composition of Imports from China, in $ billion**




Source: International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics)
Note: CHPL category calculated based on 8-digit HS codes; possible partial overlap with other categories.

### *China's Investment in Russia*

Russia hoped that China would help revive some of the production facilities abandoned by Western companies. However, China seems more focused on exports to Russia rather than setting up or supporting local production. Additionally, China may be concerned about the potential for technology transfer if it were to establish production facilities in Russia. Most of the announced investments totaling $200 billion for now only exist on paper.

China's foreign direct investment (FDI) in Russia totaled only $10.7 billion in 2023, representing a small fraction (0.4%) of China's overall outward FDI of $2.96 trillion (Figure 8), which has primarily been directed toward the West. In terms of FDI stocks, both Germany and France still report holding nearly twice the amount of foreign direct investment in Russia as China did in 2023. Even with the tightening of sanctions or the potential confiscation of Western corporate assets by the Kremlin, Chinese investment in Russia remains significantly smaller compared to that of the West (see Figure 9). It is important to emphasize that companies from the sanctions coalition face serious challenges when attempting to pull out their investments from Russia, including potential

expropriation. Specifically, Russian discriminatory legislation targets the United States and its allies that are defined as "unfriendly states" by law in Russia[23]. Restrictive measures imposed on companies associated with "unfriendly states" span from capital controls[24] to "suspension" of shareholders' rights[25]. In order to divest from Russia, Western companies are required to receive permission either from the specialized governmental commission[26] or from Putin himself[27], sell their business with at least a 60% discount, and pay a mandatory fee to the Russian federal budget amounting to 35% of the of the market value of the assets[28]. Notably, the regulatory framework applicable to Western businesses has been deteriorating progressively from the start of the full-scale invasion, therefore companies that made a decision to divest from Russia early on were able to exit on less expropriatory terms[29].

[23] Governmental Decree No.430-p of March 5, 2022 approving the list of "unfriendly" states, see here. The list of unfriendly jurisdictions includes more than 50 states and territories, including the United States, all EU member states, Ukraine, the United Kingdom (including all British Overseas Territories and Crown Dependencies), Australia, Canada, Norway and Switzerland.

[24] On March 1, 2022 Central Bank of Russia circulated a letter establishing a ban on all bank transfers abroad from bank accounts of individuals and legal entities from "unfriendly" states, see here. Decision of the Board of Directors of Bank of Russia of June 24, 2022, on establishing regime of type "C" bank accounts, effectively blocking any FX payments abroad by entities associated with unfriendly states, see here.

[25] Federal Law No. 470-ФЗ of September 4, 2023 "On Certain Aspects of Regulating Corporate Relations in Business Entities that are Economically Significant Organizations", see here.

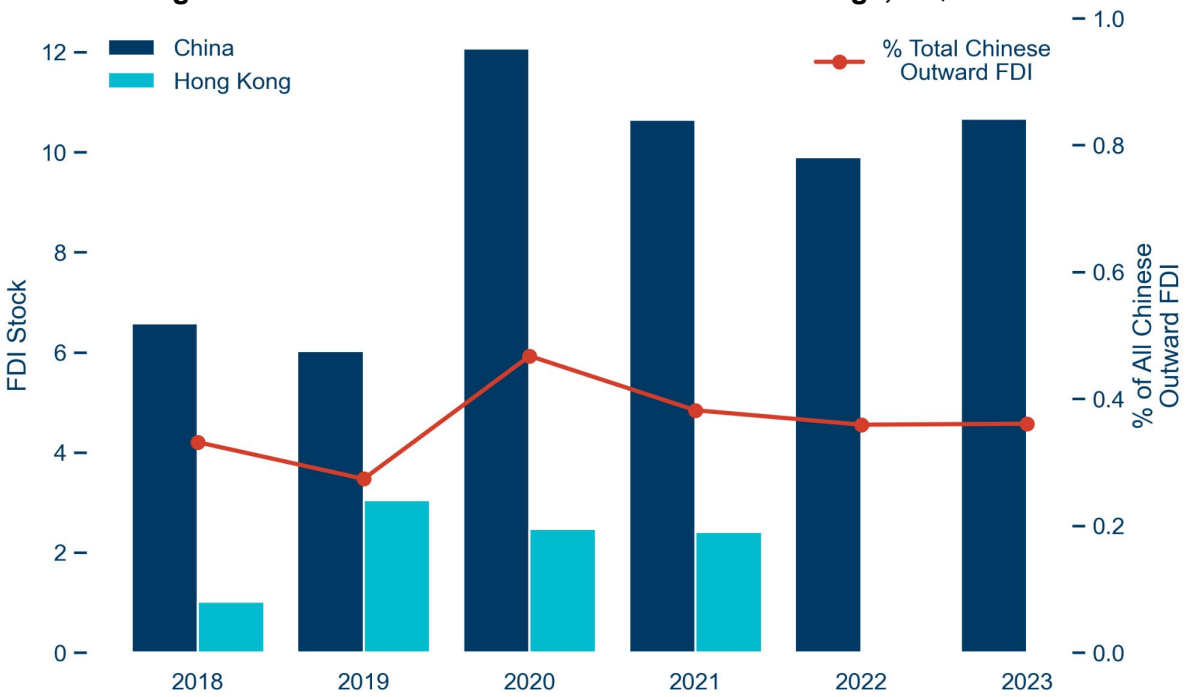
[26] Presidential Decree No.618 of September 8, 2022 "On a Special Procedure For The Implementation (Execution) Of Certain Types Of Transactions Between Certain Persons", see here.

[27] Presidential Decree No. 520 of August 5, 2022 "On Application of Special Economic Measures in Financial and Fuel and Energy Sectors in Connection with Unfriendly Actions of Certain Foreign States and International Organizations", see here.

[28] Extract from the minutes of the meeting of the subcommittee of the Government Commission for control of foreign investments in the Russian Federation dated October 15, 2024 N 268/1, see here.

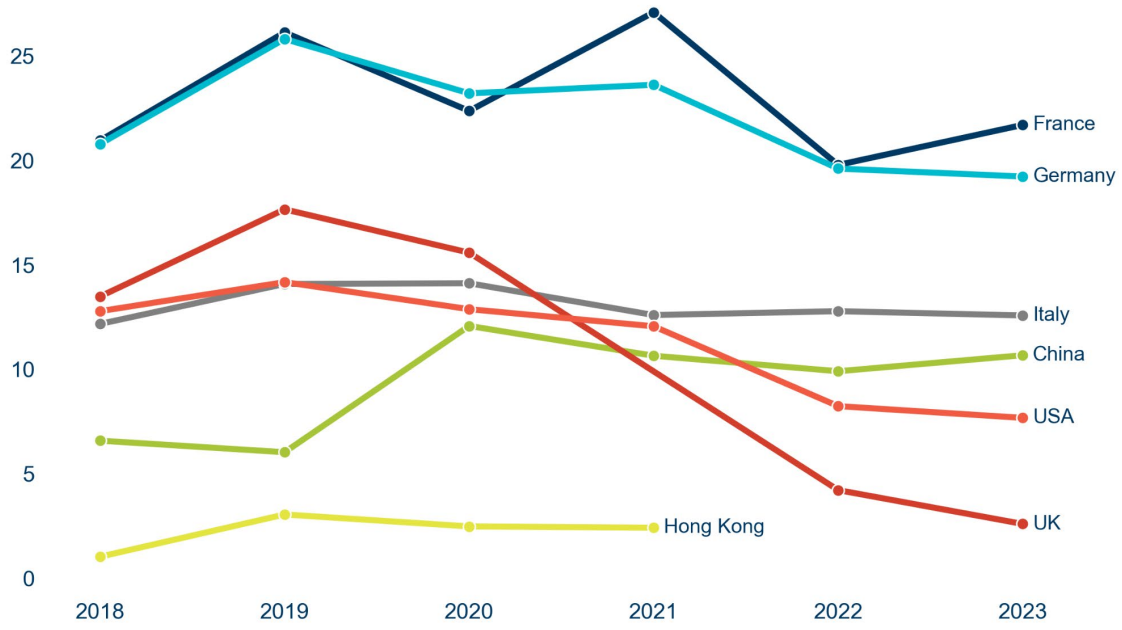
[29] For more details and discussion of options available to Western investors in Russia please see "The Business of Leaving: How Multinationals Can Responsibly Exit Russia" here.

**Figure 8: China: Outward Direct Investment Holdings, in $ billion**




Source: IMF CDIS, KSE Institute

**Figure 9: Russia: Inward Direct Investment Holdings by Country, in $ billion**




Source: IMF CDIS

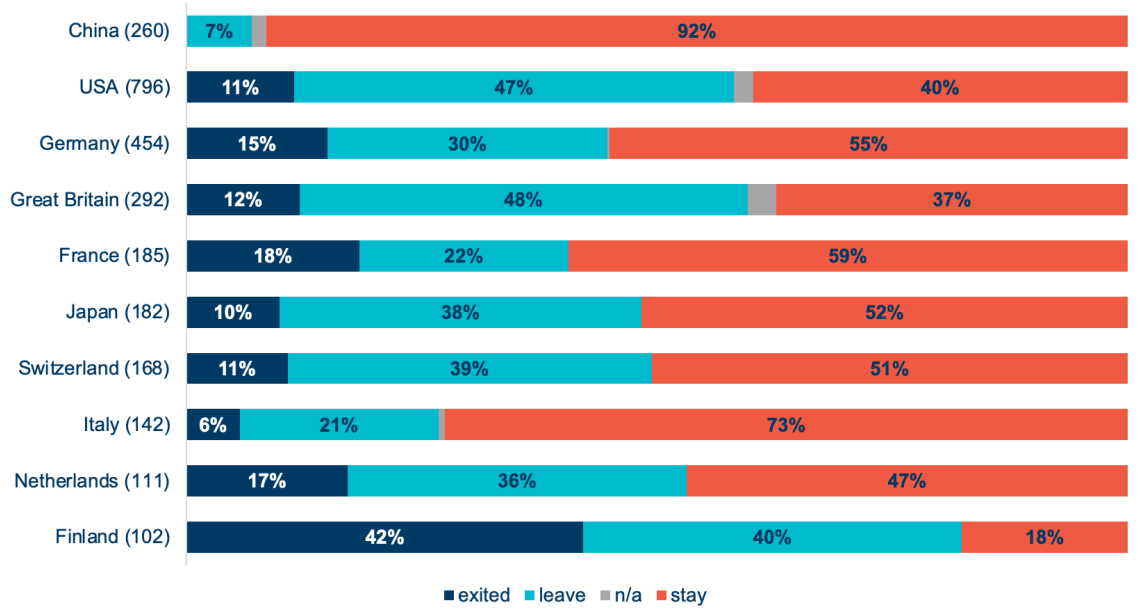
Note: All values reported by partner countries except for Hong Kong. Excludes tax havens, including Cyprus, the Netherlands, and Switzerland.

A small group of oligarchs around Putin with business interests in the oil and gas sectors, as well as the military-industrial complex appear to have benefited the most from Russia-China cooperation in terms of investment.[30] Even here, Chinese companies have so far remained restrained since 2022. This cautious approach is largely due to fears of triggering further sanctions, as well as the lack of necessary technological expertise and infrastructure to fully replace the capabilities once provided by Western companies.

### *Chinese Companies in Russia*

Not surprisingly, Chinese companies have overwhelmingly remained in the Russian market while many Western counterparts exited or are in the process of leaving (Figure 10). KSE Institute's "Leave-Russia" project tracks the status of more than 4,000 foreign companies that had operated in Russia before the full-scale invasion.[31] 92% of the 260 Chinese ones included in the database are assessed to be staying, while only 7% are exiting the market. Chinese companies are largely concentrated in the electronics, automotive, defense, finance, and energy sectors (Figure 11).

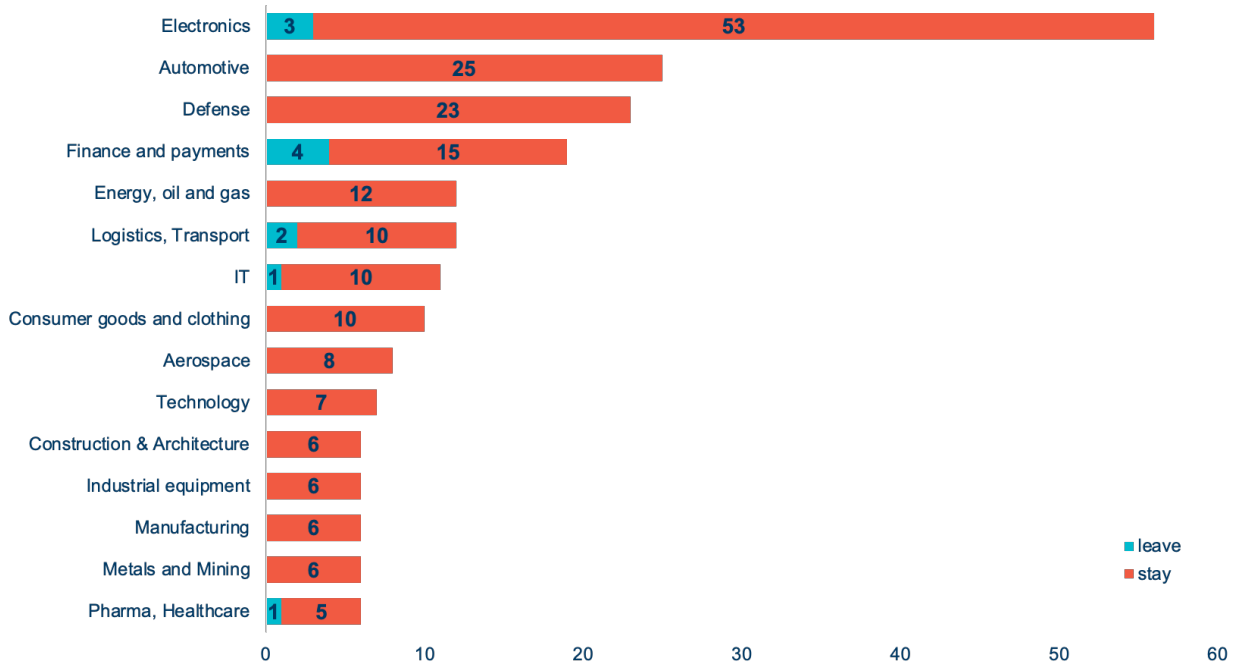
**Figure 10: Russia: Status of Foreign Companies by Country**




Source: KSE Institute "Leave-Russia"

[30] Kluge, Janis. Russia-China Economic Relations: Moscow's Road to Economic Dependence. SWP Research Paper 6, German Institute for International and Security Affairs, May 2024, URL.
[31] KSE Institute's "Leave-Russia" projects, see here.

**Figure 11: Status of Chinese Companies in Russia by Sector**




Source: KSE Institute "Leave-Russia"

Entities already present in the Russian market aside, the footprint of Chinese companies has gradually expanded, particularly in select industries. However, their ability to expand in Russia remains limited due to Russia's complex administrative framework, the absence of the rule of law, and the fear of potential future sanctions. Despite the lack of big investment projects (see above), it appears over the period from 2022 to mid-2024, over 2,400 companies from China have registered in Russia, bringing the total number of registered Chinese companies in Russian to 9,000.[32] However, over 90% of the newly registered companies plan to engage in wholesale or retail trade, including e-commerce (545 companies), wholesale trade in non-food consumer goods (529 companies), motor vehicles (438 companies) and machinery and equipment (222 companies) and warehousing and transportation (118 companies).[33]

[32] Russian-Chinese Investment Index: Q2 2024. National Coordination Center for International Business Cooperation, URL [ru]. The difference with the Leave Russia study is likely due to the accounting for small companies.
[33] "Experts Named the Most Popular Industries for Chinese Business in Russia." OPORA Russia, 20 Aug. 2024, URL [ru].

# III. How China Supports Russia's War in Ukraine

## A. Financing and Macroeconomic Stability

As mentioned above, China is one of the key buyers of Russian oil and gas–and, thus, an important provider of critically-needed balance of payments inflows. For a country with substantial capital outflows, as well as service and income deficits, earnings from goods exports, especially oil and gas are essential. In 2024, these accounted for an estimated $241 billion–or 58% of total goods exports–and China was responsible for $83 billion (35% of Russia's oil and gas exports and 20% of Russia's total goods exports). It therefore provides an important lifeline to Russia and provides support to its macroeconomic stability. Without Chinese purchases of Russian oil and gas, the country would face a dramatically smaller trade surplus, additional significant depreciation pressure on the ruble, and even higher inflation.

While Russian budget revenues from oil and gas are largely generated through extraction taxes, very limited storage capacities mean that lower exports would directly affect production. In 2024, oil and gas revenues accounted for 11.1 trillion rubles (30% of total budget revenues and roughly $125 billion). The complexity of Russia's oil and gas tax regime makes it difficult to estimate China's exact contribution to the total, but, under the simplified assumption that budget revenues are proportional to export earnings, the number is likely significant, possibly around ~4 trillion rubles (or $43 billion). Compared with Russia's war spending of (an estimated) $130 billion in 2024[34], it is clear that the continuation of its war of aggression against Ukraine is heavily dependent on China as far as finances are concerned.

## B. Russia's Military-Industrial Complex

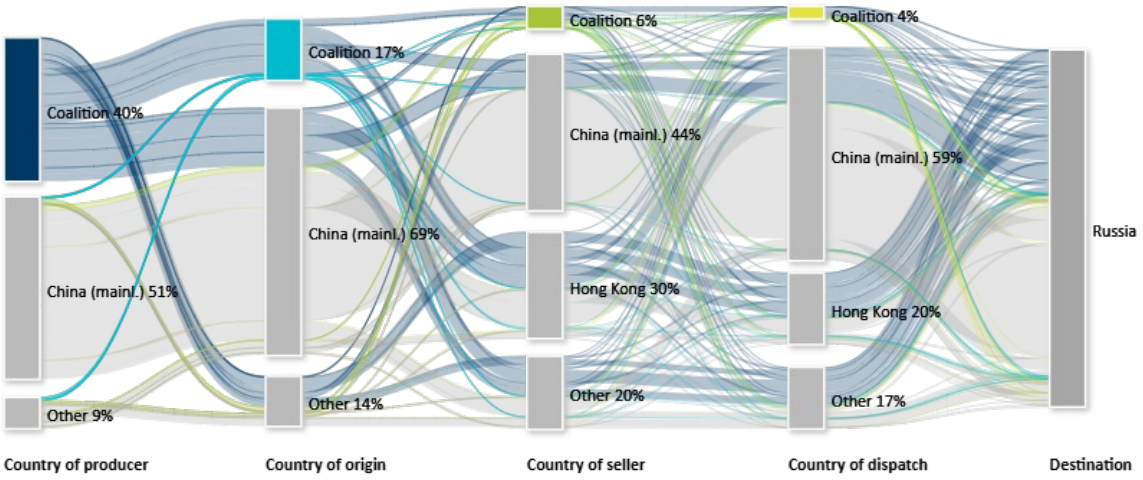
Not only Russia's economy as a whole, but in particular its military-industrial complex, has become critically dependent on China in the past three years. After sanctions severely limited Russian direct access to Western components, Russia was left with practically a single source for all its high-tech components: China. Prior to its full-scale invasion of Ukraine, Russia heavily relied on Europe in terms of its supply chains of critically important technology. Since early 2022, though, it has been forced to pivot its supply chains away from Europe and towards China. Thus, even without apparently providing lethal aid, China has served as the chief enabler of Russia's aggression. When we analyze all imports of CHPL items that eventually made their way to Russia in 2023, 90% of them in value terms were in some way facilitated by China. For all summary statistics presented here, mainland China and Hong Kong are counted together.

China's facilitation of Russian export controls evasion occurs primarily in one of three ways. *First*, items can be made by Chinese companies in China–these deliveries are the least accessible for export control enforcement by the sanctions coalition. In 2023, this accounted for just under half (49%) of all Russian imports of CHPL item imports. Second, items can be delivered to Russia via transshipment–these are items manufactured outside of China by Western companies that are then shipped or sold from China. This category accounted for 18% of CHPL imports in 2023. Third, items can be manufactured by Western companies in Chinese factories. This offshore production accounted for 16% of CHPL imports in 2023.

[34] Luzin, Pavel. "Russia's Year of Truth: The Runaway Military Budget." CEPA: Europe's Edge, 22 Jan. 2025, URL.

The purchases of goods in these manners, while necessary for an import-dependent economy under heavy sanctions, come with significant costs in terms of the quality of Chinese substitutes, significant delays of financial transactions and deliveries, as well as high mark ups due to intermediaries asking for compensation for their risks. Figure 12 visualizes the paths that CHPL items took to reach Russia in 2023, highlighting the goods that circumvented or violated the sanctions coalition's export controls regime in the process (42% of all CHPL imports).

**Figure 12: Supply Chains of CHPL Items Imported by Russia in 2023**[35]




Source: KSE Institute

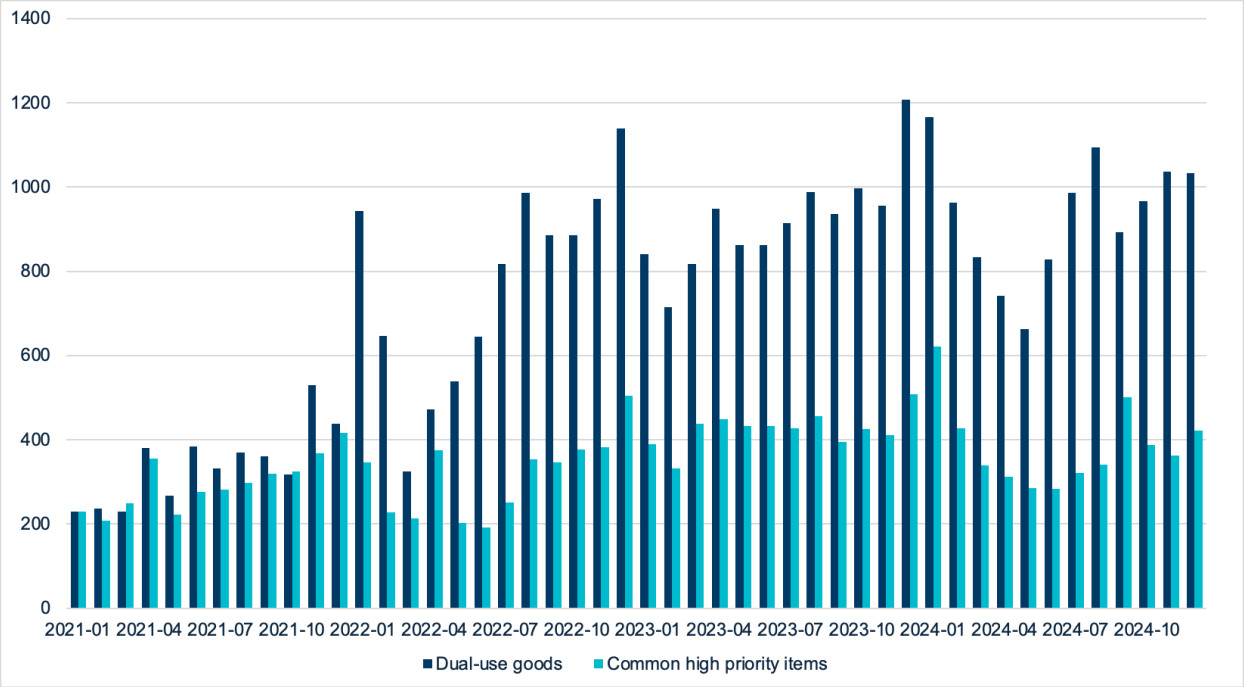
Country of producer = location of company ultimately responsible for the good; country of origin = location of manufacturing; Country of seller = location of final seller to Russia; country of dispatch = location from which final shipment to Russia was made.

Russia depends to a large extent on networks of unscrupulous distributors and companies that pose as end-users in third countries and then redirect the flow of goods to Russia. The fact that Western companies have not been compelled to invest in thorough due diligence processes makes it easier for these diversions to go unnoticed and under-reported to authorities. Countries such as China, the UAE, Turkey, Kazakhstan and other former-Soviet countries have benefited greatly from this trade diversion. For example, in 2022-23, Turkey emerged as one of the key exporters of chips to Russia, after China, despite not being a producer itself.

As a result of such circumvention efforts, Russia has been able to acquire considerable amounts of goods that are under export controls and/or identified by coalition countries as priorities for their enforcement, so-called "common high-priority list" (CHPL) items, from China. Figure 13 shows overall import values for the two samples of goods and Figure 14 provides a further breakdown of CHPL items into specific categories, i.e., tiers.

[35] Chart shows all imports for which the full supply chain is known. This is the case for roughly 80% Russia's CHPL imports in 2023 ($10.0 billion of $12.5 billion).

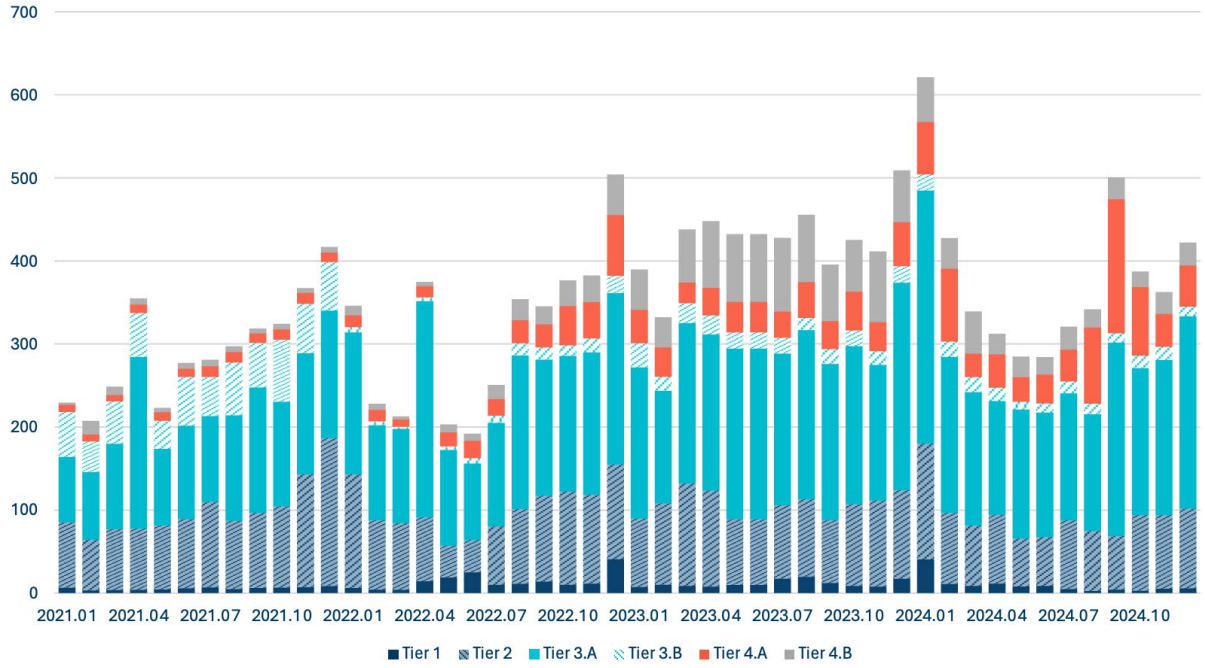
**Figure 13: Chinese export of critical technology to Russia, in $ million**




Source: International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics), KSE Institute.

Note: The calculation of trade volumes for dual-use items is based on the list of goods, software, and technology that can be used for both civilian and military applications, as defined by the European Commission and regulated under Regulation (EU) 2021/821, in accordance with the Dual-Use Correlation Table. The Common High Priority Items (CHPI) List, jointly developed by the United States, the European Union, Japan, and the United Kingdom, comprises 50 goods identified by 6-digit Harmonized System (HS) Codes that are at high risk of being diverted to Russia due to their critical role in supporting its military and defense efforts.

**Figure 14: Chinese exports of CHP items to Russia by tier, in $ million**



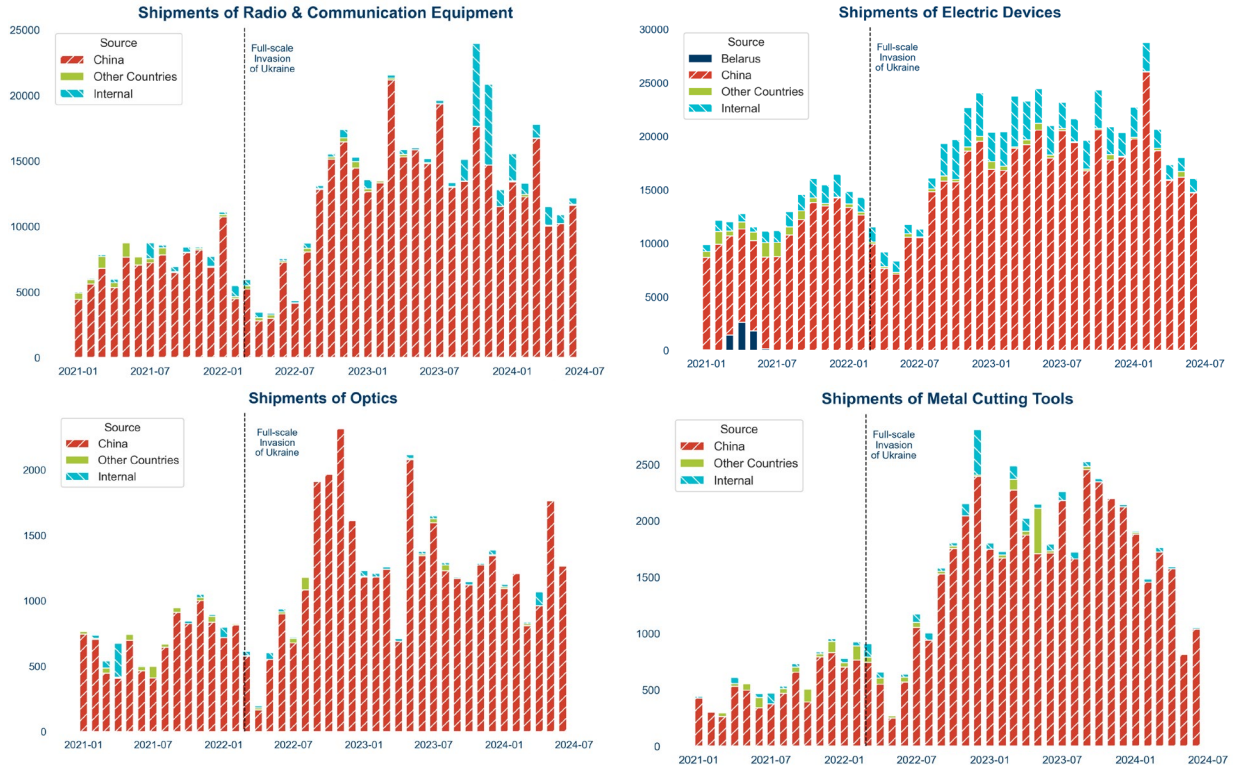

Source: International Trade Centre (ITC) Trade Map (ITC calculations based on General Customs Administration of China statistics), KSE Institute.

Note: Tier 1: Items of the highest concern due to their critical role in the production of advanced Russian precision-guided weapons systems, Russia's lack of domestic production, and limited global manufacturers. Tier 2: Additional electronics items for which Russia may have some domestic production capability but a preference to source from the United States and its partners and allies. Tier 3.A: Further electronic components used in Russian weapons systems, with a broader range of suppliers. Tier 3.B: Mechanical and other components utilized in Russian weapons systems. Tier 4.A: Manufacturing, production and quality testing equipment for electronic components, circuit boards and modules. Tier 4.B: Computer Numerically Controlled (CNC) machine tools and components.

Another way to assess Russia's dependence on China is to examine the cargo categories that are shipped within Russia. Several types of items used in the Russian defense industry are sourced almost entirely from China. As a general rule, the more technologically advanced the component, the more likely Russia relies on imports. After the imposition of stronger sanctions in February 2022, Russia's import dependence more accurately became a China dependence.

Consider, for example, dual use radio and communication equipment. Shipments from China far surpass all other sources–including domestic production–combined. When the Russian economy was put on a war footing in Q3 2022, Russian industry doubled their shipments of these goods from China (Figure 15). Electric devices, which include various electrical instruments and antennas, and optics exhibit a similar pattern. Optics, in particular, are a clear example of Russia's reliance on China for components that make their way to the battlefield.

**Figure 15: Shipments within Russia, in metric tons**




Source: KSE Institute

Russia depends on China for its high-precision manufacturing capabilities as well. Metal cutting tools–a category that includes Computer Numerical Control, or CNC, machines–are sourced almost exclusively from China. CNC machines are used extensively in the production of weapons systems and are a high priority for the West's export controls. While Russia previously relied upon Western CNC machines (often imported through Chinese distributors), its usage of Chinese CNC machines has increased since 2022 due to the limited availability of higher quality Western versions.

## C. Alternatives to the US Dollar and Western Payments Systems

Financial sanctions restrict countries' ability to borrow, finance trade deficits, and invest internationally, limiting risk sharing and consumption smoothing. Payment system sanctions block the use of global financial infrastructure for transmitting and clearing payments essential for international trade. Countries that do not depend on international trade financing and export easily relocatable commodities, as is the case with Russia, are less affected by sanctions, especially if many third countries are not part of the sanctioning coalition. However, payment system sanctions can create significant barriers and disrupt trade with third countries.[36]

Since 2014, Russia has developed alternative systems in order to move away from the US dollar and other "unfriendly currencies, created an alternative messaging system to SWIFT for domestic

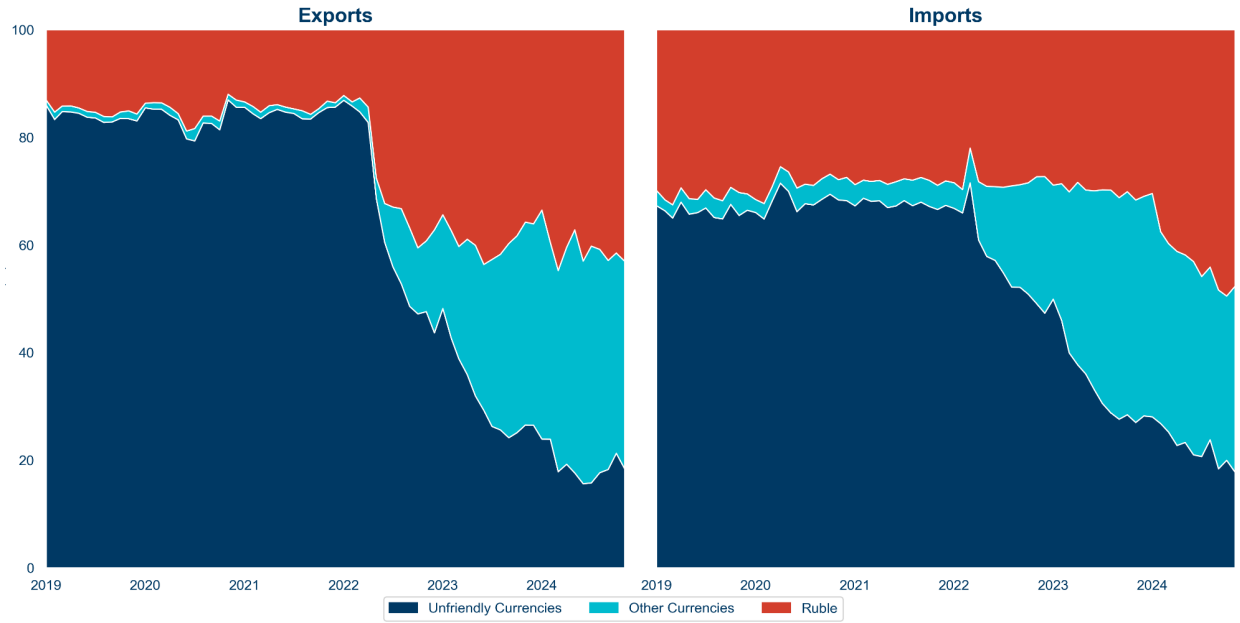
[36] Itskhoki, Oleg, and Elina Ribakova. The Economics of Sanctions: From Theory into Practice. Brookings Institute, 2024, URL.

and, ideally, international payments, increased the use of domestic payments systems for transactions, and develop domestic cards alternatives to VISA and Mastercard.

### *Increasing Yuanization of the Russian Financial System*

Due to sanctions, including the most recent ones targeting the Moscow Exchange (MOEX), Russia has become heavily reliant on the yuan/renminbi for both trade and foreign exchange reserves. This dependence makes Russia's financial markets and economy vulnerable to fluctuations in China's exchange rate. As far as goods exports are concerned, the share of currencies from countries not deemed "unfriendly" to Russia grew from 0.9% in January 2022 to 38.6% in December 2024 (Figure 16). From other Bank of Russia reports, it is known that this segment is almost exclusively settled in yuan.[37] Over the same period, the ruble's share rose from 12.2% to 43.0% while the share of currencies from "unfriendly" countries–essentially USD and EUR–fell from 86.9% to 18.4%. For Russian imports, the corresponding changes are from 4.8% to 34.6% (for currencies of non-"unfriendly" countries, i.e., yuan), 28.4% to 47.6% (for ruble), and 66.8% to 17.8% (for currencies of "unfriendly" countries). According to Russia, almost 90% of the trade between Russia and China is now settled in yuan or ruble.[38]

**Figure 16: Russia: Currency composition of external trade, in %**



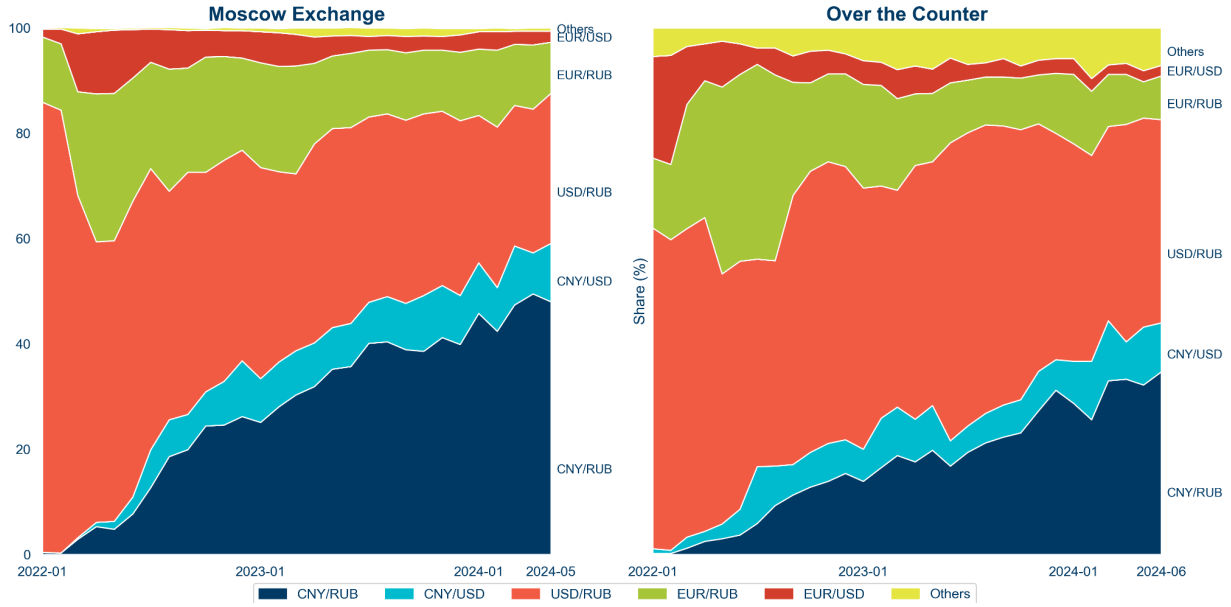

Source: Bank of Russia

These developments are also reflected in the currency pairs most often traded at the Moscow Exchange with the RUB/CNY share increasing from 0.4% in January 2022 to 49.5% in April 2024. Yuan-related transactions overall rose from 0.4% to 57.3% (Figure 17)[39]. After sanctions were imposed on MOEX in mid-June 2024, they reached above 99%. Outside of MOEX, the dynamics are significantly different, with the RUB/CNY share increasing from 0.2% in January 2022 to

[37] Overview of Financial Markets Risks. Central Bank of Russia, Feb. 2024, URL [ru].
[38] "Putin Says Russia-China Mutual Investment Policies Effective." Xinhua News Agency, 4 Dec. 2024, URL.
[39] The Central Bank of Russia has since ceased publishing some of the statistics in Figure 17.

34.7% in June 2024 and the share of CNY-related transactions overall from 1.2% to 45.2%. Sanctions by the US and UK clearly pushed trading in hard currency over the counter.

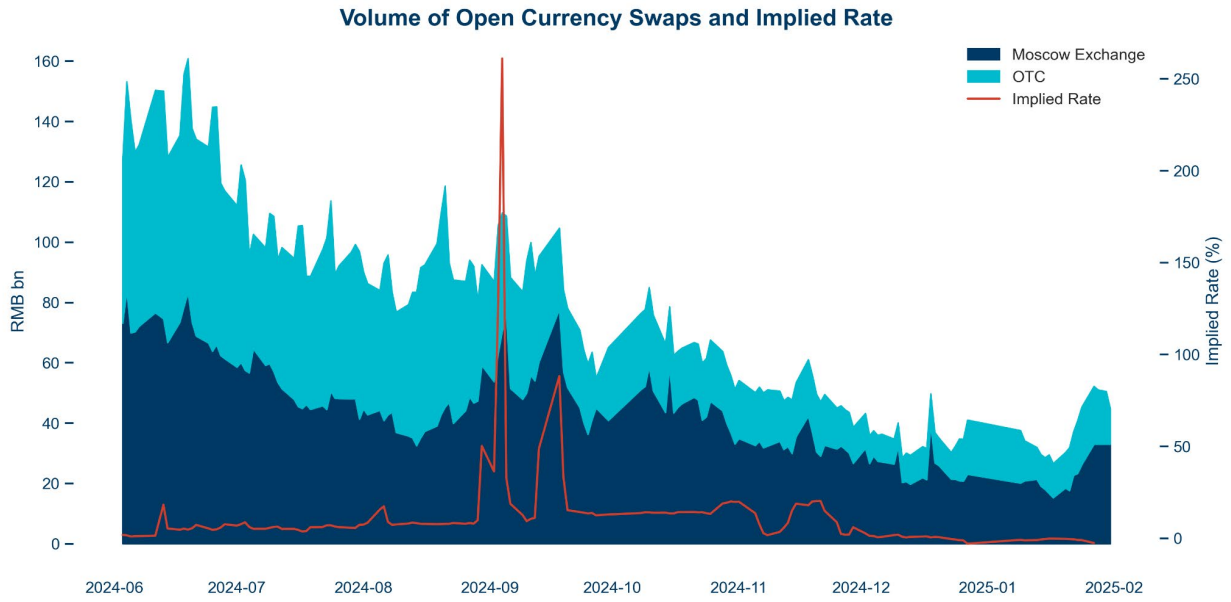
**Figure 17: Russia: Composition of currency trade, in %**




Source: Bank of Russia

Increasing reliance on yuan in the Russian economy (i.e., Yuanization) creates new challenges, however. A look at open swap positions within MOEX and outside shows that, during stress episodes, including those triggered by additional sanctions, yuan shortages emerge and, in turn, the cost of borrowing in yuan increases dramatically (Figure 18). The Bank of Russia can provide temporary liquidity support, but can not provide permanent funding to banks. There are also more fundamental questions about the reliable supply of a foreign currency that now plays such an important role for the Russian economy. The threat of sanctions and capital controls in China makes it difficult to arbitrage the renminbi between China and Russia.

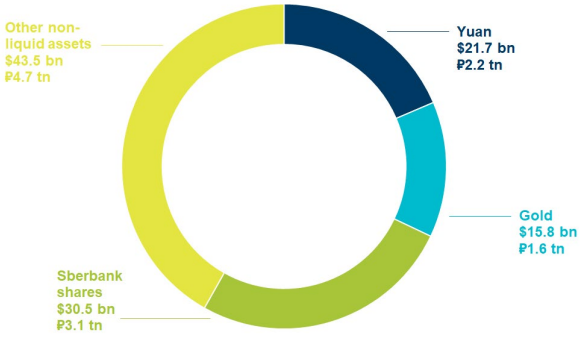
**Figure 18: Russia: Access to Yuan**




Source: Bank of Russia

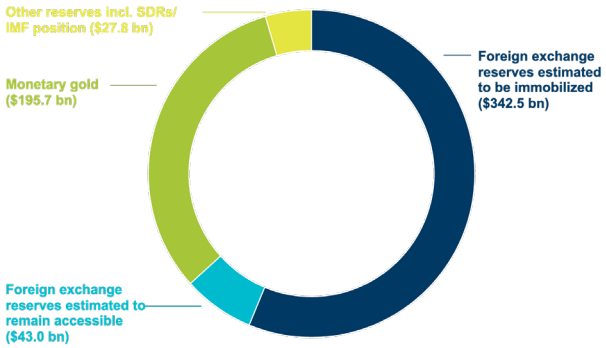
It is worth noting that yuan-denominated assets are also increasingly important for Russia's macroeconomic buffers–its sovereign wealth fund (National Welfare Fund or NWF) as well as other reserves. As of December 2024, the liquid portion of the NWF consisted of 2.2 trillion rubles in yuan assets (or $21.7 billion) and 1.6 trillion rubles (or $15.8 billion) in gold, while all other assets, including those in euros, pound sterling, or yen were sold after February 2022 (Figure 19). For reserves overall, it is estimated that Russia has access to $43.0 billion foreign currency assets, likely largely yuan, $195.7 billion gold, and $27.8 billion other assets, while more than $340 billion in FX reserves are immobilized due to Western sanctions (Figure 20).

**Figure 19: Russia: Composition of NWF assets (as of December 2024)**




Source: Ministry of Finance, KSE Institute

**Figure 20: Russia: Composition of reserve assets (as of December 2024)**




Source: Bank of Russia, KSE Institute

### *Alternative Payments Infrastructure*

In response to the introduction of sanctions in 2014 and in anticipation of additional measures in the future, Russia began to create domestic wholesale and retail payments and messaging systems and has made substantial progress in this area. At the time, partially motivated by economic sovereignty concerns, Russia was embracing digitalization, including in finance, faster than other countries, and the implications of the pandemic have only accelerated this process. In 2014, the Bank of Russia (CBR) began to develop its own Financial Communications System (SPFS). While it is less flexible than existing international systems, SPFS could handle all domestic messaging traffic.

Despite progress in recent years, the systems' international connectivity remains limited, making it difficult to reduce dependence on non-Russian financial services providers. Due to SPFS's limited international reach, Russia has undertaken efforts to link it to China's national payments system (CNAPS for onshore use and CIPS for cross border transactions, even if CIPS still relies on SWIFT for its indirect participants, which are most, if not all foreign banks). Russia has also been discussing an alternative system with BRICs countries, albeit with limited success.

Russia has struggled to find alternatives to Visa and Mastercard for cross-border payments, with only a few countries accepting MIR cards,[40] Russia's alternative to Visa and Mastercard, which was launched in 2014 and is operated by the National Payment Card System Joint Stock Company (NSPK JSC), fearful of US sanctions. After Visa and Mastercard voluntarily withdrew from Russia, their credit cards continued to be used domestically, as all payments were routed through Russia's domestic payment infrastructure. However, individuals traveling outside of Russia with Visa or Mastercard issued by Russian banks could no longer use them. Russian banks began issuing MIR as well as UnionPay cards. However, similar to MIR cardholders, UnionPay cardholders have increasingly faced difficulties using them abroad, especially after Gazprom was targeted by US sanctions.[41]

### *Limits to China's Support*

Despite trade between Russia and China being settled in national currencies—yuan and rubles—reaching 90%, this did not shield Russia from sanctions pressure. The December executive order by the US threatening secondary sanctions against foreign financial institutions involved in transactions related to export controlled goods likely contributed to a reduction in trade volume, with China's exports to Russia dropping by 16% in March 2024. Many Chinese financial institutions increased compliance checks, leading to longer clearing times and even returns on a wide range of HS codes, including industrial equipment, electronics, spare parts and components, microelectronics, and IT and telecommunications equipment.

This prompted Russian buyers to seek alternative methods for facilitating cross-border payments with China, even when not conducted in US dollars, but in national currencies.[42] Some of these methods include using Russian bank branches in China (such as VTB Bank), engaging in barter,

[40] In Abkhazia, Belarus, Cuba, and South Ossetia. See: here [ru].
[41] "Gazprombank Warns of UnionPay Card Issues Abroad Following U.S. Sanctions." The Moscow Times, 22 Nov. 2024, URL.
[42] "The Hard Path of the Yuan: The Intricacies of Current Financial Logistics." East Russia, 9 Apr. 2024, URL [ru].

transactions via third countries, for instance in Central Asia,[43] working with smaller Chinese financial institutions specifically focused on transactions with Russian companies, similar to the Bank of Kunlun, which facilitated transactions for Iran.[44] Furthermore, Russian banks may try to access China's Cross-Border Interbank Payment System (CIPS) directly or indirectly. Russian analysts report that there are at least a few direct participants in CIPS that are based in Russia, and possibly 30 indirect members (the number of indirect members has increased from 1,288 in February 2022 to 1,413 in December 2024). Finally, the Bank of Russia recently approved the establishment of branches in Russia, a clear move to find the work-arounds sanctions, despite previously opposing foreign branches due to supervisory concerns.[45]

[43] "Russia Survived Sanctions by Exchanging the Dollar for the Yuan." ProFinance.Ru, 3 Jan. 2025, URL.
[44] OFAC, FAQ, see here.
[45] Central Bank of Russia, press-release, December 27, 2024, see here.

# IV. Lessons Learned and Policy Recommendations

## A. Lessons Learned

### *The Russia-China Relationship*

**China is a critical lifeline for Russia's macroeconomic stability and its ability to continue the war against Ukraine as well as the assault on the rules-based international order.** Without Chinese purchases of Russian oil and gas, export earnings would drop sharply and sharply lower budget revenues would force Russia to spend less on the war or cut expenditures everywhere else. Without China providing critical technology–either made by Chinese companies or delivered to Russia in circumvention of Western export controls–Russia's military industry would not be able to maintain production levels of weapons needed for the war. Without Chinese help in setting up alternative financial interlinkages, Russia would struggle even more to move away from Western systems that are susceptible to sanctions.

**The Russia-China relationship is symbiotic but asymmetrical–essential for Russia but only a "nice to have" for China, which exploits opportunities presented by Russia's weakness.** For China, its "partnership" with Russia means access to somewhat cheaper energy and access to an attractive market for its consumer goods. However, China is not interested in becoming dependent on Russian oil and gas to a large extent, the Russian market pales in size to China's commercial linkages around the world, and China does not really invest in the future development of Russia. Western sanctions play a role for China's hesitancy. While China does not participate in the sanctions regime and, in fact, helps Russia to circumvent restrictions on a large scale, Chinese companies generally do not want to risk facing sanctions themselves as they would represent a threat to their broader economic interests.

### *Effectiveness of Sanctions*

**Sanctions are an important tool in the arsenal of economic statecraft, but they are not a magic wand for resolving geopolitical conflicts. While sanctions can be impactful, their success often hinges on the clarity of their objectives and the robustness of their enforcement.**[46] Furthermore, sanctions are likely more effective when implemented decisively and comprehensively, rather than through a piecemeal approach, which allows the target country to adapt gradually. It is crucial to acknowledge that unrealistic or conflicting goals can undermine the effectiveness of sanctions, especially when enforcement is inadequate. This nuanced understanding highlights that sanctions are not inherently ineffective but must be tailored to achieve specific, attainable objectives to maximize their impact.

The sanctions imposed on Russia following its 2022 full-scale invasion as well as those imposed since 2014 provide important lessons in this regard. **On one hand, sanctions did impose substantial costs on Russia. However, their design, particularly in 2022—allowing energy exports to continue due to Russia's integration into global commodity markets and concerns about cost to the sender—limited their overall effectiveness.** Additionally, the timing of the sanctions, with a gradual rather than immediate imposition, and the leakages caused by insufficient enforcement and the lucrative nature of Russia's exports further diluted their impact.

[46] Itskhoki, Oleg, and Elina Ribakova. The Economics of Sanctions: From Theory into Practice. Brookings Institute, 2024, URL.

Finally, 2014 sanctions and the subsequent policy debate on the escalation ladder gave Russia a forewarning on what to prepare for next. Moreover, the scale of Russia's economy and its substantial share in global commodity markets made sanctions particularly challenging. Russia's size and economic leverage meant that sanctions resembled a decoupling process, which had more symmetrical impacts on both sides. This scenario suggests that smaller countries might experience more pronounced deterrent effects from similar sanctions, while larger, economically integrated nations might find ways to mitigate their impact.

**The involvement of "black knights", nations like China, Turkey and UAE, which helped Russia find ways to circumvent the sanctions, demonstrates the complexity of maintaining a unified and effective sanctions regime.** This emphasizes the tradeoff between open-ended sanctions, with vague terms and enforcement, versus sanctions with clear objectives, enforcement, and conditions for removal. The former may be effective to send a signal and contain future escalation of the conflict. Such sanctions may backfire in an all-out conflict, where clear structure of sanctions and firm commitment to enforce them with secondary sanctions on third countries become most effective.

## B. Policy Recommendations

**The analysis of the Russia sanctions regime and, in particular, China's role as a lifeline to Russia's economy and war effort leads to the following policy recommendations.**

1. **Replace the current energy sanctions regime with an approach that is more costly to Russia while not creating positive effects for China through cheaper energy.** Any attempts to reduce Russian export earnings through prices rather than volumes will lead to positive externalities for those countries that still buy its oil and gas, including, most importantly, China. In 2024, the average export price for Russian oil was roughly $10/barrel lower than Brent, which is often used as a global reference point. While this is a much smaller discount than during H1 2023 when Western energy sanctions were most effective, it still means that Russia's clients pay less for their imports of its oil.

   **For the US, Russia is a key competitor in the energy sector and Russia's oil and gas mean less market share and less attractive prices for American companies.** President Trump's expressed intention to significantly increase US oil and gas production as well as exports faces a challenge as this would negatively impact prices on global markets and reduce incentives to produce for US companies. However, should higher production be accompanied by a reduction in Russian supplies to the global market, the US–and, potentially, its ally Saudi Arabia–would gain market share while maintaining attractive prices. Reducing Russian exports could be achieved by sanctioning its oil and gas–or specific companies or facilities. The extraterritorial reach of US sanctions would effectively force the buyers of Russian oil and gas, including China, to choose a side.

2. **Ensure that export controls on critical technology are effective in the Russia case as they are a test for broader restrictions on exports to China in the future.** Currently, it is China that helps Russia circumvent export controls and maintain access to technology critical for its war effort. But in the future it could easily be the other way around with Russia returning the favor and helping China acquire high-tech from the US. Furthermore, the circumvention strategies are fundamentally the same: intermediaries in third countries ensure that the goods in question continue to flow to certain destinations and conceal their

end use via complex supply chains and distribution networks. While this makes it very challenging for producers to control what happens to their products, export controls on Russia–and, by extension, on China–will not be effective without the buy-in from the private sector. It is simply impossible for authorities to follow millions of individual shipments around the world once they have left production facilities. Export controls compliance by all companies is also critical as it maintains a level playing field.[47] Otherwise, less scrupulous players, including in the US, will gain an unfair competitive advantage, which will distort incentives for everyone.

**Aggressively go after Chinese players involved in the evasion and circumvention of Russia export controls, including producers, financial institutions, and intermediaries.** Chinese entities are accumulating important experience with regard to working around technology sanctions–and are building up structures and networks for this purpose–that they will eventually employ to get around restrictions with regard to China itself. As instruments of the US's most important geopolitical competitor's interest, they should be targeted as much as possible as early as possible. Sanctioning of intermediaries (e.g., traders) is worthwhile–although it means engaging in somewhat of a cat-and-mouse-game–as it forces nefarious actors to repeatedly spend time and money on rebuilding their networks, which drives up the cost of acquisition quite significantly as has been shown with regard to Russian CHPL imports. In addition, it is a relatively low-cost strategy for those imposing the sanctions. The use of secondary sanctions–or, rather, the threat thereof–has the advantage that it does not require to identify specific targets. Instead, a vague threat is being issued and it is left to actors in third countries to determine how to comply with measures by the US. In the case of financial institutions and Russian CHPL imports, this has proven to be very effective but would also work for Chinese producers of specific goods. Ultimately, they would be forced to choose between certain business activities that the US opposes and their access to the US dollar, the US financial system, and the US market.

3. **Leverage the continued primacy of the Western financial system to effectively enforce sanctions and related measures around the world.** The experience from the Russia sanctions regime shows clearly that the extraterritorial nature of some US measures–i.e., the threat to disconnect those interacting with sanctioned entities from the US dollar and US financial system–remains an extremely powerful tool.[48] Such secondary sanctions had previously been very effective with regard to Iran as well as Nord Stream 2. And despite concerns over countries such as Russia and China moving away from Western currencies and Western financial infrastructure, this has proven to be harder than it looks at first glance. For instance, to insulate oneself from such US sanctions, it is not sufficient to conduct certain transactions in currencies other than the US dollar, but necessary to undertake no meaningful business in US dollars altogether. As long as part of an entity's business requires access to the US financial system, the US' leverage

[47] Senate Committee on Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations, testimony by Elina Ribakova "The U.S. Technology Fueling Russia's War in Ukraine: How and Why", February 27, 2024, see here.
[48] Ribakova, Elina. "Our Experience with Russia Holds Lessons for Future Sanctions." Financial Times, 27 Feb. 2024, URL.

remains fully in place. Needless to say, countries such as China attempt to set up systems–e.g., banks–that can fully operate independent of the US financial system, but this is quite challenging to do at scale. Most internationally operating banks and non-financial companies cannot do business without links to the US.

**With regard to the leveraging of the continued primacy of Western financial architecture, it is important to distinguish between different areas where attempts to establish alternative systems have had different levels of success**–specifically, trade finance and the currency composition of exports and imports, financial messaging and payments systems, credit cards etc. In many cases, establishing such structures is much harder than political statements make it sound (e.g., a common BRICS currency or a BRICS payment system) and trigger hard-to-manage second-round effects.

## V. Additional Analysis

The following reports are used in preparing this testimony and are listed here for the convenience of the Committee in its future work.

Disassembling the Russian War Machine: Key Players and Nodes (Forthcoming), KSE Institute

Bunzel, Theodore, and Elina Ribakova. "The Russian Economy Remains Putin's Greatest Weakness." Foreign Affairs, 9 Dec. 2024, https://www.foreignaffairs.com/russia/russian-economy-remains-putins-greatest-weakness.

Itskhoki, Oleg, and Elina Ribakova. The Economics of Sanctions: From Theory into Practice. Brookings Institute, 2024, https://www.brookings.edu/articles/the-economics-of-sanctions-from-theory-into-practice/.

KSE Institute's Russia Chartbook and Russian Oil Tracker, https://sanctions.kse.ua/en/sanctions-analytics/

"Energy Sanctions Impact Summary." KSE Institute, July 2024. Zotero, https://sanctions.kse.ua/wp-content/uploads/2024/08/Energy-Sanctions-Impact-Summary-July-2024.pdf.

Hilgenstock, Benjamin, et al. Using the Financial System to Enforce Export Controls. 30 Apr. 2024, https://www.bruegel.org/working-paper/using-financial-system-enforce-export-controls.

Bilousova, Olena, et al. Challenges of Export Controls Enforcement: How Russia Continues to Import Components for Its Military Production, Jan. 2024, https://kse.ua/wp-content/uploads/2024/01/Challenges-of-Export-Controls-Enforcement.pdf.

Ribakova, Elina. "U.S. Technology Fueling Russia's War in Ukraine: How and Why." 27 Feb. 2024, https://www.hsgac.senate.gov/wp-content/uploads/Ribakova-Testimony-Feb.-27-2024-Updated.pdf.

Ribakova, Elina. "Sanctions against Russia Will Worsen Its Already Poor Economic Prospects." Realtime Economics, 17 Apr. 2023, https://www.piie.com/blogs/realtime-economics/sanctions-against-russia-will-worsen-its-already-poor-economic-prospects.

Hilgenstock, Benjamin, et al. Russian Oil Exports Under International Sanctions. 4430053, Social Science Research Network, 26 Apr. 2023. papers.ssrn.com, https://doi.org/10.2139/ssrn.4430053.

Babina, Tania, et al. Assessing the Impact of International Sanctions on Russian Oil Exports. 4366337, Social Science Research Network, 23 Feb. 2023. papers.ssrn.com, https://doi.org/10.2139/ssrn.4366337.

**OPENING STATEMENT OF ANTHONY RUGGIERO, ADJUNCT SENIOR FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES**

MR. RUGGIERO: Thank you. Good morning. Hearing Co-Chairs, distinguished Commissioners and staff of the Commission, and fellow panelists, it is an honor to participate in today's hearing.

My testimony is informed by my work over 20 years in the U.S. government on sanctions and proliferation issues, at the Foundation for Defense of Democracies, the Departments of State and the Treasury, as a foreign policy fellow for former Senator Rubio, and in the White House National Security Council, where I served as Director for North Korea from 2018 to 2019, and then Deputy Assistant to the President and Senior Director for Counterproliferation and Biodefense from 2019 to 2021.

During my career in the U.S. government I led a State Department team that drafted sanctions packages, participated in negotiations with North Korea in its requests for sanctions relief, and addressed China's cooperation, and at times lack of cooperation, on proliferation issues.

In my written testimony I have provided an example of how discussions over the North Korea nuclear issue have been dictated by the Kim family regime's playbook. The regime has generally used the same playbook since 1994 -- expand its nuclear weapons and ballistic missile programs, use missile launches and nuclear tests to create a sense of urgency, and then negotiate a reduction in sanctions pressure.

In most instances, American Presidents of both parties have played along. Kim Il Sung, the country's founder and grandfather of the current leader, used it with former President Bill Clinton. Kim Jong Il, the current leader's father, used it with former Presidents George W. Bush and Barack Obama. And Kim Jong Un, the current leader, used it with Obama and tried the same playbook with President Donald Trump.

This playbook benefits from China's consistent and substantial support of the Kim regime. Even during times where the Chinese Communist Party supported strong United Nations sanctions against North Korea, Beijing violated those same sanctions almost immediately after their adoption.

In my written testimony I detail how recent sanctions by the Biden administration show that China is still supporting North Korea. The support takes many forms, but the most concerning is providing Pyongyang continued access to the international financial system to conduct illicit financial activities.

We have been here before. After President Obama largely ignored North Korea's activities for the first 7 years of his presidency, his administration targeted Chinese companies and individuals helping North Korea. President Trump expanded that effort, targeting the financing of these activities. Specifically in 2017, he ended Bank of Dandong's access to the U.S. financial system because it provided North Korea access to the U.S. and international financial systems.

It is important to reinforce that before this action took place, and frankly since then, there is a prevailing view that addressing the role of Chinese banks in North Korea's sanctions evasion could not, and should not, be done. Bank of Dandong was the 148th largest financial institution out of 196 in China at the time, but it had outsized influence. It conducted over $2.5 billion in U.S. dollar transactions from May 2012 to May 2015.

We need to return to a similar mindset and develop a strategy to address China's actions.

Beijing cannot continue to support North Korea's nuclear weapons and ballistic missile activities by providing Pyongyang access to the international financial system.

In my written testimony I also recommended that Congress should conduct oversight of its North Korea sanctions laws that it passed, by bipartisan overwhelming majorities, in 2016, 2017, and 2018.

In my written testimony I also briefly describe sanctions evasion and proliferation activities between the countries in the axis of autocracy. For example, the head of North Korea's primary intelligence bureau accompanied North Korean troops in Ukraine and is gathering valuable intelligence that could threaten American and allied troops in South Korea and Japan.

Russia is providing direct support to China's nuclear weapons program, which will help Beijing produce over 1,000 operational nuclear warheads by 2030. And China has continued to purchase Iranian oil, and the proceeds are used to fuel Tehran's proxy network that has targeted Israel.

Thank you for inviting me to testify, and I look forward to addressing your questions.

**PREPARED STATEMENT OF ANTHONY RUGGIERO, ADJUNCT SENIOR FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES**

U.S.-China Economic and Security Review Commission

# An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea

## Panel II: Economic Linkages and Sanctions Evasion

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**Washington, DC**
**February 20, 2025**

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Hearing co-chairs Stivers and Friedberg, distinguished commissioners and staff of the U.S.-China Economic and Security Review Commission, and fellow panelists, it is an honor to participate in today's hearing.

The Kim family has used the same playbook since 1994: expand its nuclear weapons and ballistic missile programs, use ballistic missile launches and nuclear tests to create a sense of urgency, and negotiate a reduction in sanctions pressure. In every negotiated U.S.-North Korea agreement, the Kim family has only been willing to trade a temporary pause in Pyongyang's nuclear weapons and ballistic missile programs, which the Kim family can reverse at any time, for a reduction in sanctions pressure.

Kim Il Sung, North Korea's founder and the current leader's grandfather, created the playbook to convince the Clinton administration to negotiate the 1994 Agreed Framework, which reduced the military and sanctions pressure and froze, but did not end, Pyongyang's nuclear weapons program.

Kim Jong Il, the current leader's father, used the same techniques in 2002 after former President George W. Bush named North Korea as part of the Axis of Evil.[1] The subsequent negotiations produced the 2005 Joint Statement, which again provided sanctions relief but did not end Pyongyang's nuclear weapons program.

Kim Jong Un, North Korea's current leader, used the same playbook with former Presidents Barack Obama and Joe Biden. The Obama administration negotiated a short-lived interim deal, known as the Leap Day Deal, which followed the same pattern of providing sanctions relief for a freeze on missile and nuclear activities.

Kim probably assumed that President Donald Trump would react in the same way in his first term in office. But Trump chose a different path, using sanctions pressure to create leverage to open a pathway for the unprecedented Trump-Kim summits. Even though the summits opened the door for a negotiated settlement, after numerous engagements, a deal remained elusive. Kim believed that Trump was like his predecessors, overeager for a deal and willing to take a partial settlement. Trump did the right thing by walking away in Hanoi.

## China's Role in North Korea's Sanctions Evasion

Throughout these U.S.-North Korea engagements, China has provided a lifeline to North Korea. Beijing supported the robust UN sanctions on North Korea but violated them almost immediately. Trump used his own playbook to disrupt Beijing's support for North Korea in his first term and, if Trump wants to reengage Kim, will need to do so again to create negotiations leverage.

A review of recent U.S. sanctions on North Korea shows that Pyongyang still relies on China to evade UN and U.S. sanctions. In December 2024, the Department of the Treasury explained that North Korea "continues to use agents and proxies to access the international financial system to

[1] President George W. Bush, "President Delivers State of the Union Address," *State of the Union address*, January 29, 2002. (https://georgewbush-whitehouse.archives.gov/news/releases/2002/01/20020129-11.html)

conduct illicit financial activities, including fraudulent IT work, digital asset heists, and money laundering, in support of its unlawful WMD and ballistic missile programs."[2] Treasury's Financial Crimes Enforcement Network highlighted that North Korean banking representatives "orchestrate schemes, set up shell companies, and manage bank accounts to move and disguise illicit funds that can then be used to finance the DPRK's WMD and ballistic missile programs."[3] Many of these activities have a nexus inside China. If Beijing ended Pyongyang's access to the Chinese financial system and commercial activities, it could disrupt North Korea's nuclear weapons and ballistic missile activities as well as its support for Russia's war in Ukraine.

On December 17, 2024, the Treasury Department sanctioned two UAE-based Chinese nationals and a UAE-based front company that worked with Sim Hyon Sop, a North Korean national based in China.[4] Treasury noted that Sim is a North Korean banking representative who "orchestrates money laundering schemes to fund the regime."[5] Between early 2022 and approximately September 2023, Sim was able to use the protection of operating in China to launder several millions of dollars through "a combination of cryptocurrency cash-outs and money mules," which were then used to purchase products and services for use by North Korea or its proxies.[6]

On December 16, 2024, the Biden administration sanctioned two North Korean individuals who were "directly involved in ballistic missile-related procurement transactions involving individuals and entities in the DPRK and the PRC, since at least 2018."[7] The State Department noted that these procurements were made possible by the North Koreans operating a business inside China. The procurements were focused on acquiring aluminum powder, which is used in rocket propellant for North Korea's ballistic missile programs. The State Department did not sanction the Chinese banks, individuals, or companies that probably assisted the North Korea sanctions evasion network.

In March 2024, the Department of the Treasury sanctioned North Korean bank representatives operating in China and Russia.[8] Treasury highlighted that Yu Pu Ung, one of the sanctioned representatives for U.S.- and UN-designated Tanchon Bank, is the linchpin in North Korea's "illicit financial activities and is skilled at employing various schemes to avoid detection."[9] Yu and another representative used funds to supply WMD-related materials and provide funds to China-based representatives of North Korean weapons organizations.

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[2] U.S. Department of the Treasury, Press Release, "Treasury Disrupts North Korean Digital Assets Money Laundering Network," December 17, 2024. (https://home.treasury.gov/news/press-releases/jy2752)
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] U.S. Department of State, Press Release, "U.S. Sanctions on Entity and Individuals Providing Procurement Support to the DPRK's Unlawful Ballistic Missile Program," December 16, 2024. (https://2021-2025.state.gov/u-s-sanctions-on-entity-and-individuals-providing-procurement-support-to-the-dprks-unlawful-ballistic-missile-program)
[8] U.S. Department of the Treasury, Press Release, "Treasury Sanctions Actors Financing the North Korean Weapons of Mass Destruction Program," March 27, 2024. (https://home.treasury.gov/news/press-releases/jy2215)
[9] Ibid.

In the same sanctions announcement, Treasury noted that Han Chol Man is a representative for the U.S.- and UN-designated Kumgang Bank in Shenyang, China. Han "coordinated or facilitated over $1 million in payments between China and DPRK for several DPRK banks. During 2023, Han Chol Man coordinated over $600,000 in payment orders with a bank that is subordinate to the U.S. and UN-designated Munitions Industry Department."[10] The Treasury Department did not sanction the Chinese banks, individuals, or companies that probably assisted the North Korea sanctions evasion networks.

A Way to Reverse the China-North Korea Relationship

North Korea is clearly benefiting from China's lax enforcement of UN sanctions and the Biden administration's unwillingness to enforce U.S. laws and sanctions on Pyongyang's activities inside China. The United States can and should sanction Chinese companies, individuals, and even banks that are knowingly involved in North Korea's sanctions evasion. Washington knows how to calibrate these actions to ensure that it targets the problematic activities and does not cause broader concerns in the Chinese financial system.

Beginning in 2016 and extending until Trump's summits with Kim, the United States targeted Chinese companies, individuals, and banks aiding North Korea's sanctions evasion. In one example, actions by the Departments of the Treasury and Justice showed that North Korea used Chinese banks from 2009 to 2017 to process more than $1.3 billion in transactions through the U.S. financial system.[11]

In 2017, Trump ended Bank of Dandong's access to the U.S. financial system because it provided North Korea access to the U.S. and international financial systems.[12] Bank of Dandong was the 148th largest financial institution (out of 196) in China, but it had outsized influence, conducting more than $2.5 billion in U.S. dollar transactions from May 2012 to May 2015.[13]

Trump's action sent an unmistakable message: no more business as usual on North Korea. Beijing listened and supported expanded UN sanctions and told North Korean companies to close their operations in China.[14]

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[10] Ibid.
[11] U.S. Department of the Treasury, Press Release, "Treasury Imposes Sanctions on Supporters of North Korea's Weapons of Mass Destruction Proliferation," September 26, 2016. (https://home.treasury.gov/news/press-releases/jl5059); U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/archives/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us); United States of America v. Funds Associated with Mingzheng International Trading Limited, No. 1:17-cv-01166-KBJ (D.D.C. June 14, 2017). (https://www.courthousenews.com/wp-content/uploads/2017/06/Mingheng.pdf)
[12] U.S. Department of the Treasury, Press Release, "FinCEN Further Restricts North Korea's Access to the U.S. Financial System and Warns U.S. Financial Institutions of North Korean Schemes," November 2, 2017. (https://home.treasury.gov/news/press-releases/sm0205)
[13] Proposal of Special Measure Against Bank of Dandong as a Financial Institution of Primary Money Laundering Concern, Department of the Treasury, 82 Federal Register 31537, July 7, 2017. (https://www.fincen.gov/sites/default/files/federal_register_notices/2017-07-07/2017-14026.pdf)
[14] "China to shut down North Korean companies," *BBC* (UK), September 28, 2017. (https://www.bbc.com/news/world-asia-41431057)

The Axis of Sanctions Evasion: North Korea, Iran, China, and Russia

China's support for North Korea's sanctions evasion has provided Kim with a steady revenue stream that protects his strategic priorities: the nuclear weapons and ballistic missile programs, the military, and the elites.[15] This has allowed Kim to provide ammunition, artillery, and troops for Russia's war in Ukraine. In exchange, Moscow has promised cooperation on missiles, space, and other military activities.[16]

Kim Yong Bok, a senior general of the Korean People's Army; and Ri Chang Ho, head of the Reconnaissance General Bureau (RGB), have accompanied North Korean troops in Ukraine.[17] Treasury sanctioned Kim and Ri in December 2024 and noted that Ri "has conducted revenue generating activities and securing funds in support of the DPRK's WMD activities."[18] In 2023, Treasury described RGB as North Korea's "primary intelligence bureau and main entity responsible for the country's malicious cyber activities."[19]

Ri could be using his presence in Ukraine to increase North Korea's intelligence on military tactics. Two senior Ukrainian sources told Reuters earlier this month that North Korean ballistic missiles fired by Russian forces at Ukraine since late December have been more accurate than the missiles fired over the last year.[20] This is particularly important for American and allied troops stationed in South Korea and Japan where North Korea would use ballistic missiles in a conflict.

On January 15, 2025, Treasury sanctioned a sanctions evasion scheme in which China and Russia facilitated cross-border payments for sensitive goods.[21] Treasury highlighted that the scheme had support from officials in China and Russia. Both parties established "regional clearing platforms (RCPs) in both Russia and China to act as counterparties to allow for cross-border payments for sensitive goods," which allowed the "non-cash mutual settlement for payments for so-called sanctioned goods."[22]

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[15] Anthony Ruggiero, "The Robust North Korea Sanctions Mirage," *38 North*, February 13, 2024. (https://www.fdd.org/analysis/2024/02/13/the-robust-north-korea-sanctions-mirage)
[16] Anthony Ruggiero, "Treasury's New North Korea Sanctions Highlight the Problem With North Korea Sanctions," *Foundation for Defense of Democracies*, November 30, 2023. (https://www.fdd.org/analysis/2023/11/30/treasurys-new-north-korea-sanctions-highlight-the-problem-with-north-korea-sanctions)
[17] U.S. Department of the Treasury, Press Release, "Treasury Sanctions Key Facilitators Behind North Korea's Illicit Financial Activities and Military Support to Russia," December 16, 2024. (https://home.treasury.gov/news/press-releases/jy2751)
[18] Ibid.
[19] U.S. Department of the Treasury, Press Release, "Treasury Targets Actors Facilitating Illicit DPRK Financial Activity in Support of Weapons Programs," April 24, 2023. (https://home.treasury.gov/news/press-releases/jy1435)
[20] Tom Balmforth, "Exclusive: Ukraine sees marked improvement in accuracy of Russia's North Korean missiles," *Reuters*, February 6, 2025. (https://www.reuters.com/business/aerospace-defense/ukraine-sees-marked-improvement-accuracy-russias-north-korean-missiles-2025-02-06)
[21] U.S. Department of the Treasury, Press Release, "Treasury Disrupts Russia's Sanctions Evasion Schemes," January 15, 2025. (https://home.treasury.gov/news/press-releases/jy2785)
[22] Ibid.

The Russia-China cooperation has extended to Moscow's support for Beijing's nuclear weapons program. In March 2023, the Department of Defense highlighted that Russia shipped highly enriched uranium to China to produce plutonium that will be used in Beijing's nuclear weapons program.[23] The Defense Department reported in December that Beijing "will have over 1,000 operational nuclear warheads by 2030, much of which will be deployed at higher readiness levels."[24]

The Trump administration's first sanctions issued on February 6 targeted Iran-China sanctions evasion activities. The Treasury Department noted that an international network facilitated the shipment of Iranian crude oil to China worth hundreds of millions of dollars.[25] Treasury noted that the scheme provides Tehran with billions of dollars in profits that are used "to fund its destabilizing regional activities and support of multiple regional terrorist groups, including Hamas, the Houthis, and Hizballah."

China and Russia have used their UN Security Council vetoes to protect North Korea and Iran. In March 2024, Moscow vetoed a resolution to extend the UN Panel of Experts that monitors the implementation of UN sanctions on North Korea.[26] China abstained from the vote, but Chinese and Russian appointees to the panel routinely undermined its reporting.[27] China and Russia will probably use their vetoes to prevent action in the UN Security Council to address the Iran nuclear issue.

Recommendations

1. *Develop a comprehensive strategy to disrupt China's support to North Korea*. A consistent theme in my testimony is the role of the Chinese financial and commercial sectors in supporting North Korea's sanctions evasion. The strategy should investigate the role of Chinese banks, individuals, and companies and how the administration will use diplomatic, economic, and military pressure on North Korea, China, and other sanctions evaders to address these activities.

2. *Disrupt North Korea's revenue generation by enforcing North Korea sanctions laws*. Kim will continue to support Russia and other members of the axis while the regime has the revenue to continue his strategic priorities. Congress passed three North Korea

[23] David Vergun, "Russia Reportedly Supplying Enriched Uranium to China," *DoD News,* March 8, 2023. (https://www.defense.gov/News/News-Stories/Article/Article/3323381/russia-reportedly-supplying-enriched-uranium-to-china)
[24] U.S. Department of Defense, "Military and Security Developments Involving the People's Republic of China," December 2024. (https://media.defense.gov/2024/Dec/18/2003615520/-1/-1/0/MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2024.PDF)
[25] U.S. Department of the Treasury, Press Release, "Treasury Targets Oil Network Generating Hundreds of Millions of Dollars for Iran's Military," February 6, 2025. (https://home.treasury.gov/news/press-releases/sb0015)
[26] Anthony Ruggiero and Andrea Stricker, "Russian Veto Kills UN Body Monitoring North Korea Sanctions," *Foundation for Defense of Democracies,* April 2, 2024. (https://www.fdd.org/analysis/2024/04/02/russian-veto-kills-un-body-monitoring-north-korea-sanctions)
[27] Andrea Stricker, "Russia and China Obstruct UN Reporting on North Korea," *Foundation for Defense of Democracies,* October 21, 2020. (https://www.fdd.org/analysis/2020/10/21/russia-and-china-obstruct-un-reporting-on-north-korea)

sanctions laws in 2016, 2017, and 2018, with overwhelming bipartisan majorities.[28] If properly implemented, these laws would deprive the Kim regime of revenue it uses to continue its nuclear weapons and ballistic missile programs. The administration should focus on North Korea's revenue-generating activities, including cyber activities, overseas laborers, and the use of highly skilled information technology workers.[29] But successive administrations have not adequately enforced the laws. Congress should conduct rigorous oversight of these laws and the administration's North Korea policy.

Hearing co-chairs Friedberg and Stivers and distinguished commissioners, thank you for the opportunity to testify on this important topic.

[28] North Korea Sanctions and Policy Enhancement Act of 2016, Pub. L. 114-122, 130 Stat. 93, 22 U.S.C. §9201. (https://www.govinfo.gov/content/pkg/COMPS-11985/pdf/COMPS-11985.pdf); Korean Interdiction and Modernization of Sanctions Act, Pub. L. 115-44, 131 Stat. 886, 22 U.S.C. §9401. (https://congress.gov/115/plaws/publ44/PLAW-115publ44.pdf); Otto Warmbier North Korea Nuclear Sanctions and Enforcement Act of 2019, Pub. L. 116-92, 133 Stat. 2243, 22. U.S.C. §9201. (https://ofac.treasury.gov/media/43261/download?inline)

[29] U.S. Department of the Treasury, Press Release, "Treasury Targets IT Worker Network Generating Revenue for DPRK Weapons Programs," January 16, 2025. (https://home.treasury.gov/news/press-releases/jy2790)

## PANEL II QUESTION AND ANSWER

COMMISSIONER FRIEDBERG: Thank you very much. So we are going to go in reverse alphabetical order, and Commission Stivers and I will go last. So Commissioner Sims, we will begin with you.

COMMISSIONER SIMS: Great. Thank you all for your testimony.

I have to admit here at the outset that when it comes to sanctions, I don't know if I would call myself a skeptic of sanctions but more, I would say that maybe we haven't always appreciated the downstream effects of utilizing sanctions as a tool.

So I would be curious to hear from each of you, you know, as we look at this so-called axis of autocracy, if you could design a sanctions regime that would have the maximum impact but have the least amount of downstream effects, and by that I mean essentially compelling these countries to not just evade the sanctions in the short term but build structures that allow them to not have any impact going forward. What kind of regime would you design, compared to what currently exists? I know that is a really broad question, but I would love your thoughts on all of that. Maybe we start with you, Ms. Donovan.

MS. DONOVAN: Sure. Thank you, Mr. Sims. It is a really good question. I agree with you. Sanctions, they have a very disruptive effect, but then you need to ensure that there is enforcement behind it. Another challenge with sanctions that I think we are seeing is that we need to also be investing in the positive economic statecraft side of this. We are very good at using the sanctions and coercive tools to try to change behaviors of adversary and target their activity, but I think we are lacking in trying to backstop with other positive measures.

So as an example of this, when you look at all of the sanctions that we have levied against Russia, we haven't done a very good job of trying to work with the regional countries, like their bordering countries, to tear them away from Russia. I think we have missed opportunities to further invest in Kyrgyzstan or in countries like Georgia, to try to influence those countries to work closely with the United States and stop trading with Russia. We have just gone and said, "You can't trade with Russia anymore."

So I think whenever we look at how we can make a stronger sanctions package, I think we need to look at the entirety of the economic statecraft toolkit that we have and not solely rely on individual tools, like sanctions.

MS. RIBAKOVA: Indeed. I would just add that sanctions are just one tool. It is not the magic wand. We all pay income taxes, but it is not going to resolve all the problems of our government, right. So sanctions have to go together with the foreign policy, with defense support, and other tools that we are working towards.

The second one is indeed enforcement. We pay taxes, but we also fill out our tax forms and we also have occasional audits, right. In the case of Russia, there is a lot of misunderstanding why sanctions haven't work. Well, they haven't worked because we haven't enforced them. So if we just announce them but we don't enforce them, for example, oil price cap, I can tell you that almost no Russian oil has been shipped under the world price cap since October 23. So if there is no enforcement, it is not happening.

In terms of the export controls, almost 90 percent of export control evasion somehow touches China, and it also involves sometimes our own companies, and I have testified about it before.

So again, we can't say they are not working if we are not enforcing them.

In terms of the reducing the effect on our own companies, which I think is critical, it is

trying to find ways that hurt Russia, the target, the most, while it is hurting us the least. And that is why I think, in some cases, energy, we have been so cautious in energy, but at the same time we are forgetting that U.S. is also a major energy producer and a direct competitor with Russia sometimes. So I think we should leverage that and have our companies benefit from it, from the fact that maybe Russian oil is removed.

Similarly, nuclear, and of course Anthony knows much more about it. There is sometimes direct competition that we have with Russia in terms of nuclear, and some of the measures that we would do in Russia could potentially indirectly benefit our own companies, as well.

MR. RUGGIERO: Yeah. I would just say that often, as many on the panel and Commissioners know, when we have policy discussions this is sort of the sanctions are like, okay, we will just do that. We don't spend a lot of time thinking about it strategically.

One of the examples I will use is in the previous administration they would go after these networks of banking representatives and commercial representatives in North Korea. But they are operating in all these other countries outside of North Korea, but they didn't go after any of the other banks and companies and individuals, so that is not a serious effort. So we need to get away from these sorts of name-and-shame, and we are just going to sort of target one node of a network, that is not really going to be effective.

The other thing I would argue for is, you know, going back to the old days of using financial diplomacy and deterrence and having our Under Secretary at the Treasury, and I guess Under Secretary of Commerce going overseas and making very clear to a lot of these places that they should fix their own activities versus having us have to use our sanctions or export controls. Sometimes you can avoid that by working with our partners to fix the actual problem.

COMMISSIONER SIMS: Thank you all.

COMMISSIONER FRIEDBERG: Commissioner Schriver.

VICE CHAIR SCHRIVER: Thank you, Mr. Chair, and thank you to our witnesses. I appreciate your statements, and I appreciate all of your long-term service. All of you have been on the front lines in one way or another, so thank you for that.

Mr. Ruggiero, I appreciate in your written statement very much the description of the long history of Chinese support to North Korean sanctions evasion. We had a discussion in the first panel about just the war in Ukraine and how much it has driven this axis together, and there are new aspects of cooperation. But this has been going on for decades. It has always been a feature of China's approach to the Korean Peninsula. And I think there is some mythology about how China turns the spigot on and off, and they modulate on sanctions enforcement or not. But I think you have done an excellent job of describing the clear, long track record of helping them evade sanctions.

You mentioned the tactic of targeting the bank, Dandong Bank. Could you describe a little more of the impact that that had, and if we were to introduce those approaches more going forward what would the expectation be in terms of impact on Chinese behavior, given this long history that you have described and observed?

MR. RUGGIERO: Well, thank you, and thank you for your kind words. I would say after Bank of Dandong -- so before that, I think as you know very well, before that the Trump administration, and I would say even before that the Obama administration by going after DHID, which was a large network of a company and individuals who were not shy, and in some ways public about their activities with North Korea, to hundreds of millions of dollars. So Obama went after them, and then that was a consistent message behind the scenes with China, that more is coming. And then when Trump went after Bank of Dandong, the Chinese actually started to take

the actions that they pretended to take or said they might take. They actually did take those actions.

Part of the challenge was we have not sustained that, and I would argue that we are, and as I did in my oral and my written statement, sometimes we are a little afraid of our own shadow here, where we don't think we can devise a good system to go after the Chinese financial system. We don't have to go after the largest banks in the world. We have done it in other systems where we have gone after senior officials of companies that are problematic but we don't want to go after the company.

I also was sketching this out before we start. When we look at the Chinese financial system it is not just North Korea. It is obviously Russia, it is Iran, but it is also, as the *Wall Street Journal* reported yesterday, the use of the fentanyl Chinese money launders, that it is killing America's youth, and the Chinese financial system is a big part of that.

So we really need to take a step back and think about how do we go after this and get the Chinese to be incentivized. Because as you know very well, if this was against the CCP priorities, this would not be happening in the Chinese financial system.

VICE CHAIR SCHRIVER: Thank you. I am wondering if you could also update me, but us, because we worked on an issue together related to ship-to-ship transfer and another aspect of sanctions evasion in that the North Koreans were able to find safe harbor in Chinese territorial waters and the like. Again, the Chinese claiming that they are unwitting, but we actually brought photos to them and said, "We are here to help. We can help you track and do the necessary to enforce the sanction."

Is that activity continuing apace? Is this still a major issue in terms of sanctions evasion?

MR. RUGGIERO: That is my understanding, and it has obviously expanded beyond to include the Iranian oil problem, the Russian oil problem. And part of this effort, sort of back to the question about sanctions and some of the answers about integrating our tools, we sort of, okay, we are going to do sanctions activities here, as you said, which I agree, we are going to take the photos and then we are going to show it to them. But then there is this sort of military aspect of, you know, these are vessels that are engaged, in the case of North Korea, in UN sanctions violations. So, unfortunately, we sort of step back from actually using what would have been in our rights to board the vessels and to gain intelligence and to ask what activities are they actually doing.

It is much harder, in my view, to go after -- it used to be we could go after the flags and the classification societies and insurances. That is much harder now because we did that and the adversaries have adjusted. So that is a tool that is unfortunately less available to us.

COMMISSIONER FRIEDBERG: Chair Price.

CHAIR PRICE: Thank you all very much. Really excellent presentations this morning, testimonies this morning.

I want to focus a bit on the role of Hong Kong and I will give you each just a minute or two to talk about the role Hong Kong is playing, where we might be looking in the wrong direction and not focusing on that well enough, and I will follow up after that.

Ms. Donovan, do you want to start?

MS. DONOVAN: Sure. Thank you. That is an excellent question. So we have really been seeing where Hong Kong is transitioning into a sanctions evasion hub. Unfortunately, China is exerting a significant amount of influence over the special administrative region, and I think it is important to note that in 2022, Hong Kong's Chief Executive, John Lee, said that they city would not implement U.S. sanctions on Russia, which also elevated our concerns that Hong

Kong would become a permissible environment for sanctions evasion.

While it is important to note that Western financial institutions that are in Hong Kong are required to comply with Western sanctions, there are several Chinese banks that have subsidiaries in Hong Kong, and we have seen where Iranian, Russian, as well as North Korean actors are using complex money laundering networks and shell companies, with complex ownership structures, to get around all the different sanction compliance. So there may be witting or unwitting Chinese banks that are part of these processes that are facilitating Iranian, Russian, and North Korean money laundering.

An interesting point that I briefly touched on in my oral testimony but wrote on more in the written testimony is this USD CHATS system, which if you are not familiar with it, it is a U.S. dollar clearing, automated transfer system, and interbank real-time gross settlement system. And it was established in 2000, with the Fed's approval, to process U.S. dollar interbank payments in real time, as well as bulk U.S. dollar clearing and settlement checks and stock market-related payments.

These CHATS exist in Hong Kong as well as Tokyo, Singapore, and Manila, and serve as official offshore dollar clearing centers. These are voluntary programs. In the case of Hong Kong, it is monitored by the Central Bank, the Hong Kong Monetary Authority, and HSBC is the settlement institution.

Now, USD CHATS is considered to be safe and compliant and follows all the rules, but the fact that there are these Chinese banks that are parts of this process, if those banks aren't following sanctions as it relates to Russia, Iran, North Korea, and the district AML/CFT standards I think U.S. financial institutions must be compliant with, it could potentially be opened up to use USD CHATS as a potential way to gain access to U.S. dollars and the global financial systems for sanctioned entities.

This is something that I think the U.S. government really does need to be paying a bit more attention to, and that is why one of my recommendations is that Treasury should work closely with the Fed to undertake some level of assessment to determine if there is enough transparency within the system so the Fed understands what is going on, and Treasury is able to take action, where needed.

CHAIR PRICE: Thank you.

MS. RIBAKOVA: Thank you so much. I want to draw your attention to page 18 of my written testimony, Figure 12. It outlines the evasion of export controls. And we track the country of producer. Sometimes it is Western countries. Country of origin, basically where it is getting shipped from. And then also the financial schemes, which is the institution that sells and the country of dispatch. And there we specifically break out Hong Kong, and you see that it is a very large share of this scheme of the export control evasion channels via Hong Kong.

What we see there is company secretariats, which will have ready-made companies for you. So if one gets sanctioned you will actually have a long list of other companies you can choose from to continue your transactions from the next second.

We also see the clustering of registering of addresses. Maybe it is even sometimes the same address for all these companies or maybe it is in the same sort of big building. We sometimes see also the shipment or storage happening in Hong Kong. As you can imagine, there is not much storage that is available in Hong Kong. Most likely it is only happening on paper.

So there is a very active sanctions circumvention from the export control point of view. And this specific figure focuses not on the dual-use goods or sonic toothbrushes. It is actually this high-priority goods that BIS has identified, together with the partners, that are critical for

Russia's military production.

And then just here I would stress that we actually don't have many BIS officers. I might think enforcement offices it is maybe one or two in Hong Kong, that, of course, are tasked with this enormous task of trying to track all this scheming.

I will stop here. Thank you so much.

CHAIR PRICE: Thank you. Mr. Ruggiero, do you have anything to add?

MR. RUGGIERO: I will just say very quickly that I have spent a lot of time working on Hong Kong back in the day after Bank of Delta Asia, we went after them in 2005, between Hong Kong and Macau. The political situation makes it much more dangerous in terms of sanctions evasion, but again, that has been there for quite some time with Hong Kong, even when it was in a different political situation.

CHAIR PRICE: Thank you.

COMMISSIONER FRIEDBERG: Commissioner Miller.

COMMISSIONER MILLER: Thank you, Commissioner Friedberg. I think we are very fortunate today to have experts on payment systems, which is something that we are trying to get smarter on as a Commission for the past several years. Since Chair Price stole my question on USD CHATS let's just start there instead of where I was originally planning to go.

Ms. Donovan, your recommendation is the Treasury and the Fed get together and assess where the status of this is. What is your assessment, in terms of USD CHATS, in a downward scenario of U.S.-China relations? Should this be used as a lever point? The revocation of the authorization to use USD CHATS as a payment center, should it be used as a lever point in the relationship if the relationship continues to deteriorate?

MS. DONOVAN: I think that would actually be an excellent idea. The challenge is that you would need to be working very closely with the private sector, specifically the U.S. financial institutions, on this issue because it is a major platform for U.S. banks as well as British and Western partners to be able to transact quickly within this region. However, there are more expensive ways, between Fedwire and CHIPS, which are the payment systems and settlement programs the U.S. currently has in place.

Over the past 25 years now they have advanced quite a lot, and it is a much faster payment system. The hours are open longer. I think they are open for 22 hours. So kind of the justification and reason behind CHATS existing, like 25 years ago, was that the current system within the United States was too slow, and then the time difference created lags in transactions.

So to your point, I think that using USD CHATS as a lever could be interesting, but I would want to make sure that that was closely coordinated with the private sector so we didn't massively disrupt major global transactions and trade.

COMMISSIONER MILLER: Thank you. Let's keep going on payment systems. Ms. Donovan again, your testimony discusses Russia's versions of SWIFT, SPFS, and how Russia is attempting to integrate SPFS with CIPS, which is China's settling mechanism. How far is this experiment from being able to serve as a reasonable global alternative, again, in a downside scenario where Russia and China may want to use this for that purpose, and should U.S. government policy be focused on pushing back on the acceleration and expansion of these systems?

MS. DONOVAN: Thank you. I think what is interesting is that the expansion and speed at which these systems have been developing is a direct result of sanctions, and the fact that at least 10 Russian banks were de-SWIFTed out of over 300, that you create impetus for them to try to really move forward quickly with SPFS. Russia is looking for ways to facilitate cross-border

payments. That is the biggest issue for them, because they are de-SWIFTed. So that is where SPFS has been useful for them and why they are trying to get this to connect with SIPS.

I think on the China front they are very concerned about secondary sanctions. They don't want to lose access to the dollar and international markets. And Treasury, within the past couple of months, had recently put out an advisory, alerting to the fact that if anyone was to connect with SPFS then they would be subject to secondary sanctions. So I think that has kind of sent a cooling message, but I think that Russia is going to continue to push on the SPFS issue.

But in addition to SPFS, I think it also important to look at the Mir payment platform that Russia also has established. That is another payment settlement platform that Russia put into play after it was designated in 2014. And that entire thing is basically like credit card payments. So they established that in order to get around the American-owned businesses, like MasterCard, Visa, and AmEx.

What is interesting with Mir is that they are working with UnionPay, and Russian banks are issuing jointly badged, so Mir and UnionPay, cards. These cards can be used in the 180 countries that UnionPay is operating. Now there are restrictions in the U.S. because of the sanctions, but the fact that Mir and UnionPay are also highly connected I think is something that we need to kind of dig into and figure out, because Mir has been designated by OFAC.

So at some points, and to Anthony's previous points too, I think we need to figure out when does China cross the line and when do secondary sanctions kick in. Because if UnionPay is kind of working with Mir, I think that should probably be further investigated.

There are several other payment systems I can get into, but I will stop there.

COMMISSIONER MILLER: Thank you very much for that.

COMMISSIONER FRIEDBERG: Thank you. Commissioner Kuiken.

COMMISSIONER KUIKEN: Thank you very much. I am going to do the same thing I did with the last panel. I just going to ask the panel questions and let you guys give your riff, because other we would just run out of time.

We haven't talked about crypto. We have talked about sanctions evasion and sort of the traditional markets, but we haven't really talked about cryptocurrency. There was this blockchain industry analysis that I ran into the other day that basically says that these platforms are being used aggressively to circumvent traditional sanctions. So I would love your views on that.

I also agree with what Commissioner Sims said about sanctions broadly. Over the years I did a bunch of sanctions legislation with various members here in the Senate, and over time I just grew sort of skeptical of their impact, I think as Ms. Donovan said. They are disruptive sort of in the first moment, and then it is just like warfare, measure, countermeasure, measure, countermeasure.

Over the years I have tried to think about ways to operationalize that community more. I never succeeded, obviously. If you guys have any ideas there I would love to hear them.

And the same is true of the export control community. This is an area where we had a recommendation last year to create a joint interagency task force, sort of having BIS at the head of this task force but truly having law enforcement and the intelligence community supporting these entities. There has been no action taken on the recommendation, but if you have ideas in that space I really would welcome hearing them.

And then we extensively talked about Hong Kong, so I won't go into my question there since Commissioner Price stole them all.

So each of you, why don't we go from Donovan to Ruggiero, and we will go from there.

MS. DONOVAN: Thank you very much. I was wondering if anyone was going to raise

crypto, so I am glad you did. Crypto is interesting in that I think there are a range of illicit actors. So it is not just the ones we have been discussing today, but between Russia, Iran, North Korea, as well as terrorist groups and organized crime groups, they use crypto to move funds. I think I know the report you are referring to, and I thought it was interesting that based on their findings, illicit activity only represents about 0.4 percent of the overall volume of crypto that is taking place. So that does still pale in comparison to the billions of dollars that are laundered through the traditional financial system. NASDAQ actually had published a report back last year that looked at 2023, and found that there was over $3 trillion of illicit financial activity that went through the traditional financial system.

So while crypto is an interesting case, and there are definitely things that we can do in that space, I mean, Treasury has been sanctioning and blocking wallets, law enforcement does a lot of activity, I think it is just another piece of this puzzle that we need to figure out.

On the sanctions and export controls and what could we do, one of the things that we have been advocating for is that we need to be looking at this entire bucket of what we consider economic statecraft tools, so everything from investment screening to sanctions, export controls, and so on. We need to develop some type of doctrine or strategy around the use of these tools.

Right now, again, as my colleagues have already discussed, we are very good at sanctioning. We are not very good on the enforcement. There is also kind of a mish-mash in terms of how many investigators there are and targeters for sanctions versus how many enforcement officers there are. So at some point if we are going to be relying on these economic statecraft tools then resourcing is not a popular term but we need to figure out how we can rebalance the workforce so that enforcement can actually do its job.

But again, I do just want to kind of foot-stomp this concept that we need better strategies, and specifically national security strategies, and maybe take some type of military planning doctrine to the economic statecraft space. Because, frankly, right now it is not the way that Treasury, Commerce, and these other departments and agencies think.

COMMISSIONER KUIKEN: Before we go to the other two I would love you just to take an extra few seconds to talk more about your sort of economic statecraft thing. One of the issues you run into is that in all of the tools that we have talked about they are all in different agencies. So sanctions is in Treasury, BIS is in Commerce, trade is obviously at USTR. Do you have any sort of thoughts in that space? The ideas that usually come out of think tank land -- no offense to any of you -- is that we should create a new agency. There is not a lot of appetite for that kind of thing. So have you thought about this issue broadly in terms of how we can consolidate or rethink the way we use economic statecraft?

And I still would like to hear from the other two on the first question.

MS. DONOVAN: I actually think about this a lot, and I have two different ideas. I do think that the National Economic Council at the NSC needs to be more engaged on these issues and could be the belly button that brings some of these things together.

Another kind of concept that I have been playing around with is that the Office of Terrorism and Financial Intelligence at Treasury, it could be time to relook and figure out how is this organized and are there better ways to do it. This is a very effective office, but it was created out of the 9/11 Commission findings. I mean, “terrorism” is in its name but right now they don’t even do much counterterrorism work.

I think that there is an opportunity to look at the full spectrum of that office and identify if there are different parts of it that can maybe be put into some type of -- I don’t know if you are familiar with the National Counterterrorism Center, and they have a Director of Strategic

Operational Planning. I feel like within TFI you could create some type of DSOP-like function that could pull in the USTR, the Commerce, the DOJ, as well as the intelligence community to kind of map out and strategize better approaches to how to leverage economic power.

MS. RIBAKOVA: Thank you so much. I will focus more on the effectiveness of sanctions, and I think in a way we are somewhat victims of our own success, and what Kimberly talked about would have happened after 9/11 in finance.

Two critical things. One is we did multilateral, anti-money laundering drive, and that has changed not only how we work here but globally. Then we put the responsibility on the financial institutions. So effectively, enforcement really happens in the financial institutions. So when we do financial sector sanctions there is over-compliance. We are reliant on over-compliance to actually, for everybody else to back away from the red line more than whatever the red line is.

Unfortunately, everywhere else we don't have that luxury, because when you think about export controls, our companies don't really do due diligence, and we have been hearing this in Congress, as well. They are not really responsible. You know, when the BIS does the guidelines, they sort of, do we really have to do this? You know, there is a lot of debate, there is some legal precedent, but there are very few actual legal precedents on that. So they say, look, maybe it is really guidelines. They are not really a must-do, right? So we don't have our own companies doing proper due diligence.

And in addition to that we don't really have this multilateral cooperation almost like an anti-money laundering.

So what we have been experiencing in Russia's case, export controls, oil price cap, what we had to go back to is using financial sector sanctions, executive order of December 2023, to be able to patch up what is not functioning elsewhere.

And I don't want to elaborate more because Kimberly did a great job of summarizing. So indeed, it is either the National Economic Council or this post-9/11 Commission. There is no need for new institutions. We know very well this new coordination, sort of function on the export controls, but more has to be done there, because there is still a fundamental misunderstanding how export controls work versus financial sector sanctions and how we can put them together to make them work better.

And just very quickly to the earlier question about Mir cards and UnionPay, our financial sector sanctions have been still so effective that Mir cards are accepted in Abkhazia, Belarus, Cuba, and South Ossetia, so effectively. And recently Gazprom made the comment that, well, after November 24th even Union co-branded card is no longer accepted, so please take cash.

So there is still a lot of sort of gunpower that we have that we can use. Thank you.

COMMISSIONER KUIKEN: On crypto?

MS. RIBAKOVA: On crypto, Russia is a very important miner. It is very hard to understand. I think we have seen the same studies that we all quote. But it always makes me a little suspicious about the effectiveness of this study. Because we see crypto on the way in and out, but what is happening in there, if it is happening only within that ecosystem, we don't have very good visibility at all. And I speculate about it mostly because I don't have visibility either.

But in a lot of Russian comments, for example, Russian military is finding ways to finance themselves via crypto, or giving a crypto instrument to individuals to be able to invest into Russian military. Or, for example, there is crowdfunding about Russian drones. It oftentimes happens via crypto.

So it seems to be there is a lot of activity and we don't have enough visibility on it.

COMMISSIONER FRIEDBERG: Okay, thank you. I think we need to move on. We are

well over time. We can come back. Commissioner Brands.

COMMISSIONER BRANDS: Thank you. I would like to ask a question about the view from Beijing, and perhaps I will pose this first to Ms. Donovan, but I would be interested to hear from any one of the witnesses who has a view on this.

In your view, how does the Chinese government assess the effectiveness of the sanctions that the U.S. and its friends imposed on Russia after the invasion of Ukraine? And the question would be what lessons is Beijing drawing from this? And then second, what lessons should we be drawing from that sanctions package and its effectiveness, or lack thereof? Thank you.

MS. DONOVAN: Thank you, Mr. Brand. For me, the biggest takeaway that China has learned from this is that it needs to insulate itself from the impacts of U.S. sanctions and Western sanctions. While it still wants to maintain access to the international market and the U.S. dollar, it is interesting where we are seeing China make significant moves to, again, insulate itself from financial sanctions. And this is through developing alternative payment systems, that we have briefly discussed on, as well as promoting adoption of national currencies for trade, through like the BRICS group of states. And I think that is where the biggest takeaway for them is that they are trying to figure out how they can develop alternative systems and currencies to the U.S. dollar.

And I'm sorry, the second part of your question was what we have learned?

COMMISSIONER BRANDS: Yeah. What have we learned, or what should we be learning from this experience.

MS. DONOVAN: I hope that we are learning that before we kind of levy these very significant financial actions that we take the opportunity to truly better understand and measure the economic impact we anticipate them having. A lot of times sanctions, export controls, they are decisions made at the NSC in a policy meeting, and we need an action so let's move out on an action. But we really don't do very good due diligence in terms of better understanding, like what are we disrupting and what is the intended impact versus the impact it is having.

So going forward, I hope that we can take the opportunity to better understand the true economic impact our actions will have.

COMMISSIONER BRANDS: Ms. Ribakova?

MS. RIBAKOVA: Thank you so much. I think I will just carry over that we need to have measurable targets and then benchmark ourselves against it. You think about the impact on Russia, the forecast for Russian growth in 2022 was 3.5 percent growth. They were doing very well. The actual contraction, whatever that might be -- we can discuss that -- there was a small contraction. It a massive positive in terms of trade shock that we have given Russia, because we didn't sanction exports until 2023, and at the same time some imports fell. So Russia as a commodity export, it has actually enjoyed the benefit. So in 2022, we actually gave them a benefit.

So despite that benefit they had a contraction. Most other countries, commodities exporters, had a double-digit growth. So, in a way, there have been some impacts on Russian growth, as well. So measurable targets.

I think from China's perspective, at least formally in the discussion, they would embrace a more rule-based, multilateral discussion on the sort of rules of the game on sanctions. If there would be a doctrine that comes from the U.S., maybe it is just a lip service but, you know, none the less, and it would have some sort of a discussion globally -- what are acceptable tools, how we can use them -- that may be something that they might want, at least in a think tank community they engage with. So when I go there for a conference, on reinventing Bretton

Woods, for example, this is the topic that really resonates, and they are happy to engage in it.

I think what we are learning there is indeed they need to vaccinate themselves, but they cannot fully insulate themselves. So Russia is a player in the energy market but not in everything else. China is a player in everything else. So I think they are also understanding that when we are looking for measures to hurt China we might also hurt ourselves, much more than we will hurt ourselves with Russia.

So I think the lessons is that we can do targeted sanctions, but we cannot do all-out destruction sanctions on China. That is my interpretation. Thank you.

COMMISSIONER BRANDS: Mr. Ruggiero?

MR. RUGGIERO: Sure. I think the Chinese, and the Russians, to a certain extent, are looking to see where they could use their own sanctions authorities to their own benefit. They are trying to find the leverage points. I think the Chinese, their restrictions on critical minerals and some of these other things that are important to the U.S. and our allies, I think they have found an effective wedge there. I think they were sort of grasping around in the dark, you know, sanctioning persons. Certainly I have been sanctioned by the Russians. I am not looking to go to Moscow any time soon. But that is something I talked about earlier that is sort of name-and-shame and not as effective.

I would say the lessons that we should learn from our efforts on Russia and Ukraine is that, you know, what I talked about earlier, I think in response to your question, Mr. Sims, is quality over quantity. We saw in the previous administration that we sanctioned 300, you know, whatevers, and it is a bunch of LLCs and companies that are probably non-existent now. I mean, there is a time and a place for that, but we really should be focusing on revenue, the networks, and having a real impact on the adversaries that we are trying to approaches versus this sort of like, you know, we are just going to go after the numbers game. It is not as effective, in my view.

COMMISSIONER BRANDS: Thank you.

COMMISSIONER FRIEDBERG: Commissioner Stivers.

COMMISSIONER STIVERS: Thank you. I would like to talk a little bit more about secondary sanctions on Chinese banks. Ms. Donovan, I believe you mentioned in your testimony that the threat caused Chinese banks to become more cautious about their transactions after that order was made by the Biden administration.

But it seems to me that those transactions continued. Is there any data or any information that would back up that claim that those transactions were effective in some way?

MS. DONOVAN: Thank you. So, in the immediate aftermath of the announcement of those secondary sanctions, that is where we did see where there was somewhat of a retreat. And for us, we were looking at trade data, so we did see where trade between China and Russia, I mean, I think it decreased only by 1 percent, but it did have an impact because of the difficulty of doing payments. But since then I would argue that those connectivities, they figured out work-arounds.

So again, going back to the point of the impact of sanctions, we need to enforce them because they can have immediate shock and disruption, but if they are not enforced or if we don't follow through with the secondary sanctions treats then it will just reconstitute itself.

COMMISSIONER STIVERS: So in terms of the follow-through on the secondary sanctions threat, the last administration did not do that. What would that look like? I mean, are you going to sanction the large Chinese banks where you have evidence that they supported the Russian military? Would sanctioning a few small banks, would that be enough? They all watch each other very closely. Would the sanctioning of a few small banks, say, in Hong Kong or in

Mainland China, would that have enough of an impact to change behavior, do you think?

MS. DONOVAN: I think it is worth exploring, from a strategic standpoint. You don't want to sanction a large bank that could negatively then affect the U.S. economy or the global economy. However, it is worth looking at the smaller, regional banks that are involved in this activity. If we were to do that, it would at least send a message to China that they cannot do this anymore. We have sanctioned the Bank of Dandong. We have used the 311 against the Bank of Kunlun in the past. And these were great efforts at the time, but then when we didn't keep pushing they just kind of became the go-to banks for illicit activity.

So I do think that it is worthwhile exploring the opportunity of secondary sanctions against some of these smaller banks to send the strong messages that we are not going to put up with this activity.

COMMISSIONER STIVERS: Thanks. I mean, understanding that the U.S.-Russia relationship is changing drastically. Would secondary sanctions on Chinese banks, would that have any impact on sanctions on Iran or North Korea, or not so much?

MS. DONOVAN: The fact that some of these banks are working with Iran would also open them up to, technically, secondary sanctions. So I think that there is a case to be made of Iran as well as Russia angles, because both of those sanction regime programs carry secondary sanctions. North Korea, I don't believe, currently has secondary sanctions tied to it. So I think there is probably enough justification to move forward with secondary sanctions.

I do think that as a U.S. government we need to think very strategically about the sanctions that we want to levy against different countries or lift, because what we have seen over the past several years of Russia, Iran, China, and North Korea working together financially is that it is now a network of actors. So if we were to lift sanctions on one of these actors, we would be enabling all of them. So I just think it is something we need to consider as we look at the broader strategy.

COMMISSIONER STIVERS: Thanks. Any other comments on that?

MS. RIBAKOVA: I will just add that the Russian analysis, especially in 2024, is full of complaints about the secondary sanctions and the ways to circumvent them. Shall we use the VTB branch in China to make it easier? Can we set up a new subsidiary?

So if you look at Putin's statements on trade, the trade in 2024 was $244 billion. It is up $4 billion from 240 in 2023. Of course, there is some natural plateauing in the increase in trade, but the increase in trade from 2023 to 2022 was more than almost 30 percent. It is a huge increase. It is plateauing. Not just plateauing, it is partially because of the sanctions. And if you look at any Russian domestic research on sanctions, they have all been struggling to find the circumvention ways because of the threat of the secondary sanctions.

And I think on the secondary sanctions we should not forget also the fleet. Anthony and Kimberly both talked about the shadow fleet. Because we have sanctioned all these vessels, as well as U.K. and European Union, but some of these vessels continue to function, so we need to send a strong message. Also, supposedly, according to Russian reports, China has set up a port that is maybe taking the vessels that have been sanctions. So we should go after these networks, as well.

MR. RUGGIERO: I would just go back to my oral testimony where I made the point, and in answers to some of the questions, that secondary sanctions is only one effort, one part of it. There should be a runway where we are having these conversations, whether it is with the Chinese or whether it is with Hong Kong financial authorities, or it is with banks that do business with those, as well.

As I noted, there is the fentanyl crisis that is killing Americans, or Russia or Iran or North Korea. The fact remains that we don't have to start at the largest Chinese banks. There are probably many more, and I would venture to guess that there are probably senior officials in those banks that are aware of the activities that are ongoing. And we have plenty of tools in our toolkit that can go after that before we start to contemplate going after large banks.

So I really want to leave the hearing making sure that people understand this is not sort of a, we can only go after it, which I know you are not suggesting, but a lot of people do, that it is, well, it is too big; it is too big to do anything.

There are a lot of options. The conversations about the clearinghouse, I am not advocating one way or the other. But that is another example of a leverage point with the Chinese that they want to continue that. But they can't continue killing Americans and supporting American adversaries.

COMMISSIONER STIVERS: I totally agree with that. Thank you.

COMMISSIONER FRIEDBERG: Thanks very much to each of you. I wanted to ask all of you a question about how you would assess state of play regarding financial sanctions. It seems to me that we have been engaged in a multi-decade game. I don't know whether it is Whack-a-Mole or cat-and-mouse. We and our allies imposed financial sanctions. Those we are sanctioning develop techniques for trying to get around those sanctions. How would you assess the state of play there? Who is winning? Is it the cat or the mouse, first.

And second, related point, another way of assessing the effectiveness of these sanctions is not just whether it is possible to move money around but whether there are observable impacts on behavior. So have we succeeded? Can you point to examples in which we have succeeded, either in deterring one of our targets from doing things that we think they might otherwise have done, or compelling them to do something that they would not otherwise have done if we hadn't imposed sanctions?

So, Ms. Donovan, can we start with you.

MS. DONOVAN: Thank you very much. I think when we look at how to assess financial sanctions we have seen a massive increase in the use of sanctions, like OFAC designations, especially since 2001. I think we got very good at using this tool. It was seen as more than diplomacy, less than military intervention, and so it became kind of a go-to tool of national security power.

I am concerned, and previous Treasury Secretaries, like Secretary Jack Lew and others, have noted the concern that we are overusing these tools and not better understanding their true impact. So that is a risk that we take with the continuing use of financial sanctions.

However, I think it is also important to know, especially when you look at the U.S. and China relationship, China's economic strength is really derived from its exports and its dominance over supply chains, where the U.S. economic power is in the dominance of the dollar, and the role of the dollar in the global financial system. So sanctions do continue to be a very strong, effective tool that we have. We could probably just be a bit more strategic on how we use it.

In terms of where we have had success in using sanctions, I would argue that they have been very effective, especially in like the counterterrorism and the counternarcotics space, where you are going after targeted actors, to cut them out of the financial sector and disrupt their operations. It can be a bit more difficult when you are going after massive regimes, but that is also where I think we need to do a better job of being very clear on what the objectives are we are trying to achieve with the sanctions, that we can incorporate the measures of effectiveness to

determine if we are having the right impact.

COMMISSIONER FRIEDBERG: Thank you. Ms. Ribakova.

MS. RIBAKOVA: On the state of play, I have to say it has been an extraordinary success, because just with the threat of secondary sanctions you can stop billions of trade between Russia and China, maybe temporarily, or slow it down for a year, but this is incredible success. So I think on the financial sector sanctions we have done a lot.

In terms of what more can be done, we need to do research, and we talked a lot about it with Kimberly. We have a misunderstanding between the macroeconomists that talk about the use of dollar, and, for example, they don't understand why the trade sanctions are harder than financial sector sanctions. They don't understand the payments questions that you were asking about. So we need to do much more research. I recently did a paper for Brookings, but we definitely need to come together and explain it to them, and then we understand that sometimes, even though you are using dollars, you are still subject to U.S. sanctions, and that, I think, is very important.

We also need to understand that we are not as successful in other tools, and what Kimberly was talking about, the supply chains, we literally have almost no control of our export control tools, and this is where we need to do much more investment.

In terms of the effects of success, why do the sanctions. One could say in 2014 we did sanctions to deter Russia from moving further. One could say they didn't. It took them a while to move further. Then one could say in 2022 the sanctions were actually to impose the costs, and if you look at the latest discussions, what did they ask for? The first is sanctions relief, sanctions which are supposedly not working.

So if you look at the Russian defense industrial complex, they have already debt problems, they have lost their external contracts, they are desperate for more money, resources, and you heard about it in the previous session. This is largely because of the sanctions.

So I will stop here. Thank you.

COMMISSIONER FRIEDBERG: Thank you. Mr. Ruggiero.

MR. RUGGIERO: Sure. I think you could make an argument, and I guess I will throw out my comments. I am making the argument that there is something broken a little bit in our system here, where I think we are doing too much symbolic and we are not going back, what I would say, back to basics for those of us. I was certainly on the ground for a lot of the North Korea stuff and Iran stuff. You know, back to basics, dismantling the networks, targeting the revenue, and then reviewing that and repeating it. And just going after that over and over. I just think that sometimes we have gotten into this circumstance where we have these policy conversations, and we are just focused on, well, we have got to do something so let's just do sanctions, and we will go after a bunch of Russians or a bunch of Chinese or a bunch of North Koreans or a bunch of Iranians, versus like this is the network. We are going to take the whole thing down, and we are going to show people what we used to do and how we could do that. And I think we have gotten a little bit away from that.

COMMISSIONER FRIEDBERG: Okay. Thank you. So we have about 10 minutes, sort of a lightning round for further questions. Let's just go around. Commissioner Sims, do you have anything? All right.

Commissioner Shriver? Commissioner Miller? Commissioner Price? Commissioner Kuiken?

COMMISSIONER KUIKEN: Thank you. Mr. Ruggiero, I was going to go to you to give you the chance on the panel from before, but I will pivot here a little bit. We have talked a lot

about how we think that sanctions and export controls are sort of press releases and then sort of no follow-on operational action. So I think one of the recommendations coming from all of you is we need more butts in seats, looking at data on the enforcement side. I have taken that away from it.

I think it was a couple of years ago the IRS announced a contract with Palantir, which I sort of thought was amazing, because you take the sort of things that came from the counterterrorism side of the house and you take it to the other side, the sort of civilian side of the government, and you start thinking about how do you target actual bad actors in a system.

As I have listened to all of you, that was sort of the thing that came to mind was not only do you need butts in seats but you need to sort of consider this more of like an operationalized targeting environment, like we have handled counternarcotics, I think I heard Mr. Ruggiero say, and some of these other spaces. Fentanyl, I think you mentioned that, as well.

I don't know if any of you are comfortable sort of talking about this, but it seems to me that we would then have a different problem, which is we would resource butts in seats -- let's pretend we are doing that. We would then also need to make sure they have the technology that is actually available to them to do all of these things.

As you guys have looked at the export control community and the sanction community, do you feel like there is a rich environment for the technology they have at their fingertips, or is this another area where Congress could consider making investments?

I am happy to go to the panel, but we will see what Commissioner Friedberg says.

MS. DONOVAN: So I think that there are two issues at stake. On the technology front, none of these, between Commerce, Treasury, the IC, none of their systems talk to each other. Treasury is working on very outdated systems, so there is an opportunity to more thoroughly invest, maybe leverage AI and other different technology platforms. Getting over-the-counter technology solutions can sometimes be difficult through the normal procurement process, but hopefully those are things that can be overcome because there is an opportunity that we are missing there.

There are several initiatives internally within the interagency, led by specific agencies, to try to develop these types of systems to make sure that information is being shared. However, there also is a problem, and this is my second point, on data-sharing within the U.S. government on financial intelligence. So on the one hand you have the intelligence, national security level information. That is very different from the type of enforcement information that OFAC collects versus the information that Commence collects. And then you also have FinCEN, which has all the BSA information. That can't really be shared outside of law enforcement channels unless there is an MOU in place.

So I think that there are some things within the way that we are currently set up that are getting in our own way, from data sharing as well as technology sharing, that could be leveraged to kind of advance this space. So maybe you don't need that many more butts in seats, but you need the information and the technology to do your job.

COMMISSIONER KUIKEN: [Inaudible.]

MR. RUGGIERO: Sure. Thank you. Yeah, when I think about this problem, I mean, certainly technology, when I look at what we have now I think back 20 years, when I was writing designation packages. I don't want to tell you exactly how we did those, but certainly not as easy as it is now.

You know, I think through, you know, TFI used to be something like the Under Secretary for Enforcement, and now we have BIS. Obviously, export controls have been in existence for a

long time, but now we are using them on the national security side.

But to your previous question or your previous time asking questions, we are sort of stuck in these silos of TFI and BIS, and maybe to my mind it is this spectrum where you have the DoD 1260 list, and then you have export controls, and then you have the ISA menu of sanctions, and then you have got SDN. But you have all these different agencies in that, and maybe we do not need to create a new agency but take an existing, whether it is in TFI or elsewhere, and really beef it up.

Because we are going to get to the point, especially when it comes to China, where we are going to be looking at some of these entities that are being covered by either the entity list or export controls, that will probably be candidates for sanctions. So how we deal with that across -- I don't think the White House is going to be the right place for that, and I am not sure a joint task force. I think it really requires us to sort of take a step back and think about, should BIS be in Commerce? Should it be at Treasury? I think we shouldn't be restricted by the constructs that we created decades ago.

MS. RIBAKOVA: Very quickly, on technology I think a little can go a long way. A lot of these data sets have 20, 40 million observations. I can still process them at home on my personal computer. So I think AI, you know, there is a lot of mystery, but at the end of the day it is the linear regression, in a way, optimization problem on steroids.

So it is not that we absolutely need to go multi-billion investment. It is just small investments for people to be able to process the data. What companies and banks do is they overwhelm you with data, and this kind of overwhelming data, which maybe doesn't have obvious patterns, it yields itself naturally to simply technological solutions.

So I think even small investments can make a dramatic improvement here. You don't have to go to the latest AI technology immediately. So that is one.

And the second one, why financial sector sanctions work is because private sector has to do the big work. And here we need to have something the same. Our private sector also needs to do the work, if we believe that companies working in the U.S. support our foreign policy and national security objectives.

COMMISSIONER FRIEDBERG: Thank you. Commissioner Brands? Commissioner Stivers?

COMMISSIONER STIVERS: Yeah, one more question. Mr. Ruggiero, I share your skepticism on the efficacy of smaller actions and symbolic actions with sanctions or export controls. They do do some good, but it doesn't change the fundamental dynamic that we are seeing, especially China's support for these other countries.

Ms. Donovan, you mentioned in your testimony the PMLC designation, the Primary Money Laundering Concern jurisdiction that has been imposed on Iran. Is it a ridiculously crazy idea to consider that designation for all of China?

MS. DONOVAN: That would be an excessive escalatory measure. Section 311 of the U.S. Patriot Act provides Treasury, which is delegated to FinCEN, to identify jurisdictions as well as financial institutions a primary money laundering concern. There are a series of measures that can be taken within a 311 tool, but ultimately, I mean, it sends a pretty big warning shot across the bow, and U.S. financial institutions basically will cut off financial activity with anything that has a 311 on it.

So going after China with that type of tool would definitely create several ripple effects. I don't necessarily know a specific number, but we did do analysis at the Atlantic Council where we looked at what sanctioning China in a Taiwan crisis would look like. And we ran the numbers

of what designating just a regular OFAC sanction, of I believe the four largest Chinese banks, and that would amount to $3 trillion worth of loss for the global financial system. So I would imagine a 311 would have significant more loss than that.

COMMISSIONER STIVERS: That said, it is my understanding that a PMLC designation gives Treasury a lot of flexibility in terms of exactly how they implement that. Is that your understanding too?

MS. DONOVAN: Yes. Yes. I think the lowest level of measures is just like additional reporting requirements. So it is worth pursuing. I just think that would be a quite escalatory.

COMMISSIONER STIVERS: Yeah.

MR. RUGGIERO: But again, that conversation has happened when we have talked about China, North Korea, and elsewhere, in terms of using the lowest requirements on Section 311. But I would caution that Section 311 is seen through the prism of that one recommendation, essentially, cutting them off from the U.S. financial system. So I think we would have the concerns, even if you imposed the record-keeping one of overcompliance by U.S. financial system and foreign financial system. So I would be very cautious in using that with China.

I would make the argument that FinCEN should be charged with looking at these four different areas -- fentanyl and their relationship with the Chinese money launderers, Russia, Iran, and North Korea, and where are the Chinese financial institutions that are working in each of those. And they could start with the ones who are knowingly, if you can determine that - but, of course, the Biden executive order does not require the "knowingly" standard -- and then start looking at that before I would go after the entire financial jurisdiction of China.

But I would have a conversation after your first action with the Chinese. I would send the Treasury Secretary to be very clear about where this ladder is leading, to make clear to the Chinese that there is more there.

MS. RIBAKOVA: I will just very quickly add, there is very little to add, but the impact on other institutions, like HSBC, for example, of our partners, for HSBC, we had the discussion about CHATS or some of these measures, it will be an existential concern. So we need to be aware of those, as well.

COMMISSIONER STIVERS: Thank you.

COMMISSIONER FRIEDBERG: Any other questions? All right. Thank you very much to all of our witnesses. This has been extremely helpful.

We are going to adjourn, and we will resume at 20 minutes past 1. Thank you very much.

## PANEL III INTRODUCTION BY COMMISSIONER JONATHAN N. STIVERS HEARING CO-CHAIR

COMMISSIONER STIVERS: Good afternoon. Thank you to the witnesses for being here this afternoon for our third and final panel, which will examine the levels of military and security cooperation between China, Russia, Iran, and North Korea.

We will start with Dr. Elizabeth Wishnick, the Senior Research Scientist at the Center for Naval Analysis. Dr. Wishnick will testify on China's relationship with Russia and the increasing security cooperation between the two.

Next we will hear from Jemima Baar, an independent researcher specializing in China's international security partnerships. Ms. Barr will discuss how China has enabled the continued development of Iran's military capabilities.

And then we will hear from Jake Rinaldi, Defense Analyst at the U.S. Army War College. Dr. Rinaldi will discuss China-North Korea military relations and the involvement of other axis members in North Korea's military development.

And finally we will hear from Dr. Sheena Chestnut Greitens, Associate Professor at the University of Texas Austin. Dr. Chestnut Greitens will highlight the impact of China's actions in enhancing the regime of authoritarian states through providing economic lifelines and security technologies.

Thank you all very much for your testimony in advance. I would like to remind all of our witnesses to please keep their remarks to 7 minutes to preserve time for questions and answers.

Dr. Wishnick, we will begin with you.

## OPENING STATEMENT OF ELIZABETH WISHNICK, SENIOR RESEARCH SCIENTIST, CENTER FOR NAVAL ANALYSES

DR. WISHNICK: Thank you very much to the Commission for this opportunity. I would just like to reiterate that these are my personal views and not those of CNA or its sponsors.

This morning we have heard, in the previous panels, about the cooperation among the four countries under study here, and my focus is on the extent of their policy coordination and the means that they have to achieve that coordination.

These four countries have complex relationships, and with the exception of their individual decisions to support Russia's full-scale war in Ukraine, I don't see broader coordination emerging among them in the military security sphere. And the only evidence of policy coordination I found was Sino-Russian interactions in the disinformation sphere, as Chris Walker and others have found.

There are contradictory trends in China's military cooperation with these states. If we look at China and North Korea, this is the only country that China has a military alliance with, but many Chinese experts caution that this is largely on paper, and it is not clear that China would follow through with the commitments that are made there.

Although China and Russia are deepening their military cooperation, as I will discuss further, they both deny that they have an alliance at all. China and Iran have been developing their military cooperation over many years, and both see drawbacks to this, for various reasons. And I would caution that the ties among these four countries predates the war in Ukraine, which was the subject of earlier discussion this morning, and these relationships will endure, however problematic aspects of them might be.

China-Russia military cooperation is deepening, and we have seen new trends, but there are also some limits to this cooperation. We have seen greater consultation, including two 5-year roadmaps. Arms sales have been reinvigorated since 2014. We have seen some new trends, Chinese and Russian actors participating in gray zone actions, such as maritime cable cutting in the Arctic region. We have seen greater cooperation by Chinese and Russian Coast Guards in maritime law enforcement, also in the Arctic. And we have seen more frequent and complex military exercises. These have largely been for training and signaling purposes.

I argue that interoperability is not really the goal of China-Russia military cooperation or, for the most part, of the other sets of bilateral cooperation in this area. We have seen no trilateral exercises in involving China, Russia, and North Korea, though Russia may have proposed them recently. There have been a series of maritime security exercises with Russia, China, and Iran. These have largely been for antipiracy missions, and they also serve to demonstrate the geographic scope of the Sino-Russian partnership.

Despite some of the limitations that I can discuss in the questions, China largely sees Russia as an asset, not a liability. And there have been some dissenting voices about China's support for the Russian war in Ukraine inside China. These largely have been retired officials or academics who publish in foreign outlets, and they mostly discuss problems with Russia's policies, not with China's.

However, there are some drawbacks to China's growing cooperation with these three countries, and interestingly, I think that Russia is at the center here, because it is Russia's military cooperation with Iran and North Korea that causes the problems that China now encounters.

A key area of coordination that I have found in my research is between China and Russia

in the disinformation sphere, and there we see substantial efforts to develop content sharing, to optimize social media platforms, to increase information control, and to direct strategically the narratives that they both employ.

Nonetheless, there are some areas of divergence between China and Russia. I have a long list in my testimony. However, I do think that they are deepening their ties, and this is a durable relationship, not easily subject to wedges or reverse Kissinger maneuvers or other such enterprises. They have made a political decision to emphasize areas of agreement. Over history, if we look back centuries, the most persistent source of disagreement was about their border, and with growing nationalism in both countries that could arise as a conflict in the future, but that is not one where we have a lot of influence.

I would like to make five policy recommendations. I think the U.S. has many tools at its disposal to deal with the kinds of threats that these countries pose to Western interests and to our allies' interests. And we need to take advantage of these tools and not prevent them from being used, which is one of the problems we face today.

So in terms of disinformation, there are key lines of effort that have demonstrated their effectiveness and have had bipartisan support until recently. The State Department's Global Engagement Center, and there are some offices within USAID to counter malign activities in Russia and in China. The National Endowment for Democracy. And also Radio Liberty and Radio Free Europe have been key in supporting alternate narratives to those proposed by Russia and China.

We need to continue to support long-term research on countering adversary threats throughout the U.S. government. And there was one such effort, also funded by AID, AIDDATA, which provided data-driven research on Chinese influence, economic influence efforts that many of us in the academic world use.

We should be monitoring North Korea's illegal arm transfers through initiatives like the Proliferation Security Initiative.

We should work with allies to combat cyber threats through regional efforts like the Tallinn Mechanism that has been successful in helping Ukraine thwart cyberattacks from China and Russia.

And we should support U.S. Coast Guard cooperation with Kazakhstan and Azerbaijan to counter the illegal arms transfers that Iran sends to Russia via the Caspian Sea, and revive the Caspian Initiate, which had been involved in this effort in the early 2000s.

Thank you very much for this opportunity.

COMMISSIONER STIVERS: Thank you. Ms. Barr.

**PREPARED STATEMENT OF ELIZABETH WISHNICK, SENIOR RESEARCH SCIENTIST, CENTER FOR NAVAL ANALYSES**

*February 20, 2025*

*Dr. Elizabeth Wishnick*

*Senior Research Scientist, China and Indo-Pacific Security Affairs Division, CNA*

"Testimony before the U.S.-China Economic and Security Review Commission"

USCC Hearing on An Axis of Autocracy? China's Relations with Russia, Iran, and North Korea

*Disclaimer: The views expressed in this testimony are those of the author and do not reflect those of CNA or its sponsors.*

**China's Military Cooperation and Activities with Russia, Iran, and North Korea**

1) **What are China's objectives for its military cooperation with Russia, Iran, and North Korea?**

   **What does it hope to gain strategically or operationally?**

*China-Russia Military Cooperation*. China and Russia often say they have "back-to-back" cooperation, meaning that their partnership—especially their border demarcation agreements and a commitment to peaceful resolution of any bilateral disputes—enable them to avoid the two-front war challenge they faced during their period of mutual hostility in the 1960s, 1970s, and 1980s.[1] Strategically, the development of the Sino-Russian partnership beginning in the mid-1990s has facilitated China's aim to become a maritime great power and focus military resources in the Indo-Pacific region. Operationally, military exercises with Russia provide China's People's Liberation Army (PLA) with a wealth of knowledge about modern warfare and help redress the PLA's own lack of battlefield experience since the 1979 Sino-Vietnamese War. In particular, Chinese military analysts are paying close attention to Russia's full-scale war in Ukraine and are mining the conflict for information about the role of new technologies in warfare, the performance of particular systems, the role of ground forces in modern warfare, and the challenges of combined operations.[2]

*China-Iran Military Cooperation.* China was Iran's primary source of weapons in the 1980s during the Iran-Iraq War, but thanks to reverse-engineering of Chinese systems and the development of a domestic weapons industry, Iran now claims it is 90% self-sufficient.[3] UN sanctions in 2007 restricted any resumption of PRC arms sales to Iran and they have not resumed

[1] For more on this period, see Elizabeth Wishnick, *Mending Fences: The Evolution of Moscow's China Policy from Brezhnev to Yeltsin* (Seattle: University of Washington Press, 2001 and 2014).
[2]David Finkelstein, "Beijing's Ukrainian Battle Lab," May 2, 2022, https://warontherocks.com/2022/05/beijings-ukrainian-battle-lab/. For detailed discussions of particular issues, see the series of articles in 2023-23 by Lyle Goldstein and Nathan Waechter in *The Diplomat*, https://thediplomat.com/2023/02/as-russias-military-stumbles-in-ukraine-chinese-strategists-are-taking-notes/.
[3] "Rear Admiral Sayyari: Iran Army 90% Self-Sufficient in Making Defense Equipment," April 18, 2023, https://en.mehrnews.com/news/199664/Iran-Army-90-self-sufficient-in-making-defense-equipment.

to any significant degree since the removal of sanctions in 2020. However, China and Iran have had regular strategic dialogue through the China-Iran Joint Military Commission and they cooperate in training and bilateral exercises. In January 2021, China gave Iran access to the BeiDou Navigation Satellite System (BDS), thereby helping Iran improve the accuracy of its missiles. In March of that year, the two countries signed a 25-year strategic partnership agreement.[4] The agreement was controversial in Iran, due to fears of economic dependence on China, and it took several years to conclude. China has viewed Iran as important to its energy security, but also has sought to balance ties with Iran and Saudi Arabia.[5]

*China-North Korea Military Cooperation*. North Korea is China's only officially acknowledged military ally, and according to the 1961 Treaty of Friendship, Cooperation, and Mutual Assistance, most recently renewed in 2021, the two countries are obligated to render assistance to one another in case of attack.[6] However, Shen Zhihua, the leading Chinese historian of PRC-North Korea relations, has called the treaty "a scrap of paper" ever since Beijing normalized relations with Seoul in 1992. In his view, North Korea's nuclear ambitions put China's security at risk, making Pyongyang Beijing's "latent enemy." [7]

China has made few comments about the recent deepening of military cooperation between Russia and North Korea.[8] For North Korea, its closer ties to Russia provide greater leverage in Pyongyang's relationship with Beijing, though Russia cannot substitute for China as an economic partner. Although North Korea depends on China for more than 90% of its trade, Chinese officials have been reluctant to use that leverage as this could contribute to instability in North Korea and lead to a flow of refugees into northeast China. Although North Korea's overt military aid to Russia taints China by association, there was a report that one of the North Korean vessels used in its illicit weapons deliveries to Russia was serviced in a Chinese port, suggesting some limited support by a Chinese entity.[9]

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[4] On China-Iran military ties, see "Iran & China Military Ties," June 28, 2023, https://iranprimer.usip.org/blog/2023/jun/28/iran-china-military-ties.

[5] MD. Muddassir Quamar, "China and Saudi Arabia: A Deepening Strategic Partnership," January 16, 2025, https://www.orfonline.org/research/china-and-saudi-arabia-a-deepening-strategic-partnership. China signed a strategic partnership with Saudi Arabia, one of its top energy suppliers, and encouraged Iran and Saudi Arabia to resume their own bilateral relations in 2023.

[6] For a full text of the treaty, see https://www.marxists.org/subject/china/documents/china_dprk.htm. For background, see Charles Parton and David Byrne, "China's Only Ally," July 2, 2021, https://rusi.org/explore-our-research/publications/rusi-newsbrief/chinas-only-ally; Benjamin Frohman, Emma Rafaelof, and Alexis Dale-Huang, *The China-North Korea Strategic Rift: Background and Implications for the United States,* January 24, 2022, https://www.uscc.gov/sites/default/files/2022-01/China-North_Korea_Strategic_Rift.pdf.

[7] Cited in Chris Buckley, "Excerpt from a Chinese Historian's Speech on North Korea," April 18, 2017, https://www.nytimes.com/2017/04/18/world/asia/north-korea-south-china-shen-zhihua.html.

[8] For more on this topic, see Elizabeth Wishnick, Sino-Russian Partnership: Cooperation without Coordination," forthcoming *China Leadership Monitor* Spring 2025 Issue 83, www.prcleader.org; Dennis Wilder, "President Xi's High Wire Act on Russia-North Korea Entente," November 1, 2024, https://www.csis.org/analysis/president-xis-high-wire-act-russia-north-korea-entente.

[9] Michael Martina and David Brunnstrom, "Exclusive: China Harbors Ship Tied to North Korea-Russia Arms Transfers Satellite Images Show," April 25, 2024, https://www.reuters.com/world/china-harbors-ship-tied-north-korea-russia-arms-transfers-satellite-images-show-2024-04-25/.

**2) What are the key areas of military and technical cooperation between China and Russia? What else could China seek to gain from further military and technical cooperation with Russia?**

China and Russia claim they are priority partners not allies,[10] but military and technical cooperation has been an important aspect of their relations since the establishment of their strategic partnership in 1996. Key areas of military and technical cooperation between China and Russia today include: bilateral and multilateral military exercises, regular consultations and five-year planning documents, arms and weapons component sales, and joint production and systems development. Collaboration by Chinese and Russian actors in hybrid maritime actions has been a new area of activity since 2023.

***Military exercises***. China and Russia have participated in more than 100 bilateral and multilateral exercises since 2005, with half taking place since 2017. The increased frequency needs to be kept in perspective—NATO conducts approximately 100 exercises in an average year. [11] Despite the ongoing war in Ukraine, China and Russia have continued to engage in regular military exercises at pre-war levels of activity and even expanded their geographic scope and frequency in 2024. They also have become more complex, as some exercises have involved conducting joint air and naval patrols, in one instance taking off from a base in Anadyr in northeastern Russia, which expanded the range of the Chinese aircraft. Thus far, they have avoided exercises in sensitive areas such as disputed waters in the South China Sea. The consequences for interoperability are discussed in Question 3.

***Consultations, planning, and joint statements*.** China and Russia first defined the basic framework for their military cooperation in the 2001 Sino-Russian Treaty of Good Neighborliness and Friendly Cooperation.[12] Since then China and Russia have outlined joint positions on some aspects of arms control, held annual bilateral security consultations since

[10] On the Sino-Russian partnership since 2022, see Elizabeth Wishnick, "'A Superior Relationship': How the Russian Invasion of Ukraine Has Deepened the Sino-Russian Partnership," *China Leadership Monitor*, Summer 2023 Issue 76, https://www.prcleader.org/post/a-superior-relationship-how-the-invasion-of-ukraine-has-deepened-the-sino-russian-partnership.

[11] For a detailed discussion of the Sino-Russian exercises, see Dmitry Gorenburg, Paul Schwartz, Brian Waidelich, and Elizabeth Wishnick with contributions by Mary Chesnut and Brooke Lennox, *Russian-Chinese Military Cooperation*, March 2023, https://www.cna.org/reports/2023/05/Russian-Chinese-Military-Cooperation.pdf, pp. 49-65; Brian Hart, Bonny Lin, Matthew P. Funaiole, Samantha Lu, Hannah Price, Nicholas Kaufman, and Gavril Torrijos, "How Deep Are China-Russia Military Ties?" https://chinapower.csis.org/china-russia-military-cooperation-arms-sales-exercises/. On recent developments see Wishnick, "Sino-Russian Partnership: Cooperation without Coordination," and "Recent Developments in Sino-Russian relations: A Conversation with Dr. Elizabeth Wishnick," https://chinapower.csis.org/podcasts/recent-developments-in-sino-russian-relations/.

[12] In this treaty, China and Russia pledge not to use or threaten force or pressure each other economically, to resolve differences peacefully, to develop confidence-building, not to target third countries, to refrain from alliances with other countries that would adversely impact the other, to immediately hold consultations in case of a severe threat to peace or sovereignty or in the event of aggression, to oppose actions that threaten stability and consult in the event they occur, to promote nuclear disarmament and combat proliferation, to cooperate in military technology and observe intellectual property rules. "Treaty of Good-Neighborliness and Friendly Cooperation Between the People's Republic of China and the Russian Federation," https://www.fmprc.gov.cn/mfa_eng/wjdt_665385/2649_665393/200107/t20010724_679026.html.

2005, conducted twice-yearly dialogues on Northeast Asian security since 2014, and, beginning in 2017, signed two successive five-year roadmaps for bilateral military cooperation. These dialogues and roadmaps are meant to enhance communication and enable long-term planning of joint initiatives.[13] During their regular summit meetings, Xi and Putin have issued several statements about their shared objectives in arms control, though their individual deployments create some differences on specific issues. Since the onset of Russia's full-scale war in Ukraine, China and Russia also have issued several statements about global security and we have seen greater agreement between them on the growing threat they perceive from NATO in Europe and the Asia-Pacific region.[14] However, Russia's use of nuclear threats and targeting Ukraine's nuclear power plants has emerged as a potential red line for China, which has otherwise been a key supporter, albeit short of direct government-identified assistance.

***Arms and weapons components sales.*** Initially, from the early 1990s to 2005, Russian arms sales to China—$2-3 billion annually—were crucial to both countries, enabling Russia to maintain its "company towns" dedicated to producing particular weapons systems and providing China with the advanced military technology it was prohibited from buying from western countries due to sanctions. Russian allegations of Chinese reverse-engineering and underpayment and the development of an indigenous defense industry in China led their arms sales to crater for about a decade from 2005-2015.

After 2015, China signed two major arms contracts with Russia, $2 billion for Su-37 fighter aircraft and $3 billion for S-400 air defense systems. Agreements for other systems soon followed in the next two years then stalled again after 2017, as China needed to buy fewer complete systems from Russia. Before 2022, China and Russia planned to shift to co-production of several defense systems, including ballistic missile defense and a heavy-lift helicopter. It remains unclear where these plans stand given the overall collapse of Russian arms exports since 2021.[15] There are other joint projects on the table—Putin also promised to help China develop a ballistic missile defense system which would help China narrow the gap with the US and acquire technology commensurate with the PRC's great power status.[16] Russia may be sharing its sensitive submarine technology with China, according to some reports, which, if true, would pose a major challenge to the US.[17] Despite the talk of co-production, Russia's recent defense

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[13] For a detailed discussion of these consultations and agreements, see CNA, *Russian-Chinese Military Cooperation*, 6-22.
[14] China and Russia object to the term "Indo-Pacific" and refer to East Asia and the Pacific.
[15] John C.K. Daly, "Russian Arms Exports Collapse by 92 Percent as Military-Industrial Complex Fails," January 15, 2025, https://jamestown.org/program/russian-arms-exports-collapse-by-92-percent-as-military-industrial-complex-fails/. Nevertheless, Russian Vice-Premier Denis Manturov now claims that the heavy-lift helicopter project is moving forward after years of preliminary talks. "Russian Helicopters Developing Systems for China's New Heavy Helo," May 21, 2024, https://aviationweek.com/defense/aircraft-propulsion/russian-helicopters-developing-systems-chinas-new-heavy-helo.
[16] Cited in Tong Zhao and Dmitry Stefanovich, *Managing the Impact of Missile Defense on U.S.-China Strategic Stability 2023*, https://www.amacad.org/publication/missile-defense-and-strategic-relationship-among-united-states-russia-and-china/section/2.
[17] Patrick Tucker, "Russian Tech Could Help China Outpace US: INDOPACOM," November 23, 2024, https://www.defenseone.com/threats/2024/11/russian-submarine-tech-could-help-china-out-pace-us-says-indopacom-chief/401270/; Dr. Sarah Kirchberger and CAPT Christopher P. Carlson (USN-retired), "Is Russia

cooperation with China has been more limited, involving supplying a particular component or software.[18]

***Gray-Zone Operations.*** Since 2023 Chinese and Russian actors have been more involved in gray-zone operations in Europe, at the very least in parallel, and in some cases in concert. There have been a series of cable-cutting incidents in the Baltic Sea involving China-flagged vessels and Russia-related operations that have unnerved Nordic and Baltic states. In October 2023, China's government claimed responsibility for damage to the Balticconnector undersea gas pipeline, but blamed the cable-cutting on an error by the Chinese captain of the NewNewPolarBear, a Hong Kong-flagged vessel that sails the Russian Northern Sea Route.[19] The Yuan Peng 3, another China-flagged ship, is suspected of sabotaging undersea cables between Sweden and Germany after departing from a Russian Baltic port.[20]

***China's support for Russia's full-scale war in Ukraine***. The Chinese government claims it does not send lethal aid to Russia for its war effort in Ukraine, but 78% of Russian imports of semiconductors and 96% of smart cards—important components for a wide range of military technologies—come from China.[21] Chinese companies also provide an extensive array of other dual-use items, such as navigation equipment, jamming devices, aircraft parts, drones, rifles, ammunition and trucks. The US Treasury and US Department of Commerce have sanctioned numerous Chinese companies for sanctions violation of sanctions as well as the financial entities that were set up to circumvent sanctions on payment processing.[22]

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Helping China Build a Hybrid-Nuclear Submarine?" January 26, 2025, https://maritime-executive.com/editorials/is-russia-helping-china-with-hybrid-nuclear-submarine.

[18] CNA, *Russian-Chinese Military Cooperation*, 35.

[19] Finbarr Bermingham, "China Admits Hong Kong-Flagged Ship Destroyed Key Baltic Gas Pipeline 'By Accident'," August 12, 2024, https://www.scmp.com/news/china/diplomacy/article/3274120/china-admits-hong-hong-flagged-ship-destroyed-key-baltic-gas-pipeline-accident?module=inline&pgtype=article.

[20] Shannon Tiezzi, "Chinese Vessel Suspected of Damaging European Submarine Cables," November 22, 2024, https://thediplomat.com/2024/11/chinese-vessel-suspected-of-damaging-european-submarine-cables/.

[21] "Russia Semiconductor Imports Dashboard: Pre and Post Invasion Trends," Silverado Policy Accelerator, Aug. 24, 2023, https://silverado.org/data-dashboards/russia-semiconductor-imports-dashboard-pre-and-post-invasion-trends/; CNA, *Russian-Chinese Military Cooperation*, March 2023, 33.

[22] "Treasury Disrupts Russia's Sanctions Evasion Schemes, January 15, 2025, https://home.treasury.gov/news/press-releases/jy2785. Also see CNA, *Russian-Chinese Military Cooperation*, 87.; Dmitry Gorenburg, Samuel Bendett, Ken Gause, Pavel Luzin (Center for European Policy Analysis), Gabriela Iveliz Rosa-Hernandez, Paul Schwartz, and Elizabeth Wishnick, with contributions by Michael Connell and Julian Waller, *Crafting the Russian War Economy*, CNA, October 2024, https://www.cna.org/reports/2024/10/Crafting-the-Russian-War-Economy.pdf; Eleanor Hume and Rowan Scarpino, "Sanctions by the Numbers: Comparing the Trump and Biden Administrations' Sanctions and Export Controls on China," October 23, 2024,https://www.cnas.org/publications/reports/ sanctions-by-the-numbers-comparing-the-trump-and-biden-administrations-sanctions-and-export-controls-on-china.

China reportedly has sent drone parts to Iran,[23] which in turn provides drone technology to Russia. It is unclear whether or not the Chinese drone parts are components of the technology Iran sends to Russia.[24]

In October 2024, the US sanctioned two companies in southeastern China for producing drones for Russia, the first evidence of Chinese firms producing complete weapons systems for use in Ukraine.[25] A few months later the EU sanctioned Chinese firms in the Xinjiang Uyghur Autonomous Region, where PRC central authorities play a leading role in the provincial economy, for producing drones for Russia.[26] European intelligence agencies claim that Chinese companies in Xinjiang as well as in Shenzhen and Xiamen have been involved in Russia's production of the Garpiya-3 long-range attack drone, similar to the US Reaper.[27]

3) **Are Russia, China, Iran, and North Korea taking steps towards interoperability or greater military coordination with their joint exercises? Describe the implications of these exercises for the United States and its allies and partners.**

***China-Russia Exercises.*** The US Department of Defense finds that the Sino-Russian military exercises have "only modestly improved their capabilities and interoperability." [28] Training for improved interoperability assumes that China and Russia coordinate their foreign policies, which they do not.[29] Although they share certain broad goals, such as pushing back on what they perceive as US and NATO pressure and safeguarding their authoritarian regimes from western interference, China and Russia have different foreign policy interests, priorities, and tools at their disposal. Unlike the NATO alliance, where the diverse membership train for combined operations, China and Russia largely train together to improve confidence-building and develop familiarity with their different technologies and approaches to combat. Chinese forces, which have not fought in a war since 1979, also seek to learn from Russian combat experience. For both China and Russia, signaling is an important part of the joint exercises, which often precede or follow exercises by the US and its allies. Through these exercises China and Russia enhance

[23]"Iran's Eastward Turn to Russia and China: A Conversation with Nicole Grajewski, Nader Habibi, and Gary Samore," May 20, 2024, https://www.brandeis.edu/crown/publications/crown-conversations/cc-22.html.
[24] On Iran-Russia military relations, see Julian Waller, Elizabeth Wishnick, Margaret Sparling, and Michael Connell, *The Evolving Russia-Iran Relationship*, January 29, 2025, https://www.cna.org/reports/2025/01/the-evolving-russia-iran-relationship.
[25] Nectar Gan, "US imposes first sanctions on Chinese firms for making weapons for Russia's war in Ukraine," October 18, 2024, https://www.cnn.com/2024/10/18/china/us-sanctions-chinese-companies-attack-drones-russia-intl-hnk/index.html.
[26] Finbarr Bermingham, "EU Has 'Conclusive' Proof of Armed Drones for Russia Being Made in China: Sources," November 15, 2024, https://www.scmp.com/news/china/diplomacy/article/3286819/eu-has-conclusive-proof-armed-drones-russia-being-made-china-sources.
[27]"Exclusive: Russia Has Secret War Drones Project in China, Intel Sources Say," September 25, 2024, https://www.reuters.com/world/russia-has-secret-war-drones-project-china-intel-sources-say-2024-09-25/.
[28] https://media.defense.gov/2024/Dec/18/2003615520/-1/-1/0/MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2024.PDF. P. 15.
[29] For more on this see, Wishnick, "Sino-Russian Partnership: Cooperation without Coordination."

the deterrent value of their partnership, by creating ambiguity about its scope, especially in a future conflict in Taiwan or the South China Sea.[30]

***China-Russia-Iran Naval Exercises***. China, Russia, and Iran have participated annually in trilateral naval exercises, known as the Maritime Security Belt, since 2019 (with the exception of 2021 when China did not participate). In 2019, they were held in in the Gulf of Oman and Indian Ocean and emphasized anti-piracy and counterterrorism. In 2022, the trilateral exercise took place in the Gulf of Oman and the Arabian Sea and focused on search and rescue, including nighttime shooting drills. In 2023 the three navies engaged in counterterrorism, anti-piracy, and search and rescue exercises in the Gulf of Oman. In 2024, the three navies participated in a hostage rescue exercise in the Gulf of Oman and Indian Ocean.[31] The purpose of the exercises is to demonstrate the geographic extent of the Sino-Russian partnership and to showcase their commitment to combating piracy, a key focus of the drills and a longstanding aim of Sino-Russian naval exercises. The first Sino-Russian naval drills in 2009 focused on combating piracy in the Gulf of Aden.

***China-Russia-North Korea Exercises***. According to the South Korean National Intelligence Service, Russia may have proposed that North Korea participate in a trilateral naval exercise in 2023, but this never took place.[32] There have been no trilateral exercises of any kind to date, although General Valery Gerasimov, Chief of the Russian General Staff, reported that North Korea participated as an observer for the first time in Russia's large-scale OKEAN-24 naval exercise in September 2024.[33] A South Korean analysis of North Korea's perspective on trilateral exercises with China and Russia argues that North Korean leaders have been wary of such engagement due to their priority on Juche (self-reliance ideology), negative experiences from the Korean War, and fear of pro-China domestic political opponents, but that more active US-South Korea-Japan alliance ties may change that calculation.[34]

In October 2024, North Korea began sending troops to Russia for the Kursk front in the Russian war in Ukraine in accordance with their June 19, 2024 bilateral treaty, which provides for military assistance in the event of an attack on one of the two parties.[35] The North Korean troops, which may number as many as 11,000, first received training at the Sergeevka military base just

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[30] On strategic ambiguity in the Sino-Russian partnership, see Elizabeth Wishnick, "Strategic Ambiguity and the Deterrent Value of the Sino-Russian Partnership," China Aerospace Studies Institute, Air University, October 31, 2022, https://www.airuniversity.af.edu/Portals/10/CASI/documents/Research/CASI%20Articles/2022-10-31%20Strategic%20Ambiguity%20and%20the%20Deterrent%20Value%20of%20the%20Sino-Russian%20Partnership.pdf.

[31] On these exercises, see CNA, *The Evolving Russia-Iran Relationship*, 44.

[32] Kim Tong-Hyung, "Seoul's Spy Agency Says Russia Has Likely Proposed North Korea to Join Three-Way Drills with China," September 4, 2023, https://apnews.com/article/north-korea-russia-military-cooperation-ukraine-china-55918dc4b8672a15ae103eb5fea2a930.

[33] Anton Sokolin, "North Korea Joined Russian Military Drills as Observer for the First Time: Moscow," December 23, 2024, https://www.nknews.org/2024/12/north-korea-joined-russian-military-drills-as-observer-for-first-time-moscow/.

[34] Youngjun Kim (Korea National Defense University), "Will North Korea Join China and Russia in a Military Exercise? A Game Changer for Northeast Asian Security Architecture," *The Korean Journal of Security Affairs* 28(1) June 2023:31-53.

[35] "DPRK-Russia Treaty on Comprehensive Strategic Partnership," June 20, 2024, http://kcna.kp/en/article/q/6a4ae9a744af8ecdfa6678c5f1eda29c.kcmsf.

in Primorskii Krai in the Russian Far East, near the North Korean border.[36] The North Korean forces appear to operate separately from other Russian forces in Kursk, due to language barriers and different military cultures, and have their own distinctive operating style.[37] The North Korean forces have suffered heavy losses, as many as 4,000, and seem to be poorly coordinated with Russian forces.[38]

**4) How has the Sino-Russian security relationship evolved since Russia's invasion of Ukraine? How does China's leadership perceive the costs and benefits to its support for Russia?**

As discussed in the previous questions, the Sino-Russian military relationship has deepened in many respects since Russia's 2022 invasion of Ukraine. These include:

- Provision by Chinese entities of substantial quantities of dual-use technology for the Russian war effort
- Chinese support for Russian messaging on the war (to be discussed in Question 6);
- Increased frequency and complexity of military exercises
- Regular consultations and planning documents
- Involvement by Chinese and Russian actors in hybrid maritime actions against western interests

These actions have taken place at a time when Chinese and Russian coast guards have committed to greater cooperation in maritime law enforcement in the Northern Sea Route above the Russian Arctic and have participated in joint drills in the Sea of Japan and the Bering Sea. Since 2018, the Chinese Coast Guard has reported to the Central Military Commission, headed by Xi. The Russian Coast Guard reports to the Federal Security Bureau (FSB), one of the power ministries that is directly subordinate to Putin. For both countries, cooperation in between the coast guards is an important step in their security collaboration as it involves joint actions in areas that protect their sovereignty and control over their fishing and energy resources.[39]

Despite their growing military and maritime law enforcement cooperation, China and Russia hold different visions of global security. In April 2022, China announced a Global Security Initiative (GSI) that would foster "a vision of common, comprehensive, cooperative and

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[36] "North Korean Troops Are Training in Russia: Here's Why It Matters," *Wall Street Journal News*, https://www.youtube.com/watch?v=VJ7l_a33pk0.

[37] Marc Santora and Helene Cooper, "Fighting Alongside Russia, North Koreans Wage Their Own War," January 22, 2025, https://www.nytimes.com/2025/01/22/world/europe/north-korea-soldiers-ukraine.html?auth=login-google1tap&login=google1tap.

[38] John Hardie, "North Korean Troops Pull Back in Kursk as Pyongyang Prepares Fresh Deployment, Sources Say," January 31, 2025, https://www.fdd.org/analysis/op_eds/2025/01/31/north-korean-troops-pull-back-in-kursk-as-pyongyang-prepares-fresh-deployment-officials-say/.

[39] Meia Nouwens and Veerle Nouwens, "China-Russia Coast Guard Cooperation: A New Dimension of China-Russia Relations?" October 16, 2024, https://chinapower.csis.org/analysis/china-russia-coast-guard-cooperation/; Thomas Nilsen, "Russia's Coast Guard Cooperation with China Is a Big Step, Arctic Security Expert Says," April 28, 2023, https://www.thebarentsobserver.com/security/russias-coast-guard-cooperation-with-china-is-a-big-step-arctic-security-expert-says/164360.

sustainable security…"[40] At first glance the language of "indivisible security" appears similar to Russian rhetoric on the "indivisibility of security in regional and global contexts" which Putin has used to defend his full-scale war in Ukraine.[41] Nevertheless, Xi's GSI envisions global security within a China-led "community of shared future," while Russia emphasizes a multipolar order of equal sovereign states.

Despite many differences between the two countries (discussed in Question 7), the Chinese leadership continues to view the partnership with Russia as an asset, not a liability. Chinese leaders see Russia supporting China in its competition with the United States and its alliances, contributing to China's energy and food security, ensuring a peaceful and secure northern border, and buttressing the PRC's regime security as well as the position of authoritarian states in the global ideological struggle with democracies. Since the onset of the war in 2022, criticism of China-Russia relations has been restricted and only a few critical voices (either by retired officials or scholars writing for foreign audiences) have been able to express any critical views. The criticism that is tolerated mostly has been about Russian policies, not about the fallout of these policies for China.[42]

**5) How does Russia's relationship with North Korea and Iran effect its relationship with China? Are there issues or activities that would be politically sensitive for China?**

***North Korea***. Despite regular Sino-Russian meetings on security issues, the Chinese government has disavowed any knowledge about Russia-North Korea defense cooperation. PRC Ministry of Foreign Affairs spokesman Lin Jian stated at a November 1, 2024 press conference that "China is not aware of the specifics of bilateral exchanges and cooperation between the DPRK and Russia."[43] Their military cooperation poses several challenges for Beijing:

- Turning a blind eye to North Korea's provision of lethal aid for Russia contradicts China's position against outside interference and expansion of the war

[40]"Full Text: The Global Security Concept Paper," February 21, 2023, Xinhua, https://english.news.cn/20230221/75375646823e4060832c760e00a1ec19/c.html; M. Taylor Fravel, "China's Global Security Initiative At Two: A Journey Not a Destination," *China Leadership Monitor*, May 30, 2024, https://www.prcleader.org/post/china-s-global-security-initiative-at-two-a-journey-not-a-destination.
[41] "The Concept of the Foreign Policy of the Russian Federation," March 31, 2023, https://mid.ru/en/foreign_policy/fundamental_documents/1860586/. Heather Ashby and Mary Glantz, "What You Need to Know about Russia's New Foreign Policy Concept," May 10, 2023, https://www.usip.org/publications/2023/05/what-you-need-know-about-russias-new-foreign-policy-concept.
[42] For a detailed discussion of Chinese views of Russia as asset or liability, see Elizabeth Wishnick, "The Russian Invasion of Ukraine and the Sino-Russian Partnership," in Bård Nikolas Vik Steen ed., *Not Just Another New Cold War: The Global Implications of US-China Rivalry* (New York: Oxford University Press, 2025).
[43]Foreign Ministry Spokesperson Lin Jian's Regular Press Conference on November 1, 2024, https://www.mfa.gov.cn/eng/xw/fyrbt/202411/t20241101_11519937.html.

- Russian assistance to North Korean weapons production buttresses calls in South Korea for a nuclear deterrent and contributes to tighter alliance ties among South Korea, Japan and the United States
- China's silence on North Korea-Russia defense ties supports impressions of Beijing's tacit support, thereby denying Chinese officials the opportunity to take advantage of political turmoil in Seoul to drive a wedge between South Korea and the United States.

Due to fears of economic instability in North Korea prompting mass migration into China, Chinese officials are so reluctant to use the economic leverage it has over North Korea—dependent on Beijing for over 90% of its trade—that this lever is largely ineffectual. Despite supporting UN sanctions on North Korea's nuclear program, China has refused to require all Chinese entities to enforce them and proved unwilling or unable to convince Russia to do so.[44]

***Iran***. China's ties to Iran largely center on energy— if Russian ties to Iran embolden its nuclear program, a nuclear crisis could endanger maritime energy exports from Iran and other Gulf states to China.[45] Iran is the fourth largest supplier of oil to China, accounting for 10% of supply, although they are not listed officially in Chinese statistics. China's "teapot" refineries (small independent refineries) are responsible for these purchases, which are made in violation of sanctions and occur through third countries or by ship-to-ship transfer. Through these methods China purchases about 90% of Iranian oil.[46]

The deepening partnership between Iran and Russia may compete with China's west-east Middle Corridor of the Belt and Road Initiative and expand Iranian influence in Central Asia, perhaps at China's expense. Iran and Russia are developing an International North-South Transit Corridor, which would also involve India, and develop a new south-north transit and trade artery. The INSTC already plays a role in transporting Iranian military equipment to Russia via the Caspian

[44] "China Supported Sanctions on North Korea's Nuclear Program. It's also Behind Their Failure," November 3, 2023, https://www.voanews.com/a/china-supported-sanctions-on-north-korea-s-nuclear-program-it-s-also-behind-their-failure/7340051.html.

[45]"Iran's Eastward Turn to Russia and China: A Conversation with Nicole Grajewski, Nader Habibi, and Gary Samore," May 20, 2024, https://www.brandeis.edu/crown/publications/crown-conversations/cc-22.html; Nicole Grajewski, "An Illusory Entente: The Myth of a Russia-China-Iran 'Axis'," *Asian Affairs*, February 14, 2022, https://www.tandfonline.com/doi/full/10.1080/ 03068374.2022.2029076?src=#d1e226; "The Iranian-Chinese Strategic Partnership: Why Now and What it Means: A Conversation with Nader Habibi and Hadi Kahalzadeh," August 28, 2021,https://www.brandeis.edu/crown/publications/crown-conversations/cc-8.html.

[46] Erica Downs and Edward Fishman, "Q&A: Potential Impacts of New US Sanctions on Iran's Oil Exports to China," May 28, 2024, https://www.energypolicy.columbia.edu/qa-potential-impacts-of-new-us-sanctions-on-irans-oil-exports-to-china/.

Sea.[47] India sees this route as providing access to the Russian Arctic and a means of competing with China's growing influence there.[48]

**6) How do China and Russia coordinate their efforts in cyber and information operations? Please provide specific examples across military or state-sponsored domains.**

China and Russia increasingly emulate one another in cyber and information operations. The only evidence of possible coordination is the July 2021 agreement July 2021 Russia's Ministry of Digital Development, Communication and Mass Media and China's National Radio and Television Administration to promote exchanges of content and develop joint production.

Since 2022, Russia has enhanced restrictions on access to the Internet, following China's development of the Great Firewall, by criminalizing the use of VPNs in Russia, blocking an increased number of websites, and slowing down YouTube.[49]

Prior to the full-scale war in Ukraine, Chinese information operations focused on promoting Chinese interests and denigrating critics of China, but since 2022 Chinese media outlets have been echoing Russian propaganda on Ukraine. For example, Chinese media have repeated Russia's false claims about the presence of US biolabs in Ukraine.[50] Even as Chinese media support Russian narratives on the war, Chinese information operations also promote the idea that China takes a neutral position on it.[51]

European intelligence officials report that Chinese espionage operations in Europe increasingly share Russian goals of undermining western support for Ukraine and creating division in

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[47] Iran sends military equipment to Russia covertly via dark port calls (sailing across the Caspian Sea with the required transponder turned off). See CNA, *The Evolving Russia-Iran Relationship, 39-42*; Nurlan Aliyev, "Russia's Vital and Fragile New Trade Artery to Iran," September 28, 2024, https://ridl.io/russia-s-vital-and-fragile-new-trade-artery-to-iran/; Nurlan Aliyev, "Iran-Russia Partnership: Friends Forever?" January 25, 2025, https://ridl.io/iran-russia-partnership-friends-forever/.

[48] Jawahar Vishnu Bhagwat and Natalia Viakhireva, "India Considers Northern Sea Route Potential," July 31, 2024, https://russiancouncil.ru/en/analytics-and-comments/interview/india-considers-northern-sea-route-potential/; CAPT Anurag Bisen (Indian Navy, Ret.), "Arctic Geopolitics and Governance: An Indian Perspective," August 15, 2024, https://www.eastwestcenter.org/publications/arctic-geopolitics-and-governance-indian-perspective.

[49] Paul Sonne, "Russia Chokes YouTube Service but Russians Find Ways Around It," January 31, 2025, https://www.nytimes.com/2025/01/31/world/europe/russia-youtube.html?auth=login-google1tap&login=google1tap; Chiara Castro, "Russia Blocks Almost 200 VPN Services, but the Kremlin Still Wants to Use Them," December 16, 2024, https://www.techradar.com/pro/vpn/russia-blocks-almost-200-vpn-services-but-the-kremlin-still-wants-to-use-them; "IntelBrief: Implications of China-Russia Cooperation on Censorship and Disinformation," March 20, 2024, https://thesoufancenter.org/intelbrief-2024-march-20/.

[50] Elizabeth Wishnick and Josiah Case, "China's Aid to Russia: Lip Service?" March 21, 2022, https://cepa.org/article/chinas-aid-to-russia-lip-service/; "How China and Russia Use Information Operations to Compete with the US," June 30, 2023, https://www.cna.org/our-media/indepth/2023/06/how-china-and-russia-use-information-operations-to-compete-with-the-us/.

[51] Agnieszka Legucka and Justina Szczudlik, "Breaking Down Russian and Chinese Disinformation and Propaganda about the War in Ukraine," The Polish Institute of International Affairs, January 17, 2023, https://www.pism.pl/publications/breaking-down-russian-and-chinese-disinformation-and-propaganda-about-the-war-in-ukraine.

European democracies.[52] Following the Russian example, China increasingly uses disinformation to sow distrust and confusion in western societies. While Russia uses a wide range of platforms for its disinformation effort, including social media platforms like X and Truth Social and websites like Reddit and YouTube in addition to state and oligarch-owned media, China primarily uses state-run media.[53] Russian companies like Struktura and the Social Design Agency create hundreds of fake websites than mimic real ones—for example, Reuters.cfd, made to look like the Reuters.com news agency, promotes pro-Russian narratives.

Hacked Russian emails show that in July 2021 Russia's Ministry of Digital Development, Communication and Mass Media and China's National Radio and Television Administration signed an agreement to promote exchanges of content and develop joint production. Thanks to this agreement, Chinese media featured Russian false claims about US biolabs in Ukraine. Cooperation between Chinese and Russian media began in the early 2000s but has become more institutionalized since this agreement. Nonetheless, Chinese and Russian joint efforts largely focus on their domestic audiences,[54] although these publications also are used to shape international opinion, as the case of the biolabs attests.

There were some reports by Ukrainian sources of hacking efforts against Ukraine in March and April 2022 by Chinese hackers connected to the Chinese government,[55] but evidence of Russian and Chinese coordination in hacking activities is lacking. Moreover, Russia's persistent and extensive cyberattacks on Ukraine have been more disruptive than successful in degrading Ukraine's capabilities.[56]

**7) Describe the areas of divergence in the Sino-Russian relationship. Are there significant points of friction in the Sino-Russian relationship that could derail it?**

Despite the deepening Sino-Russian partnership there are multiple areas of divergence. At this juncture Chinese and Russian officials have made a political decision to emphasize their areas of agreement—all of their joint statements do this, omitting any areas of discord. The latter include:

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[52] Nicholas Vinocur, "'Dragon-Bear': How China and Russia's Spy Operations Overlap in Europe," March 13, 2024, https://www.politico.eu/article/dragon-bear-how-china-and-russias-spy-operations-overlap-in-europe/.
[53] Joe Stradinger, "Narrative Intelligence: Detecting Chinese and Russian Information Operations to Detect NATO Unity," November 5, 2024, https://www.fpri.org/article/2024/11/intelligence-china-russia-information-operations-against-nato/.
[54] Maria Repnikova, *China-Russia Convergence in the Communication Sphere: Exploring the Growing Information Nexus n.d.* https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/Repnikova_2022-23%20Wilson%20China%20Fellowship_Understanding%20China%20Amid%20Change%20and%20Competition.pdf.
[55] Cristian Segura, "Ukraine Claims Russia Uses Its Cooperation with China to Carry out Cyberattacks," February 12, 2024, https://english.elpais.com/international/2024-02-12/ukraine-claims-russia-uses-its-cooperation-with-china-to-carry-out-cyberattacks.html.
[56] Grace B. Mueller, Benjamin Jensen, Brandon Valeriano, Ryan C. Maness, and Jose M. Macias, "Cyber Operations during the Russo-Ukrainian War," July 13, 2023, https://www.csis.org/analysis/cyber-operations-during-russo-ukrainian-war; Jaclyn A. Kerr, Assessing Russian Cyber and Information Warfare in Ukraine, CNA, November 2023, https://www.cna.org/reports/2023/11/Assessing-Russian-Cyber-and-Information-Warfare-in-Ukraine.pdf.

- Disagreements over their border history
- Wariness in Russia over China's involvement in the development of the Russian Far East
- Disputes over trade and investment
- Disputes over China's reverse engineering of Russian weapons systems
- Several instances of Russian scientists prosecuted for espionage on behalf of China
- A lack of transparency on key foreign policy issues (2022 Ukraine war, 2022 events in Kazakhstan)
- Competing regional integration strategies
- Russian fears of becoming a resource appendage to China
- Russian identity as an Arctic state and wariness about China's potential role in the region
- Competition over regional leadership in Central Asia
- China's aim to lead a community of common destiny and Russia's opposition to a supporting role in such a framework
- Competition for influence in the Middle East, Africa, and Latin America.

Points of friction, while significant, are unlikely to derail the Sino-Russian partnership as long as Xi and Putin remain at the helm of their respective countries, are able to set limits to domestic nationalism, and continue to be aligned on the primary geopolitical and domestic threats they face.

Historically, the main point of friction to resurface—and on several occasions to lead to localized armed conflict between China and Russia—has been the dispute between the two countries over their lengthy common border. Although the two countries signed border demarcation agreements in 1991 and 2004 and claim to have resolved this issue, the border issue continues to resurface periodically despite the deepening Sino-Russian partnership. Chinese officials claim that the legally ratified borders are based on unequal treaties of the 19th century which codify the territorial aggression by the Russian Empire against China. (See Appendix 1) By contrast, Russian officials reject any continuity between the actions of the contemporary Russian state and the Russian empire, but nevertheless see the 19th century territorial settlement as righting the wrong that had been done by the 1689 Treaty of Nerchinsk according to which the Chinese Empire secured recognition of its sovereignty over lands north of the Amur River and east of the Ussuri River (lands which Russia obtained through the 19th century treaties and continues to hold).

China's "wolf warrior diplomats" periodically comment about what they see as past injustices leading to some pushback in Russia. The 250th anniversary of the founding of Vladivostok (which means rule the east in Russian) led to some Chinese nationalist posts by PRC diplomats. In February 2023 the Chinese Ministry of Natural Resources issued a directive specifying that certain Russian cities would be listed officially by their original names—Vladivostok would thus be Haishenwai and Khabarovsk would be Boli.[57] The same ministry also published a map the next month that showed Heixiazi (Bolshoi Ussuriiskii) Island (see Appendix 2), divided between

[57] Jeff Pao, "China's Ironic Reticence on Land Grab in Ukraine," February 25, 2023, https://asiatimes.com/2023/02/chinas-ironic-reticence-on-land-grab-in-ukraine/.

the two countries in a 2004 agreement, as only Chinese.[58] A subsequent joint statement by Xi and Putin in May 2024 emphasized that joint development would proceed on the island, enabling Russia to reaffirm the jointness of the territorial disposition.

Both countries are experiencing growing nationalism, which, if left to develop unchecked, could lead to a resurgence of territorial conflict. History is being reinterpreted in ways that could enhance mistrust and even lead to renewed tensions in the event domestic conditions change in one or both countries.

**8) What recommendations for legislative action would you make based on your testimony?**

*Support for US government agencies and offices that combat Chinese and Russian disinformation and authoritarianism in all four countries*. The one area where there is clear evidence of Sino-Russian coordination is in spreading disinformation directed against the US and its allies. Until recently, the US had several lines of effort to combat these efforts including the US Department of State's Global Engagement Center and the Countering Malign Kremlin Influence Office and Countering Chinese Influence Fund at USAID. Congress should reinstate these offices so that the US continues to have all the tools needed to combat Chinese and Russian disinformation. Additionally, Congress should ensure the continued operation of US-funded media outlets like Radio Free Europe and Radio Liberty which support local media to combat Chinese and Russian disinformation, and the National Endowment of Democracy, a bipartisan organization that supports civil society organizations that combat authoritarianism in China, Russia, Iran, and North Korea.

*Support for US government-funded research on adversary threats*. Secretary of Defense Pete Hegseth recently stated that US adversaries have an advantage in long-term planning and the US needs to do the same.[59] To this end Congress should support efforts at the US Department of Defense and throughout the government to carry out the necessary research to identify and assess long-term adversary threats. Congress should reinstate the Global Development Lab at USAID which supported a Higher Education initiative involving data-driven research on China by organizations such as AIDDATA that tracked Chinese influence efforts in countries of interest to the US and provided invaluable data to combat such efforts.[60]

*Continue Efforts to Engage with South Korea and Japan on Northeast Asian Security*. The US should work with our allies to monitor North Korean illegal arms transfer activities through

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[58] The Soviet Union occupied this island at the confluence of the Amur and Ussuri Rivers in the Russian Far East in a brief war with China 1929 over the Chinese Eastern Railroad, during which Soviet forces occupied most of Manchuria. Even though China and Russia agreed to divide the island, they each continue to claim that they are entitled to full sovereignty over the island.

[59] Patrick Tucker, "Hegseth: Pentagon Must Return to Long-Term Planning against Strategic Adversaries," February 9, 2025, https://www.defenseone.com/policy/2025/02/hegseth-defense-department-must-return-long-term-planning-against-strategic-adversaries/402858/?oref=d1-featured-river-top.

[60] U.S. Global Development Lab, https://web.archive.org/web/20240926185919/https://2012-2017.usaid.gov/who-we-are/organization/bureaus/us-global-development-lab. This is an archived version as the USAID website is no longer publicly available in violation of H.R.3766 - Foreign Aid Transparency and Accountability Act of 2016 https://www.congress.gov/bill/114th-congress/house-bill/3766/text.

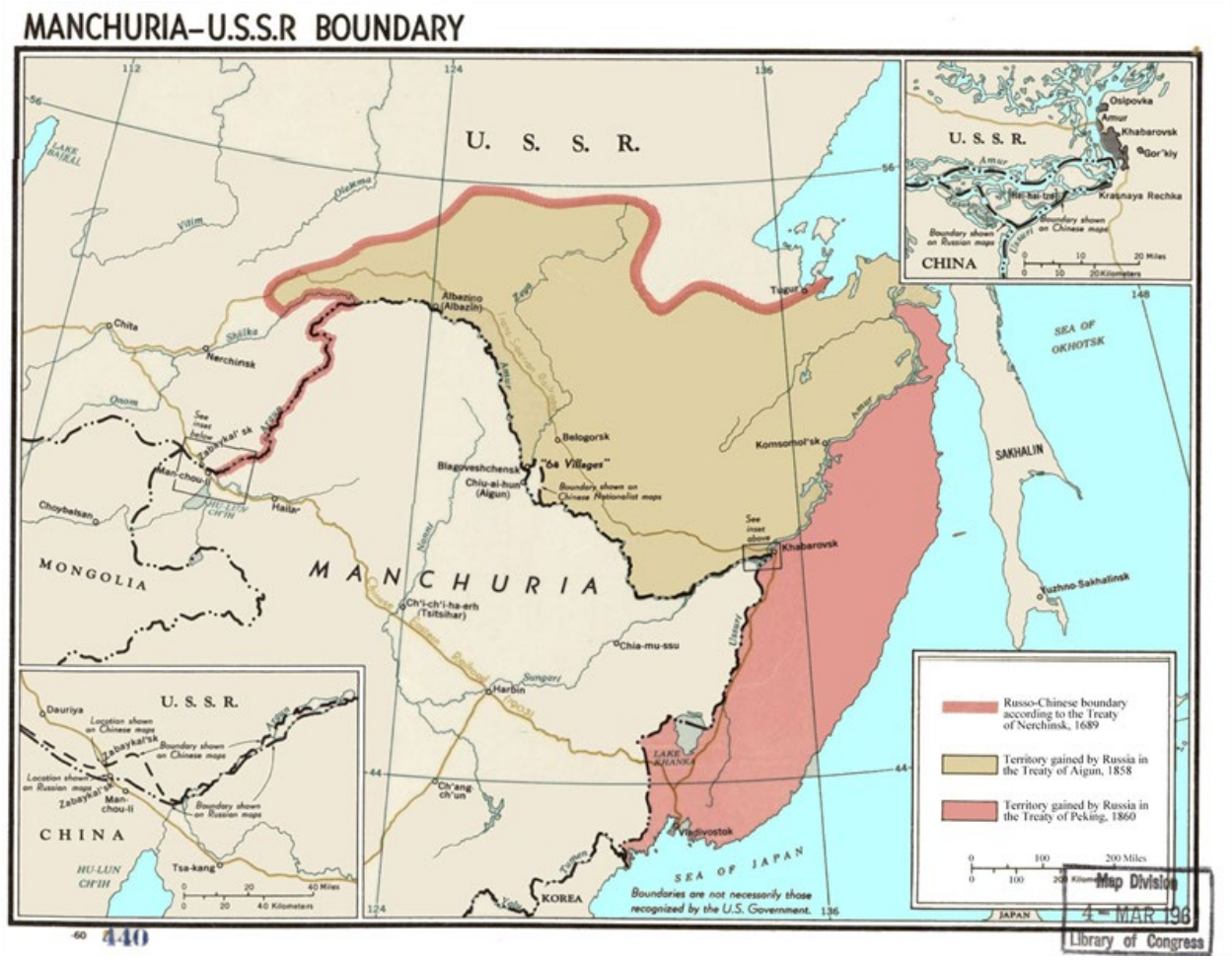
mechanisms such as the Proliferation Security Initiative, a global effort to stop illegal arms trafficking.

*Work with Allies to Combat Cyberthreats*. The US and allies have successfully collaborated to protect Ukraine from Chinese and Russian cyberthreats through the Tallinn Mechanism.[61] This type of cooperation could be a model for efforts elsewhere to protect vulnerable partners.

*Support US Coast Guard Cooperation with Kazakhstan and Azerbaijan to counter illegal arms transfers between Iran and Russia*. Congress should support continued funding for these programs by USCENTCOM and EUCOM to help partner countries respond to weapons proliferation, terrorism, and other maritime threats to the Caspian Sea. Greater engagement with Kazakhstan and Azerbaijan more broadly works to reduce Russian, Chinese, and Iranian influence in these countries. The Caspian Initiative was active in the early 2000s and should be restarted to monitor and interdict illegal arms transfers across the Caspian Sea.[62]

[61] Alexander Martin, "Ukraine's Partners Launch Tallinn Mechanism to Amplify Cyber Support," December 20, 2023, https://therecord.media/tallinn-mechanism-ukraine-partners-cybersecurity.
[62] *Land-Locked Naval Diplomacy in the Caspian Sea*, Caspian Policy Center, May 2022, https://api.caspianpolicy.org/media/ckeditor_media/2022/05/12/land-locked-naval-defense-diplomacy-in-the-caspian-sea.pdf.

**Appendix 1 Sino-Russian Territorial Boundaries in History**



***Appendix 2: Heixiazi (Bolshoi Ussuriiskii) Island***

## OPENING STATEMENT OF JEMIMA BAAR, INDEPENDENT RESEARCHER

MS. BAAR: Co-Chairs and distinguished members of the Commission, thank you for the opportunity to testify today. The views I will present are my own and do not reflect the positions of any past or present affiliations.

China's military cooperation with Russia, Iran, and North Korea advances its overarching strategic goal of reshaping the global balance of power. In these states, China has willing associates that actively challenge the United States by asserting themselves regionally and undermining the rules-based international order in both word and deed.

China's engagement with these states serves three key objectives.

First, it applies sustained pressure on the United States. While these countries act independently, their actions collectively force Washington to spread its diplomatic, economic, and military resources thin. Crises in Europe, the Middle East, and the Korean Peninsula all distract Washington's attention from the Indo-Pacific, limiting its ability to counter Beijing directly and effectively.

Second, it helps China lay the foundation for a multi-polar world, on Beijing's terms, of course. By strengthening ties with like-minded regimes, China is creating an alternative power structure that undermines the U.S. led security order.

And third, it advances China's operational military capabilities. From Russia, China gains combat-relevant experience and access to advanced military technology. Joint drills with Iran and Russia in the Arabian Sea, meanwhile, offer China valuable experience in long-range naval operations, advancing Beijing's goal of building a true, blue-water navy capable of sustained global deployments.

Over the past decade, China's military cooperation has grown significantly, and today I would like to highlight a few key areas where this partnership has deepened.

First, in high-level diplomacy. Since 2016, during President Xi Jinping's visit to Tehran, China and Iran elevated their relationship to a strategic cooperative partnership. This is one of Beijing's highest levels of international engagement, and it set the stage for broader military and economic coordination.

Second, defense technology sharing. Iran is one of very few countries that has been granted full access to China's BeiDou satellite system, including for military purposes, which has improved the targeting capabilities of Iranian missiles and UAVs.

Third, arms and dual-use technology transfers. While China officially ceased arms sales to Iran after 2015, illicit transfers and technology sharing have likely continued. China's major arms manufacturers all have offices in Tehran, which may signal defense industry ties and greater cooperation in weapons development.

Fourth, economic support. Since 2012, China has been Iran's largest trading partner, purchasing heavily discounted oil. This financial lifeline has helped Tehran withstand U.S. sanctions.

And finally, diplomatic cover. In 2020, China and Russia blocked a U.S. proposal to extend the UN arms embargo in Iran, which enabled Tehran to resume weapons procurement with relative impunity.

Now despite strong bilateral ties between China, Russia, and Iran, there is little evidence of meaningful progress towards trilateral interoperability at present. Their annual trilateral naval exercises, the only publicly known instance of military coordination between these three states, remain limited, largely focused on anti-piracy drills and basic tactical coordination.

However, an area to watch closely in the coming years is their expanding collaboration in the space and cyber domains. As mentioned earlier, in 2021, China granted Iran full military access to BeiDou. A year later, China and Russia signed an agreement to integrate BeiDou with Russia's GLONASS system. This could lay the groundwork for shared intelligence, real-time battlefield coordination, and secure military communications among the three states.

Iran patently wants more from its relationship with China. Following trilateral naval exercises in 2023, Iranian analysts enthusiastically proclaimed that, quote, "a new anti-NATO coalition is slowly forming," even speculating that North Korea could join to create a powerful military alliance among the states. And although it is the newest member of the Shanghai Cooperation Organization, Tehran immediately and aggressively pushed for a reorientation of the bloc toward greater military cooperation. Notably, however, neither China nor Russia publicly responded to these overtures.

Indeed, Chinese leaders, including Xi Jinping, have repeatedly stated China's adherence to the non-alliance principle, and in the Middle East, Beijing has little incentive to prioritize relations with Tehran at the expense of its lucrative relationships with its Gulf partners.

However, the lack of a formal alliance structure does not diminish the operational and strategic depth of these partnerships. China and its partners' shared grievances against the U.S.-led world order have already proven capable of shaping global conflict in meaningful ways. The states have demonstrated a pattern of mutual support that extends beyond rhetorical alignment. They have collectively shaped global narratives, provided each other with economic support, and as Russia's case demonstrates, the absence of a mutual defense clause does not preclude substantial military aid.

This sets a clear precedent. If China were to engage in a military conflict, Russia, Iran, and North Korea could plausibly provide lethal assistance as economic backing.

It is evident, then, that China and its partners are actively advancing their goal of undermining the U.S.-led international security order, posing significant challenges to global stability. If Washington is to set the terms of this competition, rather than allowing these revisionist powers to dictate them, then I suggest the following recommendations.

First, Washington needs a compelling, proactive vision, a blueprint for what the U.S. and its allies stand for, what they seek to achieve, and why it matters.

Second, Washington needs to better expose Beijing's complicity in global instability and continue to crack down on illicit trade networks between these states.

Third and finally, the scale of this challenge demands a coordinated, multilateral response. Thus, Washington needs to closely coordinate with its allies and partners to maintain a balanced global posture.

Thank you, and I welcome your questions.

COMMISSIONER STIVERS: Thank you. Dr. Rinaldi.

**PREPARED STATEMENT OF JEMIMA BAAR, INDEPENDENT RESEARCHER**

Testimony before the U.S.-China Economic and Security Review Commission

Hearing: China's Role in the Axis of Autocracy

February 20, 2025

Jemima Baar

The views and opinions expressed in this document are solely my own and do not reflect those of any past or present employers, affiliations, or institutions. This testimony follows the format of the seven questions proposed by the Committee, slightly rearranged.

1. What are China's objectives for its military cooperation with Russia, Iran, and North Korea? What does China hope to gain strategically or operationally?

China's military cooperation with Russia, Iran, and North Korea advances its overarching strategic goal of reshaping the global balance of power by weakening the U.S.-led security order.[1] United in their rejection of "unilateralism," Beijing and its partners see Washington as the chief obstacle to their geopolitical resurgence.[2] For them, restoring past grandeur requires not only the pursuit of revisionist territorial claims but also securing spheres of influence commensurate with their perceived status and power.[3] Thus, in Russia, Iran, and North Korea, China has willing associates that actively challenge the United States by asserting themselves regionally and undermining the rules-based international order in both word and deed.

China's engagement with its partners advances several strategic objectives:

First, it places sustained pressure on the United States. While China's partners act independently, their actions collectively strain Washington's diplomatic, economic, and military resources. Managing simultaneous challenges—from Ukraine to the Middle East to the Korean Peninsula—stretches U.S. capabilities and potentially weakens its long-term resolve and capacity to exercise global leadership.

[1] As noted in the Department of Defense's 2023 China Military Power Report, Chinese Communist Party (CCP) leaders have stated that China would benefit from "a profound adjustment in the international balance of power." " In his CCP 100th anniversary speech, Xi asserted that, as the world experienced "once-in-a-century changes," China had to adopt "a holistic approach to national security that balances development and security imperatives" and implement "the national rejuvenation." See, Department of Defense, *2023 China Military Power Report*, p.6.

[2] "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development," https://www.airuniversity.af.edu/Portals/10/CASI/documents/Translations/2022-02-04%20China%20Russia%20joint%20statement%20International%20Relations%20Entering%20a%20New%20Era.pdf; "Old friends the best partners for bright future," President of Iran, February 13, 2023, https://president.ir/en/142404.

[3] Robert Blackwill and Richard Fontaine, "No Limits? The China-Russia Relationship and U.S. Foreign Policy," *Council on Foreign Relations Special Report No. 99,* December 2024, p.37.

Second, and relatedly, it distracts Washington from focusing on the Indo-Pacific. Since it was first announced in 2012, the United States' "Pivot to Asia" policy has proceeded in fits and starts.[4] The 2022 National Defense Strategy was the first in its history to name the People's Republic of China (PRC) as its pacing challenge.[5] And, in spite of historic defense partnerships achieved between the United States and several partners in the Indo-Pacific, ongoing international crises have continued to divert U.S. attention and resources away from the region, undermining Washington's ability to counter China effectively.

Third, it lays the foundation for a multipolar world, with Chinese characteristics. By deepening military and strategic ties with like-minded states, Beijing is actively cultivating an alternative power structure that challenges Western dominance. In this evolving order, China seeks to position itself as a central pillar, expanding its influence and leadership on the global stage.

Operationally and tactically, the benefits China derives from its military cooperation depends on the partner in question. Joint exercises with Russia provide Chinese personnel with combat-relevant experience from a battle-hardened partner. Moscow's purported transfer of sensitive military technologies—spanning submarines, missiles, and stealth aircraft—support the development of China's capabilities in these areas.[6] Trilateral exercises conducted with Iran and Russia in the Arabian Sea offer China valuable experience in long-range naval operations, advancing Beijing's goal of building a true blue-water navy that is capable of sustained global deployments.[7]

2. What is the extent of military cooperation between China and Iran? How has China contributed to Iran's military and technological development?

Over the past decade, China-Iran military cooperation has deepened. In an open source study co-authored with Lucas Winter and Jason Warner for the U.S. Army TRADOC's Foreign Military Studies Office, we assessed Chinese efforts to gain military influence in Iran by using Diplomatic, Informational, Military, and Economic (DIME) instruments as "High," with an "Increasing"

[4] Robert Blackwill and Richard Fontaine, *Lost Decade: The US Pivot to Asia and the Rise of Chinese Power*, (Oxford: Oxford University Press, 2024).
[5] Department of Defense, National Defense Strategy, 2022, p.111.
[6] Stuart Lau, "US accuses China of giving 'very substantial' help to Russia's war machine," *Politico,* September 10, 2024, https://www.politico.eu/article/united-states-accuse-china-help-russia-war-kurt-campbell/.
[7] Aaron Marchant, China's Global Maritime Ambitions 10,000 Miles Beyond Taiwan, Proceedings, Vol. 150/12/1,462, December 2024, https://www.usni.org/magazines/proceedings/2024/december/chinas-global-maritime-ambitions-10000-miles-beyond-taiwan#:~:text=China%20aspires%20to%20build%20a,ocean%E2%80%9D%20an%20objective%20worth%20pursuing.

trajectory projected over the next three years.[8] Likewise, Russia-Iran bilateral DIME engagement was also rated "High" and "Increasing."[9]

*Figure 1: Summary of China-Iran DIME Engagement*[10]

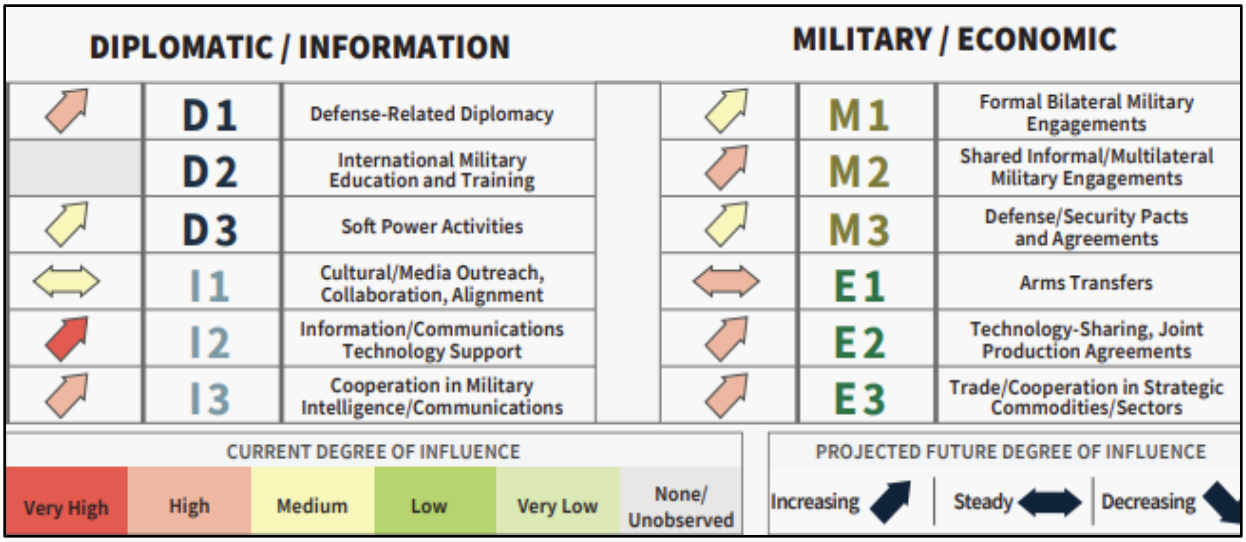
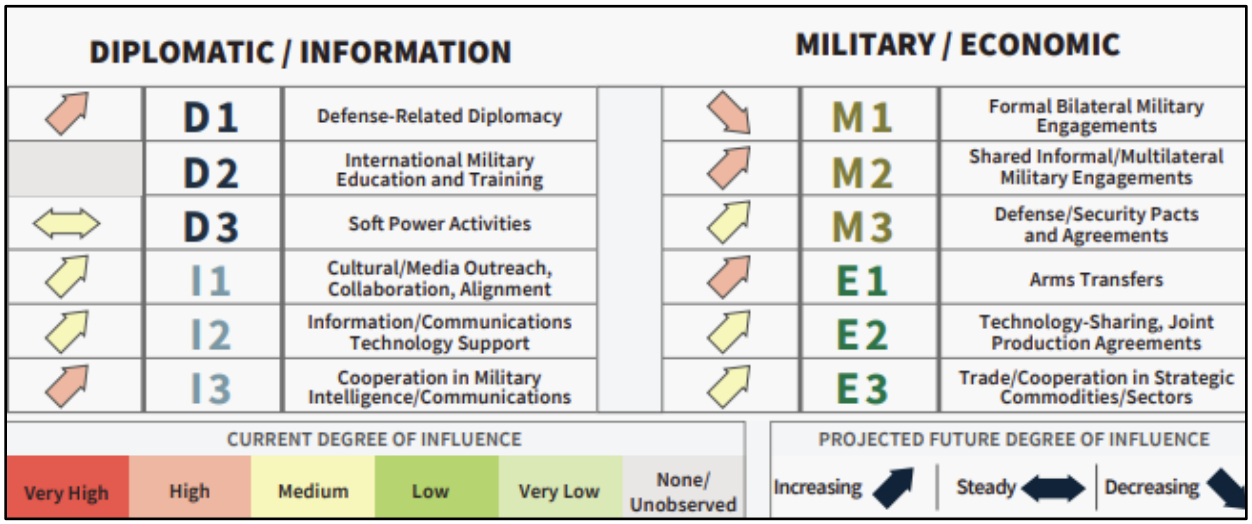



*Figure 2: Summary of Russia-Iran M-DIME Engagement*[11]




[8] FMSO report China-Iran The Military DIME (M-DIME) Research Project is a research effort from the U.S. Army Training and Doctrine Command's Foreign Military Studies Office (FMSO) to provide open-source analysis and assessments of China (and Russia's) influence in third countries. The M-DIME framework builds on the traditional DIME model, national power into Diplomatic, Informational, Military, and Economic domains.
[9] Lucas Winter, Jason Warner, and Jemima Baar, "Instruments of Chinese Military Influence in Iran," U.S. Army Training and Doctrine Command G-2 Foreign Military Studies Office, December 2023.
[10] Ibid.
[11] Ibid.

Our study highlights several key aspects of China's military cooperation with Iran:

*Defense-Related Diplomacy*

High-level military diplomacy between Iran and China has increased over the past decade, with at least eight meetings taking place between senior defense officials and military commanders. For instance, in April 2022, then Iranian President Ebrahim Raisi hosted then Chinese Defense Minister Wei Fenghe in Tehran. Wei also met his Iranian counterpart, Mohammad Reza Ashtiani, and the Iranian Chief of Armed Forces, Mohammad Bagheri.[12] Wei expressed the intention to "push the relationship between the two militaries to a higher level."[13] In September 2019, Bagheri met General Li Zuocheng, the Chief of China's Joint Staff Department of the Central Military Commission (CMC), in Beijing and General Xu Qiliang, the CMC's Vice Chairman.[14] During the visit, he toured a Chinese naval base in Shanghai.[15] In December 2019, Lieutenant General Shao Yuanming, Deputy Chief of the CMC's Joint Staff Department, visited Tehran and met Bagheri.[16]

These meetings have often led to formal agreements that appear to promote closer military collaboration, although publicly available details remain limited. For instance, during President Xi's 2016 visit to Tehran, the bilateral relationship was elevated to "Comprehensive Strategic Partnership" and 17 agreements related to "energy, industry, transportation, technology, and other fields" were signed.[17] In 2021, Chinese and Iranian foreign ministers signed a 25-year cooperation program, which was rumored to involve significant Chinese investments in Iran's key sectors such as energy and infrastructure, as well as cyber and military cooperation.[18] President Raisi's 2023 visit to Beijing resulted in 20 additional cooperation agreements. In a joint statement following the visit, Presidents Xi and Raisi pledged deeper military collaboration through joint exercises and strategic communication.[19]

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[12] "China, Iran agree to push military ties to higher level." CGTN, April 28, 2022. https://news.cgtn.com/news/2022-04-28/China-Iran-agree-to-push-military-ties-to-higherlevel-19AEBvT2swg/index.html and "Iran, China agree to expand military cooperation: Iranian military chief," Al Arabiya, April 27, 2022, https://english.alarabiya.net/News/middle-east/2022/04/27/Iran-China-agree-toexpand-military-cooperation-Iranian-military-chief.

[13] Shi Jiangtao and Teddy Ng, "China and Iran set to step up defence cooperation." South China Morning Post, April 28, 2022, https://www.scmp.com/news/china/military/article/3175845/china-and-iran-set-step-defencecooperation.

[14] "Baqeri: Iran, China reviewing 25-year strategic relations document," PLA Daily, December 4, 2019, http://english. pladaily.com.cn/view/2019-12/04/content_9689281.htm and Xu Qiliang met with Chief of Staff of the Iranian Armed Forces," China Military, September 12, 2019, http://eng.chinamil.com.cn/CHINA_209163/ TopStories_209189/9620567.html.

[15] Hiddai Segev, China and Iran: Resurging Defense Cooperation? (Tel Aviv: The Institute for National Security Studies, 2021), https://www.inss.org.il/publication/chinairan/.

[16] "Baqeri: Iran, China reviewing 25-year strategic relations document."

[17] Semira N. Nikou, "Timeline of Iran's Foreign Relations," The United States Institute of Peace, August 10, 2021, https://iranprimer.usip.org/resource/timeline-iransforeign-relations.

[18] Maziar Motamedi, "Iran and China sign 25-year cooperation agreement," *Al-Jazeera*, March 27, 2021, https://www.aljazeera.com/news/2021/3/27/iran-and-china-sign-25-year-cooperation-agreement-in-tehran

[19] "Iran, China ink 20 pacts," President of Iran, February 14, 2023, https://president.ir/en/142442 and "Joint Statement of Iran and China: Importance of close relations between the leaders of Iran and China in deepening comprehensive strategic partnership," Government of Iran, February 16, 2023, https://irangov.ir/ detail/406540

*Information and Communication Technology (ICT)*

China and Iran have forged a robust partnership in information technology, which carries significant military implications. In 2016, the two countries signed a pact to expand cooperation in ICT infrastructure and satellites.[20] China has played a key role in Iran's 5G development, funding projects worth nearly $470 million, and both countries collaborate in satellite tracking through the Asia-Pacific Space Cooperation Organization.[21]

Iran is one of very few countries–alongside Pakistan and Saudi Arabia–with full access to China's indigenous satellite system, BeiDou.[22] In 2015, the Iranian defense electronics company Salran signed an agreement with Chinese defense companies to begin using BeiDou PNT technology on Iranian missiles and Unmanned Aerial Vehicles (UAVs) to improve their targeting capabilities.[23] In 2021, Iran was granted full access to the PRC's BeiDou satellite system for military purposes.[24]

*Military Exercises*

In 2014, China and Iran conducted basic search and rescue and anti-piracy exercises in the Gulf of Aden[25] and in 2017, the People's Liberation Army Navy (PLAN) and Iranian Navy conducted four days of drills in the Strait of Hormuz.[26] Over the past five years, bilateral drills between the Iranian Navy and the PLAN have ceased and been replaced by trilateral drills with the Russian Navy in the Arabian Sea.[27]

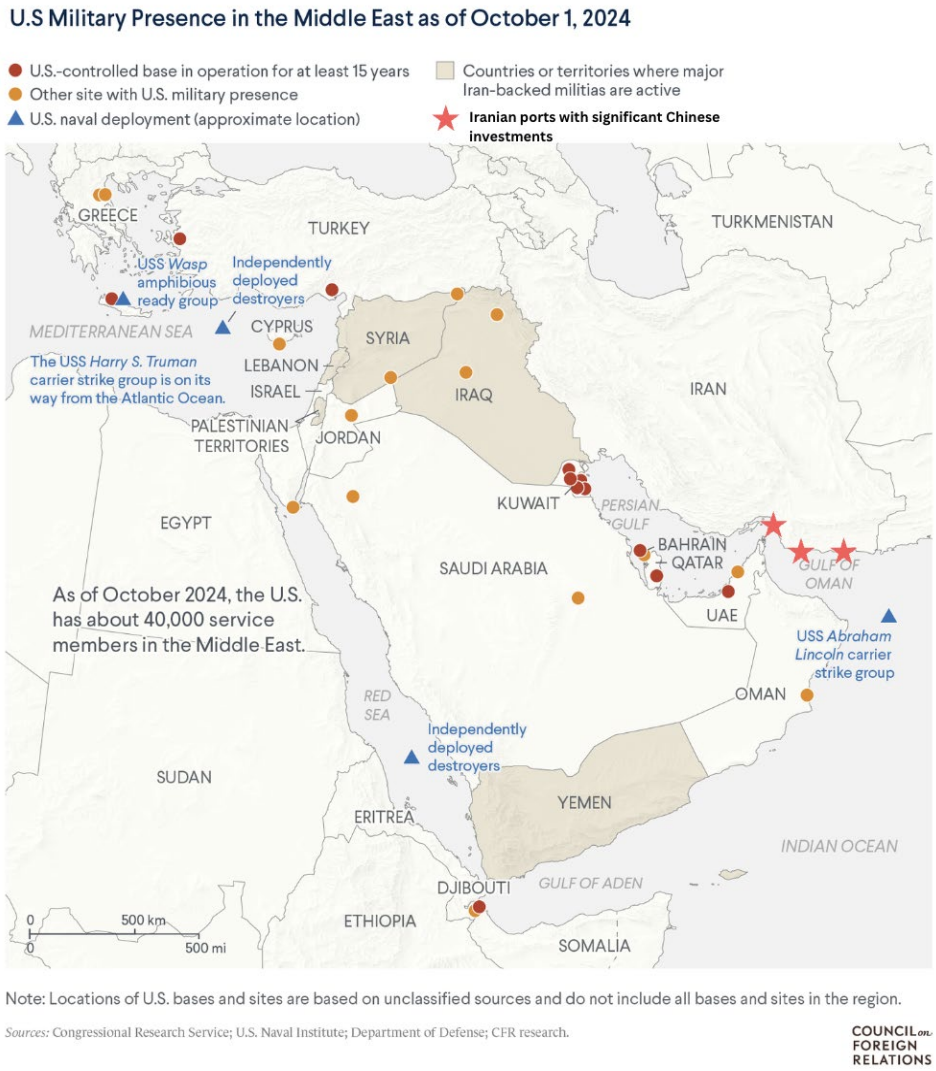
I elaborate on the implications of China's military exercises with Iran in Question 3.

[20] "Iran, China sign protocol for ICT cooperation," Islamic Republic News Agency, January 22, 2016, https://en.irna. ir/news/81931019/Iran-China-sign-protocol-for-ICTcooperation.
[21] Nariman Gharib (@NarimanGharib), "Exclusive: Just obtained a confidential document on the Islamic Republic's Ministry of Communications & Technology projects, revealing ongoing work & Chinese contractors' involvement.," Tweet, May 16, 2023, https://twitter.com/ NarimanGharib/status/1658435465760964611?s=20.
[22] https://jamestown.org/program/beidou-and-strategic-advancements-in-prc-space-navigation/
[23] Jason Warner, Lucas Winter, and Jemima Baar, "Instruments of Chinese Military Influence in Iran,"; Iran's Growing Dependency on China's BeiDou Satellite Navigation." SpaceWatch.Global, November 2016. https:// spacewatch.global/2016/11/irans-growing-dependencyon-chinas-beidou-satellite-navigation/ and Farzin Nadimi, "Iran and China Are Strengthening Their Military Ties." The Washington Institute for Near East Policy, November 22, 2016, https://www.washingtoninstitute. org/policy-analysis/iran-and-china-are-strengtheningtheir-military-ties.
[24] Vahid Ghorbani, Mostafa Pakdel, Mehrdad Alipour, "An Analysis of China's Military Diplomacy towards Iran," *Iranian Review of Foreign Affairs* 12, 1 (2021)
[25] Same LaGrone, "Chinese Ships in Iran for Joint Exercises." USNI News, September 22, 2014. https://news.usni. org/2014/09/22/chinese-ships-iran-joint-exercises.
[26] "Iran and China conduct naval drill in Gulf." Reuters, June 18, 2017, https://www.reuters.com/article/us-iran-chinamilitary-drill/iran-and-china-conduct-naval-drill-in-gulfidUSKBN1990EF.
[27] Lucas Winter, Jemima Baar, and Jason Warner, "The Axis Off-Kilter: Why an Iran-Russia-China 'Axis' is Shakier than Meets the Eye," *War on the Rocks*, April 19, 2024, https://warontherocks.com/2024/04/the-axis-off-kilter-why-an-iran-russia-china-axis-is-shakier-than-meets-the-eye/.

*Ports*

China has invested heavily in strategically located ports along the Strait of Hormuz, including Jask, Bandar Abbas—the Iranian Navy's main base—and Chabahar.[28] This development may align with scholar Isaac Kardon's assessment that, in the absence of overseas bases, the PLA relies on commercial access points to extend its operational reach beyond the first island chain.[29]

*Figure 3: China has invested in key ports along the Strait of Hormuz*[30]




Note: Locations of U.S. bases and sites are based on unclassified sources and do not include all bases and sites in the region.

*Sources:* Congressional Research Service; U.S. Naval Institute; Department of Defense; CFR research.

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[28] Farnaz Fassihi and Steven Lee Myers, "Defying U.S., China and Iran Near Trade and Military Partnership," New York Times, September 24, 2021, https://www.nytimes. com/2020/07/11/world/asia/china-iran-trade-militarydeal.html and "China's Private Sector Enters Iranian Port City Of Bandar Abbas," Iran International, March 25, 2023, https://www.iranintl.com/en/202303250552 /

[29] Isaac Kardon, "Pier Competitor: Testimony on China on China's Global Ports," *Naval War College Review*, Vol. 74, Issue 1, Winter 2021.

[30] Original source: Council on Foreign Relations, https://www.cfr.org/article/us-troops-middle-east-mapping-military-presence; additions (Iranian ports): my own.

In 2022, China opened a consulate in Bandar Abbas, a move hailed by Chinese Ambassador to Iran, Chang Hua, as a "landmark moment in China-Iran relations." He further emphasized Beijing's view of its ties with Tehran as "strategic."[31] Earlier, in September 2014, two People's Liberation Army Navy (PLAN) vessels—the destroyer *Changchun* and frigate *Changzhou*—conducted a five-day port visit to Bandar Abbas, during which PLAN officers met with Iran's Naval Coastal Defense Area Command and Southern Fleet commanders.[32] However, no open-source records indicate subsequent PLAN port visits to Bandar Abbas.

It remains unclear whether Iran would grant China basing rights if Beijing were to seek them. Precedent suggests reluctance—Russia's use of Iran's Hamedan air base in 2016 to launch airstrikes in Syria triggered domestic backlash, forcing Moscow to withdraw soon after.[33] This episode underscores Iran's sensitivity to foreign military presence on its soil.

*Arms Transfers*

Between 2010 and 2019, Iran accounted for 19% of China's arms exports to the Middle East, but only 1% of its global arms exports.[34] According to the Stockholm International Peace Research Institute's arms transfers database, China officially halted arms shipments to Iran after 2015, following the Joint Comprehensive Plan of Action (JCPOA). Before 2015, China supplied Iran with anti-ship missiles, armored personnel carriers, and portable surface-to-air missiles.[35] However, observers suspect that Chinese nationals have continued to conduct unofficial arms and dual-use technology transfers to Iran. In recent years, U.S. authorities have sanctioned and indicted several individuals for transferring arms from China to Iran.[36]

Notably, China and Russia opposed a U.S.-proposed Security Council resolution to extend the UN arms embargo on Iran.[37] Since the embargo was lifted in 2020, China may have resumed official arms sales to Iran, though open-source information provides little insight into such activity.

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[31] "China Finally Opens Consulate In Iran's Persian Gulf Port," Iran International, December 22, 2022, https://www.iranintl.com/en/202212224576.

[32] Joel Wuthnow, China-Iran Military Relations at a Crossroads, (Washington, DC: Jamestown Foundation, 2015), https://jamestown.org/program/china-iranmilitary-relations-at-a-crossroads/#.ViD-Kn6rTV0.

[33] Laura Rozen, "US says Russian use of Iran base unhelpful but won't derail Syria talks," Al Monitor, August 16, 2016, https://www.al-monitor.com/originals/2016/08/russiause-iran-air-base-strike-syria-negotiations.html and Rohollah Faghihi, "Putin, Rouhani hold 'intensive' talks in Moscow," Al Monitor, March 28, 2017, https://www. al-monitor.com/originals/2017/03/iran-rouhani-moscowvisit-putin-medvedev-zarif-syria.html.

[34] Hiddai Segev, China and Iran: Resurging Defense Cooperation? (Tel Aviv: The Institute for National Security Studies, 2021), https://www.inss.org.il/publication/chinairan/.

[35] SIPRI, Arms Transfers Database, https://www.sipri.org/databases/armstransfers.

[36] See, for example: Press Release: Extradited Chinese National Sentenced to Nine Years for Providing U.S. Goods to Iran in Support of its Nuclear Weapons Program." United States Department of Justice, January 27, 2016, https://www.justice.gov/ usao-ma/pr/extradited-chinese-national-sentenced-nineyears-providing-us-goods-iran-support-it.

[37] Kelsey Davenport and Julia Masterson, "Security Council Rejects Iran Arms Embargo Extension," Arms Control Association, August 17, 2020, https://www.armscontrol.org/blog/2020-08/p4-1-iran-nuclear-deal-alert.

*Technology Sharing*

Much of Beijing's military technology sharing with Tehran dates back to before 2012, yet Iran continues to incorporate these designs into its arms production. Several Iranian missile series draw on Chinese designs and technology, such as the short-range Oghab and Nazeat, and the long-range Shahab 3, which was successfully tested in 2016.[38] The Nasr anti-ship cruise missile is nearly identical to the Chinese C-704, and it has been reported that China helped Iran establish a manufacturing plant for the Nasr in 2010.[39]

As the world's top combat drone exporter, China sells UAVs across the Middle East and South Asia, including to Saudi Arabia, the UAE, Iraq, and Pakistan.[40] Yet no open-source evidence suggests similar levels of exports of finished drones to Iran. This is likely not due to Chinese reluctance but because Iran already possesses a robust domestic UAV industry—bolstered, in part, by China's role in advancing Iranian drone technology and supplying critical components. In March 2023, the United States sanctioned five Chinese firms—based in Hangzhou, Shenzhen, Guilin, and Hong Kong—for providing Iran with drone parts.[41] Although Iran manufactures the Shahed-136 domestically, it relies on the MD550 engine, produced by the Chinese firm Beijing MicroPilot Flight Control Systems.[42]

Furthermore, China's main arms manufacturers all have a presence in Tehran, suggesting ongoing arms and military technology transfer between China and Iran. The Aviation Industry Corporation of China and China Electronics Technology Group Corporation have offices in Tehran and have been involved in infrastructure projects in Iran.[43] China South Industries Group Corporation has a

[38] "Iran Missile Milestones: 1984-2023," Iran Watch, March 29, 2023, https://www.iranwatch.org/our-publications/weapon-program-background-report/iran-missilemilestones-1985-2021; Scott W. Harold and Alireza Nader, China and Iran: Economic, Political, and Military Relations, (Santa Monica, CA: RAND Corporation, 2012), https://www.rand.org/pubs/occasional_papers/OP351.html, p.7.

[39] Scott W. Harold and Alireza Nader, China and Iran: Economic, Political, and Military Relations, (Santa Monica, CA: RAND Corporation, 2012), https://www.rand.org/pubs/occasional_papers/OP351.html, p.7.

[40] Zaheena Rasheed, "How China Became the World's Leading Exporter of Combat Drones." Al Jazeera, January 24, 2023, https://www.aljazeera.com/news/2023/1/24/how-china-became-the-worlds-leading-exporter-ofcombat-drones.

[41] 华盛顿制裁伊朗无人机零部件的中国供应商本文来源全 球无人机网, 81.com, March 10, 2023, https://www.81uav. cn/uav-news/202303/10/74941.html; Lucas Winter, Jemima Baar, and Jason Warner, "The Axis Off-Kilter:Why an Iran-China-Russia Axis is Shakier than Meets the Eye."

[42] David Albright, Sarah Burkhard, and Spencer Faragasso, "Iranian Drones in Ukraine Contain Western Brand Components," Institute for Science and International Security, October 31, 2021, https://isis-online.org/uploads/isis-reports/documents/Iranian_Drones_Contain_Western_Brand_Components_October31_FINAL.pdf, p.3

[43] "伊朗中资企业联谊会第六届理事会," Ministry of Commerce of the People's Republic of China, September 13, 2017, http://ir.mofcom.gov.cn/article/ zxhz/201709/20170902642804.shtml and "Company Profile," AVIC International, Accessed July 26, 2023, https://www.cccme.cn/shop/cccme0883/introduction. aspx. and "About," CETC, http:// www.cetc.com.cn/zgdk/1592571/1592492/1627790/ index.html; "China's AVIC to build 1.6GW power plant in Iran," Tehran Times, April 28, 2015, https://www.tehrantimes.com/ news/246392/China-s-AVIC-to-build-1-6GW-power-plantin-Iran and "Chinese Corp. to Help Transform Tehran Into Smart City," Financial Tribune, April 3, 2018, https:// financialtribune.com/articles/economy-sci-tech/83959/ chinese-corp-to-help-transform-tehran-into-smart-city.

manufacturing facility in Tehran.[44] China North Industries Group Corporation (NORINCO) was sanctioned by the United States in the 2000s for transferring proliferation technology to Iran and it remains on many U.S. states' scrutinized lists over its dealings with Iran. In 2017, NORINCO built a petrochemical plant in Iran worth $1.5 billion, and, in 2018, it set up a subsidiary in Iran for "new energy projects."[45]

*Trade in Strategic Commodities*

China has been Iran's largest trading partner from 2012 to 2022, helping Tehran withstand U.S. sanctions. Iran exports oil and petroleum to China at a steeply discounted price, which may have generated as much as $70 billion in 2023.[46] In return, Iran imports machinery, electronics, and appliances from China.[47]

China Nonferrous Metal Industry's Foreign Engineering and Construction Co. (NFC), a state-owned enterprise, has been actively involved in the development of Iran's aluminum mining industry. Documents related to NFC's creation of an aluminum refinery in Iran, along with comments from an Iranian official, suggest that the Islamic Revolutionary Guard Corps has used the China-owned refinery to produce aluminum powder in support of its missile program.[48] In 2019, Chinese firms were sanctioned by the United States for supplying Iran's Centrifuge Technology Company with aluminum products used in the manufacture of centrifuges.[49]

[44] "China South Industries Group Corp," Epicos, Last updated, July 1, 2016, https://www.epicos.com/company/13419/china-south-industries-group-corp.
[45] "China North Industries Corporation (NORINCO)," Iran Watch, Last updated, December 16, 2004, https://www.iranwatch.org/suppliers/china-north-industries-corporation-norinco; "Norinco," United Against Nuclear Iran, Accessed July 26, 2023, https://www.unitedagainstnucleariran.com/ company/norinco; Dou Shicong, "Norinco International to Build USD1.5 Billion Chemical Plant in Iran," Yi Cai Global, November 28, 2017, https://www.yicaiglobal.com/news/norincointernational-to-build-usd15-billion-chemical-plant-iniran; Tang Shihua, "China's Norinco International to Establish New Energy Development Firm in Iran," Yi Cai Global, February 1, 2018, https://www.yicaiglobal.com/news/ china-norinco-international-to-establish-new-energydevelopment-firm-in-iran.
[46] "Inside the secret oil trade that funds Iran's wars," *The Economist,* October 17, 2024, https://www.economist.com/finance-and-economics/2024/10/17/inside-the-secret-oil-trade-that-funds-irans-wars
[47] Emil Avdaliani, "China's 2023 Trade and Investment with Iran: Development Trends," Silk Road Briefing, February 12, 2023, https://www.silkroadbriefing.com/news/2023/02/08/chinas-2023-trade-and-investmentwith-iran-development-trends/.
[48] Will Green and Taylore Roth, China-Iran Relations: A Limited but Enduring Strategic Partnership, (Washington, DC: U.S.-China Economic and Security Review Commission, 2021), https://www.uscc.gov/sites/default/files/2021-06/China-Iran_Relations.pdf, p.14-15.
[49] "Press Release: Treasury Sanctions Global Iranian Nuclear Enrichment Network," US Department of Treasury, July 18, 2019, https://home.treasury.gov/news/press-releases/sm736.

3. Are Russia, China, Iran and North Korea taking steps towards interoperability or greater military coordination with their joint exercises? What would be the implications for U.S. interests were these powers to deepen their levels of coordination?

Despite strong bilateral ties between China, Russia, and Iran, there is little evidence of meaningful progress toward trilateral interoperability at present.

Trilateral naval exercises—the only publicly known instance of military coordination among China, Russia, and Iran—remain relatively limited. Unlike the more advanced bilateral drills between Russia and China over the past five years,[50] trilateral exercises featuring Iran have involved fairly standard tactical-level maritime exercise activities and have hardly changed in this focus over the years. The 2024 edition, called "Security Bond–2024" (or alternatively "Maritime Security Belt 2024") was focused primarily on "firing at sea and armed rescue of hijacked merchant vessels." Previous iterations of the exercises were similarly focused on simulated hijacked vessel rescue operations and nighttime target shooting. The types of Russian and Chinese vessels involved in these exercises have changed little over the years.[51]

Beyond multilateral exercises, however, coordination among these states could deepen in other critical areas. China, Russia, and Iran's expanding collaboration in space and cyber domains warrants close attention as a potential avenue for strengthened trilateral cooperation.[52] In 2021, Iran gained full military access to China's BeiDou satellite navigation system. The following year, during President Vladimir Putin's high-profile visit to Beijing for the Winter Olympics, China and Russia signed an agreement to integrate BeiDou with Russia's GLONASS system.[53] Later in 2022, the two countries reinforced this commitment by convening the ninth meeting of the China-Russia Satellite Navigation Major Strategic Cooperation Project Committee, where they signed additional agreements on the joint construction, operation, and maintenance of BeiDou and GLONASS ground stations to "achieve mutual compatibility and data sharing between the two systems."[54]

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[50] Dmitry Gorenburg, Elizabeth Wishnick, Paul Schwartz, and Brian Waidelich, "How Advanced Is Russian-Chinese Military Cooperation?," *War on the Rocks*, June 26, 2023, https://warontherocks.com/2023/06/29000/; Brian G. Garrison, "The Growing Significance of China-Russia Defense Cooperation," Strategic Studies Insitute, U.S. Army War College, September 18, 2024, https://ssi.armywarcollege.edu/SSI-Media/Recent-Publications/Display/Article/3908561/the-growing-significance-of-china-russia-defense-cooperation/.

[51] Lucas Winter, Jemima Baar, Jason Warner, "The Axis Off-Kilter: Why an Iran-Russia-China Axis is Shakier than Meets the Eye"

[52] Minnie Chan, "North Korea using Russian satellite navigation system instead of China's BeiDou." South China Morning Post, January 18, 2022, https://www.scmp.com/ news/china/military/article/3163727/north-korea-usingrussian-satellite-navigation-system-instead.

[53] Jemima Baar, "BeiDou And Strategic Advancements in PRC Space Navigation," Jamestown Foundation China Brief Vol. 24 Issue 5, March 1, 2024,https://jamestown.org/program/beidou-and-strategic-advancements-in-prc-space-navigation/.

[54] He Qisong and Ye Nishan, "Analysis of Space Cooperation Between China and Russia," 中国与俄罗斯太空合作分析, *Russian Studies,* August 2, 2021, via CSIS https://interpret.csis.org/translations/analysis-of-space-cooperation-between-china-and-russia/

Increased interoperability between positioning, navigation, and timing (PNT) systems would enable the three states to provide more effective support to each other in the event of hostilities. This could range from supplying arms and critical military hardware that is interoperable to offering real-time intelligence, secure communications, and battlefield awareness. Ultimately, deeper integration between these systems could strengthen collective military capabilities, making coordinated action in different theaters and across multiple domains more feasible and therefore complicating the United States' strategic calculations.

4. How does China's leadership plan to balance its relationship with Iran and other Gulf countries?

China carefully balances its relationships across the Middle East to secure a stable oil supply while avoiding overdependence on any single country. To this end, Beijing tries to limit crude oil imports from any one supplier to no more than 20% of its total intake.[55] In 2023, China imported 1.1 million barrels per day (bpd) from Iran, making it China's fourth-largest supplier after Russia (2.15 million bpd), Saudi Arabia (1.73 million bpd), and Iraq (1.19 million bpd).[56] While Beijing's ties with Tehran are significant, they are far from exclusive: China's economic engagement with Gulf states is far deeper. In 2022, China's trade with the United Arab Emirates and Saudi Arabia reached $99 billion and $87 billion, respectively, compared to just $16 billion with Iran.[57] Given these dynamics, Beijing has little incentive to prioritize relations with Tehran at the expense of its Gulf partners.

For the same reasons, China carefully calibrates its level of strategic engagement with each of its partners in the Middle East. In 2016, China upgraded its ties with Saudi Arabia to a Comprehensive Strategic Partnership—the second-highest tier in Beijing's diplomatic hierarchy—just three days before doing the same with Iran.[58] China later extended this status to the United Arab Emirates in 2018.[59]

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[55] Yun Sun, "Forecasting China's strategy in the Middle East over the next four years," Brookings, December 19, 2024, https://www.brookings.edu/articles/forecasting-chinas-strategy-in-the-middle-east-over-the-next-four-years/#:~:text=Continued%20dependence%20on%20Middle%20Eastern%20oil&text=In%202022%2C%20about%2053%25%20of,compared%20to%20the%20previous%20year.

[56] Ibid.

[57] Christopher S. Chivvis and Jack Keating, "Cooperation Between China, Iran, North Korea, and Russia: Current and Potential Future Threats to America," Carnegie, October 8, 2024, https://carnegieendowment.org/research/2024/10/cooperation-between-china-iran-north-korea-and-russia-current-and-potential-future-threats-to-america?lang=en&center=russia-eurasia.

[58] Saee Vaidya, Analysing China-Suadi Comprehensive Strategic Partnership, ORCA, February 28, 2023, https://orcasia.org/article/156/analysing-china-saudi-comprehensive-strategic-partnership; "Quick guide to China's diplomatic levels," *South China Morning Post*, January 20, 2016, https://www.scmp.com/news/china/diplomacy-defence/article/1903455/quick-guide-chinas-diplomatic-levels; "Statement on 'Document of Comprehensive Cooperation between Iran and China," Iranian Ministry of Foreign Affairs, March 27, 2023, https://en.mfa.gov.ir/portal/newsview/632866.

[59] "Ambassador Zhang Jianwei Gives an Exclusive Interview with Kuwait TV Program "10-minute Talk on Diplomacy"," Embassy of the People's Republic of China in the State of Kuwait, December 12, 2023, http://kw.china-embassy.gov.cn/eng/xwdt/202312/t20231227_11213542.htm; "Bilateral Relationship," UAE Embassy in Beijing, https://www.mofa.gov.ae/en/Missions/Beijing/UAE-Relationships/Bilateral-Relationship.

5. Describe areas of divergence in the China-Iran relationship. Are there any significant points of friction in the China-Iran relationship that could derail it?

China's ties with the Gulf states remain a significant constraint on deepening its relationship with Iran, as these partnerships are too economically valuable to jeopardize. In a notable example of Beijing's balancing act, China sided with the United Arab Emirates in a dispute over three Gulf islands claimed by Iran, prompting Iranian international relations scholar Hassan Beheshtipour to question whether Iran's ties with China are truly "strategic."[60]

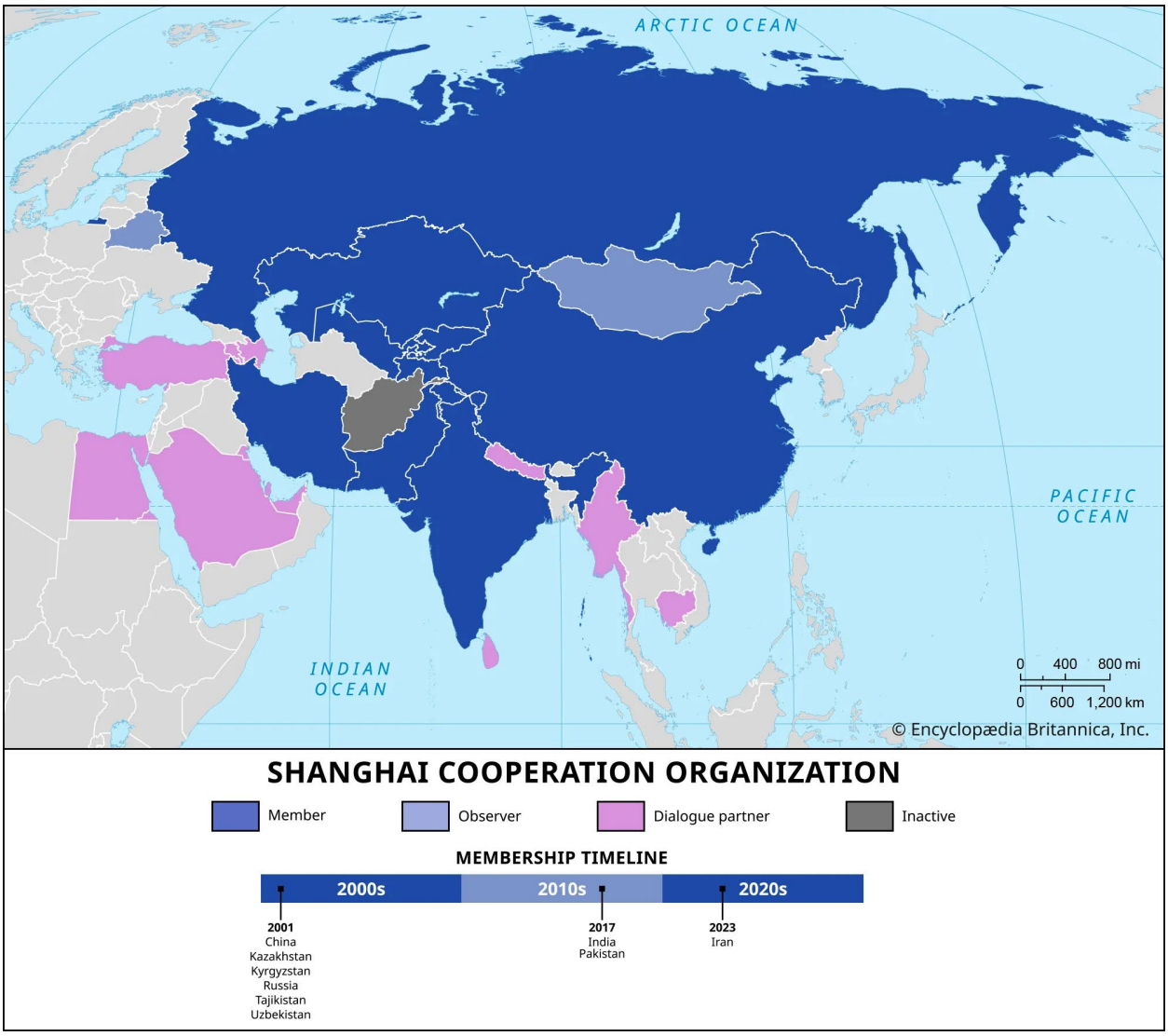
China has been consistently cautious about openly defying U.S. sanctions on Iran, limiting overt state activity in the country. Most major Chinese state-owned oil refiners have ceased transactions with Iran due to sanctions risks.[61] Instead, approximately 90% of Chinese crude imports from Iran come from small, independent "teapot" refineries, which purchase oil through a shadow fleet of tankers that rebrand it as originating from Malaysia or elsewhere in the Middle East.[62] Yet, China remains wary. As Yang Xiaotong, an analyst at a Beijing-based think tank observes, "Chinese refineries will only assume the risk of buying Iranian oil if the price is low enough."[63]

Meanwhile, Iran seeks a far closer partnership with China. Following trilateral naval exercises in 2023, Iranian analysts enthusiastically proclaimed that "a new anti-NATO coalition is slowly forming," even speculating that North Korea could join to create a powerful military alliance.[64] Although it is the newest member of the Shanghai Cooperation Organization, Tehran has aggressively pushed for a reorientation of the bloc toward greater military cooperation. Shortly after Iran's accession, Defense Minister Brigadier General Mohammad-Reza Ashtiani asserted that SCO member states share "the responsibility for designing a new world order."[65] He proposed the creation of a "Shanghai Maritime Security Belt," a military initiative to safeguard trade among SCO members.[66] Though this proposal has not gained traction, had it been embraced, it would have marked a fundamental shift in the SCO's mission—from countering what China defines as

[60] Umud Shokri, "Obstacles and opportunities for closer Iranian-Chinese economic cooperation," Middle East Institute, June 23, 2023, https://mei.edu/publications/obstacles-and-opportunities-closer-iranian-chinese-economic-cooperation.
[61] Kimberly Donovan and Maia Nikoladze, "The axis of evasion: Behind China's oil trade with Iran and Russia," Atlantic Council, March 28, 2024, https://www.atlanticcouncil.org/blogs/new-atlanticist/the-axis-of-evasion-behind-chinas-oil-trade-with-iran-and-russia/
[62] Chen Aizhu and Muyu Xu, "Exclusive: Iran's oil trade with China stalls as Tehran demands higher prices," Reuters, January 7, 2025, https://www.reuters.com/business/energy/irans-oil-trade-with-china-stalls-tehran-demands-higher-prices-2024-01-05/.
[63] Yang Xiaotong, "China's influence over Iran limited by teapot refineries," Asia Times, August 27, 2024, https://asiatimes.com/2024/08/chinas-influence-over-iran-limited-by-teapot-refineries/.
[64] "A powerful military alliance of Iran, Russia, and China is being formed," *Tehran Times*, December 4, 2023, https://media.mehrnews.com/d/2023/12/03/0/4760662.pdf?ts=1701625160885.
[65] "Iran Calls for Shanghai Cooperation Organization's More Balanced Defence Policies," Islamic Republic News Agency, April 28, 2023, https://en.irna.ir/news/85095207/Iran-calls-for-Shanghai-group-s-more-balanced-defense-policies
[66] Lucas Winter, "Iran's Proposed Maritime Security Alliance Draws Mixed Reviews," Foreign Military Studies Office, August 27, 2023, https://fmso.tradoc.army.mil/2023/irans-proposed-maritime-security-alliance-draws-mixed-reviews/

the "Three Evils" (terrorism, separatism, and extremism) to directly countering external state threats.[67] Tellingly, neither China nor Russia has publicly responded to Iran's proposal.

*Figure 4: Members and Dialogue Partners of the Shanghai Cooperation Organization*[68]




Despite these divergences, there is no indication that China-Iran relations are fraying. The debate is not over whether a partnership should exist but rather over how closely aligned it should be. While Tehran seeks closer and more militarized coordination (even to the extent of a formal alliance), Beijing holds sufficient leverage to temper these ambitions while maintaining the relationship at a level that serves its strategic interests.

[67] Charter of the Shanghai Cooperation Organization, https://www.iri.edu.ar/publicaciones_iri/manual/Doc.%20Manual/Listos%20para%20subir/ASIA/SHANGAI-ORG/charter_shanghai_cooperation_organization.pdf

[68] Encyclopedia Britannica, https://www.britannica.com/topic/Shanghai-Cooperation-Organization.

6. To what extent could China's relationships with Russia, Iran, and North Korea evolve into formalized alliances? Are there scenarios where any or all of these countries would consider providing military, economic, or political support to China in a military conflict?

The most critical factor in determining whether China's relationships with Russia, Iran, and North Korea evolve into formalized alliances is China itself.

Over the past year, Russia and North Korea have committed to provide "military and other assistance" if either party faces armed invasion. Russia has signed a "comprehensive partnership treaty" with Iran, though without a mutual defense clause. Meanwhile, Iran is eager to foster a more formalized alliance with China, Russia, and North Korea.

Meanwhile, successive Chinese leaders, including President Xi Jinping, have continued to emphasize China's commitment to the non-alliance principle.[69] In an address to the Chinese Communist Party's Central Conference on Foreign Affairs in 2014, Xi Jinping called on China to "develop a distinctive diplomatic approach befitting its role as a great power" by "making more friends while abiding by the principle of non-alignment and building a global network of partnerships."[70] Though the announcement of China and Russia's "no limits" friendship just days before Russia's full-scale invasion of Ukraine in February 2022 shone a spotlight on the deepening relationship between the two states, officials on both sides vociferously reject any portrayal of the relationship as a formal alliance.[71] The joint statement issued after Xi Jinping and Vladimir Putin met in March 2023 specified that the Sino-Russian relationship differed from Cold War-era military and political alliances and adhered to Deng-era principles of "non-alignment, non-confrontation, and non-targeting of third countries."[72]

China's reluctance to form military alliances may stem from several factors. First, its historical experiences during the Cold War left lasting scars. Alliances with the Soviet Union and North Korea proved costly and fraught with strategic divergences, reinforcing China's wariness of entangling commitments. The Sino-Soviet split, in particular, demonstrated the perils of aligning too closely with another great power, while China's intervention in the Korean War underscored the dangers of being drawn into conflicts driven by allies' interests rather than its own.[73]

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[69] "Full Text of Jiang Zemin's Report at 14th Party Congress," 29 March, 1992; *China's Peaceful Development* (Beijing: Information Office of the State Council of the People's Republic of China, September 2011).

[70] Ministry of Foreign Affairs of China, 'The Central Conference on Work Relating to Foreign Affairs Was Held in Beijing', 29 November, 2014.

[71] "Joint Statement of the Russian Federation and the People's Republic of China on the Internati#onal Relations Entering a New Era and the Global Sustainable Development," *Kremlin*, February 4, 2022.

[72] Ministry of Foreign Affairs, "中华人民共和国和俄罗斯联邦关于深化新时代全面战略协作伙伴关系的联合声明," (Joint Statement between the People's Republic of China and the Russian Federation on Deepening the Comprehensive Strategic Partnership of Coordination for a New Era), March 22, 2023.

[73] Jemima Baar, "Cold War Confrontations: US Intelligence Insights and Policy Responses to the Sino-Soviet Split and the Second Taiwan Strait Crisis (1956-1961)," https://intelligencestudies.utexas.edu/inman-award/; Zhihua Shen, "Sino-Soviet Relations and the Origins of the Korean War: Stalin's Strategic Goals in the Far East" *Journal of Cold War Studies* 2:2 (2000).

Second, the Communist Party's Marxist-Leninist governance model prioritizes centralized decision-making and absolute control over both domestic and foreign affairs.[74] Formal alliances, especially those requiring mutual defense commitments, inherently involve some degree of strategic coordination and obligation. This contradicts Beijing's preference for flexibility in its foreign policy, where it seeks to maximize autonomy while minimizing external constraints on its decision-making.

Third, each of China's potential allies—North Korea, Russia, and Iran—are aggressive actors with ongoing hostilities against other states. North Korea's persistent threats against South Korea, Russia's war in Ukraine, and Iran's hostilities toward Israel all raise the specter of entrapment.[75] A formal military alliance with any of them could obligate China to intervene in conflicts that do not align with its strategic priorities or national interests.

However, the lack of a formal alliance structure does not diminish the operational and strategic depth of these partnerships. China, Russia, Iran, and North Korea's shared grievances against the U.S.-led world order have already proven capable of shaping global conflicts in meaningful ways. The states have demonstrated a pattern of mutual support that extends beyond rhetorical alignment. They have collectively shaped global narratives, coordinated messaging to challenge Western-led institutions, and worked together in international organizations (for instance, China and Russia using their UN Security Council veto to block an extension of the arms embargo on Iran in 2020). Russia, Iran, and North Korea and (in secondary terms) China comprise what could be termed the "axis of the sanctioned" and have already provided each other with significant economic relief, circumventing Western-led sanctions through alternative trade mechanisms, currency swap agreements, and illicit networks. This economic backing has not only allowed regimes like Russia and Iran to sustain themselves under heavy sanctions but has also strengthened their ability to support military operations abroad. Given these precedents, it is plausible that such economic assistance would persist, insulating China from the full impact of any economic measures imposed in the event of a conflict.

Moreover, as Russia's case demonstrates, the absence of a mutual defense clause does not preclude substantial military aid. This sets a clear precedent: if China were to engage in a military conflict, Russia, Iran, and North Korea could provide lethal assistance if needed. Moreover, the states might even coordinate operations to exert pressure on multiple fronts simultaneously, though such a scenario remains speculative and contingent on leadership decisions at the time.

[74] Kevin Rudd, "The World According to Xi Jinping," Foreign Affairs, November/December 2022, https://www.foreignaffairs.com/china/world-according-xi-jinping-china-ideologue-kevin-rudd

[75] The concept of entrapment was developed by Glen Snyder in *Alliance Politics* (Ithaca: Cornell University Press, 1997).

7. The Commission is mandated to make policy recommendations to Congress based on its hearings and other research. What recommendations for legislative action would you make based on the topic of your testimony?

1. **Define a Clear, Forward-Looking Vision**

   China, Russia, Iran, and North Korea are explicit, consistent, and proactive about their goals. As the defenders of the status quo, the United States and its allies, by contrast, risk being merely reactive. This must change. Washington needs a compelling, proactive vision—a blueprint for what the United States and its allies stand for, what they seek to achieve, and why it matters.

   This means articulating not just what Washington opposes, but what it offers—a model of stability, prosperity, and sovereignty that resonates globally. Rather than relying on ad hoc responses, Washington must build a coherent framework that integrates economic statecraft, technological leadership, military deterrence, and diplomatic engagement into a unified strategy. As in the Cold War, such a vision should be directed to unite domestic and allied publics and form the guiding principles to prevail in a prolonged strategic competition.

2. **Expose and Define the Threat**

   The United States is unlikely to offer incentives or threats strong enough to break the bonds between China, Russia, and Iran. But there is a broader global audience to persuade. The expanding network of dialogue partners within the Shanghai Cooperation Organization risks legitimizing Beijing's efforts and directly undermining Washington's influence. To counter this, the United States must coordinate a concerted messaging campaign to expose Beijing's violations of international norms and its complicity in global instability. China's deepening ties with Russia and Iran should be framed as a threat to all, not a tantalizing alternative.

3. **Target China's Illicit Trade Networks**

   Given its deep trade ties with the United States, China remains wary of provoking American sanctions. This leverage should be exploited more assertively. Sanctions enforcement must be stricter, with harsher penalties on Chinese state-owned enterprises complicit in sanctions evasion, arms trafficking, and illicit finance. A more aggressive approach could curb China's engagement with Iran.

4. **Share the Burden—Strengthen Alliances**

   The scale of this challenge demands a coordinated, multilateral response. Washington must delegate responsibilities strategically; meanwhile, U.S. allies should take on greater responsibility in their respective regions. By distributing the burden, the United States can maintain focus on overarching strategic priorities without stretching its resources too thin, preserving its ability to counter China's global influence effectively.

5. **Prepare for the Worst—Without Losing Sight of Priorities**

   The United States must stay resolute in its Pivot to Asia, recognizing that Beijing benefits from a distracted Washington. However, a hasty or complete disengagement from the Middle East or Europe would be equally perilous. Stability in these regions underpins the broader strategic environment, ensuring the free flow of energy, securing vital trade routes, and preventing adversaries from filling a power vacuum. By maintaining a balanced global posture—prioritizing Asia while sustaining credible deterrence and partnerships in other key theaters—the United States preserves its strategic flexibility, preventing China from exploiting disorder elsewhere to its advantage.

Ultimately, Washington must set the terms of the competition rather than allowing revisionist powers to dictate them. A clear, forward-looking agenda will not only strengthen the United States' alliances but also expose the contradictions in the alternative vision offered by China, Russia, Iran, and North Korea—one rooted in coercion, instability, and suppression of sovereignty. Just as George Kennan's Long Telegram provided the intellectual foundation for Cold War strategy, Washington must now craft a 21st-century doctrine that unites allies and persuades the undecided, ensuring that the balance of power tilts toward a free and open international order.

**OPENING STATEMENT OF JAKE RINALDI, DEFENSE ANALYST, U.S. ARMY WAR COLLEGE**

DR. RINALDI: Co-Chairs, distinguished Commissioners and staff, thank you for the invitation to appear before you today. It is a great honor to testify before this body on a matter of vital importance to U.S. national security.

The Commission on the National Defense Strategy has described our current strategic environment as one defined by a growing axis of malign partnerships, an alignment of authoritarian states, designed to challenge U.S. leadership globally.

Nowhere is this challenge more pronounced than in the Indo-Pacific, home to the world's most dynamic economies and a linchpin of global trade and technological innovation. The United States has a lasting interest in maintaining a favorable regional balance of power in order to preserve our ability to engage with and access the world's most consequential markets on fair terms, while preventing hostile actors from consolidating power in ways that would undermine our security, prosperity, and way of life.

Sophisticated war games, however, consistently indicate that current and planned U.S. forces struggle to defeat Chinese aggression, particularly in a Taiwan contingency. This raises an urgent question in the context of our discussion today. How could China's growing alignment with adversarial states exacerbate this challenge, and what should be done about it?

The PRC's engagement with U.S. adversaries is rooted in its strategic assessment that the United States is in decline and that accelerating this trajectory will hasten China's ascent as the dominant power in Asia. At the same time, Beijing perceives Washington's response to this decline as a strategy of containment with the potential for conflict. Its partnerships with North Korea, Iran, and Russia, while catering to different strategic aims, ultimately serve a broader effort to counterbalance U.S. influence and reshape global power dynamics.

Our focus today is the evolving nexus of defense cooperation among authoritarian states and its far-reaching implications for global security, ongoing conflicts, and future military contingencies. Chinese weapon systems continue to serve as the backbone of Iran and North Korea's conventional arsenals, whether they are in their original form or as domestically reproduced variants, in most cases.

Over time, Beijing's support has evolved from direct arms transfers to more discreet yet equally consequential means -- facilitating cyber operations, enabling black market access to hard currency, and components for weapons of mass destruction, and providing dual-use goods that enhance the survivability and lethality of their conventional and nuclear arsenals. This strategic shift allows China to sustain these regimes while minimizing the diplomatic and economic consequences from the United States.

The ongoing war in Ukraine provides a real-time case study of how authoritarian cooperation functions in practice. North Korea has become a critical enabler of Russia's military campaign, supplying millions of artillery arounds, tactical ballistic missiles, and personnel. Meanwhile, China has provided Russia with dual-use technology, semiconductors, drone components, and rocket propellant, that has kept Russia's military industrial base functional despite Western sanctions.

Ukraine serves as a proving ground for this cooperation, demonstrating both its strengths, in terms of expanded magazine depth, the co-production of weapon systems, diplomatic and economic coordination, as well as its limitations -- technical imbalances, a lack of interoperability -- as well as China's reticence, given its integration in the global economy.

These same dynamics hold direct relevance for potential conflicts in the Indo-Pacific. U.S. defense planners and appropriators must account for potential forms of authoritarian state cooperation in future conflict scenarios. In a Taiwan contingency, China is unlikely to request direct North Korean military support at the outset, but Pyongyang would likely interpret U.S. force buildup in the area as a broader threat, prompting provocations, heightened military readiness, and in response, the United States would need to divert strategic assets in order to reinforce deterrence on the Korean Peninsula, straining our logistics, force allocation, as well as alliance dynamics with the ROK.

Similarly, China would almost certainly intervene in a renewed conflict on the Korean Peninsula. If North Korean forces maintained control of captured territory, China support would likely remain limited to economic and diplomatic backing, with potential non-kinetic assistance such as intelligence sharing and cyber coordination. If North Korean forces collapsed across the front, however, Beijing might intervene directly in order to support its own interests, though it would face clear challenges to working with the Korean People's Army, given technological disparities in the respective militaries and prevailing generational distrust on both sides.

However, should Chinese coordination with these states deepen in the coming decade, through arms sales, technology transfers, or exercises, the consequences for global security would become increasingly unpredictable, threatening key U.S. interests across multiple regions.

In conclusion, China's partnerships with North Korea, Iran, and Russia are evolving, but still responsive to geopolitical events. I believe the United States still has significant influence over their overall trajectory. That is, if Chinese leaders conclude that U.S.-China competition is headed towards inevitable confrontation, Beijing may reassess its constraints and pursue deeper, more overt military cooperation with these partners, accelerating weapons proliferation, improving interoperability, and emboldening adversaries across multiple regions. However, both a significant improvement in U.S.-China relations or a decisive resurgence of U.S. balance of power in the region could create opportunities to shape Beijing's approach.

Therefore, I recommend:

One, Congress and this Commission hold regular hearings and expand funding for research on China's defense ties with these states, as they are a useful metric for how China sees U.S.-China relations.

Two, ensure defense appropriations fully account for the strategic demands of deterring and prevailing in conflict, given evolving cooperation and the risks from simultaneity.

And three, pursue diplomatic engagement that mitigates escalation risks and preserves options for a more stable, long-term U.S.-China relationship.

Thank you for your attention. I look forward to your questions.

COMMISSIONER STIVERS: Thank you. Dr. Chestnut Greitens is on the monitor there.

**PREPARED STATEMENT OF JAKE RINALDI, DEFENSE ANALYST, U.S. ARMY WAR COLLEGE**

**Testimony before the U.S.-China Economic and Security Review Commission Hearing on China's Role in the Axis of Autocracy**

February 20, 2025

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## Introduction

The People's Republic of China's (PRC) engagement with U.S. adversaries is rooted in its strategic assessment that the United States is in decline and that accelerating this trajectory will hasten China's ascent as the dominant power in Asia.[1] At the same time, Beijing perceives Washington's response to this decline as a strategy of containment with the potential for conflict. Its partnerships with North Korea, Iran, and Russia serve distinct strategic purposes. North Korea provides a critical buffer on China's periphery, Iran offers access to energy resources and regional influence, and Russia supplies advanced military technology and energy while diverting U.S. strategic focus from the Indo-Pacific. Although these relationships cater to different strategic needs, Beijing leverages them to undermine U.S. influence and interests as part of a broader effort to reshape global power dynamics. In other words, China's alignment with these state actors, from its perspective, emerges naturally from the structural tensions shaping U.S.-China relations. In turn, a significant improvement in U.S.-China relations or a decisive reassertion of U.S. global leadership could create opportunities to shape Beijing's approach to these partnerships, whereas isolated engagement on these issues is unlikely to drive meaningful change.[2]

The long-term implications of China's current approach are profound. The military capabilities and defense technologies China transfers today will shape regional security environments for years to come, often in ways that are difficult to anticipate. Previous Chinese arms sales to Iran have already surfaced in the arsenals of its regional proxies, contributing to instability across the Middle East.[3] The same dynamic could unfold with China's military-industrial cooperation with Russia and North Korea, as weapons, technology, and expertise circulate across multiple conflict zones. The interconnected nature of these relationships demands a policy response that moves beyond addressing each engagement in isolation and instead recognizes the strategic logic driving China's actions. Without a clear understanding of this dynamic and a comprehensive approach to counter it, the United States risks allowing these alignments to deepen, compounding future security threats around the globe.

This testimony examines China's support to North Korea, Russia, and, to a lesser extent, Iran. It begins with an analysis of arms trade dynamics, followed by an assessment of cooperation in

cyberspace. It then assesses Chinese and North Korean support for Russia's invasion of Ukraine before considering the implications of these partnerships for potential conflicts in the Taiwan Strait and the Korean Peninsula.

**Chinese Military Assistance**

The strategic logic behind China's military cooperation with North Korea has remained consistent since the Korean War: to sustain a capable buffer state just 400 miles from Beijing.[4] In the decades following the war, China provided extensive free military assistance to North Korea and other communist states, supplying artillery, armored vehicles, small arms, and fighter aircraft to bolster Pyongyang's defense.[5] This approach shifted in the 1980s as China's economic reforms reoriented its defense industry toward profitability, leading to a transition from free aid to arms sales. Despite this shift, China continued to supply North Korea with key systems, including Romeo-class submarines, F-6 fighters, HY-2 ("Silkworm") anti-ship missiles, HN5A man-portable surface-to-air missiles, and multiple launch rocket systems.[6] The relevance of these historical sales endures, as many of these aging systems remain in active use within the Korean People's Army (KPA) today.[7]

Unable to afford modernization of its conventional forces following the collapse of the Soviet Union, North Korea has retained and operated these outdated systems, which have become a source of strategic vulnerability.[8] As a result, Pyongyang turned to the development of nuclear and ballistic missile capabilities to offset its conventional imbalance. This shift in strategy has been in part facilitated by China. During the 1990s, China provided professional training and technological exchanges to North Korean engineers involved in the Rodong missile program and assistance from the Chinese Academy of Launch Technology in developing the Kwangmyong satellite series.[9] Notably, satellite cooperation has continued in recent years. In 2014, a delegation of North Korean engineers received training at the National Remote Sensing Center of China, run by the PRC Ministry of Science and Technology.[10] The center develops new capabilities in geographic navigation and positioning. In the summer of 2018, North Korean trainees were also invited to a satellite operations course in Beijing.[11]

China has more recently sought ways to avoid the international reputational risks associated with arms sales to North Korea, further altering the character of bilateral dynamics between them. First, Chinese assistance increasingly involves the provision of dual-use technology. For example, in October 2010, the China Aerospace Science and Industry Corporation sold ultra-heavy-duty, 8-axle off-road vehicles to North Korea. These trucks were later seen in a 2012 military parade in Pyongyang, repurposed as transporter-erector-launchers for KN-08 intercontinental ballistic missiles (ICBM).[12] This instance represented North Korea's first road mobile ICBM, increasing the survivability of North Korea's nuclear arsenal and improving the country's second-strike capability. China has also played a pivotal role in North Korea's indigenous drone program through dual-use technology transfers. The PRC initially shared early models of piston-engine reconnaissance UAVs, later advancing to more modern commercial drone technology. North Korea has since leveraged these drones for reconnaissance along the Demilitarized Zone (DMZ) and the Northern Limit Line in the Yellow Sea.[13]

China also enables North Korea's black-market procurement networks, allowing illicit acquisitions to obscure direct Chinese state support. For example, U.S. sanctions reports describe North Korean procurement networks operating freely in China, where front companies have shipped steel alloys, chemicals, and software for the development of weapons of mass destruction.[14] These networks function through layers of intermediaries, exploiting weak enforcement mechanisms and corrupt local officials who facilitate shipments, sometimes through third-party states. While China denies direct involvement in North Korea's black-market activity, its failure to disrupt these operations over decades should be seen as a strategic choice.

China's military relationship with Iran has followed an evolution similar to its cooperation with North Korea, transitioning from direct arms sales to technology transfers and trainings. During the Iran-Iraq War, Beijing was a primary supplier of conventional weaponry to Tehran, including J-6 fighter aircraft, T-59 and T-69 tanks, and Silkworm anti-ship missiles.[15] This dynamic continued into the early 1990s, when China provided Iran with F-7 fighter jets, M-7 short-range ballistic missiles, and Houdong-class missile boats.[16] However, as international scrutiny of arms sales to Iran intensified, China shifted its approach. In 1996, Beijing signed a contract to transfer missile, naval, and aviation technologies to Iran, laying the groundwork for Tehran's domestic defense industry.[17] This trend accelerated in the 2010s, with China facilitating production of Iran's Nasr-1 anti-ship missile—modeled on the Chinese C-704—and granting Iran access to the BeiDou-2 satellite navigation system, China's GPS alternative with both civilian and military applications.[18] As with North Korea, China's military engagement with Iran has transitioned from conventional arms sales to technology transfers, a shift that reduces Beijing's direct exposure to international sanctions and reputational costs. This pattern of indirect support is also evident in cyberspace, where the inherent deniability provides avenues for cooperation without the same diplomatic and economic liabilities as traditional arms sales.

**Cyber Cooperation**

China plays a central role in North Korea's cyber capabilities, providing both the internal infrastructure necessary for domestic control and the external access required for offensive cyber operations. To start, China has played a foundational role in establishing and maintaining North Korea's cyber infrastructure. In 2005, China Unicom opened the first land-based fiber-optic cable linking North Korea to external networks.[19] This physical connection allows China to regulate North Korea's bandwidth and monitor traffic as it passes through Chinese infrastructure.[20] This dependency has since diminished, as a Russian company established a second internet connection to North Korea in 2017.[21]

North Korea's national intranet, Kwangmyong, connects government agencies, industries, military institutions, and universities through a domestically controlled network built primarily with Chinese networking equipment. The system operates in near-total isolation from the global internet, relying on Chinese imports of servers, routers, and workstations to sustain its functionality.[22] Without this hardware and technical support, the large-scale deployment of a national intranet would be difficult to maintain.

China has also enabled North Korea's telecommunications sector. After Kim Jong Il's visit to Huawei headquarters in 2006, the company assisted in building North Korea's 3G network,

operated by Koryolink, which remains the primary mobile communication platform.[23] To further secure internal communications, Beijing-based Panda International Information Technology helped North Korea develop encryption software, ensuring that sensitive transmissions, particularly among elites, remain shielded from foreign interception.[24]

Likewise, China plays a key role in enabling North Korean offensive cyber operations. According to the U.S. military, many members of North Korea's Bureau 121 operate from China.[25] Specifically, the KPA is keen to establish "enclaves from which to plan, prepare, and conduct its activities and influence."[26] By operating abroad, North Korean agents can take advantage of the advanced Internet infrastructure in other countries as well as claim plausible deniability for destructive cyber operations. This positioning allows North Korea to carry out a range of cyberattacks, including persistent distributed denial-of-service attacks on South Korean websites, often using China as a base of operations.

In addition to targeting South Korea, North Korean hackers have conducted significant operations on other nations and organizations. In 2018, the U.S. Justice Department unsealed charges against the North Korean hacker Park Jin Hyuok, accusing him of carrying out major cyberattacks from China, including the WannaCry ransomware virus that befell the UK's National Health Service.[27] The U.S. Department of State, Department of the Treasury, and the Federal Bureau of Investigation released an advisory stating that "hundreds of DPRK IT workers subordinate to MID were operating in China in 2019 and 2020" that "contributed to its weapons of mass destruction and ballistic missile programs."[28] In a full-scale conflict, the presence of North Korean cyber operatives in China would likely ensure operational continuity for their cyber forces, even if North Korean internal systems were compromised. This form of indirect support highlights the broader question of how China and North Korea might interact in a conflict involving the United States.

**North Korean and Chinese Assistance to Russia's Invasion of Ukraine**

Since the fall of 2023, North Korean assistance has played a significant role in supporting Russia's high-intensity combat operations in Ukraine. By providing millions of artillery rounds, advanced anti-tank systems, long-range multiple rocket launchers, and tactical ballistic missiles, Pyongyang has enabled Russian forces to maintain a daily burn rate of approximately 10,000 artillery rounds against Ukraine. North Korea's defense industrial base has operated at full capacity, depleting its strategic reserves to meet Russian demands. Additionally, 12,000 North Korean soldiers are deployed in the heavily contested Kursk region, reinforcing Russian positions amid severe personnel losses. These forces augment Russian sustainment at a critical moment, as Moscow has increasingly relied on prisoners, private military contractors, and activated reservists to replenish depleted ranks. North Korea's support has reinforced Russia's ammunition stockpiles and provided additional manpower, helping to sustain its offensive operations despite battlefield losses.

Beijing is increasingly wary that North Korea's military support for Russia is intensifying security linkages between Europe and the Indo-Pacific. Chinese academic discourse has been more explicit than government sources in voicing concerns, with analysts like Shen Dingli warning that deeper North Korea-Russia cooperation could accelerate the formation of an "Asian

NATO" and entrench Europe's strategic focus on East Asia.[29] Similarly, Zhu Feng has highlighted the risk that this alignment could draw China into a more adversarial position against the U.S.-South Korea-Japan alliance.[30]

While PRC leaders have refrained from overt criticism of North Korea's intervention, subtle diplomatic signals suggest unease. Notably, Beijing's ambassador to North Korea was absent from Pyongyang's "Victory Day" commemorations in 2024, despite participation from Russian, Vietnamese, and Mongolian diplomats.[31] The anniversary of China's entry into the Korean War—ordinarily a joint commemorative event—was marked separately by Beijing and Pyongyang.[32] These decisions could reflect a desire to signal unease while avoiding overt tension in the trilateral relationship.

Beijing's core concern is that North Korea's role in Ukraine could accelerate security linkages between the Euro-Atlantic and Indo-Pacific theaters. PRC analysts have warned that framing Taiwan and Ukraine as interconnected security crises strengthens transatlantic resolve against China.[33] The war in Ukraine has already driven greater cooperation between European and Indo-Pacific states, with South Korea supplying artillery rounds to Ukraine and Taiwan quietly aiding Ukraine's air defense capabilities.[34] Given that 40 percent of the EU's external trade transits the Taiwan Strait, China faces the increasing risk that a future Taiwan conflict could elicit a coordinated Western response similar to that seen in Ukraine.

Despite these strategic concerns, China has also provided diplomatic and economic support to Russia's invasion of military assistance.[35] While the PRC has not delivered large-scale military assistance to Russia like North Korea, there are recent reports that Chinese entities are involved in the development and production of critical weapons systems on behalf of Russia, like the Garpiya series of long-range attack unmanned aerial vehicles (UAVs).[36] Beijing has also supplied Russia with dual-use technologies essential for battlefield operations, including semiconductors, drone components, sensors, earthmovers, and nitrocellulose for rocket propellant. These transfers have bolstered Russia's defense industrial base, enabling continued production of advanced weaponry despite Western sanctions.

At the strategic level, China's alignment with Russia has forced the United States to contend with simultaneous security challenges in both Europe and the Indo-Pacific, straining U.S. defense planning and complicating resource allocation.[37] In conclusion, China's support for Russia's war effort, while carefully calibrated to avoid direct escalation with the West, has reinforced Russia's war effort by mitigating the impact of Western sanctions and sustaining critical defense production. This measured but persistent assistance reflects a broader pattern in Beijing's engagement with U.S. adversaries and has significant implications for the evolving global security landscape.

**China-North Korea Interactions in Future Conflict Scenarios**

The potential for North Korean involvement in a Taiwan contingency, or for Chinese intervention in a renewed Korean war, is an essential consideration for strategic assessments and defense appropriations. In the early stages of a war over Taiwan, Chinese leaders are unlikely to request North Korean assistance. The PLA has been preparing for a swift and decisive war

against Taiwan for decades. Moreover, Chinese military writings on a Taiwan scenario indicate a strong preference for avoiding lateral escalation or "chain reaction warfare."[38] However, North Korea would likely view an increased US military buildup in the region as a threat, heightening the risks for provocations irrespective of China's position. Moreover, while Beijing maintains significant economic and political leverage over Pyongyang, its ability to restrain North Korean actions in a crisis is likely limited.

*North Korea in a Future Taiwan Contingency*

Even without direct involvement in the initial invasion, North Korea could create significant challenges for the United States and its allies. Pyongyang would likely perceive the presence of increased U.S. forces in the region as a potential precursor to coordinated actions aimed at opening a "second front" in the event of a wider conflict. In response, North Korea would escalate tensions by placing key units on high alert or conducting missile tests, forcing the United States to reallocate resources and focus on deterring instability on the Korean Peninsula. In other words, even in a limited intervention scenario, North Korean provocations would exacerbate challenges for U.S. command, control, communications, computers, intelligence, surveillance and reconnaissance systems (C4ISR), force allocation, and logistics. Over time, these strains would divert critical resources from efforts in the Taiwan theater, weakening U.S. and allied positions and opening the door for North Korea to influence the broader conflict.

If a conflict over Taiwan becomes protracted, North Korea's involvement could become a more critical factor, much like its support to Russia in the invasion of Ukraine. Assuming China fails to win a quick and decisive war over Taiwan, North Korean materiel assistance could have a disproportionate impact on the development of the conflict as both sides deplete their stockpiles of advanced strike munitions. As in Ukraine, North Korea would be eager to test its more advanced indigenous systems under modern battlefield conditions. Additionally, the economic incentive to sell munitions to China would be significant for the economically isolated regime. In sum, while China is unlikely to request direct North Korean military assistance in a Taiwan contingency, Pyongyang could still shape the conflict's trajectory by forcing the United States to divert critical assets, straining force allocation and logistics. As magazine depth becomes a greater constraint in a prolonged war, North Korean materiel support could become a more significant factor in assisting Chinese operational sustainment.

*China in a Future Korea Contingency*

China would almost certainly intervene in the event of a renewed conflict on the Korean Peninsula, whether in parallel to or independent of a Taiwan crisis. Chinese policymakers, academics, and military practitioners have publicly articulated deep concerns about the need to manage nuclear security risks, a potential refugee crisis, and the threat of U.S. forces near the PRC border in a Korea contingency. Historically, China has demonstrated its willingness to intervene in such scenarios, as seen in its military preparations during the 1993-1994 North Korea nuclear crisis and again amidst heightened tensions in 2017. The scope and scale of Chinese intervention would likely depend on North Korea's ability to occupy and hold territory, as Beijing's primary strategic concerns would be exacerbated by any rapid collapse of North Korean forces.

Should North Korean forces hold their positions against U.S.-ROK forces, Chinese assistance would likely center on intelligence-sharing to enhance North Korea's operational effectiveness. Leveraging its advanced satellite constellations and reconnaissance capabilities, China could provide targeting data to enhance North Korea's precision-guided munitions and situational awareness. The 2020 *Science of Military Strategy* emphasizes the necessity of joint situational awareness among participating forces to enhance coordination and operational effectiveness. [39] China has already integrated satellite-based tracking and navigation services into its Belt and Road Initiative for dual-use applications, and North Korean engineers have received satellite training from Chinese institutions.[40] While the extent of real-time data-sharing between China and North Korea remains unclear, China's ISR infrastructure could significantly enhance North Korea's operational effectiveness in a protracted conflict.

If North Korean forces instead quickly collapse across the front, China would likely intervene to support the North Korean regime that is in power at the time of conflict. However, the absence of combined exercises, longstanding political distrust, and disparities in military capabilities would pose significant challenges to effective coordination. Civil-military frictions could further complicate operations, as neither Xi Jinping nor Kim Jong-un has wartime command experience, increasing the risk of political interference in military decision-making or a clash of personalities. Nevertheless, interoperability would likely improve over time in a protracted conflict.

The extent of Russia's involvement in a future conflict could significantly shape the dynamics of China-North Korea military coordination, particularly in resolving command and control (C2) challenges. For instance, a key step in enabling combined operations would be establishing command relationships. For Chinese forces, the forward command structure is largely in place through the Northern Theater Joint Operations Command Center (JOCC, 战区联合作战指挥中心). However, as seen in the Korean War, North Korea is likely to resist Chinese command.[41] Similar issues of command and authority would likely arise in a future war. Historically, Soviet arbitration was crucial in resolving command disputes during the Korean War.[42] In a future conflict, Russia might play a similarly crucial role in mediating disputes related to command relationships between China and North Korea.

While China is not currently preparing for combined operations with North Korean forces, PLA exercises suggest that China is more prepared to absorb foreign forces into its command structure compared to alternative structures.[43] In 2021, the multilateral peacekeeping exercise in Henan "Shared Destiny" involved Chinese, Pakistani, Mongolian, and Thai troops working in "mixed training" (混编联训) groups, utilizing Chinese equipment and weapon systems.[44] Chinese officers were in command of these foreign forces' "force formations" and "operational flow," spanning infantry, high mobility forces, helicopters, engineers, transportation, and medical teams.[45] Nevertheless, the exact arrangement in a future conflict scenario remains unknown and would be much more demanding. The United States and allies must monitor the scope of future exercises, particularly those involving PLA Northern Theater Command personnel, to understand what China is prepared to accomplish in a future war.

**Implications**

The course of U.S.-China relations has shifted toward long-term strategic competition, creating potential for deeper cooperation in Beijing's partnerships with North Korea, Iran, and Russia. However, this testimony has in part demonstrated that Beijing has exercised restraint in specific areas to avoid direct confrontation with the West. It has refrained from providing large-scale military aid to Russia's war in Ukraine, despite possessing far greater capability than North Korea to do so. Likewise, China has withheld significant conventional military assistance to North Korea, opting instead for dual-use technology transfers. These calculated limitations suggest that Beijing continues to see value in strategic ambiguity, balancing its alignment with U.S. adversaries against the risks of escalating tensions with Washington.

However, if Chinese leaders conclude that U.S.-China competition is headed toward inevitable confrontation, Beijing may reassess these constraints and pursue deeper, more overt military cooperation with its partners. A more entrenched axis could accelerate weapons proliferation, improve battlefield interoperability, and embolden adversaries across multiple regions. The risks for complex operational challenges in simultaneous theaters will also multiply. Over time, these partnerships could evolve beyond transactional cooperation into deeper alignment, compounding their collective ability to contest U.S. military operations and adapt dynamically to U.S. and allied strategies in ways that are difficult to predict or counter.

**Recommendations**

- Congress and the U.S.-China Economic and Security Review Commission should hold regular hearings and increase funding for research on China's defense partnerships with North Korea, Iran, and Russia. These relationships fluctuate in response to shifts in U.S.-China dynamics and serve as a key indicator of Beijing's strategic outlook. A deeper understanding of these patterns will strengthen U.S. policymaking and ensure timely, informed responses to emerging threats.
- Congress must ensure that defense appropriations align with the strategic requirements necessary to both deter and, if necessary, respond to potential conflicts involving China and its partners. Investments should prioritize force posture, capabilities, and planning that account for simultaneous contingencies, such as a Taiwan Strait crisis coinciding with escalation on the Korean Peninsula. Future appropriations should also anticipate deeper interoperability and coordination between China and its adversaries, ensuring that U.S. forces remain postured to counter adversaries should U.S.-China relations remain unstable. Additionally, Congress should advocate for increased European burden-sharing within NATO to enable a more effective allocation of U.S. military resources to the Indo-Pacific.
- Congress should prioritize policies that accelerate reindustrialization, leveraging U.S. leadership in software and AI to revitalize domestic manufacturing and defense production. Strengthening domestic production will reinforce deterrence by demonstrating the United States' ability to sustain high-intensity operations and mitigate vulnerabilities that China perceives as indicators of U.S. decline.
- Congress should support diplomatic initiatives with the potential to reshape the trajectory of U.S.-China relations, addressing the underlying motivators that drive Beijing's engagement with U.S. adversaries. This means recognizing mutual vulnerabilities, de-

escalating tensions where possible, and identifying pragmatic avenues for reducing confrontation. This approach may involve reinforcing the impression or viability of peaceful resolution of the Taiwan issue to reduce Beijing's sense of strategic urgency. Broader engagement should seek to manage competition in a way that prevents unnecessary escalation and opens space for a more durable framework of interaction over time.

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## OPENING STATEMENT OF SHEENA CHESTNUT GREITENS, ASSOCIATE PROFESSOR, THE UNIVERSITY OF TEXAS AT AUSTIN

DR. CHESTNUT GREITENS: Thank you, Mr. Chairman, Mr. Co-Chairman, distinguished Commissioners, staff and guests for the opportunity to testify today. I will focus my remarks on how the pursuit of regime security, particularly in the PRC, shapes China's non-military security cooperation with the other countries that we are examining today.

My written testimony emphasizes several points. First, China's growing relationships with Russia, Iran, and North Korea take place in a broader context. That is that in the past several years the People's Republic of China has emerged as a global security provider and is making a bid to become the preferred security partner of choice for a wide swath of countries around the world, including those that are U.S. adversaries but also those that have existing security and defense ties with the United States.

While today's hearing focuses on Chinese security cooperation with a particular set of countries, it is important to place those relationships and their development in this broader context that is reshaping the contours of global security.

The security cooperation offered by the PRC reflects its own regime-centered understanding of security, encapsulated by Xi Jinping's comprehensive national security concept and focused on preserving China's socialist system, the leadership of the Communist Party atop that system, and Xi Jinping as the core leader. Internal security is paramount in this framework, and international security and foreign policy are explicitly described as having a supporting or auxiliary role.

Similarly, China's security assistance abroad is often aimed at augmenting the capacity of security recipients and partners to govern their territory and their people, including by providing capabilities and training that seek to prevent and control internal threats to a specific regime's hold on political power. These global patterns also specifically appear in each of China's relationships with Russia, Iran, North Korea, and other non-democratic regimes around the world. You might throw Vietnam and Cuba in there to start.

Despite having distinctive national interests in other ways, as we heard this morning, the leaders of these countries share a fundamental underlying threat perception, one that views the United States not only as a threat in terms of external defense and military capacity but as a political threat to their hold on power internally. Iran and Russia show more visible signs of high-level regime security cooperation with China across a number of dimensions and North Korea, but we should be careful to note that there may be intelligence and internal security cooperation occurring that we are not easily able to observe from public sourcing.

All three countries that we are talking about today have engaged in internal security cooperation with China in a number of areas, including three major categories: security diplomacy, provision of surveillance technology, and police training. Diplomatically, all three countries have expressed support for Xi Jinping's Global Security Initiative, and in the last 3 years Russia has also been a key participant in China's Global Public Security Cooperation Forum, a new annual summit that has become the internal security counterpart to the Xiangshan Forum, hosted by Beijing's Ministry of National Defense. These diplomatic efforts are part of China's bid to reshape global security governance in ways that preferentially prioritize Beijing's conception of security and minimize or relegate the United States to a marginal role in security provision and the design of global security architecture.

Russia and Iran also hold regular, high-level, and bilateral law enforcement and domestic

security meetings with their counterparts, and my written testimony provides a table of these meetings in the last several years.

In the Chinese system, the key actors who participate in this internal security cooperation at the bilateral level are the Ministry of Public Security and China's Central Political Legal Commission.

With respect to technology, North Korea, Iran, and Russia were among the earliest adopters of China's surveillance technology exports, and their use of China's digital surveillance tools has clearly contributed to stronger authoritarian political control and suppression in all three countries. Iran, Russia, and North Korea have all sent officials to participate in Chinese police and domestic security trainings, as well.

In establishing these security relationships that prioritize stability and control, China advances a number of strategic aims: protecting Chinese overseas interests; monitoring members of the Chinese diaspora; providing officials with information and intelligence; building presence, partnerships, and influence in recipient countries; and potentially opening up new avenues of coercion for political purposes.

China is exporting the tools of authoritarianism where doing so provides Beijing with a comparative or strategic advantage. It is not imposing a single model on others, where doing so is unnecessary or counterproductive for regime security. Self-interest, defined through the lens of regime security, is Beijing's driving logic.

Let me close with three recommendations. First, the United States sometimes assesses China's global security presence solely in terms of the PLA and its overseas military footprint. If China's significant and growing internal security activities abroad are omitted from these assessments, Washington could seriously miscalculate the risks of political instability in a number of countries around the world as well as American leverage in key strategic relationships worldwide. We need to start treating the Chinese internal security apparatus as a key foreign policy actor.

Second, while Russia, Iran, North Korea, and China are driven by specifically authoritarian interests in regime security that facilitate cooperation today, there are other countries that receive security assistance from China for more practical, less ideological, or autocratic reasons. We should not logroll all of these countries into an autocratic axis because doing so would remove opportunities to advance U.S. interests more effectively and minimize adversary opportunities for coalition building. The United States needs to assess and understand the motivations of China's growing number of security partners and craft tailored solutions that address the underlying drivers of this cooperation in each case, so that it can provide credible alternative.

Third and finally, the United States cannot compete in the type of asymmetric security competition that has emerged between the U.S. and the PRC using solely Department of Defense resources and conventional military power. To compete in this kind of competition, the United States will have to fundamentally reconsider how the interagency organizes, targets, and resources security force assistance programs worldwide and reorganize, enhance, and streamline civilian security offerings. It must engage in shaping a global security architecture that meets the unmet legitimate needs of recipient countries around the world or risk living in a global security order that is shaped by authoritarian great powers.

Thank you for your time and attention. I look forward to the opportunity to discuss these issues with you today.

**PREPARED STATEMENT OF SHEENA CHESTNUT GREITENS, ASSOCIATE PROFESSOR, THE UNIVERSITY OF TEXAS AT AUSTIN**

# China, Regime Security, & Authoritarian Collaboration

Testimony before the U.S.-China Economic & Security Review Commission

Hearing on "*An Axis of Autocracy? China's Relations with Russia, Iran, & North Korea*"

Panel on "Military & Security Cooperation"

20 February 2025

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*Views expressed in written or oral testimony are those of the author and do not reflect official policy or positions of the Department of the Army, Department of Defense, or U.S. government.

Thank you to the Commission for inviting me to testify today. I will focus my remarks on how the pursuit of regime security shapes security cooperation in Chinese foreign policy, with particular attention to China's non-military security cooperation with other authoritarian regimes.[1]

The testimony below emphasizes several points. China's growing security relationships with Russia, Iran, and North Korea take place in a broader context: China's emergence as a global security provider, one that has a different emphasis than the United States and therefore employs a different set of tools for providing security assistance. These tools reflect China's emphasis on regime security and internal stability and control, and are especially – but not only – appealing to authoritarian partners; Beijing provides security assistance to a range of countries where such assistance serves and advances China's conception of its regime security interests. One key driver of security cooperation between China, Russia, Iran, and North Korea, however, appears to be a shared perception not only of the United States as an external military threat, but a threat to the political security of the authoritarian regimes that govern each of these countries. The PRC's security cooperation efforts consist of diplomatic initiatives and high-level summits (both bilateral and multilateral) that promote and seek to institutionalize China's internally-focused, regime-oriented approach to security in global politics, as well as concrete provision of tools that are useful for those purposes, such as surveillance technology and police training. Given the conceptual framework and underlying drivers of China's expanding global security provision, Beijing is, in future, unlikely to impose a single model of authoritarianism on others when doing so is unnecessary or counterproductive for Beijing's objectives – but it will continue to use security cooperation and to export the tools of authoritarianism where such activities provide the party-state with a comparative strategic advantage that enhances the security of the Chinese Communist Party.

**China's Emergence as a Global Security Provider**

In the past several years, the People's Republic of China (PRC) has emerged as a global security provider. We often speak, especially in the Indo-Pacific, of countries looking to the United States for security and China for economic prosperity, but that conventional wisdom has been overtaken by events. Today, China is an increasingly active security provider, especially on its geographic periphery: in Central Asia, in Southeast Asia, and in the Pacific Islands. Some of this activity takes place under the auspices of the Xi's Global Security Initiative, announced in 2022, but other parts of this activity occur in a bilateral or a regional context.[2] Thus, while today's hearing focuses on China's security cooperation with Russia, Iran, and North Korea, it is important to place developments in Beijing's relationships with these specific countries in the context of the broader trend that is reshaping the contours of global security.

[1] I gratefully acknowledge intellectual contributions to several ongoing and forthcoming projects that provide the empirical and analytical basis for this testimony from the following co-authors: Edward Goldring; Isaac Kardon and Cameron Waltz at the Carnegie Endowment for International Peace; and Adam Klein and Rana Siu Inboden at the Strauss Center for International Security and Law, University of Texas-Austin. Views expressed here, however, are my own, as are any errors. This testimony focuses on patterns and trends in security cooperation based on publicly available information; it does not address economic factors.

[2] Sheena Chestnut Greitens, "Xi's Security Obsession," *Foreign Affairs* (July 2023).

The security cooperation offered by the PRC does not mirror the type of security force assistance or defense cooperation provided by the United States. Instead, the PRC's security offerings reflect its own understanding of security, encapsulated by Xi Jinping's "comprehensive national security concept."[3] This conception of "national" security is regime-centered: it focuses on preserving China's socialist system, the authority of the Chinese Communist Party leadership, and Xi Jinping as the core of that leadership. Under this conceptual framework, internal security is paramount, and international or foreign policy tools play a supporting role in the pursuit of regime security. Chen Xiangyang, the head of the China Institutes for Contemporary International Relations (CICIR, affiliated with the Ministry of State Security), refers to external elements as "auxiliary" to the internal work around which China's approach to national/state security is centered.[4] Correspondingly, China's security assistance is relatively more likely to be aimed at augmenting the capacity of recipients/partners to govern their territory and people, including capabilities that seek to prevent and control internal threats to a specific regime's hold on power.[5]

In establishing security relationships that prioritize stability and control in internal affairs, China pursues a number of strategic aims – again, centered on supporting Xi Jinping's vision of regime-centered "national security." Perhaps unsurprisingly, Edward Goldring and I find in a working paper that the strongest predictor of which countries have received Chinese surveillance technology is the presence and level of that country's strategic partnership with China.[6]

By developing police-focused security partnerships with other countries, the PRC improves its ability to protect China's overseas interests, whether Chinese businesses or overseas Chinese citizens.[7] Such capacities can, in turn, be used to monitor members of the Chinese diaspora or engage in transnational repression. Security partnerships also provide Chinese officials with information and intelligence benefits similar to those conferred by China's military diplomacy,[8] helping them understand the overall security environment inside a given country and the threat perceptions of that country's leaders. Finally, providing security assistance offers China a way to build presence, partnerships, and ultimately

[3] Sheena Chestnut Greitens, "How Does China Think about National Security," in Maria Adele Carrai, Jennifer Rudolph, and Michael Szonyi, eds., *The China Questions 2: Critical Insights into U.S.-China Relations* (Cambridge, MA: Harvard University Press, 2022).

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[7] Andrea Ghiselli, *Protecting China's Interests Overseas: Securitization & Foreign Policy* (Oxford University Press, 2021).

[8] Ken Allen, John Chen and Phillip Saunders, *Chinese Military Diplomacy, 2003-2016* (NDU Press, 2017).

influence inside the governments of recipient countries, while also potentially opening up new avenues of coercion for political purposes, similar to China's past usage of its economic gravity.[9]

Instead of being led by the People's Liberation Army and the Chinese military, this security cooperation often involves elements of the Chinese internal security apparatus acting as foreign policy actors. The most active of these is the Ministry of Public Security (MPS), led by Minister Wang Xiaohong, but other actors engaged in this kind of security cooperation include the People's Armed Police (PAP), the Ministry of State Security (MSS, led by Minister Chen Yixin), and the Central-Political Legal Commission (CPLC, led by Chen Wenqing).

Authoritarian countries are one of two types of countries likely to find Chinese security assistance appealing. Non-democratic countries are attracted to China's assistance because their leaders share a similar underlying aim: keep hold of power through the development and use of an effective coercive apparatus. Xi's December 2023 state visit to Vietnam, for example, produced explicit agreement to strengthen security and intelligence cooperation to protect regime security (维护政权安全).[10] It specifically referred to the need to prevent peaceful evolution, color revolutions, and separatism, all perceived vectors for corrosive foreign influence, often (though not always or solely) from the United States.

Similarly, China's geopolitical alignment with countries such as Russia appears to have strengthened because both Beijing and Moscow view the United States not only as an external military threat, but as a threat to regime security. The February 2022 Russia-China Joint Statement referred to standing against "attempts by external forces to undermine the security and stability in their common adjacent regions" and asserted that Russia and China would "increase cooperation" to "counter interference by outside forces in the internal affairs of sovereign countries under any pretext" and "oppose colour revolutions."[11] In June 2022, Xi reportedly affirmed the legitimacy of Russian actions to protect its interests against "challenges to its security created by external forces."[12] Indeed, despite having distinctive national interests in other ways, the leaders of the countries focused on in today's hearing share a fundamental underlying threat perception: they view the United States not only as a threat in terms of external defense, but as a threat to the security of their hold on power internally.

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[9] Sheena Chestnut Greitens, "China's Use of Non-Traditional Strategic Landpower in Asia," *Parameters*, Vol. 54, No. 1 (Spring 2024), pp. 34–50.

[10] "中华人民共和国和越南社会主义共和国关于进一步深化和提升全面战略合作伙伴关系、构建具有战略意义的中越命运共同体的联合声明 [Joint Statement of the PRC and SVN on further deepening and enhancing the comprehensive strategic cooperative partnership and building a shared China-Vietnam community with a shared future]," *Xinhua*, December 13, 2023, https://www.gov.cn/yaowen/liebiao/202312/content_6920159.htm

[11] "Joint Statement of the Russian Federation and the People's Republic of China on the International Relations Entering a New Era and the Global Sustainable Development," 4 February 2022, http://en.kremlin.ru/supplement/5770.

[12] Lingling Wei and Sha Hua,. "China's Xi Reaffirms Support for Moscow in Call with Putin," *Wall Street Journal,* 15 June 2022, https://www.wsj.com/articles/chinas-xi-fails-to-endorse-putin-over-ukraine-in-callwith-russian-leader-11655299293.

A second set of countries, however, may be attracted to Chinese security assistance for different reasons: out of genuine and legitimate desire to reduce violent crime and improve citizen safety. For these countries, China is, too often, the partner whose assistance is available, quick, cost-effective, and relevant, as compared to the possible offerings of the U.S. and its allies and partners.[13] As a result, today, countries are not simply reluctant to choose between prosperity from China and security from the United States, but – in many cases – unwilling to choose between the kind of security assistance offered by U.S. defense cooperation and the internally-focused security cooperation offered by the PRC. To craft effective solutions to this problem, the United States will need to understand the motivations of partner/recipient countries, and develop tailored solutions that address the underlying drivers in each instance.

The U.S. and China offer different kinds of security benefits to partners, aligned with their respective conceptions of "security," and – in notable contrast to the Cold War – Beijing and Washington are both weak at providing the kind of security assistance at which the other excels. Globally, China's emergence as a security partner of choice – one focused on internal, nontraditional, and regime security – has generated what Isaac Kardon and I term "security hybridization" in the contemporary international environment: a growing number of countries, from Hungary to Vietnam to the United Arab Emirates, who receive simultaneous security assistance from both the United States and China.[14] (Former CIA Director William Burns referred to these as "non-monogamous" security relationships.[15])

The United States sometimes assesses China's global security presence solely in terms of the PLA's overseas military footprint, but if domestic and internal security activities are omitted from these assessments, Washington could seriously miscalculate its leverage in key strategic relationships, such as Vietnam and the United Arab Emirates.[16] Failure to understand the set of countries in which China and the United States are each funding different parts of the military-security apparatus, leading to a potential buildup of counterbalancing security forces, could overlook risks of internal destabilization in countries the United States considers strategically important. Assessments of the PRC's global security footprint, therefore, must be revised to incorporate China's use of the internal security apparatus in foreign policy, so that the United States and its allies and partners can better understand changing risks to political instability in countries around the world, and more effectively engage in today's emerging and asymmetric global security competition.[17]

[13] The issue is not that assistance is completely unavailable, but that it is slower and often piecemeal.

[14] Chestnut Greitens and Kardon, "Security without Exclusivity."

[15] William J. Burns, "Spycraft and Statecraft: Transforming the CIA for an Age of Competition," *Foreign Affairs,* 30 January 2024, https://www.foreignaffairs.com/united-states/cia-spycraft-and-statecraft-william-burns.

[16] Sheena Chestnut Greitens and Isaac Kardon, "Vietnam Wants US Help at Sea, and Chinese Help at Home," *Foreign Policy,* 14 January 2025.

[17] An example of this kind of integrated assessment is Ryan Berg and Henry Ziemer, *Paper Tiger or Pacing Threat? China's Security and Defense Engagement in Latin America and the Caribbean* (Washington: CSIS, October 2023).

**Authoritarian Collaboration**

These global patterns appear in China's security cooperation with Russia, Iran, North Korea, and other non-democratic regimes around the world. Iran and Russia show more visible signs of high-level cooperation on internal and regime security, across a number of dimensions, than North Korea, but all three countries have engaged in internal security cooperation with China in a number of areas, including security diplomacy (both bilateral and multilateral), provision of surveillance technology, and police training. There may also be forms of cooperation occurring – such as intelligence cooperation, for example – that we are unable to observe from publicly available sources.

Diplomatically, all three countries have expressed support for Xi Jinping's Global Security Initiative (GSI). Pyongyang expressed support for GSI in an article in May 2022 by North Korean Vice Foreign Minister Park Myung-ho.[18] Iran expressed support in February 2023,[19] as did Russia in March 2023.[20] China and North Korea have a treaty alliance – an unusually formal security partnership by PRC/CCP standards – while Tehran has had a "comprehensive strategic partnership" with Beijing since 2016, and Moscow's goes back even further, culminating in the famous "no-limits" partnership language used at the Putin-Xi meeting in February 2022, shortly before Russia's invasion of Ukraine.

In 2022, 2023, and 2024, Russia also participated in China's Global Public Security Cooperation Forum (GPSCF). GPSCF, formerly known as the Lianyungang Forum, is an annual MPS-hosted policing and law enforcement summit that is the internal security counterpart to the Xiangshan Forum hosted by the PRC Defense Ministry. Last year, MPS officials claimed that personnel from over 120 countries, regions, and organizations attended the GPSCF; at this event, Minister Wang announced that China would provide training to 3,000 foreign police officers in the coming year and proposed a number of other measures to strengthen global public security, policing, and law enforcement cooperation.[21] (There is no public evidence of participation in the GPSCF by Iran or North Korea during this period, but the Ministry of Public Security does not release a full list of participants.)

In addition, security officials in both Russia and Iran engage in regular, high-level law enforcement and domestic security meetings with their counterparts in China. (There is almost no data on interactions between senior internal security officials in China and their counterparts in North Korea, as is typical of the opacity of the opacity with which the broader PRC-DPRK relationship is conducted.) Organizationally, the lead actors in these interactions on the Chinese side are the party's Central Political-Legal Commission (CPLC), which oversees China's internal security and law

[18] "朝鲜外务省副相朴明浩刊文：支持中国为维护世界和平与安全而努力 [North Korean Vice Foreign Minister Park Myung-ho published an article: support China's efforts to maintain world peace and stability," 30 May 2022, https://world.huanqiu.com/article/48DoEba4UkP

[19] FMPRC, "Xi Jinping Holds Talks with Iranian President Ibrahim Raisi," 14 February 2023, http://us.china-embassy.gov.cn/eng/zgyw/202302/t20230216_11025776.htm

[20] FMPRC, "President Xi Jinping Holds Talks with Vladimir Putin," 22 March 2023, http://us.china-embassy.gov.cn/eng/zgyw/202303/t20230322_11046184.htm

[21] "China Proposes 10 Measures to Handle New Risks at Global Public Security Cooperation Forum," *Global Times,* 10 September 2024, https://www.globaltimes.cn/page/202409/1319580.shtml; Wang Qingyun, "Police Training Offered to Enhance Intl Cooperation," *China Daily,* 10 September 2024.

enforcement apparatus (the political-legal *xitong*), and the PRC Ministry of Public Security (MPS). These meetings are most frequent and regular with Russian counterparts, but there are several publicly recorded meetings with Iranian officials in either a bilateral or multilateral context during this period. Table 1, below, shows the publicly-documented meetings held by MPS Minister Wang Xiaohong and CPLC head Chen Wenqing with Russian and Iranian counterparts since they assumed their current roles in 2022. [22]

**Table 1: China's High-Level Internal Security Diplomacy with Russia & Iran, 2022-2024**

| Date | PRC Participant | Country | Event |
|---|---|---|---|
| Sept. 2023 | Yang Jiechi<br>Wang Xiaohong | Russia | China-Russia Strategic Security Consultation |
| May 2023 | Chen Wenqing | Russia | 11th International Conference of High Representatives for Security Affairs |
| July 2023 | Chen Wenqing<br>Wang Xiaohong | Russia | Bilateral meetings with Prosecutor General Krasnov |
| Sept. 2023 | Wang Xiaohong | Russia | Bilateral meeting alongside Global Public Security Cooperation Forum |
| Nov. 2023 | Chen Wenqing<br>Ying Yong (SPP) | SCO (Russia, Iran) | 21st Prosecutors General Conference of the Shanghai Cooperation Organization (SCO) Member States |
| Dec. 2023 | Wang Xiaohong | Russia | Bilateral meeting with Russian Interior Minister Kolokoltsev |
| Jan. 2024 | Chen Wenqing<br>Wang Xiaohong | Iran | Bilateral meeting with Iranian Police Chief Ahmad Reza Radan |
| Apr. 2024 | Chen Wenqing | Russia | 12th International Conference of High Representatives for Security Affairs |
| Nov. 2024 | Chen Wenqing | Russia | 9th China-Russia Law Enforcement and Security Cooperation Mechanism Meeting (chaired by Chen & Russian Security Council chair Shoigu) |

Surveillance technology is another area of cooperation: North Korea, Iran, and Russia were among the earliest adopters of Chinese surveillance technology exports, and their use of Chinese digital surveillance tools has contributed to stronger authoritarian political control. North Korea was among the first countries reported to have received Chinese surveillance technology in 2008, when Huawei helped build and maintain a commercial wireless network (Koryolink) capable of monitoring "just about everything a North Korean might be doing" on the network.[23] Because cell phones play a key role in facilitating market activity inside North Korea, incorporating digital surveillance into telecommunications infrastructure from the start has allowed the Kim regime to pursue development

[22] There are no publicly recorded meetings between Minister of State Security Chen Yixin and his Russian or Iranian counterparts during this period; however, Chen appears to have met with Russia and Iran in 2018 and 2019 when he was Secretary General of the CPLC, consistent with the argument that these institutions have the lead in managing non-military security cooperation with Russia and Iran.

[23] Martyn Williams, "North Korea's Koryolink: build for surveillance and control," 38North, 22 July 2019, https://www.38north.org/2019/07/mwilliams072219/; see also https://www.washingtonpost.com/world/national-security/leaked-documents-reveal-huaweis-secret-operations-to-build-north-koreas-wireless-network/2019/07/22/583430fe-8d12-11e9-adf3-f70f78c156e8_story.html

of "market Leninism" or "party-state capitalism"– a model that, similar to China and Vietnam, blends regulated market economic practices with Leninist-style political control.[24]

Iran was also an early adopter of Chinese surveillance technology. A 2020 federal indictment alleged, for example, that Huawei "installed surveillance equipment in Iran that was used to monitor, identify, and detain protestors during the 2009 anti-government demonstrations."[25] Both ZTE and CETC have also reportedly provided sophisticated surveillance and "smart city" capabilities to Iran.[26]

Russia, too, appeared on Huawei promotional materials in 2013-14 that showed the location of its "Safe City" surveillance platforms around the world, but much of that information has since been removed and little specific information is available in the public domain. It is worth noting that, like China, Russia has its own ecosystem of surveillance technology firms that provide digital surveillance capabilities both domestically and internationally, including to some places that have also received surveillance technology from Chinese companies.[27] Systematic comparison of the two countries' surveillance exports is a gap in our understanding of this phenomenon and would benefit from further research, data collection, and analysis.

Iranian, Russian, and North Korean officials have also participated in Chinese police training activities. In 2017, the People's Public Security University of China (中国人民公安大学) hosted 19 Iranian police officials for a training course.[28] In 2018, 14 emergency management officials from Iran's Ministry of the Interior participated in a two-week "emergency response training course" at Henan Police College (河南警察学院), hosted by the Ministry of Public Security and co-organized by the Henan provincial public security department, aimed at "sharing China's experience in disaster prevention, disaster relief, and emergency management… [and improving] the ability to deal with non-traditional security

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[24] Sheena Chestnut Greitens and Benjamin Katzeff Silberstein, "Toward Market Leninism in North Korea: Assessing Kim Jong Un's First Decade," *Asian Survey* Vol. 62, No. 2 (March 2022).

[25] Department of Justice, "Chinese Telecommunications Conglomerate Huawei and Subsidiaries Charged in Racketeering Conspiracy and Conspiracy to Steal Trade Secrets," 13 February 2020, https://www.justice.gov/archives/opa/pr/chinese-telecommunications-conglomerate-huawei-and-subsidiaries-charged-racketeering; Karen Freifeld, "U.S. Accuses Huawei of stealing trade secrets, assisting Iran," *Reuters*, 14 February 2020, https://www.reuters.com/article/us-usa-huawei-tech-indictment/u-s-accuses-huawei-of-stealing-trade-secrets-assisting-iran-idUSKBN2072KG/;

[26] Steve Stecklow, "Special Report: Chinese tech firm helps Iran spy on citizens," *Reuters*, 22 March 2012, https://www.reuters.com/article/us-iran-telecoms/special-report-chinese-firm-helps-iran-spy-on-citizens-idUSBRE82L0B820120322/;

[27] See, for example, Doug Farah, "How Russian Surveillance Tech is Reshaping Latin America," Florida International University (2024), https://digitalcommons.fiu.edu/jgi_research/67/; Insikt Group, "Tracking Deployment of Russian Surveillance Technologies in Central Asia and Latin America," Recorded Future, 7 January 2025, https://www.recordedfuture.com/research/tracking-deployment-russian-surveillance-technologies-central-asia-latin-america

[28] International Police Law Enforcement Academy, Chinese People's Public Security University, "2017 年伊朗中高級警官研修班結業 [2017 Iranian Mid-Level and Senior Police Officers Training Completed]," 26 July 2017, https://read01.com/jjEm7zG.html [archived at https://archive.ph/NAkJ]

threats.[29] In December 2019, the Railway Police College at Zhengzhou Police University (铁道警察学院，郑州警察学院) provided a two-week "Railway Transport Safety Training course" to approximately 10 Russian police colleagues.[30] Sometime between 2016 and 2018, Chinese tech company Meiya Pico also reportedly facilitated digital forensics training that the company's materials describe as "instructed by the Ministry of Public Security."[31] The *DailyNK,* an online news source that employs a network of informants inside the DPRK, reported in 2021 that North Korea's Ministry of Social Security had received police training from the Chinese MPS, focused on both disaster response and social control; the training reportedly took place virtually given the outbreak of COVID-19 at the time.[32]

**Conclusion**

China's authoritarian collaboration with Russia, Iran, and North Korea contains lines of activity intended to enhance regime security for each of the rulers involved. This activity takes place in the context of China's growing emergence as a global security provider, with an emphasis on internal stability, non-traditional security threats, and – in many cases – enhancement of authoritarian political control. Xi Jinping and the CCP see this role as advancing their own, current vision of "national security," which is about selectively revising both China's domestic politics and the global environment to facilitate the survival and power of the Chinese Communist Party. It is the "global vision" for national security that Xi has demanded from his internal security apparatus since 2017.

This means that Beijing is likely to continue to pursue alignment and cooperation with countries such as Russia, North Korea, and Iran – and others – to the extent that it perceives those activities as benefitting the political and regime security of the CCP and China's socialist system. China's security cooperation activities will be shaped, scoped, and limited by those interests as well. China is exporting the tools of authoritarianism where doing so provides comparative or strategic advantage, but will not impose a single "model" on others where doing so is unnecessary or counterproductive for regime security. If the United States and its allies and partners do not understand this grammar and logic of the CCP's strategy, we will overlook or misperceive the drivers and future direction of its global efforts. The United States must also fundamentally reconsider how the interagency organizes, targets, and resources security force assistance programs worldwide to account for China's emergence as a global security provider – one with a very different vision for what security means and how it is accomplished.

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[29] Henan Police College, "2018 年伊朗突发事件应急处置研修班在我院圆满结业[2018 Iran Emergency Response Course Was Successfully Completed]," https://pxb.hnp.edu.cn/info/1052/2148.htm [archived at https://archive.ph/qDwyi]

[30] Zhengzhou Police University, "我院举行 2018 年俄罗斯铁路运输安全研修班开班典礼[Our college held the opening ceremony of the 2018 Russian Railway Transport Safety Training Course]," 7 December 2018, http://www.rpc.edu.cn/info/1102/13260.htm [archived at https://archive.ph/uQB38]

[31] Meyia Pico, "Meiya Pico Information Security Academy," undated, http://web.archive.org/web/20161107120920/http://www.meiyapico.com:80/training/index.html; see also Russia's representation on the map at https://archive.ph/gx6mE .

[32] Seulkee Jang, "North Korea's Public Security Gets Training from China," *DailyNK,* 4 August 2021,, https://www.dailynk.com/english/north-korea-ministry-social-security-receives-training-china-ministry-public-security/; also printed in *The Diplomat*, 5 August 2021, https://thediplomat.com/2021/08/north-koreas-public-security-gets-lessons-from-china/.

## PANEL III QUESTION AND ANSWER

COMMISSIONER STIVERS: Thank you all. I will start this one out. I would like to hear each of your views on a Taiwan contingency in light of the new developments over the course of the last few weeks, especially in terms of U.S.-Russia talks on the future of Ukraine. My specific question, which is not that specific, it is more broad, is do you believe that a U.S.-Russia agreement that ends the fighting in Ukraine but grants a number of concessions to Russia, do you believe that will empower or deter China in the Asia-Pacific region?

Ms. Wishnick?

DR. WISHNICK: Thank you for that question. Taiwan is always on everyone's minds when we talk about China-Russia cooperation. I don't think that a U.S.-Russia engagement scenario is likely to deter China at all. To the contrary, I think China will feel triumphant in its view of the U.S. being an insincere ally and unlikely to come to the aid of its partners, to be unreliable in providing aid, and to cut and run when there are interesting Arctic resources to be had instead.

This means that I think that we have to ask if despite the China-Russia deepening partnership, if Russia is really going to return the favor and support China in this kind of contingency. And although Russia echoes the One China principle in all of its joint statements with China, in the most recent iteration of the Xi-Putin joint agreement there is a real difference in how they translate the document. China says that Taiwan is a part of the People's Republic of China, which is the current state, and Russia says Taiwan is a part of China, which is historical China. And to my mind, that seems to indicate that China wishes that Russia would be more openly supportive of Chinese positions, but it is not to its satisfaction. Thank you.

COMMISSIONER STIVERS: Thank you. Ms. Barr?

MS. BAAR: I think China's approach to Taiwan is based on several factors, many of them not related to Ukraine. But I think that the terms of the settlement in Ukraine, it will be instructive for China, particularly as it looks to assessing the United States' posture more generally around the world.

I think the question of, to Dr. Wishnick's point, what a China contingency may look like, vis-à-vis Russian support, I think the question really to ask is what would China need in that circumstance. And it is difficult to speak in the abstract about that. It depends on so many factors, including the length, what would it look like, would it be a blockade, an amphibious invasion, the length of that, as well.

But the other thing I would say is that my sense, looking at the Russia and U.S. talks at the moment is I don't see that -- and this echoes your point earlier, Dr. Wishnick, about whether this would be something that would weaken the China-Russia relationship -- I don't see it that way. I see it as if Russia emerges strong from this, if it ends up on top in this conflict, then I think that is only to China's benefit.

COMMISSIONER STIVERS: Thank you. Dr. Rinaldi?

DR. RINALDI: Yeah. So I think it is very, very important to point out first that both the PLA and the PRC, more broadly, are learning quite a few lessons from the Russian-Ukraine war. And I would say based off of my reading of Chinese academic journals, coming from authoritative scholars as well as PLA military institutions, that it is quite a mixed bag.

On the operational front, I think a lot of Chinese academics are confident that they would be better than Russia in a number of respects. So for instance, their C2 will be more redundant than Russia's. They won't be reliant on kind of civilian devices and networks to communicate

with their soldiers.

I think that this years-long conflict would also serve to deter China, as well, because they can be confident that the U.S.'s European and Asian allies will respond, which has been an open question, given the economic dependencies on China.

COMMISSIONER STIVERS: Okay. Dr. Chestnut Greitens?

DR. CHESTNUT GREITENS: Thank you. I will be brief. I think that China's aims and strategy toward Taiwan are predicated largely on China's own historical, political, and strategic calculations, and that the ability or the PRC calculus about when to act in any specific way toward Taiwan has never really made Russian assistance, or lack thereof, a deciding precondition. So I actually see this much more as determined by the conditions, the pace of military modernization, and the political decision-making in Beijing, and I think that will ultimately be the paramount deciding factor.

COMMISSIONER STIVERS: Okay. Thank you. Commissioner Friedberg.

COMMISSIONER FRIEDBERG: Thank you very much, and thanks to everyone for their testimony.

Dr. Chestnut Greitens, it is good to see you. I am going to start with you. It seems to me you make a very interesting point, which is that many regimes around the world are primarily concerned with essentially threats from within as compared to external threats, and that China has something to offer those countries to help them retain their grip on power.

Could you comment if you have any data on the number of countries to which China is extending the kind of assistance that you described, and the characteristics of those countries, how many of them are what we would describe as autocratic or authoritarian, how many of them are democratic, perhaps weakly democratic. That is first.

Secondly, are there characteristic packages that China seems to offer that might include surveillance, but perhaps also instruments of crowd control, and perhaps even torture, and are there any instances of backlash that you are aware of, where there has been a negative reaction, ultimately, to what China is doing to help some of these regimes?

DR. CHESTNUT GREITENS: Thank you. That is a terrific set of questions. So yes, in terms of the broad global number of countries that are receiving security assistance from China, we have some disaggregated data on police training, on who has participated in China's diplomatic fora, and who has received surveillance technology. I would estimate that if you look across the surveillance technology provision and police training that there are at least 100 countries around the world in the past decade that have gotten non-trivial, domestic security assistance from the PRC, and I can provide some of that data in more detailed form if it is helpful to the Commission at any point.

I would separate the recipients of Chinese domestic security assistance into two groups. One is a group of autocracies that are interested in obtaining these technologies and these tools for specifically authoritarian purposes, to maintain their hold on political power.

But there is a second group of countries, for example, some countries in Latin America, that are more interested simply in improving public safety and police capacity, for which China provides the only, or the fastest, or the cheapest assistance with this type of security need that is available from any great power. So the United States or allies and partners, whether Australia, Japan, or others, might provide security assistance, but it is often fragmented, slow, or incomplete compared to what China can deliver.

So for elected officials who might want a quicker response, particularly on an electoral or other time frame, Chinese assistance can sometimes be preferable. And that is the group of

countries that I referred to where the United States needs to think about whether and how it can redo security force assistance to meet the legitimate, nontraditional security needs of these countries that aren't very well served by the provision of high-end warfighting technology, because that is simply not the security challenge in question.

COMMISSIONER FRIEDBERG: And what is the breakdown? You say 100 countries. Which fit into which categories? How many?

DR. CHESTNUT GREITENS: I can get those numbers. Yeah, rather than give you something incorrect here, let me follow up and give you the perfect numbers. It is different for surveillance versus police training, and I want to make sure I get you the accurate breakdown for each.

There has been backlash on the provision of surveillance technology, particularly in democracies. So democracy does appear to have some real protective effects against the negative outcomes that can be associated with the introduction of Chinese surveillance technology. So it is important to note that the effects of this technology, in particular, are worse in autocracies than they are in democracies. So autocracy is a relevant distinguishing factor for recipient countries and what their citizens experience.

COMMISSIONER FRIEDBERG: Okay. Thank you. I just have a little bit of time but I would like to direct this question to Dr. Wishnick and Ms. Barr.

It seems that in the last 2 or 3 years, China's behavior with respect to the other countries that we are referring to as part of this axis has been opportunistic, and that they have been happy to see -- well, maybe not happy -- they have taken advantage of conflicts that they didn't start, in Ukraine and in the Middle East. And they appear to be benefitting from the continued percolation of those problems without having them boil over, and that there would be dangers if they escalated, that these conflicts distract and deflect the United States and disperse its military and intelligence resources, U.S. support for Israel, U.S. sanctions against Russia have complicated its relations with developing countries in so-called "Global South." These conflicts have been a test bed for concepts of operation and capabilities that China has been able to learn from.

Is that an accurate assessment? Even if they didn't plan all of this, they seem to have been pretty adept at taking advantage of it.

Dr. Wishnick?

DR. WISHNICK: That is an interesting point, and I agree, to an extent. I think they do take advantage, to see where they can benefit from U.S. and allied discomfort. But I should say that China has long-standing domestic interests at stake to. So with North Korea it is the border they share, trying to avoid some type of nuclear threat to northeastern China and a flow of migrants there. With respect to Iran, energy security is very important. Iran is the fourth-largest provider of oil to China.

And I think China now faces some difficult choices, because South Korea is a major trading partner, and to the extent that China is seen as a tacit supporter of North Korean aid to Russia, this harms relations with South Korea. There is talk of a nuclear South Korea, and now that there is upheaval in Seoul, China can't really take advantage as it might have done.

And with Iran, China tries to balance its energy ties with Iran and Saudi Arabia, and being too close to Iran would damage the really deepening relationship it has with Saudi Arabia.

COMMISSIONER FRIEDBERG: Thank you. Ms. Barr, just briefly if you could.

MS. BAAR: I agree. The only thing I would add is that similarly in Europe it has complicated immensely China's economic relationships with Europe. And you have seen China

in quite a difficult position, trying as much as they can some diplomatic overtures in European capitals because of the implications of them being a decisive enabler of Russia's war in Ukraine.

COMMISSIONER FRIEDBERG: Thank you.

COMMISSIONER STIVERS: Commissioner Brands.

COMMISSIONER BRANDS: Thank you. So I think Dr. Wishnick's point about relations between Russia and China predating the Ukraine war is well taken, but obviously many of these military relationships have flourished in the context of the Ukraine war, and they have developed in ways that many Western observers did not foresee in late 2021 or early 2022.

So if you are looking at Sino-Russian military cooperation, in particular, what are potential next steps in that relationship that you think are plausible? And what are next steps that would particularly concern you in terms of their impact? And why don't we just start with Mr. Rinaldi, and then we can work our way down the panel.

DR. RINALDI: Yes, I certainly think the Commission's focus on interoperability is wise. So we need to continue monitoring their joint exercises. China has started to participate in Russia's military region-level exercises. There are reports that they, during some exercises, use a joint command system. But mainly, at least from what I have seen, is they can deconflict. So if the Chinese military is operating in one area and the Russian military is operating in an adjoining area, they won't fire on one another. But actual measures of interoperability or combined operations, that is something that we need to continue to monitor.

Very, very briefly, in the Indo-Pacific, recently a Russian submarine showed up near the Filipino coast. And so I think that this idea of simultaneity, or even not separate wars but a Russian vessel showing up in a sensitive area when there is already tension somewhere else, that could really distract our attention and strain our resources and logistics and our sensors.

So I think at the level of cooperation that we are talking about today, that exists at the present, the possibility of small distractions like that having large, disproportionate consequences is very real.

COMMISSIONER BRANDS: Thanks. Ms. Barr?

MS. BAAR: I think the area I am watching closely is the collaboration in non-geographically bound domains, so specifically cyber and space. China and Russia recently have been very explicit about how joining together or closer engagement between BeiDou and GLONASS will, quote, "achieve mutual combatability and data sharing between the two systems." So I think that is quite significant.

COMMISSIONER BRANDS: Thanks.

DR. WISHNICK: In addition to what has been mentioned, I would add joint production. There have been discussions about jointly producing heavy-lift helicopters, Russian aid for ballistic missile defense system, and perhaps assistance with submarine technology. That would be significant.

But I think in terms of interoperability, a question to ask is for what purpose, and do they share foreign policy goals for which they would need interoperability? I think that is really important to document. And do they share information about their top concerns?

So we have evidence that Putin was not very straightforward with Xi about the full-scale war in Ukraine, for example. I have heard reports that Russia refused to share information about events in Kazakhstan in January of 2022 with China. So the degree of information sharing seems relatively low, and if that were to change, that would be significant.

COMMISSIONER BRANDS: Thanks. Dr. Greitens?

DR. CHESTNUT GREITENS: Thanks. Both Russia and China have domestic

surveillance industries that export their technologies globally, including to some overlapping countries. We don't have great data particularly on the Russian global export of surveillance technology in terms of high-quality, cross-national data, and it would be useful to understand where Russia and China are operating in the same places versus where countries are receiving surveillance technology from one or the other.

With respect to the specific bilateral Russia and China partnership, both of these countries have fairly sophisticated intelligence and domestic security apparatuses on their own. I would be concerned if we see them exchanging lessons, but also if we saw increased evidence of either counter-infiltration or counterintelligence cooperation. Even if that occurs I don't think we are likely to be able to observe it publicly, so I am not optimistic that that is something that we would be able to observe, even if it does, in fact, occur, in which case it would be important to know.

COMMISSIONER BRANDS: Thanks very much.

COMMISSIONER STIVERS: Commissioner Kuiken.

COMMISSIONER KUIKEN: Thank you. The other day, I think it was in the *Wall Street Journal* or *Financial Times* there was a report about the Chinese having a number of ships off the coast of Australia. I would be interested in your reactions on that. I noted in your opening statements there was a lot of talk about their blue-water navy and how they think about this. As we evaluate the possibility of a Taiwan conflict during the next, say, 4 years, or the possibility of one, how should we think about China's use of its navy, one, to project power, and then two, to sort of influence events as that sort of scenario plays out?

And then the second thing, I would love to hear all four of you -- and by the way, all of these are for all the panel; Commissioner Friedberg might get upset with the time, though -- the opportunities for collaboration across the axis on military deception operations, and how they think about this space, and whether or not they are prepared to do cooperation in that space.

So let's go from TV to Jake.

DR. CHESTNUT GREITENS: Great. Thank you. I will be brief. One of the principal ways in which these adversaries can pose problems for the United States is simply by engaging in operations that require U.S. time, attention, and resources to monitor and keep track of. So distributing U.S. leadership and attention and resourcing across multiple theaters of operation and across the world is itself an advantage that having multiple actors in different parts of the world can generate that is useful to them, by leading to a diversion or a watering down of U.S. attention and ability.

With respect to the Pacific specifically, the Pacific islands have been a key area where China has offered internal security as assistance, as a form of outreach and partnership and presence building, and now has an internal security policing forum with many of the Pacific island nations. And the United States and Australia, I believe, should partner and think about how to provide security assistance in that part of the world that, again, meets the legitimate needs of these countries and allows them to be less vulnerable to potential Chinese influence and future coercion. Thanks.

COMMISSIONER KUIKEN: Thank you.

DR. WISHNICK: I thought we were going the other way. I think the China-Russia partnership enters in here because to the extent that there is a stable border between Russia and China, China can focus on developing its blue-water navy.

In this respect, I think we should pay more attention to what they are doing in the Antarctic. I think Russia and China are trying to change the regime that governs that region, and

we need to be more mindful of that.

And following what Sheena said, we have to do a better job of combatting China's influence operations in the South Pacific, their narratives that they use there, their media to promote to make sure that we have countering narratives about security and development.

MS. BAAR: To add onto what has just been said before, I think with regard to the blue-water navy I think this is a means for China to project power, not just regionally but also globally, and we are seeing this in terms of a significant shipbuilding effort. Overseas exercises also help, even if they are not particularly sophisticated, as with the trilateral exercises with Iran. The fact that just by virtue of where they are geographically enables China to get exposure to long-range exercises.

But then, finally, the point I want to raise is ports. China has invested heavily in strategically located ports all over the world, including along the Straits of Hormuz. And I think this is a significant development, particularly given their relative absence of overseas bases, apart from Djibouti and a few others. PLA may, therefore, choose to rely on commercial access points that are deep enough to extend its operational reach beyond the first island chain.

DR. RINALDI: Great series of questions. I think when we are talking about cooperation first, the Arctic becomes relevant. China has invested in Russian ports and new icebreakers to try to gain access to the Arctic, which could save 10 or 11 days on trade to Europe. It is relevant, as well, because China has also invested in a port in northeastern North Korea, Rason, which is the northernmost ice-free port in Asia. So if they are able to get that connectivity, they are also able to access the Arctic passageway, that sort of cooperation becomes very, very relevant.

In terms of the blue-water navy, right now I think, in a Taiwan contingency, the thing that we need to keep in mind is a blockade scenario. This is a major distinction with what we have seen in Ukraine, where we were able to get them supplies across a very big land border, whereas if we reach a protracted war scenario where the Taiwanese are able to fight and have the will to fight, getting resources in will become very, very difficult with China's naval resources.

In terms of global operations and this idea of projecting power, they are conducting increasingly sophisticated exercise. I would note a recent exercise in Tanzania where there were some forces from the CMC JOCC, joint logistics support forces there. But China's theater command system is really designed off of regional contingencies at this point, and they would struggle with global operations of a large scale.

And I will also note that there are a lot of reports, and there are ongoing Chinese negotiations, for overseas basing, and they do have a base in Djibouti. But in a global contingency with the U.S., those bases would be the first to be targeted.

So I think as we see the reports of them negotiating in this way, as a long-term goal, we also have to recognize that it makes them very vulnerable in a conflict contingency, with those sorts of assets.

COMMISSIONER KUIKEN: Thank you.

COMMISSIONER STIVERS: Commissioner Miller.

COMMISSIONER MILLER: Thank you all for your testimonies. We have spent most of this hearing focused on areas of convergence between China and these three other allies. I would like to turn it around and focus on potential stress points, the first being the Arctic. It is a topic that most of us were not following closely 5 years ago, but maybe a very big issues 5 to 10 years in the future. I note some of you have mentioned this in your testimony explicitly. I would like to hear your thoughts on the Arctic.

Second would be North Korea, whether it is North Korean troops fighting in Ukraine or

whether it is Russia's provision of certain military components that perhaps China or others wouldn't feel comfortable them necessary getting.

If each of you could address this question down the panel, either one or both issues, as you feel comfortable, perhaps starting Dr. Chestnut Greitens.

DR. CHESTNUT GREITENS: Thanks. I will focus on the China-North Korea question. I think that China continues to have an interest in stability in North Korea and in maximizing influence over activities by Pyongyang that could be detrimental to regime security and stability in China itself.

One of the things that we have seen recently, there is a lot of debate over the current status of the China-North Korea relationship, whether China is unhappy with tightening North Korea-Russia relations or whether their relationship remains on relatively good footing. I don't have any particularly privileged information to share on that, but I will say that there have been reports of provincial-level cooperation on internal security, including, for example, monitoring flows of North Korean defectors or any NGOs and advocates that assist them, as that is something that both North Korea and China consider destabilizing.

So that is an area of very limited, targeted internal security cooperation that might matter much more to these two regimes in question, but doesn't necessarily have an impact on the military balance or military calculations in Northeast Asia. It has a great deal of importance for human rights and human security for the people of North Korea and their families on the Korean Peninsula.

So those are areas where I think we potentially see some cooperation that may take place, again, largely unseen, that is a high priority for the regimes in question, but has relatively limited impact on the military balance.

DR. WISHNICK: These are great questions. We could have a hearing on each one of them, I think.

In terms of the Arctic, this is a region that is crucial to the Russian economy, to its identity, and Russia insists on being the gateway to its own Arctic resources and waterways. China chased a little bit of that, having to pay for Russian icebreaker support and so on, though Russia does want China as a customer for its resources there and wants Chinese investments. These investments have not proceeded unimpeded because we have had sanctions and there has been some hesitation on the Chinese part in some ways. And Russia also wants not to depend exclusively on China in this sensitive region and has been looking at other potential investors. So it is a region to watch, to see the extent of the partnership between Russia and China.

In terms of North Korea, I see a downturn in China's relations with North Korea. It is not clear if this is because of the Russia-North Korea relationship or because of factors in their relationship.

And one interesting thing is that China wants access to the Tumen River, which it would give it access to the Sea of Japan, and North Korea, Russia, and China have yet to come to an agreement about this. They have mentioned it several times in agreements; no progress so far.

MS. BAAR: I will speak to the second question. Historically, in particular, in the Cold War, China has had some adverse experiences with its allies, two of which, Russia and North Korea, are current partners. And I have speculated a bit in my testimony and in other research that these adverse historical experiences may be part of the reason why Chinese leaders are very reluctant to form formal alliances with other states. Of course, that does not mean partnerships are not significant, but nevertheless, that may be a constraining factor.

And I think, therefore, the fact that Russia has, in recent months, signed two treaties with

North Korea and Iran, with North Korea with essentially a mutual defense clause, and with Iran no mutual defense clause, but nevertheless, a significant step up in commitments to security and defense cooperation.

I would speculate that China may be rather concerned because of the fact that these are relationships that are developing bilaterally, where that may mean a loosening of Chinese leverage and control over the directions of these relationships and these states go.

DR. RINALDI: So I have been trying to track China's reaction to these deepening North Korea-Russia relations. And I can say that from the academic communities in China, authoritative academics, there has been some pushback, and they are concerned that we are seeing a growing political mobilization among U.S. allies. But the central government response has been very, very minimal. There has been this lack of an agreement on the Tumen River access. But the only things I have seen is North Korea's Victory Day, where they celebrate their perceived victory in the Korean War. China had a separate kind of ceremony. They didn't send an official delegation. And then commemorating China's entrance into the Korean War, where usually there is a joint kind of celebration, it was also separate.

So there is a lot of tea leaf reading on China being upset with this, but I have seen whatsoever, which I think speaks to if not durability, at least tolerance by China of what we are seeing. Because China does have a lot of leverage on both of these players, but I think there is recognition in Beijing that the North Korea-China border is 300 miles from the capital, Beijing. These are very sensitive partners, and it doesn't want to turn these partners into hostile relationships.

In the Arctic, I would say that Russia has accepted significant Chinese investments. It knows that China is its only kind of option. But also this is a very deep relationship where some of the things we are talking about, like in 2017 they announced Russia was assisting with China's strategic warning capability, these are very sensitive areas of cooperation. And there is also a personal aspect, where both these leaders have said, you know, we have a very good friendship.

So I would say that while I am sure there are Russian concerns about Chinese encroaching on their sensitive areas, it is a quite deep relationship at this point. So I think we need to make sure we are not drawing limits that are not necessarily there.

COMMISSIONER MILLER: Thank you.

COMMISSIONER STIVERS: Commissioner Price.

CHAIR PRICE: Thank you, and thank you all for your testimony.

Dr. Wishnick, I want to start with you and the countering disinformation line of thinking. Can you talk more about the extent of that cooperation? And then you also have a pretty detailed recommendation on that. But I am even wondering if we do enough in that sphere. So can you talk a little bit more about that?

DR. WISHNICK: Yes. Thank you for that question. I think this is really an area to watch further, especially as China develops its own Digital Silk Road and seems to make digital presence more of a key feature of its own international behavior.

This is an area of Russian-Chinese cooperation we have seen become much more important since the full-scale war in Ukraine. Before we saw a certain amount of emulation in terms of the restrictions that the two countries could impose on their digital environment in terms of their recommendations at the UN on internet sovereignty and so on. And they were each focused on emulating the other's tools for their own state interests.

But since 2022, we have seen some joint messaging. For example, the issue of the fake

biolabs, U.S. biolabs in Ukraine, that was a joint messaging effort by both China and Russia. And there was evidence of an agreement between the Russian Ministry of Digital Development and China's National Radio and Television Administration on joint production of content. And so this has led to multiple platforms cooperating, from the Russian and Chinese side, to create these anti-Western narratives, or anti-U.S. narratives, that can be used in multiple environments. This also could involve AI and more technological cooperation, as well.

So this is an area where we have been following, so my recommendations are specific because I think we have a lot of great tools, and it would be so wonderful if we continued to use them, because they have been effective, as we have seen from the reactions of Russians and Chinese to some of these outlets, like Radio Liberty and Radio Free Europe or the NED, AID. They have been complaining ceaselessly about the impact of these organizations, which leads me to believe that they have been successful in some ways. Thank you.

CHAIR PRICE: Thank you. And Ms. Barr, you talked about Iran possibly wanting a closer relationship with China than they have. Is there something that would trigger China to change their posture and welcome that stronger relationship?

MS. BAAR: I think at this stage unlikely, and that is because China has, in economic terms, more developed relationships with its Gulf partners. So even though Tehran, I think, would ideally, as the analysts said, want a much closer military relationship with China and other, I don't think China is willing to give too much, because otherwise that would jeopardize its relationship with, for example, Saudi Arabia. It is important to note, for example, that though Iran and China became strategic cooperative partners in 2016, Saudi Arabia and China became strategic cooperative partners in 2016, as well, 3 days before Iran.

So China does play this delicate balancing game in the region, and I don't see that changing any time soon.

CHAIR PRICE: Terrific. Anyone else want to answer?

DR. WISHNICK: Can I make one small point about Iran? We had a study at CNA on Russia-Iran relations, and brought in the China angle. And from what I saw, Iran has some mixed feelings about China also, because they fear overwhelming influence by China. And this strategic partnership agreement took many years to negotiate because of some resistance and hesitation on the Iran's part.

MS. BAAR: If I may just hop in and add, absolutely. And not just that, I think something that all of these states are united by is they are all nationalistic in a certain way. And Iranian nationalism has been quite significant, particularly regarding its relationship with Russia, where after significant pushback Russia had to pull out of where it had a joint base in Iran and was using that to conduct air strikes in Syria. And that sort of swell of nationalism actually pushed Russia out, and similar factors are at play also with China. So that is a significant part of that, as well, yeah.

DR. RINALDI: I think both panelists are spot-on when we are talking about the agencies of the other partners, but we are also talking about diplomatically and economically isolated states. I mean, in the case of North Korea, I am sure they would welcome Chinese conventional military assistance, for instance. They are operating some really, really old equipment. And I think all these examples, in the Iranian case they would welcome more Chinese investments, as well.

And I think it shows Chinese restraint and hedging, and I think particularly relevant to U.S.-China ties, as well. So if they perceive the U.S.-China relationship getting worse and worse and conflict being inevitable, I think that is when you would see some of the things that you are

talking about, a deeper relationship, and some of those more outrageous requests being granted on Beijing's part.

CHAIR PRICE: Thank you all.

COMMISSIONER STIVERS: Commissioner Schriver.

VICE CHAIR SCHRIVER: Thank you, Mr. Chairman, and thank you to our witnesses. Excellent discussion, and I appreciate your contributions

Out of all the things that potentially concern me about these four countries getting together, I always sort of come back to our main competitor, long-term strategic competitor, and therefore what concerns me most is what, out of this, could make the PLA better? What can they learn? How can they improve?

And this is maybe drilling down a little further on Commissioner Brands' important question about what is next. What is it about the set of known contingencies that we are planning for, what are the gaps that the PLA has that any of these relationships can help them address and improve? I think primarily it is from Russia, but I could be missing something, as well. Is there anything related to Taiwan, East China Sea, South China Sea contingencies where they have gaps, something they lack, that they can derive or extract from these relationships?

DR. WISHNICK: That is an excellent question. I think that as Jake mentioned earlier, China is mining the conflict in Ukraine for information that it could apply to these contingencies. So the use of information in conflict has been one that they have been monitoring very carefully, because if you have alternative information systems then you can't isolate as easily. That is one thing.

The use of information warfare and lawful, I mean, China has this idea of the three warfares, so how successful was Russia in that, what could China do differently. And I think just looking at the type of battle experience that Russia has been waging, because it has been both very modern and very tradition, and might not have been the kind of warfare that China was thinking it would need.

And then the gray zone activities. I think definitely we have seen a lot more cable-cutting around the area. How do those kinds of deniable actions fit into a scenario where a conflict could not be declared but kind of sneak up on the participants.

So definitely a lot of food for thought for the PLA.

VICE CHAIR SCHRIVER: Dr. Greitens, did you put up a yellow hand, virtual hand, or whatever that was?

DR. CHESTNUT GREITENS: I did, Commissioner. Thank you. Let me be brief. It is an important question. I think that there are three main areas where this could contribute to China's military and also just whole-of-government preparation for and ability to withstand the Taiwan or other contingency that affects their risk calculus about entering that kind of contingency in the first place.

The first one is the one that we just touched on, the lessons that China has drawn from the conflict in Ukraine, diplomatic, political, information operations, as well as military lessons.

The second is that these partnerships allow China to address some of its longer term or sort of security vulnerabilities if you use that comprehensive definition of security that Xi Jinping has promulgated and kind of told the partner state that it has to reckon with. So things like food security, things like economic security, financial security, the ability to withstand sanctions, these are things that China is having a wider range of partners, even information and flexible, contribute to its overall resilience and therefore to the calculation that the costs of an operation might be lower than they might thing.

And then the third is one that came up briefly earlier, which is the issue of either simultaneity -- so partners could engage in low-level provocations that nonetheless distract or distribute U.S. attention and resources -- or the strategic distraction, forcing the United States to plan for a broad range of scenarios rather than focusing on specific contingencies and being able to train more narrowly and specifically for those.

So by making the conflict landscape more complex and having to account for multiple adversaries or multiple actors, in any conflict scenario, the planning becomes a lot more complex and a lot harder for DoD and the interagency to do well.

VICE CHAIR SCHRIVER: Thank you. If the Chair would permit, are there other thoughts on this same topic?

DR. RINALDI: Sure. I think learning about the Russia-Ukraine war has come up a lot in terms of the PLA. I will point out one conventional example that I don't think is talked about enough. The China Land Power Study Center, the organization I work at, recently conducted a study on China's integration of energy-directed weapons, laser weapons, to target drones. I think from the Ukraine conflict they have realized how important drones have been. So you will see a lot of development deployment, acquisition of these newer systems as a result of that learning.

In the nuclear space, I brought up just briefly the strategic warning capability that Russia is reportedly assisting with. That has huge implications for China's nuclear policy. Whereas traditionally, China had a no-first-use nuclear doctrine, which meant they would only fire if they were being fired on. If they now have a system where they are basing their own launches on incoming, like a warning system, I mean, that system could be flawed, number one. We also don't know how it would impact the command and control of their nuclear arsenal, so that is huge.

And then we have talked about simultaneity, but in a protracted war scenario, if we are able to reach some sort of stalemate, in any of the contingencies that we are talking about, those partners, their more exquisite system, their precision munitions, for instance, become more and more important, because magazine depth, as we have seen, is hugely important.

So if China, for instances, uses its conventional missile arsenal, or even conventional artillery, North Korea has ramped up its artillery production around the clock to supply Russia, and that has been hugely influential on facilitating Russian operations and endurance and sustainment.

So those are some elements.

COMMISSIONER STIVERS: Commissioner Sims.

COMMISSIONER SIMS: Thank you, Mr. Chairman. This is getting pretty heavy so I thought maybe we would lighten things up a little bit and talk about nuclear annihilation. I would love to hear from each of you any thoughts that you might have on, as we look at this axis of autocracy, this group of nations, any policy divergences in nuclear doctrine or nonproliferation policies or cooperation, or anything among this group of nations in the nuclear sphere that might be worth our consideration.

Maybe we start with you, Dr. Rinaldi.

DR. RINALDI: Sure. I will keep to China and North Korea relations for now, because I just talked about the strategic warning capability.

I noted in my written testimony that China has supplied not necessarily the missiles themselves but some very, very important dual-use goods for North Korea's ICBMs. One of those was an 8-axle advanced military vehicle that the North Koreans were able to turn into a transporter erector launcher. Essentially, we don't need kind of a stationary launch point for our

missiles. Now they are road mobile. And that is hugely impactful because when you are able to move your nukes, you can also hide them, and they become more survivable. So China has provided a number of these sorts of vehicles.

North Korea also has a new multiple rocket launcher system with apparently a new guidance system, and China has also provided the transporter erector for that, as well. So again, we are talking about the survivability of North Korean system.

And then it is important to state that North Korea has a really, really old conventional arsenal. It has put all of its focus, and that sort of indigenous innovation capability, into its nuclear arsenal. So any conflict on the Korean Peninsula, I mean, they would have to rely on their nuclear arsenal.

China has, in part, facilitated that transition by the black market activity in the sanctions that we talked about in the second panel, and also their initial ballistic missile technology, that all came with Chinese assistance and training.

COMMISSIONER SIMS: That is great. Thank you. Ms. Barr, I don't know if you have anything to add on that or on Iran specifically maybe.

MS. BAAR: I can comment on Iran. My colleagues and I found that Chinese statehood enterprises have been actively involved in the development of Iran's aluminum mining industry, and documents relating to that, as well as comments from an Iranian official we found suggests that the Islamic Revolutionary Guard Corps has used this Chinese-owned refinery to produce aluminum powder in support of its missile program. It is not clear whether this was done with China's consent or whether the Islamic Revolutionary Guard went behind its back and taken advantage of this for their own purposes. But that is one thing on that.

The other thing I will just draw your attention to is the recent treaty between Russia and Iran, which does have a clause about Russia providing support to Iran's, quote, "peaceful use of nuclear energy," including the construction of nuclear energy facilities. So read into that what you will.

COMMISSIONER SIMS: Ms. Wishnick?

DR. WISHNICK: I have three unconnected comments. One has to do with Kazakhstan. I think Kazakhstan is becoming important to the Chinese nuclear sector. They have agreements for their power sector so far. And Russia is also involved in this connection. And Kazakhstan is often seen as a way to de-risk from Russia-involved sources of uranium. But Russia is very involved in Kazakhstan's uranium sector, as is China. So it is a complicated sector there.

Second point has to do with Chinese concerns about nuclear escalation. As a result of the war in Ukraine, China has made a series of statements saying that this essentially is its bottom line, that there should not be nuclear threats, attacks on nuclear power plants. And I think that reflects some concern about a future scenario, would Chinese power plants be targeted, or something like that.

And the third point has to do with arms control. Nuclear arms control has collapsed, but before that China was resistant to participating in it, and Russia was not that happy about that. Because as China's own arsenal develops, this could create some long-term issues for Russia. So that is an area to watch in the future, how they manage as China develops its own nuclear arsenal, where does it put its missiles, and how does Russia react to all of it.

COMMISSIONER SIMS: Thank you all. My time is up. I will yield back.

COMMISSIONER STIVERS: Okay. Do other Commissioners have questions? Commissioner Price?

CHAIR PRICE: Dr. Rinaldi, one of your recommendations deals with Congress should

support diplomatic initiatives to reshape the trajectory of U.S.-China relations. Can you expand on that a bit? You have some examples, but what you think isn't being done or how they might be hindering conversations? Can you expand on that a bit more?

DR. RINALDI: Sure. The example that I had in mind is particularly related to Taiwan. I think that in addition to the need to provide for deterrence by punishment, deterrence by denial, so providing for Taiwan's defense, I also think it is important that we don't give Beijing the impression that we are pushing or supporting outright Taiwanese independence, because that, I think, will move them closer and closer to the states that we are discussing today.

So I think the diplomatic initiatives I have in mind, things that will allow us to engage in crisis communications with the Chinese are very important, so more hotlines between our COCOM commanders and Chinese commands of their theater commands. But also on this Taiwan piece, it is very important that we are very explicit, that we are not outright supporting Taiwan independence, because that, I think, will move them closer to the countries we are talking about today, and also closer to conflict.

CHAIR PRICE: And do you think that Members of Congress are just using rhetoric to make certain points, or are you sensing there is an issue where they are pushing back? I am not really sure, in terms of Congress, where you see the issue.

DR. RINALDI: Well, recently it has come up, in the past couple of days, that the State Department kind of readout on China and our position on Taiwan independence has been taken down. I guess in Congress' role in overseeing these sorts of things or providing counsel on these sorts of things, I think it is just very important that we watch this as a Chinese red line. And I think that would have transformative effect on Beijing's perception and the hedging strategies that we are talking about. Because they have engaged in a lot of restraint in all the relationships we are talking about today. They could very easily supply North Korea with very explicit conventional arsenals. They could very easily invest billions of dollars in to the Iranian economy. They could have supplied Russia with much more conventional weapon systems than they have.

So I think recognizing that they are hedging, and we need to give them more reasons to hedge and not engage with these bad actors, is mainly the point of that recommendation.

CHAIR PRICE: I appreciate that. Thank you. And then if I have another minute or two, to everybody, you have, again, put together some great recommendations and thinking that we can then discuss among ourselves in terms of what we present to Members of Congress in the coming months.

But is there any recommendation that you didn't get to or you didn't get to have another few seconds to talk about that you would like to take the opportunity and review? And the answer could be no, but I just wanted to give you that opportunity.

DR. CHESTNUT GREITENS: I will offer one that I touched on very briefly in the end of my oral testimony, and that is that China is actively working to reshape global security governance in ways that marginalizes U.S. leadership and U.S. influence. And the United States has some areas in which it probably does not want to try to compete with China as a security provider. I don't think we should be making authoritarian states better at repression. And we have domestic laws and ethical considerations that keep us from doing that, for very good reason.

But there is a broad swath of counties in the developing world, that I mentioned earlier, that have legitimate security concerns and demands around non-traditional security and public safety, and the United States is poorly organized and poorly resourced to provide good solutions to those kinds of security needs. And in the absence of alternatives, countries are turning to

China. So China has an opening to reshape global security architecture in ways that disadvantage the United States and then put China at a pole position because the United States is poorly organized and resourced to engage in this type of asymmetric security competition.

So Congress has a role, not the sole role, maybe not even the leading role in reorganizing the interagency for this type of asymmetric security competition, but anything the Commission can do to draw attention to and press Members of Congress to ask the executive branch about how they are dealing with this challenge of China's effort to rewrite global security governance and global security architecture is an important step and an important input to the policy process. Thank you.

CHAIR PRICE: Really helpful. Thank you.

COMMISSIONER STIVERS: Commissioner Miller?

COMMISSIONER MILLER: This is a bit technical, but I was hoping one of you might be able to answer it. We have talked about interoperability. We have talked about weapon sales. I am curious how advanced China's jet making might be, jet fighter making might be without Russia's assistance. China currently produces a variant of the Sukhoi 20 and 30. Are they able to, without Russia's assistance, produce more advanced jets? Will they be able to, going forward, if for some reason there were a divergence of interest between Russia and China?

Perhaps Dr. Rinaldi could start, and anyone else can contribute.

DR. RINALDI: No, I can get back to you on that question.

COMMISSIONER MILLER: Anyone else interested?

DR. WISHNICK: I can say something about engines. Engines have been the weak point in China's aviation industry. Even though they build planes, they tend to get certain parts from Russia for these engines. And also training has been a weak point in terms of pilots. So it is true that China makes more and more of its own systems, but there are certain key components that China does not do as well.

Another study we had at CNA looked at how China was supporting the Russian war effort. And what China does not do as well is the machine tools needed to build weapons. So if China was cut off from international suppliers, that would be difficult for China's weapons industries, in general.

And may I just add one thing to what Sheena said on the previous question, in terms of recommendations? I think Central Asia is an area to look at in terms of a region where China is trying to expand its security influence, and the U.S. has not been very active. And some countries in that region have been uncomfortable with the digital connections with China, which require their data to be kept in Chinese servers. And so I think they would welcome a lot more U.S. engagement in a variety of areas in terms of information technologies. I mentioned Coast Guard support in my testimony, and other areas.

COMMISSIONER MILLER: Thank you.

COMMISSIONER STIVERS: Any other Commissioners? Okay.

With that, in closing, thank you all to our witnesses for your excellent testimonies today. You can find these testimonies as well as a recording of the hearing on our website, USCC.gov. I would like to note that the Commission's next hearing will take place on Thursday, March 20th, focused on China, Southeast Asia, and the Pacific Islands.

And with that we are adjourned.

[Whereupon, the above entitled matter went off the record at 3:25 p.m.]

Minute 6:02:30

COMMISSIONER MILLER: This is a bit technical, but I was hoping one of you might be able to answer it. We have talked about interoperability. We have talked about weapon sales. I am curious how advanced China's jet making might be, jet fighter making might be without Russia's assistance. China currently produces a variant of the Sukhoi 20 and 30. Are they able to, without Russia's assistance, produce more advanced jets? Will they be able to, going forward, if for some reason there were a divergence of interest between Russia and China?

*Answer provided on April 4, 2025*

JAKE RINALDI: Overall, China is no longer reliant on Russia for military aircraft production. While their fighter jets are often derived from Sukhoi designs, the internal systems (including flight controls, avionics, radars, and increasingly engines) are domestically developed. They still have room for improvement in some aspects of engine technology, particularly high-end materials science, but they are making steady progress and are largely self-sufficient.

China can now domestically overhaul and re-engine aircraft without Russian support. While their engines may not yet match

the highest-performance Russian systems, they are closing the gap quickly. Previously, limitations in high-end tooling and manufacturing processes hindered their progress, but domestic capabilities have largely caught up, leaving materials science as the primary remaining challenge.

From an R&D perspective, China no longer needs Russian assistance. AVIC is fully capable of developing fifth- and even early-stage sixth-generation aircraft independently and is likely ahead of Russia in this regard. Engine development was the last major hurdle, and they are on the verge of overcoming it without external help.