

Beijing's Axis of Chaos

October 10, 2024

Featuring *Matthew Pottinger, Michael Singh, and Craig Singleton*

Moderated by *Kylie Atwood*

Introductory remarks by *RADM (Ret.) Mark Montgomery*

MONTGOMERY: Well, welcome, and thank you for joining us at today's event, hosted by the Foundation for Defense of Democracies. I'm Mark Montgomery, Senior Director of FDD's Center on Cyber and Technology Innovation. Today is October 10th, and today's panel will discuss what steps the US and its allies can—and should—take to counter the Chinese Communist Party as the leader of the global 'axis of aggressors.'

We're pleased to have you here for this conversation, some in person, some online, live, and some tuning into our podcast. You know, for this issue, we see China as the driving force behind much of the chaos we see around the world, working with rogue regimes such as Russia, North Korea, and Iran, by meddling in the Middle East, supporting Russia in its illegal invasion of Ukraine, and conducting a coercive cyber campaign against Taiwan.

It also interferes in America's upcoming presidential elections. So, we have a great panel here to discuss this today, led by Matt Pottinger. He serves as Chairman of FDD's China Program. Previously, he served in the White House for four years in senior roles at the NSC [National Security Council], including deputy national security advisor from 2019 to 2021.

He previously served as senior director at the NSC, leading the administration's work on the Indo-Pacific. He is personally credited with raising awareness of Chinese Communist Party efforts to spread influence and interfere in U.S. institutions, including academia, the tech sector, and Wall Street. He's the author of a newly released book, which is in the back there. It will be for sale. *It's The Boiling Moat: Urgent Steps to Defend Taiwan.*

I was proud to contribute several chapters, and for that reason alone, I encourage you to pick up a copy. Craig Singleton — we also have with us Craig Singleton, my partner here. He's the senior director of FDD's China Program, as well as a senior fellow. He analyzes great power competition with China. He's the best impersonator we have of Chairman Xi. He previously spent more than a decade serving in a series of sensitive national security roles within the U.S. government, where here primarily focused on East Asia.

We also have Michael Singh, managing director and Lane-Swig Senior Fellow at The Washington Institute, and also a former senior director for the Middle East affairs at the National Security Council.

During his tenure at the White House, he was responsible for devising and coordinating U.S. national security policy towards the region, stretching from Morocco to Iran.

Moderating today's conversation is CNN National Security Correspondent Kylie Atwood. As a journalist for CNN, and previously, the State Department's correspondent — the State Department correspondent for CBS News, she's reported from dozens of countries around the world, including Russia, Afghanistan, China, and Mexico.

On one of Secretary Mike Pompeo's trips to North Korea, Kylie was the sole pool reporter on the trip, allowing her to report direct conversations with North Korean officials. Before we dive in, last, a few words about FDD.

For more than 20 years, FDD has operated as a fiercely independent, non-partisan research institute exclusively focused on national security and foreign policy issues. As a point of pride and principle, we do not accept foreign government funding. For more of our work, please visit our website, *Bo*. Follow us on X and Instagram, and subscribe to our YouTube channel. We're literally everywhere. So, let's dive into our discussion.

Kylie, over to you.

ATWOOD: Thank you, Mark.

All right, so he did all the introductions, so we have the opportunity to dive right in. I want to start with where we are today, which is waiting for Israel to respond to Iran's ballistic missile attack. I think that sets the stage for a conversation about where China plays into all of this.

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We heard today from the Chinese foreign ministry spokesperson that they want a diplomatic outcome, calling for countries to play a constructive role, you know, opposing antagonism to be fueled in the region. But I think what they say publicly is often not exactly the reality here.

So Matt, can you set the stage for us, and explain why what we're seeing in the Middle East right now, with this conflict expanding, is likely to be most beneficial to China?

POTTINGER: Yeah, sure. It's good to be here. Thanks. Look, what we have seen emerge over the past few years, but particularly, you know, we've seen it accelerate since the — the terrorist attacks on southern Israel a year and a couple days ago, is the emergence of an axis, right?

People — some people resist this idea that we're confronting an axis, now, of aggressors, if you like. I like to call it the 'axis of chaos,' because I'm borrowing Xi Jinping's own phrase that he used in a 2021 speech, where he said, "The most important feature of the world today is, in a word, chaos." And that trend is likely to continue, and that trend is also something that benefits China. The opportunities are greater than the risks, is what he said.

So, because we have the emergence of an axis — by the way, Iran likes to use the word axis, although it's usually to describe their network of proxy terrorist organizations that kill Americans, and Israelis, and others around the region; and lots and lots of Arabs that they — as we like to say, Iran wants to fight Israel to the last Arab.

What — because we have proper axis now, Beijing has indulged a very zero-sum view of the world that — and that is, whatever's bad for America must be good for Beijing, therefore, Beijing was able to pivot on a dime from having reasonably OK relations with Israel to throwing Israel under the bus, right after the October 7, 2023 attacks.

And it started to provide diplomatic cover for Hamas, and other terrorist groups. It began to absolutely, heavily amplify anti-Israel, antisemitic content over TikTok and other platforms.

So, right now, Beijing's taking a zero-sum view. But they've also accepted some risk in this strategy. Before 1979, when Iran had its revolution, the United States had managed a three-pillar strategy for the Middle East. We had good relations with Iran, we had good relations with Israel, and we also had good relations with Saudi Arabia and Egypt, until the 1979 revolution. And then, of course, we've had terrible relations with the theocratic, pro-terrorist regime in Iran ever since.

China was trying to do a three-pillar strategy, and was getting away with it for a while, but they chose to, like I said, sacrifice serviceable relations with Israel in order to try to harm the United States. So, what Israel does next, I don't think that China is going to insert itself into the middle of a hot conflict, like we have right now.

But the consequences are going to be massive. The consequences, depending on how Israel responds — and, by the way, the longer-term consequences, if Israel is — judges that it's unable, or unwilling, to reduce Iran's nuclear capability, the long-term consequences could be more destabilizing for the region, if Iran decides to achieve nuclear breakout.

And so, right now, the free world is, in many ways, resting on the shoulders of countries that are not formal treaty allies to the United States. Israel is not a former treaty ally. Israelis wisely said, we don't want all the strings that come attached to being an American ally. They didn't want to have their national security decisions vetoed, in effect.

Ukraine is not a U.S. national security ally. And yet, these two countries are really holding the line against the axis, while free countries that are allies to the United States, and the US itself, are a little quiet, maybe even sort of cowering under our desks.

ATWOOD: Mike, one of the things that China tried to do early on in this conflict was to insert itself in some diplomatic proposals, meetings, and the like. Never really went anywhere.

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The Biden administration, interestingly, kept a door open to their efforts, though. They didn't say, we oppose China, you know, trying to come up with a solution for this conflict. They entertained China's efforts there.

Realistically, Matt said he doesn't expect China to get intimately involved as this conflict is, you know, growing hotter. But realistically, do you think China could ever play a role in those diplomatic conversations to bring this conflict to some sort of an end, or is that just a completely unrealistic idea?

SINGH: Well, bottom line up front, I think it's totally unrealistic. But let me say first, it's great to be here at FDD. I have a lot of respect for FDD. FDD represents, I think, a really authentically American approach to national security, which is not at all, necessarily, a common thing, or something to be taken for granted. And I've known Cliff May and Mark Dubowitz for a long time, and I'm a real admirer of what goes on here.

I've also been studying Chinese policy and the Middle East for a very long time. And I used to write about China and the Middle East, that China looked at the Middle East, sort of, through three lenses. And issues got refracted through these three lenses of China's interests, you know, things like energy and, you know, maritime choke points.

Not so dissimilar from our own interests in the Middle East. And then the lens of, sort of, extra-regional projects, like the Belt and Road Initiative, where the Middle East is sort of a, you know, a stopping point, or a connecting point, between China and Africa, or China and Europe.

And then, third, the U.S.-China relationship. And China always had this somewhat tortured, conflicted relationship with the United States and the Middle East, where they really wanted to see the United States taken down a peg; and yet, were totally dependent on our provision of security in the region.

Fundamentally, that's all still the same. Except I agree with Matt, that what's happened is, the U.S.-China lens has become much more prominent. And you see, increasingly, China making decisions about, you know, the stance to take on a conflict—like Gaza—through this lens of zero-sum competition with the United States. And increasingly viewing both this conflict, I would say also Ukraine, as really, as an opportunity to try to diminish American leadership in the world.

But what we don't see, Kylie, I think is an increased Chinese commitment to the region. And so, what have we seen from China? We have seen China before this conflict broke out, help to break — broker, rather, a normalization deal between Iran and Saudi Arabia. As far as we can tell, there's no real Chinese content to this deal.

China played host. You know, just like FDD, they provided the salad and the sandwiches, but I'm not sure that — and I'm not saying that FDD didn't do more than that here, but I'm not sure that China did more than that in brokering Iran-Saudi Arabia normalization.

Yet, the Chinese touted it as, you know, we are replacing America. But the difference between the United States and China is that we are putting on the line — not just money, and we put a large amount of money and aid into the Middle East. We're, you know, bigger contributors over the years to, say, the — to Palestinian economic aid than, frankly, anyone in the world.

The Chinese give very little. We have put our forces into the Middle East to not — act not just as a security guarantor, something the Chinese won't do, but to be a security integrator, something the Chinese, I think, can't do. The Chinese won't send forces to the Middle East to put their lives on the line for partners.

So, China's not really willing to put skin in the game, and I think China doesn't have the background in the issues necessary to have the, sort of, trust and knowledge of the parties to play a significant role.

Where countries have looked to China is to use their economic clout to influence these issues in the Middle East.

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So, back in the Obama administration, for example, one thing the Obama administration sought to do was to, essentially, get the Chinese to exercise influence over Iran by utilizing their economic relationship with Iran to say, look, you need to do x, y, and z on the nuclear negotiations. Otherwise, you know, no more oil purchases.

I think that it's probably widely recognized in Washington that those days are over, that China is not going to be responsive to those kinds of requests from the United States, because of what Matt was talking about, because of where I started, is that now, increasingly, this is, I think, seen as a zero-sum game in Beijing.

So, anything that helps the United States, inherently, I think, Beijing will see as bad for itself. We've seen that, not just on the Iran question, where China has tremendous influence, economically, over Iran, but hasn't been willing to use that. We've seen that on the closure of the Red Sea, where, you know, far from using its influence to open the Red Sea, China used its influence, apparently—if you listen to Kurt Campbell—just to get its own ships through.

Bear in mind that what's happening in the Red Sea hurts partners of China, like Saudi Arabia. Saudi Arabia had been hoping to become a hub for logistics in the Red Sea, but it can't do that, because of what the Houthis have done.

Look, my hope is—I mean, not my hope; my expectation, frankly—is, out of all of this, our partners in the region will see that whatever they had hoped to get out of a closer relationship with China, Beijing is not delivering on that. You know, if you're hoping to hedge your bets with the United States through a closer relationship with China geopolitically, China is not an alternative to the United States, if what you want is a partner that's going to exercise influence or put its own skin in the game to try to affect these issues.

ATWOOD: You mentioned the energy relationship between Iran and China, which Iran is heavily reliant on.

Craig, I wonder if we can bring you in here to discuss how that plays into this moment in time, if — I think it's about 90% of Iran's energy exports go to China. So, obviously, as Mike points out, that's an incredible point of leverage, not one we're expecting them to use; but can you just help us understand how the US should be looking at that part of this conversation?

SINGLETON: Sure. I mean, I wholeheartedly agree with the comments made by Mike and Matt here. And I think, of course, there's a degree of strategic opportunism that the Chinese are exploiting in the Middle East right now. But some of those dependencies and those linkages, particularly in the case of Iran, I think can come and backfire a little bit.

China's economy is in freefall. The demand that the Chinese will have for Iranian oil products—particularly as it seeks to exploit and develop new sources of energy from places like Russia—sort of create a perverse relationship where Iran, I think, maybe starts to question how much they can rely on the Chinese. And the Chinese are thinking about a new, diversified system in which they have centrality, and that there is weaponized interdependence with friend and foe alike.

And so, when I think about the energy market, though, I sort of step back and I say, there's this long-held myth that the Chinese prioritize stability to protect economic interests and energy interests, but I think that this myth is fading fast. And what we see, actually, is that Beijing is betting on disorder today to dictate the rules tomorrow. And the Chinese have already made clear that they will deemphasize things like economic growth, and economic partnerships, in favor of security and control.

And so, I think it's really important that we realize that the instability that we're seeing here represents, sort of, a strategic shift from Beijing. It used to be seen, instability, as something to avoid, but now, it's seen as a tool to harness, right? But the reality is that it's like a chaos is towards an end. China wants to foment all of this discord and instability and create leverage and dependencies amongst other countries, including the United States on China for new energy, like EVs [Electric Vehicles].

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At the same time, it's also sitting back, though, and thinking not just about competing, but, I think, increasingly about creating a system where authoritarians can better align, and then protect their interests. And energy is — I think, sits at the heart of that equation.

ATWOOD: Matt, you have done extensive work that points to exactly what Craig is talking about globally. What I wonder is, how much China is discussing this strategy, this 'axis of chaos,' with its newfound allies in Iran, in Russia. Is it your sense that when Chinese officials are meeting with their counterparts from those countries, that there is a bigger strategic discussion happening, or that they're just, sort of, focused on small, chaotic events that they can fuel together?

POTTINGER: Yeah, I think it's a mix of grand design and accidental opportunities that emerge. It's a mix of those things. But Beijing certainly deploys many of its elements of force, of power, to try to harness—as Craig says—this instability to its advantage. I'll give you an example. Let's think. I think it was almost exactly a year ago, a little less than a year ago, that Xi Jinping hosted Nicolas Maduro. This guy is just a joke of a dictator, right?

This is a guy who, him and his predecessor, Chavez, have destroyed Venezuela. Venezuela's biggest export is refugees. About 20% or more of their people have walked out of the country, because some people were actually starving, right? They — it is so inept, that governance, that you would think that Beijing would be thinking about, well, how do we stabilize this so we can get some of our money back, right?

Because Beijing has let tens of billions of dollars that they're not going to see from — certainly not from the current government — but instead, they saw that the chaos and instability that has emerged from Venezuela's plight was something that they should exploit: drug trafficking up through Central America into the United States; Iran and Russia getting a foothold in Latin America; the Quds Force is operating in Bolivia, and in Venezuela as well. And so, what did Beijing do? They brought Maduro to Beijing, and Xi Jinping met with him, and upgraded their relations, this shambolic joke of a country that's lost 80% of its economy. They are one-fifth the size of an economy they were before this guy came in. And Beijing brings him in, and upgrades to whatever the term was, some high-level strategic partnership.

And Maduro goes back and announces that he is preparing to threaten to invade his neighbor, Guyana. Last, he made this threat in December. And then in July, he stole an election, even when all of — there were sufficient results that had been tallied and recorded to show that the opposition won, with almost 70% of the vote. He stole the election. Xi Jinping was either the first, or the second, or the third phone call to congratulate Maduro. The others were Vladimir Putin and the Ayatollah, or the president of Iran.

So, yeah, they are using the elements of statecraft to foment and harness further instability and chaos, especially when it creates problems for us.

ATWOOD: The Ukraine war is one of those, obviously; a very clear one. The Biden administration has sanctioned Chinese entities that are sending dual-use goods to Russia, that are effectively fueling Russia's military.

And they have said so much, even though they say that China isn't sending, you know, lethal assistance at this point. But the sanctions that they've put in place, I think there are questions as to how effective they have been.

I mean, you talk to folks at the State Department, and they will tell you that some of the Chinese entities that they've sanctioned have been shut down by the Chinese government. And there's, you know, some movement there, but they still can't say that there has been enough movement to actually shut down this direct support.

POTTINGER: It has increased.

ATWOOD: Right.

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POTTINGER: So, when Secretary of State Tony Blinken, in April, traveled to Beijing, he made a very important statement. He basically declared, in so many words, that Xi Jinping had violated the red line, in effect, drawn by President Joe Biden just a few weeks after the invasion. This was the February 2022 invasion of Ukraine.

President Biden, rightly, got on the phone with Xi Jinping two or three weeks later, and said, “Do not provide material support.” He didn’t say lethal support; he said material support to—according to the White House readout, and President Biden’s own recollection that he talked about on record—“Don’t provide lethal — material support for Russia’s war, or it will cost you, Xi Jinping. It will also cost China’s economy access to the U.S. and European markets.”

So, Xi Jinping, arguably, was actually pretty careful for the next 12 months. There was — there was a lot of little stuff where they were probing and providing chips, and things like that, semiconductors.

But then, something happened that, I think — I suspect that the historical records will show in the future, that the thing that caused Xi Jinping to decide that President Biden was bluffing was when Iran began providing thousands of kamikaze drones to Russia to kill thousands of Ukrainian soldiers and men, women, and children, civilians. And Xi Jinping saw that the United States did almost nothing to respond, except for a couple of token sanctions that made no material impact on Iran.

And, in fact, we were continuing to pursue diplomacy with Iran at the same time. Xi Jinping said President Biden was bluffing; I’m going big now. Xi Jinping flies, in March of 2023, a year ago and a half, to see Putin at the Kremlin. And as he’s leaving, he said, “Vladimir, there are changes occurring on the world stage that happen but once in a century, and you and I are the ones driving these changes.”

According to this—I think it was CSIS [Center for Strategic and International Studies] data—the number of military relevant transactions, exports of Chinese material support to Russia, skyrocketed in concert with that meeting at the Kremlin, and it never came down again. Even after Tony Blinken went and said, “We know what you’re doing, knock it off,” Xi Jinping clearly believes that that was also a bluff.

And, in fact, so far, he’s been proven right, because the United States has not taken significant enough steps to make a dent or impose real costs. Can anyone in this room name any of the Chinese companies that have been sanctioned? I can barely — I’ve never heard of any of them.

These are shell companies that were set up overnight to provide, you know, dual-use equipment. This is lethal equipment now. According to our deputy secretary of state recently, this is dual-use equipment designed to kill Europeans in the largest war in Europe since 1945. We haven’t yet imposed costs. So, it’s going to continue until we do.

ATWOOD: What should those — what should they consider for those costs? Because they will say, we’ve sanctioned hundreds of these Chinese entities, and some of them have been shut down but, to your point, it’s not actually being effective.

POTTINGER: Yes. You guys might have ideas about this. I would start with what the Biden administration already threatened in March of 2022, when our Secretary of Commerce, Gina Raimondo, commenting on the prospect of China providing material support to Russia, said, “We can shut down China’s biggest semiconductor manufacturer overnight. We can unplug it.” SMIC [Semiconductor Manufacturing International Corporation]. SMIC is humming right now. No one’s unplugged anything there.

SINGH: This has also, I would say, a sort of mirror image on the Iranian side, and this brings in China as well which, if you think about, sort of, the role that Iran has played in events in the Middle East since October 7th, I think that, again, you know, Democrat, Republican, looking at the events since then, would say, the October 7th attacks, whatever role you believe Iran had in them, wouldn’t have been possible without Iranian support for Hamas.

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What Hezbollah is doing, has been doing, in that year, wouldn't be possible without Iran's support. What the Shi'a militias in Syria and Iraq have done. Then, of course, Iran's own attacks on Israel, the largest ballistic missile barrages in history, you know, directed against Israel, with the US intervening to help defend Israel. What price has Iran paid for all of that?

Well, within Iran itself, the cost has been one single radar installation, if you believe news reports. Nothing more. There's been no effort, as far as I know, to, for example, curtail Iran's oil exports. Where are those oil exports going? They're going to China.

So, in order to get at those oil exports, you would need to — you could go after some of the transshipment points, like Dubai or Malaysia, but you would have to be willing to really enforce sanctions against China.

And there simply hasn't been that willingness, even though the nuclear negotiations with Iran floundered; even though Iran has played this role; and even though we've said many times, not just on the drone issue, where Matt's absolutely right, but on the provision of ballistic missiles to Russia, and on everything Iran has done since October 7th, we have said, repeatedly, there'd be severe consequences. But those severe consequences haven't shown up, certainly on the military side. And I would say they haven't even shown up in a willingness to enforce the sanctions we have on the books, much less take other actions to try to interdict drones or stop, you know, missile parts flowing to Iran, and so forth.

You know, I don't see how, if you're sitting in Tehran—of course, all this may change in the coming days; not thanks to us, but thanks to Israel—if you're sitting in Tehran, why you would think that there's a cost to any of this? You wouldn't. You would think there's no real opposition coming from the West to all these activities you've undertaken over the past year, two years, three years, and so forth.

SINGLETON: I would just add, we talk about cost imposition, but we really have to talk about the introduction of risk into Xi Jinping's calculus. And I think that, particularly amidst the economic slowdown in China, they are at one of their weakest points, and the fragility of the Chinese banking sector—Matt mentions SMIC, and I agree—I start to think about the concerns that would erupt in the Chinese banking sector if we targeted just one or two banks as a starting point, a shot across the bow of Chinese banks, cutting them off from the U.S. financial system and network and the global financial network.

We often see that they'll exploit these cleavages, right? The Chinese will run right up to the line, and get, sort of, chalk on their cleats, and then they'll tip-tap over, and they'll probe, as Matt—and I think Mike—have, sort of, articulated here.

But you sort of wonder, if we took true action against Chinese banks, in this very moment, when the economy is crashing, they're fumbling to put together a — sort of a Chinese sugar high stimulus package that I don't think anyone really believes is going to have any meaningful or material impact on China's economic downturn. What would happen if there was a real concern that we would be meddling in their financial networks, and going after banks that are being involved in supporting either Iran or Russia?

And there's plenty of precedent for this, there's existing authorities for this, and a lot of these banks are already moving illicit financial transactions that we're seeing. You sort of wonder, can we inject risk, with almost no blowback on us?

Because these are not banks that have any sort of meaningful ties to the United States. These are just areas that we haven't seen a real willingness from Secretary Yellen to explore, either rhetorically or even simply, I think, to Mike's point, to, sort of, hint that action could be coming. We just don't see that risk tolerance here.

ATWOOD: And it's a really interesting point, given this week, you know, news coming out of China is this stock market rally driven by questions about if there's going to be a stimulus, if there's not. But fundamentally, the reason for the conversations about a stimulus have to do with China's economy right now. I mean, you have skyrocketing or, you know, very high unemployment numbers among the youth. You have the housing problems.

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And it is an interesting one that you don't really hear U.S. policymakers talk about a lot, targeting the Chinese economy. Some folks that I've talked to have said, it's already strong enough. You know, they don't — they don't need their economy to be targeted right now, because we're not really going to take them down in a substantial way.

I don't know if that's, you know — if that's realistic, but Matt, you have made the case that we need to win against China, not just compete with them.

POTTINGER: Right.

ATWOOD: So where do you fall on this question of going after them economically —

POTTINGER: Well, if we take —

ATWOOD: — when there's reason?

POTTINGER: Yeah, yeah. Well, I — if we take a step back for a moment, I agree with Craig that China's economy is more vulnerable than ever because of the policy — not because of anything we did, but because of the policies of the current dictator at the top of that system, right?

And so, if you think of the Chinese economy as a big 747 airplane, right, with four engines, the four engines that carried China from being a backwater, with an economy smaller than Italy, to now the second largest economy in the world, although not doing so great, it — those four engines were fixed asset investment, you know, foreign direct investment, and Chinese investment in the infrastructure. It was the creation of a property market so that people could own their own property, starting in the late 1990s. That unleashed a boom in building that was so big that it accounted, until recently, for one-third of the Chinese economy. Then, there was this, sort of, alleged revving-up engine for a consumer economy, a consumer class in China.

All of those are now flaming out, right? The property market has collapsed. People don't feel like they have money to spend as consumers, so consumption is collapsing. All the fixed asset investment isn't delivering the kind of growth it used to because they've already built more high-speed rails than the rest of the world combined. How many more do you need? Foreign direct investors are leaving. That's cratering, because no one trusts that they're going to be able to make money and get it out.

That leaves one final engine. And Xi Jinping is now flying the world's second-largest economy on one engine that he is gunning to the wall, and that is, to export his way to global dominance. Just make everything. And so that's why China's now manufacturing one-third of the world's stuff, or more, and less than — and consuming less than 10 percent of it.

That massive delta is a China shock. His strategy is to swamp the world's industrialized economies with subsidized—whether it's through tariffs, or state subsidies, or stolen intellectual property—to make us totally dominant on those exports.

Now, that leaves a huge vulnerability for him. If that last engine doesn't work—and, by the way, tariffs—remember those, how controversial it was when President Trump in 2018 raised tariffs? President Biden was critical of that, but ended up embracing it. He's — President Biden's just raised tariffs on Chinese electric vehicles to more than 100 percent. If Europe finds religion on this, and other allies, Beijing starts to find that this last engine that's supposed to fly them to paradise and global domination is also sputtering out.

So, I think we should be thinking about it. Why would we be complicit in supporting a mercantilist economy that doesn't serve its own people, and is trying to wipe out industry in our country and elsewhere? Why would we be complicit in that?

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The costs of doing that would be so much greater than the costs of imposing more barriers, tariffs in some cases, export controls, going further, even, than President Biden's team has gone with the — with the very useful export controls they've put on semiconductor manufacturing equipment, so China doesn't achieve its dream of dominating semiconductor manufacturing.

There are other things we can be doing to say, “No, we're not going to let you win by serving your own people terribly, and then wiping out our industry.” And it's easier for us to do that now, because the Chinese economy is on one engine.

SINGLETON: I would just add onto that — and I agree with Matt, right? For the longest time, there was a narrative in Washington that if the Chinese economy went south, the U.S. economy would go south, right? But in a post-COVID environment, as there has been a natural de-risking and de-coupling in certain supply chains, it, sort of, exposed the inherent lack of productivity in Marxist-Leninist economies, right?

And I think Matt brings up all great points about how they have attempted over time to juice their economy. And the Achilles' heel today is that — the only way that they're going to bridge from today to tomorrow is technology. Xi Jinping knows this, right?

The Achilles' heel though is that the export of EVs, and batteries, and drones, and what the Chinese refer to as new productive forces, the next drivers of the industrial revolution that they think is ahead of them, and China's desire to control and harness that — all the export markets that Matt mentions are the United States, Europe, and Japan, right? They're not buying EVs in Botswana, right? They're not buying these highly sophisticated technological products, or advanced pharmaceuticals, in the Global South. It's just not happening.

It's reliant upon breaking into our markets, establishing these behemoths, and then controlling critical supply chains. And the question really is whether we, the Europeans, and countries that are industrialized in Asia are going to allow that to happen, having seen this before with Huawei, or DJI drones, or other aspects of this new productive forces model, or whether we're going to do, and use, existing and new tools to box them out?

And the question we really have to assess in each of these sectors is, how deeply have they already penetrated our markets? Do we have to wage a war of attrition on those critical dependencies? And where can we stop it right away? EVs is one where we can put up barriers immediately, batteries right away. But some of these other things are going to be harder. And the question is, whether we do that fast enough, such that China actually develops — builds too many of these things. They can't export them anywhere and they just sit there, and Chinese debt levels just continue to increase, which is a greater liability for them.

ATWOOD: What do you guys think is the next frontier, when you talk about boxing China out? We saw that with Huawei. It started during the Trump administration. It continued into the Biden administration. It's actually, you know, a policy continuation from Republicans to Democrats, which was interesting to see.

And now, electric vehicles are, you know, kind of the topic du jour, if you will. What's the next frontier here in terms of, you know, an argument that the US can make, that there is a national security reason, or there is a competitive reason, in a specific sector, that we should be focused on?

Michael, do you have any —

SINGH: Go ahead, start.

POTTINGER: Well, I have one idea, and this is another example of continuity where President Biden took something that came out of the Trump administration and ran with it, and it's just playing out now, and it is the following: During — President Trump signed an executive order, when he was president, to set up something that is not a household name.

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It's called the ICTS Regime. That means the Information and Communications Technology and Services Regime, which is basically like the CFIUS body — the Committee on Foreign Investment in the United States, that the Treasury Department chairs — they screen inbound investment at the Treasury Department to see if there's national security risk.

Well, President Trump created, on paper, the idea of creating a similar body at the Commerce Department that would screen incoming technology into the United States. Not investment, but software and hardware for communications and tech, you know, cloud farms and the like, EVs.

This gets important, because — and basically, they could block imports of these services and software from adversary states. By the way, that was the first time the U.S. government used this phrase 'adversary states' and defined them. And includes, of course, Russia, Iran, North Korea and China.

And so, President Biden signed his own executive order expanding on President Trump's, and they've just used it on China for the first time last month. And what was the rule? It was to ban Chinese software and other components going into electric vehicles.

He basically banned Chinese EVs. There are some loopholes. There are things, you know, China could set up a joint venture that it couldn't control, but it might be able to build them in the US. But this was a — this was a major step—I don't think it got as much attention as it probably should have—because this blazes a path to start blocking out all kinds of dangerous technology. They did it on national security grounds, not trade protection grounds. Namely, you can kill someone in an EV when you have control of all the software, and the Bluetooth, all the way to the satellite receiver.

You can shut down and sabotage equipment. You can steer someone's car into traffic. I mean, the Commerce Department, which is not the most hawkish part of the United States Government, determined that the national security risk was so high that they've taken the unprecedented step of banning Chinese EVs.

ATWOOD: That's an area for us to continue watching.

POTTINGER: Yes.

ATWOOD: I didn't know that, I will admit.

SINGLETON: I will add, you know, Xi Jinping has said that data is the 21st-century oil. And there's no data that's more sensitive than our genomic material. So, I think biotech is actually the next frontier. I think biotech is the next semiconductors, to be honest here.

There are alarming linkages between Chinese companies, like BGI and MGI Tech and the People's Liberation Army, doing frightening research. Some of it sounds dual use, but there are obvious military applications. And you start to wonder how the Chinese, with a series of national security laws that they've enacted in the last few years, and their deep control over the data sets — the genomic data sets for tens of millions of Americans, which they have, how that could be weaponized and harnessed. And, you know, we have an upcoming report on this issue, and we sort of delve into how the PLA [People's Liberation Army] itself has articulated a core strategy of weaponizing biotechnology.

Can you create targeted weapons that attack at the, quote, 'molecular level,' right? By designing weapons based on your genomic data that could be released to go after groups of people or individuals or even leaders.

They talk about things like brain control technology, and the Commerce Department under the Biden administration has sanctioned several Chinese entities for work on these, sort of, frightening next-generation weapons.

But I can't think of anything that's scarier to me than Chinese companies—and then the Chinese government, military, and intelligence services—having access to a lot of our DNA. So, we have to start thinking about data localization.

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We have to start thinking about boxing these companies out of the U.S. market and preventing those companies not just from getting market share, but establishing any sort of connection to U.S. hospital networks, hospital chains, that could potentially allow the transfer of our, literally, our genomic data to the Chinese.

ATWOOD: Fascinating.

SINGH: You know, I'll just chime in one thing, Kylie, just —

ATWOOD: Yeah.

SINGH: — just to point out that — and to bring things back to the Middle East, as they always should be brought back. You know, we talk about the, sort of, barriers that we're erecting, and I am fully on board with what Matt and Craig are talking about.

But I think it's important to remember that our adversaries are really good at finding the soft spots in these regimes that we set up, in these, sort of — the regimes we set up to protect ourselves. And I think we can't forget that in the Middle East, we have partners who are very wealthy, who are determined to move out in these areas of critical, sort of, emerging technology, whether it's quantum, whether it's biotech, you know, whether it's renewable energy, and EVs, and things like that.

And we need to — and they will, if we are not careful, do these things in partnership with countries like China, and so forth. And so, in addition to, sort of, setting up barriers, we need to think about how we bring those countries and partners into the fold.

And I think this is one thing that was usefully, sort of, begun under the Trump administration—you know, when Matt was there, and others—that the Biden administration has actually continued, is starting to see these partners in the Middle East, not just, sort of, as the objects of American foreign policy, where we're, you know, there's a problem in the Middle East. We go solve it.

But to see them as partners in this broader effort that Matt and Craig are talking about. How do we make sure that their capital, and their, sort of, ambition, can't be harnessed by China, but that we, in fact, harness it as part of a global strategy to counter what China's doing?

ATWOOD: I want to pivot to Taiwan, just so that we make sure we get that in, even though we could keep talking about this for a while.

But, Craig, you were recently in Taipei doing a tabletop exercise, and it was looking at the most likely scenario for China overtaking Taiwan, using economic and cyber coercion—if I'm not correct, please correct me if I'm wrong—but I was looking at the report that you wrote with Mark [Montgomery], and one of the takeaways that you guys wrote was that the CCP [Chinese Communist Party] actions did not trip any red lines in Washington, or among allies, that an invasion or blockade would.

In other words, the US develops exercises and tests, calibrates responses to economic and cyber campaigns, Washington's reaction will likely be too slow to meaningfully support Taiwan.

SINGLETON: Yeah.

ATWOOD: Can you bring us inside that tabletop exercise —

SINGLETON: Sure.

ATWOOD: — and explain what the US, what, you know, lawmakers, what policymakers should be doing to confront that real problem?

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SINGLETON: No, absolutely. I've always thought that psychological warfare is Beijing's preferred weapon of choice. Obviously, they directed most of it at their own people in China, but Taiwan is the prime target. And so, Mark Montgomery, who was kind enough to do our opening remarks here, got an opportunity to organize an event, its first-of-its-kind tabletop exercise in Taiwan, with Taiwanese banking and finance officials, to exploit how China could, in a series of scenarios, exploit, sort of, the sub-threshold strategy of economic and cyber coercion to break down Taiwanese resilience.

And what we found is that, at almost no cost to China, the adversary, and without tripping a single U.S. red line, we were able to sow public discord, and break down social cohesion, and take out utility sectors and, really, sort of, wear them down and, sort of, break Taiwan down from, sort of, the inside out. And I think, as we were watching this scenario unfold, using disinformation, and deepfakes, and targeted cyber-attacks on critical infrastructure, at every single point in the game—and, you know Mark sort of joked about it, like, I got to play Xi Jinping; it was, like, a fun dictator scenario—every time, I was waiting for some sort of strong response or, in fact, a collective response from the other countries and parties involved in the tabletop, and it never came. But I think, as we're thinking about Taiwan, and we're thinking about the exercise there, we can't fool ourselves into thinking that Xi Jinping is willing to just play this long game, right?

It's very clear Xi Jinping is not happy, and not content with the current status quo in the Taiwan Strait. And so, what we can absolutely expect is that, in the next year or two, we're going to probably see a very, very serious escalation in the use of these economic and cyber tools with, sort of, a sprinkling of military coercion. And the goal will be very clear: to undermine popular support for the current administration in Taiwan, to limit the current president, William Lai, to one term.

And I think that, in that way, it's very important for Washington and Taipei to get ahead of the curve, not just, sort of, react to it. And there is a, I think, a sense of urgency in Taiwan. They have established a whole-of-society commission on resilience, addressing these key problems, but you do not get the same sense here in Washington that we're thinking about those types of challenges, and where we can help them, what it would cost, who should be involved.

And I think that the games themselves just, sort of, exposed the huge cost asymmetry between a country like China that can deploy all of these tools that it already has against a much — a more beleaguered democracy that will require, frankly, billions of dollars of investment and years of work to get ready for what is absolutely coming its way.

ATWOOD: Have you seen signals that this game has already begun in real time? Or are you just expecting, the next few years, it to ramp up?

SINGLETON: It's definitely underway. I mean, the Chinese don't think about war I think like we think. It's not binary to them. They're already at that low boil. And so, one of the scenarios was called the 'Long Walk.' And it was largely a continuation of some of the things we're seeing today with trade actions and some of these selective closures of certain parts of the airspace, kind of, keeping Taiwan guessing.

Today, there was the detention of several Taiwanese Foxconn employees in China, sending a signal. We played out in the game that China could detain Taiwanese banking officials to, sort of, create confusion and undermine market confidence in Taiwan. This playbook is already there. I think what we're likely to see, though, is this push where — it's almost like a J-curve of pressure, and it's politically motivated, and it's very, I think, focused on the current administration.

And I think everything we, sort of, articulated in the game is based on past precedent from Chinese behavior against either Taiwan or other countries, and Taiwan — China's own articulation of what they intend to do. And I think we have to not let history repeat itself here. And we do need to sit back and, I think, start to wrap our heads around a little bit of the fact that things are only going to get worse.

ATWOOD: It seems to be your assessment that Taiwan officials are very cognizant of this in preparatory stages, eyes wide open about all of it.

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I wonder, Matt, in your book—which everyone should know is here: *The Boiling Moat*, it's in the back; he'll be here to sign it later—you focus on, really, what China would do militarily to try and overtake Taiwan, and how to — we can effectively put deterrence into place to prevent that from happening, but we can't do it, unless the US is spending more on military, and unless there's an actual strategy underway.

One of the things in your book—I was looking through it this week—is that you encourage Taiwan to start divesting and, effectively, kind of, getting rid of some of the U.S. military assistance that they've been given over the years that wouldn't necessarily be very effective in defending them against an assault, a military assault, from China. How do you think they're doing on that front?

POTTINGER: Yes, I think Taiwan is making progress, but it's come late, and it's been slow. But we're starting to see Taiwan having this public debate about what are the types of things that it really needs to enhance deterrence. Deterrence is far preferable to war, right? Sometimes it seems like we forget that lesson. It is a lot cheaper, and we would have been much better off in the Ukraine situation if we had deterred Putin by doing other things for several years in the lead up to 2022.

So, one, deterrence is cheaper than war. Taiwan has a big advantage. So do we, as a friend of Taiwan, in that we are really the defenders of the status quo, and Taiwan would be defending itself from aggression. And junior officers in the U.S. military learn that, even in a land conflict, it takes three times as much mass of men, and equipment, and military might, to take territory as it takes to defend it.

When you have an amphibious situation, where China would have to cross 100 miles of water—imagine what Ukraine would have given to have had a hundred-mile-deep moat, separating it from Russia—the ratio is even more favorable to the defender. So, Taiwan should not be buying really big, expensive warships. They don't need F-35 aircraft. These are things that are not likely to do well in a toe-to-toe conflict with China, which has the largest navy by ships in the world.

But guess what? Taiwan can invest in loitering munitions, UAVs [Unmanned Aerial Vehicle]. It can invest in trucks that are disguised but drive around Taiwan, and can fire anti-ship missiles in swarms that sink capital warships of the Chinese Navy. So suddenly, China's massive investment, trillions of dollars now, so far this century, into their military, can be defeated for several tens of billions of more investment by Taiwan.

We should be spending at least incrementally more than we are, as well as improving the efficiency of what we're already spending in. We've got — we've allowed our defense industrial base to become sclerotic. It's not market driven. It looks increasingly Soviet, to put it, you know, harshly.

But the point is, we were actually optimistic. Mark Montgomery, who contributed; Ivan Kanapathy, my old colleague at the NSC, wrote the chapter about what Taiwan needs to get rid of, you know, and go with.

We actually came away with a sense of optimism that deterrence can be maintained and enhanced. It's all within reach for reasonable investment, but that means we have to make those investments. Right now, the U.S. defense budget is declining for three years straight. That is really weird. I mean, are you kidding?

Our active-duty military is smaller than it's been at any point since before Pearl Harbor, since we were attacked. So, we are doing the wrong things. These are — responsible policy is going to, at least, turn that trend line around, even if we're not going for a doubling of defense spending.

Mike Gallagher, a congressman, until recently, from Wisconsin, I wrote, in our *Foreign Affairs* piece, just about a 20-to-25-billion-dollar special fund for the Indo-Pacific. We think it would make a huge difference.

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ATWOOD: One of the interesting things in that book that you guys also write is that you think President Xi's mind can be changed. You know, he sees reunification with Taiwan as central to his goals as a leader of China, but if deterrence is effective enough, he might actually change his mind.

POTTINGER: Yeah, I think —

ATWOOD: I was a little surprised by that. Can you give us a little bit of context?

POTTINGER: So, I would say this: It is postponing things that he has made his mind up about, right? Xi Jinping, I've had the opportunity to meet him many times, and to listen to his numerous phone calls with the former president of the United States when he was in office. I don't think that Xi Jinping is a reckless gambler. I think he is very, very patient and calculating and — but he doesn't tend to retreat very often, right?

So, don't tempt him to move that ratchet several clicks further forward. Have him stay at the current setting. He may not retreat, but I don't also think that he's going to throw the dice recklessly. And we have been creating an environment where he's been tempted to do riskier and riskier things, because he sees that the costs don't follow. He doesn't pay costs for the things that he does, and so shame on us.

ATWOOD: One of the omnipresent conversations in Washington over the last few years has been Republicans who have argued that the US is putting too much support towards the war in Ukraine, and not putting enough of our resources towards the Asia-Pacific region. I just wonder how the three of you feel about that argument?

And then, I do want to get some questions from the audience as well. So, start thinking, we'll go to you guys next.

SINGH: Look, I think that, you know, in a sense — I don't know, sort of, if Matt and Craig would agree to — with this, but we, as — when we are U.S. officials, we have a tendency to talk as though we have unlimited resources, and can do anything anywhere.

I remember, you know, when I was working on Middle East policy in the George W. Bush White House, he proposed doing something, and the Pentagon would come back and say, "Well, we don't have enough ISR [Intelligence, Surveillance, and Reconnaissance] assets to do that." And you'd be like, "Wait, what are you talking about? How can we not have enough assets?"

And the reality now is that we increasingly face the constraint of capacity, or capability. And increasingly, you'll hear U.S. officials say, well, if we do x, y, and z in the Middle East, we just can't be postured properly to help Taiwan, or to provide Ukraine with what it needs.

I think that's a situation that we should find unacceptable. And this phenomenon that Matt is talking about, of declining military budgets, just as our military budgets declined before World War II, again, should be seen as unacceptable. But I don't see the energy required to address it.

But we also need to think about our strategies, and how our strategies can, unfortunately, compound our problems. Again, you look at our posture in the Middle East over the past year. And, for example, our campaign against the Houthi rebels in Yemen, trying to resist or push back on their closure of the Red Sea.

We have expended enormous resources, sort of, shooting down Houthi missiles, and relatively ineffectually trying to push back on what they've been doing. But we've been so worried about escalation, and about what would come if we really tried to impose a serious cost on, for example, Iran, without whom the Houthis couldn't do what they're doing, that we have been frozen in place, expending these resources, again, without much fruit coming of it.

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And that has a direct cost in the Indo-Pacific, I think. Or it could, in any of these scenarios that Matt worries about, and that Craig worries about. I worry about them, too, but they're not my responsibility. And so, we have both the resource problem, but also, I think our strategies are not geared towards helping us overcome that resource problem.

SINGLETON: I would say we can't do more with less, right? But I think, to Mike's point, it goes — strategy is important, but we haven't actually articulated desired end states in any of these conflicts. And so, you can't direct even the resources that we have against the array of targets, unless we say, this is our desired end state in these places.

And I think because we have refused to do that, and there's no shortage of national security documents that this administration and prior administrations have put forward and published, and most of them get overtaken by events. Some of them outlive administrations. The Indo-Pacific Strategy framework today has outlived the Trump administration. It's unique in that respect. It's sort of like a policy unicorn.

But if we don't articulate, in each of these conflicts in different parts of the world, what our actual desired end states are with making trade-offs, and understanding that there will be some winners and losers here, then we're trying to do everything, everywhere, all at once, and it just doesn't work. And I think if we're able to take a step back and try to put some analytic rigor behind those end states, we have a chance.

POTTINGER: There aren't many wars that end in ties. So why would we aim to tie adversaries that are invading — you know, attacking friends in the Middle East or in Ukraine, right?

I mean, if you actually want to achieve some kind of a stable peace, you have to persuade your adversary that you have the capability and the resolve to win. That's what starts to create, you know, a psychological incentive for them to negotiate for a real ceasefire, right?

But we actually have stated policies, virtually, of, let's not win. Let's not let our allies win. Let's restrain our allies, our friends, so that they can't win, because it would be really, really provocative of us to want to win the wars that have broken out in parts of the world, and that are directed — directly against our interests. So, first of all, aim to win.

ATWOOD: So, you think no matter if it's Kamala administration, Kamala Harris, or former President Trump, they should both aim to win the war in Ukraine, and then focus on winning against China?

POTTINGER: I think so, yes. Remember, we — this is not American troops whose lives are at stake. We — these aren't our wars. We are doing, basically, a lend-lease-style program to try to keep, you know, friendly democracies from collapsing in — in the — under the teeth of a — of a new axis, right?

I mean, this — it would be a lot cheaper for us to help support those friends as they fight their wars. None of — none — neither Israel nor Ukraine has asked for a single American soldier to risk his life. There's some Americans who have volunteered in both conflict areas. I think we should actually honor those volunteers, by the way.

But it's a lot cheaper for us to support countries that are willing to stick up for their own sovereignty and make the ultimate sacrifice, over and over again, to protect it, than it would cost us in the event that those countries collapsed, G-d forbid.

I mean, has anyone done the analysis? I know — I — I've heard that there — there's a — maybe it's the Institute [for] the Study [of] War is working on one, maybe they finished it. I'm real eager to see others who are looking at this.

What is the cost in defense spending in the future to the United States, in the event that Ukraine collapses and becomes, you know, a dagger — a Russian dagger pointed at the heart of Central Europe? I think it's going to be higher than what we're currently spending.

ATWOOD: Yeah. All right, let's — we've got a mic back there, and you're closest to the mic, so you're the lucky winner.

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Moderated by *Kylie Atwood*

Introductory remarks by *RADM (Ret.) Mark Montgomery*

KINE: I chose my seat very carefully. This is a wonderful panel. Thanks so much for doing this. Phelim Kine from *Politico*. Two quick questions for you, Matt, on Taiwan.

So, in July, former President Trump said three things. He said ±— number one, he said, again, that Taiwan stole the U.S. semiconductor industry. He said that the — Taiwan should pay the US for protection from China. And he expressed doubt about the realistic — about how realistic it would be for Taiwan to defend itself from an invasion anyway, just due to the size of China, et cetera.

I just wonder, how concerned should Taiwan be about a second Trump administration?

And a very quick follow-up, if I may. *Foreign Policy* reported, the last couple of weeks, that you would be — consider going back into a second — possible second Trump administration. Could you confirm that? And also, what do you think the main distinctions would be, the big differences, in a second Trump administration China policy, and the current Biden policy? Thank you so much.

POTTINGER: Thanks. OK. Yeah, look, on the second point, look, I haven't seen that line. What I would say is, I've learned never to turn down a job I haven't been offered.

So — but, look, on President Trump, you know, second term on Taiwan, when he talks about Taiwan, in a sense, in micro, when he's talking about Taiwan as a trade partner, he tends to be pretty tough, and that's where you've heard some of the comments that you just referred to, right?

And by the way, I don't agree that Taiwan stole America's semiconductor industry. Taiwan won leadership because of huge strategic missteps that American companies made in doing everything from under-estimating the importance of a smart phone — we — we — American companies weren't even making chips, with the exception of, like, Qualcomm. You know, Intel wasn't making chips for smart phones. They were still focused on desktops and laptops. We — America fell behind, and Taiwan surged ahead. So, I don't think it was theft.

But when President Trump talks about Taiwan in — it — when he zooms out, and looks at it from the standpoint of a geopolitical problem, he tends to be, I think, much more careful with the choice of words he makes.

He said, just the other day, when he was asked, you know, what would you do — I — I'm paraphrasing him, but he said something to the effect of, "Xi Jinping would never invade Taiwan on my watch," right?

That sounds to me like a statement of deterrence. It — it's in the mold of 40 years of American foreign policy of strategic ambiguity. I would consider that to be an ambiguous statement, but it's one that also has an edge to it.

So, what — President — Vice President Harris actually took a step back in her *60 Minutes* interview on Sunday from President Biden's policy on Taiwan. Remember, President Biden has stated four times on the record — he's gone beyond strategic ambiguity to state four times that he would commit U.S. forces to defend Taiwan in the event that — that China launched an attack.

So, Vice President Harris was asked about this on *60 Minutes*, and she said something to the effect of, "I'm not going to get into hypotheticals." So she went back — in fairness to her, she went back to 40 years of U.S. foreign policy, which is strategic ambiguity, but it was a step back. So, yeah.

ATWOOD: And his second question on the major difference between a Trump administration and a Biden administration on China, right?

KINE: Yeah, a second Trump administration —

POTTINGER: On China?

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KINE: — what do you think —how is it different? I mean — top lines, what do you think?

POTTINGER: Yeah, well, look, one of the things that Xi Jinping is worried about, right, with our election: if President Trump wins, he has made it pretty clear that he intends to raise the costs further of exporting goods and services from China to the United States. Tariffs is his preferred weapon, but he is also, in his first term, was the first one to start experimenting with export controls. And Biden expanded those. He could pick up where Biden left off.

There are other tools — the ICTS thing I talked about earlier, that President Trump pioneered, he could do a lot with that tool, as long as he has a Commerce secretary and Commerce under — assistant secretaries who are willing to do the hard work of putting American national security before U.S. exports to China, as I hope they will.

And — now, what would he worry about with a Harris administration? I think that if — you know, Vice President Harris has been — I think she has signaled continuity on helping Ukraine defend itself. President Trump has not said he would not defend Ukraine. What he said is, he's going to go for some kind of a peace agreement quickly and early.

Now — so, there's a lot of variables in that, right? I think China would love to see the United States pull the rug out from under Ukraine, and have Ukraine fail. That would be of huge benefit, from Xi Jinping's perspective.

If President Trump probes, if he's elected, for a peace agreement or a ceasefire, as long — he would have to be willing to provide a security guarantee for Ukraine, a real security guarantee, if that ceasefire is going to hold, and not end up being a grave humiliation and catastrophe for U.S. interests. So, that is the X factor. Is President Trump looking at providing some kind of security guarantee?

Now, I think it was earlier this year; at one point, President Trump said something intriguing. He said, if Vladimir Putin, having been approached to go into some kind of a peace agreement, some kind of a ceasefire, if Vladimir Putin isn't showing good faith, President Trump might actually increase military support for Ukraine to build leverage to, again, get Vladimir Putin thinking about what it might cost not to go for a ceasefire for a change.

So, I think there's a lot of variables there. And by the way, I'm not speaking at all President Trump. I'm speaking on my own accord. I don't speak for him, but those are some factors to consider.

ATWOOD: Thanks.

Yeah?

MARTINA: Hi, Michael Martina from *Reuters*. Thanks for doing this. So, you've laid out China as sort of chaos agent. When you were talking of Venezuela, you talked about trafficking, drug trafficking, into America.

I'd be curious, Matt, for your views on China's role in the fentanyl crisis.

If you talk to the Biden administration, they'll say, hey, actually, China is starting to help, maybe the deaths are going down. It's a bright spot in relations. If you talk to China, they'll say, we care about Americans, we don't want to see them die, just don't sanction our entities.

And if you talk to some people in Congress, maybe the Select Committee—bipartisan, by the way—they'll say, actually, no, they're giving rebates to export this stuff here and, by the way, here's the website where you can see those rebates. From your perspective, who should we — who should the American people believe when it comes to China's role in the fentanyl —

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POTTINGER: Well, I can tell you not to believe the Chinese Communist Party and anything it says about this. We are now — you know, President Trump began to threaten costs and actually impose sanctions for the first time. As — as far as I'm aware, it was the first time that the United States imposed sanctions on Chinese entities that were exporting fentanyl through our mail system, with American subsidies for the mail postage, straight into our communities, and into the veins and brains and graves of hundreds of thousands of Americans who've died.

And that doesn't even discuss the millions of Americans who have been affected because a loved one got hooked on this stuff, communities that were collapsing. The other things that President Trump did was, he got — he did, in his negotiations, persuade Xi Jinping to begin classifying fentanyl under Chinese law as a controlled substance, and what happened then was, Beijing pivoted, and it began exporting all of the precursor chemicals into the drug cartels in Mexico.

So now, most of these drugs are assembled and cooked in Mexico, and then brought up. And guess what? China — Chinese criminal organizations are, by far and away, the largest money-laundering component of the fentanyl trade in United States. It's not the cartels.

The cartels have outsourced money laundering to Chinese triads, and other organized crime. Now, it raises the question: does Beijing have any control over organized crime in this country? I mean, come on. I remember that a former minister of public security, the top law enforcement, but also, internal security official in Taiwan—this was in the late '90s—he was asked a question ahead of the Hong Kong handover and he said, China — the Chinese Communist Party is perfectly fine working with criminal Chinese organizations, so long as they are patriotic. I thought that was a pretty good foreshadow of a lot that's followed.

I mean, Chinese people right now — anyone who has a WeChat account is scared of getting a phone call for — just based on what they're surfing on the web, and you're telling me that the People's Republic of China can't find the fentanyl precursor chemical factories, or it has nothing to do with the money laundering, even though it — there's a lot of linkages. You've written about this.

I've seen good reporting in *ProPublica* about this as well, some groundbreaking reporting about the nexus between People's Republic of China diplomats and organized crime outside of China's borders.

So, you know, I don't think — I — it just boggles the mind that we would claim, that anyone U.S. government would claim, that were beginning to see some really terrific cooperation on this problem. Are we at a million deaths yet from fentanyl? I'm not sure. I don't know what the total tally is, but the idea that we would be credulous of this idea that China is helping us out with this is really something else.

ATWOOD: I think we have time for one more. Let's go to the front row right here.

Yeah.

HANNETT: Hi, I'm Lisa Hannett. I'm at Booz Allen [Hamilton]. My question is, it seems that there's a consensus on the panel that we really need to be using our economics statecraft tools and do more to stop the CCP for all of the reasons you've said. Unfortunately, I'm not sure there's such a consensus in Washington.

And my question is, for those people that are on the other side who are writing reports about, you know, the Trump tariffs, and the horrible effect they had on the U.S. economy and, you know, if we do these sanctions, here is how China will retaliate, here's the terrible effects on the U.S. economy. Do you believe that those are overblown, or what impacts do you think it would have, or is it that you're calculating that those costs are lower than the cost of the consequences —

POTTINGER: The cost of tariffs to the U.S. economy, you mean?

HANNETT: Right, so if we put tariffs, if we do more export controls, if we sanction Chinese banks, if we —

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Featuring Matthew Pottinger, Michael Singh, and Craig Singleton

Moderated by Kylie Atwood

Introductory remarks by RADM (Ret.) Mark Montgomery

POTTINGER: Yeah.

HANNETT: — just take, you know, the —

POTTINGER: It's a great question, and I — I'm just going to say something quick about that, and that is, you cannot talk — we should not talk when we write, or when we opine, we shouldn't talk about the costs of policy steps without also talking about the cost of the inaction.

And a million dead Americans from fentanyl is a big, big cost that we don't think of, in terms of — you know, in some ways, I — MIT did a study several years ago that found that the communities that were most affected by imports of Chinese illicit fentanyl were the same communities that were first hollowed out by our outsourcing of manufacturing to China. It was, like, eerie. It was an overlay.

So that's a hidden massive cost that sounds a lot worse to me than me having to pay 50 extra cents for a Frisbee at, you know, Walmart, so I think you have to take that into account. I would point you to — I was amazed that *The Atlantic* published this, but it was a piece by Oren Cass, maybe two weeks ago, that's worth reading. It's the deepest exploration of the costs of not applying tariffs that I've seen written. It was a very interesting article. I learned a bunch of things from that. Yeah.

ATWOOD: On that note, unfortunately, we've hit our deadline here.

So, thank you Craig, thank you Michael, thank you Matt. It was a great conversation, and we'll be around for a little while, and go to FDD for writings from two of these folks at least regularly. Thank you.

POTTINGER: Thank you.

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