

## **SECTION 5: CHINA'S DOMESTIC INFORMATION CONTROLS, GLOBAL MEDIA INFLUENCE, AND CYBER DIPLOMACY**

### **Key Findings**

- China's current information controls, including the government's new social credit initiative, represent a significant escalation in censorship, surveillance, and invasion of privacy by the authorities.
- The Chinese state's repression of journalists has expanded to target foreign reporters and their local Chinese staff. It is now much more difficult for all journalists to investigate politically sensitive stories.
- The investment activities of large, Chinese Communist Party-linked corporations in the U.S. media industry risk undermining the independence of film studios by forcing them to consider self-censorship in order to gain access to the Chinese market.
- China's overseas influence operations to pressure foreign media have become much more assertive. In some cases, even without direct pressure by Chinese entities, Western media companies now self-censor out of deference to Chinese sensitivity.
- Beijing is promoting its concept of "Internet sovereignty" to justify restrictions on freedom of expression in China. These policies act as trade barriers to U.S. companies through both censorship and restrictions on cross-border data transfers, and they are fundamental points of disagreement between Washington and Beijing.
- In its participation in international negotiations on global Internet governance, norms in cyberspace, and cybersecurity, Beijing seeks to ensure continued control of networks and information in China and to reduce the risk of actions by other countries that are not in its interest. Fearing that international law will be used by other countries against China, Beijing is unwilling to agree on specific applications of international law to cyberspace.

### **Recommendations**

The Commission recommends:

- Congress strengthen the Foreign Agents Registration Act to require the registration of all staff of Chinese state-run media entities, given that Chinese intelligence gathering and information warfare efforts are known to involve staff of Chinese state-run media organizations and in light of the present uneven enforcement of the Act.

- Congress require the U.S. Department of Commerce to collect information from U.S. companies that do business in China concerning requests from the Chinese government regarding censorship, surveillance, and data transfers, and report its findings to Congress.
- Congress modify U.S. Federal Communications Commission regulations to require greater transparency regarding Chinese government ownership of media outlets and the clear labeling of media content sponsored by the Chinese government.
- Congress urge the Office of the U.S. Trade Representative, when renegotiating the existing Bilateral Film Agreement between the United States and China, to increase the number of films that have access to Chinese theaters and increase the revenue sharing arrangement to a level reflecting the median arrangement existing around the globe. In addition, the arrangement should reserve a minimum of 50 percent of the quota for films from studios and independent distributors that are not owned or controlled by Chinese interests.

### **Introduction**

The Chinese government has significantly tightened its domestic information controls by introducing “fundamentally abusive” new regulations that “strangle” online freedom and anonymity, according to Human Rights Watch.<sup>1</sup> Measures such as increased surveillance and censorship of the Internet, domestic propaganda operations known as “public opinion guidance,” and repression of journalism are used to support government policies and prevent consensus against the government from forming in Chinese society. These information controls function as a trade barrier by, among other things, keeping U.S. companies from reaching Chinese consumers. They also deprive Chinese citizens of a fuller understanding of differing views on situations where escalating tensions may increase the likelihood of conflict, potentially jeopardizing U.S. national security.

Beijing has also invested heavily in expanding the overseas presence of its official news entities, distorting international reporting on China’s activities by using training programs and expense-paid trips to China to teach foreign journalists to paint Chinese policy in a positive light.<sup>2</sup> Chinese propaganda regularly appears in foreign mainstream news publications—including in the United States—without clear indications of its origins, blurring the line between propaganda and news.

Chinese corporations, many with connections to the Chinese state, have gone on an investment spree in Hollywood over the last few years, raising concerns that the Chinese government may have undue influence over the U.S. film industry even though the Chinese government has since unwound some of these deals and restricted additional investment. This influence may give the Chinese government the ability to both directly and indirectly control an important pillar of the U.S. economy and a critical component of U.S. soft power.

Meanwhile, Beijing is promoting its concept of “Internet sovereignty,” including in international fora, to legitimize its monitoring

and control of the Internet in China. In addition to China, this concept could contribute to legitimizing suppression of the freedom of expression in other countries. Beijing also advocates for a “multilateral” system of Internet governance in which national governments are the main actors. These views sharply contrast with longstanding U.S. support for the “multistakeholder” model, in which governmental, industry, academic, and other non-state organizations have an equal role in the management of the Internet.

This section examines:

- China’s tightening domestic information controls, including the implications for U.S. companies’ ability to effectively conduct business
- China’s new “social credit” system, which will leverage vast data collection capabilities to incentivize thought and behavior that is approved by the Chinese government
- Domestic propaganda in China
- The repression of Chinese journalists domestically and expansion of Chinese government-approved journalism overseas
- China’s media influence in the United States and the U.S. film industry’s access to the Chinese market
- Chinese leaders’ efforts to use media as a soft power weapon against the United States
- China’s concept of “Internet sovereignty,” and its stance on global Internet governance and norms in cyberspace

This section draws from the Commission’s May 2017 hearing on China’s information controls, global media influence, and cyber warfare strategy, open source research and analysis, and consultations with outside experts.

## **China’s Domestic Information Controls**

### ***Increasing Domestic Censorship***

The Chinese government has long maintained stringent information and media controls, but recently the Chinese Communist Party (CCP) has taken steps to tighten its grip with the goal of resisting perceived infiltration by foreign (and especially Western) ideas, which are regarded as “cultural threats.” According to Xiao Qiang, founder and editor-in-chief of *China Digital Times*, an activist website that tracks Chinese censorship, the key driver behind this increase in domestic censorship is the CCP’s fear that the unrestricted flow of information could undermine its legitimacy.<sup>3</sup> Professor Xiao argues that the CCP wants to “re-institutionalize and internalize” its own narrative in the minds of the Chinese people, and that this is the motivation behind strengthening Internet controls in China.<sup>4</sup> David Bandurski, editor of Hong Kong University’s *China Media Project*, argued in September 2017 that the CCP seeks to use these harsh new controls to “re-consolidate and legitimize [its] dominance over public opinion [in China] as a matter of political necessity.”<sup>5</sup> To these ends, the Chinese government has invoked “Internet sovereignty”—a “slogan that calls for each state to exercise absolute con-

trol of its slice of the Web,” according to the *Washington Post’s* Emily Rauhala—to justify its increasing crackdown on online freedoms.<sup>6</sup>

China has implemented several new rules increasing its control over online media. In February 2016, two organizations issued new rules preventing foreign-owned companies or their affiliates from publishing materials online (including digitized materials such as books, maps, and scientific materials) without obtaining approval from the Chinese government.<sup>7</sup> The organizations responsible for these new controls are the State Administration of Press, Publication, Radio, Film and Television (SAPPRFT)—China’s oversight organization governing film censorship—and the Ministry of Industry and Information Technology (MIIT), the government agency responsible for regulation and development of communications technology. The new rule, which allows for a very broad interpretation due to its vagueness, potentially endangers the presence of foreign companies that distribute any online content, including news sources, in China.<sup>8</sup> Chinese companies’ ability to distribute foreign media is already heavily regulated.<sup>9</sup> In May 2017, SAPPRFT punished Tencent—which, until recently, was China’s most valuable tech company<sup>10</sup>—for “making and broadcasting political and societal news programs without a permit,” according to financial newspaper Caixin, by partially suspending Tencent’s approval to import foreign media and video programs.<sup>11</sup>

In May 2017, the Chinese government also issued new regulations mandating that the top editor of any domestic online news service be a Chinese citizen and that the service “promote the formation of a positive, healthy, upright and virtuous Internet culture, and protect the national and public interest.”<sup>12</sup> The regulations also call for stricter enforcement of often-ignored rules mandating that editorial staff at online news services be credentialed by government regulators just like staff of traditional news media.<sup>13</sup> The *Wall Street Journal* reported that the new rules do not appear to apply to foreign news organizations headquartered outside China, but cooperation between Chinese news services and foreign entities requires a security review by government regulators.<sup>14</sup>

*Foreign Policy* reported in July 2017 that the Chinese censorship regime is now “determined to be an all-encompassing ... guardian of socialist morality, even if that comes at the expense of business innovation.”<sup>15</sup> Several regulatory actions in May and June 2017 emphasized the shift from only censoring political media to censoring media regardless of political content, resulting in China’s media and tech companies “closing down hundreds of mobile video platforms, firing thousands of journalists, and promising to promote state media opinions,” according to the *Financial Times*.<sup>16</sup> In May, the Cyberspace Administration of China (CAC), the state agency responsible for online censorship, ordered five leading news portals to stop live news broadcasts.<sup>17</sup> In June, the CAC shut down 32 accounts on WeChat—a widely used messaging and blogging app—focused on “celebrity news.”\* In the same month, SAPPRFT ordered Weibo—a

\*“Celebrity news” gossip blogs are paparazzi-like social media accounts that publish the details of scandals such as divorces and extramarital affairs of prominent Chinese actors and other public figures. The CAC claimed that by shutting down these accounts it was curbing “excessive reporting on the private lives of and gossip about celebrities.” Zhou Xin, “Chinese Censor Shuts Down Dozens of Online Entertainment News Accounts,” *South China Morning Post*, June 8, 2017.

Chinese microblogging service—and two other popular websites to stop video and audio streaming, and the China Netcasting Services Association—the government body regulating online broadcasting—banned the depiction of dozens of topics deemed vulgar or unpatriotic.<sup>18</sup> In August 2017, according to a leaked document from a Guangzhou-based cyber police unit, China's Ministry of Public Security held a drill to shut down websites “illegally disseminating harmful information.”<sup>19</sup> The same month, the CAC announced it was investigating top social media services in response to their users “spreading violence, terror, false rumors, pornography, and other hazards to national security, public safety, [and] social order;” Tencent, Weibo, and Baidu were later fined the “maximum [amount] allowable”\* under China's new cybersecurity law.<sup>20</sup> Financial newspaper *Caixin* reported in September 2017 that in the first half of 2017, SAPPFFT removed 125 “vulgar” online video programs and forced 30 to undergo revision before being reposted.<sup>21</sup>

After the CAC shut down the gossip blogs in June, the CCP's Central Committee for Discipline Inspection criticized the CAC for not pushing the Party line aggressively enough.<sup>22</sup> The *Wall Street Journal* reported that a sustained campaign against celebrity gossip would be a “dramatic reorientation of China's censorship machinery.”<sup>23</sup> Qiao Mu, a former professor at Beijing Foreign Studies University who researches Chinese media, assessed this indicated a return of the Mao-era Communist ideology that prefers politics and class warfare over apolitical entertainment; Victor Shih, an expert in Chinese politics at the University of California, San Diego said that more “red” content can be expected in Chinese media as a result.<sup>24</sup> In September 2017, Zhejiang University—one of China's top schools<sup>25</sup>—issued a notice declaring that “outstanding” online products that exhibit “core socialist values”† and apply “correct thinking and culture” are as authoritative as formal academic publications.<sup>26</sup>

When video-streaming websites removed most foreign dramas in July, the *Wall Street Journal* assessed it was because Beijing “wants Chinese youth to watch revolutionary-themed series and other politically inspiring fare” instead of sitcoms.<sup>27</sup> According to Agence France-Presse, in July the CAC ordered some of the biggest Chinese tech companies—Baidu, Sohu, Tencent, Netease, and Phoenix—to close accounts that had published “bad information,” including “misinterpreting policy directives, disseminating false information, distorting Chinese Communist Party history, plagiarizing photos, and challenging public order.”<sup>28</sup>

\*The CAC did not announce the exact amount of the fines, but the cybersecurity law stipulates a fine of up to 500,000 yuan (about \$75,000). Josh Chin, “China Fines Social-Media Giants for Hosting Banned Content,” *Wall Street Journal*, September 25, 2017; National People's Congress of the People's Republic of China, *People's Republic of China Cybersecurity Law*, November 7, 2016. Translation. [http://www.npc.gov.cn/npc/xinwen/2016-11/07/content\\_2001605.htm](http://www.npc.gov.cn/npc/xinwen/2016-11/07/content_2001605.htm).

†The 12 “core socialist values”—freedom, equality, patriotism, dedication, prosperity, democracy, civility, harmony, justice, rule of law, integrity, and friendship—were first described in November 2012 at the CCP's 18th Party Congress. In December 2013, the CCP released guidelines dictating that these values be “incorporated into the curriculum and classrooms and made a way of thinking for students.” Kiki Zhao, “China's ‘Core Socialist Values,’ the Song-and-Dance Version,” *New York Times*, September 1, 2016; Bochen Han, “How Much Should We Read into China's New ‘Core Socialist Values?’” *Council on Foreign Relations*, July 6, 2016; CCTV, “China Promotes Core Socialist Values,” December 23, 2013. <http://english.cntv.cn/20131223/105497.shtml>.

In addition to increasing censorship of blogs and online media, Chinese authorities have taken steps to threaten online anonymity and privacy.<sup>29</sup> The CAC published new rules in August 2017 mandating that commenters on online fora register under their real names.<sup>30</sup> Also in August, in accordance with China's new cybersecurity law, an Internet service provider in Chongqing, a major municipality in southwest China, was penalized for not keeping records of users logging onto its networks.<sup>31</sup> In September 2017, the CAC decreed that Internet service providers must verify the identities of their users and keep records of group chats for no fewer than six months.<sup>32</sup> The new rules order Internet service providers to establish a credit rating system and provide group chat services to users in accordance with their credit ratings (for more information on the Chinese government's plans to implement social credit ratings, see "Social Credit System," later in this section).<sup>33</sup> The rules also make the managers of group chats responsible for the content of the chat.<sup>34</sup> In September 2017, a man in Xinjiang was sentenced to two years in prison for teaching members of a chat group about Islam.<sup>35</sup> Weibo also ordered its users to register their real names in September.<sup>36</sup>

### ***Crackdown on Virtual Private Networks***

According to rules made official in July 2016 but only publicized in March 2017, the government of Chongqing began penalizing users of virtual private networks\* (VPNs), which are commonly used by both foreigners and Chinese to circumvent China's "Great Firewall."<sup>†</sup><sup>37</sup> These new rules—which Chinese activists suggest could constitute a pilot program for a planned nationwide implementation of fines for using VPNs—threaten to cut off Internet access and fine anyone who uses VPNs to earn profits exceeding 5,000 yuan, or about \$730.<sup>38</sup>

In January 2017, the VPN crackdown expanded beyond Chongqing users to include providers nationwide. That month, the MIIT announced a 14 month-long crackdown on unauthorized VPNs.<sup>39</sup> Under this announcement, locally-based VPN providers, data centers, and Internet service providers need government approval to operate.<sup>‡</sup><sup>40</sup> The campaign is ostensibly intended to clean up Internet

\*According to *Wired*, "A VPN is a private, controlled network that connects ... to the internet at large. [The] connection with [the] VPN's server is encrypted, and ... it's difficult for anyone to eavesdrop ... from the outside. VPNs also take [internet service providers] out of the loop on ... browsing habits, because [service providers] just see endless logs of ... connecting to the VPN server." Lily Hay Newman, "If You Want a VPN to Protect Your Privacy, Start Here," *Wired*, March 30, 2017.

†According to the 1997 *Wired* article that is thought to have coined the term "Great Firewall," the Firewall is "designed to keep Chinese cyberspace free of pollutants of all sorts, by ... requiring [Internet service providers] to block access to 'problem' sites abroad." *Wired*, "The Great Firewall," June 1, 1997.

‡According to Chinese court records, in January 2017 Deng Jiewei, a resident of Dongguan, Guangdong Province, was sentenced to nine months in prison for selling VPN software on his website. In August 2017, the Zhejiang branch of the CAC ordered five Chinese e-commerce companies to stop selling VPNs, and the BBC reported that a Chinese VPN developer was forced by plainclothes police, who came to his residence, to remove his app from Apple's online store. In September, a software developer surnamed Zhao in Jiangsu Province was detained for selling VPNs, and his profits—about \$165—were confiscated. Associated Press, "China Detains Man for Service to Evade Internet Firewall," September 18, 2017; *Global Times*, "Software Engineer Detained 3 Days for Selling VPN Service," September 17, 2017; Miranda Barnes and Manya Koetse, "Chinese Man Sentenced to Prison for Selling VPN Software," *What's on Weibo*, September 3, 2017; Cate Cadell, "China Targets Alibaba's Taobao, Other E-Commerce Sites, in VPN Crackdown," Reuters, August 17, 2017; Cyberspace Administration of China Zhejiang Branch, "Cyberspace Administration of

services in China, though the Chinese government insisted it would not affect multinational corporations that had official approval to use “cables or other means of cross-border connectivity.”<sup>41</sup> After popular China-based VPN provider Green announced in late June that it would cease operations by July 1, Chinese Internet users began to speculate that most VPNs would soon be removed from mobile app stores.<sup>42</sup> According to Bloomberg, in July 2017, MIIT ordered state-run telecommunications providers to block access to VPNs by February 2018; MIIT denied the report.<sup>43</sup> That same month, Associated Press reported that China’s biggest telecommunications provider, China Telecom Ltd., had told corporate customers that they may only use VPNs to connect to their own headquarters abroad and that they may no longer use VPNs to link to sites outside China.<sup>44</sup> The letter reportedly also stipulated that companies are required to provide the identities of all personnel who use VPNs.<sup>45</sup>

A purported letter addressing the customers of Hotwon, a Chinese cloud computing services company, claimed China’s Ministry of Public Security was behind the most recent crackdown, not MIIT, and listed several popular VPNs and proxy programs as targets for “cleaning up.”<sup>46</sup> Bill Bishop, a prominent China analyst and the creator of the popular *Sinocism* newsletter, told the Commission he was “reasonably confident” the document was legitimate because it “fits with other things that are going on around VPNs.”<sup>47</sup> He assessed the Ministry of Public Security’s involvement “means this crackdown has much more teeth.”<sup>48</sup> In late July, Apple removed several popular VPN apps from its app store in China, and Beijing Sinnet Technology, the Chinese operator of Amazon Web Services, ordered customers in early August to stop using software to evade censorship.<sup>49</sup> Beijing Sinnet Technology also received a letter from the Ministry of Public Security, according to the *New York Times*.<sup>50</sup> Emily Parker, an expert on social media in authoritarian countries, argued in *Wired* that “Apple and Amazon have simply joined the ranks of companies that abandon so-called Western values in order to access the huge Chinese market.”<sup>51</sup>

### **Censorship “Tax”**

Margaret Roberts, assistant professor of political science at University of California, San Diego, testified at the Commission’s May 2017 hearing that the Great Firewall’s porous nature “makes it seem like it’s not an imposition on freedom because it’s possible to circumvent”; so, both the Chinese government and Chinese Internet users maintain the illusion that the censorship is not really absolute because it is possible to evade with time and money.<sup>52</sup> Although this is true in a sense, Dr. Roberts argues the burdens imposed by censorship amount to a “tax” on Internet use in China that most affects those who are least capable of bearing it. Dr. Roberts testified to the Commission that Internet censorship in China is a “tax” because it “requir[es] people] to spend more time or more money to access in-

China Zhejiang Branch Discusses Severely Punishing Online Illegal and Harmful Information with Taobao, Royalflush Financial, Etc., Five Websites,” August 17, 2017. Translation. <https://mp.weixin.qq.com/s/lcW4gzd4UcMEoQz2x8UKBA>; Robin Brant, “China’s VPN Developers Face Crackdown,” BBC, August 10, 2017; The First Court of Dongguan City, Guangdong Province, *Notice of Penal Judgment*, China Judgments Online, April 25, 2017. Translation. <http://wenshu.court.gov.cn/content/content?DocID=970f7940-1024-4c3e-bdd1-a76000af7d33>.

formation.”<sup>53</sup> Additionally, this “tax” is regressive because it allows “those with more capabilities to access information but largely keep[s] out those who don’t have the knowledge or resources to facilitate evasion.”<sup>54</sup> Dr. Roberts told the Commission in August 2017 that the “tax” imposed by the Great Firewall has “increased substantially” and become more regressive as a result of the VPN crackdowns.<sup>55</sup>

Dr. Roberts argues that fear of punishment is not currently a primary factor deterring Chinese from evading censorship; rather, users are “simply not willing to pay the cost in time and money of evasion.”<sup>56</sup> Emphasizing that the primary barrier is inconvenience, Dr. Roberts testified that certain “pulls”—specific blocked services users want to access—can alter this cost/benefit analysis and spur Chinese Internet users to “jump the Wall” when they had not previously.<sup>57</sup> For example, users tend to begin using VPNs in response to sudden blocks of websites or services they had been accustomed to accessing, as was seen after China blocked Instagram in 2014 in response to the prodemocracy Occupy protests (also called the “Umbrella Revolution”) in Hong Kong.<sup>\*58</sup> Dr. Roberts testified that this ban resulted in millions of downloads of VPNs in mainland China and expanded use of blocked websites like Twitter, Facebook, and Wikipedia.<sup>59</sup> Increased censorship in response to crises such as the 2015 industrial disaster in Tianjin also correlates with increased VPN use in China.<sup>†60</sup> Dr. Roberts told the Commission in August 2017 that an outright ban on VPNs might change this calculus and make fear of punishment, rather than inconvenience, the primary reason not to use VPNs.<sup>61</sup> She argued this would be a “qualitatively different situation” because censorship would no longer function as a “tax.”<sup>62</sup>

According to Dr. Roberts, only about three to five percent of urban Chinese reported having used a VPN; most Chinese are satisfied with using Chinese websites and apps that do not require VPNs.<sup>63</sup> She found that those most likely to evade censorship in China are the “economic and political elite” who “have higher incomes, more education, [are] younger ... have an interest in foreign information, have traveled abroad, and are much more interested in politics and international politics.”<sup>64</sup> In addition to the “tax” posed on regular Internet users, Chinese informational controls function as a trade barrier by “distort[ing] the information sector, reducing the competitiveness of censored information, including that from American businesses,”<sup>‡</sup> according to Dr. Roberts, and they even hamper the innovation of Chinese businesses.<sup>65</sup> According to a January 2016 survey by the American Chamber of Commerce in China, almost four out of five member companies operating in China said Chinese

\*For more information on the Umbrella Revolution and associated events in Hong Kong, see U.S.-China Economic and Security Review Commission, *2014 Annual Report to Congress*, November 2014, 523–527.

†In August 2015, a series of massive explosions near Tianjin caused by improper storage of volatile industrial chemicals killed at least 165 people and caused more than \$1 billion in losses, leaving a crater 20 feet deep. Forty-nine people, including government officials and employees of the storage company involved, were jailed as a result. Merrit Kennedy, “China Jails 49 over Deadly Tianjin Warehouse Explosions,” National Public Radio, November 9, 2016.

‡In August 2017, the *New York Times* reported that Facebook—long frustrated by the Great Firewall—had introduced a photo-sharing app in China through a separate local company. The *Times*’ Paul Mozur wrote that this showed “the desperation ... and frustration” of foreign tech companies increasingly accepting that “standards for operating in China are different from elsewhere.” Paul Mozur, “In China, Facebook Tests the Waters with a Stealth App,” *New York Times*, August 11, 2017.

ensorship negatively impacted their business, and only five percent had no complaints.<sup>66</sup> Seventy-seven percent said that slow connections while accessing foreign websites were the biggest problem.<sup>67</sup> Carolyn Bigg, of the law firm DLA Piper in Hong Kong, told the *Financial Times* in July 2017 that “the [Chinese business] environment is changing weekly,” and William Zaritt, chairman of the American Chamber of Commerce in China, said these changes “have created uncertainty for cross-border data communication.”<sup>68</sup>

### **Social Credit System**

The Chinese government has begun implementing its so-called “social credit” system, which relies on data accumulated by use of commercial apps and the Internet to produce assessments of Chinese citizens’ political and social trustworthiness in addition to their financial credit.<sup>69</sup> A *Planning Outline* issued by China’s State Council in June 2014 claimed this system would “ensure that sincerity and trustworthiness become conscious norms of action among all the people.”<sup>70</sup> However, the *Economist* wrote in December 2016 that the system’s aims fall in line with the CCP’s long-held practice of “restrict[ing] freedom ... in the name of public order” and would facilitate “the digital totalitarian state” by “vastly increas[ing] snooping and social control.”<sup>71</sup> Rather than transparently deliberating how best to apply this kind of technology for the public good, Mr. Bandurski of the *China Media Project* argued in July 2017 that China’s development of big data in the context of law enforcement and surveillance is occurring “quickly and in the utter absence of scrutiny.”<sup>72</sup>

The Mercator Institute for China Studies (MERICS) assessed in May 2017 that “If implemented successfully, the [social credit] system will strengthen the Chinese government’s capacity to enforce and fine-tune market regulations and industrial policies in a sophisticated manner,” but the full potential impact of the system will likely not be apparent until 2020.<sup>73</sup> According to the *Wall Street Journal*, this system “could be used to govern activities ranging from a person’s ability to set up a business to his or her professional promotion,” and Sophie Richardson, China Director at Human Rights Watch, testified to the Commission that potential consequences could also affect users’ “ability to get a passport, move around the country freely, access a VPN, or rent an apartment.”\*<sup>74</sup> She also added that the planned social credit system lacks privacy protections or a way to challenge or contest a negative rating.<sup>75</sup> Even without the added complications of the social credit system, user data are already vulnerable in China. For example, in June 2017 Chinese police announced they had arrested 22 people—20 of whom worked for Apple contractors or distributors of Apple products in China—for illegally selling the personal information of Apple customers.<sup>76</sup>

As of November 2016, more than three dozen local governments in China had begun to compile social and financial digital records

\*For example, in February 2017, China’s Supreme People’s Court (SPC) announced that since 2013 almost seven million Chinese debtors had been subjected to travel bans. Meng Xiang, chief of the SPC’s enforcement bureau, said the SPC had “signed memos with 44 units including the National Development and Reform Commission to share information of defaulters in order to extend penalty restrictions.” Xinhua, “China Toughens Restrictions on Court Order Defaulters,” February 14, 2017.

ahead of a planned national rollout in 2020, according to the *Wall Street Journal*.<sup>77</sup> Guangdong Province began this process in early 2015, and in April 2017 the capitals of four neighboring provinces signed an agreement to share and integrate social credit data.<sup>78</sup> Dr. Richardson testified that the program is still “a work in progress” and is currently overseen by “at least a dozen different government agencies” ranging from the military to the Ministry of Education with the assistance of Chinese Internet companies.<sup>79</sup> According to MERICS, the National Credit Information Sharing Platform, an inter-agency collaboration, is the “backbone” of the system.\*

Private companies in China are cooperating with the Chinese government by “scooping up unprecedented data on people’s lives through their mobile phones and competing to develop and market surveillance systems for government use,” according to the *Wall Street Journal*.<sup>80</sup> For example, in April 2017, ten companies in the bicycle-sharing industry—a sector of the Chinese tech economy that is “skyrocketing” in growth, according to the respected Internet Trends report<sup>81</sup>—signed an information-sharing agreement with the National Development and Reform Commission and its think tank affiliate.<sup>82</sup> A boom in the development of facial recognition technology—bolstered by the hundreds of millions of surveillance cameras in the country, estimated to reach about 626 million by 2020, according to analysis firm IHS Markit<sup>83</sup>—has proven to be a valuable new source of data for the government.<sup>84</sup>

According to Caixin in April 2017, of the eight credit reporting companies approved to collect and analyze user data, all of them had yet to complete the trial program and obtain a license. Wan Cunzhi, director of the People’s Bank of China’s Credit Information System Bureau, says the companies’ preparation “is far below ... regulatory standards,” suggesting a delayed official rollout.<sup>85</sup> Mr. Wan argues the companies’ focus on their own “business activities” impedes sharing and therefore collaboration with the government.<sup>86</sup> Due to these concerns over potential conflicts of interest, the Chinese government decided in July not to award any of these licenses in 2017.<sup>87</sup>

Some Chinese tech companies have begun to develop their own social credit programs.<sup>88</sup> The *Financial Times* assessed that “the big prize for these companies is ... data,” especially on customers’ usage habits.<sup>89</sup> Alibaba, in addition to cooperating in developing the government’s social credit program, has created its own internal program called Sesame Credit, which uses an algorithm to assess the character of its 400 million users based on their purchase histories.<sup>90</sup> Sesame Credit has declined to explain exactly how the algorithm calculates scores, but the company has given some examples of behavior that is scrutinized.<sup>91</sup> For example, according to *Foreign Policy*, Sesame Credit’s algorithm “explicitly down-rates certain pur-

\*According to MERICS, the top ten government providers of data to the National Credit Information Sharing Platform as of May 2017 were the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Agriculture, the National Health and Family Planning Commission, the Ministry of Transport, the Ministry of Housing and Urban-Rural Development, the State Food and Drug Administration, the State Supervisory Authority for Production Safety, the People’s Bank of China, and the Ministry of Finance. Mirjam Meissner, “China’s Social Credit System: A Big-Data Enabled Approach to Market Regulation with Broad Implications for Doing Business in China,” *Mercator Institute for China Studies*, May 24, 2017, 6.

chases, such as video games, and up-rates purchasing behavior that suggests responsibility... Alibaba then encourages users to display their Sesame Credit rating on Baihe, the company's online dating site, so that potential partners can factor it in to their romantic decisions.<sup>92</sup> In May 2017, Sesame Credit announced a partnership with state-run wireless carrier China Mobile and electronics recycling company Aihuishou to share user data and provide rewards for users with a minimum credit score.<sup>93</sup>

### ***Domestic Propaganda***

The CCP employs comment spammers referred to as “50-centers” or members of the “50-cent party” due to the persistent rumor that they are paid five Chinese mao, or 50 cents, for each post they make in support of the government.<sup>94</sup> These spammers manipulate online discussion of politically sensitive topics primarily to attempt to distract (rather than directly argue with) critics of the CCP.<sup>95</sup> An April 2009 internal CCP memo directed Party committees and departments to “make repeated postings on [sites] containing related news or reports to guide online public opinion effectively.”<sup>96</sup> A Chinese blogger who hacked a local propaganda department in 2014 revealed that there are 50-centers in “virtually every [propaganda] department [of the CCP],” and according to Professor Xiao, the total ranks of government-sponsored online commentators exceed ten million.<sup>97</sup> Some 50-centers are regular government employees who perform this task in addition to their regular duties, but many others are college students organized through the Communist Youth League or outsourced employees of online marketing companies.<sup>98</sup>

A May 2016 study by professors at Harvard, Stanford, and University of California, San Diego shows that official 50-centers produce approximately 488 million social media posts per year, meaning that about one out of every 178 social media posts on a Chinese commercial website is “fabricated” by the Chinese government.<sup>99</sup> Contrary to the popular conception of 50-centers as “ordinary citizens” hired specifically to conduct public opinion guidance, the study found that almost all of the 50-cent workers sampled were government employees.<sup>100</sup> The study also found that these 50-centers “distract the public and change the subject” from politically sensitive topics, tending to spam generic and supportive platitudes in response to government initiatives instead of directly or aggressively arguing with other posters.<sup>101</sup> The study's authors argue that although they cannot conclusively identify the causes of specific “bursts” of posts by 50-centers, the bursts are “consistent with a strategy of distraction” in the context of unusually sensitive or important events during which the CCP might want to be especially assiduous in its public opinion guidance.<sup>102</sup> The study also assessed that the main goal of this type of official Chinese propaganda is not to inspire either patriotism or jingoism but rather to counteract posts with “collective action potential” and thus prevent any anti-CCP consensus from coalescing among the Chinese public.<sup>103</sup>

\*This rumor has not been shown to be true. The term is now used to generically refer to enthusiastic online supporters of the Chinese government, regardless of whether or not they are paid, or how much. Anonymous, translated by David Wertime, “How to Spot a State-Funded Chinese Internet Troll,” *Foreign Policy*, June 17, 2015.

Gary King, director of Harvard University's Institute for Quantitative Social Science and the main author of the study, told the Commission that China employs both human and automated censors, and that each method has different qualities.<sup>104</sup> Bao Pu, a Hong Kong-based publisher of political books banned on the Mainland, told the *Wall Street Journal*, "If you have a machine doing [the censoring], it can instantly block everything. It doesn't matter if it's a billion messages or 10 billion."<sup>105</sup> Dr. King assessed that the human censors—who manually delete posts after they have been made—are fallible and inefficient due to their poor choice of keywords, whereas the automated censors use keywords to prevent online posts from being made in the first place.<sup>106</sup> Nonetheless, Dr. King said that artificial intelligence and machine learning, which China is aggressively developing, have the potential to further refine Chinese censors' ability to choose effective keywords (for more information on China's development of artificial intelligence and machine learning, see Chapter 4, Section 1, "China's Pursuit of Dominance in Computing, Robotics, and Biotechnology").<sup>107</sup>

#### **Censorship of the Death of Liu Xiaobo**

Liu Xiaobo, the Nobel Peace Prize-winning activist who had been serving an 11-year prison sentence for "subversion," died of liver cancer in July 2017 after Chinese authorities refused to let him receive treatment outside of the country.<sup>108</sup> Mr. Liu participated in the 1989 Tiananmen Square protests and was imprisoned by the Chinese government several times afterward for his advocacy of democratic reforms in China.<sup>109</sup> In December 2008, he was detained again after coauthoring Charter 08, a prodemocracy manifesto originally signed by about 350 Chinese intellectuals and human rights activists and then later by thousands of other Chinese.<sup>110</sup> In recognition of Mr. Liu's "long and non-violent struggle for fundamental human rights in China," he received the Nobel Peace Prize in 2010.<sup>111</sup> Since he was in prison at the time, Mr. Liu's award was presented to an empty chair, which became a symbol for his prize.<sup>112</sup> According to *China Digital Times*, after the Nobel Prize ceremony, the term "empty chair" (*kong yizi*) became a sensitive word in Chinese cyberspace, and the accounts of some bloggers who used it or who participated in a campaign to post pictures of empty chairs were blocked.<sup>113</sup>

Although Mr. Liu was recognized internationally as an influential civil society activist, most Chinese remain unaware of his existence. According to prominent Chinese activist Hu Jia, who was imprisoned for more than three years, 99 out of 100 people in Beijing likely have never heard of Liu Xiaobo.<sup>114</sup> Willy Wo-Lap Lam, senior fellow at the Jamestown Foundation and adjunct professor at the Chinese University of Hong Kong, argues the CCP keeps the Chinese populace ignorant of such figures through "control over information and its relentless efforts in hunting down critics of the regime."<sup>115</sup> Professor Lam says this is made possible by what Meng Jianzhu, Politburo member and secretary of the CCP Central Political and Legal Affairs Commission, calls a "multidimensional, all-weather, and foolproof ... prevention and control ...

### **Censorship of the Death of Liu Xiaobo—Continued**

grid.”<sup>116</sup> According to Professor Lam, specialized “stability maintenance” officials work with social media companies, e-commerce platforms, cloud computing firms, and other tech companies to establish “a seamless and all-encompassing intelligence network that would do George Orwell’s Big Brother proud.”<sup>117</sup>

After Mr. Liu’s death, these capabilities were deployed to censor terms such as “Nobel Peace Prize,” “Charter 08,” “sea burial,”\* the initials RIP, and even the candle emoji on messaging apps.<sup>118</sup> Pictures of Mr. Liu were automatically blocked in transmission on WeChat and WhatsApp.†<sup>119</sup> To evade online censorship while honoring Mr. Liu, some Chinese Internet users posted pictures of empty chairs, pictures containing the text “1955–2017” (the years of Mr. Liu’s life), and pictures of Tiananmen Square, a reference to his participation in the 1989 protests.<sup>120</sup> Professor Xiao told the Commission in August 2017 that Chinese censors have possessed the technology to automatically block pictures for at least two years, but images of chairs pose a bigger challenge to automated censors because they are so irregular.<sup>121</sup>

It is difficult to measure the effectiveness of this type of public opinion guidance, but Dr. King and his associates used an article published by *Global Times*—a hawkish newspaper that is backed by the CCP but not authoritative—as an illustrative example.<sup>122</sup> In response to the May 2016 study, *Global Times* published a piece defending the CCP’s opinion guidance programs.<sup>123</sup> Dr. King and his colleagues found that 82 percent of the comments on the paper’s website “expressed an opinion [that] supported China’s system of public opinion guidance,” reflecting the fact that *Global Times* readers tend to be more nationalistic.<sup>124</sup> However, in the much more politically diverse discussion on Weibo, 63 percent of comments disapproved of these opinion guidance techniques.<sup>125</sup>

### **Repression of Domestic Chinese Journalism**

In March 2017, Liu Qibao, head of the CCP’s Central Propaganda Department, said the media should “confidently ... tell good China stories,” reflecting the general trend of tightened state control of news media.<sup>126</sup> Since Chinese President and General Secretary of the CCP Xi Jinping announced in February 2016 that Chinese media “must serve the Party” and “must bear the surname ‘Party,’” the CCP has cracked down on domestic Chinese journalism to the point that “during 2016, it was difficult to discern any difference between

\*Mr. Liu’s ashes were scattered at sea. Hu Jia told the BBC this was “a deliberate move by the Chinese government to hastily arrange the funeral so that no-one can visit [Mr. Liu’s] body.” Tom Phillips and Benjamin Haas, “China’s Ocean Burial of Liu Xiaobo Backfires as Activists Stage Sea Protests,” *Guardian*, July 18, 2017; BBC, “Liu Xiaobo: Chinese Dissident’s Ashes Scattered at Sea,” July 15, 2017.

†In September 2017, WhatsApp was “largely blocked” in China, according to the *New York Times*. The CAC declined to confirm whether it had censored the encrypted chat program. Some observers assessed the service disruption was part of tightening security in preparation for the 19th National Congress of the CCP in October. Lulu Yilun Chen, “China Disrupts WhatsApp Texts as Censor Tools Grow More Powerful,” *Bloomberg*, September 26, 2017; Alyssa Abkowitz and Georgia Wells, “China Clamps Down on WhatsApp, Ironman, and Tibet Travel,” *Wall Street Journal*, September 25, 2017; Keith Bradsher, “China Blocks WhatsApp, Broadening Online Censorship,” *New York Times*, September 25, 2017.

a report from one media outlet and a report from another,” according to the International Federation of Journalists’ 2016 *China Press Freedom Report*.<sup>127</sup> Mr. Bandurski assessed that since 2014 Chinese media have remained “virtually silent on major breaking stories [of sensitive events] ... that in years past might have drawn more aggressive coverage.”<sup>128</sup> He wrote that the 2015 Tianjin industrial disaster was the only “truly notable exception to the lull in quality reporting by China’s domestic media” because “the explosions were a story of such immense scale, unfolding in a highly populated urban area, that coverage was impossible to quell entirely.”<sup>129</sup>

The *New York Times* assessed President Xi’s “new policy remove[d] any doubt that in the view of the president and party chief, the media should be first and foremost a party mouthpiece.”<sup>130</sup> During the Commission’s 2017 trip to Hong Kong, Professor Lam told the Commission President Xi believes insufficient Communist Party control over media was a key factor in the collapse of the Soviet Union, and he assessed President Xi is determined not to make the same mistake.<sup>131</sup> John Hemmings of the Henry Jackson Society, a British think tank that advocates for liberal democratic principles, assessed in July 2017 that “a centralizing of ... media ... functions to the [CCP] and to Xi personally” is now occurring.<sup>132</sup> Relatively liberal or dissenting media organizations, such as the well-respected Caixin and especially the *Southern Weekend* newspapers, have been censored or pressured more heavily in response to perceived disobedience since President Xi’s February 2016 directive.\*<sup>133</sup>

Sarah Cook, senior research analyst for East Asia at the watchdog organization Freedom House, reported that 2016 was “a particularly bad year for non-state controlled media outlets in China.”<sup>134</sup> For example, the Chinese National Academy of Arts-affiliated political journal *China through the Ages*, which was known for publishing articles that disputed the CCP’s official version of history, closed rather than accept new leadership foisted upon it by the government.<sup>135</sup> Online forum Consensus Net, which was known for relatively open political debate and balanced content, also was shut down.<sup>136</sup> Ms. Cook noted that commercial web portals such as Tencent, Sina, and Netease were also subjected to increased pressure not to produce original, unofficial news content.<sup>137</sup> According to Ms. Cook, in recent years several high-profile prison sentences for professional journalists have also served as a warning to journalists investigating corruption, some of whom ultimately changed careers out of concern for their wellbeing.<sup>138</sup> Deng Fei, a former investigative journalist, told National Public Radio in 2017 that many Chinese journalists “feel demoralized and have been quitting the business in droves.”<sup>139</sup> Many Chinese journalists, according to Dan Southerland, former executive editor at Radio Free Asia, are young and inexperienced and

\*For example, Dr. Richardson of Human Rights Watch testified to the Commission that in *Southern Weekend*’s annual editorial summarizing the major events of the past year, the 2004 edition “explicitly” criticized the CCP for limitations on “citizens and rights”; the 2008 edition “implicitly called for ‘democracy and freedom and human rights’”; the 2013 edition substituted President Xi’s slogan about the “great rejuvenation and dreams of the Chinese nation” for any mention of human rights; and the 2017 edition was “utterly devoid of any political language and focused only on, quote, ‘hopes and dreams.’” U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

tend to move on to better jobs\* quickly, leaving a dearth of older, experienced reporters.<sup>140</sup> According to a May 2017 report from the All-China Journalists Association, 39 percent of China's approximately 224,000 journalists are aged 30–40 and 34 percent are aged 40–50, and according to Mr. Southerland, more than 80 percent of “front-line” journalists in China are aged 30 or younger.<sup>141</sup>

The International Federation of Journalists assessed in its 2016 *China Press Freedom Report* that until 2013, there were Chinese reporters willing to report on “cases of great general concern and even on some so-called ‘sensitive’ topics such as negative stories about the leadership,” but this kind of reporting has “gradually diminished” to the point that some journalists claimed in 2016 that they were “completely mute.”†<sup>142</sup> The Foreign Correspondents’ Club of China’s Working Conditions Survey 2016 reported that sources and local staff of foreign reporters are subjected to intimidation, which presents “major challenges” for these journalists.<sup>143</sup> According to the International Federation of Journalists’ report, there were two “major incidents” in China in 2016 involving the detention of Chinese journalists: one involving three reporters in Wuwei, Gansu Province, and ongoing developments stemming from the October 2015 disappearance of five booksellers in Hong Kong.‡<sup>144</sup>

Mr. Southerland testified to the Commission that local assistants, who are instrumental to foreign journalists in their capacity as translators and in arranging interviews with witnesses, are often subjected to “intimidation sessions”§ in which police interrogate them about their work.<sup>145</sup> Steven Butler, Asia program coordinator at watchdog organization Committee to Protect Journalists, told the Commission in August 2017 that these assistants are “subject to continuing manipulation, and reporters in the field are subject to arbitrary treatment by local officials in violation of established rules.”<sup>146</sup> Mr. Southerland testified that due to the significantly increased risks faced by Chinese reporters, most of the best investigative reporting in China over roughly the past six years has been done by foreign reporters, but the harassment that foreign reporters face has also increased.<sup>147</sup>

According to PEN America, a prominent literary organization that advocates for freedom of expression, foreign journalists in

\*A common reason to change careers is a desire for higher pay. According to a survey of Chinese journalists by PR Newswire, 80 percent of the 1,477 respondents said they earned less than 10,000 yuan (\$1,494) per month, and 60 percent cited low pay as the main reason to change careers. PR Newswire, *The Influence of the Digitized Broadcasting Environment on Working Habits of Reporters and Relationships with Public Relations Media*, 2016, 2. Translation. <http://static.prnasia.com/pro/marketing/whitepaper/2016/PRNewswireSurveyOnJournalist2016.pdf>.

†Luo Changping, an award-winning former investigative journalist, told National Public Radio in August 2017 that the magazine *Caijing*, which he called “the [Chinese] media outlet with the most freedom,” can now only publish about 10 percent of their material, compared to about 90 percent prior to 2014. Mr. Luo’s social media accounts have been repeatedly shut down by Chinese censors beginning in 2013. Anthony Kuhn, “China’s Few Investigative Journalists Face Increasing Challenges,” National Public Radio, August 6, 2017.

‡In October 2015, five booksellers tied to Mighty Current Media, a Hong Kong publisher of political gossip books, were apparently detained by mainland Chinese security personnel, raising concerns about the status of Hong Kong’s legal autonomy. For more information on these events and their implications, see U.S.-China Economic and Security Review Commission, *2016 Annual Report to Congress*, November 2016, 409–413.

§These intimidation sessions are often referred to as being “made to drink tea” since Public Security Bureau officials sometimes invite activists and journalists to come to the local police station for tea in order to interrogate them. Yuwen Wu, “Tea? Reining in Dissent the Chinese Way,” BBC, January 17, 2013.

China face more restrictions now than at any other time in recent history.<sup>148</sup> In November 2016, BBC journalists in China attempting to interview a house-arrested candidate legally running for local political office were physically impeded by plainclothes minders, apparently to the greatest extent that the minders could without being caught on camera using overt physical violence.<sup>149</sup> After an interview attempt with a would-be petitioner in March 2017, plainclothes police seized the BBC crew's cameras, smashed them, and forced members of the crew to sign confessions for "trying to conduct an 'illegal interview,'" according to the *Guardian*.<sup>150</sup> Mr. Southerland testified that this kind of assault of foreign journalists is "something new"; in years past, the worst a foreign journalist had to fear from the Chinese state was "just to be expelled," but this has changed for the worse recently.<sup>151</sup> For example, Michael Forsythe, the lead reporter on a 2012 Bloomberg story investigating the wealth of President Xi's family, was subjected to death threats from people "tied to Xi's family" after the story's publication, according to Leta Hong Fincher, a prominent China scholar and Mr. Forsythe's spouse.<sup>152</sup> Even reporters investigating nonsensitive stories, however, are now subject to "extreme" surveillance, according to the *Australian Financial Review's* Lisa Murray.<sup>153</sup> Ms. Murray wrote that while she and her colleagues researched "relatively benign [economic] topics" in August 2017 in Wenzhou, China, security personnel followed them and local officials sat in on meetings pretending to be affiliated with the companies or organizations the journalists visited.<sup>154</sup>

## **China's Global Media Influence**

### ***Global Development of Chinese Journalism***

While the CCP has increasingly suppressed reporting on politically sensitive stories within China, it has made a strong push to develop the overseas presence of state-approved journalists to bolster China's international image. Mr. Southerland testified to the Commission that CCP leaders believe Western reporting has damaged China's international image ever since the Tiananmen Massacre; he assessed that China has "worked hard since then to present itself as a peace-loving nation whose rise threatens no one."<sup>155</sup> This effort to manage China's international image has in part relied on the rapid development of Chinese news services in foreign languages; Mr. Southerland testified that "Beijing's overseas media is impressive and should not be underestimated."<sup>156</sup> Shanthi Kalathil, director of the National Endowment for Democracy's International Forum for Democratic Studies, testified to the Commission that "China has mobilized information resources on a massive scale to project power and maximize desired outcomes."<sup>157</sup> Ms. Kalathil testified that in the process of building up its overseas presence in news media, the Chinese government has attempted to exert this pressure primarily in three ways: "influencing foreign reporting on China; extending its presence abroad through its international broadcasting and publication arms; and influencing the structure and values of news organizations, primarily in developing countries, through funding, training and cooperation."<sup>158</sup>

*Influencing foreign reporting on China:* According to the *New York Times*, “The Chinese Communist Party’s efforts at shaping the world’s view of its country, culture, and government have grown into an aggressive transnational censorship program that seeks to quash critical voices globally.”<sup>159</sup> These media influence activities have been documented in several countries on China’s periphery:

- Ms. Cook reported in 2013 that local government officials in Asia, Africa, and Latin America “have taken steps to restrict or punish reporting damaging to China’s reputation ... either at the behest of Chinese representatives or to preemptively avoid tensions with a large donor and trading partner.”<sup>160</sup>
- A leaked Chinese government document from 2015, *Long-Term Plan on China-Pakistan Economic Corridor*,\* included plans for a Chinese-built national fiber optic network in Pakistan that will be used not only for a large surveillance system but also as a “cultural transmission carrier” to “cooperate with Chinese media in the ‘dissemination of Chinese culture,’” according to the Pakistani newspaper *Dawn*.<sup>161</sup>
- During the Commission’s 2017 trip to South Korea, General Kim Hee-sang, deputy director of the South Korea Ministry of Foreign Affairs, told the Commission the South Korean government is concerned about Chinese investments in the country’s entertainment and film industry.<sup>162</sup>
- An Australian Broadcasting Corporation report in June 2017 assessed the CCP wields influence in Australia by, among other things, controlling most Chinese-language media in Australia.<sup>163</sup>
- In August 2017, Turkish Foreign Minister Mevlüt Çavuşoğlu said Turkey would “take measures to eliminate any media reports targeting China,” noting that “Turkey regards China’s security as its own security and will definitely not allow any activities to undermine China’s sovereignty and security in its territory.”<sup>164</sup>
- In August 2017, at the request of the Chinese government, Cambridge University Press censored more than 300 academic articles and book reviews in the academic journal *China Quarterly* related to issues such as “the 1989 Tiananmen Square massacre, Tibet, Xinjiang, Hong Kong, and the Cultural Revolution.”<sup>165</sup> The university press denied reports it had also censored more than 1,000 e-books a few months earlier; the Press said it “does not and will not block e-books for the Chinese market,” but “Chinese importers decide which books they will purchase for resale within China.”<sup>166</sup> The decision to censor the *China Quarterly* articles prompted widespread criticism in the China-watching community. Zhan Jiang, a professor at Beijing

\*The China-Pakistan Economic Corridor (CPEC) is a \$46 billion infrastructure investment plan under the One Belt, One Road umbrella. For China, the goals of CPEC are threefold: to create an alternative trade route through Pakistan and gain access to ports on the Arabian Sea; to contain Islamic terrorism and insurgency in Xinjiang, Pakistan, and Afghanistan through economic development; and to stabilize Pakistan’s economic and security environment. For Pakistan, CPEC presents an opportunity to address major infrastructure shortfalls, particularly energy shortages. U.S.-China Economic and Security Review Commission, *2016 Annual Report to Congress*, November 2016, 17–18.

Foreign Studies University, called this censorship of the academic sphere “unprecedented,” and James Millward, a professor at Georgetown University, called the Press’s acquiescence “a craven, shameful, and destructive concession to [China’s] growing censorship regime.”<sup>167</sup> Several days later, the university press reversed its decision to censor *China Quarterly*.<sup>168</sup>

In addition, the Chinese government requested Cambridge University Press censor approximately 100 items from a second journal, the *Journal of Asian Studies*,<sup>169</sup> and approximately 27 items—mostly book reviews—from the *American Political Science Review*.<sup>170</sup> The publisher refused both requests. In late August, the *Journal of Asian Studies* sent a letter to the authors of the items in question—including Larry M. Wortzel, a Commissioner at the U.S.-China Economic and Security Review Commission—informing them of the *Journal’s* intent to publish a list of all the items Beijing requested to be censored and asking whether they objected to the inclusion of their articles in the list.<sup>171</sup> The fact that this question was asked shows how China’s censorship creates fears among some researchers that views objectionable to Beijing might interfere with their future work in China.

- LexisNexis, a provider of legal, regulatory, and business information, revealed in August 2017 that it had removed two databases from the Chinese market in March after being asked by Chinese authorities to remove some content.<sup>172</sup>
- Chinese authorities have used the process of digitizing academic archives to mask the removal of dozens of Chinese journal articles from the 1950s that questioned the CCP’s adherence to the rule of law, according to Glenn Tiffert, a postdoctoral fellow at the University of Michigan.<sup>173</sup> Dr. Tiffert wrote in August 2017 that “the Chinese government is leveraging technology to quietly export its domestic censorship regime abroad and ... enlisting [observers] without their consent in an alarming project to sanitize the historical record and globalize its own competing narratives.”<sup>174</sup>

Newspapers viewed by Chinese officials as “anti-China” have been pressured to drop negative stories “through a combination of direct action, economic pressure to induce self-censorship by international media owners, indirect pressure applied via proxies such as advertisers, and cyber attacks and physical assaults,” according to Ms. Kalathil.<sup>175</sup> Australia has been a major target of these operations. John Garnaut, a former adviser to Australian Prime Minister Malcolm Turnbull, wrote in August 2017 that the All-China Journalists Association—which he said is “directly subordinate to [the] United Front Work Department\* with intimate ties to the [CCP] Propagan-

\*In addition to having broad responsibility for domestic Chinese policies, the United Front Work Department under the CCP Central Committee is responsible for building and managing relationships with actors overseas to expand China’s soft power and further the CCP’s political agenda. United Front Work Department personnel are often “dual hatted” officials working in more than one role. U.S.-China Economic and Security Review Commission, *2016 Annual Report to Congress*, November 2016, 291; Marcel Anglivièl de la Beaumelle, “The United Front Work Department: ‘Magic Weapon’ at Home and Abroad,” *China Brief*, July 6, 2017; Mark Stokes and Russell Hsiao, “The People’s Liberation Army General Political Department: Political Warfare with Chinese Characteristics,” *Project 2049 Institute*, October 14, 2013, 33–34.

da [Department]”<sup>176</sup>—had become the “key gateway to China for Australian journalists.”<sup>177</sup> Ms. Kalathil testified to the Commission that local analysts in Australia have reported that “the formerly lively, independent Chinese language media space [in Australia] now hews largely to the pro-China line, in part because pro-China media groups now control much of the Chinese language media sector.”<sup>178</sup> For example, Yan Xia, editor-in-chief of the independent Chinese-language Australian newspaper *Vision China Times*, wrote in September 2016 that a Beijing-based immigration agency felt compelled to stop placing ads in Mr. Yan’s paper as a result of harassment from Chinese immigration officials.<sup>179</sup> Mr. Yan wrote that Chinese-language media in Australia are “under pressure to support President Xi Jinping and Beijing’s foreign policy,” and he fears this influence will be more easily wielded in the future as “increasing numbers of Australian politicians, Chinese community groups, and Chinese media companies are becoming more reliant on commercial and political ties with China.”<sup>180</sup>

In addition to exerting pressure through and on members of the Chinese community in Australia, the Chinese government has pursued more traditional forms of cooperation with Australian media. In May 2016, six major agreements<sup>†</sup> were signed between Chinese and Australian media organizations, which were “a victory for Chinese propaganda” according to John Fitzgerald, director of the Center for Social Impact Swinburne’s Program for Asia-Pacific Social Investment and Philanthropy at Swinburne University, and Wanning Sun, professor of media and communication studies at the University of Technology Sydney.<sup>181</sup> Radio National, part of the Australian Broadcasting Corporation, said the agreement meant “China’s colossal [public relations] machine [would] have a say in what news [Australians] get from China.”<sup>182</sup> Liu Qibao, head of the Central Propaganda Department of the CCP, personally attended the signing of the agreements, suggesting the significance of the deal for the Chinese government.<sup>183</sup> Under the arrangement, the Australian company Fairfax Media will distribute the monthly *China Daily* supplement *China Watch* in the *Sydney Morning Herald*, the *Age*, and the *Australian Financial Review*, and Fairfax will have no editorial control over the content.<sup>184</sup> *China Watch* has also been distributed by newspapers in the United States. (For more information on Chinese government-sponsored news content in U.S. publications, see “China’s Media Influence in the United States,” later in this section.)

\*According to an editor at a pro-Beijing publication in Australia cited by the *Sydney Morning Herald*, “Nearly 95 percent of the Australian Chinese newspapers have been brought in by the Chinese government to some degree.” Australian National University professor Bates Gill and independent researcher Linda Jakobson cited the *Australian New Express Daily*—which is owned by Chau Chak Wing, a Chinese real estate tycoon and member of a CCP advisory body in Guangdong Province who praised the paper for “never hav[ing] any negative reporting [about China]”—as a particularly striking example. For a list of the major Chinese-language print publications in Australia, including their circulation numbers, see Wanning Sun, “Chinese-Language Media in Australia: Development, Challenges and Opportunities,” *Australia-China Relations Institute*, 2016, 67–69.

†The agreements were between Xinhua, *China Daily*, China Radio International, *People’s Daily*, and Qingdao Publishing Group (all of which are state-run) on the Chinese side and Fairfax Media, Sky News Australia, the Global China-Australia Media Group, Weldon International, and the Australia-China Relations Institute (ACRI) at the University of Technology, Sydney, on the Australian side. John Fitzgerald and Wanning Sun, “Australian Media Deals Are a Victory for Chinese Propaganda,” *Lowy Institute*, May 31, 2016.

### China's Discrediting of Guo Wengui in International Media

In March 2017, Guo Wengui, a Chinese real estate tycoon living in the United States since 2015, began to publicly criticize the effectiveness of the CCP's anticorruption campaign and allege high-level corruption in the CCP.<sup>185</sup> Chinese state-run media called him a "criminal suspect" and launched an international publicity campaign, including releasing a videotaped confession by a former senior intelligence official accusing Mr. Guo of corruption and uploading videos to YouTube on a channel called "Truth about Guo Wengui," to discredit him.<sup>186</sup> In an unbylined\* story, the *South China Morning Post* called the campaign "unprecedented" and "unusually sophisticated," and Professor Xiao testified to the Commission that he had "never seen something like this."<sup>187</sup> After Mr. Guo threatened to drop a "nuclear bomb" of corruption allegations involving relatives of powerful CCP officials in April 2017, the Chinese government asked the International Criminal Police Organization (INTERPOL) to issue a red notice† for Mr. Guo.<sup>188</sup> Meng Hongwei, a former Chinese vice-minister of public security, has been president of INTERPOL since November 2016.<sup>189</sup> According to *Foreign Policy's* Bethany Allen-Ebrahimian, countries such as Russia, Turkey, and China issue "politically motivated red notices against dissidents, activists, and journalists," and she argues the timing in this case suggests that "China's motive is purely political and that INTERPOL is in danger of becoming an extension of the increasingly long reach of the Chinese state."<sup>190</sup> In August 2017, the Associated Press reported that Chinese police had requested a second INTERPOL arrest notice for Mr. Guo.<sup>191</sup>

Chinese social media mentions of the story in April were heavily censored: FreeWeibo.com, a site that tracks censored posts on Weibo, listed Mr. Guo as the top censored subject in the week prior to April 20.<sup>192</sup> Mr. Guo's Facebook and Twitter accounts were briefly suspended, raising concerns of pressure by Chinese officials.<sup>193</sup> GreatFire, an anticensorship activism organization, claimed the Chinese government had targeted Mr. Guo's Twitter account with a direct denial of service‡ (DDoS) attack.<sup>194</sup> Charlie Smith, GreatFire's cofounder, told the Commission in September 2017 that this cyber attack was still ongoing.<sup>195</sup>

\*According to National Public Radio, a byline—the line at the top of an article naming the author—is an important part of transparency, and "transparency fosters accountability." For example, when the *South China Morning Post* published an interview with a detained Chinese legal assistant, David Bandurski noted the lack of a byline and said that questionable details of the article, including the refusal by the paper's senior staff to clarify how they arranged an interview with a detained person, raised "very serious questions about the newspaper's commitment to editorial independence." Sara Goo, "Guidance for Bylines on NPR.org," National Public Radio, March 1, 2017; David Bandurski, "The Mea Culpa Machine," *China Media Project*, July 15, 2016.

†According to INTERPOL, a red notice is "a request to locate and provisionally arrest an individual pending extradition. It is issued ... at the request of a member country or an international tribunal based on a valid national arrest warrant. It is not an international arrest warrant. INTERPOL cannot compel any member country to arrest an individual who is the subject of a Red Notice. Each member country decides for itself what legal value to give a Red Notice within their borders." INTERPOL, "Red Notices," 2017.

‡A DDoS is a type of cyber attack designed to force a server to shut down by overwhelming it with requests for information from multiple sources in a coordinated fashion. Kim Zetter, "Hacker Lexicon: What Are DoS and DDoS Attacks?" *Wired*, January 16, 2016.

**China's Discrediting of Guo Wengui in International  
Media—Continued**

In April 2017, Voice of America's (VOA) Chinese-language service conducted a live interview with Mr. Guo in which he made new allegations of corruption involving powerful Party officials, claiming "If [Chinese officials] weren't so corrupt, they wouldn't be scared" of him.<sup>196</sup> According to VOA's Mandarin Service Chief, Sasha Gong, Mr. Guo explained during a pre-interview that he paid for "office rentals, private jets, surveillance systems, personnel, and many other expenses" for Chinese security services personnel in exchange for their help in "dealing with his business rivals."<sup>197</sup> Although the interview was advertised beforehand as scheduled to run for three hours, VOA cut off the interview early after Mr. Guo made new corruption allegations, citing a prior agreement to only air one hour of it.<sup>198</sup> According to Dr. Gong, the Chinese Foreign Ministry complained to VOA's Beijing correspondent that the interview would "disturb" China's upcoming 19th Party Congress in October 2017, and the Ministry threatened to "respond seriously" if the interview proceeded.<sup>199</sup> Dr. Gong refused to cancel the interview but said VOA's upper management ordered that it run for "no longer than 15 minutes," although it ultimately ran for one hour and 19 minutes, after which Dr. Gong and four colleagues were suspended without pay.<sup>200</sup>

Mr. Guo claimed the interview had been sabotaged by a Chinese state-affiliated "liaison person" within VOA.<sup>201</sup> Dr. Gong wrote in the *Wall Street Journal* that she was "not aware of another instance in the 75-year history of [VOA] in which a foreign government has attempted to intervene with such force in the network's broadcast decisions."<sup>202</sup> She told CNBC she suspected "somebody [at VOA] caved in to the Chinese government's demand, because the timing itself was very suspicious ... Someone very, very powerful must be very, very afraid of this."<sup>203</sup> In June, CNBC reported James McGregor, chairman of Greater China for communications consultancy APCO Worldwide, had been appointed by the Broadcasting Board of Governors to investigate whether VOA had been pressured by Beijing, although VOA director Amanda Bennett denied that pressure from Beijing had influenced VOA's decision.<sup>204</sup> In June, Secretary of State Rex Tillerson said he would support an investigation by the U.S. State Department Inspector General into whether VOA had been pressured by Beijing if it was deemed necessary.<sup>205</sup> In late August, four members of Congress, including the co-chairs of the Congressional-Executive Commission on China, sent a letter to the Office of the U.S. Department of State Inspector General and the Broadcasting Board of Governors to request an investigation into the matter.<sup>206</sup>

The Chinese government began trying associates of Mr. Guo in June, marking the first official allegations made.<sup>207</sup> According to the *Wall Street Journal*, the authorities "went to unusual lengths to open the proceedings to public view" by posting videos of the proceedings in addition to transcripts, emphasizing the degree to which the publicity campaign remained in full force.<sup>208</sup> Three em-

**China's Discrediting of Guo Wengui in International  
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ployees of Beijing Pangu Investment, one of Mr. Guo's companies, were convicted of fraud.<sup>209</sup> In September 2017, Mr. Guo applied for political asylum in the United States because his allegations against Chinese officials had made him “a political opponent of the Chinese regime,” according to his then lawyer.<sup>210</sup>

Later in September, after Mr. Guo posted additional personal details of Chinese officials on Facebook, the company blocked his profile and an associated page due to violations of its terms of service, according to a Facebook spokesperson.<sup>211</sup> In late September, the Hudson Institute, a think tank in Washington, DC, announced plans to host Mr. Guo for an invitation-only speaking event in early October, but the event was abruptly postponed the day before it had been scheduled to occur.<sup>212</sup> According to the *Wall Street Journal* and Mr. Guo, Hudson Institute staff—including at least one scholar with a pending visa application for a trip to China—received telephone calls from the Chinese Embassy pressuring them not to go through with the event.<sup>213</sup> David Tell, director of public affairs at the Hudson Institute, told the Commission the event was postponed not due to pressure from Beijing but because Hudson staff “weren't able to pull together the event on short notice,” citing complications such as the need for heavy security.\*<sup>214</sup> According to internal Hudson Institute e-mails reviewed by the Commission, at least two senior Hudson staff said they received telephone calls from the Chinese Embassy, and one senior fellow said a “counselor” from the Embassy “asked about [the senior fellow's] entry visa application [to China]”; the counselor claimed hosting Mr. Guo would “embarrass [the] Hudson Institute and hurt [its] ties with the Chinese government.”<sup>215</sup>

*Extending presence abroad:* According to a May 2017 report from the Council on Foreign Relations, China has “thrown its weight behind its foreign language news outlets to establish greater control over narratives about China.”<sup>216</sup> Unconstrained by the budget pressures facing private sector international media companies, Chinese news media have expanded into the international media market aggressively.<sup>217</sup> According to the *Economist*, Xinhua, China's official state-run news agency, opened 40 new foreign news bureaus between 2009 and 2011 to reach a total of 162, and the number of Xinhua correspondents based overseas also doubled during that time; Xinhua reported in March 2015 that it operated about 180 overseas bureaus.<sup>218</sup> The *Economist* said Xinhua plans to have 200 overseas bureaus by 2020.<sup>219</sup> Xinhua's North American bureau supervises bureaus in the UN, Washington, DC, Chicago, Los Angeles, Houston, and San Francisco.<sup>220</sup> At the same time, the Chinese government denies or delays visas for foreign journalists and otherwise interferes with their activities. For example, Mr. Butler at the Committee to Protect Journalists told the Commission in August 2017

\*Mr. Tell told the Commission the Hudson Institute had in the previous weeks been subjected to an unsuccessful “large-scale, sophisticated” cyber attack originating in Shanghai. David Tell, director of public affairs, Hudson Institute, interview with Commission staff, October 3, 2017.

that in one recent incident, a visa application for one press agency was held up by Chinese officials until it was established that another reporter the agency had recently hired would not be covering human rights.<sup>221</sup> New York-based New Tang Dynasty TV (NTDTV), which is known for reporting on human rights in China, said in September 2017 that one of its veteran journalists, Yang Lixin, had been denied accreditation by the UN General Assembly as a result of Chinese pressure.<sup>222</sup>

**Table 1: U.S. Media (I) Visas Issued to Chinese Citizens 2006–2016**

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
751	845	848	783	616	868	989	1,029	962	1,041	836

Source: U.S. Department of State, *Nonimmigrant Visa Issuances by Visa Class and by Nationality*, 2016. [https://travel.state.gov/content/dam/visas/Statistics/Non-Immigrant-Statistics/NIVDetailTables/FYs97-16\\_NIVDetailTable.xls](https://travel.state.gov/content/dam/visas/Statistics/Non-Immigrant-Statistics/NIVDetailTables/FYs97-16_NIVDetailTable.xls).

According to research conducted by the China Africa Research Initiative at the Johns Hopkins University School of Advanced International Studies, Xinhua bureaus have become a primary news source in Africa competing with Western agencies like the Associated Press and Reuters.<sup>223</sup> Private Chinese media companies have expanded their reach in Africa, as well. For example, Beijing-based StarTimes Group—Africa’s leading digital television operator—reportedly has ten million subscribers in more than 30 African countries and reaches 90 percent of Africa’s population through its distribution network, according to Chinese State Council Information Office-affiliated state-run news portal China.org.<sup>224</sup> Although StarTimes is an ostensibly private company, according to the *Los Angeles Times* it operates in Africa with an “explicit political mandate” from the Chinese government.<sup>225</sup> Dani Madrid-Morales, a doctoral candidate at the City University of Hong Kong, argued in August 2017 that StarTimes’ operations in Africa have “a huge ideological element” and include “very specific shows that showcase an urban China, a growing China, a noncontroversial view of China.”<sup>226</sup>

At the same time, Chinese authorities have increasingly blocked foreign sources of news within China, including the *New York Times*, which was officially blocked in 2012 in retaliation for publishing an article on the personal wealth of then Chinese Premier Wen Jiabao’s family members.<sup>227</sup> In August 2017, Radio Television Hong Kong (RTHK) announced it would stop broadcasting BBC World Service radio around the clock\*—which it had done in Hong Kong since 1978—beginning in September, replacing it with content from China National Radio Hong Kong Edition in Mandarin.<sup>228</sup> RTHK spokesperson Amen Ng cited a desire to “enhance the cultural exchange between mainland China and Hong Kong” as the reason but denied it was a “political arrangement.”<sup>229</sup> RTHK employees told Reuters the decision had been “forced through without broad consideration,” and one senior employee said “Nobody [at RTHK] knew anything about it. [RTHK staff members] were told in a meeting just before it was announced.”<sup>230</sup>

\*RTHK still broadcasts BBC World Service after the nightly shutdown of RTHK Radio 4. Lam Kwok-lap, “Outcry after Hong Kong Broadcaster Axes BBC World Service in Favor of Chinese State Media,” Radio Free Asia, August 14, 2017.

Xinhua's rapid overseas growth has raised concerns due to its connection to the Chinese government. Xinhua serves some of the functions of an intelligence agency by gathering information and producing classified reports for the Chinese leadership on both domestic and international events.<sup>231</sup> For example, a Canadian former Xinhua reporter, Mark Bourrie, quit his job there after he realized he was expected to act as a spy for China; he said he was asked to find out what the Dalai Lama and Canadian Prime Minister Stephen Harper discussed in a private meeting.<sup>232</sup> Chen Yonglin, a former Chinese diplomat who defected to Australia in 2005, told the *Epoch Times* in September 2011 that "Some [Xinhua] reporters ... have political missions; to do propaganda, using selective reporting to influence foreign politics. This includes defaming western countries in order to make the CCP look good."<sup>233</sup> Mr. Chen also claimed Xinhua is an "outreach organ of [China's] intelligence agencies."<sup>234</sup>

Distancing themselves somewhat from the often terse and humorless voice of official propaganda, Chinese official and semiofficial media have experimented with relatively flashy and snappy publications that are more approachable for foreign audiences; in most cases, it is not immediately apparent that this material is Chinese state-backed propaganda. For example, *Foreign Policy* described the new English-language website Sixth Tone—an affiliate of Party-controlled *The Paper*—as "Vox ... acquired by the Chinese Communist Party."<sup>235</sup> The *Washington Post* and *New York Times* have also featured inserts from the Chinese official media outlet *China Daily* without clearly marking them as Chinese propaganda, and state-run China Central Television (CCTV) hired many experienced U.S. reporters to run its Washington bureau.<sup>236</sup> CCTV International was rebranded as China Global Television Network (CGTN) at the end of 2016 and now oversees all new foreign language channels and digital content.<sup>237</sup>

*Influencing the structure and values of news organizations:* Although China's news influence operations have encountered obstacles in developed countries like Australia, they have found success in developing countries.<sup>238</sup> A 2013 report by Ms. Cook notes that China has granted media development aid to developing countries,\* training journalists in those countries so they are unlikely to report on negative stories about China.<sup>239</sup> According to Ms. Kalathil, China has provided extensive assistance to countries in Latin America, Central and East Asia, and Africa in developing their communications and media sectors.<sup>240</sup> It has primarily done so by providing "financial resources, infrastructure and equipment, study tours in China, and training."<sup>241</sup> According to state-run *China Daily* in October 2016, a Chinese government-backed program at China Communications University for training foreign journalists is a way to boost China's soft power.<sup>242</sup> *China Daily* also said the School of Journalism and Communication at Renmin University has trained

\*For example, in 2008, China officially provided \$18 million in international direct media assistance, but this figure does not account for the hundreds of millions of dollars—as much as \$6 billion—that China has spent on "enhancing the global reach of its state-run media enterprises, focused on the Xinhua news agency, CCTV, and the People's Daily newspaper." Douglas Farah and Andy Mosher, "Winds from the East: How the People's Republic of China Seeks to Influence the Media in Africa, Latin America, and Southeast Asia," *Center for International Media Assistance*, September 8, 2010, 8–9.

at least 10 African journalists each year since 2014, and Tsinghua University's master's degree program in global business journalism has produced 200 graduates from 50 countries.<sup>243</sup>

Unlike most traditional media development assistance, according to Ms. Kalathil, "China does not support the typical normative goals of this kind of assistance: freedom of expression, editorial independence, technologically neutral protocols, and developing the professional and investigatory capacity of local journalists."<sup>244</sup> A report from the National Endowment for Democracy's Center for International Media Assistance said that international media conferences hosted by China "consistently [push] the theme that the Western media is biased and deliberately slanders developing nations. The solution proposed is the creation of a global media alliance against the West ... to present a more positive image of the developing world."<sup>245</sup>

Chinese media, according to Mr. Southerland, have received the approval of African governments by "present[ing] African developments in a favorable light while countering what some African governments regard as mostly negative news reports carried by Western media," such as discussion of famine, disease, and corruption.<sup>246</sup> At the same time, Emeka Umejei, a doctoral candidate at the University of the Witwatersrand in Johannesburg, argues that "China media organizations based in Africa make sure that content provided by their African employees doesn't offend Chinese interests on the continent. Story ideas proposed by African journalists have to be approved or rejected by Beijing."<sup>247</sup> The resulting mutual positive coverage between Chinese media in Africa and African media reporting on China serves the purposes of both the Chinese and African governments. China's Ministry of Foreign Affairs said after the August 2017 China-Africa Media Dialogue in Johannesburg that Chinese and foreign media "sing beautiful songs of cooperation."<sup>248</sup>

Journalists in some African countries have long been harassed, intimidated, and jailed by repressive governments, and China's involvement in the development of African news media has reportedly emboldened these repressive tendencies.<sup>249</sup> Anne Nelson, adjunct associate professor of international and public affairs at Columbia University, assessed in 2013 that as a result of "China's integrated approach to media investment ... African leaders are assured that they can practice censorship with impunity."<sup>250</sup> Mr. Southerland testified to the Commission in May 2017 that some African academics and human rights advocates now worry that "China's media links and African government connections are encouraging some African leaders to feel that they can control, harass, and repress African journalists with impunity."<sup>251</sup>

### ***China's Media Influence in the United States***

According to Ms. Cook, CCP influence campaigns in the United States primarily target overseas Chinese and the remainder of the U.S. audience "[first,] to promote a positive view of China and the CCP regime; second, to encourage U.S.-China investment; and third, to suppress voices that present the Chinese government negatively."<sup>252</sup> As in Australia, an important part of this strategy in the United States, according to Ms. Cook, is "insinuating state-media content into mainstream media or other existing dissemination channels."<sup>253</sup>

This propaganda campaign in the United States has increasingly targeted English-language media with both regular inserts of *China Watch* into newspapers and an entire English-language edition of *China Daily*, the *Wall Street Journal's* partnership with Xinhua called *China Messenger*, the launch of CGTN, and more prominent deals such as Xinhua's leasing of a 60-foot LED sign in New York City's Times Square.<sup>254</sup> The Chinese government has used this sign, for example, to show propaganda claiming China has "indisputable sovereignty" over the South China Sea, according to VOA.<sup>255</sup> The Chinese government also pursues "friendly" relationships with private media owners and reporters to incentivize them to portray China positively without explicit direction; for example, according to a Reuters report, the messaging of independently-produced content broadcast by G&E, a California studio partnering with the state-run radio network China Radio International, "matches that of Chinese state propaganda."<sup>256</sup>

Chinese state-run media and CCP-friendly private networks such as Phoenix\* have a virtual monopoly in Chinese-language U.S. cable television, distorting the information available to the Chinese-speaking community in the United States. According to Ms. Cook, CCTV News is available in 90 million U.S. households, and Phoenix TV and CTI, a pro-China network based in Taiwan, are each available in more than 70 million U.S. households.<sup>257</sup> However, ETTV—a Taiwanese station that Ms. Cook described in her testimony as pro-independence—reaches just 12 million households, and NTDTV reaches just six million.<sup>258</sup> Ms. Cook testified to the Commission that NTDTV's website "significantly outranks" those of both Xinhua and CCTV in popularity.<sup>†</sup><sup>259</sup> This suggests that if NTDTV—and other independent Chinese-language cable networks—were more widely available in the United States, they would be more popular than CCTV, as well, reducing Chinese state-run media's dominance.

### ***U.S. Access to the Chinese Film Market***

China is now a major target audience for U.S. film studios. Donna Langley, chairman of Universal Pictures, told the *Hollywood Reporter* in October 2016 that "China is very important to the movie industry today. The number of movie theaters and filmgoers ... [is] extraordinary."<sup>260</sup> According to the *Wall Street Journal*, "Hollywood has become so entangled with China that the movie industry can't run without it," since Chinese ticket sales continue to increase rapidly while U.S. sales remain flat.<sup>261</sup> From 2011 to 2015, the Chinese entertainment industry grew at a rate of about 17 percent per year to an estimated total of about \$180 billion, according to analysis by the Wharton School of the University of Pennsylvania.<sup>262</sup> In 2016, China's total film ticket sales were about \$6.6 billion, more than half of the U.S. total of \$11.4 billion.<sup>263</sup> In contrast to previous rapid growth, Chinese film industry analysis company Entgroup assessed that China's domestic film ticket sales only increased 2.4 percent

\*Although Phoenix is not state-run, CCTV reportedly has a 10 percent stake in the network. Philip P. Pan, "Making Waves, Carefully, on the Air in China," *Washington Post*, September 19, 2005.

†According to Amazon's Alexa, as of April 25, 2017, NTDTV, Xinhua, and CCTV were ranked 947th; 2,103rd; and 2,475th in the United States, respectively. U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017.

in 2016—compared with 49 percent in 2015—and only 3.7 percent in the first half of 2017.<sup>264</sup> In spite of anemic growth, the Chinese market still has a significant impact on Hollywood movies. For example, although the June 2017 film *The Mummy*'s domestic debut was poor, according to Hollywood trade publication *Variety* it had a “significantly greater” opening in China, earning \$52 million.<sup>265</sup>

U.S.-China tensions over exports of U.S. films to China have persisted since at least 2007, when the United States brought a case to the World Trade Organization accusing China of unfairly restricting these exports.<sup>266</sup> China maintains a film import quota, ostensibly limited to 34 U.S. films each year.<sup>267</sup> But, according to Patrick Frater, Asia bureau chief of *Variety*, this number is “a minimum, not a maximum, and Chinese officials [often apply] a degree of flexibility.”<sup>268</sup> Mr. Frater reported that in 2016 China allowed in 40 revenue-sharing films plus additional films on a flat-fee basis “to counter an unexpected downturn at the [Chinese] box office.”<sup>269</sup> The 34-film agreement expired in February 2017, but the guidelines will remain in place until a new one is made.<sup>270</sup> Li Ruigang, head of China Media Capital, speculated in January 2017 that the quota might be increased to 50–70.<sup>271</sup>

U.S. film studios have adopted various methods to circumvent these limits, such as making films in joint ventures with Chinese companies, but each method presents different challenges.\*<sup>272</sup> According to Bloomberg, “The number of boxes that foreign studios have to check to qualify as a Chinese co-production may seem onerous, but the payoff can be huge.”<sup>273</sup> China issued a record 89 permits in 2016, 11 percent more than in 2015, according to *China Film Insider*.<sup>274</sup> According to Miao Xiaotian, president of China Film Co-Production Co.—the largest producer and distributor of films in China—in order to qualify as a co-production, a movie must be jointly financed by Chinese and foreign studios, have Chinese actors cast in at least a third of the leading roles, and have a sufficient amount of “Chinese elements.”<sup>275</sup> However, the vagueness of Chinese requirements is often troubling for U.S. filmmakers attempting to manage these co-productions.<sup>276</sup> In a high-profile case, U.S. studio Legendary Entertainment formed Legendary East in 2011, based in Hong Kong, with “Chinese management and international investors,” according to *Variety*, in order to have “a fully funded studio operating from China.”<sup>277</sup> In 2013, Legendary East formed a partnership with China Film Co. and announced an agreement to produce multiple films over a three-year period “designed for the Chinese and global markets.”<sup>278</sup>

\*The methods available are revenue sharing, granting foreign studios only 25 percent of the domestic Chinese box office revenues; flat fee access, which is generally unprofitable for the studios that produce the movies, though these profits have begun to increase recently; and co-productions, granting 50 percent of the total domestic Chinese box office revenues. The *Wall Street Journal* reported in June 2017 that some Hollywood studios had begun conducting an audit of 2016 box office receipts from China due to concerns they had been shortchanged. According to the *Hollywood Reporter*, the audit concluded Chinese ticket sales in 2016 were underrepresented to U.S. studios by about nine percent, or \$40 million. Patrick Brzeski, “Hollywood Cheated of Millions at China Box Office, MPAA Audit Finds (Report),” *Hollywood Reporter*, October 3, 2017; Wayne Ma, “Hollywood Studios, Suspicious of China’s Box-Office Numbers, Conduct Audit,” *Wall Street Journal*, June 27, 2017; Patrick Brzeski, “How Hollywood Is Squeezing More from China Film Deals,” *Hollywood Reporter*, June 16, 2017; Bloomberg, “Hollywood Has 1.4 Billion Reasons to Play Nice with China,” April 19, 2017.

***China's Ideological Conflict with the United States and Its Influence over Hollywood***

Mareike Ohlberg, a research associate at MERICS, argues that the CCP under President Xi “considers itself to be involved in an ideological confrontation with ‘the West’” and primarily the United States. Ms. Ohlberg assesses that top Party leaders “are fearful that a lack of a widely shared Chinese ideology at home could lead to cadre and elite defection, resulting in a collapse similar to the fate of the Soviet Union.”<sup>279</sup> To strengthen China’s “voice” and defend against what the Party perceives as the outsized influence of U.S. soft power, China has adopted new tactics to increase its own soft power. According to Ms. Kalathil, China’s soft power promotion previously focused on “the transmission of Chinese culture to the outside world,” but more recently the Chinese government has shifted to “committing to support Chinese investment in global entertainment.”<sup>280</sup> According to the *New York Times*’ Mr. Forsythe, a CCP Central Committee communiqué in 2011 cited an “urgency for China to strengthen its cultural soft power and global cultural influence.”<sup>281</sup> Ms. Kalathil wrote in March 2017 that Beijing has been “us[ing] the soft power strength of the United States for [China’s] own purposes.”<sup>282</sup>

In 2017, Congress has raised concerns over Chinese acquisitions of U.S. assets in the film industry and the implications for the kinds of movies Hollywood will be able to produce and screen as a result. In September 2016, 16 Members of Congress cosigned a letter to Gene L. Dodaro, Comptroller General of the Government Accountability Office (GAO), expressing concern over the activities of Dalian Wanda Group, a Chinese conglomerate that acquired U.S. film studio Legendary Entertainment in January 2016, and AMC Theaters, one of the largest cinema chains in the United States, in 2012.<sup>283</sup> The congressional letter requested that GAO produce a report assessing whether the authority of the Committee on Foreign Investment in the United States (CFIUS) had “effectively kept pace with the growing scope of foreign acquisitions in strategically important sectors in the [United States]” and cited the lack of updates to CFIUS’s authority since its inception “despite a rapidly changing foreign investment climate ... and new state-owned or -controlled companies that are structured as independent entities but are largely directed by foreign governments.”<sup>284</sup> The letter also cited the Commission’s *2012 Annual Report to Congress*, which recommended modifications to CFIUS’s mandate in response to these concerns.<sup>285</sup> In October 2016, GAO agreed to review CFIUS’s authority.<sup>286</sup> In November 2016, Senator Charles Schumer (D–NY) sent a letter to then Treasury Secretary Jack Lew and then U.S. Trade Representative Michael Froman calling for reviews of CFIUS’s mandate and added scrutiny on Dalian Wanda’s acquisitions.<sup>287</sup> Senator Schumer wrote of his concern that “these acquisitions reflect the strategic goals of China’s government” and promised that “the new Congress in 2017 will work on legislation to further expand CFIUS oversight authority.”<sup>288</sup> See Addendum I for a list of major investments and acquisitions in Hollywood by Chinese companies since 2011.

Dalian Wanda’s chairman Wang Jianlin—one of the richest men in China—said in January 2017 that Wanda sets aside \$5 billion to

\$10 billion each year for overseas investment.<sup>289</sup> Zhang Lihua, a professor at Tsinghua University, connected Mr. Wang's push to develop China's "cultural industry" to the 2011 CCP Central Committee communiqué, and Mr. Forsythe argued "it's pretty clear" Mr. Wang is trying to help expand "China's cultural influence and cultural soft power around the world," though Mr. Wang has insisted Dalian Wanda's sole motive is profit.<sup>290</sup> Li Ruigang, chairman of China Media Capital, argued in January 2017 that "China is using its market size to influence Hollywood's way of thinking and how they make films," but he later downplayed the "flood" of Chinese investment in Hollywood, calling it more of a "trickle."<sup>291</sup> Wanda-owned AMC purchased Carmike Cinemas in 2016, making Dalian Wanda the owner of the largest theater chain in the United States with "easily more than 600 theaters," according to the *Los Angeles Times*.<sup>292</sup> Ms. Cook testified to the Commission that there has been at least one case in which AMC screened a "Chinese propaganda film,"\* which she told the Commission would probably not have occurred had AMC not had a distribution partnership with China Lion Film Distribution.<sup>293</sup> She also testified it is possible Chinese-owned U.S. theater chains might not screen films of which the Chinese government disapproves, though Chinese officials would never confirm the reasons a particular film might not have been screened; however, she added she had not heard of any complaints about this happening.<sup>294</sup>

Primarily as a result of more stringent Chinese capital controls, some prospective Chinese acquisitions of U.S. media assets have either fallen through or been held up by regulators. In December 2016, Chinese government agencies warned against "irrational" outbound investments in some sectors, including cinemas and entertainment, which financial newspaper Caixin assessed was intended to stem capital outflows and stabilize the yuan; rising debt is also a concern.<sup>295</sup> Mr. Frater of *Variety* argued, "Unconventional dealings such as off-balance-sheet borrowing or building up stakes in American movie producers ... are a no-go under the straitlaced regime of Chinese President Xi Jinping."<sup>296</sup> Mr. Wang of Dalian Wanda Group told the *Financial Times* in May 2017 that he intended to shift his investment focus to domestic Chinese ventures in response to the tighter capital controls.<sup>297</sup>

In August 2017, China's State Council officially restricted overseas investment in the media industry (among others), but even prior to that new regulation, outbound Chinese investments had slowed.<sup>298</sup> According to CNBC, "at least a dozen" cross-border U.S.-Chinese tech, media, and entertainment deals dried up from November 2016 to April 2017.<sup>299</sup> A prospective \$1 billion deal for Dalian Wanda Group to acquire Dick Clark Productions—which runs both the Golden Globe and American Music Award ceremonies—was blocked by Beijing in April 2017, and Huahua Media defaulted on a \$1 billion, three-year deal with Shanghai Film Group and Paramount Pictures in June.<sup>300</sup> The *New York Times* reported in July 2017 that Chinese

\*The film in question is *The Founding of a Party*, a historical drama marking the 90th anniversary of the founding of the CCP. It was produced by state-run China Film Group and released in the United States as *The Beginning of a Great Revival*. According to review aggregator *Rotten Tomatoes*, the film grossed only \$151,000 in the United States. *Rotten Tomatoes*, "The Beginning of a Great Revival (2011)"; Jonathan Landreth, "China Lion to Release Chinese Communist Party Epic in North America, Australia, New Zealand," *Hollywood Reporter*, May 20, 2011.

government regulators had forbidden large state-owned banks from lending to debt-laden Dalian Wanda Group to finance its overseas investments, and *Variety* reported that Wanda was being punished for breaching capital control regulations.<sup>301</sup> According to the *Wall Street Journal*, President Xi personally approved these measures.<sup>302</sup> AMC Entertainment tried in July to publicly distance itself from Wanda's debt problems, but in August its value fell more than 26 percent, according to CNBC.<sup>303</sup> Mr. Frater, at *Variety*, wrote that the August 2017 State Council guidance ended the roughly three and a half year-long "acquisition frenzy" of Chinese companies investing in Hollywood.<sup>304</sup> According to Alex Wong, director of asset management at Hong Kong-based Ample Capital, "[The CCP means] business this time. This is not a policy that will change right after the [19th National Congress of the CCP in October 2017]."<sup>305</sup>

To capitalize on the growing Chinese film audience, "major studios have sought to appease Chinese censors in exchange for a foothold in China's extremely limited release market," according to Ms. Kalathil.<sup>306</sup> In order to be approved for release in China, all films must receive permission from SAPPRFT.\* According to Ying Zhu, professor of media culture at the College of Staten Island at the City University of New York, "[Hollywood] films critical of the Chinese government will be absolutely taboo" and will not be able to get financing.<sup>307</sup> For example, Richard Gere, who has publicly criticized Beijing's treatment of Tibetans, told the *Hollywood Reporter* in April 2017, "There are definitely movies that I can't be in because the Chinese will say, 'Not with him,'" and that he "recently had an episode where someone said they could not finance a film with [him] because it would upset the Chinese."<sup>308</sup>

Mr. Southerland wrote on Radio Free Asia's website that Hollywood industry leaders have "curtailed their creative freedom in deference to China" and that this self-censorship "can work through casting decisions, the elimination of content viewed in Beijing as 'sensitive,' and the insertion of content, images, or story lines considered 'positive' by the Chinese side."<sup>309</sup> U.S. film studios hoping to secure a China release for their products must keep in mind the need to portray China positively. For example, *Time* pointed out that the 2014 film *Transformers 4*—which grossed \$320 million in China—depicted beleaguered Hong Kong policemen insisting on calling the central government in Beijing for help.<sup>310</sup> Similarly, the 2013 film *Gravity* appealed to Chinese audiences by portraying China's space program in a positive light: a stranded astronaut saves herself by utilizing a fictional state-of-the-art Chinese space station and lands on Earth in a Chinese space capsule.<sup>311</sup> According to leaked correspondence from Sony's president of worldwide distribution Rory Bruer regarding the 2013 film *Captain Phillips*, the film was not approved for release in China because it showed "the big military machine of the U.S. saving one U.S. citizen. China would never do the same and in no way would want to promote this idea."<sup>312</sup>

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\*SAPPRFT bans content that endangers national territorial integrity and state sovereignty, incites the division of ethnic groups and undermines national solidarity, divulges state secrets, propagates obscenity and superstition or glorifies violence, slanders or insults others, or is prohibited for publication and dissemination by other government provisions. *China Copyright and Media*, "Audiovisual Products Management Regulations," February 28, 2011.

### Beijing's Concept of "Internet Sovereignty"

To legitimize its monitoring and control of the Internet in China, Beijing advocates for a concept widely referred to as "Internet sovereignty."<sup>313</sup> This concept entails that a government has the right to monitor and control the networks in its territory and the content that Internet users there access and transmit.<sup>314</sup> China's *National Cyberspace Security Strategy*, which was approved by the CCP's Central Leading Group for Cyberspace Affairs headed by President Xi, states that "national sovereignty has expanded and extended to cyberspace. Internet sovereignty has become an important part of national sovereignty."<sup>315</sup> This document also states that countries should "respect each country's right to independently choose its development path, cyber regulation model, and Internet public policy..."<sup>316</sup> It adds that "each country has the right, according to its national situation and learning from international experience, to establish laws and regulations related to cyberspace, to take necessary measures according to law, and regulate the country's information systems and cyber activities in its territory..."<sup>317</sup>

### Beijing's Stance on Governance and Norms in Cyberspace

To Beijing, Internet sovereignty also means that national governments should be the dominant actors in making the rules of the Internet, what Beijing calls a "multilateral" system of global Internet governance.<sup>318</sup> According to this view, other actors, such as the private sector and civil society, should have a diminished role.<sup>319</sup> Beijing's position contrasts with the "multistakeholder" model advocated for by the United States, the European Union, and others.<sup>320</sup> In the multistakeholder model, governmental, industry, academic, and other non-state organizations have an equal role in the management of the Internet.<sup>321</sup> Based on this model, the Internet Corporation for Assigned Names and Numbers (ICANN)<sup>†</sup> coordinates the Internet's naming system, including oversight of the operators of top-level domains (for example, .com, .org, .mil, and .edu).<sup>322</sup> Beijing, however, has pushed for the UN's International Telecommunications Union to have a greater role in Internet governance.<sup>323</sup>

Beijing promotes its concepts of Internet sovereignty and multilateral Internet governance in international fora, including the World Internet Conference—an annual summit the Chinese government established and first hosted in 2014.<sup>324</sup> At the 2015 World Internet Conference, President Xi delivered the keynote speech in which he laid out his "four principles" and "five proposals" regarding the Internet, which included "respecting cyber sovereignty" among the principles and "building an Internet governance system, advancing fairness and justice" among the proposals.<sup>325</sup> Another of his proposals was to "establish sound order."<sup>326</sup> In what *China Daily* described as an assertion of the need to balance freedom and order, President Xi said, "Freedom is the end of order, and order the guarantee of freedom."<sup>327</sup>

\*This concept is also referred to as "cyber sovereignty" or "cyberspace sovereignty."

†ICANN was under U.S. government oversight until October 2016. Washington rarely attempted to exercise any control over it, however. Dave Lee, "US Ready to 'Hand Over' the Internet's Naming System," BBC, August 18, 2016.

### **The Internet as a Global Commons**

A commons can be defined as a “resource shared by a group of people.”<sup>328</sup> According to the UN Environment Program’s Law Division, the global commons “refers to resource domains or areas that lie outside of the political reach of any one nation state.”<sup>329</sup> In her testimony to the Commission, Chris C. Demchak, RADM Grace M. Hopper Professor of Cybersecurity at the U.S. Naval War College, explained that the concept of the Internet as a commons originated in the 1990s.<sup>330</sup> Regarding the Internet’s development, she writes, “In the early 1990s after almost three decades of development built in and for universities by public funding, cyberspace emerged for public and commercial use as the ‘Internet.’ It was already embedded with the ideology of a public good thereby meant to be free and benignly useful.”<sup>331</sup>

However, Professor Demchak argues that the Internet is not a commons. She states that the Internet is “man-made, -owned, -maintained, -updated, and -monitored” and consists of infrastructure located in sovereign territory.<sup>332</sup> She adds that information technology firms comply with local laws wherever they operate, which contrasts with the idea of the Internet being beyond government regulation.<sup>333</sup>

Other experts have described the Internet as a “pseudo commons.”<sup>334</sup> In an article published in 2010, James A. Lewis, Senior Vice President at the Center for Strategic and International Studies, wrote, “Cyberspace is a ‘pseudo commons,’ more like a condominium or a shopping mall. It is a shared global infrastructure.”<sup>335</sup>

Although U.S. government statements do not describe the Internet as a commons, the most recent U.S. international cyberspace policy document, the 2011 “International Cyberspace Strategy,” supports an “open” Internet and the “free flow of information.”<sup>336</sup> Furthermore, President Donald Trump’s executive order on cybersecurity issued in May 2017 states, “It is the policy of the executive branch to promote an open, interoperable, reliable, and secure Internet...”<sup>337</sup>

In its participation in international negotiations on global Internet governance, norms in cyberspace, and cybersecurity, Beijing seeks to ensure continued control of networks and information in China and to reduce the risk of actions by other countries that are not in its interest.<sup>338</sup> In 2013 Beijing agreed that international law and the UN charter apply to cyberspace by signing on to a report produced by the UN Group of Governmental Experts on Developments in the Field of Information and Telecommunications in the Context of International Security on norms governing the actions of countries in cyberspace, despite opposing such commitments for most of the negotiations.<sup>339</sup> Fearing that international law will be used by other countries against China, however, Beijing is unwilling to agree on specific applications of international law to cyberspace.<sup>340</sup> Dr. Lewis, in his testimony to the Commission, said, “In particular, the Chinese are opposed to anything that would appear to legitimize U.S. attack or U.S. retaliation upon them, and I’ve heard this directly from se-

nior Chinese diplomats. [They argue,] We do not agree with the Law of Countermeasures or the application of the laws of armed conflict because it would legitimize your attack, your retaliation.”<sup>341</sup> In his written testimony, he explained that countermeasures are “retaliatory actions that do not involve the use of force, such as sanctions or indictments.”<sup>342</sup>

### ***China-Russia Cooperation on Cyberspace***

The Chinese and Russian governments take similar stances on cybersecurity, norms in cyberspace, and Internet governance and partner in their efforts in these areas, but deep cooperation appears to be limited by a lack of mutual trust and respect.<sup>343</sup> Since 2011, Beijing and Moscow have promoted an International Code of Conduct for Information Security, which asserts, among other positions, that “policy authority for Internet-related public issues is the sovereign right of states.”<sup>344</sup> Also, in 2015, the two governments reached an agreement on “cooperation in ensuring international information security.”<sup>345</sup> Included in the agreement is the statement that “Each party shall have an equal right to protection of information resources of their state against misuse and unauthorized intervention, including by cyber attacks on them.”<sup>346</sup> Nonetheless, Russian cybersecurity firm Kaspersky Lab reported that China-origin cyber intrusions against Russian defense firms had occurred in the first half of 2016, and Chinese cybersecurity firm Qihoo 360 reported in February 2017 that a cyber threat group associated with the Russian intelligence apparatus was active on networks in China.<sup>347</sup> Adam Segal of the Council on Foreign Relations writes that the agreement “does not seem to cover, or at least prevent, espionage.”<sup>348</sup>

Dr. Lewis described the China-Russia cyber diplomacy partnership as “a marriage of convenience, not love.”<sup>349</sup> He said, “I have not seen evidence that Russia and China have cooperated in cyber activities the way we would cooperate with our NATO allies or with Australia or Japan.”<sup>350</sup> Nigel Inkster, special adviser at the International Institute for Strategic Studies, wrote, “While China and Russia share important aims in cyber governance and security, levels of strategic trust between them remain far below that which has facilitated the Five Eyes intelligence alliance (between Australia, Canada, New Zealand, the UK, and the United States).”<sup>351</sup>

### **Implications for the United States**

China’s domestic censorship regime, in addition to suppressing Chinese civil society and violating the privacy of Internet users in China, functions as a trade barrier and materially harms the interests of U.S. companies operating in China. These companies already face an unfair business environment, and the information controls function as an additional impediment to their operations by making it difficult for them to use blocked online services—such as Facebook for public relations and advertising—and slowing down their Internet connections.<sup>352</sup>

China’s global media influence strategy is designed to undermine U.S. soft power by inducing self-censorship in Hollywood.<sup>353</sup> Although Chinese acquisitions of U.S. media companies have tapered off recently due to restrictions in China’s capital controls, the influ-

ence already gained through purchasing or investing in these U.S. assets is alarming. Manipulation of U.S. news coverage of China's activities through paid inserts of state-sponsored content into widely read and otherwise reputable publications also risks undermining U.S. policy by portraying China's troubling actions, such as territorial expansion in the South China Sea, as justified.<sup>354</sup>

There are several primary tools available in the U.S. regulatory framework to curtail Beijing's influence on U.S. media and its efforts to influence what people in the United States read and see regarding China.<sup>355</sup> The Foreign Agents Registration Act (FARA), which is intended to counter foreign influence in the United States,\* CFIUS, and the U.S. Federal Communications Commission may all have important roles to play. For example, according to Ms. Cook's testimony, based on FARA's current mandate, "It would appear that [FARA] can encompass foreign state-owned media operating in the United States."<sup>†</sup><sup>356</sup> However, the Project on Government Oversight and the U.S. Department of Justice found that "compliance with [FARA] is unacceptably low, and it's rarely enforced."<sup>357</sup> Ms. Cook testified that it is a "loophole" that "individuals working for agencies like Xinhua and *People's Daily* who are likely collecting intelligence" are not encompassed under FARA.<sup>358</sup> The National Defense Authorization Act for Fiscal Year 2017 also called for the establishment of a Global Engagement Center tasked with "identify[ing] ... trends in foreign propaganda and disinformation ... to coordinate and shape the development of tactics, techniques, and procedures to expose and refute foreign misinformation and disinformation."<sup>359</sup>

In addition to justifying its control of information within China, Beijing's concept of Internet sovereignty provides an example for other repressive governments, and it contributes to legitimizing the suppression of the freedom of expression in other countries. Furthermore, Professor Demchak writes:

*China has provided an alternate model of success to the one advanced by the western countries, a strong voice against western domination in international institutions, and alternative sources of technology and capital more suited to the desires for surveillance and interception of leaders with authoritarian tendencies. With Chinese support, they have the option of operating more aggressively on their internal Internet, confident of relatively strong similarly-inclined allies outside the western dominated institutions and norms.*<sup>360</sup>

These developments pose challenges to U.S. values and the U.S. policy of support for an open Internet.

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\*The Foreign Agents Registration Act of 1938 "requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities." U.S. Department of Justice, "FARA: Foreign Agents Registration Act."

†The registrations under FARA of the U.S. distributors of Chinese state-run newspapers *China Daily* and *People's Daily* were most recently renewed on May 17, 2017 and July 25, 2017, respectively. U.S. Department of Justice, *Supplemental Statement Pursuant to the Foreign Agents Registration Act of 1938, as Amended*, July 25, 2017. <https://www.fara.gov/docs/5143-Supplemental-Statement-20170725-25.pdf>; U.S. Department of Justice, *Supplemental Statement Pursuant to the Foreign Agents Registration Act of 1938, as Amended*, May 17, 2017. <https://www.fara.gov/docs/3457-Supplemental-Statement-20170517-24.pdf>.

**Addendum I: Major Investments and Acquisitions in Hollywood by  
Chinese Companies since 2011**

<b>Date</b>	<b>Company Name</b>	<b>Deal Type</b>	<b>Chinese Investor(s)</b>	<b>Reported Value (US \$)</b>	<b>Status</b>
Jan. 2011	Endgame Entertainment	Co-production	DMG Entertainment	Undisclosed—1 film	Finalized
Jun. 2011	Legendary East (Legendary Entertainment)	Joint venture, co-production	Huayi Brothers Media	Undisclosed	Ended in Jan. 2012
Feb. 2012	Oriental DreamWorks (DreamWorks Animation)	Joint venture	China Media Capital, Shanghai Media Group (SMG), and Shanghai Alliance Investment, Ltd. (SAIL)	330 million	Finalized
Apr. 2012	Marvel Studios	Co-production	DMG Entertainment	Undisclosed—1 film	Finalized
May 2012	AMC Entertainment	Acquisition	Dalian Wanda Group (DWG)	2.6 billion	Finalized
Aug. 2012	DreamWorks Animation	Co-production, investment	China Media Capital, SMG, and SAIL	350 million	Finalized
Apr. 2013	Millennium	Co-production	Le Vision Pictures	Undisclosed—2 films	Finalized
Apr. 2013	Radical Vision China (Radical Studios)	Joint venture	Le Vision Pictures	Undisclosed	Finalized
May 2013	Legendary East	Co-production	China Film Group	Undisclosed—Multiple films	Finalized
Jul. 2013	Alcon Entertainment	Co-production	DMG Entertainment	Undisclosed—2 films	Finalized
Mar. 2014	Walt Disney Studios	Co-production	SMG	Undisclosed	Finalized
Mar. 2014	Studio 8	Investment	Huayi Brothers Media	120–150 million	Canceled
Mar. 2014	STX Entertainment (TPG Capital)	Joint venture	Hony Capital	1 billion	Finalized
Apr. 2014	Legendary Entertainment	Investment	China Film Co. Ltd.	“Eight figures”—2 films	Finalized
Jun. 2014	Studio 8	Investment	Fosun International	200 million	Finalized
Nov. 2014	Walt Disney Studios	Co-production	SMG	Undisclosed	Finalized
Mar. 2015	Legendary Entertainment, Atlas Entertainment	Co-production	China Film Co. Ltd., Le Vision Pictures	Undisclosed—1 film	Finalized
Mar. 2015	Lionsgate	Co-production	Hunan TV, Leomus Pictures	375 million	Finalized

**Addendum I: Major Investments and Acquisitions in Hollywood by Chinese Companies since 2011—Continued**

<b>Date</b>	<b>Company Name</b>	<b>Deal Type</b>	<b>Chinese Investor(s)</b>	<b>Reported Value (US \$)</b>	<b>Status</b>
Mar. 2015	STX Entertainment	Co-production	Huayi Brothers Media	1 billion	Finalized
Apr. 2015	Dick Cook Studios	Joint venture	CITIC Guoan	150 million	Finalized
May 2015	Symbolic Exchange	Co-production	Meridian Entertainment	Undisclosed	Finalized
Jun. 2015	Paramount Pictures	Co-production	Alibaba Pictures	Undisclosed—1 film	Finalized
Sep. 2015	Legendary Entertainment	Co-production	Tencent Pictures	Undisclosed—1 film	Finalized
Sep. 2015	Flagship Entertainment (Warner Bros.)	Joint venture	China Media Capital, Television Broadcasts Limited	Undisclosed	Finalized
Nov. 2015	TSG Entertainment Finance (20th Century Fox)	Co-production	Bona Film Group	235 million	Finalized
Jan. 2016	Legendary Entertainment	Acquisition	DWG	3.5 billion	Finalized
Jan. 2016	Universal Pictures	Co-production	Perfect World	500 million	Finalized
Mar. 2016	Imagine Entertainment	Investment	China Media Capital	100 million	Finalized
Mar. 2016	Anthem and Song (Russo Brothers)	Joint venture	United Entertainment Partners, HDQH Fund	200–300 million	Finalized
Apr. 2016	Skydance Media	Co-production	Alibaba Pictures	Undisclosed—1 film	Finalized
Apr. 2016	Dick Cook Studios	Co-production	Film Carnival	500 million	Finalized
Apr. 2016	Paramount Pictures	Co-production	Alibaba Pictures	Undisclosed—2 films	Finalized
Jun. 2016	IM Global	Co-production	Tencent Pictures	100 million	Finalized
Jun. 2016	WME–IMG	Joint venture, investment	Tencent Holdings, Ltd., Sequoia Capital China, and Fountainvest Partners	Undisclosed	Finalized
Jul. 2016	Paramount Pictures	Acquisition	DWG	5 billion	Canceled
Jul. 2016	FremantleMedia North America	Co-production	Meridian Entertainment	Undisclosed	Finalized
Aug. 2016	STX Entertainment	Investment	Tencent Pictures, PCCW	700 million	Finalized

**Addendum I: Major Investments and Acquisitions in Hollywood by  
Chinese Companies since 2011—Continued**

<b>Date</b>	<b>Company Name</b>	<b>Deal Type</b>	<b>Chinese Investor(s)</b>	<b>Reported Value (US \$)</b>	<b>Status</b>
Sep. 2016	Dichotomy Creative (Le Vision Entertainment)	Acquisition	Le Vision Pictures	Undisclosed	Finalized
Sep. 2016	David S. Goyer	Co-production	Tencent Pictures	Undisclosed	Finalized
Sep. 2016	Sony Pictures Entertainment	Co-production	DWG	Undisclosed	Finalized
Oct. 2016	Amblin Entertainment	Investment, co-production	Alibaba Pictures Group	Undisclosed	Finalized
Nov. 2016	Carmike Cinemas	Acquisition	AMC Entertainment (DWG)	1.2 billion	Finalized
Late 2016	MGM	Acquisition	Undisclosed	Undisclosed	Canceled
Jan. 2017	Paramount Pictures	Co-production	Shanghai Film Group, Huahua Media	1 billion	Huahua defaulted Jun. 2017
Jan. 2017	Voltage Pictures	Acquisition	Anhui Xinke New Materials	345 million	Canceled
Feb. 2017	Millennium Films	Acquisition	Recon Group	100 million	Finalized
Mar. 2017	Dick Clark Productions	Acquisition	DWG	1 billion	Canceled
Mar. 2017	Free Association	Co-production	Tencent Pictures	Undisclosed—1 film	Finalized
Apr. 2017	CAA China (Creative Artists Agency)	Joint venture, investment	China Media Capital Capital Partners	Undisclosed	Finalized
Apr. 2017	Blumhouse Entertainment	Co-production	Meridian Entertainment	Undisclosed	Finalized
Apr. 2017	Tom DeSanto	Co-production	CITIC Guoan	120 million	Finalized
May 2017	Creative Artists Agency	Co-production	Bona Film Group	150 million	Finalized
Jun. 2017	Perfect Village Entertainment (Village Roadshow Pictures, WME/IMG)	Joint venture	Perfect World Entertainment	Undisclosed	In progress
Jun. 2017	Paramount Pictures	Investment	Weying Technology	Undisclosed—1 film	Finalized

Source: Various.<sup>361</sup>

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