SECTION 2: CHINA’S RELATIONS WITH U.S. ALLIES AND PARTNERS

Key Findings

• Beijing seeks to undermine U.S. alliances and partnerships in the Indo-Pacific to reorder the region to its advantage. China seeks a dominant role in Asia and views U.S. military alliances and influence as the primary obstacle to achieving this objective.

• China’s relations with European countries have affected European unity with regard to China policy. On several occasions in recent years, the EU was unable to reach a consensus on human rights in China, or take a firm stance regarding Beijing’s activities and claims in the South China Sea when certain governments deferred to Beijing’s sensitivities on those issues. This trend could make transatlantic cooperation on China more difficult.

• Australia and New Zealand have been targets of extensive Chinese Communist Party influence operations, which have included political donations and the establishment of near-monopolies over local Chinese-language media. Canberra has responded vigorously with attention from then Prime Minister Turnbull and the passage or debate of several pieces of legislation regarding subversive foreign influence. There has been less high-level response from Wellington to these challenges, but there have been signs from the New Zealand government that concern regarding China is growing.

• Countries in Western Europe have been more resilient in the face of Beijing’s efforts to influence policies and perceptions due to the strength of their democratic institutions and economies. However, some Central, Eastern, and Southern European countries have been more susceptible to Beijing’s influence due to the relative weakness of their democratic institutions, economic challenges, and focused efforts by Beijing to divide them from the rest of the EU.

Introduction

The United States maintains its economic, security, and diplomatic interests through a network of alliances and partnerships spanning the globe. Over the last few years, concerns have grown sharply in the governments and societies of a number of U.S. allied and partner countries in the Indo-Pacific—but also in Europe and elsewhere—over Beijing’s efforts to influence policies and perceptions to be more favorable to its priorities. As China’s comprehensive national power and clout have grown, Beijing has expanded and
diversified its toolbox for pursuing its national interests while it has sharpened and made more frequent use of its instruments of national power. At its core, Beijing’s use of these instruments aims to undermine and subvert U.S. alliances and partnerships. This section examines Beijing’s objectives in its relations with U.S. allies and partners, the tools it uses to pursue these objectives, and the outcomes of and responses to Beijing’s efforts. It draws from the Commission’s April 2018 hearing on China’s relations with U.S. allies and partners in Europe and the Indo-Pacific, open source research and analysis, the Commission’s May 2018 research trip to Taiwan and Japan, and consultations with outside experts. This section’s regional focus is primarily informed by the countries examined in the Commission’s April 2018 hearing, and a country’s lack of inclusion here should not be taken as implying its relationship with the United States is unimportant.

Recommendations

The Commission recommends:

- Congress direct the Administration to strengthen cooperation between the United States and its allies and partners in Europe and the Indo-Pacific on shared economic and security interests and policies pertaining to China, including through the following measures:
  - Urge the Administration to engage in regular information sharing and joint monitoring of Chinese investment activities and to share best practices regarding screening of foreign investments with national security implications, including development of common standards for screening mechanisms.
  - Enhance consultations on mitigating the export of dual-use technology to China and identifying other foundational technologies essential for national security.

- Congress direct the U.S. Department of Justice to:
  - Examine the application of current U.S. laws, including the “Conspiracy against Rights” law, to prosecuting Chinese Communist Party affiliates who threaten, coerce, or otherwise intimidate U.S. residents.
  - Clarify that labels required by the Foreign Agents Registration Act on informational materials disseminated on behalf of foreign principals, such as China Daily, must appear prominently at the top of the first page of such materials.

- Congress direct the National Counterintelligence and Security Center to produce an unclassified annual report, with a classified annex, on the Chinese Communist Party’s influence and propaganda activities in the United States.

- Congress direct the Administration to discuss in its engagements with the EU and NATO the implications of China’s increasingly close military ties with Russia and growing importance to transatlantic security interests. Such discussions would include how Europe and NATO can promote the exchange of informa-
tion on common defense and other challenges posed by China and Russia, including both countries’ influence operations.

**Beijing’s Objectives in Its Relations with U.S. Allies and Partners**

In recent years, Beijing has intensified its efforts using a wide range of tools to influence policies and perceptions around the world, often to the detriment of the United States and its relationships with important allied and partner countries. Although Beijing applies these tools to varying degrees in its relations with all countries, its efforts to target U.S. allies and partners may have particularly negative consequences for U.S. global security interests and the liberal international order. Jacqueline Deal, president of the Long Term Strategy Group, testified to the Commission that the liberal international order is “a set of institutions … serving the interests of all participants and … conducive to the maintenance of international peace,” and that it “revolves around respect for the basic rights and equality of all countries under international law, the protection and promotion of free trade, and the use of juridical means to settle international disputes.”

Although this order is designed to serve the interests of all parties, Beijing perceives it as unfairly dominated by the United States and biased against China, and seeks to use its newly acquired strength to change this situation.

Beijing seeks to achieve the following in its engagement with U.S. allies and partners in Europe and the Indo-Pacific:

- **Undermine U.S. influence in the Indo-Pacific and reorder the region to China’s advantage.** China seeks a dominant role in Asia and views U.S. military alliances and influence as the primary obstacle to achieving this objective. Accordingly, China is pushing back on U.S. efforts to maintain and expand its network of partnerships in the region. Ankit Panda, adjunct senior fellow at the Federation of American Scientists, testified to the Commission in April 2018 that China sees itself as the “core” of Asia and intends to cement itself as Asia’s primary hegemon by 2049.

- **Acquire critical technologies and political influence in Europe.** In its European investments, Beijing seeks to acquire critical dual-use technologies, technological expertise, and control over strategic infrastructure, as well as to gain European market access for Chinese companies and increase its political influence in targeted countries. This investment activity has advanced China’s geopolitical and diplomatic interests in Europe while serving Beijing’s goals to acquire key high-tech intellectual property, advance its military modernization, and provide input into its military-industrial complex.

- **Undermine the EU’s ability to coordinate China policy.** China seeks to influence the policies of individual EU countries in China’s favor, inhibit coordination between these countries on unified China policy, and discourage unified opposition to...
China’s interests. Thomas Wright, director of the Center on the United States and Europe at the Brookings Institution, and Thorsten Benner, director of the Germany-based Global Public Policy Institute, testified to the Commission that “China is interested in a stable—but pliant and fragmented—EU and the large and integrated European single market that underpins it. Properly managed, the Chinese Communist Party (CCP) leadership has concluded, parts of Europe can be a useful conduit to further its interests.”

- **Suppress criticism and promote positive views of the CCP.** The CCP oversees a centralized and sophisticated effort in foreign countries to manipulate the discussion of issues important to Beijing through a variety of means. To achieve these goals, China has established Confucius Institutes; inserted propaganda into mainstream media; induced foreign entities, corporations, and media to self-censor; assisted scholars with views favorable to Beijing to dominate academic discussions; and used host country citizens as conduits to further spread and amplify Beijing’s narrative.

- **Advance the Belt and Road Initiative (BRI).** BRI promotes China’s own model for international economic cooperation and uses Chinese state and commercial enterprises to advance its global objectives. Dr. Wright and Mr. Benner testified to the Commission that the EU’s participation in BRI lends legitimacy to the initiative as well as to China’s other global political and economic activities (see Chapter 3, Section 1, “Belt and Road Initiative,” for further discussion of BRI).

**Beijing’s Influence Toolbox**

To achieve its national goals, Beijing employs a range of tactics to draw target countries away from the United States and into its orbit while subverting their ability and political will to oppose China. Beijing’s preferred tactics include large-scale, targeted investment; focused diplomatic engagement; economic punishment; “sharp power” and perception management; and other influence operations and “United Front” work co-opting, subverting, and neutralizing opponents. Each of these tactics is detailed below, including examples of China’s influence among key U.S. allies and partners, as well as these countries’ responses—both successful and unsuccessful—to Beijing’s efforts.

**Large-Scale Investment: Potent Tool of Active and Passive Influence**

Beijing uses large-scale, targeted investment—including through loans and grants—in an attempt to influence perceptions and policy in U.S. allies and partners in Europe and the Indo-Pacific. In a report published in June 2018, the AidData research lab at the College of William and Mary identified financial diplomacy as one of Beijing’s key tools to shape views of China among government officials and the public in East Asia and the Pacific. AidData estimated that of Beijing’s “financial diplomacy”—which includes infrastructure investment, budget support, humanitarian assistance, and debt relief—95 percent of a total of more than $48 billion in
East Asia and the Pacific between 2000 and 2016 was infrastructure investment. Among U.S. allies and partners in the region, Beijing conducted no financial diplomacy in Australia, Japan, Singapore, and South Korea, and only a small amount in Thailand ($15 million) and New Zealand ($1 million). Beijing conducted significantly more financial diplomacy with the Philippines ($1.1 billion), Malaysia ($13.4 billion), Indonesia ($9 billion), Mongolia ($2.3 billion), Fiji ($900 million), Samoa ($400 million), Nauru ($300 million), Tonga ($300 million), Brunei ($200 million), and Timor Leste ($100 million).

After President Rodrigo Duterte took office in the Philippines in 2016, Beijing used investment to influence his approach to the dispute between the Philippines and China regarding the South China Sea, and to draw the Philippines away from its treaty ally, the United States. While China-Philippines relations were strained under former president Benigno Aquino, Jr., who took a firm stand on the Philippines’ South China Sea claims, President Duterte suggested on the campaign trail that he would shelve the dispute in exchange for Chinese investment in infrastructure in the Philippines. In October 2016, President Duterte visited Beijing, and during his trip the Philippine delegation signed $15 billion in deals between Philippine and Chinese companies and $9 billion in deals for loans for development projects, businesses, and infrastructure. While in Beijing, President Duterte declared a defense and economic “separation” from the United States. Nevertheless, U.S.-Philippines defense cooperation has continued as the Philippines has grown increasingly concerned over China’s threatening activities in the South China Sea, and President Duterte has adopted much harsher rhetoric toward China in response to growing public clamor for him to assert Philippine sovereign rights.

In Europe, Chinese investments in Greece—most notably including Beijing’s investment in the port of Piraeus—have influenced Athens’ response to China’s claims and activities in the South China Sea and human rights abuses. In 2016, the Greek government—together with the Croatian and Hungarian governments—advocated for the EU statement on the results of the international arbitration suit involving China’s sovereignty claims and activities in the South China Sea to not include a direct reference to Beijing. In 2017, Athens stymied an EU consensus by refusing to endorse an EU statement critical of China’s human rights record in the UN Human Rights Council.

Even the prospect of Chinese investment can influence policy in other countries. In the Czech Republic, President Miloš Zeman dramatically shifted Prague’s approach to China, ostensibly in hopes of being rewarded by Beijing with Chinese investment. Before President Zeman took office in 2013, the Czech government was a vocal critic of Beijing’s human rights abuses and strongly supportive of the Dalai Lama. In 2015, the Chinese conglomerate CEFC China opened its new European headquarters in Prague, and Prime Minister Zeman hired Ye Jianming, the company’s chairman, as an adviser. * CEFC China sponsors a think tank, also called CEFC, that

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* Mr. Ye said in a September 2016 interview that CEFC China “closely follows [China’s] national strategies” and maps out its corporate strategy based on China’s strategic priorities. Accord-
the Project 2049 Institute, a think tank in Washington, DC, assessed is a “political warfare platform affiliated with [the former General Political Department of the People’s Liberation Army] and the CCP propaganda and ideology system.” Under President Zeman, the Czech foreign minister apologized for the previous government’s meetings with the Dalai Lama, and President Zeman said in Beijing that he had not come to “teach market economy or human rights.”

In 2016, when the Dalai Lama visited Prague for meetings with a deputy prime minister and deputy speakers of both houses of parliament, President Zeman and the two head speakers of parliament issued a joint statement in which they said the Czech government “respects the sovereignty and territorial integrity” of China. President Zeman has also supported some of Beijing’s highest-profile initiatives, being the only Western leader to attend China’s major military parade in 2015 and praising the BRI, calling it the “most fascinating project of modern history.”

Beijing does not have to explicitly use the influence it derives from its economic power to induce or pressure other countries to act in support of its positions on issues it deems sensitive. Some European countries have engaged in what the Global Public Policy Institute calls “pre-emptive obedience,” currying favor by adjusting their policies to meet Beijing’s expectations in hopes of securing economic gain, but in some cases also out of genuine political conviction.* For instance, according to Costas Douzinas, the head of the foreign affairs and defense committee in the Greek parliament, Beijing never asked Athens to oppose EU statements criticizing Beijing over the South China Sea or human rights. He said, “If you’re down and someone slaps you and someone else gives you an alm . . . when you can do something in return, whom will you help, the one who helped you or the one who slapped you?”

François Godement and Abigaël Vasselier of the European Council on Foreign Relations write, “In Central and Eastern Europe in particular, the comment is often heard that Chinese diplomats do not dictate, but that their interlocutors know well what to say—and what not to say.” They explain that these European interlocutors “know that mentions of Taiwan, Tibet, human rights, and now the South China Sea can trigger a diplomatic crisis. A smoking gun of a Chinese diktat is seldom found, because it need not exist.” Overall, EU unity on China policy has been significantly weakened by China’s influence in Europe, potentially making transatlantic cooperation on China more difficult.

Investment Screening Mechanism under Discussion in Europe

Chinese investments in Europe have recently sparked concern in some Western European countries over both the potential for doing...
mestic companies to lose their competitive advantages to Chinese companies through the latter’s acquisition of strategic technologies, and the potential for investment to lead to increased political influence. In 2016, annual Chinese foreign direct investment in Europe increased by 77 percent compared to 2015, reaching a total of $37.2 billion. In Germany, annual investment from China in 2016 increased nine-fold over 2015, and Chinese companies acquired 58 German companies, including robotics maker KUKA, that year. Following a spate of acquisitions in Europe by Chinese companies, in 2017 the German, French, and Italian governments initiated discussions within the European Commission regarding the development of a screening mechanism for investment from outside the EU, a process that is still ongoing. However, in October 2018, the new Italian government announced it did not support the previous administration’s plan for a screening mechanism and was instead pursuing a memorandum of understanding with China to expand BRI-related investment in Italy’s rail, airline, space, and culture sectors. Michele Geraci, Italy’s Undersecretary of State at the Ministry for Economic Development, told Bloomberg that Italy would seek to become China’s “leading European Union partner in the [BRI]” while pursuing business with China “within the scope of [Italy’s] existing alliances with the EU [and] NATO.”

Diplomatic Engagement: High-Level Visits from the Pacific Islands to Central Europe

Diplomatic engagement through official visits and meetings is another tool Beijing uses to influence policies in other countries, and often occurs in tandem with pledges of investment. In their discussions with interlocutors from government, the private sector, civil society, and other groups in Fiji, Malaysia, and the Philippines, the authors of the AidData study found that “interviewees in all three case study countries felt strongly that China’s elite-to-elite diplomacy (i.e., official visits) was one of the most potent tools for Beijing to cultivate close ties with political elites, make its priorities known, and persuade leaders to adopt these positions as their own.” Even relatively smaller Pacific countries such as Samoa, Papua New Guinea, Vanuatu, and Tonga—which from 2000 to 2016 each received $300 million–$400 million in financial diplomacy from China, much less than other countries the study addresses—each received more than one hundred official Chinese visits from 2000 to 2015.

In addition to official bilateral visits, Beijing has attempted to influence policy in Europe through the “Cooperation between China and Central and Eastern European Countries” forum—also known as the “16+1” format—that it created in 2012 and that comprises China, 11 EU member countries, and five countries in varying states of EU accession. Although the 16+1 initiative involves meetings attended by all participating countries, Czech sinologist Martin

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†The 16+1 countries are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia, and Slovenia, plus China. Cooperation between China and Central and Eastern European Countries, “Embassy.”
Hála writes that in reality “it is a platform for sixteen bilateral relationships with Beijing, with China afforded an overwhelming advantage in each. Bilateral partnerships make it easier for China to bypass existing alliances and realign countries toward a new China-centric system.”

In effect, the 16+1 format allows Chinese politicians and businesspeople to go around the EU’s transparency and accountability mechanisms to make deals with European counterparts directly, which in turn reinforces these countries’ “oligarchic elements.” The 16+1 initiative also incentivizes its participants to compete with each other to become Beijing’s preferred partner; for example, Prime Minister Zeman and Serbian politicians have made public statements boasting of their willingness to accommodate China.

**Signs of European Concern and Resilience**

In recent years, Western European and EU leaders have become concerned that the 16+1 initiative is intended to divide the EU to Beijing’s advantage. In September 2017, then German Foreign Minister Sigmar Gabriel said, “If we do not succeed ... in developing a single strategy towards China, then China will succeed in dividing Europe.” He and other German officials have voiced concerns about Beijing’s activities and their potential to generate political influence in Europe and reshape the liberal international order. In January 2018, French President Emmanuel Macron raised concerns that some European countries are now more open to China’s interests, even at the expense of European interests.

Germany, like other countries in Western Europe, has been more resilient in the face of Beijing’s efforts to influence policies and perceptions due to the strength of both its democratic institutions and its economy. In contrast, Christopher Walker, vice president for studies and analysis at the National Endowment for Democracy, testified to the Commission that many countries in Central and Southeastern Europe are “especially vulnerable” to Beijing’s influence activities “because the democratic roots in these societies are shallow.” Despite Beijing’s pressure on EU countries to not criticize its human rights record or meet with the Dalai Lama—or at least the presence of economic incentives to refrain from doing so—Berlin has not become more accommodating of China on these and other similar issues. For example, in 2017, the German government was one of 11 governments to sign a letter criticizing Beijing for the torture of Chinese lawyers and human rights activists, and in 2018 the German government successfully pushed for the release of Liu Xia, the widow of dissident and Nobel Laureate Liu Xiaobo, whom Beijing released from house arrest the day after Chinese Premier Li Keqiang met with Chancellor Angela Merkel in Germany. Already a staunch supporter of human rights and the rule of law, “the German government raises criticism about human rights issues more frequently than in the past,” according to Mr. Godement and Ms. Vasselier. At the same time, since 2017, Berlin and Beijing have found common cause in opposing the Trump Administration’s with-

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*The other ten countries were Australia, Belgium, Canada, the Czech Republic, Estonia, France, Japan, Sweden, Switzerland, and the United Kingdom.*
drawal from the Paris Agreement on climate change and imposition of tariffs on imports from the EU and China.\textsuperscript{56}

**Economic Punishment for Countries Opposing Beijing**

Beijing has used economic coercion as a tool to influence other countries' policies with increased frequency and to greater effect over the last decade. The mechanisms of economic coercion Beijing has deployed include export and import restrictions, reductions in outbound Chinese tourists, pressure on companies, and boycotts.\textsuperscript{57} These tools of economic punishment are largely informal sanctions that are not publically announced, markedly contrasting with the U.S. government's formalized, public process and legal framework for sanctions.\textsuperscript{58}

South Korea serves as a prominent example of Beijing's use of economic coercion in recent years. In 2016 and 2017, in response to South Korea's decision to install the U.S. terminal high altitude area defense (THAAD) missile defense system to counter the North Korean nuclear threat, the Chinese government launched an aggressive campaign of economic retaliation, blocking market access for South Korean goods and services in a range of sectors including entertainment, consumer products, and tourism.\textsuperscript{59} Beijing also tacitly stoked consumer boycotts of South Korean products.\textsuperscript{60} As a result, South Korean exports of food products to China fell 5.6 percent year-on-year in March 2017, Chinese tourists visiting South Korea in June 2017 dropped 60 percent compared to June 2016, and Chinese sales of South Korean carmakers Hyundai and Kia dropped 52 percent year-on-year in March 2017.\textsuperscript{61} Beijing also carried out a targeted punishment campaign against the China operations of Lotte Group, the major South Korean conglomerate that agreed in November 2016 to swap one of its golf courses for a South Korean government-owned plot so the former could be used as the THAAD deployment site.\textsuperscript{62} The following month, Chinese authorities launched an investigation of Lotte Group operations in Shanghai, Beijing, Shenyang, and Chengdu, and in March 2017, production at a chocolate factory jointly operated by Lotte Group and Hershey was suspended.\textsuperscript{63} By early April 2017, Lotte Group reported that 75 of its 99 Lotte Marts in mainland China had been closed by Chinese regulators, ostensibly for safety violations.\textsuperscript{64}

Beijing began its current efforts to more frequently and flexibly apply economic punishment as a policy tool in 2010. After the Japanese Coast Guard detained the captain of a Chinese fishing vessel in 2010, Beijing banned exports of rare earth elements to Japan, which was widely believed to be in retaliation for the detention.\textsuperscript{65} Later that year, when the Norwegian Nobel Committee granted the Nobel Peace Prize to Liu Xiaobo, Beijing applied new import controls to Norwegian salmon.\textsuperscript{66} In 2012, Beijing responded to tension in China-Philippines relations over maritime disputes by applying stricter quality standards to agricultural imports from the Philippines and issued a travel advisory for the Philippines that resulted in reduced tourism from China.\textsuperscript{67} Since 2016, Beijing has responded to Tai-\textsuperscript{68}

\textsuperscript{68}Amy King and Shiro Armstrong of Australian National University wrote that there is evidence that the ban of rare earth minerals to Japan was part of a global ban that was decided before the fishing boat captain was detained. Amy King and Shiro Armstrong, “Did China Really Ban Rare Earth Metals Exports to Japan?” *East Asia Forum*, August 18, 2013.
wan President Tsai Ing-wen's unwillingness to explicitly endorse the “one China” formulation China insists on for positive cross-Strait relations with a range of coercive measures. Many of these have occurred in the economic realm, and include reducing the number of Chinese tourists and students going to Taiwan, blocking certain imports from Taiwan, and using a fine and allegations of food safety violations to pressure a Taiwan restaurant chain with operations in China to publicly state support for Beijing’s position on cross-Strait relations. Furthermore, after the Dalai Lama visited Mongolia in 2016, Beijing canceled negotiations over a loan to the Mongolian government.

**Targeted Countries Struggle to Respond**

The governments of countries that have contended with Chinese economic coercion in recent years have responded in various ways, including seeking recourse through the World Trade Organization (WTO), attempting to reset bilateral relations, making statements of apology and acknowledgment of China’s sensitivities and policy positions, refusing to concede, and shifting policy when a new administration has taken power.

- Tokyo responded to China’s ban on rare earth mineral exports by bringing a case, together with the EU and the United States, against China at the WTO. The WTO Dispute Settlement Panel found in March 2014 that China failed to justify its restrictions as legitimate conservation or environmental protection measures, saying the export quotas were “designed to achieve industrial policy goals rather than conservation.” China appealed the decision, but the WTO Appellate Body rejected its appeal that August. In January 2015, the Chinese government announced the end of restrictive quotas on exports of rare earth minerals; that May, it announced it had complied with the WTO ruling, but the United States disagreed that it had complied fully, and the two sides agreed to resolve the dispute in accordance with WTO procedures.

- Oslo engaged in consultations with the WTO in response to Beijing’s ban on imports of Norwegian salmon, but beginning in 2013 made various attempts to improve relations with Beijing. In 2016, Oslo finally issued a statement that satisfied

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*Beijing insists that cross-Strait communication and talks be based on the “one China” principle. Taipei and Beijing endorsed the so-called “1992 Consensus”—a tacit understanding reached between representatives of Taiwan and China in 1992 that there is only “one China” and that effectively allowed each side to maintain its own interpretation of the meaning of “one China”—during the administration of President Tsai’s predecessor, Ma Ying-jeou of the Chinese Nationalist Party (Kuomintang). President Tsai’s party, the Democratic Progressive Party, fears that by endorsing the “1992 Consensus” Beijing could trap the party into accepting its interpretation of “one China,” and as a principle rejects Beijing’s insistence on preconditions for pursuing peace and stability in the Taiwan Strait. Joseph Wu, “Assessing the Outcomes and Implications of Taiwan’s January 2016 Elections,” Center for Strategic and International Studies, Washington, DC, January 19, 2016; Focus Taiwan, “United Daily News: DPP Should Accept 1992 Consensus,” December 22, 2014; Richard C. Bush, “Taiwan’s January 2016 Elections and Their Implications for Relations with China and the United States,” Brookings Institution, December 2015, 5–6, 17.

†Following China’s appeal, the United States also filed an appeal due to concerns regarding the Panel’s decision to reject certain exhibits issued in support of its case. However, the United States’ appeal was conditional, and since one of the conditions was not met, the Appellate Body did not rule on it. U.S.-China Economic and Security Review Commission, 2014 Annual Report to Congress, November 2014, 64; Tom Miles, “China Loses Appeal of WTO Ruling on Exports of Rare Earths,” Reuters, August 7, 2014.
Beijing, reiterating its “commitment to the one China policy,” and expressing that it “fully respects China’s sovereignty and territorial integrity” and “attaches high importance to China’s core interests and major concerns, will not support actions that undermine them, and will do its best to avoid any future damage to bilateral relations.”

- Prior to President Duterte taking office in June 2016, Manila maintained its stance on its maritime disputes with China in the face of China’s reduction of agricultural imports from the Philippines and of Chinese tourists visiting the Philippines. President Duterte’s conciliatory stance toward China has since been rewarded by China lifting its travel advisory and agricultural export restrictions. Since then, President Duterte’s stance has vacillated between flattery and sharp criticism of China.

- President Tsai has not conceded to Beijing’s demand regarding the specific language of its “One China” formulation for cross-Strait relations, but has continued to pursue a cross-Strait policy of “maintaining the status quo.” The Taiwan government has carried out policies to increase the number of tourists from other Asian countries to offset the drop in tourists from China.

- The long-term effects of China’s economic coercion of Mongolia are unclear. After initially resisting China’s punitive measures, Ulaanbaatar ultimately expressed regret over inviting the Dalai Lama to Mongolia and indicated it would not invite him again, but Mongolia’s subsequent leader then expressed interest in doing so.

- Seoul remains committed to the deployment of THAAD, and it raised concerns with the WTO over China’s retaliation against South Korean economic interests, citing Chinese restrictions on the sale of baby formula and medical equipment. However, it also consulted with China to produce an agreement that has become known as the “three no’s”—no additional THAAD deployments, no establishment of a trilateral military alliance with the United States and Japan, and no participation in the U.S. missile defense network—although there remains significant room for both sides to interpret the terms of the agreement.

“Sharp Power” and Perception Management

Beijing uses a wide variety of what have been termed “sharp power” tools to shape public opinion and perceptions of the CCP, both to strengthen the stability of the CCP and to present China’s political and economic system as an alternative for other countries to emulate. This approach includes funding conferences, providing inserts in newspapers of both state media articles and official statements from the Ministry of Foreign Affairs, and covertly influencing other countries’ Chinese-language media. The goal of the CCP’s campaign to influence Chinese-language media is “to create favorable public opinion globally for [its] agenda,” according to Bill Bishop, editor of the widely read newsletter Sinocism.
In 2017, the National Endowment for Democracy proposed the term “sharp power” to describe how authoritarian regimes like China seek to undermine democratic institutions in other countries. Many of these activities rely on neither coercive nor persuasive power—hard and soft power, respectively—because they aim not to influence the policies of states directly but rather to “pierce, penetrate, or perforate” their information environments. These terms are further explained below.

- **Hard power:** Hard power is a country’s ability to openly force or coerce others into doing what it wants by either making threats or offering payment. However, there are limits to what using hard power alone can achieve, and it does not always translate into influence.

- **Soft power:** According to political scientist Joseph Nye, soft power—a country’s “ability to affect others by attraction and persuasion rather than through the hard power of coercion and payment”—relies on the positive appeal of culture, political ideals, policy, and civil society to shape other countries’ attitudes and preferences and create legitimacy for a country’s objectives. Active participation in international diplomacy can also contribute to a country’s soft power. Soft power alone cannot produce effective foreign policy, but when combined with hard power, it can be a force multiplier. For example, Dr. Nye argues the United States’ Cold War-era strategy of simultaneously using its military to deter the Soviet Union while using its ideas to undercut Communism was a successful combination of hard and soft power, or “smart” power.

- **Sharp power:** Authoritarian regimes use sharp power to exploit the open societies of democratic countries via investment in and programmatic support of international media, cultural organizations, think tanks, and universities, while suppressing liberalizing influences within their own countries. This type of influence is neither openly coercive nor based on attraction; its goal is distraction, manipulation, and exacerbation of societal cleavages rather than presenting alternate ideas in a legitimate manner. Authoritarian regimes that privilege state power over individual liberty and are hostile to freedom of expression and open debate use this approach to promote their favored political narratives and create conditions that are beneficial to their goals. El Economista correspondent Juan Pablo Cardenal, a coauthor of the Sharp Power report, argued soft power is further distinct from sharp power in that it does not rely on a “state strategy of taking thousands of [foreigners] into the United States” to expose them to state propaganda, as China does, and soft power cultural institutes do not “forbid ... debates from taking place” on sensitive topics or restrict cultural events, as Confucius Institutes do.
Media Pressure and Partnerships

Beijing has used media engagement to spread propaganda and insinuate its messaging into legitimate media sources around the world. Dr. Wright and Mr. Benner testified to the Commission that improving China’s image through global media cooperation is one method Beijing uses to “[create] a more positive global perception of China and [present] its political as well as economic system as a viable alternative to liberal democracies” and “[make] the world safe [for] China’s autocratic model.”

Beijing’s media engagement strategy generally relies on cooperating with foreign media to disseminate state-run messaging with the goal of improving local perceptions of China and support for China’s bilateral relationships. According to the Global Public Policy Institute, China’s media engagement strategy in Europe includes using newspaper supplements to spread official views; promoting cooperation between Chinese state media and European media; and using the Chinese market to encourage self-censorship, since publishers and film studios consider access to the Chinese market to be vital. The CCP’s media engagement strategy in Latin America consists of a three-fold approach of developing the local presence of Chinese state media; establishing partnerships, content exchanges, and cooperation between Chinese state media and local media; and offering training opportunities for journalists. Agreements China has signed with partners in Latin America have also emphasized the importance of media and communications exchanges in increasing support for their bilateral relationships.

According to Christopher Walker, China disguises “state-directed projects as commercial media or grassroots associations [and uses] local actors as conduits for foreign propaganda or for tools of foreign manipulation.” The Financial Times reported that content from CCP-affiliated outlets is rebroadcast or republished in at least 200 nominally independent Chinese-language publications worldwide. Beijing pursues arrangements such as providing the China Watch supplements from state-run China Daily’s English edition to mainstream media sources in the United States, the United Kingdom, and Australia; in these arrangements, the respective publications have no editorial control over the Chinese content they publish. In a potentially new type of partnership, Politico and the Hong Kong-based newspaper South China Morning Post established a content-sharing deal in May 2018 in which they publish each other’s articles; according to Tammy Tam, chief editor at the Post, this partnership is “fundamentally different in nature” from the China Watch-style inserts.

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and it would “absolutely” be impossible for a Mainland paper to enter into this sort of arrangement with foreign media. *104

In addition to pursuing media distribution partnerships, the CCP has influenced Chinese-language media worldwide by either overtly or covertly buying them or trying to bankrupt them via denial of advertising revenue—and even by directly applying pressure regarding specific content—to control the information about China that audiences in target countries receive.105 A 2015 Reuters investigation found that at least 33 radio stations in 14 countries, including the United States, were part of a network structured to obscure that its majority shareholder was state-run China Radio International; these stations broadcast content in English, Chinese, and local languages.106 Yan Xia, chief editor of the independent Australian Chinese-language newspaper Vision China Times, wrote that Chinese immigration officials pressured a Beijing-based immigration agency to stop placing ads in his paper; Mr. Yan said Australian Chinese-language media are “under pressure to support [Chinese President and General Secretary of the CCP] Xi Jinping and Beijing’s foreign policy.”107 In June 2018, Saxian Cao, the head of media affairs at the Chinese Embassy in Canberra, called the executive producer of Australia’s 60 Minutes program, Kirsty Thompson, and reportedly expressed in an “aggressive, threatening, and loud” manner her opposition to a forthcoming report on China’s diplomatic, financial, and military influence in the South Pacific.108 Claiming that 60 Minutes had illegally filmed the exterior of the Chinese embassy in Vanuatu—which Ms. Thompson denied—Ms. Cao told Ms. Thompson to “take [the content] down” and demanded that there be “no more misconduct in the future.”109 60 Minutes aired the footage regardless.

According to a study by the Czech think tank Association for International Affairs (AMO), “Chinese ownership [of media institutions] equals zero negative comments on the country,” raising concerns about future acquisitions of media companies by entities connected to Beijing.110 The study found that although Czech media coverage of China was generally neutral or negative, ownership or co-ownership of local media by Chinese entities influenced coverage in China’s favor. For instance, after CEFC acquired Tyden Weekly and TV Barrandov—a Czech newspaper and television channel, respectively—their coverage of China became “exclusively positive.”111

*Unlike the China Watch arrangements, Politico and the Post can each choose which of the other’s articles to share. Ms. Tam told the Commission that the two sides “do not anticipate ... asymmetry in the amount of content shared”; with the exceptions of currency conversion and certain style changes, neither paper can modify the other’s content, and there is no aspect of the arrangement concerning number, topic, or frequency of publication that is not symmetrical. The number of articles published by each under the arrangement between late May and late July 2018 appeared to be roughly equal. Marty Kady, editorial director of POLITICO Pro and manager of the Post partnership, told the Commission POLITICO decides which Post articles to publish “on a case-by-case basis” depending on “whether POLITICO readers will find [them] relevant, informative, and useful,” and according to Ms. Tam, the Post team chooses POLITICO articles based on what they believe will be “most informative” to their readers. POLITICO’s and the Post’s editorial teams suggest particular articles to each other, “but there is never an obligation to publish” them, according to Mr. Kady. Tammy Tam, Chief Editor, South China Morning Post, interview with Commission staff, July 27 and 30, 2018; Marty Kady, Editorial Director of POLITICO Pro, interview with Commission staff, July 26, 2018; POLITICO, “South China Morning Post”; South China Morning Post, “Politico”; John F. Harris and Carrie Budoff Brown, “Editor’s Note: A POLITICO Partnership in China,” POLITICO, May 22, 2018.
Anti-monopoly and Transparency Measures Show Some Promise

A number of countries have introduced measures to directly or indirectly counter China’s media engagement strategy. The AMO study argues that Slovakia’s law prohibiting cross-media ownership* could inspire other countries grappling with the strategic implications of China’s media purchases.** Although this law does not address foreign ownership, it is designed to prevent concentration of media ownership, which can help prevent certain narratives from dominating media coverage, according to two authors of the AMO study.*** A draft EU screening mechanism under consideration addresses media investments, but according to Ivana Karaskova, research fellow at AMO, the draft measure is not robust enough because it creates only a reporting procedure, not a regulatory framework.†

U.S. Members of Congress took several actions in 2018 to counter this type of media influence by China.** Senator Marco Rubio (R-FL) and his Congressional-Executive Commission on China co-chair Representative Chris Smith (R-NJ), along with co-sponsors, introduced companion bills in the Senate and House in June 2018 calling for the establishment of an interagency task force to compile an unclassified report on CCP influence operations targeting “the media and public opinion, civil society and academia, and members of the Chinese diaspora” in the United States and certain U.S. allies.**** Representative Joe Wilson (R-SC) and Senators Rubio and Tom Cotton (R-AR) introduced legislation in March 2018, titled the Foreign Influence Transparency Act, which would require organizations that promote the political agendas of foreign governments to register as foreign agents‡ and would require universities to disclose certain donations and gifts from foreign sources.**** Most significantly, the National Defense Authorization Act for 2019 seeks in several ways to coordinate the U.S. government response to malign foreign influence operations and campaigns, including specifically those conducted by China.§

* Slovakia’s Law on Broadcasting and Retransmission is designed to ensure “plurality of information and transparency of ownership and personal relations in broadcasting,” according to the law. It prohibits publishers of public periodicals that appear at least five times a week in at least half of the Slovak territory from also broadcasting multi-regionally or nationwide; restricts people and companies from being connected to broadcasters under certain conditions and requires the submission of documentation proving that such conditions are met; and allows individual broadcast programs to be received by no more than 50% of the total population. The law does not ban ownership of multiple print dailies or multiple broadcast media, however, nor does it encompass online media, and the council overseeing the law’s enforcement cannot initiate legal proceedings based on the source of investment or ownership. Furthermore, although the council is formally independent, in reality it is “heavily politicized,” according to Ivana Karaskova, research fellow at AMO. Ivana Karaskova, Research Fellow, Association for International Affairs, interview with Commission staff, July 31, 2018; Matej Šimalčík, Executive Director, Institute of Asian Studies, interview with Commission staff, July 30 and 31, 2018; Act on Broadcasting and Transmission (Slovakia), as amended by 2015, Part Ten; Commission of the European Communities, Commission Staff Working Document: Media Pluralism in the Member States of the European Union; January 16, 2007, 77.

† The draft measure includes “communications and media” in a definition of “critical and strategic infrastructure,” and it contains an amendment allowing EU member states to consider, when evaluating the implications of a prospective investment, “on the grounds of security or public order, the potential effects on . . . the plurality and independence of media.” European Parliament, On the Proposal for a Regulation of the European Parliament and of the Council Establishing a Framework for Screening of Foreign Direct Investments into the European Union, June 5, 2018.

‡ 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 National Defense Authorization Act for 2019 defines “malign foreign influence operations and campaigns” as “the coordinated, direct, or indirect application of national diplomatic, infor-
Co-opting and Subverting Opponents

Beyond gaining control over and influencing foreign media outlets, China seeks to alter other countries’ policies toward China by carrying out a range of other influence operations to co-opt, subvert, and neutralize voices critical of Beijing. An important method Beijing employs in its influence operations is the outsourcing of its messaging to citizens of targeted countries, in part because it believes foreigners are more likely to accept propaganda if it appears to come from non-Chinese sources. China hand-picks foreign elites to bring to China and cultivate, and those targeted are often unaware that their Chinese interlocutors are connected to the Chinese state. Only academics are often fully aware of who their Chinese interlocutors are, according to El Economista correspondent Juan Pablo Cardenal, and they are generally aware of what the red lines are and will not cross them for fear of losing access to their peers in China. Chinese interlocutors are mainly CCP and Chinese government officials, academics, intelligence operatives, and members of Chinese “friendship associations,” who are usually CCP elites who understand China’s foreign policy goals and have received training for managing foreigners.

CCP Influence Operations and the United Front

In addition to traditional diplomacy and influence through known and declared official channels, such as the Ministry of Foreign Affairs, the CCP also advocates for its interests through the use of “United Front” work, a strategy the Central Intelligence Agency assessed is designed for “controlling, mobilizing, and utilizing” non-CCP entities to serve CCP goals. The United Front strategy leverages propaganda, espionage, perception management, lobbying through “friendship associations,” political contributions, and funding academic institutions to create support for the CCP. According to Peter Mattis, research fellow in China studies at the Victims of Communism Memorial Foundation, these types of influence operations are “a routine part of the CCP’s day-to-day activities.”

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* According to an August 2018 study based on a survey of more than 500 academics who research China, within the last decade, 5.1 percent of the respondents who were not Chinese citizens reported having had some trouble getting a visa to China; 1.2 percent reported being denied a specific visa request; and 2.1 percent reported believing they had been formally banned from China for an extended period of time. The study’s authors argue that “problems of access to China itself, access to subjects and materials, and being subject to surveillance/monitoring are common enough to be of concern.” Sheena Chestnut Greitens and Rory Truex, “Repressive Experiences among China Scholars: New Evidence from Survey Data,” August 1, 2018, 2, 6–7.
to-day operations... The United Front and propaganda parts of the CCP are among the oldest, continuously running elements of the party.” The United Front Work Department (UFWD) co-ordinates United Front work at the operational level according to the broader United Front strategy set by the Chinese People’s Political Consultative Conference (CPPCC), a coordinating body led by a member of the Party’s Politburo Standing Committee that brings together representatives of China’s other interest groups under the CCP’s overall leadership.

President Xi has increased emphasis on United Front work since he assumed office, which has resulted in an increase in UFWD officials assigned to top CCP and government posts, adding roughly 40,000 new cadres to its ranks in the first few years after he became president. According to Gerry Groot, senior lecturer at the University of Adelaide, most of the new UFWD cadres are tasked with United Front work within China, though Beijing has also strengthened its overseas United Front work, with almost all Chinese embassies now including personnel working with the UFWD. The Center for Strategic and Budgetary Assessments, a nonpartisan think tank in Washington, DC, assessed in May 2018 that “[President] Xi is firmly committed to pouring resources into UFWD’s overseas activities... It thus behooves Western policymakers to recognize that the United Front is a permanent instrument of the CCP’s foreign policy.”

Recent official statements by Chinese leaders and in CCP documents show an increased emphasis on “overseas Chinese work” to influence the behavior and views of Chinese living abroad as part of the CCP’s broader United Front strategy. In his address to the 19th National Congress of the CCP, President Xi declared the Party would “maintain extensive contacts with overseas Chinese nationals, returned Chinese, and their relatives and [will] unite them so that they can join [the Party’s] endeavors to revitalize the Chinese nation.” Information in a 2014 UFWD teaching manual reviewed by the Financial Times further suggests an increased focus on United Front work targeting overseas Chinese, saying “the unity of Chinese at home requires the unity of the sons and daughters of Chinese abroad.” A 2015 CCP Central Committee trial regulation said the primary mission of United Front work

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The UFWD under the CCP Central Committee is responsible for domestic United Front work in China and for overseas United Front work targeting Chinese communities. For more information, see Alexander Bowe, “China’s Overseas United Front Work: Background and Implications for the United States,” U.S.-China Economic and Security Review Commission, August 24, 2018.

At the National Party Congress, which occurs every five years, delegates set the CCP’s national policy goals and choose new top leaders. Brookings Institution, “China’s 19th Party Congress.”

Although it is a “trial” regulation, it nonetheless appears to be used as official guidance in provincial, city, and district-level UFWDs. Universities have also held study sessions on the regulation despite its trial status. In a “Top 10” list of major United Front events in 2015 posted by the official UFWD WeChat account, the promulgation of this trial regulation was second only to the CCP Central Committee’s Conference on United Front Work. Baoshan City United Front Work Department, “Concentrating the Will of the People, Assembling Power, Innovation and Reform — 2017 Baoshan United Front Work Summary,” August 2, 2018. Translation. http://www.zytzb.gov.cn/tzdkt/293143.jhtml; CCP Central Committee United Front Work Department, “Guangzhou City Tianhe District Makes Solid Progress on Multiparty Cooperation: Highlights Brilliant, Results Clear,” July 9, 2018. Translation. http://www.zytzb.gov.cn/tzcx/291102.jhtml;
CCP Influence Operations and the United Front—Continued

includes “guiding” overseas Chinese.* Organizations like Chinese Students and Scholars Associations (CSSAs) are active in carrying out overseas Chinese work consistent with the United Front strategy, and some have been shown to coordinate directly with the Chinese government, to be involved in the harassment of activists, and to have cooperated directly with Chinese security personnel.† According to then Wilson Center for International Scholars Schwarzman Fellow Anastasya Lloyd-Damjanovic, “CSSA officers understand countering regime opponents as a core organizational responsibility.”‡ China seeks to gain influence that is interwoven with sensitive issues such as ethnic, political, and national identity, making those who seek to identify the negative effects of such influence vulnerable to accusations of prejudice.

Influencing China Policy in Australia, New Zealand, and Latin America

In Australia, New Zealand, and other countries, Beijing seeks to suppress policies it finds unfavorable to China and to undermine these countries’ relationships with the United States by interfering in their political systems and turning economic reliance on China into political influence. This activity has been particularly pronounced in Australia and New Zealand. Christopher Johnson, Freeman Chair in China Studies at the Center for Strategic and International Studies (CSIS), argues China likely sees New Zealand as a softer target than the United States for “cultivating people at the grassroots political levels of western democracies and helping them to reach positions of influence,” and may be “using it as a testing ground for future operations in other countries.” CCP proxies have attempted to assume important positions in Australia to “influence the choices, direction, and loyalties of its targets by overcoming negative perceptions of CCP rule in China and promoting favorable


† Not all CSSAs are politically active to the same degree, however. According to Ms. Lloyd-Damjanovic, “Proximity to a consulate, the ambitions of individual officers, and the size of membership can all factor in to whether a given CSSA chapter is politically active. Consular control over the CSSAs may be overstated in some cases because of this variation.” Anastasya Lloyd-Damjanovic, “A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education,” Wilson Center for International Scholars, August 2018, 24–25.
perceptions,” according to Clive Hamilton, professor of public ethics at Charles Sturt University in New South Wales, Australia, and his then research assistant, Alex Joske. The United Front in Australia and New Zealand also works to co-opt “foreigners who can influence their governments’ decision makers and [build] the party’s legitimacy in their eyes,” according to Mr. Mattis. A report resulting from a Canadian Security Intelligence Service academic workshop assessed that New Zealand is strategically important to Beijing due to its four votes in international fora, and the CCP views New Zealand as an exemplar of how it would like to be able to influence Australia, other Pacific countries, and Western countries more broadly.

Mr. Mattis testified to the Commission in April 2018 that the CCP has gotten “very close to or inside the political core” of both Australia and New Zealand. This influence has resulted in “the narrowing of Chinese voices, the CCP’s essential monopolization of the media outlets, the takeover of community organizations, and … denying the rights of Chinese Australians and Chinese New Zealanders to … freedom of association and … speech.” Only a few independent Chinese-Australian groups remain today, almost exclusively associated with strongly anti-CCP groups like Falun Gong. Beijing has waged a concerted influence campaign in New Zealand, and the United Front has virtually dominated the Chinese diaspora there. For example, a China-born New Zealand Member of Parliament, Yang Jian, spent 15 years in China’s military intelligence sector before naturalizing in New Zealand, and concealed his previous PLA affiliation on his permanent residency and employment applications. In the early 2000s in Australia, individuals sympathetic to the CCP largely took over mainstream Chinese community and professional organizations; Dr. Hamilton, whose book on CCP influence in Australia was initially canceled by three separate publishers due to fears of potential lawsuits from Beijing, argues CCP officials “typically aim to guide … rather than directly control” these organizations, though they are in many cases not overt CCP fronts.

Beijing has applied the United Front strategy at scale elsewhere as well, including the cultivation of unofficial envos to build goodwill for China. For example, Beijing committed to train 1,000 young Latin American leaders by 2024 as part of its “Bridge to the Future” program to build links with future elites in academia, politics, business, media, society, and cultural fields. According to the National Endowment for Democracy, this “training” amounts to free public-relations trips to China that follow a conveniently pro-[Chinese] government agenda … such efforts in the media sector are central to the Chinese soft power strategy. Therefore, China’s intent to ‘train’ hundreds of Latin American journalists … is probably best understood as a way of exposing influential opinion makers to Beijing’s propaganda.

In addition to its own vote in international fora, New Zealand is also responsible for the foreign and defense policies of the South Pacific territories of the Cook Islands, Niue, and Tokelau. Canadian Security Intelligence Service, “Rethinking Security: China and the Age of Strategic Rivalry,” May 2018, 77.
In addition to media training, organizations such as the China Association for International Friendly Contact actively foster people-to-people exchanges. The Association focuses on establishing “close ties with government agencies, political parties, and prominent political and military figures” to introduce positive views of China’s policies to naïve intermediaries in target countries and thus outsource the CCP’s messaging, according to John Garnaut, who previously served as an adviser to former Prime Minister Turnbull.

Purchasing Political Influence

CCP-connected political donations have been effective in some countries permitting foreign donations, especially Australia and New Zealand. In both countries, individuals with ties to the United Front have been prolific donors to major political parties; in May 2018, Andrew Hastie—Chairman of Australia’s Parliamentary Joint Committee on Intelligence and Security—said in a Parliamentary address, “In Australia, it is clear that the [CCP] is working to covertly interfere with our media, our universities, and also influence our political processes and public debates.” Mr. Hastie made this comment in the context of discussing Chau Chak Wing, a China-born Australian citizen who has made high-profile political donations.

United Front work in Australia has attempted to “influence the choices, direction, and loyalties of its targets by overcoming negative perceptions of CCP rule in China and promoting favorable perceptions,” according to Professor Hamilton and Mr. Joske. Both Australia and New Zealand have seen a sharp rise in political donations from CCP-affiliated entities—and even United Front and PLA affiliates holding office—raising concerns about interference by CCP proxies attempting to influence public debates and policy outcomes in these countries. In 2015, the Australian Security Intelligence Organization (ASIO) warned the Liberal and Labor parties that Huang Xiangmo and Chau Chak Wing, prolific donors to Australian political parties, had “strong connections to the [CCP]” and that their donations “might come with strings attached.” For example, Sam Dastyari—an Australian senator who, while standing next to Mr. Huang, had argued in favor of China’s position on territorial disputes in the South China Sea—ultimately resigned from Parliament after it was revealed he had warned Mr. Huang that the latter was likely being surveilled by Australian intelligence agencies.

The influence activities of these and other key individuals are further detailed below.

- Huang Xiangmo was the president of the Australian chapter of the China Council for the Promotion of Peaceful Reunification (CPPRC), an organization directly subordinate to the UFWD, from 2014 to 2017. Mr. Huang is a permanent resident of China.

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Australia, and his donations—totaling approximately $1.5 million since 2012, split between the Liberal and Labor parties, according to his spokesman—were legal under Australian law.159

• Chau Chak Wing, who has strong ties to the CCP,* has also been prominent in United Front operations in Australia, both via donations and by influencing the formerly vibrant Chinese-language media landscape in Australia.160 Dr. Chau has donated more than $3 million between the Liberal and Labor parties since 2004 and $35 million to Australian universities, and he has been linked to a $148,000 bribe to then UN General Assembly President John Ashe.161

• Members of Parliament in New Zealand from both parties have raised money from organizations with links to the United Front and CCP.162 For example, Dr. Yang Jian, the New Zealand Member of Parliament who worked in China’s military intelligence sector, is an important National Party fundraiser among the Chinese diaspora in Auckland.163

Canberra Responds Aggressively, Wellington Begins to Take Threat Seriously

After ASIO and Australia’s Department of the Prime Minister and Cabinet submitted a classified report finding that CCP influence operations had targeted all levels of Australian government and policymaking, the Australian government responded aggressively by introducing counterespionage and counterforeign influence legislation.164 According to then Prime Minister Malcolm Turnbull, “[Australia’s] system as a whole had not grasped the nature and magnitude of the threat.”165 In July 2017, then Prime Minister Turnbull announced the formation of the Department of Home Affairs—a new intelligence, law enforcement, and policy hub—which he described as “similar to the [UK’s] Home Office arrangement—a federation ... of border and security agencies.”†166 When introducing counterespionage and counterforeign influence legislation in December 2017, then Prime Minister Turnbull explicitly singled out “covert, coercive, or corrupt” foreign influence activities as unacceptable, but he welcomed transparent engagement ties based on legitimate soft power; he argued Australia is open and optimistic, but not naïve.167

* Dr. Chau has denied being a member of the CCP, but he is a member of the Guangdong Province chapter of the CPPCC. According to researcher James To, Guangdong Province is one of the most important provincial-level units for overseas Chinese work due to the large number of emigrants from Guangdong. Rebecca Trigger, “Chinese Businessman Subject of ASIO Warning Donated $200,000 to WA Liberals,” Australian Broadcasting Network, June 10, 2017; China Federation of Overseas Returned Chinese Entrepreneurs, “Chau Chak Wing,” May 9, 2016. Translation.

Two pieces of legislation became law in June 2018, and a third bill designed to ban foreign political donations is currently in parliament. The new laws, which then Prime Minister Turnbull called "the most important overhaul of [Australia's] counterintelligence framework since the 1970s," target foreign interference in politics, economic espionage, and theft of trade secrets; establish a public register of foreign lobbyists; and require notification of political donations from those on the register or who disburse funds on behalf of a foreign principal. The first law, the Foreign Influence Transparency Scheme Act, established the public register; some media organizations opposed it due to its requirement for staff of foreign-owned companies to register with the government. The second new law, the National Security Legislation Amendment (Espionage and Foreign Interference) Act 2018, criminalized covert, coercive, and corrupt actions on behalf of or in collaboration with foreign principals, and it broadened espionage laws to criminalize possessing or receiving sensitive information in addition to transmitting it; in response to concerns about criminalizing the work of reporters, officials amended it to ensure protections for journalists. In May 2018, Canberra also ordered the most significant review of its intelligence agencies in 40 years, which will "consider options for harmonizing and modernizing [Australian intelligence agencies'] legislative framework ... to ensure they operate with clear, coherent, and consistent powers, protections, and oversight," according to the Office of the Attorney-General. The review is expected to take 18 months.

The latest counterforeign influence bill in Australia's legislative response to revelations about CCP interference, the Electoral Legislation Amendment (Electoral Funding and Disclosure Reform) Act 2018, specified that it is a valid defense against charges of handling or communicating sensitive information if the person in question "communicated, removed, held, or otherwise dealt with the relevant information in the person's capacity as a person engaged in the business of reporting news, presenting current affairs, or expressing editorial or other content in news media, and ... at that time, the person reasonably believed that ... that conduct was in the public interest ... or ... was, at that time, a member of the administrative staff of an entity ... engaged in the business of reporting news, presenting current affairs, or expressing editorial or other content in news media; and ... acted under the direction of a journalist, editor or lawyer who was also a member of the staff of the entity, and who reasonably believed that engaging in that conduct was in the public interest." The defendant "bears an evidential burden" in this matter.
Bill 2017, is designed to prohibit donations from foreign governments and state-owned enterprises to finance public debate, and it will require reporting on certain other donations.* Some have expressed concerns that the bill’s prohibition of political advocacy is too broad, however, and could threaten advocacy by civil society groups; the Australian Parliament’s Joint Standing Committee on Electoral Matters issued an advisory report in April 2018 recommending, among other things, that the government modify the bill to specifically focus on political expenditures intended to “influence voters to take specific action as voters, so as not to capture non-political issue advocacy.”

New Zealand has seen less high-level response to CCP efforts to influence and interfere in the country, but there have been some signs of a hardening of its stance toward Beijing. Primrose Riordan, political reporter at The Australian, told the Commission in September 2018 that New Zealand Prime Minister Jacinda Ardern’s administration “has taken a harder line on China than the previous government.” In response to the report resulting from the Canadian Security and Intelligence Service’s academic workshop, New Zealand Member of Parliament Andrew Little—who oversees the country’s intelligence agencies—said, “The so-called warnings ... were interesting, but the underlying proposition of the question is that nothing here is happening.” However, Amy Searight, senior adviser and director of the Southeast Asia Program at CSIS, noted in her testimony to the Commission that within the New Zealand government “the bureaucratic level is really turning on China and sees its connection with the United States and Australia as really significant in that sharpening of their policies [and] thinking about China.”

New Zealand’s new Strategic Defense Policy Statement, released in July 2018, praised Beijing’s “increasing contributions to the international order,” but was uncharacteristically critical of China’s regional assertiveness, saying that it “has at times raised tensions with neighboring states and with the United States.” The report also no longer refers to China as an “important strategic partner,” as New Zealand did in its 2016 defense white paper. According to then Acting New Zealand Prime Minister Winston Peters, China lodged an official complaint to New Zealand’s ambassador about the new report.

After an August 2018 meeting in Queensland, Australia between ministers of the Five Eyes intelligence-sharing partnership member countries (the United States, Canada, the UK, Australia, and New Zealand), the group issued a statement condemning foreign interference and announced they had agreed to establish a mechanism

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* The bill is designed to “promote the ... integrity of the Australian electoral process by reducing the risk of foreign persons and entities exerting (or being perceived to exert) undue or improper influence in the outcomes of elections ... by restricting ... political donations made by foreign persons or entities that do not have a legitimate connection to Australia.” In its current form, this includes donors who are “a body politic of a foreign country; or ... of a part of a country,” a part of such a body politic, or a foreign public enterprise. The bill is currently before the Australian Senate. Electoral Legislation Amendment (Electoral Funding and Disclosure Reform) Bill 2017 (Australia), 287AA 3; 302C, 1–2.

† For example, the policy statement says China “has not consistently adopted the governance and values championed by the [international] order’s leaders,” that it “holds views on human rights and freedom of information that stand in contrast to those that prevail in New Zealand,” and that it is “determined not to engage with” the international tribunal that ruled against China’s South China Sea territorial claims in 2016. New Zealand Ministry of Defense, Strategic Defense Policy Statement 2018, July 2018, 17.
for sharing information on confronting this challenge, which demonstrates that the group is now taking the matter seriously.\textsuperscript{*} The joint statement criticized “the coercive, deceptive, and clandestine activities of foreign governments, actors, and their proxies to sow discord, manipulate public discourse, bias the development of policy, or disrupt markets for the purpose of undermining our nations and our allies.”\textsuperscript{184} Most significantly, the member countries agreed to coordinate their responses and attribution in the case of “severe foreign interference incident[s],” indicating a shared willingness to name and shame countries responsible.\textsuperscript{185}

\begin{center}
\textbf{Beijing’s Multifaceted Pressure Campaign against Taiwan}
\end{center}

Beijing seeks to promote eventual cross-Strait unification with Taiwan, a key U.S. partner, and in recent years it has intensified its coercive efforts to achieve this goal.\textsuperscript{186} Since the election of President Tsai, Beijing has sought to influence the course of cross-Strait relations through additional pressure, local-level engagement, economic inducements, and subversive activities.\textsuperscript{187} Beijing’s campaign to influence policy and perceptions and interfere in society in Taiwan is China’s most multifaceted and aggressive of this type anywhere in the world. For decades, Taiwan has faced coercion and efforts to influence policies and perceptions from Beijing.\textsuperscript{†} Moreover, Taiwan’s main opposition party, the Kuomintang, was the original target of CCP United Front work beginning during the former’s rule in China, and Taiwan has long been and remains United Front work’s primary focus.\textsuperscript{188} The measures Beijing has employed to influence Taiwan during the Tsai Administration include:

\begin{itemize}
\item Suspending official and semiofficial cross-Strait communication and meetings;
\item Applying economic coercion through reducing the number of Chinese group tours to Taiwan and some partners of Taiwan, and reducing the number of Chinese students whom it allows to study in Taiwan;
\item Conducting United Front work, including by continuing its outreach to politicians at the party and local government levels and announcing new measures to incentivize Taiwan citizens to travel, study, or work in China;
\item Influencing protests and using social media and other online tools to spread disinformation;
\item Enticing Taiwan’s official diplomatic partners to break ties and putting pressure on Taiwan’s presence in countries with which it has unofficial relations;
\end{itemize}

\textsuperscript{*} The joint statement also addressed cooperation on supporting efforts to combat illicit finance, the ability of intelligence and law enforcement agencies to lawfully access encrypted data and communications, and sharing criminal and law enforcement information. Quintet Meeting of Attorneys-General, “Official Communiqué,” August 31, 2018, 2–3.

\textsuperscript{†} For example, Beijing has long exerted influence over many international organizations to limit Taiwan’s participation. In addition, China’s military modernization program, which is directed primarily at deterring Taiwan and preparing for Taiwan-related contingencies, has continued unabated regardless of Beijing’s perspective on the administration in Taipei.
Beijing’s Multifaceted Pressure Campaign against Taiwan—Continued

- Blocking Taiwan’s participation in certain international fora in which it could participate in the past;
- Expanding and intensifying the training activities of the Chinese military near Taiwan;
- Unilaterally expanding a commercial flight route near the median line of the Taiwan Strait without consulting with Taipei; and
- Pressuring foreign companies to change the way they characterize Taiwan on their websites and products.

(See Chapter 3, Section 3, “China and Taiwan,” for more information on Beijing’s efforts to coerce Taiwan.)

Implications for the United States

Beijing’s efforts to influence policies and perceptions abroad have significant implications for U.S. alliances and partnerships—one of the United States’ greatest strengths—and more broadly for the durability of the liberal international order, which the United States played a major role in creating and upholding. Beijing seeks to undermine U.S. alliances and partnerships in the Indo-Pacific and Europe, and, if successful, these efforts could serve to fundamentally weaken the United States’ ability to support democracy and international law.189 Beijing’s efforts to shape these governments’ policies have implications for a unified stance between the United States and its allies and partners on various aspects of the international order. This challenge has been evident in Europe as the EU has proven unable several times in recent years to reach a consensus on human rights in China and was unable to take a firm stance on Beijing’s activities and claims in the South China Sea, due to obstruction by governments that deferred to Beijing’s sensitivities on those issues.190

U.S. allies and partners also offer insights for the United States regarding the nature of the challenges presented by Beijing, how those challenges might evolve, and how the U.S. government might respond. In addition, the CCP may be testing certain approaches in other countries before deploying them in the United States. Mr. Walker told the Commission in April 2018 that “given the complex and multifaceted character of Beijing’s influence activities, such learning between and among democracies is critical for accelerating responses that are at once effective and consistent with liberal democratic standards.”191 The growing concern about these challenges in the United States, as well as U.S. allied and partner countries, therefore presents an opportunity for cooperation.192

It is important for U.S. policymakers to both pay attention to the CCP’s efforts to influence policies and perceptions and to precisely frame this issue. Simplistically framing the debate over CCP influence operations as “Chinese influence” risks further stoking nationalism in China and granting the CCP an additional tool to use
against the United States in the form of claiming to defend U.S. citizens of Chinese heritage from racism; the CCP works assiduously to frame public opinion in the United States and elsewhere, including making exaggerated claims of racism.  

193 Peter Mattis argued in his testimony to the Commission that “there is no solution to CCP interference that does not involve the overseas Chinese communities in the United States and elsewhere... Their cooperation and goodwill are essential.”  

It is also important to differentiate illegitimate influence and coercion from legitimate forms of engagement. For example, when introducing Australia’s new anti-foreign influence legislation in December 2017, then Prime Minister Turnbull explicitly singled out “covert, coercive, or corrupt” foreign influence activities as unacceptable, but he welcomed transparent engagement ties based on legitimate soft power.  

195 Finally, Bill Bishop, editor of the widely read Sinocism newsletter, told the Commission in March 2018 that it is “vital” to engage in this analysis, albeit with precision, because while CCP influence operations in the United States may not currently be very effective, the United States should not ignore the “nodes and networks” the CCP is setting up for potential future use.
ENDNOTES FOR SECTION 2


51. Korea Tourism Organization, *Korea, Monthly Statistics of Tourism*, June 2017; *Yonhap*, “S. Korea’s Food Exports to China Slide in March over THAAD Row,” April
64. Coco Feng and An Limin, “South Korea, China Businesses Can’t Find Cover in Spat over Missile Defense,” Caixin, April 5, 2017.
73. Mark Lewis, “Norway’s Salmon Rot as China Takes Revenge for Dissident’s Nobel Prize,” Independent, October 6, 2011.


113. Matej Simačik, Executive Director, Institute of Asian Studies, interview with Commission staff, July 30, 2018; Ivana Karaskova, Research Fellow, Association for International Affairs, interview with Commission staff, July 30, 2018.


187. Lin Cheng-Yi, CEO of Institute for National Defense and Security Research, meeting with Commission, Taipei, Taiwan, May 22, 2018; John Deng, Minister without Portfolio, Taiwan government, meeting with Commission, Taipei, Taiwan, May 21, 2018; Alexander Chieh-cheng Huang, Professor, Tamkang University, meeting with Commission, Taipei, Taiwan, May 21, 2018; Thomas McGowan, Legal Consultant, Russin and Vecchi, meeting with Commission, Taipei, Taiwan, May 21, 2018.


196. Bill Bishop, Editor, *Sinocism* newsletter, interview with Commission staff, March 15, 2018; Bill Bishop (@niubi), “Dismissing views on this very serious topic as ‘Thoughtless beltway hawk consensus’ is also thoughtless and unhelpful,” Twitter, March 14, 2018.