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The Chinese Communist Party's Foreign Interference Operations: How the U.S. and Other Democracies Should Respond

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INTRODUCTION

“History and experience prove that foreign influence is one of the most baneful foes of republican government.”

—President George Washington’s Farewell Address, 1796.

Russia’s interference and election meddling dominate the headlines and Washington’s attention. But beneath the radar, another country’s interference is expanding, dwarfing Russia’s short-term disruption. The Chinese Communist Party (CCP) under General Secretary Xi Jinping has put enormous resources into influence abroad, estimated at \$10 billion a year.¹

Xi has elevated and expanded United Front activities, a so-called “magic weapon” that relies on coopting Chinese diaspora communities and building relationships with Western enablers to make the “foreign serve” the CCP.² Unlike Russia, with its relatively quick interference operations, the CCP builds varied and long-term relationships.

The People’s Republic of China (PRC) has a distinctive system that blurs the lines between classical espionage, clandestine operations, and influence-seeking. We will primarily examine CCP interference operations that are covert, corrupt, or coercive, the so called “three Cs.”³ If an activity falls into these categories, we will call it “interference.” On the other hand, if the state-controlled funding source is generally transparent—as with Chinese state-owned television, China Global Television Network, or Confucius Institutes—it makes sense to employ the term “influence,” which is broader than interference.⁴ In practice, the two are not always clearly differentiated.

The CCP’s goal is to quell dissenting and negative voices at home and abroad and influence civil society and governments abroad. Its targets range from prominent politicians and businesspeople to academics, students, and the American public. With deep coffers and the help of Western enablers, the CCP uses money, rather than Communist ideology, as a powerful source of influence, creating parasitic relationships of long-term dependence.

The effectiveness of United Front strategy is on open display in Australia and New Zealand, two Western democracies whose political, media, and business life have

¹ David Shambaugh, “China’s Soft-Power Push: The Search for Respect,” *Foreign Affairs*, July 2015, <https://www.foreignaffairs.com/articles/china/2015-06-16/china-s-soft-power-push>.

² Anne-Marie Brady, *Magic Weapons: China’s Political Influence Activities under Xi Jinping*, Wilson Center, September 2017, <https://www.wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping>.

³ The Australian government has employed this definition in its pending legislation; see chapter 2.

⁴ We are indebted to Peter Mattis for this distinction. See Peter Mattis, “What We Talk About When We Talk About Chinese Communist Party Interference in the Public Square,” *War on the Rocks*, March 7, 2018, <https://warontherocks.com/2018/03/talk-talk-chinese-communist-party-interference-public-square/>.

been pierced by the United Front, leading to Beijing's almost complete takeover of Chinese-language media in the two countries. A former Chinese army spy trainer now serves in the New Zealand Parliament and secures Chinese funding for his party. In 2017, the disgrace of an Australian senator caught hewing to the Party line on the South China Sea led to discovery of an avalanche of dubious funding. In Australia, the two main parties have been propped up by foreign money through United Front operatives. Academic freedom has come under pressure in both countries. The CCP's aim is to gradually wean the two countries off their alliance with the United States while boxing in their public debate about China. If the two realign their political affiliation and attachment to the U.S. and the West, this would be a big win for China.

In the United States, CCP interference and influence operations are aimed at politicians, businesspeople, academia, the media, and Chinese diaspora communities. Already in 1996, the U.S. experienced CCP meddling in presidential and congressional elections, but the 2016 election showed continued vulnerability. CCP- and United Front-connected funding has also intruded into the realm of ideas, influencing think tanks, academia, newspapers, and other media outlets. United Front-connected organizations posing as NGOs have also been embedded within Chinese diaspora communities. More broadly, this raises fundamental questions about how much influence to allow China's state-controlled system and companies in the United States.

The CCP, by changing how democracies speak and think about the PRC, is making "the world safe" for its continued reign. That is the priority for United Front strategy. With the United States, whose geostrategic power the Party perceives as the ultimate threat, the goal is a long-term interference and influence campaign that tames American power and freedoms, in part by limiting and neutralizing American democratic discussions about the CCP. Liberal values such as freedom of expression, individual rights, and academic freedom are anathema to the Party and its internal system of operation.

There has been no comprehensive public debate about this since publication of the congressional reports following illicit Chinese financing in the 1996 presidential and congressional elections. Thus, it is long overdue.

The U.S. National Security Strategy document mentions an ambition to counter such measures.⁵ This report addresses that goal by shedding light on these activities and outlines suggestions for a global democratic resilience package.

The aim is not to cast all Chinese influence abroad in a negative light. The message is simply that the story of China does not belong exclusively to the CCP, which seeks to subsume "China" and "Chinese" under its banner.⁶ Citizens of Chinese origin are an important part of societies globally, including many democracies. There are

⁵ *National Security Strategy of the United States*, Whitehouse.gov, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

⁶ As a linguistic counter-measure, the terms People's Republic of China (PRC) and Chinese Communist Party (CCP) are employed. Xi Jinping is listed under his party title, secretary general, which is where his power resides, rather than calling him president.

almost 5 million Chinese-Americans, and they have made their choice on citizenship.⁷ No foreign power should be allowed to try to undo that choice and loyalty. The problem originates with United Front logic, which views overseas Chinese as “sons and daughters” and part of the CCP’s extended family. Democracies need to shield the Chinese diaspora and in particular, dissidents.

CCP interference and influence operations target the vulnerabilities in democratic systems, such as Australia’s and New Zealand’s lack of stringent political campaign finance rules. Worldwide for educational institutions, Chinese government–run Confucius Institutes are an increasingly attractive means of offering Chinese studies because of the absence of alternative, independent funding. Cash-strapped Western media seem increasingly willing to accept dubious sources of revenue. Prominent news outlets even knowingly publish Chinese propaganda, although it is labelled as advertisement. Retired Western politicians willingly peddle pro-CCP agendas for cash and other benefits.

The traditional assumption was that engaging and trading with China would lead it to become more liberal and even democratic. In 2018, it is clear that such a transformation is not happening. China’s economic freedoms have not been complemented by increasing political freedoms.

Now, the U.S. and democracies globally face a reverse situation. It is no longer solely about engaging with China to promote liberal reforms, but equally about safeguarding democracies from the CCP’s authoritarian and corrupting influence. Initially, democracies wanted to export liberal values and help build civil society in China. Now we need to defend these values on home ground.

In this report, we provide specific recommendations for the U.S. and the broader community of democracies on how to enact proactive and protective measures. First and foremost, the National Security Council should finalize a whole-of-government mapping of CCP interference and influence, mapping the boundaries between counter-intelligence and law enforcement and over to legislation and civil society initiatives. To further transparency and public scrutiny, Congress should mandate a yearly report on the issue. Civil society, think tanks, China scholars, and journalists should join together and create a “United Front tracker.” And stronger defenses are needed, such as increased donor transparency in campaign finance and tightening of the Lobbying Disclosure Act (LDA) and Foreign Agent Registration Act (FARA). A civil rights approach should provide targeted protection to Chinese-American communities from foreign interference.

Internationally, we suggest collaboration among democratic governments to create a “United Front of Democracies” and explore counter-measures. These could include more funding of media and education worldwide to provide Chinese diaspora communities with news not controlled by Beijing and countering the attractiveness of

⁷ “Chinese in the U.S. Fact Sheet,” Pew Research Center, September 8, 2017, <http://www.pewsocialtrends.org/fact-sheet/asian-americans-chinese-in-the-u-s/>.

Confucius Institutes by securing more independent funding for Chinese-language studies and China research.

In the end, transparency and legislation can only go a certain distance. Democracy is kept alive by democratic citizens and well-functioning institutions. The citizens of the United States and other democracies need to personally invest in safeguarding their democratic traditions rather than selling out. This is the genuine long-term inoculation against the challenge from authoritarian interference and influence.

CHAPTER 1: MAPPING THE CCP INFLUENCE SYSTEM

To understand the CCP influence and interference system, we first must be familiar with the unique characteristics of the Chinese Party-state and United Front strategy. This chapter seeks to shed light on these crucial characteristics and the goals, structure, and players in the system.

The Chinese Party-State

Speaking before the Party Congress in October 2017, Secretary General Xi Jinping revived a phrase from Mao Zedong and declared, “east, west, south, north and center—the party leads everything.”⁸ At his closing speech to the National People’s Congress (NPC) in March 2018, Xi stated, “The leadership of the Communist Party of China is the defining feature of socialism with Chinese characteristics. The Party is the highest force for political leadership and the fundamental guarantee of the great rejuvenation of the Chinese nation. The Party exercises overall leadership over all areas of endeavor in every part of the country.”⁹

The Chinese Communist Party is at the core of the Chinese Party-state and all decision-making processes. It is also increasingly transitioning from collective decision-making to strongman rule, with Xi as the paramount leader. To reflect the Party’s control over all government entities, we will refer to the Chinese system as the Chinese Party-state. For example, Xi carries the title of president but his real power resides in his position as CCP secretary general, something often overlooked by Western audiences. It also means there are government officials, including high-ranking ministers, who are less powerful than behind-the-scenes Party officials.

The Communist Party’s Main Ambition: Staying in Power

The Chinese Party-state has one overarching goal: to sustain Party rule. Bolstered by a budget more than double that of the U.S., it puts gargantuan efforts into domestic security and building a massive surveillance system even capable of taming the Chinese enclosed version of the Internet.¹⁰ Consequently, the CCP constantly fears U.S. and Western support for Chinese civil society and efforts inside China. The Party believes these Western “sharp power” efforts should be contained, and the current Chinese reassertion of authoritarian power over civil society attests to this.

Abroad, the goal is similar: to “make the world safe” for the Chinese Communist Party. That is also the overarching priority of Chinese influence and interference activities. That means limiting the parameters of debate about China in Western

⁸ “The Communist Party’s Influence Is Expanding—in China and Beyond,” *Bloomberg*, March 11, 2018, <https://www.bloomberg.com/news/articles/2018-03-11/it-s-all-xi-all-the-time-in-china-as-party-influence-expands>.

⁹ “President Xi Vows to Serve the People as National Legislature Concludes Annual Session,” *China Daily*, March 20, 2018, http://www.chinadaily.com.cn/a/201803/20/WS5ab1220fa3106e7dcc143f00_1.html.

¹⁰ See Josh Chin, “China Spends More on Domestic Security as Xi’s Powers Grow,” *Wall Street Journal*, March 6, 2018, <https://www.wsj.com/articles/china-spends-more-on-domestic-security-as-xis-powers-grow-1520358522>.

democratic governments and civil society so that it does not pose a threat to the CCP. The Party knows it is vulnerable in the realm of ideas and needs to establish protective shields at home and abroad. One of the most important of these shields is United Front strategy, which emphasizes creating long-term relationships and dependencies that ultimately coopt diaspora communities and business and political elites abroad to make the “foreign serve China.”¹¹

China's Revival of the United Front

United Front work (UFW) has been treated for a long time as a withering relic of China's Communist past, but now it is back at the forefront of CCP interference operations abroad, as seen in Australia and New Zealand.

United Front strategy was originally developed by the Bolsheviks during the Russian Civil War. It called for cooperating with non-revolutionaries for practical purposes—for example, to defeat a common enemy—and winning them over to the revolutionary cause. That remains the essence today, although exporting revolution no longer plays a role. In China, the strategy was first used to create an alliance between the Communists and Kuomintang (KMT) to end warlordism. By the 1950s—after the CCP had organized a Second United Front from 1937 to 1943 to fight the Japanese during World War II and defeated the KMT in 1949—the strategy came to be “an integral part of Chinese Communist thought and practice.”¹²

Today, United Front strategy is critical, not only for maintaining control over potentially problematic groups, such as religious and ethnic minorities and overseas Chinese, but also as an important part of China's interference strategy abroad. Xi has reinforced the focus on United Front work, underscoring that it is one of the “magic weapons” for the Chinese people's great rejuvenation.¹³ Speaking at the 19th Party Congress, Xi projected that by mid-21st century, China will be “a global leader in terms of composite national strength and international influence.”¹⁴ Already in 2013, addressing the NPC, Xi stated, “We must consolidate and develop the most extensive patriotic united front ... and maximize all forces that can be united.”¹⁵ Xi has also elevated the importance and power of the United Front Work Department (UFW),

¹¹ Brady, *Magic Weapons*.

¹² Lyman P. Van Slyke, *Enemies and Friends: The United Front in Chinese Communist History* (Stanford: Stanford University Press, 1967), 3.

¹³ “United Front Upgraded by Creation of Special Leading Small Group,” *Chinese Communist Party News*, July 31, 2015, <http://cpc.people.com.cn/xuexi/n/2015/0731/c385474-27391395.html>.

¹⁴ “Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era” (English translation of Xi Jinping's speech at the 19th National Congress of the Communist Party of China), *Xinhua*, October 18, 2017, http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf.

¹⁵ “Xi Jinping Delivers an Important Speech at the Closing Meeting of the First Session of the 12th National People's Congress,” *Xinhua*, March 17, 2013, http://www.xinhuanet.com/2013lh/2013-03/17/c_115052635.htm.

establishing a “leading small group” dedicated to United Front activity, signifying a direct line of command from the Politburo to the United Front.¹⁶

Despite the importance of United Front work, open-source academic literature on the subject is still relatively sparse. The unearthing of United Front activities in Australia and New Zealand has led to a renewed focus by professors and journalists such as Anne-Marie Brady, Gerry Groot, John Garnaut, Alex Joske, Clive Hamilton, James Jiann Hua To, and Peter Mattis. Otherwise, general textbooks on the Chinese political system contain scant information on the UFWD and United Front strategy. Often, searches take one back to books and articles from the 1970s, such as those by Lyman Van Slyke and Robert Suettinger.¹⁷ This is clearly a deficiency in academic research on China that should be more systematically addressed in years to come for the benefit of policymakers and broader public awareness.

Key Players and Objectives of United Front Strategy

A distinction should be made between United Front work and United Front strategy, a broader concept that is employed by a variety of actors inside the Chinese Party-state system.

Gerry Groot notes that “a complex set of institutions and organizations act as key elements of surveillance and political influence.”¹⁸ For example, closely tied to UFW is the Chinese People’s Political Consultative Conference (CPPCC), an advisory body that meets yearly at the same time as the NPC and is part of the United Front. Its current leader is Wang Yang, who is among the top five members of the Communist Party leadership. The CPPCC includes both Party and non-Party members and is instrumental in strengthening ties between the business community and the Party.¹⁹ Association with the CPPCC has likewise been used to integrate returning overseas Chinese.

The UFWD is a Party entity under the CCP’s Central Committee and is explicitly tasked with managing relations with members of the elite who are not in the Party and with ethnic minorities.²⁰ The UFWD has several bureaus, which cover ethnic and religious minority issues, Hong Kong, Taiwan, overseas Chinese, Tibet, and Xinjiang.²¹ The newly minted head of the Department is You Quan, though the former head, Sun Chunlan, still carries more weight in the Party apparatus as a Politburo member and

¹⁶ “United Front Upgraded by Creation of Special Leading Small Group,” *Chinese Communist Party News*, July 31, 2015, <http://cpc.people.com.cn/xuexi/n/2015/0731/c385474-27391395.html>.

¹⁷ Robert Suettinger, “Intelligence Report: The International Liaison Department of the Chinese Communist Party,” Central Intelligence Agency, December 1971, <https://www.cia.gov/library/readingroom/docs/polo-33.pdf>; Van Slyke, *Enemies and Friends*.

¹⁸ Gerry Groot, “The Long Reach of China’s United Front Work,” Lowy Institute, November 6, 2017, <https://www.lowyinstitute.org/the-interpreter/long-reach-chinas-united-front-work>.

¹⁹ Jamil Anderlini, “Business Influence Grows in China,” *Financial Times*, March 4, 2011, <https://www.ft.com/content/22461922-4684-11e0-967a-00144feab49a>.

²⁰ “Main Responsibilities,” Central United Work Front Department, December 10, 2012, <http://www.zyztb.gov.cn/tzb2010/zyzz/201012/690110.shtml>.

²¹ “Institutional Organization,” Central United Work Front Department, May 3, 2017, <http://www.zyztb.gov.cn/tzb2010/jgsz/201012/690112.shtml>.

chairwoman of the Central Leading Group for the United Front. Sun Chunlan's career also illustrates the seamless connections inside the Chinese Party-state system, as she earlier held a leading role in the All-China Federation of Trade Unions.

Below are the specific priorities of United Front strategy and the key institutions that carry out each objective.

Objective 1: Propaganda and Censorship

Propaganda has been an important part of the CCP's United Front strategy since the 1940s, both to convince people to join the Communist cause and to justify Mao's draconian policies. Today, with President Xi promoting the "China dream," a national and economic rejuvenation project towards 2049, propaganda has regained its prominence. Concurrently, China's censorship has grown more repressive, and the topics censored range from democracy and human rights in China, Tibet, the Dalai Lama, the Falun Gong, and Taiwan as a self-governing entity, to the South China Sea. Abroad, the Party actively seeks to silence and delegitimize those who speak out against it.

The main agencies in charge of external propaganda are the Central Propaganda Department, the State Council Information Office, the State Administration of Radio, Film, and Television (SARFT), and state-owned media groups such as *Xinhua*, China Global Television Network, *China Daily*, and China Radio International (CRI). These agencies strive to promote the CCP-sanctioned version of domestic and international events, and often partner with foreign media outlets to reach a wider spectrum of overseas audiences. Increasingly, China is also funding and indirectly owning cash-strapped Western media through intermediaries.

The CCP also seeks to bolster its legitimacy and overseas support by promoting Chinese language and culture through agencies such as the Ministry of Culture and the Office of Chinese Language Council International. However, seemingly innocent cultural and language programs, such as those provided by the Communist Party-controlled Confucius Institutes, can also be used for nefarious purposes. The National Endowment for Democracy has identified such activities as "sharp power," or efforts that center on distraction and manipulation and are intended to "pierce, penetrate, or perforate the information environments in the targeted countries."²²

Objective 2: Developing and Maintaining People-to-People Relations

The Communist Party takes a long-term strategic view of influence operations.²³ Accordingly, it aims to build webs of relationships that will be sustained and grow over time. Often, its approach involves less direct quid pro quos and more a gradual buildup of understanding and respect for China's positions. This also provides better deniability

²² Juan Pablo Cardenal et al., "Sharp Power: Rising Authoritarian Influence," National Endowment for Democracy, December 2017, <https://www.ned.org/wp-content/uploads/2017/12/Sharp-Power-Rising-Authoritarian-Influence-Full-Report.pdf>, 13.

²³ Peter Mattis, "Contrasting China's and Russia's Influence Operations," War on the Rocks, January 16, 2018, <https://warontherocks.com/2018/01/contrasting-chinas-russias-influence-operations/>.

than does outright corruption or espionage, where the influence/money trail—if discovered—is clearer.

The CCP can also afford to invest in a substantial number of relationships in democratic societies, including with expected future leaders in politics, business, and media, even though not all will bear fruit. Anne-Marie Brady underscores the importance of building relationships with the elite in these circles, noting that the “explosion in numbers of all-expenses-paid quasi-scholarly and quasi-official conferences in China (and some which are held overseas) is a notable feature of the Xi era, on an unprecedented scale.”²⁴

The Ministry of Foreign Affairs, through embassies and consulates, is the classic state-to-state interlocutor, though in some cases it goes beyond its diplomatic portfolio and directs local Chinese university student organizations. United Front case officers sometimes work under diplomatic cover in embassies.²⁵

Additionally, the Party’s International Liaison Office, originally only in charge of relations with other Communist parties, has branched out deftly and cultivates contacts with parties of all affiliations in many countries, assisting in relationship-building and identifying targets of influence.

The Overseas Liaison Bureau within the UFWD’s Third Bureau works primarily on the Chinese diaspora communities, aiming to galvanize overseas Chinese sympathetic to the CCP to act on the Party’s behalf. According to an internal UFWD document, its priority is to “infiltrate their inner workings without overtly intervening; and to influence through guidance, rather than openly leading them.”²⁶ This effort to control the Chinese diaspora is called “*qiaowu*.”²⁷ a term also used historically to refer to the fight with the Kuomintang in Taiwan over influence in the diaspora, a fight the CCP must be said to have won.

The UFWD also controls many organizations, including the China Overseas Exchange Association, China Overseas Friendship Association, and China Council for the Promotion of Peaceful National Reunification (CCPPNR).²⁸ In March 2018, the CCP announced that the Overseas Chinese Affairs Office of the State Council would be

²⁴ Brady, *Magic Weapons*, 9.

²⁵ Nicholas Eftimiades, *Chinese Intelligence Operations* (Annapolis: Naval Institute Press, 2011).

²⁶ Quoted in Clive Hamilton and Alex Joske, “Review of the National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017, Submission 20,” Parliament of Australia, January 22, 2018,

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Intelligence_and_Security/Espionage/Interference/Submissions, 5.

²⁷ See James Jiann Hua To, *Qiaowu: Extra-Territorial Policies for the Overseas Chinese* (Leiden: Brill, 2014).

²⁸ Eftimiades, *Chinese Intelligence Operations*.

merged into the UFWD, which will give the Party even more direct control over diaspora community outreach.²⁹

The large number of organizations under the UFWD that focus on the diaspora highlights its importance to United Front strategy. The UFWD's focus on building relationships with diaspora communities has already paid off. Recent reports of campaign donations by Chinese citizens in Western democracies have revealed that wealthy overseas Chinese play an integral role in subsidizing activities that support China's political agenda, including by donating to foreign political parties sympathetic to the CCP line or funding overseas Chinese associations that promote China's reunification with Taiwan.

Objective 3: Using Economic Ties as Political Leverage

Like other United Front activities, China's economic ties with foreign countries allow the CCP to gain political leverage through seemingly non-political activities. Through the Ministry of Commerce, the National Development and Reform Commission, the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC), Chinese state-owned enterprises, and even nominally private companies, China has been able to form a global network of strategic partners. The allure of market access to China or Chinese investments is a strong motivating factor.

These partnerships have proved important in shaping China's image on the world stage, and they illustrate the effectiveness of economic incentives in coopting the Western political elite. For example, Hungary and Greece, both major beneficiaries of Chinese financing and investments, have refused to sign EU statements criticizing China's human rights record and actions in the South China Sea.³⁰

Expansion of the Chinese Party-state's influence overseas is facilitated by the ubiquitous flow of money through Chinese institutions and companies to Western enablers. Top Western political figures are naturally attracted to lucrative jobs after retirement, which Chinese companies are more than able to offer. Former British prime minister Cameron, for example, is now working for a British-Chinese fund promoting the One Belt One Road (OBOR) initiative, a Chinese state-driven project with geopolitical ambitions. In this case, the funding trail is clear.

There are also allegations of corruption by proxy, where Western enablers get paid through less-traceable funding for family members. Another method is for politicians to sell their houses to connections or mysterious third parties for above-market prices. In such cases, it is hard to discern the innocent from the nefarious. As Peter Mattis notes, "From then-ambassador to China Gary Locke's rushed sale of his

²⁹ Teddy Ng and Mimi Lau, "Fears about Chinese Influence Grow as More Powers Given to Shadowy Agency," *South China Morning Post*, March 21, 2018, <http://www.scmp.com/news/china/diplomacy-defence/article/2138279/bigger-overseas-liaison-agency-fuels-fears-about>.

³⁰ Thorsten Benner et al., *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*, Global Public Policy Institute and Mercator Institute for China Studies, February 5, 2018, http://www.gppi.net/fileadmin/user_upload/media/pub/2018/Benner_MERICS_2018_Authoritarian_Advance.pdf.

Maryland home to Chinese businesspeople to the trademark grants to Ivanka Trump or her husband's backchanneling to Beijing, the activity may be completely innocent or routine. Or it may be something more devious. The surface-level indicators are the same."³¹ In each case, we must scratch beneath the surface.

Sometimes economic incentives can create what has been correctly labelled "preemptive obedience" among willing foreign enablers who tout the Chinese party line even without direct inducements or nudging.³² This is evident when Hollywood proactively changes movie scripts to appease the Chinese Party-state or when a West End theatre decides to cancel a play with Tibet in the title.³³

Market access for Western companies in China also creates powerful leverage that the CCP frequently exploits. In January 2018, Marriott International, under CCP pressure, was forced to issue an apology for listing Tibet, Taiwan, Hong Kong, and Macau as separate countries.³⁴ BMW also apologized after posting an innocuous self-help quote from the Dalai Lama on its Instagram account. This shows the PRC's power over private companies in other countries. The real difficulty is tracking CCP influence over company decisions taking place below the radar where there is no public acknowledgement.

Objective 4: Gathering Intelligence from Non-Intelligence Sources

Though primary responsibility for foreign intelligence belongs to the Ministry of State Security (MSS), the CCP also relies on other non-intelligence sources to gain information. Chinese state-affiliated think tanks such as China Institute of International Studies (CIIS), Chinese Academy of Social Sciences (CASS), and China Center for Contemporary World Studies (CCCWS) not only seek to influence perceptions of China among scholars and policymakers, but also function as sources of information for the Chinese Party-state.

Additionally, foreign contacts serve an important role in China's intelligence efforts, because Chinese intelligence agents rarely approach targets directly. As Peter Mattis notes, "for the Chinese, intelligence services seem to facilitate meetings and contacts rather than handling the dirty work of influencing foreign targets themselves."³⁵ Thus, detecting and combating Chinese intelligence operations will require a different strategy from the one used for Russian intelligence operations, since China's human- and relationship-centric approach may prove more difficult to recognize

³¹ See the Mattis article for a further distinction between Chinese and Russian intelligence and interference operations. Mattis, "Contrasting China's and Russia's Influence Operations."

³² Thanks are due to the authors of the report by the Global Public Policy Institute and Mercator Institute for China Studies, who came up with this term and a useful outline of Chinese influence operations in Europe. See Thorsten Benner et al., *Authoritarian Advance*.

³³ Ben Quinn, "Royal Court Dropped Tibet Play after Advice from British Council," *Guardian*, April 4, 2018, <https://www.theguardian.com/stage/2018/apr/04/unseen-letters-shed-light-on-royal-court-censorship-row-british-council>.

³⁴ Taiwan has a disputed and unresolved status. Tibet, Hong Kong, and Macau are internationally recognized parts of the People's Republic of China.

³⁵ Mattis, "Contrasting China's and Russia's Influence Operations."

as clandestine activity. For example, the China Institutes of Contemporary International Relations (CICIR), a think tank, is a direct extension of the MSS, a fact often glossed over by the high-level U.S. officials and national security experts who regularly meet with CICIR.³⁶ It is difficult to imagine that China would allow the same degree of access to a think tank run by the CIA.

Despite China's focus on collecting low-level intelligence from many sources, it also has traditional intelligence agencies, from the MSS to military intelligence. The MSS runs classic espionage operations, including in the U.S., and even attempts to insert non-Chinese moles into the CIA, as the Schriver case testifies.³⁷ It also actively tries to recruit through social media such as LinkedIn and uses front companies posing as recruiters.³⁸

Unlike Western agencies, Chinese intelligence agencies employ large-scale economic espionage on behalf of Chinese companies as part of their strategy, with U.S. and European high tech a main target. MSS agents have a long track record of working undercover in Chinese news agencies or official trade offices. As with the United Front, there is comparatively little academic research on China's spy agencies. In 1994, U.S. intelligence officer-turned-author Nicholas Eftimiades lamented that "the United States and other Western industrialized nations are woefully unprepared to protect their national assets from Beijing's espionage efforts."³⁹ In 2018, when Russia's KGB/FSB is still much more of a household name than the MSS, perhaps the situation is the same.

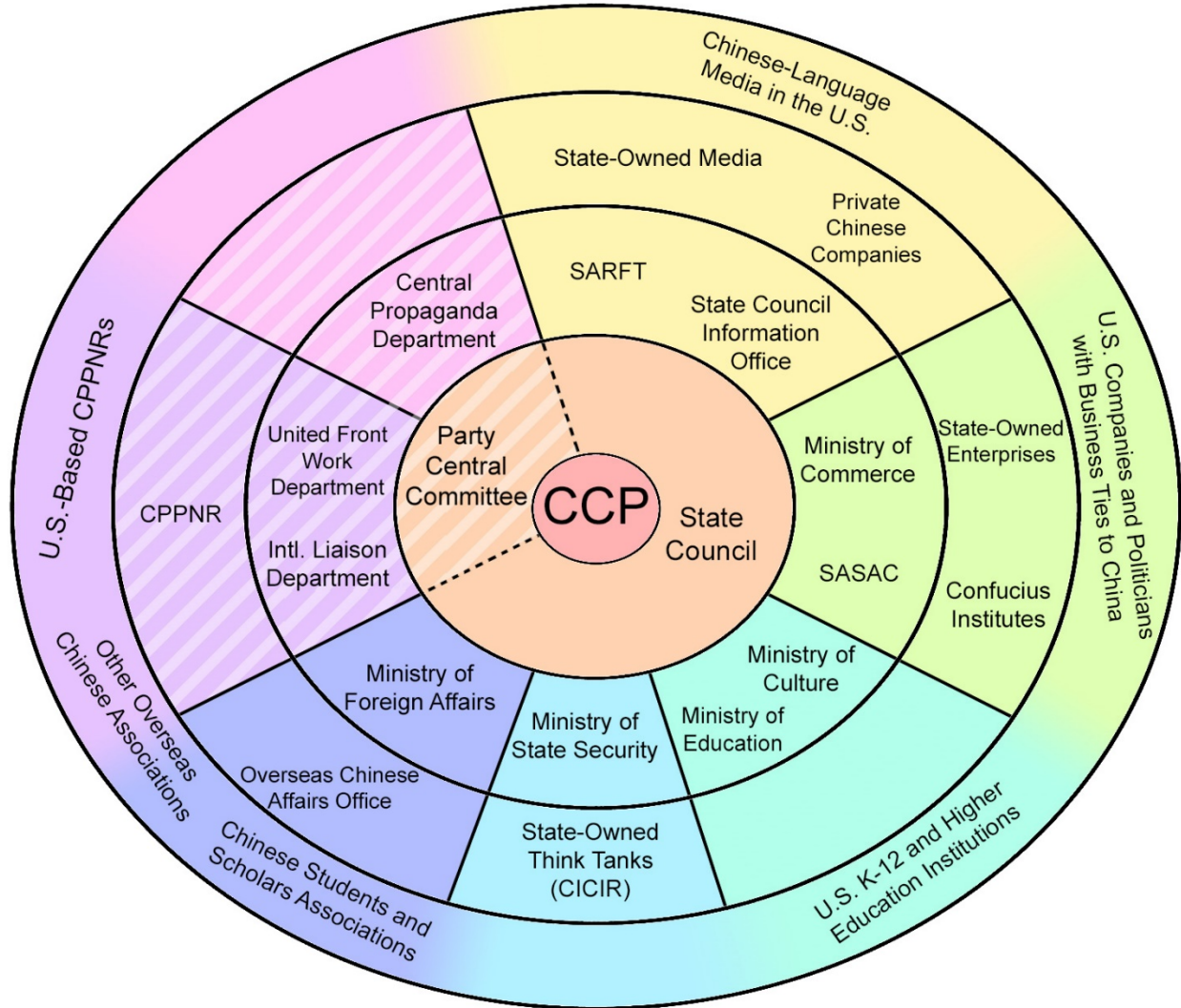
³⁶ "Profile of MSS-Affiliated PRC Foreign Policy Think Tank CICIR," Open Source Center, August 25, 2011, <https://fas.org/irp/dni/osc/cicir.pdf>, 2.

³⁷ "Michigan Man Sentenced 48 Months for Attempting to Spy for the People's Republic of China," Department of Justice, January 21, 2011, <https://www.justice.gov/opa/pr/michigan-man-sentenced-48-months-attempting-spy-people-s-republic-china>.

³⁸ Javier C. Hernandez and Melissa Eddy, "Germany Accuses China of Using LinkedIn to Recruit Informants," *New York Times*, December 11, 2017, <https://www.nytimes.com/2017/12/11/world/asia/china-germany-linkedin.html>.

³⁹ Eftimiades, *Chinese Intelligence Operations*.

Figure 1: The CCP: Circles of Influence



Why United Front Strategy is a Challenge for Democracies: A Recap

The figure above illustrates the central, nucleus-like role of the CCP, which controls the state in China. It also illustrates how United Front strategy relies on several actors, both inside and outside the Chinese system, in circles of increasing influence.

Thus, United Front strategy, which relies on developing parasitic relationships with outsiders, presents a genuine long-term democratic challenge for several reasons.

First, China's strategy of building a United Front in foreign countries is a long-term commitment, similar to a war of attrition. Thus, the issues presented by the strategy are likely to persist, requiring an equally resilient and long-term strategy to combat it. China is the world's second-largest economy, and the Chinese Party-state

allocates large resources to its soft power and influence efforts.⁴⁰ The disruptiveness of Russia, currently the main focus of U.S. and European anti-disinformation campaigns, remains comparatively short term.

Additionally, the reliance of United Front strategy on cultivating bona fide allies who are genuinely committed to maintaining a powerful, modern, Communist-led China makes these kinds of political-influence activities particularly difficult to detect and even harder to combat. A large part of China's propaganda efforts target overseas Chinese students and communities, who may feel a strong sense of patriotism towards their country of origin.⁴¹ Even if this is not the case, the CCP has attempted to place all diaspora Chinese under its umbrella of influence by asserting that "the unity of Chinese at home requires the unity of the sons and daughters of Chinese abroad."⁴² The recent cases of Chinese Students and Scholars Associations (CSSAs) and wealthy businesspeople sponsoring pro-CCP activities have ignited a debate over the Chinese government's involvement in these activities and whether condemning them would be an attack on freedom of speech.

The CCP declares all criticisms of Chinese influence to be racially motivated, which has discouraged any genuine discussion of the topic.⁴³ As China's power grows, it is becoming increasingly bolder about putting dissenting governments and individuals into a "political freezer" and marginalizing critical voices within foreign administrations. China's ostracizing of Norway after the Nobel Prize was awarded to Chinese dissident Liu Xiaobo serves as a chilling reminder of the CCP's growing authority abroad.

⁴⁰ Shambaugh, "China's Soft-Power Push."

⁴¹ In 2016, the Chinese Ministry of Education wrote that it is a priority to "strengthen the propagation of the Chinese Dream abroad: harness the patriotic capabilities of overseas students, establish an overseas propaganda model which uses people as its medium." Quoted in Ane Bislev, "Student-to-Student Diplomacy: Chinese International Students as a Soft-Power Tool," *Journal of Current Chinese Affairs*, https://www.ssoar.info/ssoar/bitstream/handle/document/54656/ssoar-jcca-2017-2-bislev-Student-to-Student_Diplomacy_Chinese_International_Students.pdf?sequence=1, 81–109.

⁴² "Inside China's Secret 'Magic Weapon' for Worldwide Influence," *Financial Times*, October 26, 2017 <https://www.ft.com/content/fb2b3934-b004-11e7-beba-5521c713abf4>.

⁴³ "China's Top Paper Says Australian Media Reports are Racist," Reuters, December 10, 2017, <https://www.reuters.com/article/us-china-australia/chinas-top-paper-says-australian-media-reports-are-racist-idUSKBN1E5031>.

CHAPTER 2: CCP INFLUENCE AND INTERFERENCE OPERATIONS IN AUSTRALIA

Dogged investigative reporting in Australia over the past year has produced an unusually detailed and vivid picture of Chinese influence operations against a frontline Western ally—and prompted an encouraging initial response from Australia’s government, which is attempting to secure its democratic norms and processes against CCP interference through a legislative overhaul of campaign finance, lobbying, and espionage laws.

China-Linked Money in Australian Politics⁴⁴

Lax campaign finance laws create ideal opportunities for foreign governments to influence the politics of another country. Australia does not prohibit donations from foreigners, so it is currently legal for wealthy Chinese to donate to Australian political campaigns.

Organizations connected to China’s United Front, such as the Australian Council for the Promotion of Peaceful Reunification of China (ACPPRC), have donated nearly \$5.5 million to Australian political parties since 2008.⁴⁵ One of the biggest donors, Huang Xiangmo, is a former president of ACPPRC and a member of the Jieyang City chapter of the CPPCC. He has donated almost \$2 million to Australia’s Labor and Liberal parties since 2012 and is seeking Australian citizenship.⁴⁶

Another prominent donor, Chau Chak-Wing, is an Australian citizen but has strong ties to the Chinese Party-state through the Shantou Party Committee and the Chinese People’s Association for International Friendship. Since 2008, he has donated \$2.6 million to Australia’s political parties and is one of the country’s biggest political donors.⁴⁷ Chau is described as the “king” of China-Australia relations and has received praise from Australian politicians, including former prime minister John Howard, who remarked, “I know him, and I like him.”⁴⁸

Though both Huang and Chau insist that their donations are not designed to encourage CCP-friendly Australian policies or otherwise serve mainland interests, there is evidence that many of their donations have had that effect, as shown by investigative

⁴⁴ All figures mentioned in this chapter are in Australian dollars.

⁴⁵ Chris Uhlmann and Andrew Greene, “Chinese Donors to Australian Political Parties: Who Gave How Much?,” *Australian Broadcasting Corporation*, June 7, 2017, <http://www.abc.net.au/news/2016-08-21/china-australia-political-donations/7766654>.

⁴⁶ Rachel Baxendale, “China Donor Huang Xiangmo Issues Challenge to Big Parties,” *Australian*, March 2, 2018, <https://www.theaustralian.com.au/national-affairs/foreign-affairs/china-donor-huang-xiangmo-issues-challenge-to-big-parties/news-story/c67f7b005245285136f1f295a7f859f5?nk=c874971dc6c32d7f33d56e76b14b1bf9-1523632971>.

⁴⁷ Michael Bachelard, “Big Political Donor Has Secret Beijing Ties, Court Documents Say,” *Sydney Morning Herald*, October 6, 2017, <https://www.smh.com.au/politics/federal/big-political-donor-has-secret-beijing-ties-court-documents-say-20171006-gyvwd5.html>.

⁴⁸ John Garnaut, “Are Chau Chak Wing’s Circles of Influence in Australia-China Ties Built on Hot Air?” *Sydney Morning Herald*, October 16, 2015, <https://www.smh.com.au/national/are-chau-chak-wings-circles-of-influence-in-australiachina-ties-built-on-hot-air-20151016-gkalg8.html>.

reporting by ABC and Fairfax Media. For example, after former Labor senator Sam Dastyari accepted Huang's donations, he reportedly told Chinese media that Australia should not meddle with China's activities in the South China Sea. Huang withdrew a promised \$400,000 donation to the Labor Party after Labor defense spokesman Stephen Conroy condemned China's activities in the South China Sea as "destabilizing and absurd."⁴⁹ And Chau Chak-Wing appears to have enjoyed "privileged access to current and former Australian politicians" as a result of his political donations.⁵⁰ According to Australian parliamentarian Andrew Hastie, Chau Chak Wing is identical to CC-3, who figures in an FBI investigation into the bribery of John Ashe, then UN General Assembly president.⁵¹

Also in the spotlight in Australia has been businesswoman Helen Liu, vice-chairwoman of the World Federation of Overseas Chinese Associations, a United Front organization. Together with her sister Queena, Helen Liu helped the New South Wales (NSW) Labor Party raise at least \$100,000 between 1999 and 2007.⁵² Liu's fundraising activities earned her close contacts with powerful Australian officials like MP and former defense minister Joel Fitzgibbon and former NSW premier and foreign affairs minister Bob Carr. Leveraging these connections, Liu became a key go-between for Chinese government officials seeking access in Australia and regularly hosted meetings between senior Chinese and Australian political figures.

Since retiring from government, Bob Carr has become director of the University of Technology Sydney's Australia-China Relations Institute (ACRI), an "independent, non-partisan think tank" devoted to "Australia's most important economic relationship," established in 2014 with a \$1.8 million donation from Huang Xiangmo.⁵³ Other retired Australian policymakers who have accepted China-linked employment opportunities include former minister for trade and investment Andrew Robb. After stepping down from Parliament in July 2016, Robb immediately accepted an \$880,000 a year consultancy with the Chinese company Landbridge Group, whose controversial 99-year lease of the strategically important Port of Darwin he had defended while still in

⁴⁹ Richard Baker et al., "China's Operation Australia: Payments, Power, and Our Politicians," *Sydney Morning Herald*, 2017, <https://www.smh.com.au/interactive/2017/chinas-operation-australia/hard-power.html>.

⁵⁰ Chau has launched a defamation suit against ABC and Fairfax Media for these claims. See Primrose Riordan, "ABC, Fairfax Accuse Chau Chak Wing of 'Betraying' Australia," *Australian*, October 2017, <https://www.theaustralian.com.au/national-affairs/abc-fairfax-accuse-chau-chak-wing-of-betraying-australia/news-story/83003f79af39625306a423d2b925840a?nk=c874971dc6c32d7f33d56e76b14b1bf9-1522987387>.

⁵¹ Simon Benson, "Chau Chak Wing Identified by FBI in UN Bribery Case, Andrew Hastie Says," *Australian*, May 2018, <https://www.theaustralian.com.au/national-affairs/chau-chak-wing-identified-by-fbi-in-un-bribery-case-andrew-hastie-says/news-story/e062198e1d3d7ec76b3a7a394c3b2543>.

⁵² Richard Baker et al., "China's Operation Australia: The Go-Betweens," *Sydney Morning Herald*, 2017, <https://www.smh.com.au/interactive/2017/chinas-operation-australia/the-go-betweens.html>.

⁵³ Rachel Baxendale, "Huang Xiangmo's \$1.8m gift to Bob Carr's think tank queried," *Australian*, 13 December 2017, <https://www.theaustralian.com.au/national-affairs/foreign-affairs/huang-xiangmos-18m-gift-to-bob-carrs-think-tank-queried/news-story/01b3a78639c266cc6124cd9e5cb65737>

office. The company's founder and chairman is billionaire Ye Cheng, one of the wealthiest men in the People's Republic and a member of the United Front's CPPCC.⁵⁴

As the Port of Darwin lease arrangement suggests, it would be a mistake to imagine that Chinese interest in Australian politics and politicians is necessarily restricted to "softer," long-game cultivation and influence objectives. Until at least 2001, Helen Yiu maintained a business partnership with a woman named Liu Chaoying, who had already been identified by U.S. criminal and congressional investigators as a central figure in the "Chinagate" donations to the Democratic National Committee during the 1996 American election cycle. Leading American media outlets had also identified her as a lieutenant colonel in the People's Liberation Army (PLA) and a military intelligence operative—and her father as a member of the CCP's all-powerful Politburo Standing Committee.⁵⁵ Australian counter-intelligence officials apparently have concerns about a possible overlap between China-linked political financing of Australian politicians and outright espionage. By late last year, according to press reports, the Australian Security Intelligence Organization (ASIO) "had identified around 10 political candidates at state and local government elections whom it believes have close ties to Chinese intelligence services."⁵⁶

Australia Responds

A vigorous and healthy public debate has been inspired in Australia by news reports about United Front interference, as well as publicity surrounding the reluctance of publishers to carry Clive Hamilton's book *Silent Invasion: China's Influence in Australia*. The debate has been made all the healthier by the active participation of a great many Chinese-Australians.

Prime Minister Malcolm Turnbull's government has responded by introducing three separate bills. These are the Foreign Influence Transparency Scheme Bill 2017; the National Security Legislation Amendment (also known as the Espionage and Foreign Influence Bill 2017); and the Electoral Legislation Amendment (or Electoral Funding and Disclosure Reform Bill 2017). All three are currently under review in Parliament.

The Foreign Influence Transparency Scheme Bill 2017 would create a disclosure regime, similar to America's FARA, designed to provide transparency about political activities undertaken on behalf of foreign principals. This bill would require lobbyists on behalf of a foreign principal to disclose information about the nature of their relationship with the foreign principal and to establish a public register of such information. It would also impose various penalties for non-compliance with its terms.

⁵⁴ Nick McKenzie and James Massola, "Andrew Robb's secret China contract: money for nothing", *Sydney Morning Herald*, 6 December 2017, <https://www.smh.com.au/politics/federal/andrew-robb-secret-china-contract-money-for-nothing-20171205-gzzaq5.html>

⁵⁵ Richard Baker et al., "ALP Donor Helen Liu Had Close Ties with a Senior Chinese Military Intelligence Operative," *Sydney Morning Herald*, June 4, 2017; and David Jackson and Lena H. Sun, "Liu's Deals with Chung: An Intercontinental Puzzle," *Washington Post*, May 24, 1998, <https://www.washingtonpost.com/wp-srv/politics/special/campfin/stories/liu052498.htm>.

⁵⁶ Quoted in Hamilton and Joske, "Review of National Security Legislation Amendment."

Creation of a public database for information about foreign lobbying and influence activities would be an invaluable and momentous step for Australia. To its credit, the Turnbull proposal's definition of "agent of a foreign principal" is broader than FARA's and appears to contemplate serious criminal penalties for non-compliance, while FARA enforcement has increasingly shifted to civil and administrative actions.⁵⁷

The National Security Legislation Amendment would amend or introduce a broad range of offenses in the Criminal Code Act 1995, targeting the activities of foreign actors who threaten Australia's national security, military capabilities, alliance relationships, or economic and political stability. Combined with the Electoral Legislation Amendment, which would create public registers for politically active organizations and ban campaign donations over \$250 from foreign sources, these reforms could significantly improve Australia's ability to deter foreign interference in its domestic politics.

Conclusion

An active investigative press mobilizing public opinion, openness from the intelligence services, and Prime Minister Turnbull's personal activism were the necessary ingredients in Australia's counter-reaction.

Yet the battle is far from over. As John Garnaut writes, "After Turnbull introduced these new laws, reports suggested that Beijing may have activated its United Front networks to campaign against the 'anti-China, anti-Chinese' ruling Liberal coalition in a crucial by-election. Polling does show that two-thirds of voters support the introduced legislative changes."⁵⁸

⁵⁷ "Criminal Resource Manual 2001-2099: Foreign Agents Registration Act Enforcement," Department of Justice, <https://www.justice.gov/usam/criminal-resource-manual-2062-foreign-agents-registration-act-enforcement>.

⁵⁸ John Garnaut, "How China Interferes in Australia," *Foreign Affairs*, March 9, 2018, <https://www.foreignaffairs.com/articles/china/2018-03-09/how-china-interferes-australia>.

CHAPTER 3: NEW ZEALAND—NEW CHINA?

John Garnaut has concluded that “Australia is the canary in the coal mine” for CCP interference.⁵⁹ In response, New Zealand-based professor Anne-Marie Brady put a picture of a dead canary on her Twitter feed—suggesting that her own country had already been overcome by the fumes. What is abundantly clear is that both countries are subjected to an alarming level of United Front interference in their politics.

New Zealand certainly seems to have been more thoroughly infiltrated by Chinese influence operations—and less prepared or willing to push back. This chapter explores United Front activities in New Zealand, drawing on the pathbreaking work of Professor Brady, who has done more than anyone else to reveal the nature and extent of Chinese Party-state interference—frequently to the discomfort and irritation of her country’s political and business elites.

New Zealand Gets Closer to China

Since the financial crisis, New Zealand has increasingly been reliant on China and its market, and China is now New Zealand’s second-largest trading partner. In 2008, New Zealand was an early mover on a free-trade agreement with China, and it was also first in line to welcome new Chinese initiatives, like the Asian Infrastructure Bank (AIIB) and OBOR. In 2014, New Zealand crowned its efforts with a strategic partnership with China, symbolically important for a small country. The New Zealand Ministry of Foreign Affairs is also responsible for trade, which observers remark dominates the foreign policy process. Among the political class and in the New Zealand National Party, in government from 2008–17, this focus on trade has led to a policy of “no surprises” towards the PRC, which in practice has meant a preemptive compliance with China’s priorities.⁶⁰ For example, the previous government’s reaction to the South China Sea dispute, including the 2016 arbitration ruling in favor of the Philippines and against China, was at best muffled and was not a strong defense of freedom of navigation and international law.

For China, New Zealand is not only an important trading partner, particularly for dairy products, but is also of strategic and political interest. New Zealand is a member of the U.S.-led “Five Eyes” intelligence forum. China has a strategic interest in penetrating the group or helping push New Zealand out of it to end its surveillance of China as part of its membership in the group. For China, gradually reorienting a nearby Western-aligned country would be a major achievement. This might be close to fruition. As Brady notes, “a Chinese diplomat favorably compared New Zealand-China relations to the level of closeness China had with Albania in the early 1960s.”⁶¹

⁵⁹ Ibid.

⁶⁰ Brady, *Magic Weapons*.

⁶¹ Ibid., 2. At that time China, because of its split with the Soviet Union, had almost no relations with Communist countries in Eastern Europe, and Albania was a positive outlier.

United Front Interference in the Front Row of Party Politics

The most shocking case of CCP interference in New Zealand has involved Yang Jian, a member of Parliament from the National Party. Yang emigrated from China to New Zealand via Australia, where he did his doctoral studies. In 2017, press reports revealed that Yang had worked as a civilian in the PLA, at the foreign language training center in Luoyang, which traditionally trains military intelligence officers. In addition, Yang admitted to being a member of the CCP. He had failed to disclose these connections in English versions of his resume, but because he is a member of Parliament, he was exempt from obtaining security clearance. Yang has been a member of the Parliamentary Select Committee for Foreign Affairs, Defense, and Trade, and has accompanied New Zealand's prime minister to China for high-level meetings and participated in meetings with visitors from China. Yang denied accusations that he was under foreign influence and retorted, "I am proud to call myself a New Zealander, obey our laws, and contribute to this country."⁶² The National Party has so far defended Yang.

Yang is important to the party, particularly for securing donations. He has been involved in party fundraising dinners and auctions, some with then-prime minister John Key, at which unnamed Chinese donors contributed large sums. New Zealand's campaign legislation already contains a cap of NZ\$1,500 for overseas donors but exemptions exist for charities, and Yang organized his auction dinners in such a way to be exempt.⁶³

The charities loophole seems quite massive, since press reporting estimates that 83 percent of the National Party's donations come from unlisted benefactors. The Labor Party figure trails close behind at 80 percent.⁶⁴ Thus, both main political parties could have received substantial anonymous donations originating from foreign sources.

As Brady has shown, New Zealand's strong connections to the Chinese Party-state go beyond Yang Jian. The Labor Party's Raymond Huo is affiliated with United Front organizations such as the Peaceful Reunification of China Association of New Zealand (PRCANZ), and he has been outspoken about securing the Chinese diaspora's compliance with PRC policies. Huo has stated that "generally the Chinese community is excited about the prospect of China having more influence in New Zealand."⁶⁵

China's Inroads into New Zealand's Business and Politics

China's influence goes beyond the diaspora community. In New Zealand, as in many other countries, working with China can be a lucrative business, especially for ex-politicians. For example, former prime minister Key now lobbies for Comcast's projects in China. Meanwhile, the media have scrutinized a property sale by Key to an undisclosed Chinese buyer for a price well above the market rate.⁶⁶

⁶² Jamil Anderlini, "China-Born New Zealand MP Probed by Spy Agency," *Financial Times*, September 13, 2017, <https://www.ft.com/content/64991ca6-9796-11e7-a652-cde3f882dd7b>.

⁶³ David Fisher, "John Key's Secret Flag Donor Luncheon," *New Zealand Herald*, April 9, 2016, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11619417.

⁶⁴ Brady, *Magic Weapons*, 28.

⁶⁵ *Ibid.*, 22.

⁶⁶ *Ibid.*, 32.

Similarly, businessman Karl Ye, a donor to the National Party since April 2017, has placed the brother of former prime minister Bill English on the board of his company, GMP Pharmaceutical.⁶⁷

In Christchurch, former officials have joined Chinese companies bidding for projects in the city. Former mayor Bob Parker is affiliated with Huadu Group, a Hebei-based formerly state-owned company that was negotiating investment deals during Parker's tenure in 2013. Eugene Feng, also formerly with Christchurch's government, is the company's CEO.

China's grand prestige project, One Belt One Road, also has a mix of former officials leading its connection with New Zealand. Bob Harvey, former mayor of Waitakere City, presided over the New Zealand OBOR Council. The CEO, John Hong, is closely connected to local government in Fujian Province in China.

Cooptation Efforts Directed at the Broader Chinese Diaspora Community

New Zealand's Chinese population is growing. It is currently estimated at 200,000 out of a total population of 4.5 million. Auckland is the main hub for the Chinese community, a diverse group whose members originate in many places, not only mainland China.

Despite this diversity, many of New Zealand's overseas Chinese organizations have been gradually developing closer ties to the Chinese government and have been used for pro-CCP activities. During official Chinese visits to New Zealand, United Front organization PRCANZ has launched counter-demonstrations against groups critical of China, including the Falun Gong, pro-Tibet groups, and others. Additionally, CSSAs are now installed at all of New Zealand's universities, providing offshore control of Chinese students abroad, according to Brady.⁶⁸

China has increased funding for New Zealand's Chinese-language media and gradually taken them over. The main organizations and media outlets are now reproducing opinions and news from Chinese state-controlled media. For example, the *Chinese Herald*, formerly independent, now has close connections with Chinese organizations such as the All-China Federation of Overseas Chinese. It has gone through what Brady aptly describes as a process of "harmonization," based on a Hu Jintao-era euphuism for indoctrination. Similarly, the stealthy and globally present CRI has partnerships with several of the most prominent Chinese-language radio stations in New Zealand, including New Zealand Chinese Radio FM 90.6 and Chinese Radio FM 104.2. These stations aim to keep the Chinese communities in New Zealand "well informed," but in reality, provide censored and carefully curated news overseen by the Chinese State Administration of Radio, Film, and Television. In short, the most readily available news for Chinese speakers in New Zealand is written by the Party-state in Beijing.

⁶⁷ Ibid., 28.

⁶⁸ Ibid., 18.

No Major Backlash in New Zealand

New Zealand's tepid official reaction stands in contrast to that of Australia. The mainstream media has written on the subject but has not galvanized the public or political class in the same way as the Australian press disclosures have. The National Party has stood by its controversial member, Yang, even with his acknowledged CCP affiliations and Chinese military intelligence background.

In December 2017, newly minted Labor prime minister Jacinda Ardern remarked, "When it comes to some of the issues that have been raised in Australia, I haven't seen evidence of the kinds of issues they are talking about here in New Zealand. That's not to say we should be complacent. We have to be vigilant and we are."⁶⁹ In February 2018, after the press highlighted the theft of laptops and other electronic equipment from Anne-Marie Brady, the prime minister came out with somewhat stronger wording and demanded an investigation.⁷⁰

A small ray of sunlight is that the New Zealand intelligence services declassified a briefing for the new administration and published a heavily redacted version without country names. The briefing detailed the threat environment and included passages on "attempts to unduly influence expatriate communities" and on "hostile State-sponsored activities (including foreign interference) against New Zealand and New Zealanders."⁷¹ Clearly, in the world of intelligence, foreign interference is high on the radar, although when the tracks lead to political parties, special ministerial authorization is needed to pursue an investigation.

For the small New Zealand intelligence community, exchanges with larger agencies, such as those in the U.S., are essential. This is another reason why New Zealand should have an interest in inoculating its system against CCP interference. As the New Zealand intelligence briefing clearly states, "We could not do our job without the support we receive from our Five Eyes partners."⁷² And a recent report based on information provided at a public workshop from the intelligence service of Five Eyes partner Canada, describes New Zealand as the "soft underbelly" and notes that the Chinese influence campaign has had a "profound" impact on New Zealand's democracy.⁷³

New Zealand has clearly benefited economically from China's rise. Yet it has also made many New Zealanders fearful of the economic consequences of Chinese

⁶⁹ Derek Cheng, "PM Jacinda Ardern Discounts Chinese Influence," *New Zealand Herald*, December 7, 2017, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11954587.

⁷⁰ Philip Matthews, "PM to Follow Up Break-in at House of Academic Studying China's Power," *Stuff.co.nz*, February 20, 2018, <https://www.stuff.co.nz/national/politics/101593947/pm-to-follow-up-breakin-at-house-of-academic-studying-chinas-power>.

⁷¹ "Briefing to the Incoming Minister," New Zealand Government Communications Security Bureau and Security Intelligence Service, 2017, <http://www.nzsis.govt.nz/publications/news-items/BIM-2017.pdf>.

⁷² *Ibid.*, 5.

⁷³ Steven Chase and Robert Fife, "CSIS Report Warns of Chinese Interference in New Zealand," *Globe and Mail*, May 2018, <https://www.theglobeandmail.com/politics/article-csis-report-warns-of-chinese-interference-in-new-zealand/>.

government retaliation if New Zealand pushes back. The unresolved question is whether New Zealand will be able to protect its democratic institutions and values sufficiently from United Front interference. Currently, complacency seems to prevail in public opinion and among political leaders.

For other democracies, New Zealand and Australia provide cautionary tales of how the CCP interference state can exploit lax rules on foreign donations, willing enablers, and the Chinese diaspora community. Although the U.S. has potentially stronger laws, it is still subjected to many of the same interference methods. Thus, the Australian and New Zealand cases provide a useful framework for examining U.S. strengths and weaknesses on this issue and determining the institutional changes necessary to protect the democratic system.

CHAPTER 4: CCP INTERFERENCE AND INFLUENCE IN THE U.S.

The main public and media focus in the United States remains on Russia as a result of its meddling in the 2016 presidential elections. Nevertheless, CCP interference in the U.S. has become something of a renewed priority in Washington—both with a worried look abroad, at interference operations against allies in Australia, New Zealand, and Europe—and in the U.S. itself. Still, there is no overall report or government strategy on the topic yet.

Journalists who are familiar with China have started tracking it, leading to more public awareness.⁷⁴ The Trump administration's National Security Strategy document highlights this awareness, noting that "America's competitors weaponize information to attack the values and institutions that underpin free societies, while shielding themselves from outside information."⁷⁵ An internal working group comprising mainly National Security Council and State Department staff is working on specific follow-up on CCP interference. The Office of the National Director of Intelligence provided an unclassified assessment to Congress in March 2018 that highlighted China and Russia as the "leading state intelligence threats to U.S. interests."⁷⁶ FBI director Christopher Wray has also referred to CCP influence efforts as a "whole-of-society threat," adding that he believes "it's going to take a whole of-society response by us."⁷⁷

Congress has launched several hearings on CCP influence and interference. Senator Marco Rubio (R-FL), chairman of the Congressional-Executive Commission on China (CECC), has been vocal on this issue, framing CCP interference as a strategic quest to "undermine the liberal international order" that poses "serious challenges in the United States and our like-minded allies."⁷⁸ Specifically, Rubio has called for the closure of Confucius Institutes, labelling them instruments to "exploit America's academic freedom to instill in the minds of future leaders a pro-China viewpoint."⁷⁹

In the following sections, we track CCP interference and influence across sectors, from campaign finance to business influence to academic and media influence. Certain

⁷⁴ See articles by Bethany Allen-Ebrahimian in *Foreign Policy*, Peter Mattis in *War on the Rocks*, and Mark Eades in other outlets, such as *International Policy Digest*.

⁷⁵ *National Security Strategy of the United States*, Whitehouse.gov, December 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>, 34.

⁷⁶ Daniel R. Coats, *Statement for the Record: Worldwide Threat Assessment of the U.S. Intelligence Community*, Office of the Director of National Intelligence, March 6, 2018, <https://www.dni.gov/files/documents/Newsroom/Testimonies/Final-2018-ATA---Unclassified---SASC.pdf>, 11.

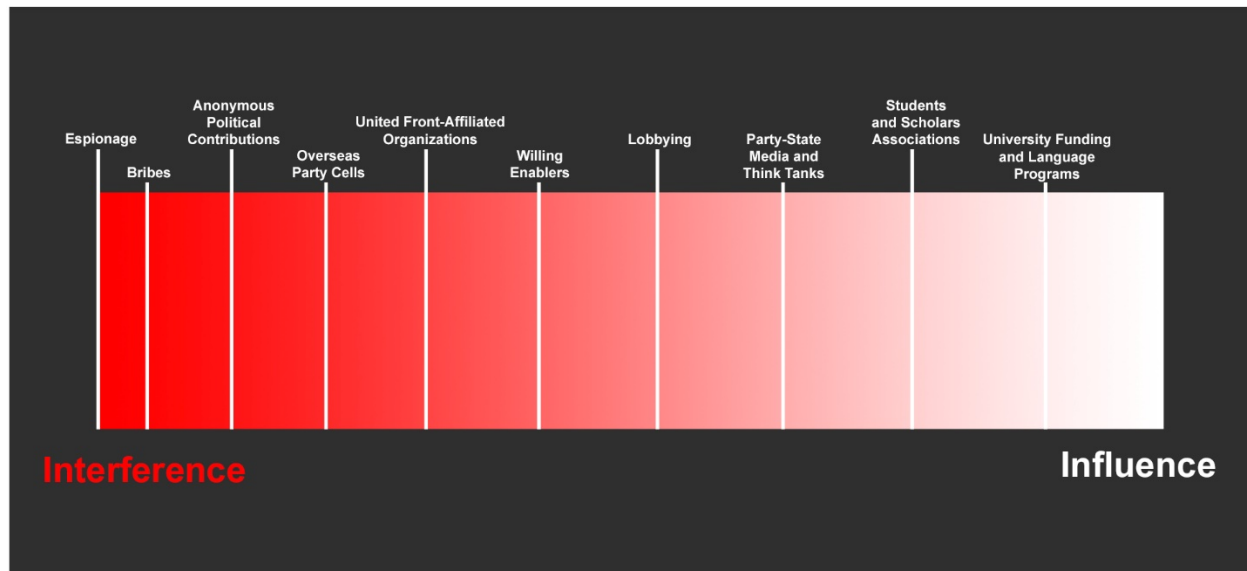
⁷⁷ Joel Gehrke, "FBI Director: Chinese Spies 'a Whole-of-Society' Threat to US," *Washington Examiner*, February 13, 2018, <https://www.washingtonexaminer.com/fbi-director-chinese-spies-a-whole-of-society-threat-to-us>.

⁷⁸ Cameron Stewart, "Rubio Calls for U.S.-Australian Plan to Fight Chinese Political Influence," *Australian*, February 22, 2018, <https://www.theaustralian.com.au/national-affairs/foreign-affairs/rubio-calls-for-usaustralian-plan-to-fight-chinese-political-influence/news-story/3df54aef3cf3392ea357b902c92186ac>.

⁷⁹ Josh Rogin, "Waking Up to China's Infiltration of American Colleges," *Washington Post*, February 18, 2018, https://www.washingtonpost.com/opinions/global-opinions/waking-up-to-chinas-infiltration-of-american-colleges/2018/02/18/99d3bee8-13f7-11e8-9570-29c9830535e5_story.html?utm_term=.7ce4e433e861.

activities clearly fall into the interference category covered by the three Cs (covert, coercive, or corrupt). Others, like Confucius Institute activities, fall more into the influence category, since Chinese state funding is overt. However, Confucius Institutes could slip into interference if they are used covertly to curb academic freedom at their host institutions. Similarly, *China Daily* is a state-run media company that uses open influence, but CRI, another state-run outlet, employs semi-covert leasing models to obscure ownership and therefore fits better into the interference category. Thus, there is a continuum of shades of red between interference and influence, as illustrated below.

Figure 2: The Red Spectrum of Political Influence and Interference



CCP Interference in U.S. Elections and Campaign Finance: Déjà Vu?

In many ways, the current wave of CCP interference operations in Australia and New Zealand is reminiscent of what happened in the U.S. in the mid-1990s, a short-lived “golden era” of Chinese campaign finance and election maneuvering. U.S. campaign rules were tightened earlier than rules in many other countries, yet new vulnerabilities have surfaced.

In 1998, the majority report on China’s interference from the Senate Committee on Homeland Security and Governmental Affairs concluded that the PRC government designed plans for interference operations before the 1996 elections and that its goal was to influence the U.S. political process, through intensified lobbying efforts and covert campaign funding.⁸⁰ Donations were made through six individuals with connections to China. The most spectacular case was that of businessman John Huang, who later became a Clinton administration political appointee in the Commerce Department and spearheaded the Democratic National Committee’s fundraising.

⁸⁰ *S. Rept. 105-167: Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns*, Senate Committee on Governmental Affairs, <https://www.congress.gov/congressional-report/105th-congress/senate-report/167/1>.

Through an accomplice of Huang's, Maria Hsia, other Chinese donations were funneled through a Buddhist monastery. Another funder, Ted Sioeng, was one of the DNC's biggest sponsors in the 1996 elections. According to the Senate report, the main part of his funding came from Hong Kong and he travelled often to Beijing to report to party officials.⁸¹

The report notes that the intelligence community was aware of China's plans. In 1996, the FBI warned selected members of Congress about CCP efforts to illegally fund election campaigns. The report also notes that the use of "businesses and individuals as intermediaries is increasingly common" in Chinese clandestine operations, an approach that continues to this day.

The U.S. system drew lessons from that early CCP interference episode and remedied some loopholes in campaign finance through the bipartisan Campaign Reform Act of 2002 (McCain-Feingold Act). Yet more than 20 years later, loopholes still exist that make foreign influence possible in U.S. elections, although the general rule is that foreign donations are illegal.

One of these loopholes involves 501(c)(4) social welfare organizations, which are regulated by the Internal Revenue Service. Although social welfare organizations generally cannot contribute more than half of their total expenditures to political activities, they are not required to publicly disclose their funders—an attractive feature for foreigners wishing to conceal their identities. In 2016, political expenditures from 501(c)(4)s reached over \$145.17 million, the largest figure for any type of non-profit.⁸²

The use of so-called anonymous companies, or more precisely, limited liability companies (LLCs), is also popular for obfuscating sources of political contributions. Importantly, LLCs are governed by state law, and most states do not require disclosure of beneficial ownership. Thus, LLCs are commonly used to conceal ownership of funds, for purposes that range from political spending to money laundering and terrorist financing. In recent years, LLCs have become major donors to super PACs. In 2016, the number of super PACs receiving more than 10 percent of their total funds from LLCs was seven times greater than in 2010.⁸³

The complexity of campaign finance laws has also created legal gray areas that provide opportunities for foreign influence. For example, while foreign corporations are banned from contributing to political campaigns, their U.S. subsidiaries can form political action committees and collect contributions from their American employees. According to the Center for Responsive Politics, a non-profit advocacy organization,

⁸¹ *Final Report in the Investigation of Illegal or Improper Activities in Connection with 1996 Federal Election Campaigns: Ted Sioeng, His Family, and His Business Interests*, Senate Committee on Governmental Affairs, March 10, 1988, https://fas.org/irp/congress/1998_rpt/sgo-sir/1-12.htm.

⁸² "Outside Spending," OpenSecrets.org, Center for Responsive Politics, <https://www.opensecrets.org/outsidespending/>.

⁸³ Will Tucker, "LLC Gifts are Making Up a Bigger Share of Super PACs' Fundraising Hauls," OpenSecrets.org, Center for Responsive Politics, March 24, 2016, <https://www.opensecrets.org/news/2016/03/llc-gifts-are-making-up-a-bigger-share-of-super-pacs-fundraising-hauls/>.

foreign-connected PACs contributed over \$21 million during the 2016 election cycle.⁸⁴ There are restrictions that govern donations by U.S. subsidiaries of foreign corporations to ensure that contributions serve the interests of American employees only, but such restrictions are difficult to enforce.

The 2016 presidential election illustrated how some of these loopholes can be exploited. In 2015, Gordon Tang and Huaidan Chen, a wealthy Chinese couple, donated \$1.3 million to Right to Rise USA, the super PAC supporting Jeb Bush. The donation was made through their California-based company, American Pacific International Capital (APIC). The Campaign Legal Center, an advocacy organization, filed a complaint, pointing out that Tang and Chen likely violated the Federal Election Campaign Act's ban on the involvement of foreign nationals in any decision-making process regarding election participation.⁸⁵ Tang and Chen, who are Chinese nationals, both sit on APIC's board, which ultimately approved the decision to donate to Right to Rise. Furthermore, it is illegal for anyone to provide substantial assistance to a foreign national to make a contribution, and Wilson Chen, Huaidan Chen's brother and APIC's president, allegedly solicited his sister and brother-in-law to contribute to the super PAC.⁸⁶ The case still seems to be pending. We are not aware of any evidence the Chens were acting in the interests of a foreign government, and we mention the controversy only to show how vulnerable U.S. campaign finance arrangements are to foreign donors.

The Federal Election Commission (FEC) also took notice of the potential legal issues regarding APIC's donation. Commissioner Ann Ravel proposed, albeit unsuccessfully, to rescind the provision allowing foreign corporations' domestic subsidiaries to make contributions to federal, state, and local elections.⁸⁷ Ellen Weintraub, another FEC member, has written on the dangers of foreign interference in U.S. elections under the current laws, noting that American corporations are "an inseparable mix of citizens and noncitizens."⁸⁸

Another example came to light as a result of investigative reporting by the British paper *The Telegraph*, which showed how easy it is to disguise the source of foreign donations. Journalists posing as a wealthy Chinese donor willing to contribute to the Great America super PAC, which supported Donald Trump's candidacy, were referred to Jesse Benton, a convicted campaign fraudster. Benton offered to set up a 501(c)(4) to

⁸⁴ "Foreign Connected PACs," OpenSecrets.org, Center for Responsive Politics, <https://www.opensecrets.org/pacs/foreign.php?cycle=2016>.

⁸⁵ "Complaint before the Federal Elections Commission," Campaign Legal Center, August 10, 2016, http://www.campaignlegalcenter.org/sites/default/files/APIC%20Right%20to%20Rise%20complaint%2008_10_16.pdf.

⁸⁶ Ibid.

⁸⁷ "Proposal to Rescind Advisory Opinion 2006-15 (TransCanada)," Federal Election Commission, August 9, 2016, https://www.fec.gov/resources/updates/agendas/2016/mtgdoc_16-32-a.pdf.

⁸⁸ Ellen L. Weintraub, "Taking On Citizens United," *New York Times*, March 30, 2016, <https://www.nytimes.com/2016/03/30/opinion/taking-n-citizens-united.html>.

channel the funding to the PAC and assured them that the Chinese donor's generosity would be "whispered into Mr. Trump's ear."⁸⁹

Recently an increasing number of Chinese companies, some state owned, have been joining U.S. lobbying groups or trade organizations to gain political influence. For example, as far back as 2013, Chinese technology services giant Tencent joined the Entertainment Software Association (ESA). Tencent owns WeChat, China's most popular messaging and social media app, which is known for censorship on behalf of the authorities, and the ESA is the largest trade association for the U.S. video game industry. In February 2018 Wanhua Chemical, formerly fully state owned, joined the American Chemistry Council (ACC), a large contributor to super PACs, thus providing a channel for political influence.⁹⁰ Wanhua's president, Zengtai Liao, underlines the link with the Party on his CV, noting his role as CCP secretary in the company. In March 2018, Alibaba, the private Chinese e-commerce giant, joined the American Legislative Exchange Council, allowing it to influence legislation in state capitols around the country.

Chinese businessman Wang Wenliang, a permanent U.S. resident, was still a delegate to China's NPC⁹¹ when his U.S. companies donated \$120,000 to Governor Terry McAuliffe of Virginia in 2012 and \$2 million to the Clinton Foundation in 2013. Wang's influence extends beyond state elections. According to one estimate, he and his companies spent \$1.4 million from 2012 to 2015 to lobby Congress and the State Department.⁹² Wang has been a large donor to American universities and think tanks. In 2014, the Center for Strategic and International Studies (CSIS) created the Brzezinski Institute on Geostrategy, funded by Wang's company.⁹³ Wang has also donated to Harvard University and currently sits on New York University's Board of Trustees.⁹⁴

Despite his considerable influence, Wang's donations were scrutinized only after the FBI and Department of Justice began to investigate McAuliffe's campaign finances in 2016. Wang's permanent residency status in the U.S. might render them technically legal. What is perhaps more questionable is how Wang can obtain a permanent residency while being a publicly declared high-ranking member of the Chinese Party-

⁸⁹ "Exclusive Investigation: Donald Trump Faces Foreign Donor Fundraising Scandal," *Telegraph*, October 24, 2016, <https://www.telegraph.co.uk/news/2016/10/24/exclusive-investigation-donald-trump-faces-foreign-donor-fundrai/>.

⁹⁰ Marianne LeVine and Theodor Meyer, "Politico Influence: Wanhua Chemical Joins American Chemistry Council," *Politico*, February 15, 2018, <https://www.politico.com/newsletters/politico-influence/2018/02/15/labor-groups-meet-with-hill-on-infrastructure-108568>.

⁹¹ Wang was eventually expelled from the NPC in September 2016 for allegedly buying the votes required to become a delegate.

⁹² Julianna Goldman, "Chinese Company Pledged \$2 Million to Clinton Foundation in 2013," CBS News, March 16, 2015, <https://www.cbsnews.com/news/chinese-company-pledged-2-million-to-clinton-foundation-in-2013/>.

⁹³ "CSIS Creates Brzezinski Institute on Geostrategy," Center for Strategic and International Studies, September 26, 2014, <https://www.csis.org/news/csis-creates-brzezinski-institute-geostrategy>.

⁹⁴ "NYU Board of Trustees," New York University, <https://www.nyu.edu/about/leadership-university-administration/board-of-trustees.html>.

state. Wang's example may provide a small window into the vast potential for CCP-connected individuals to influence policymaking in the U.S.

Though U.S. campaign finance rules are disputed along party lines, this report aims only to recommend action in areas where legislation or administrative practice are insufficient to curb foreign money and interference. Currently, this scrutiny is left to investigative reporters. A minimum demand should be public transparency on the origin of donations to effectively weed out illicit foreign ones.

China's Willing American Enablers

China's influence efforts could not be successful without the cooperation of well-placed American business figures, attorneys, and lobbyists. It should be noted that businesses have been eager to help both Chinese who are loyal to the CCP and those who are not, and corrupt Chinese officials sometimes evade prosecution in China by paying for EB-5 investment visas and laundering their ill-gotten gains through U.S. real estate and anonymous shell companies. However, U.S. businesses, in addition to providing a safe haven for kleptocratic money flows, are also possible conduits for foreign influence.

For everyone from businesspeople to politicians, the promise of market access to China, the world's largest consumer market outside the United States and European Union, is a powerful incentive to work with the Chinese government and acquiesce to its broader agenda. For example, Senator Steve Daines (R-MT) attracted critical comments in the press for agreeing to the Chinese Embassy's request to host a delegation of CCP officials who oversee Tibet, shortly after a leading Chinese retailer agreed to a \$200 million contract for Montana beef. Daines's meeting took place the day before the president of the Tibetan government-in-exile visited Washington and followed a hearing by the House Foreign Affairs Asia subcommittee on Chinese repression in Tibet. This led to claims that the senator intentionally helped China present its narrative to temper criticism in Washington on a sensitive topic.⁹⁵

In a similar vein Steve Wynn, an American casino mogul with business interests in China, reportedly handed President Trump a letter from the Chinese government on deporting Chinese fugitive Guo Wengui. A spokesperson for Wynn denied this, and Guo remains in the U.S.⁹⁶ Still, this highlights the triangular methods perfected by the Chinese Party-state for exerting China's influence.

A 2011 congressional report expressed concerns that the Sanya Initiative, a private exchange program for retired U.S. and Chinese generals, was created "to

⁹⁵ Josh Rogin, "How China Got a U.S. Senator to Do Its Political Bidding," *Washington Post*, December 17, 2017, https://www.washingtonpost.com/opinions/global-opinions/how-china-got-a-us-senator-to-do-its-political-bidding/2017/12/17/8eee82c6-e1dc-11e7-8679-a9728984779c_story.html?utm_term=.8a19b445064a.

⁹⁶ Kate O'Keeffe, Aruna Viswanatha, and Cezary Podkul, "China's Pursuit of Fugitive Businessman Guo Wengui Kicks Off Manhattan Caper Worthy of Spy Thriller," *Wall Street Journal*, October 22, 2017, <https://www.wsj.com/articles/chinas-hunt-for-guo-wengui-a-fugitive-businessman-kicks-off-manhattan-caper-worthy-of-spy-thriller-1508717977>.

influence the U.S. government and downplay Beijing's large-scale military buildup."⁹⁷ The program, sponsored by the China Association for International Friendly Contact (CAIFC), which is part of the CCP's International Liaison Department, brings together retired high-level U.S. military officials with Chinese counterparts.

Apple Inc., whose biggest market outside of North America is China, has similarly been criticized for acquiescing to China's censorship demands and even indirectly endorsing the Chinese government's policing of the Internet. CEO Tim Cook, in opening remarks at China's World Internet Conference, reportedly praised China's efforts at creating an "open" digital economy and ignored its increased Internet censorship.⁹⁸ Apple has also cooperated with Chinese authorities in removing apps that provide Chinese users uncensored communications and complied with rules to host user data in China on a state-run cloud company.⁹⁹

The "long arm" of China has already forced U.S. companies to be hyper-vigilant about Chinese censorship demands. After Marriot International, based in Maryland, listed Hong Kong, Taiwan, Tibet, and Macau as separate entities in an email questionnaire, the Chinese government retaliated by asking Marriott to shut down its six Chinese websites and apps. The company issued a public apology and changed its listing practices. This occurred after Delta Airlines, headquartered in Atlanta, was forced to issue an apology for listing Taiwan and Tibet as countries on its website. In a statement to Reuters, the company noted that China is "one of our most important markets" and that it is "fully committed to China and to our Chinese customers."¹⁰⁰

The promise of economic gain may also obscure the national security implications of certain foreign investments. The U.S.-China Economic and Security Review Commission, established by Congress, highlighted in its 2017 report that some Chinese firms seek to obscure their dealings in the United States through U.S.-based shell companies and that these firms "are becoming more sophisticated in their attempts to circumvent Committee on Foreign Investment in the United States (CFIUS) reviews and other U.S. investment regulations."¹⁰¹

Chinese companies in the U.S. also serve as important avenues for influence. In recent years, China has been strengthening Party control over state-owned enterprises

⁹⁷ Bill Gertz, "Chinese Communists Influence U.S. Policy through Ex-Military Officials," *Washington Free Beacon*, February 6, 2012, <http://freebeacon.com/national-security/chinese-government-influencing-policy-through-ex-military-officials/>.

⁹⁸ Simon Denyer, "Apple CEO Backs China's Vision of an 'Open' Internet as Censorship Reaches New Heights," *Washington Post*, December 4, 2017, https://www.washingtonpost.com/news/worldviews/wp/2017/12/04/apple-ceo-backs-chinas-vision-of-an-open-internet-as-censorship-reaches-new-heights/?utm_term=.ad590748d0c6.

⁹⁹ Stephen Nellis and Cate Cadell, "Apple Moves to Store iCloud Keys in China, Raising Human Rights Fears," Reuters, February 23, 2018, <https://www.reuters.com/article/us-china-apple-icloud-insight/apple-moves-to-store-icloud-keys-in-china-raising-human-rights-fears-idUSKCN1G8060>.

¹⁰⁰ "Delta Air Lines Apologizes after Listing Taiwan, Tibet as Countries on Website," Reuters, January 12, 2018, <https://www.reuters.com/article/us-china-delta-apology/delta-air-lines-apologizes-after-listing-taiwan-tibet-as-countries-on-website-idUSKBN1F10YA>.

¹⁰¹ *2017 Annual Report*, U.S.-China Economic and Security Review Commission, November 15, 2017, https://www.uscc.gov/Annual_Reports/2017-annual-report, 71.

and private companies. In 2017, the State-Owned Assets Supervision and Administration Commission of the State Council ordered state firms under central government control to enshrine the Party's role in corporate charters. Concurrently, Chinese state-owned enterprises have been directing their foreign investments towards industries with strategic importance for China, including some that involve technologies with national security implications for the U.S. Though private companies are not under the same degree of direct control, the government mandates that all companies establish Party cells for employees to study Beijing's directives. Party organizations exist in nearly 70 percent of some 1.86 million privately owned companies, including foreign-owned firms in China. Although Party cells are not intended to play a decision-making role in companies, some foreign companies feel pressured to add Party members to their management.¹⁰²

Given the Party's overriding influence on Chinese companies, the lobbying these firms do in the U.S. should be more closely scrutinized. Currently, foreign firms that lobby solely for commercial purposes can bypass FARA registration by registering under the LDA. After the Lobbying Disclosure Act of 1995 established a system of registration and disclosure for domestic lobbyists, those who represented foreign commercial interests or even commercial interests of foreign governments and parties could opt to register under LDA's less stringent disclosure regime instead of FARA. This resulted in an immediate drop in FARA registrants and has ever since led to confusion—and sometimes manipulation—about when a foreign principal's representative should register under FARA.¹⁰³ For example, in 2018, there have been 49 LDA filings for Chinese companies and a surprisingly low 17 for FARA. Companies filing under LDA also include wholly state-owned enterprises such as the China National Petroleum Corporation and China Offshore Oil Corporation. Others, such as Huawei, ZTE, and HNA, nominally private, and thus registered under LDA, have murky ownership structures in the Chinese state-driven economy.

Undermining Academic Freedom

American academic freedom is one of the primary reasons why the United States has the best research and higher education institutions in the world. The PRC undermines the ability to teach and write freely, without censure, in several ways. First, it encourages hyper-nationalism among Chinese students in the U.S., who try to stifle criticism of Communist Party-led China. This is accentuated by American universities' increasing dependence on tuition fees from Chinese students and contributions from Chinese funders. The PRC also restricts (or threatens to restrict) visas for American scholars and journalists working on sensitive issues or criticizing China, and pressures publishing companies to censor journals or books.

¹⁰² Charlotte Gao, "Why German Companies Are Threatening to Retreat from China," *Diplomat*, December 1, 2017, <https://thediplomat.com/2017/12/why-german-companies-are-threatening-to-retreat-from-china/>.

¹⁰³ *Audit of the National Security Division's Enforcement and Administration of the Foreign Agents Registration Act*, Office of the Inspector General, U.S. Department of Justice, September 2016, <https://oig.justice.gov/reports/2016/a1624.pdf>.

Chinese Student Nationalism with Direction from Beijing?

A group that has come under scrutiny for allegedly advancing China's interests is the Chinese Students and Scholars Association. CSSAs were developed in the 1980s when there was an influx of Chinese students to the U.S. After the 1989 Tiananmen shooting, many Chinese students abroad supported the democracy movement, but the Party-state has worked since then to change that. Today, the United States has more than 300,000 Chinese students¹⁰⁴ and about 150 CSSA chapters on college campuses. Most are officially recognized by the Chinese government and some get material support. Certain chapters have been accused of working in tandem with Beijing to promote a pro-Chinese agenda and monitor "anti-China" speech on college campuses.

For example, CSSAs in the U.S. have mobilized to protest campus events that threatened to show China in a negative light. On April 20, 2007, the Columbia University chapter mobilized its members to disrupt a presentation by Canadian human rights lawyer David Matas on China's mistreatment of Falun Gong adherents. In 2008, the Duke University chapter was accused of inciting a harassment campaign against a Chinese student who tried to mediate between the sides in a Tibet protest.

More recently, when it was announced that the Dalai Lama would give the 2017 commencement address at the University of California, San Diego, the CSSA threatened "tough measures to resolutely resist the school's unreasonable behavior."¹⁰⁵ According to the press, the students had consulted about this with the Chinese consulate in Los Angeles.

CSSA has also been accused of policing "unpatriotic" speech. After a Chinese student spoke at her commencement of her eternal gratitude to the University of Maryland for teaching her about "free speech" and showing her that her "voice mattered," members of the university's CSSA chapter quickly condemned her comments and posted a video showing an alternative perspective on China.¹⁰⁶ The video, titled *Proud of China UMD*, showed pictures of blue skies in the members' hometowns in China and accused the student of spreading "false statements and rumors about multiple China-related issues." Following the backlash, the student issued an apology on the Chinese social media website Weibo, stating that she "deeply loves her motherland" and intended only "to share her experience of studying overseas, not to negate or denigrate my country or my hometown."

¹⁰⁴ "Number of college and university students from China in the United States between 2004/05 and 2015/16*," Statista, <https://www.statista.com/statistics/372900/number-of-chinese-students-that-study-in-the-us/>.

¹⁰⁵ Stephanie Saul, "On Campuses Far from China, Still under Beijing's Watchful Eye," *New York Times*, May 4, 2017, <https://www.nytimes.com/2017/05/04/us/chinese-students-western-campuses-china-influence.html>.

¹⁰⁶ Simon Denyer and Congcong Zhang, "A Chinese Student Praised the 'Fresh Air of Free Speech' at a U.S. College. Then Came the Backlash," *Washington Post*, May 23, 2017, https://www.washingtonpost.com/news/worldviews/wp/2017/05/23/a-chinese-student-praised-the-fresh-air-of-free-speech-at-a-u-s-college-then-came-the-backlash/?utm_term=.e8a18fdaf097.

Recently, CSSAs have also been under scrutiny for their close relationships with Chinese embassies in the U.S. Not only do Chinese embassies and consulates communicate regularly with CSSA leaders and holding meetings with them; they have also given them financial support and at times paid students for organizing and attending welcome parties for Chinese officials. Though ties with the Chinese government vary from chapter to chapter, there is reportedly “growing ideological pressure from the embassy and consulates.”¹⁰⁷ Some CSSAs already mandate loyalty to the Party line.

In addition, there are reports of university Party cells that promote the Communist Party’s teachings and “guard against the ‘corrosion’ of Western ideas,” such as the cell at the University of California, Davis, which was disbanded in November 2017.¹⁰⁸ Bethany Allen-Ebrahimian, in her reporting in *Foreign Policy*, tracks Party cells from Illinois, California, Ohio, New York, Connecticut, North Dakota, and West Virginia, showing the spread of CCP control inside American academic institutions.¹⁰⁹

The CCP also has various other ways of silencing foreigners who are critical of the Chinese government or write on sensitive topics, such as Xinjiang, Tibet, or Tiananmen Square. This includes coercive measures, such as denying visas to academics and blacklisting them in China, and subtler ways of inducing self-censorship. Publishers, for example, have an incentive to avoid books that might offend China’s censors because China can retaliate by cutting off market access.

Financial ties to China may also induce self-censorship, as many American universities receive significant donations from Chinese government entities, companies, and individuals. These schools are required to report foreign gifts if the total value is \$250,000 or more for a calendar year, or if the institution is owned or controlled by a foreign source. Findings from the “Foreign Gift and Contract Report” database of the Department of Education show that in 2017 alone, American universities received over \$56 million from Chinese sources. As prestigious a school as Stanford University received \$32,244,826 in monetary gifts from China over the past six years, and Harvard received \$55,065,261 through a combination of contracts and monetary gifts.¹¹⁰

These contracts are sometimes combined with Confucius Institutes, Chinese-language programs housed at American universities and subsidized by Chinese government funds. Confucius Institutes are run by the Hanban, or Office of Chinese

¹⁰⁷ Bethany Allen-Ebrahimian, “China’s Long Arm Reaches into American Campuses,” *Foreign Policy*, March 7, 2018, <http://foreignpolicy.com/2018/03/07/chinas-long-arm-reaches-into-american-campuses-chinese-students-scholars-association-university-communist-party/>.

¹⁰⁸ Nectar Gan and Zhuang Pinghui, “Why a Chinese Communist Party Branch at the University of California, Davis, Was Disbanded,” *South China Morning Post*, November 20, 2017, <http://www.scmp.com/news/china/policies-politics/article/2120707/why-chinese-communist-party-branch-university>.

¹⁰⁹ Bethany Allen-Ebrahimian, “The Chinese Communist Party Is Setting Up Cells at Universities Across America,” *Foreign Policy*, April 2018 <http://foreignpolicy.com/2018/04/18/the-chinese-communist-party-is-setting-up-cells-at-universities-across-america-china-students-beijing-surveillance/>.

¹¹⁰ *Foreign Gift and Contract Report*, Federal Student Aid, U.S. Department of Education, <https://studentaid.ed.gov/sa/about/data-center/school/foreign-gifts>.

Language Council International, which is affiliated with the Ministry of Education. In the past six years, Confucius Institutes and other affiliates of the Hanban paid \$12,936,243 for contracts with American universities and colleges. There are also Confucius Classrooms, housed at primary and secondary schools. A total of 516 Confucius Institutes and 1,076 Confucius Classrooms have been established in 142 countries and regions since the program's inception in 2004. In 2009, Li Changchun, then head of propaganda for the CCP, called Confucius Institutes "an important part of China's overseas propaganda set-up."¹¹¹

According to the Confucius Institute constitution and bylaws, foreign institutions must provide a venue and evidence of adequate equipment and personnel to host the Confucius Institute. After the partnership is established, the Hanban usually gives a start-up grant of \$150,000 and \$100,000 for subsequent years to cover expenses for supplies and operating costs.¹¹² The instructors are sent from partnering Chinese universities and paid by the Hanban. The foreign institution is expected to provide an equal amount of funding, but this is mostly covered by in-kind contributions such as office space and supplies.

This parasitic arrangement with local institutes of learning is unique. Other countries' state-funded language institutes, such as the French Alliance Française or the German Goethe Institut do not rely on institutional hosts abroad. Though the contracts with the Hanban vary from institution to institution, there are usually two directors of Confucius Institutes: one "foreign director," appointed by the host university, and a "Chinese director," appointed by the Hanban. Despite this joint leadership structure, the Hanban exerts ultimate authority over annual projects and budgets. It also provides guidelines and assesses Confucius Institute activities for "quality assurance." In addition, it "reserves the right to terminate the Agreements" with Confucius Institutes that "violate [Hanban] principles or objectives."¹¹³

The United States has more Confucius Institutes (107) and Confucius Classrooms (501) than any other nation, a total of 38 percent of Confucius Institutes and Classrooms worldwide.¹¹⁴ Although some Confucius Institutes provide much-needed subsidies for Chinese-language instruction, some have facilitated censorship and pressured universities to comply with Chinese political preferences.

For example, in 2009, North Carolina State University rescinded an invitation to the Dalai Lama to speak. Though the university denied that pressure from its Confucius Institute was responsible for the decision, Provost Warwick Arden told *Bloomberg* that Confucius Institute director Bailian Li had warned him that a visit by the Dalai Lama

¹¹¹ Quoted in "Beijing's Propaganda Lessons," *Wall Street Journal*, August 7, 2014, <https://www.wsj.com/articles/beijings-propaganda-lessons-1407430440>.

¹¹² Rachelle Peterson, *Outsourced to China: Confucius Institutes and Soft Power in American Higher Education*, National Association of Scholars, April 2017, https://www.nas.org/images/documents/confucius_institutes/NAS_confuciusInstitutes.pdf, 68.

¹¹³ *Constitution and By-Laws of the Confucius Institutes*, Confucius Institute Headquarters, http://english.hanban.org/node_7880.htm.

¹¹⁴ Rachelle Peterson, "How Many Confucius Institutes Are in the U.S.," National Association of Scholars, https://www.nas.org/articles/how_many_confucius_institutes_are_in_the_united_states.

could disrupt “some of the strong relationships we were developing with China.”¹¹⁵ In a 2017 report on Confucius Institutes, the National Association of Scholars (NAS) states that “some [universities] reported an outright ban on discussing subjects that are censored in China; others reported freedom of speech. But overall we found that to a large extent, universities have made improper concessions that jeopardize academic freedom and institutional autonomy. Sometimes these concessions are official and in writing; more often they operate as implicit policies.”¹¹⁶

Reports that Confucius Institutes are being used to promote censorship and even recruit agents of influence¹¹⁷ have drawn backlash from politicians, scholars, and even universities. In a hearing on Confucius Institutes in 2014, Congressman Chris Smith (R-NJ) said he would ask the Government Accountability Office to review agreements of U.S. satellite campuses in China and Confucius Institutes in the United States.¹¹⁸ In February 2018, Senator Rubio sent a letter to five schools in Florida, urging them to terminate their agreements with Confucius Institutes and warning them of China’s growing foreign influence operations in the U.S.¹¹⁹ Representatives Seth Moulton (D-MA), Michael McCaul (R-TX), and Henry Cuellar (D-TX) have also followed suit and sent letters to universities and colleges in their respective districts, urging them to terminate their partnerships with Confucius Institutes. In a Senate Intelligence Committee hearing in February 2018, FBI director Chris Wray stated that the FBI is “watching warily” the activities of dozens of Confucius Institutes.¹²⁰

So far, several universities have terminated their contracts with the institutes. The University of Chicago closed its Confucius Institute in 2014 after 100 professors signed a petition noting the “dubious practice of allowing an external institution to staff academic courses within the University.” The university also cited an article from the Chinese press that made it appear as if it was being intimidated into maintaining the relationship. Penn State chose not to renew its contract with its Confucius Institute because some of the university’s “goals are not consistent” with those of the Hanban. Eric Hayot, former director of the Penn State Confucius Institute, noted that the Hanban had strict limitations on what it would fund and that it denied requests to

¹¹⁵ Daniel Golden, “China Says No Talking Tibet as Confucius Funds U.S. Universities,” *Bloomberg*, November 1, 2011, <https://www.bloomberg.com/news/articles/2011-11-01/china-says-no-talking-tibet-as-confucius-funds-u-s-universities>.

¹¹⁶ Peterson, *Outsourced to China*, 17.

¹¹⁷ Omid Ghoreishi, “Beijing Uses Confucius Institutes for Espionage, Says Canadian Intelligence Veteran,” *Epoch Times*, October 14, 2014, https://www.theepochtimes.com/hosting-confucius-institute-a-bad-idea-says-intelligence-veteran_1018292.html.

¹¹⁸ “China Defends Confucius Institute after New Doubts in U.S.,” Reuters, December 5, 2014, <https://www.reuters.com/article/us-china-usa-education/china-defends-confucius-institute-after-new-doubts-in-u-s-idUSKCN0JJOMC20141205>.

¹¹⁹ One of the schools, University of West Florida, is terminating its contract this year.

¹²⁰ Tim Johnson, “FBI Says Chinese Operatives Active at Scores of U.S. Universities,” *McClatchy DC Bureau*, February 14, 2018, <http://www.mcclatchydc.com/news/nation-world/national/national-security/article199929429.html>.

“support research not only in the humanities or on Chinese culture, but also on science, politics, the environment.”¹²¹

Professional organizations such as the American Association of University Professors (AAUP) and the National Association of Scholars have been extremely critical of Confucius Institutes, especially their lack of transparency about their partnership agreements and the effects this has on academic freedom. AAUP issued a statement in 2014 declaring that “allowing any third-party control of academic matters is inconsistent with principles of academic freedom, shared governance, and the institutional autonomy of colleges and universities.”¹²²

Chinese Influence in Think Tanks

America's open society also allows the Chinese government to fund research institutions in the United States with the potential to affect the U.S. public debate and U.S. policy. One of these is the Institute for China-America Studies (ICAS), whose website states that it is “an independent, non-profit think tank funded by the Hainan Nanhai Research Foundation in China.” The foundation, however, belongs to the National Institute for South China Sea Studies (NISCS), a government-affiliated research institution that plays a prominent role in promoting China's views on maritime issues.¹²³ At the NISCS inaugural conference in 2015, China's ambassador to the U.S., Cui Tiankai, gave a keynote address defending China's efforts to build artificial islands in the South China Sea.¹²⁴ Foreign policy analysts note that ICAS presents a skewed perspective that is clearly biased towards China. According to Elizabeth Economy, a China scholar at the Council on Foreign Relations, “ICAS is not a think tank but a channel for propaganda.”¹²⁵

Additionally, prominent Chinese state-owned think tanks are allowed a degree of access in the U.S. that is not reciprocated. As noted previously, the China Institutes of Contemporary International Relations is officially linked to the Ministry of State Security, yet it has been allowed regular contact with U.S. embassy officials and national security experts in Washington's think tanks.¹²⁶ In contrast, China has been tightening control over foreign NGOs and threatening to deny visas to scholars who write on sensitive topics or are associated with academic and research institutions that have offended the Chinese government.

¹²¹ Elizabeth Redden, “Another Confucius Institute to Close,” *Inside Higher Ed*, October 1, 2014, <https://www.insidehighered.com/quicktakes/2014/10/01/another-confucius-institute-close>.

¹²² *On Partnerships with Foreign Governments: The Case of Confucius Institutes*, American Association of University Professors, June 2014, <https://www.aaup.org/report/confucius-institutes>.

¹²³ “NISCSS Profile,” National Institute for South China Seas Studies, http://en.nanhai.org.cn/index/survey/index.html#div_content.

¹²⁴ Jeremy Page, “New Chinese Institute to Tackle Thorny Island Dispute,” *Wall Street Journal*, May 1, 2015, <https://www.wsj.com/articles/new-chinese-institute-to-tackle-thorny-island-dispute-1430523945>.

¹²⁵ Elizabeth Economy, “Beware Chinese Influence but Be Wary of a China Witch Hunt,” Council on Foreign Relations, December 22, 2017, <https://www.cfr.org/blog/beware-chinese-influence-be-wary-china-witch-hunt>.

¹²⁶ “Profile of MSS-Affiliated PRC Foreign Policy Think Tank CICIR,” Open Source Center, August 25, 2011, <https://fas.org/irp/dni/osc/cicir.pdf>.

Individuals associated with United Front work, such as Tung Chee Hwa, a shipping magnate who served as the first chief executive of Hong Kong, have also been instrumental in promoting pro-CCP views in the U.S. In 2008, Tung created a non-profit, China-United States Exchange Foundation (CUSEF), to “facilitate open and constructive exchange among policy-makers, business leaders, academics, think-tanks, cultural figures, and educators from the United States and China.”¹²⁷ The foundation has cooperated with institutions such as Johns Hopkins University’s School of Advanced International Studies (SAIS), the Brookings Institution, CSIS, the Atlantic Council, the Center for American Progress, the East-West Institute, the Carter Center, and the Carnegie Endowment for International Peace.¹²⁸ CUSEF has rightly registered under FARA, since Tung serves as vice chairman of the CPPCC, one of the most important United Front entities.¹²⁹ In January 2018, the University of Texas at Austin rejected Tung’s offer to fund the school’s China Public Policy Center after Senator Ted Cruz (R-TX) sent the university president a letter warning that accepting CUSEF money could allow China to spread propaganda and compromise the university’s credibility.

In May 2018, the Wilson Center, a U.S. government–funded think tank, hosted an event titled “Chinese Influence Operations in the U.S: Shedding Some Light on All the Heat.” Among the planned speakers was Henry Wang, president of the Center for China and Globalization, a think tank based in Beijing. What that title did not reveal is that Wang is also a “Standing Director of China Overseas Friendship Association of the Ministry of United Front,” according to his CV. Senator Rubio wrote a letter to the Wilson Center demanding that it clarify Wang’s affiliations and in the end, Wang did not speak at the event. With sufficient transparency about Wang’s affiliations, it would have been interesting to hear from a United Front perspective about United Front operations abroad.¹³⁰

Chinese Propaganda Changes the Narrative in Hollywood and the U.S. Media

One of the chief goals of China’s propaganda apparatus is to change the narrative about China abroad. This it achieves in several ways, including symbiotic relationships and partnerships with media companies and financial leverage to pressure companies. These influence methods have led to forced censorship and to self-censorship of U.S. film studios, movie theaters, the English-language press, and the Chinese-language press.

¹²⁷ “About Us,” China-United States Exchange Foundation, <https://www.cusef.org.hk/about-us/>.

¹²⁸ Bethany Allen-Ebrahimian, “This Beijing-Linked Billionaire Is Funding Policy Research at Washington’s Most Influential Institutions,” *Foreign Policy*, November 28, 2017, <http://foreignpolicy.com/2017/11/28/this-beijing-linked-billionaire-is-funding-policy-research-at-washingtons-most-influential-institutions-china-dc/>.

¹²⁹ “The 13th National Committee of the CPPCC,” National Committee of the Chinese People’s Political Consultative Conference, <http://www.cppcc.gov.cn/zxww/newcppcc/zxld/index.shtml>.

¹³⁰ See Jonas Parello-Plesner, “The Curious Case of Mr. Wang,” *The American Interest*, May 11, 2018, <https://www.the-american-interest.com/2018/05/11/the-curious-case-of-mr-wang-and-the-united-front/>.

CCP influence over U.S. mainstream film production has been a topic of debate recently, due to large investments from Chinese entertainment companies in the past few years. Because China places limits on the number of American movies introduced into the country each year, many U.S. film studios undertake joint ventures with Chinese studios to bypass this restriction. The movies they produce must be vetted by the State Administration of Radio, Film, and Television, which censors any materials that might offend the sensibilities of the Chinese government or Chinese cultural standards.

The desire for continued market access has led U.S. studios to mold content to suit China. For example, according to the *Financial Times*, Chinese villains were edited out of *Pirates of the Caribbean: At World's End* (2007) and *Men in Black 3* (2012).¹³¹ Actor Richard Gere, active in supporting Tibet, remarks that in some instances he has not been selected for roles so as not to displease the Chinese.¹³² In March 2018, Representative Brad Sherman (D-CA) remarked in a House Foreign Affairs Committee hearing on China's foreign influence operations, "China's economic power is interfering with free expression ... if this continues, we will have no more movies about Tibet or anything that offends China."¹³³ Indeed, it is hard to imagine Hollywood today reproducing *Seven Years in Tibet* or even Eddie Murphy's 1990s comedy *The Golden Child*, which featured Tibetan reincarnation.

Chinese companies have also created important financial ties to prominent English-language news publications. In 2014, a Hong Kong-based investment group called Integrated Whale Media purchased a majority stake in Forbes Media. Since then, some reporters have noticed that it is increasingly difficult to publish stories criticizing China in *Forbes*.¹³⁴

Chinese market access is also a driving force for self-censorship. For example, after Bloomberg published a series on the family wealth of Chinese leaders in 2012, Beijing retaliated by constraining the company's ability to sell its lucrative terminals in China, and Bloomberg then partially repudiated its earlier work.¹³⁵

For U.S. media companies, helping to spread Chinese propaganda also provides an additional source of revenue. *China Daily*, the English-language newspaper of the CCP, has paid for inserts in major news outlets such as the *Wall Street Journal*, *New*

¹³¹ Tom Shone, "Hollywood Transformed," *Financial Times*, July 25, 2014, <https://www.ft.com/content/60338b6c-1263-11e4-93a5-00144feabdc0>.

¹³² "China's Hollywood Romance Turns Sour," *Financial Times*, December 26, 2017, <https://www.ft.com/content/d5d3d06e-de8b-11e7-a8a4-0a1e63a52f9c>.

¹³³ "U.S. Responses to China's Foreign Influence Operations," House Foreign Affairs Committee, Asia and the Pacific Subcommittee, March 21, 2018, <https://foreignaffairs.house.gov/hearing/subcommittee-hearing-u-s-responses-chinas-foreign-influence-operations/>.

¹³⁴ Isaac Stone Fish, "Chinese Ownership is Raising Questions about the Editorial Independence of a Major U.S. Magazine," *Washington Post*, December 14, 2017, https://www.washingtonpost.com/news/democracy-post/wp/2017/12/14/chinese-ownership-is-raising-questions-about-the-editorial-independence-of-a-major-u-s-magazine/?utm_term=.0522700a81ec.

¹³⁵ Howard W. French, "Bloomberg's Folly: The Backstory is About to Be Told," *Columbia Journalism Review*, May 2014, http://archives.cjr.org/feature/bloombergs_folly.php.

York Times, *Washington Post*, and *Financial Times* since 2011.¹³⁶ The *Washington Post* and *Wall Street Journal* still publish these inserts, and the *Journal* also has content from *Xinhua* in the “China Messenger” feature.¹³⁷ The trained reader notices the “health warning label” about a “paid advertisement,” but others might not notice that the inserts are pure Communist Party propaganda. The ads bring in substantial revenues, which may make it difficult for cash-strapped U.S. news companies to wean themselves off this parasitic relationship.

U.S. media companies are also the targets of lobbying efforts by China-affiliated organizations. CPPCC vice chairman Tung Chee Hwa’s China-United States Exchange Foundation paid lobbying group BLJ Worldwide over \$984,544 in 2016 to reach out to universities, think tanks, and media outlets and ask them to write articles for its China-US Focus website.¹³⁸ With that budget, BLJ paid for trips to China for 12 media outlets and five members of Congress. It also organized meetings with the *Washington Post*, Associated Press, *TIME Magazine*, *New York Times*, CBS, *Forbes*, PBS, *Atlantic*, *Economist*, CNBC, and *Wall Street Journal*. The exact nature and dates of the meetings, however, were not disclosed in the FARA registrations, nor were the itineraries or purposes of the trips, which could have made it easier to track their impact.¹³⁹

Chinese-language media in the United States have been the most important target of Chinese propaganda operations. There are an estimated 4.9 million Chinese Americans,¹⁴⁰ and around 50 percent profess limited English proficiency.¹⁴¹ Thus, Chinese-language media remain important in shaping their opinions, and cities with large Chinese populations have seen a proliferation of Chinese-language media companies. However, despite the diversity of news and entertainment sources, the viewpoints are increasingly pro-Beijing, especially as the mainland Chinese immigrants have greatly outnumbered immigrants from Taiwan and Hong Kong in recent years. Work published by the Jamestown Foundation suggests that “the influx of Mainland Chinese piqued concerns of state-run media operations back home, triggering what can

¹³⁶ According to FARA filings at FARA.gov.

¹³⁷ “China Messenger,” *Wall Street Journal*, <http://partners.wsj.com/xinhua/china-messenger/>.

¹³⁸ Based on FARA filings for the China-United States Exchange Foundation.

¹³⁹ The lack of such information for companies lobbying for the PRC has significantly constrained our ability to replicate another study assessing the effectiveness of lobbying efforts by Saudi Arabia. See Peter Courtney, “Unveiling Foreign Influence Efforts in the United States: Two Case Studies Using Foreign Agent Registration Act Data” (paper presented at the American Political Science Association Annual Meeting 2017)

¹⁴⁰ “2016 American Community Survey 1-Year Estimates,” U.S. Census Bureau, https://factfinder.census.gov/rest/dnldController/deliver?_ts=541071118582.

¹⁴¹ Terrance Reeves and Claudette Bennett, “We the People: Asians in the United States,” U.S. Census Bureau, December 2004, <https://www.census.gov/prod/2004pubs/censr-17.pdf>; Jeanne Batalova and Jie Zong, “Language Diversity and English Proficiency in the United States,” Migration Policy Institute, November 11, 2016, <https://www.migrationpolicy.org/article/language-diversity-and-english-proficiency-united-states>.

now be described as aggressive media efforts in the United States by mainland operations.”¹⁴²

China has sought to influence Chinese-language media in America in several ways: by taking them over and adding loyal Party members to their ranks; buying advertising space to make them economically dependent on China; and when they are recalcitrant, pressuring business advertisers with economic interests in China to abandon advertising in them. The situation is comparable for television, where it is estimated that China Central Television controls about 75 percent of Chinese-language television stations in North America.¹⁴³

According to Jamestown, major Chinese newspapers, including the *China Press*, *Sing Tao Daily*, *Ming Pao Daily News*, and *World Journal*, have already been coopted by the Chinese government through financial or leadership ties. There has been no recent investigation into the ownership of these news outlets, which is an area in need of additional research. A glimpse of their content shows that the *China Press* is clearly the most favorably disposed towards the CCP. It uses simplified Chinese characters, employed in mainland China, and has no sections on overseas territories. In contrast, the others write with traditional Chinese characters, used in Taiwan and Hong Kong, and have dedicated sections for news on both. In our sample, however, none contained articles outwardly critical of China, suggesting self-censorship. Another major Chinese newspaper, *International Daily News*, is owned by Ted Sioeng, a businessman tied to the 1996 U.S. campaign finance controversy and suspected to be “an agent of China” by the FBI.¹⁴⁴ According to a congressional report, after Sioeng bought the paper in 1996, it changed its stance from pro-Taiwan to pro-Beijing.¹⁴⁵

In some media companies, the ownership structures are opaque and the extent of ties to the Chinese government is difficult to ascertain. For example, in 2015, Reuters discovered that CRI, a state-owned international broadcaster, is the majority shareholder in 33 radio stations in 14 countries, though many are ostensibly run by expatriate Chinese businesspeople. According to the same report, CRI is the majority shareholder behind broadcasts in important American cities, including Washington, Philadelphia, Boston, Houston, and San Francisco.¹⁴⁶

The Federal Communications Commission (FCC) does not allow foreign governments to be majority shareholders in U.S. broadcasting stations, but CRI has

¹⁴² Mei Duzhe, “How China’s Government Is Attempting to Control Chinese Media in America,” Jamestown Foundation, November 21, 2001, <https://jamestown.org/program/how-chinas-government-is-attempting-to-control-chinese-media-in-america/>.

¹⁴³ Wanning Sun, “Motherland Calling: China’s Rise and Diasporic Responses,” *Cinema Journal* 49, no. 3 (Spring 2010).

¹⁴⁴ Brian Duffy and Bob Woodward, “Senate Panel Is Briefed on China Probe Figure,” *Washington Post*, September 12, 1997, <https://www.washingtonpost.com/wp-srv/politics/special/campfin/stories/cf091297b.htm>.

¹⁴⁵ Ted Sioeng, *His Family, and His Business Interests*, Senate Committee on Governmental Affairs.

¹⁴⁶ Koh Gui Qing and John Shiffman, “Beijing’s Covert Radio Network Airs China-Friendly News Across Washington, and the World,” Reuters, November 2, 2015, <https://www.reuters.com/investigates/special-report/china-radio/>.

found ways to bypass this restriction. In Washington, D.C., for example, CRI has a majority share in station WCRW via a subsidiary of EDI Media, the company that leases the radio station that CRI's content is played on.¹⁴⁷ EDI Media's owner, James Su, confirmed to Reuters that CRI subsidiary Guoguang Century Media holds a majority stake in his company and that he has a contract with CRI.¹⁴⁸ According to EDI Media's website, in 1994, Su helped China Central Television (China Global Television Network's predecessor) land in North America through a U.S. cable television station. In April 2011, China's State Administration of Radio, Film, and Television issued him the honorary title of "Outstanding Overseas Film Promoter" in recognition of his accomplishments in Sino-American cultural exchanges.¹⁴⁹

The Chinese Diaspora and United Front Organizations in the United States

Over a long period, the Chinese Party-state has increased its authoritarian reach into the U.S. to quell dissident voices, including from Tibet activists, the Falun Gong, and human rights defenders. A recent frightening example is Chinese-American journalist Chen Xiaoping, whose wife disappeared in China due to his work in the United States, then reappeared in a YouTube video denouncing his work.¹⁵⁰

This illustrates that speaking out against China leads to grave consequences, especially for the families of Chinese living abroad. Many Chinese dissidents, for example, have reported that their families in China were threatened or even detained by the police after the Chinese government learned about the dissidents' activities abroad. This treatment even extends to those who are U.S. citizens but have family living in China. Radio Free Asia, a U.S. government-funded news service that reports on human-rights issues in the region, said in February that Xinjiang authorities had gone after the relatives of U.S.-based reporters for its Uighur-language service.

Beijing places a high priority on manipulating Chinese diaspora communities for its own political purposes, and United Front organizations like the China Council for the Promotion of Peaceful National Reunification have accordingly proliferated across the globe. Though these organizations' overseas chapters typically insist that they are independent of Chinese government influence, many of their activities, including leadership transitions, are presided over by Chinese officials.¹⁵¹ In addition, many of their leaders have overlapping connections to other United Front organizations like the CPPCC and the China Overseas Exchange Association.

There are 33 chapters of the China Council for the Promotion of Peaceful National Reunification based in cities across the U.S., including Washington, D.C.,

¹⁴⁷ Ibid.

¹⁴⁸ Ibid.

¹⁴⁹ "About Us," EDI Media Inc., <http://www.edimediainc.com/en/team/>.

¹⁵⁰ Lauren Hilgers, "China's Oppression Reaches Beyond Its Borders," *New York Times*, April 9, 2018, <https://www.nytimes.com/2018/04/09/opinion/china-oppression.html?rref=collection%2Fsectioncollection%2Fopinion>.

¹⁵¹ "Consul General of the People's Republic of China in San Francisco Attended the Handover Ceremony of Chinese for Peaceful Unification Northern California Association," Consulate-General of the People's Republic of China, January 24, 2017, <http://www.chinaconsulatesf.org/chn/tpxw/t1433221.htm>.

Chicago, Philadelphia, and San Francisco, each operating under different names. These include the Chinese American Alliance for China's Peaceful Reunification, National Association for China's Peaceful Reunification, Chinese for Peaceful Reunification, and China's Peaceful Reunification Association.¹⁵² Although they are mainly mobilized for protests during visits by Taiwanese officials, some local chapter leaders have been vocal about other issues concerning China and the Chinese community. Zou Zhiqiang, for example, the president of Chinese for Peaceful Reunification, Northern California, was featured on the UFWD's website for advocating against affirmative action in California.¹⁵³ The Chicago chapter of CCPNR even sells shirts on its website with the slogan, "Defend Diaoyu Islands of China." A leader of the U.S. East Coast Federation of Chinese Associations, Zhu Lichuang, was sued for harassing Falun Gong practitioners in New York in 2015.¹⁵⁴ Though these organizations identify themselves as non-profits, none have accessible tax returns or clear public documentation of their funding. Other prominent organizations, like the U.S. East Coast Federation of Chinese Associations, do not have public websites, despite organizing massive public events raising \$162,000 for Sichuan earthquake relief efforts.¹⁵⁵ However, their work is well documented on Chinese government websites and news outlets.¹⁵⁶

Activities like these raise serious questions about whether and when United Front-affiliated organizations in the United States should be understood to fall under FARA reporting requirements. Citizens of the United States enjoy full First Amendment free speech rights, of course, and simply voicing views congenial to the Chinese Communist Party is not a crime. But concealing the involvement of a foreign authoritarian government in political activities intended to influence American public opinion *is* a crime—and preventing such concealment is FARA's purpose. FARA—and Department of Justice enforcement procedures—should be refined and strengthened to guarantee that they provide full public exposure of Chinese Party-state influence and interference efforts in American politics. In addition, parallel reforms should be pursued to provide full transparency on foreign corporate and media ownership and non-profit funding sources.

¹⁵² "United States Affiliates List," China Council for the Promotion of Peaceful National Reunification, <http://www.zhongguotongcuhui.org.cn/hnwtch/bmz/mg/>.

¹⁵³ "People Promoting Unification: Zou Zhiqiang, President of the United States Promotion of Unification Association of Northern California," Voice of Unification, March 30, 2018, <http://mp.weixin.qq.com/s/YhmTANXZgaVis9PCop5x1g>.

¹⁵⁴ Mark C. Eades, "Chinese Government Front Groups Act in Violation of U.S. Law," Foreign Policy Association, May 19, 2016, <https://foreignpolicyblogs.com/2016/05/09/chinese-government-front-groups-act-violation-u-s-law/>.

¹⁵⁵ Yu Wei, "Chinese-Americans Donate to Sichuan Earthquake Relief," *China Daily*, April 22, 2013, http://usa.chinadaily.com.cn/epaper/2013-04/22/content_16431713.htm.

"The U.S. East Coast Federation of Chinese Associations Gathered More Than 3,000 People to Protest against Guo Wengui," <https://www.youtube.com/watch?v=-Ek-meLRStc>.

¹⁵⁶ "New York Chinese Community Donates to Sichuan Disaster Area," *People's Daily*, May 14, 2008, http://paper.people.com.cn/rmrhwb/html/2008-05/14/content_48542361.htm;

"U.S. Overseas Leaders: From the American Dream to China's Dream My Motherland Gives Me Opportunity," *Xinhuanet*, June 16, 2016, http://www.xinhuanet.com/overseas/2016-06/16/c_129067398.htm.

Figure 3: Summary of the Mechanisms and Targets of Influence

	Building Relationships	Establishing Joint Ventures	Lobbying	Using Market Access as Leverage	Providing Supplemental Financing	Purchasing Majority Shares of Companies
Independently-Owned Chinese Language Media	X	X		X	X	X
U.S. K-12 and Higher Education	X	X			X	
U.S. Academic Institutions	X				X	
U.S. Politicians	X		X	X	X	
U.S. Companies with Ties to China	X	X		X	X	
U.S. Mainstream Media (Film Studios and News Agencies)	X	X		X	X	X
Chinese Students and Scholars Associations	X				X	
Overseas Chinese Groups	X					

Pending Legislation Addressing These Issues

Several pending House and Senate bills are intended to address the issues outlined in this paper. These include the following:

- H.R. 5354: The Countering Foreign Propaganda and Disinformation Act of 2018, introduced by Rep. Seth Moulton (D-MA) and Rep. Elise Stefanik (R-NY), would require government-controlled foreign media outlets with U.S. operations to file semiannual disclosures to the FCC and include visible declarations informing American consumers of the foreign government's identity.
- H.R. 5336 and S. 2583: The Foreign Influence Transparency Act, introduced by Rep. Joe Wilson (R-SC), Sen. Marco Rubio (R-FL), and Sen. Tom Cotton (R-AK), would clarify FARA's exemption for "bona fide" educational entities and require those that promote the political agenda of foreign governments to register as foreign agents. This legislation would also require American universities to disclose foreign-source donations of \$50,000 or more, well below the current reporting threshold of \$250,000.
- H.R. 4170 and S. 2039: The Disclosing Foreign Influence Act, introduced by Sen. Chuck Grassley (R-IA) and Rep. Mike Johnson (R-LA), would strengthen FARA by giving the Justice Department additional authority to investigate foreign funding; close certain loopholes, like LDA registration, that have allowed many lobbyists to avoid FARA reporting; and direct the attorney general to develop a comprehensive strategy for compliance.

CHAPTER 5: A DEMOCRATIC UNITED FRONT: HOW AMERICA AND ITS ALLIES CAN DEFEND THEMSELVES AGAINST CHINESE INTERFERENCE

This chapter outlines suggestions for a “democratic resilience package” to push back against United Front activities, beginning with three broad, guiding principles, then expanding into a series of more area-specific policy recommendations.

Guiding Principles

- ***Increase Transparency and Awareness:*** The public needs to be better informed about the Chinese Party-state’s activities. Independent, knowledgeable scholars who focus on China, investigative journalists, and civil society organizations should prioritize and publicize significant new research about United Front influence and interference activities.
- ***Democratically Empower Chinese Diaspora Communities:*** United Front dogma relentlessly promotes the fiction that members of the Chinese diaspora—no matter how physically or ideologically removed they may be from the mainland—owe their ultimate loyalty to the CCP. Democratic nations must take particular care to treat United Front operations targeting their own Chinese diaspora communities not merely as a counter-intelligence challenge, but also as a deliberate and dangerous threat to those communities. Greater protection and support for exiled dissidents and other vocal critics of the CCP should be a special focus.
- ***Build Democratic Resilience:*** Legislation and other government measures cannot by themselves provide a democracy with complete protection against foreign interference. After all, it is individual citizens generally acting *within* the law (attorneys, lobbyists, political candidates, and retired officials, for example) who have abetted United Front operations in the past. Thus, it is individual citizens—aware, engaged, and collectively committed to doing what is best for the health of a free and open politics and society—who will ultimately prove the best defense against the United Front and other such foreign interference programs.

General Recommendations

- The executive branch, led by the National Security Council, should undertake a whole-of-government project to map the full spectrum of CCP interference and influence operations, being careful to distinguish the nefarious from the innocuous. Counter-intelligence and law enforcement agencies should deal with clear cases of dangerous and malign interference. A variety of United Front influence activities are likely to be beyond appropriate administrative or legislative reach, however. Once this mapping is completed, a declassified report should be made public to promote general awareness of the issue.

- U.S. think tanks, journalists, academic institutions, and other civil society organizations should work together to create a “United Front Tracker” to expose the Chinese Communist Party and hold it accountable.
- Congress should mandate an annual, FBI-led, publicly disseminated intelligence report on United Front interference and influence operations, complete with practical advice for ordinary citizens about how to recognize and avoid these operations.
- The United States and other democracies should collaborate in an informal, ongoing, multilateral effort to monitor and counteract Chinese foreign interference. The Community of Democracies, established by the Warsaw Declaration in June 2000, would be one possible home for such an effort.

Campaign Finance and Political Integrity

- The Treasury Department should establish a unit specifically tasked with tracking illicit political financing from United Front organizations. This unit should pursue international aspects of this effort with partners from the Paris-based Financial Action Task Force (FATF).
- To ensure that illicit foreign money is not used in U.S. elections and does not enter the political system, transparency requirements should be imposed on donors to anonymous companies (LLCs) and social welfare organizations (501(c)(4)s), and the FEC and Justice Department should step up enforcement.
- The Department of Justice should enforce FARA reporting requirements more strictly and should be granted additional resources and authority to help secure compliance. FARA reports themselves should be made public in a more timely, standardized, and easily accessible form. Civil society and journalists can help by reporting missing FARA information in existing filings to improve standardization.
- Lobbyists for foreign *state-owned* commercial enterprises, who are currently permitted to register under the LDA, should also be required to register under FARA. Congress may ultimately want to consider legislation merging the LDA and FARA registers to streamline the filing process.
- President Trump’s January 2017 executive order permanently barring executive branch political appointees from lobbying on behalf of foreign governments after they leave office should be maintained indefinitely and strictly enforced.

- Similar restrictions could be extended to senior officials in the legislative branch, the armed services, and state and local government.
- Congress, state legislatures, and local governments should increase their vigilance about the risk of influence-by-proxy involving financial arrangements between entities controlled or directed by a foreign government and relatives of American public officials. The Justice Department's Public Integrity Section and investigative news organizations like ProPublica serve crucial functions in this regard, but more research and resources are needed to develop innovative ways to expose such corruption.

The News Media

- Private-sector philanthropy should prioritize grants and scholarships designed to strengthen independent journalists' capacity to investigate and report on United Front activities in the United States and other democracies.
- Both private and public funding should be secured for independent Chinese news and television and Radio Free Asia's mandate expanded to increase its coverage of United Front activities and their global ramifications for Chinese diaspora communities as well as associated media training. The United States should work with international democratic partners in a Community of Democracies setting to establish independent Chinese media.
- All state-owned foreign media outlets operating in the United States should be required to register under FARA.¹⁵⁷ *China Daily* and *People's Daily* are currently registered. China's international broadcast network CGTN and Beijing's official press agency *Xinhua* are not.
- Consideration should be given to expanding the CFIUS national security review to include media takeovers by foreign state-owned companies, particularly from authoritarian systems.
- A code of conduct should be established by independent English-language newspapers to decline Chinese state-controlled news inserts.
- The FCC should demand transparent reporting from U.S. media companies on ownership and foreign-government ties.

¹⁵⁷ Senator Rubio and Senator Patrick Leahy (D-VT), along with a bipartisan group of senators, sent a letter to the Department of Justice in January 2018, requesting an inquiry into why Chinese state-owned media such as *Xinhua* and CGTN have not registered under FARA. "Rubio, Leahy, Colleagues Urge DOJ to Require China-Controlled Media Operating in the U.S. to Register as Foreign Agents," Senator Marco Rubio's Office, January 16, 2018, <https://www.rubio.senate.gov/public/index.cfm/mobile/press-releases?id=208FEBD8-57C4-4190-8A88-3249C257EDEE>.

Higher Education and Think Tanks

- Private and public funding for independent China-related research and Chinese-language instruction should be increased. No such funding should be dispersed to any school that hosts a Confucius Institute or Confucius Classroom.
- Independent academic institutions should avoid embedding Confucius Institutes within their Chinese-language programs. Those with existing Confucius Institute relationships should make details of the contracts public to create transparency and should aim to end those relationships and contracts as quickly as possible.
- FARA's current registration exemption for "bona fide" educational entities should be clarified, and programs that promote the political agendas of foreign governments—like China's Confucius Institutes—should be required to register.
- Colleges and universities should collaborate on a set of best practices to mitigate encroachments on academic freedom that may result from gifts linked to the Chinese Party-state. Colleges and universities should also disclose foreign-source donations above \$50,000, below the currently required threshold of \$250,000.¹⁵⁸
- Independent American think tanks should work to establish an industry-wide policy not to accept funding from non-democratic governments and their state-owned companies.

Chinese Diaspora Communities

- A Justice Department unit should be established to focus on the rights of dissidents and critics of China in the diaspora communities. This could be done by leveraging civil rights legislation.¹⁵⁹
- To disseminate information on United Front interference to the state and local level, the National Institute of Justice could be mandated to draft a report on the subject and then work with state and local police to raise awareness of the issue.
- Federal, state, and independent grants should be established to support Chinese diaspora minority groups without foreign-government ties.

¹⁵⁸ Rachele Peterson, "Get China's Pernicious Confucius Institutes Out of U.S. Colleges," *The Hill*, <http://thehill.com/opinion/education/375092-get-chinas-pernicious-confucius-institutes-out-of-us-colleges>.

¹⁵⁹ Peter Mattis, "U.S. Responses to China's Foreign Influence Operations," Testimony before the House Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, March 21, 2018, <http://docs.house.gov/meetings/FA/FA05/20180321/108056/HHRG-115-FA05-Wstate-MattisP-20180321.pdf>.

CONCLUSION

This report marks only a first step in unearthing Chinese Communist Party interference in the United States. It is based on informal talks with an excellent group of scholars, journalists, think tankers, civil society activists, and former and current administration officials. The work continues, and many more need to join in. Uncovering United Front strategy in action will be a continuous effort, which is why we recommended launching a “United Front Tracker” as a joint effort between civil society and think tanks.

Many topics not covered in these pages are major areas for further study. One is United Front work in Taiwan, the original United Front target. This is why the names of many UFW organizations contain the term reunification. We also did not cover United Front work within Southeast Asian countries, such as Indonesia, Malaysia, the Philippines, and Singapore, where United Front strategy raises even deeper societal issues because of the large Chinese diaspora communities and their proximity to China. Additionally, we did not cover the effect of United Front strategy on fledgling democracies or semi-authoritarian states, and how such activities stifle the development of liberal democracy.

Thus, there is much work to be done. It is our hope that this report will inspire others to pursue further research on this complex issue.

Appendix A: Author Biographies

Jonas Parello-Plesner is a Senior Fellow at Hudson Institute, where he leads a project on Middle East politics and the stabilization and reconstruction of Iraq and Syria financed by a grant by the Danish government (DANIDA).

Before joining Hudson, Parello-Plesner was responsible for the Embassy of Denmark's department of security and foreign policy in Washington, where he helped devise policies related to coalition efforts against ISIS. He has long-standing experience in the Danish Foreign Service, and served in the French Ministry of Foreign Affairs while studying at the Ecole Nationale d'Administration in Paris.

From 2010-13, Parello-Plesner has also worked at the European Council on Foreign Relations (ECFR) as a Senior Policy Fellow with a focus on European-Chinese relations. He served as the Ministry of Foreign Affairs of Denmark's Senior Advisor on China and North East Asia from 2005-2009 and has provided testimony on Chinese investments in Europe to the U.S. Congress and European Parliament's Foreign Affairs and International Trade Committees. His co-authored book, *China's Strong Arm: Protecting Citizens and Assets Abroad*, was published in 2015 by IISS/Routledge and launched at the annual Shangri-La Dialogue in Singapore.

Parello-Plesner has published widely on geopolitics, China and European affairs. He has written op-eds for or has been quoted in *Financial Times*, *Le Monde*, *El Pais*, *International Herald Tribune*, *European Voice*, *Frankfurter Rundschau*, *Foreign Policy*, *EUobserver*, *Asia Times*, and *East Asia Forum*, and he has made on-screen appearances on Fox News, CNN, Bloomberg, FRANCE24, Channel 4, and Danish Broadcast. He is a graduate of the London School of Economics, Copenhagen University, and the Ecole Nationale d'Administration in Paris.

Belinda Li was a research assistant at Hudson Institute and affiliated with the Kleptocracy Initiative until May 2018. She is now pursuing further studies in law.

Appendix B: Acknowledgements

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