

**THE UNITED STATES AND EUROPE:  
A CONCRETE AGENDA FOR  
TRANSATLANTIC COOPERATION  
ON CHINA**

---

A MAJORITY REPORT

PREPARED FOR THE USE OF THE

COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS  
SECOND SESSION

NOVEMBER 18, 2020



Printed for the use of the Committee on Foreign Relations

Available via World Wide Web:  
<http://www.govinfo.gov>

---

U.S. GOVERNMENT PUBLISHING OFFICE

COMMITTEE ON FOREIGN RELATIONS

JAMES E. RISCH, Idaho, *Chairman*

MARCO RUBIO, Florida	ROBERT MENENDEZ, New Jersey
RON JOHNSON, Wisconsin	BENJAMIN L. CARDIN, Maryland
CORY GARDNER, Colorado	JEANNE SHAHEEN, New Hampshire
MITT ROMNEY, Utah	CHRISTOPHER A. COONS, Delaware
LINDSEY GRAHAM, South Carolina	TOM UDALL, New Mexico
JOHN BARRASSO, Wyoming	CHRISTOPHER MURPHY, Connecticut
ROB PORTMAN, Ohio	TIM Kaine, Virginia
RAND PAUL, Kentucky	EDWARD J. MARKEY, Massachusetts
TODD YOUNG, Indiana	JEFF MERKLEY, Oregon
TED CRUZ, Texas	CORY A. BOOKER, New Jersey
DAVID PERDUE, Georgia	

CHRISTOPHER M. SOCHA, *Staff Director*

JESSICA LEWIS, *Democratic Staff Director*

JOHN DUTTON, *Chief Clerk*

# CONTENTS

---

	Page
<b>LETTER OF TRANSMITTAL</b> .....	<b>vii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>5</b>
<b>CHAPTER ONE—POLITICAL AND CULTURAL INFLUENCE</b> .....	<b>9</b>
Introduction .....	9
The Challenge to Academic Freedom .....	10
Media and Film .....	14
The Chinese Communist Party and Political Influence .....	18
Local and National Leaders .....	18
Rewarding Friends .....	20
Punishing Enemies .....	22
Democracies Respond .....	24
Conclusion .....	29
<b>CHAPTER TWO—INTERNATIONAL ORGANIZATIONS</b> .....	<b>31</b>
Introduction .....	31
History of China at the United Nations .....	32
China: Shaping the United Nations in Its Own Image .....	32
China Weakens Human Rights At the United Nations .....	34
Checkbook Diplomacy .....	36
Personnel at United Nations Agencies .....	37
Contributions to the United Nations .....	38
The Need for Transatlantic Cooperation .....	41
Conclusion .....	42
<b>CHAPTER THREE—TRADE, INVESTMENT, AND ECONOMIC STATECRAFT</b> .....	<b>43</b>
Introduction .....	43
China’s Discriminatory Practices .....	45
The Power of the State .....	45
Forced Technology Transfer .....	47
State-Sponsored Industrial Espionage .....	48
State Subsidies and Other State Support .....	52
Restricted Market Access .....	53
Trade Retaliation .....	54
Conclusion .....	56

	Page
<b>CHAPTER FOUR—TECHNOLOGY</b> .....	<b>59</b>
Introduction .....	59
The China Challenge .....	60
Mapping the Emerging Technology and Digital Landscapes in Europe and the United States .....	62
Research and Development .....	63
Data and Digitalization .....	65
Standards Setting .....	68
Transatlantic Cooperation .....	69
Conclusion .....	71
<b>CHAPTER FIVE—OVERSEAS COMMERCIAL ACTIVITY</b> .....	<b>73</b>
Introduction .....	73
Energy .....	74
Overview .....	74
Power Grids, Nuclear Energy, and Coal Plants .....	75
Illegal Trade Practices and Standards Setting .....	79
Security and Political Leverage .....	80
Confronting These Challenges .....	82
Ports and Shipping .....	83
Overview .....	83
Economic Challenges .....	84
Security Risks .....	85
Implications for the United States and Europe .....	88
Undersea Cables .....	90
Overview .....	90
Undersea Cables and the Digital Silk Road .....	90
PRC Cable Projects .....	91
Conclusion .....	96
<b>CHAPTER SIX—THE TRANSATLANTIC ALLIANCE AND AFRICA</b> .....	<b>99</b>
Introduction .....	99
Africa Matters .....	99
The China Factor .....	101
Transatlantic Cooperation in Sub-Saharan Africa .....	104
Trade, Jobs, and Growth .....	105
Security .....	105
Development and Civil Society .....	106
Conclusion .....	107
<b>CHAPTER SEVEN—THE TRANSATLANTIC ALLIANCE AND THE INDO-PACIFIC</b> .....	<b>109</b>
Introduction .....	109
Areas of Potential Cooperation .....	111
Private Sector-Led Investment .....	111
Maritime Security .....	114
Good Governance and Human Rights .....	116
Environment .....	116
Conclusion .....	119

	Page
<b>CONCLUSION AND RECOMMENDATIONS</b> .....	<b>121</b>
Safeguarding Our Open Societies .....	121
Protecting the Integrity of International Organizations .....	123
Defending the International Trading System .....	124
Shaping the Future of Technology .....	126
Addressing the Implications of China's Strategic Investments .....	127
Growing U.S.-Europe Cooperation in Africa and the Indo-Pacific .....	129
Both Regions .....	129
Africa .....	129
Indo-Pacific .....	131
<b>ABBREVIATIONS AND ACRONYMS</b> .....	<b>133</b>



## LETTER OF TRANSMITTAL

---

UNITED STATES SENATE,  
COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC, November 18, 2020.*

DEAR COLLEAGUES: Since the end of the Cold War, the international community has experienced enormous economic prosperity and a period of sustained stability. However, as nations with authoritarian ideologies and imperial tendencies increasingly look to grow their power and influence on the world stage, the United States must remain committed to safeguarding freedom and defending the principles of democracy and the rule of law.

In particular, we must be prepared to work with our trusted allies and partners to counter an increasingly confrontational China that attempts to undermine prosperity, security, and good governance in every region of the globe. I consider this foreign policy issue to be the most important of our time, and I have pursued it at length during my time in the U.S. Senate and especially since becoming chairman of the Senate Foreign Relations Committee.

In the past, the United States and Europe have worked together to help create an open system of rules, norms, and institutions that uphold individual rights and freedoms, advance market-based economic prosperity, and safeguard shared security interests. The United States and Europe must work together once again to defend these principles and confront China's attempts to undermine the rule of law.

In this report, I lay out a number of areas in which the United States should collaborate with our European colleagues on the challenges posed by China. Transatlantic security and prosperity require that we continuously renew our commitment to each other and pledge to use all of our combined tools to succeed. I am confident that by engaging with the forthcoming recommendations in this report, the United States and Europe will be able to find a shared vision to defend the system we built together.

Sincerely,

JAMES E. RISCH  
*Chairman.*





## EXECUTIVE SUMMARY

---

### ***Introduction***

The United States and Europe increasingly agree that the People's Republic of China (PRC) poses significant political, economic, and even security challenges. Legislators and parliamentarians on both sides of the Atlantic have played an active and leading role in shifting approaches to meet these challenges. The next step is to turn this growing agreement into a constructive and concrete transatlantic agenda to defend shared interests and values. This report puts forward concrete ideas for collaboration in six key areas:

- Fending off malign political influence,
- Protecting the integrity of international organizations,
- Addressing anti-competitive trade and economic practices,
- Investing in future technologies and shaping how they are used,
- Confronting the security implications of the PRC's strategic investments in energy, transport, and digital infrastructure through "One Belt, One Road" (OBOR), and
- Invigorating partnerships in Africa and the Indo-Pacific.

### ***Political and Cultural Influence***

Since Xi Jinping took over as General Secretary of the Chinese Communist Party (CCP) in 2012, the PRC has undertaken extensive operations to manipulate the information space to its advantage and legitimize the Party's authority on the global stage. The PRC, alongside its affiliated entities, leverages its vast economic resources to coerce universities, think tanks, the media, and local and national politicians to accept the CCP's narrative by punishing criticism and rewarding support. Democracies have begun to realize the threat this coercive influence poses to free and open societies and have taken actions to protect themselves. However, there is much more the community of democracies should do to push back on the PRC's malign influence. This includes:

- Combating disinformation,
- Strengthening transparency structures,
- Developing independent expertise on China, and
- Establishing codes of conduct to inoculate institutions from all malign influences, including from the PRC.

### ***International Organizations***

The principal reason for the formation of international organizations, including the United Nations (UN), was to uphold and promote an international system characterized by liberal principles and to play a decisive role in maintaining international security. However, a major goal of the PRC's foreign policy is to re-shape global governance such that the international system defers to CCP interests, specifically garnering credibility for its regime and for norms and standards compatible with authoritarianism. To do so, it inserts CCP language into UN documents, leverages OBOR-compatible UN funds to support CCP goals, whips UN votes to shield itself from criticism, and orchestrates the election of Chinese diplomats to head UN agencies. Moreover, the PRC uses its financial contributions and peacekeeping personnel to advance its own global agenda. To push back on PRC attempts to undermine the system and encourage good governance at the UN, the United States and Europe should:

- Adopt a holistic approach to coordination that spans the entire UN system,
- Work together on reforming specific agencies,
- Combine support for UN officials that will uphold the UN Charter, and
- Protect the norms and practices that have served the international system well.

### ***Trade, Investment, and Economic Statecraft***

After several decades in the international trade and economic system, it is clear the PRC has no intent to liberalize and adopt free market principles. Instead, China has continued to advance an ecosystem of anti-competitive economic and industrial policies that use discriminatory practices and coercion to further its strategic goals. Such actions hamper legitimate private enterprise and present an unprecedented challenge to the international trading system. If the United States and Europe hope to preserve the role of free markets, then they must find areas for cooperation that strengthen the system itself and push back on specific PRC behavior. This includes:

- Advancing shared interests in the World Trade Organization,
- Revitalizing transatlantic trade negotiations,
- Fixing current points of conflict such as the Boeing/Airbus disputes,
- Coordinating on export controls with respect to China, and
- Strengthening supply chain resilience.

### ***Technology***

China's massive market, as well as the political focus and economic resources directed towards the development, manufacturing, and regulation of emergent technologies, means that the United States and Europe are at risk of being subjected to PRC technological infrastructure and the intrusive way the CCP uses such technologies. This threat is particularly acute in areas such as re-

search and development, data and digitization, and standards setting. Losing their technological advantage would present severe challenges to U.S. and European economies, militaries, and shared values such as individual freedom and privacy. The United States and Europe should thus:

- Prioritize areas where there are little to no regulatory obstacles for increased transatlantic cooperation on technology development,
- Create a technology coalition of advanced democracies,
- Seek to harmonize regulatory practices in key areas, and
- Take other steps to regain a competitive stance in the global technology race.

### ***Overseas Commercial Activity***

China's most visible foreign policy priority is the OBOR initiative. This project is a means by which to increase the economic influence of state-owned Chinese firms in global markets, engender undue PRC political leverage with governments around the world, create a China-centric technology regime, and provide greater access to strategic nodes for the People's Liberation Army. There is a growing transatlantic realization of the inherent economic and security risks of PRC acquisitions and investments. Three areas where the United States and Europe must address these risks are in power grids and energy infrastructure, ports and shipping, and undersea cables. Initial measures to address these issues include:

- Coordinating between relevant U.S. and European agencies on priority sectors where shared vulnerabilities could have long-term ramifications,
- Examining the security of U.S. and European power grids and establishing fail-safe measures to protect increasingly connected grids,
- Holding China accountable for environmental harm resulting from its energy investments,
- Conducting a thorough review of the implications of PRC port investments for the North Atlantic Treaty Organization (NATO), and for U.S. and European engagement in Africa and the Indo-Pacific, and
- Initiating discussions on the risks posed to NATO by PRC undersea cable investment.

### ***The Transatlantic Alliance and Africa***

Enormous demographic and economic shifts underway across the African continent will elevate Africa's role in global affairs. This requires the transatlantic alliance, along with its African partners, to collaborate on managing these shifts, countering malign influence, and promoting the growth of healthier, more stable, democratic societies that share our values and interests. Through bilateral investment and loans, infrastructure projects, and technological partnerships, China is increasingly invested in and becoming tied to Africa's destiny. The United States and Europe must recognize the importance Africa plays in the world and strengthen their partner-

ships with the continent on trade, security, development, and governance. This includes steps such as:

- Reframing the “transatlantic relationship” to include African partners,
- Codifying the Prosper Africa initiative in the United States, and considering an intercontinental Prosper Africa initiative together with Europe, and
- Expanding assistance that promotes democracy, increases government accountability, and fights corruption.

### ***The Transatlantic Alliance and the Indo-Pacific***

Currently, the Indo-Pacific is the world’s economic center of gravity and home to many key democratic allies. Moreover, China has become much more aggressive economically and militarily in this region. China’s ability to project power worldwide will be determined by how large a foothold China can gain in this region. Both the United States and Europe have recognized the importance of the Indo-Pacific for its own sake, with countries on both sides of the Atlantic issuing Indo-Pacific strategies. There are important opportunities to avoid duplication and build on this through more concrete cooperation, such as:

- Encouraging private sector-led growth, including through greater cooperation between development finance institutions,
- Partnering to develop human capital in the Indo-Pacific through technical assistance and training,
- Strengthening collaboration on maritime security, and
- Pursuing joint efforts to safeguard the environment and bolster natural resource governance.

### ***Conclusion and Recommendations***

Neither side of the Atlantic can respond to the China challenge alone. The only successful path forward is to work together. Transatlantic security and prosperity requires that the United States and Europe renew our commitment to each other and pledge to use all of our combined tools to succeed. The recommendations offered are a starting point from which we can build upon our shared assessments of the challenges the PRC poses, and begin to address the issues that will define the decades to come. If we do not, then we risk:

- Losing the fundamental principles of open societies,
- Undermining the prosperous free-market and global trading system,
- Weakening the integrity of international organizations,
- Falling behind in the global technology race,
- Harming shared security interests, and
- Losing an opportunity to engage with increasingly important partners in Africa and the Indo-Pacific.

## INTRODUCTION

---

*Given everything that's happening in the world and the rise in authoritarian powers, it is important to have strong cooperation with like-minded democracies. The EU and U.S. should be at the heart of this effort, but we should also be working closely with Japan, India, South Korea, Australia, New Zealand, Canada and others.*<sup>1</sup>

—JOSEP FONTELLES BORRELL, HIGH REPRESENTATIVE OF THE EUROPEAN UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY

Transatlantic conversations on the People's Republic of China (PRC) often include the following statement: we share your assessment of the problem. Indeed, the United States and Europe increasingly agree that China poses significant political, economic, and even security challenges.<sup>2</sup> The United States views the PRC as its top strategic competitor, even though it continues to seek out avenues of cooperation.<sup>3</sup> The European Union identifies China as a “cooperation partner” in certain areas, but also recognizes it as an “economic competitor” and a “systemic rival.”<sup>4</sup> Recent surveys by the European Council on Foreign Relations (ECFR) point to “an emerging consensus” within the European Union on China that is characterized by a “shared sense of economic imbalance, disappointment, and unease.”<sup>5</sup> The ECFR survey also shows broad alignment across political parties in Europe, similar to the general agreement between Republicans and Democrats in the United States on China.<sup>6</sup> The PRC's lack of transparency and use of disinformation during the COVID-19 pandemic, bullying behavior in its own neighborhood as well as in Europe, and serious violations of its international obligations in Hong Kong and the South

---

<sup>1</sup> Borrell, Josep Fontelles. “China, the United States and us.” European Union External Action Service, 31 Jul. 2020, <https://eeas.europa.eu/headquarters/headquarters-homepage/83644/china-united-states-and-us—en>.

<sup>2</sup> In this report, the People's Republic of China will be referred to interchangeably as “PRC” and “China.”

<sup>3</sup> *United States Strategic Approach to the People's Republic of China*. The White House, 20 May 2020, <https://www.whitehouse.gov/wp-content/uploads/2020/05/U.S.-Strategic-Approach-to-The-Peoples-Republic-of-China-Report-5.20.20.pdf>.

<sup>4</sup> “Joint Communication to the European Parliament, the European Council and the Council: EU-China—A strategic outlook.” European Commission High Representative of the Union for Foreign Affairs and Security Policy, 12 Mar. 2019, p. 1, <https://bit.ly/38jclDB>.

<sup>5</sup> Oertel, Janka. “The new China consensus: How Europe is growing wary of Beijing.” European Council on Foreign Relations, 07 Sep. 2020, p. 7, <https://bit.ly/3p7lefY>.

<sup>6</sup> Oertel, Janka. “The new China consensus: How Europe is growing wary of Beijing.” European Council on Foreign Relations, 07 Sep. 2020, p. 5, <https://bit.ly/3p7lefY>.

China Sea has only further hardened attitudes in the United States and Europe.<sup>7</sup>

Legislators and parliamentarians on both sides of the Atlantic have played an active role in shifting to a new approach on China and promoting policy changes in a variety of areas. The United States Congress has come together to enact legislation on the PRC's human rights abuses in Hong Kong<sup>8</sup> and the Xinjiang Uyghur Autonomous Region,<sup>9</sup> as well as investment screening and export controls.<sup>10</sup> By similarly shining a spotlight on human rights and other issues, the EU Parliament is playing the role of "path breaker" on Europe's China policy, as Green Party parliamentarian Reinhard Bütikofer has put it.<sup>11</sup> Conservative Party parliamentarians in the United Kingdom have formed the China Research Group.<sup>12</sup> German Parliamentarians have been immensely vocal in influencing their nation's 5G decisions.<sup>13</sup> The Dutch Parliament hosted a robust debate in September 2019 on Prime Minister Mark Rutte's China strategy.<sup>14</sup> Czech lawmakers are standing up to the PRC's bullying over Taiwan.<sup>15</sup> Finally, a diverse group of legislators from the United States, Europe, Australia, Japan, and elsewhere, formed the Inter-Parliamentary Alliance on China, an unofficial group "working towards reform on how democratic countries approach China."<sup>16</sup>

The next step is to turn this growing agreement on China into a constructive and concrete agenda to defend shared transatlantic interests. This important work has already started. We have implemented investment screening mechanisms to safeguard critical assets and technologies from state-directed investment or acquisition, come together at the United Nations to stand up for the rights of the Chinese people, and advanced shared principles on secure future telecommunications networks. The EU-U.S. Dialogue on China proposed in June 2020 by High Representative of the European Union for Foreign Affairs and Security Policy Josep Borrell provides a new and important forum to discuss shared challenges

<sup>7</sup>For the purposes of this report, Europe is considered to be the 27 members of the EU, plus Iceland, the United Kingdom and all continental European nations up to the Russian and Turkish borders.

<sup>8</sup>United States, Congress, Senate, Committee on Foreign Relations. *Hong Kong Human Rights and Democracy Act of 2019*. Congress.gov. 116th Congress, 2nd Session, Senate Resolution 1838, passed 19 Nov. 2019, <https://www.congress.gov/bill/116th-congress/senate-bill/1838/text>.

<sup>9</sup>United States, Congress, Senate, Committee on Foreign Relations. *Uyghur Human Rights Policy Act of 2020*. Congress.gov, 116th Congress, 2nd Session, Senate Resolution 3744, passed 17 Jun. 2020, <https://www.congress.gov/bill/116th-congress/senate-bill/3744>.

<sup>10</sup>United States, Congress, House, Committee on Armed Services. "Foreign Investment Risk Review Modernization Act of 2018." *John S. McCain National Defense Authorization Act for Fiscal Year 2019*, Congress.gov, 115th Congress, 2nd Session, House Resolution 5515, Title XVII, passed 13 Aug. 2020, <https://www.congress.gov/bill/115th-congress/house-bill/5515>.

<sup>11</sup>Timsit, Annabelle. "Parliaments are on the frontlines of Europe's face-off with China." *Quartz*, 19 Jun. 2020, <https://bit.ly/38jcldB>.

<sup>12</sup>*China Research Group News*. China Research Group. <https://chinaresearchgroup.substack.com>.

<sup>13</sup>von der Burchard, Hans and Joshua Posaner. "German MPs urge Merkel to keep Huawei out of 5G network." *Politico* Europe, 22 Oct. 2019, <https://www.politico.eu/article/german-mps-huawei-5g-network-germany-angela-merkel>.

<sup>14</sup>*The Netherlands and China: a new balance*. Ministry of Foreign Affairs of the Netherlands, 15 May 2019, <https://www.government.nl/documents/policy-notes/2019/05/15/china-strategy-the-netherlands--china-a-new-balance>.

<sup>15</sup>Aspinwall, Nick. "Czech Delegation Pledges Support for Taiwan, Vows Not to Bow to Chinese Threats". *The Diplomat*, 05 Sep. 2020, <https://thediplomat.com/2020/09/czech-delegation-pledges-support-for-taiwan-vows-not-to-bow-to-chinese-threats/>.

<sup>16</sup>Inter-Parliamentary Alliance on China. <https://ipac.global/>.

more comprehensively and hopefully to coordinate on tangible actions.<sup>17</sup>

We must advance new and creative thinking about how the transatlantic alliance can pursue a more coordinated approach to the various problems that China poses to the international system that we've built over the decades. This report aims to contribute to this important endeavor by examining and proposing concrete ideas in six key areas: fending off malign political influence; protecting the integrity of multilateral organizations; addressing anti-competitive trade and economic practices; investing in future technologies and shaping how they are used; contending with the implications of the PRC's strategic investments in energy, transport, and digital infrastructure through "One Belt, One Road"; and invigorating our partnerships in Africa and the Indo-Pacific. In all these areas, there is already strong agreement on shared principles and a foundation for future collaboration, but each area also highlights future challenges that the United States and Europe must begin to grapple with now. These issues also encourage both sides of the Atlantic to view the China challenge through a global lens.

Tackling this challenge will require a shared and sustained commitment not only to prioritizing China as a major issue in our respective foreign and economic policies, but also to partnering with each other, even as differences arise. Alongside the irritants that sometimes emerge in the transatlantic relationship, the United States and Europe will continue to have differences on how to approach the PRC. It is imperative that we overcome and work through these differences and find a shared vision to defend the system we built together. Europe and the United States, as well as our democratic allies, have much to lose in this changing world, but there is also much to gain through cooperation. The Senate Foreign Relations Committee is deeply interested in partnering with Europe on this important challenge, and offers this report as a starting point.

---

<sup>17</sup> Borrell, Josep Fontelles. *Video conference of Foreign Affairs Ministers: Remarks by High Representative/Vice-President Josep Borrell at the press conference*. European External Action Service, 15 Jun. 2020, <https://bit.ly/36g703S>. And Pompeo, Michael R. "A New Transatlantic Dialogue." *Brussels Forum*, German Marshall Fund of the United States, 25 Jun. 2020, <https://www.state.gov/a-new-transatlantic-dialogue/>.





## CHAPTER ONE—POLITICAL AND CULTURAL INFLUENCE

*My view is that if we focus on money, we will lose our values and the money, too.*<sup>18</sup>

—MILOŠ VYSTRČIL, PRESIDENT, SENATE OF THE PARLIAMENT OF THE CZECH REPUBLIC

### **Introduction**

Since Xi Jinping's appointment as General Secretary of the Chinese Communist Party (CCP) in 2012, the People's Republic of China (PRC) has sought to increase Chinese influence in the world and expand the authority of the CCP domestically and abroad.<sup>19</sup> From influence operations around the globe to the manipulation of global media and information in order to legitimize the Party's authority in the eyes of international observers,<sup>20</sup> Beijing's methods are a sharp contrast to the public diplomacy conducted by other nations. As former Australian Prime Minister Malcolm Turnbull noted, these influence activities are "covert, coercive or corrupt." He added, "that is the line that separates legitimate influence from unacceptable interference."<sup>21</sup> The United States, Europe, and our democratic allies all enjoy open societies, but without an appropriate awareness of outside attempts to undermine it, our openness leaves us vulnerable to exploitation.

The CCP's unacceptable interference in our open societies stems from a governance structure in China in which every person, business, and organization is subservient to the CCP. In 2017, this subservience was enshrined in the CCP Constitution: "Party, government, army, society and education—east and west, south and north, the party leads on everything."<sup>22</sup> In its effort to preserve its leadership through total control, the CCP has created a network of interlinked government, quasi-government, and ostensibly private

<sup>18</sup>"Czech Senate President Defends Taiwan Trip as Based on 'values.'" *Focus Taiwan*, 08 Aug. 2020, <https://focustaiwan.tw/politics/202008080002>.

<sup>19</sup>Economy, Elizabeth. "China's New Revolution." *Foreign Affairs*, May/June 2018, [www.foreignaffairs.com/articles/china/2018-04-17/chinas-new-revolution](http://www.foreignaffairs.com/articles/china/2018-04-17/chinas-new-revolution).

<sup>20</sup>Shulman, David. "Protect the Party: China's Growing Influence in the Developing World." 22 Jan. 2019. The Brookings Institution, [www.brookings.edu/articles/protect-the-party-chinas-growing-influence-in-the-developing-world](http://www.brookings.edu/articles/protect-the-party-chinas-growing-influence-in-the-developing-world).

<sup>21</sup>"Speech Introducing the National Security Legislation Amendment (Espionage and Foreign Interference) Bill 2017." *Malcolm Turnbull*, 07 Dec. 2017, <https://bit.ly/2U0dLRV>.

<sup>22</sup>"Shouquian fabu: Zhongguo gongchandang zhangcheng—Xinhua wang." [Authorized Version: The Chinese Constitution—Xinhua]. *Xinhuanet*, 28 Oct. 2017, [www.xinhuanet.com/2017-10/28/c-1121870794.htm](http://www.xinhuanet.com/2017-10/28/c-1121870794.htm). An English version can be found at: "Constitution of the Communist Party of China." *Xinhuanet*, 19th Congress of the Communist Party of China, 24 Oct. 2017, <https://bit.ly/2I3cGq8>.

entities to conduct internal and external influence operations.<sup>23</sup> Many of these organizations are part of the United Front Work Department,<sup>24</sup> the primary government agency charged with influence operations, which includes the China Council for the Promotion of Peaceful National Reunification and the Overseas Chinese Affairs Office of the State Council. A recent report estimates that the United Front system spends at least \$1.4 billion annually on its influence efforts.<sup>25</sup> Other influence operations are also conducted by China's People's Liberation Army (PLA) through the China Association for International Friendly Contact,<sup>26</sup> the International Department of the Communist Party of China,<sup>27</sup> and the Chinese Ministry of Education through Confucius Institutes.

The United States, Europe, and other countries have only recently started to realize the challenges posed by the CCP and its influence. For example, the Dutch Government concluded that, "China has a variety of means at its disposal to achieve its strategic goals. Its pursuit of these goals could impact our own security."<sup>28</sup> The EU High Representative Josep Borrell has echoed these concerns about a China that "safeguard[s] its main interests in an unambiguous and unconditional manner."<sup>29</sup> These realizations echo those in the United States: "We opened our arms to Chinese citizens, only to see the Chinese Communist Party exploit our free and open society."<sup>30</sup> The threat posed by Beijing's influence operations is the slow and insidious corruption of our shared cultural, political, and economic institutions. We cannot tackle this threat individually. The Chinese government uses these operations to divide us internally and externally in an effort to prevent a cohesive response to its attempts to shape a more compliant international system favorable to the CCP. It is undeniable that the transatlantic relationship itself currently faces difficulties. But only together can free, open, and democratic nations protect ourselves and our alliance of democracies.

### ***The Challenge to Academic Freedom***

Academic freedom, diverse cultural and political thought, and encouragement of invention and creativity in the United States and Europe have driven a plethora of technological and scientific innovations throughout history. That the CCP has identified the edu-

<sup>23</sup> Grünberg, Nis and Katja Drinhausen. "The Party Leads on Everything." Mercator Institute for China Studies, 24 Sep. 2019, <https://merics.org/en/report/party-leads-everything>. And Bowe, Alexander. *China's Overseas United Front Work: Background and Implications for the United States*. U.S.-China Economic and Security Review Commission, 24 Aug. 2018, <https://bit.ly/3p48TcG>.

<sup>24</sup> Bowe, Alexander. *China's Overseas United Front Work Background and Implications for the United States*. U.S.-China Economic and Security Review Commission, 24 Aug. 2018, <https://bit.ly/3p48TcG>.

<sup>25</sup> Fedasiuk, Ryan. *Putting Money in the Party's Mouth: How China Mobilizes Funding for United Front Work*. The Jamestown Foundation, vol. 20, no. 16, 16 Sep. 2020, <https://bit.ly/38hRAPp>.

<sup>26</sup> Lulu, Jichang. "Decoding united front work from Australia to Europe." *Sinopsis*, 15 Jun. 2020, <https://sinopsis.cz/en/joske-uf-system/>.

<sup>27</sup> Hackenesch, Christine, and Julia Bader. "The Struggle for Minds and Influence: The Chinese Communist Party's Global Outreach." *Oxford Academic International Studies Quarterly*, vol. 64, Issue. 3, 09 Jun. 2020, p. 723-733, <https://academic.oup.com/isq/article/64/3/723/5855278>.

<sup>28</sup> *The Netherlands and China: a new balance*. Government of the Netherlands Ministry of Foreign Affairs, 15 May 2019, <https://bit.ly/2Icsarv>.

<sup>29</sup> Borrell, Josep Fontelles. *The Sinatra Doctrine. How the EU Should Deal with the US-China Competition*. Istituto Affari Internazionali, 24 Sep. 2020, <https://bit.ly/2TYqzYO>.

<sup>30</sup> Pompeo, Michael R., *Communist China and the Free World's Future*. U.S. Department of State, 23 Jul. 2020, <https://www.state.gov/communist-china-and-the-free-worlds-future/>.

cational institutions that foster these values as a target for influence and corruption should come as no surprise. China appears to have two central goals when attempting to influence academic institutions in other countries: first, to gain technological knowhow, either by participation or theft, and second, to suppress unwelcome criticism.

Several recent high-profile cases at universities and research institutions in both the United States and Europe have brought to the fore Beijing's use of Chinese and foreign scholars and researchers as instruments of espionage and influence. Last year, a Chinese professor at the Vrije Universiteit Brussel in Belgium was accused of supporting Chinese intelligence in Brussels. This professor served as the head of the school's Confucius Institute, educational centers that teach Chinese language and history run by a branch of the PRC Ministry of Education called Hanban.<sup>31</sup> Reports indicate that the university initially ignored the Belgian state security services' warnings of the security risk, but the university eventually closed the Confucius Institute.<sup>32</sup> In the United States, the Trump Administration closed the Chinese consulate in Houston, Texas, over concerns about espionage of key biomedical research from a local research institution and other technologies.<sup>33</sup> Moreover, the U.S. Justice Department exposed a network of researchers that had applied for U.S. visas without disclosing their ties to the PLA.<sup>34</sup> While we should not assume that all Chinese students and researchers are spying for Beijing, we must also acknowledge that such activities are more pervasive than previously thought. Our academic institutions should remain open and free, but they must also remain vigilant against efforts to exploit them by foreign militaries and intelligence agencies.

Through attempts to exercise financial leverage over academic intuitions that accept PRC funds and host Confucius Institutes and student associations, the CCP seeks to curtail academic freedom and push CCP propaganda. Substantial tuition payments from PRC students are a point of leverage that has been used to pressure universities.<sup>35</sup> Donations from the PRC government and PRC

<sup>31</sup> Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/38e3VUK>. And Epstein, Ethan. "How China Infiltrated U.S. Classrooms." *Politico Magazine*, 17 Jan. 2018, <https://www.politico.com/magazine/story/2018/01/16/how-china-infiltrated-us-classrooms-216327>.

<sup>32</sup> Galindo, Gabriela. "Brussels University to Close Chinese-Funded Institute after Espionage Accusations." *Brussels Times*, 11 Dec. 2019, [www.brusselstimes.com/belgium/83195/brussels-university-to-close-chinese-funded-institute-after-espionage-accusations-vub-confucius-institute/](http://www.brusselstimes.com/belgium/83195/brussels-university-to-close-chinese-funded-institute-after-espionage-accusations-vub-confucius-institute/). And Follorou, Jacques. "La Belgique Se Rebiffe Face Aux Espions Chinois." *Le Monde*, 15 May 2020, <https://bit.ly/38jpmT>.

<sup>33</sup> *Briefing With Senior U.S. Government Officials On the Closure of the Chinese Consulate in Houston, Texas*. U.S. Department of State, 24 Jul. 2020, <https://bit.ly/2lkrEIG>. And Brunnstrom, David, and Daphne Psadedakis. "Houston Consulate One of Worst Offenders in Chinese Espionage, Say U.S. Officials." *Reuters*, 24 Jul. 2020, [www.reuters.com/article/us-usa-china-consulate-houston/houston-consulate-one-of-worst-offenders-in-chinese-espionage-say-u-s-officials-idUSKCN24P1XT](http://www.reuters.com/article/us-usa-china-consulate-houston/houston-consulate-one-of-worst-offenders-in-chinese-espionage-say-u-s-officials-idUSKCN24P1XT). And *Chinese Attempts to Illegally Transfer U.S. Technologies - Syntactic Foam Case Study*. U.S. Department of Justice, 2020, p. 1-4, <https://bit.ly/3lgtuY>.

<sup>34</sup> "Researchers Charged with Visa Fraud After Lying About Their Work for China's People's Liberation Army." U.S. Department of Justice Office of Public Affairs, 23 Jul. 2020, <https://bit.ly/3k1kq8J>.

<sup>35</sup> In 2014, Chinese students contributed about one-third of the tuition, fees, and living expenses of U.S. universities' international student population. According to the Institute of International Education, in the 2018/2019 academic year, China sent the most international students to the U.S. for the 10th straight year with 369,548 students. Barta, Patrick, et al. "How International Students Are Changing U.S. Colleges." *Wall Street Journal*, <https://bit.ly/3526CGR>. And

companies to academic institutions are rightfully facing increased scrutiny. Cambridge University's Jesus College came under heavy criticism in 2020 after a freedom-of-information request revealed it had accepted a £155,000 donation from Huawei and a £200,000 donation from the PRC government. Observers noted that a later study by the college on global communications reforms treated the Chinese telecoms giant favorably.<sup>36</sup> A 2019 report by the Permanent Subcommittee on Investigations of the Senate Committee on Homeland Security and Governmental Affairs found that the Office of Chinese Language Council International (known as Hanban) of the PRC Ministry of Education contributed more than \$113 million to 100 American schools that hosted Confucius Institutes at some point between 2012 and 2018, more than seven times the amount the schools reported to the government.<sup>37</sup> Citing this Senate report, the U.S. Department of Education launched an investigation in 2020 into donations to Harvard and Yale by foreign entities.<sup>38</sup>

Confucius Institutes have awakened U.S. and European governments and universities to the potential for campus organizations to curtail academic freedom and disseminate CCP propaganda. Many Confucius Institutes use opaque contracts and hiring policies with host institutions, maintain requirements to promote CCP propaganda, and include prohibitions on violating Chinese law.<sup>39</sup> Topics deemed sensitive by the CCP are targeted with censorship and controls, including Tibet, Tiananmen Square, and Falun Gong.<sup>40</sup> Even the North Atlantic Treaty Organization (NATO) has warned of Confucius Institutes' potential effect on "the sovereignty of foreign policy making, including public opinion and academic thinking that could influence policy making in favour of the PRC."<sup>41</sup> Realizing the risks to academic freedom posed by Confucius Institutes, many universities have begun to reconsider these arrangements. Sweden recently closed all Confucius Institutes,<sup>42</sup> and 54 U.S.-based Confucius Institutes have closed or are planning to do so.<sup>43</sup>

Chinese Students and Scholars Associations (CSSAs) provide another important avenue for PRC influence on university campuses.

---

"Number of International Students in the United States Hits All-Time High." Institute of International Education, 18 Nov. 2019, <https://bit.ly/2U3tfEI>. For a more detailed discussion of the use of tuition as a point of leverage, see: Lloyd-Damnjanovis, Anastasya. *A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education*. Wilson Center Kissinger Institute on China and the United States, Aug. 2018, <https://bit.ly/2I8Z4cy>.

<sup>36</sup> Fisher, Lucy. "Jesus college accepted £155,000 contribution from Huawei." *The Times*, 10 Jul. 2020, <https://www.thetimes.co.uk/article/jesus-college-accepted-155-000-contribution-from-huawei-53rr7qmc>. And Holl-Allen, Genevieve, 10 Jul. 2020. "Jesus College under fire for accepting donations from Huawei." *Cambridge Tab*, <https://thetab.com/uk/cambridge/2020/07/10/jesus-college-under-fire-for-accepting-donations-from-huawei-139444>.

<sup>37</sup> *China's Impact on the U.S. Education System*. U.S. Senate Committee on Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations, 28 Feb. 2019, <https://bit.ly/31fZfw>.

<sup>38</sup> "U.S. Department of Education Launches Investigation into Foreign Gifts Reporting at Ivy League Universities." U.S. Department of Education, 12 Feb. 2020, <https://bit.ly/317eW1>.

<sup>39</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>. And Schrader, Matt. *Friends and Enemies: A Framework for Understanding Chinese Political Interference in Democratic Countries*. German Marshall Fund Alliance for Securing Democracy, 22 Apr. 2020, <https://bit.ly/3p1viHw>.

<sup>40</sup> Sahllins, Marshall. "China U." *The Nation*, 30 Oct. 2013, <https://bit.ly/3p0tj6t>.

<sup>41</sup> *Hybrid Threats: Confucius Institutes*. NATO Stratcom Centre of Excellence, <https://www.stratcomcoe.org/hybrid-threats-confucius-institutes>.

<sup>42</sup> Flittner, Sofia. "Sweden has closed all Confucius Institutes and Classrooms." *ScandAsia*, 20 May 2020, <https://scandasia.com/sweden-has-closed-all-confucius-institutes-and-classrooms/>.

<sup>43</sup> "How Many Confucius Institutes Are in the United States?" National Association of Scholars, 08 Sep. 2020, <https://bit.ly/355n3SX>.

CSSA exploitation of Chinese students abroad is particularly disturbing. The Chinese government forces students into advancing its agenda through pressure, monitoring, and persecution of their families back in China.<sup>44</sup> CSSAs receive guidance from PRC embassies and consulates which, in turn, report to the Ministry of Foreign Affairs.<sup>45</sup> In 2018, at least 142 CSSAs chapters were operating in the United States.<sup>46</sup> In 2011, the Georgetown University CSSA revealed that it received approximately half of its budget from the Chinese government;<sup>47</sup> it is likely many other CSSAs have a similar arrangement. These CSSAs often work to suppress speech viewed as anti-China. At the U.K.'s Durham University, the CSSA lodged a complaint against the debate society for inviting a Falun Gong practitioner to speak at an event.<sup>48</sup> At the University of California San Diego, the CSSA protested the university's invitation to the Dalai Lama to speak at its commencement and publicly disclosed its coordination on the matter with the Chinese consulate in Los Angeles.<sup>49</sup>

Moreover, students with PRC citizenship attending foreign universities are often nervous or unwilling to participate in activities that could be interpreted as critical of the CCP for fear of the PRC's extraterritorial system of surveillance and harassment. A Chinese student studying at the University of Minnesota refused to comment on a movie critical of the PRC "because we don't know who might be listening to us."<sup>50</sup> Not only does the PRC keep tabs on Chinese students at foreign universities, but it harasses and surveils their families back in China.<sup>51</sup> The family of a Chinese student studying in Australia, who controls a CCP-critical Twitter account, was summoned by PRC police for questioning on multiple occasions in an attempt to coerce the student's compliance.<sup>52</sup>

The harm to academic freedom presented by such systematic efforts by the CCP to restrict free and open expression is extensive. The Netherlands' Clingendael Institute found that:

*China's political influence in higher education and science in the Netherlands has two broad consequences: it negatively affects China knowledge in the Netherlands, and it*

<sup>44</sup> Saul, Stephanie. "On Campuses Far From China, Still Under Beijing's Watchful Eye." *New York Times*, 04 May 2017, <https://nyti.ms/2U3cAAU>. And Craymer, Lucy. "China's National-Security Law Reaches Into Harvard, Princeton Classrooms." *Wall Street Journal*, 19 Aug. 2020, <https://on.wsj.com/32jBrVV>.

<sup>45</sup> *China's Overseas United Front Work: Background and Implications for the United States*. U.S.-China Economic and Security Review Commission, 24 Aug. 2018, <https://bit.ly/31ifeDf>.

<sup>46</sup> *Ibid.*

<sup>47</sup> Allen-Ebrahimian, Bethany. "Chinese Government Gave Money to Georgetown Chinese Student Group." *Foreign Policy*, 14 Feb. 2018, <https://foreignpolicy.com/2018/02/14/exclusive-chinese-government-gave-money-to-georgetown-chinese-student-group-washington-china-communist-party-influence/>.

<sup>48</sup> Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/38e3VUK>.

<sup>49</sup> "Chinese student organizations denounce Dalai Lama as commencement speaker." *Triton*, 03 Feb. 2017, <https://triton.news/2017/02/chinese-student-organizations-denounce-dalai-lama-commencement-speaker/>. And Redden, Elizabeth. "Chinese Students vs. Dalai Lama." *Inside Higher Ed*, 16 Feb. 2017, <https://bit.ly/32iDx8c>.

<sup>50</sup> Lloyd-Damjanovis, Anastasya. *A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education*. Wilson Center Kissinger Institute on China and the United States, Aug. 2018, <https://bit.ly/2I8Z4cy>.

<sup>51</sup> *Ibid.*

<sup>52</sup> Chou, Shih-Wei and Xiao Yu. "China Tries to Muffle Those Living Abroad by Intimidating their Families." *Voice of America*, 09 Jul. 2020, <https://www.voanews.com/east-asia-pacific/china-tries-muffle-those-living-abroad-intimidating-their-families>.

*negatively influences the quality of China research, as well as research in other areas that is (partly) conducted in or with China.*<sup>53</sup>

In some cases, the universities themselves may be facilitating censorship on their own campuses.<sup>54</sup> Schools and universities struggling with funding are particularly vulnerable, including those in Central and Eastern Europe.<sup>55</sup> Individual institutions, states, national governments, and the transatlantic community must work together to combat these attempts by the PRC to influence our education systems to promote its political objectives.

### **Media and Film**

At the National Meeting on Ideology and Propaganda in 2018, General Secretary Xi said, “We will improve our ability to engage in international communication so as to tell China’s stories well, make the voice of China heard, and present a true, multi-dimensional, and panoramic view of China to the world.”<sup>56</sup> In Xi’s China, only the Party decides if a story is told “well” and “true.” For that, Beijing needs a supportive and compliant media atmosphere, rather than the democratic model of independent, watchdog journalism and a culture of free and open expression. As China’s Ambassador to Sweden, Gui Congyou put it, “the role of the media is to play a positive part...they should spread friendship, kindness, solidarity, and cooperation, instead of inciting hostility or hatred.”<sup>57</sup> To the PRC, “spreading friendship, kindness, and solidarity” allows for no discussion, dissent, or criticism of the Party or of Chinese history. To put this into practice, Beijing deploys an ever-expanding PRC state media system around the globe, leverages its financial power to coopt Western media, conducts aggressive diplomacy through social media outlets banned in China, and spreads disinformation to deflect and manipulate the truth.

Chinese state media entities span radio, television, social media, and print journalism, and have increasingly become a part of the Western media ecosystem. As an example of the breadth of this expansion, between 2009 and 2018, state-directed newspaper *Xinhua News* expanded from 120 to 200 bureaus worldwide reporting in seven languages.<sup>58</sup> China Global Television Network (CGTN)

<sup>53</sup> (quote translated) d’Hooghe, Ingrid, and Brigitte Dekker. “China’s invloed op onderwijs in Nederland.” *Clingendael Magazine*, 03 Jul. 2020, <https://www.clingendael.org/publication/chinas-invloed-op-onderwijs-nederland>.

<sup>54</sup> Wilby, Peter. “Academic freedom is precious—so why have UK universities sold out to China?” *The Guardian*, 11 Aug. 2020, <https://bit.ly/3exbYgq>. And Lloyd-Damnjanovis, Anastasya. *A Preliminary Study of PRC Political Influence and Interference Activities in American Higher Education*. Wilson Center Kissinger Institute on China and the United States, Aug. 2018, <https://www.wilsoncenter.org/sites/default/files/media/documents/publication/prc-political-influence-full-report.pdf>.

<sup>55</sup> Karaskova, Ivana. “Countering China’s Influence Campaigns at European Universities.” *The Diplomat*, 22 Feb. 2020, <https://bit.ly/2l8Z4cy>.

<sup>56</sup> Bo, Xiang. “Xi calls for better fulfilling missions of publicity work.” *Xinhua News*, 22 Aug. 2018, <https://bit.ly/366yNU5>.

<sup>57</sup> *Ambassador Gui Congyou Gives Interview with SVT on the Role of Media and Swedish Media’s Reporting on China*. Embassy of the People’s Republic of China in Sweden, 17 Jan. 2020, <http://www.chinaembassy.se/eng/sgxw/t1733543.htm>.

<sup>58</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>. And Stone Fish, Isaac. “Is China’s Xinhua the Future of Journalism?” *Newsweek*, 03 Sep. 2010, <https://www.newsweek.com/chinas-xinhua-future-journalism-71961>.

opened a London office in 2019,<sup>59</sup> but it already faces a possible ban on U.K. airwaves for airing forced confessions.<sup>60</sup> CGTN is reportedly considering opening a Brussels headquarters, as well.<sup>61</sup> PRC state-run news outlets advance PRC government messages through paid inserts in newspapers and magazines that are hard to distinguish from legitimate news publications. *China Daily* is, or has been, distributed inside *The Washington Post*, *The Wall Street Journal*, and the *Des Moines Register*, as well as European outlets like the U.K.'s *Telegraph* and Spain's *El País*.<sup>62</sup> Not only does this mislead news consumers, but the enormous revenue injections could provide the CCP with future leverage over outlets that become reliant on such payments. Some, like the *Daily Telegraph*, stopped publishing CCP-paid content, but in a difficult media environment, many outlets are unable to refuse the revenue.<sup>63</sup>

Moreover, unlike the nearly unfettered access granted to PRC media in the United States, Europe, and elsewhere, the PRC's media environment is highly restrictive. According to the Foreign Correspondents' Club of China, the *New York Times*, *Reuters*, *The Wall Street Journal*, *Le Monde*, *Der Spiegel*, *BBC*, and *The Economist*, among many others, are blocked in China.<sup>64</sup> In September 2020, the U.S. Department of State released a scathing statement on this inequity, after *The People's Daily* refused to publish an op-ed by U.S. Ambassador to China Terry Branstad, despite the Chinese Ambassador to the United States Cui Tiankai having published five op-eds in American outlets in 2020.<sup>65</sup>

Finally, PRC authorities' use of visa renewals, denials, and travel restrictions within China to punish negative media coverage and curtail journalists' freedom of movement is long-standing.<sup>66</sup> In 2015, a China-based French journalist for *L'Obs* was refused a visa renewal after she published an article questioning whether China's expression of solidarity with France after the Paris terrorist attacks was a way to gain international sympathy for the CCP's campaign against Uyghurs on terrorist grounds.<sup>67</sup>

PRC government officials have also become more aggressive in their use of social media through "wolf warrior" diplomacy and

<sup>59</sup> Nilsson, Patricia. "China's state broadcaster set for UK launch." *Financial Times*, 28 Aug. 2019, <https://www.ft.com/content/71d0e972-c998-11e9-a1f4-3669401ba76f>.

<sup>60</sup> Hern, Alex. "UK-based Chinese news network CGTN faces possible ban." *The Guardian*, 06 Jul. 2020, <https://www.theguardian.com/media/2020/jul/06/uk-based-chinese-news-network-cgtn-faces-possible-ban>.

<sup>61</sup> Parrock, Jack. "Voice of China's European ambitions." *Politico*, 08 Sep. 2020, <https://www.politico.eu/article/china-europe-media-voice-ambitions-global-television-news-cgtn-global-television-news/>.

<sup>62</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>. And Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/38e3VUK>.

<sup>63</sup> Waterson, Jim and Dean Sterling Jones. "Daily Telegraph stops publishing section paid for by China." *The Guardian*, 14 Apr. 2020, <https://www.theguardian.com/media/2020/apr/14/daily-telegraph-stops-publishing-section-paid-for-by-china>.

<sup>64</sup> "FCCC Statement on the Blocking of Foreign News Websites in China." Foreign Correspondents' Club of China, 22 Oct. 2019, <https://bit.ly/2JKU4vp>.

<sup>65</sup> Pompeo, Michael R. *The Hypocrisy of the PRC's Propaganda System*. U.S. Department of State, 09 Sep. 2020, <https://www.state.gov/the-hypocrisy-of-the-prcs-propaganda-system/>.

<sup>66</sup> "China Delays Approving Press Credentials for Foreign Reporters in Media Standoff." *Wall Street Journal*, 07 Sep. 2020, [www.wsj.com/articles/china-delays-approving-press-credentials-for-foreign-reporters-in-media-standoff-11599401714](https://www.wsj.com/articles/china-delays-approving-press-credentials-for-foreign-reporters-in-media-standoff-11599401714).

<sup>67</sup> *Darkened Screen: Constraints on Foreign Journalists in China*. PEN America, 22 Sep. 2016, <https://bit.ly/3ezQsaR>.

global disinformation campaigns during the COVID-19 pandemic.<sup>68</sup> Coined by Chinese state media and named for two action movies in which the Chinese military conquers American forces, “wolf warrior” diplomacy describes the new ethos of Chinese diplomats, a more aggressive push of CCP messaging through various mediums.<sup>69</sup> PRC government officials use social media like Twitter and Facebook—still blocked in China—to suppress the undesirable, amplify the positive, and spread disinformation.<sup>70</sup> PRC diplomats’ Twitter use dramatically increased in response to the COVID-19 crisis to amplify its “mask diplomacy” charm offensive,<sup>71</sup> flood the internet with the disinformation about the virus’ origin,<sup>72</sup> and rebut any criticism of how the CCP’s handling of the outbreak harmed the global response. Moreover, PRC diplomats engaged in a reportedly successful pressure campaign to force the European Union to water down its finding about the PRC’s peddling of COVID-19 disinformation.<sup>73</sup> However, the production and issuance of a joint communication on tackling COVID-19 disinformation did signify progress, representing the first time that the European Commission publically accused China of spreading disinformation.<sup>74</sup>

These aggressive “wolf warrior” tactics appear to have largely backfired.<sup>75</sup> For instance, the French Foreign Ministry summoned the Chinese Ambassador after Chinese diplomats claimed France

<sup>68</sup>“China’s ‘Wolf Warrior’ diplomacy gamble.” *The Economist*, 28 May 2020, <https://www.economist.com/china/2020/05/28/chinas-wolf-warrior-diplomacy-gamble>. And Palmer, James. “Why Chinese Embassies Have Embraced Aggressive Diplomacy.” *Foreign Policy*, 15 Apr. 2020, <https://foreignpolicy.com/2020/04/15/chinese-embassies-embrace-aggressive-diplomacy-coronavirus-pandemic-misinformation/>.

<sup>69</sup>Wong, Chun Han and Chao Deng. “China’s ‘Wolf Warrior’ Diplomats Are Ready to Fight.” *Wall Street Journal*, 19 May 2020, <https://www.wsj.com/articles/chinas-wolf-warrior-diplomats-are-ready-to-fight-11589896722>. And Dettmer, Jamie. “China’s ‘Wolf Warrior’ Diplomacy Prompts International Backlash.” *Voice of America*, 06 May 2020, <https://bit.ly/3mZRfor>.

<sup>70</sup>“Propaganda beyond the Great Firewall.” Mercator Institute for China Studies, 05 Dec. 2019, <https://merics.org/en/graphic/propaganda-beyond-great-firewall>. And Feng, Zhaoyin. “China and Twitter: The year China got louder on social media.” *BBC News*, 29 Dec. 2019, <https://www.bbc.com/news/world-asia-china-50832915>. And Scott, Mark. “Chinese diplomacy ramps up social media offensive in COVID-19 info war.” *Politico*, 29 Apr. 2020, <https://www.politico.eu/article/china-disinformation-covid19-coronavirus/>.

<sup>71</sup>“Mask diplomacy” is the PRC’s effort to deflect from its poor handling of the COVID-19 outbreak in Wuhan, China through Chinese medical aid sent to suffering countries, some donated and some sold, followed by amplification of the generosity of these shipments in traditional and social media. For more information, see: Soula, Etienne, et al. *Masks Off: Chinese Coronavirus Assistance in Europe*. German Marshall Fund, 02 Jul. 2020, <https://bit.ly/3k7hrvu>. And Hornung, Jeffrey W. “Don’t Be Fooled by China’s Mask Diplomacy.” *RAND Blog*, RAND Corporation, 05 May 2020, <https://www.rand.org/blog/2020/05/dont-be-fooled-by-chinas-mask-diplomacy.html>.

<sup>72</sup>Gilbert, David. “China’s Been Flooding Facebook With Shady Ads Blaming Trump for the Coronavirus Crisis.” *Vice News*, 06 Apr. 2020, <https://bit.ly/3l5NY6L>.

<sup>73</sup>Peel, Michael, and Tom Mitchell. “China warned EU 3 times over virus propaganda report.” *Financial Times*, 26 Apr. 2020, <https://www.ft.com/content/a2f66f6a-50cb-46fe-a160-3854e4702f1c>. And Van Dorpe, Simon, et al. “China put pressure on EU to soften coronavirus disinformation report.” *Politico*, 25 Apr. 2020, <https://www.politico.eu/article/china-put-pressure-on-eu-to-soften-coronavirus-disinformation-report/>. And “EEAS Special Report Update: Short Assessment of Narratives and Disinformation Around the COVID-19 Pandemic (Update 2-22 April).” EU vs Disinfo, 24 Apr. 2020, <https://euvsdisinfo.eu/eeas-special-report-update-2-22-april/>.

<sup>74</sup>“Joint Communication To The European Parliament, The European Council, The Council, The European Economic And Social Committee And The Committee Of The Regions: Tackling COVID-19 disinformation - Getting the facts right.” European Commission, 06 Oct. 2020, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020JC0008&from=EN>. And Scott, Mark, et al. “European Commission accuses China of peddling disinformation.” *Politico*, 10 Jun. 2020, <https://www.politico.eu/article/european-commission-disinformation-china-coronavirus/>.

<sup>75</sup>Myers, Steven Lee. “China’s Aggressive Diplomacy Weakens Xi Jinping’s Global Standing.” *New York Times*, 17 Apr. 2020, <https://www.nytimes.com/2020/04/17/world/asia/coronavirus-china-xi-jinping.html>. And Shih, Gerry. “China’s bid to repair its coronavirus-hit image is backfiring in the West.” *Washington Post*, 14 Apr. 2020, <https://wapo.st/32kK3eC>.



negligently allowed its elderly to die of COVID-19.<sup>76</sup> European public attitudes toward China are hardening,<sup>77</sup> and the EU approach toward China is stiffening.<sup>78</sup> Negative views of China reached historic highs in Australia, Canada, Germany, the Netherlands, South Korea, Spain, Sweden, the United Kingdom, and the United States, according to recent Pew polling.<sup>79</sup> COVID-19 is not the only cause of this shift, but it certainly is an accelerant.

Finally, there is increasing concern over PRC-directed control and censorship of the film industry, executed through editorial changes demanded by the CCP, purchases of theater and production companies by PRC companies, and visa denials to directors, actors, and others critical of PRC policies.<sup>80</sup> Free-speech watchdog PEN America released a report entitled “Made in Hollywood, Censored by Beijing,” in which it describes how Hollywood has almost completely acquiesced to the CCP’s censorship demands, through production modifications or anticipatory self-censorship.<sup>81</sup> In a particularly egregious example, the 2013 film *World War Z*, originally a novel about a zombie outbreak caused by a virus released in China, was deliberately changed from the original plotline so that the virus originated elsewhere.<sup>82</sup> The French and British film industries experience similar censorship demands.<sup>83</sup> The live-action remake of Disney’s *Mulan* received widespread criticism after it was revealed that Disney filmed part of the movie in Xinjiang province, the location of Uyghur reeducation camps, and thanked CCP propaganda and security departments for their assistance.<sup>84</sup> Of course, media coverage of this controversy was censored within China.<sup>85</sup>

CCP censorship of the film industry not only prevents Chinese people from seeing diverse stories and ideas, but often imposes censorship on the rest of the world. Hollywood sometimes makes a PRC-approved version or simply declines to move forward with

<sup>76</sup>Wintour, Patrick. “France summons Chinese envoy after coronavirus ‘slur.’” *The Guardian*, 15 Apr. 2020, <https://www.theguardian.com/world/2020/apr/15/france-summons-chinese-envoy-after-coronavirus-slur>.

<sup>77</sup>Oertel, Janka. “China, Europe, and covid-19 headwinds.” *European Council on Foreign Relations*, 20 Jul. 2020, <https://bit.ly/3mTsbIW>. And Silver, Laura, et al. “People around the globe are divided in their opinions of China.” *FactTank*, Pew Research Center, 05 Dec. 2019, <https://pewrsr.ch/2I5usZQ>.

<sup>78</sup>Oertel, Janka. “The new China consensus: How Europe is growing wary of Beijing.” *European Council on Foreign Relations*, 07 Sep. 2020, <https://bit.ly/3p71efY>.

<sup>79</sup>Silver, Laura, et al. *Unfavorable Views of China Reach Historic Highs in Many Countries*. Pew Research Center, 06 Oct. 2020, <https://www.pewresearch.org/global/2020/10/06/unfavorable-views-of-china-reach-historic-highs-in-many-countries/>.

<sup>80</sup>Forsythe, Michael. “Dalian Wanda of China Buys Legendary Entertainment for Up to \$3.5 Billion.” *New York Times*, 12 Jan. 2016, <https://nyti.ms/38hX9xh>. And Schwartzel, Erich. “Wanda’s AMC to Buy European Theater Chain.” *Wall Street Journal*, 12 Jul. 2016, <https://on.wsj.com/32nrUgi>. And “China’s Dalian Wanda buys Australian cinema chain Hoyts.” *Reuters*, 02 Jun. 2015, <https://reut.rs/2GByQyX>.

<sup>81</sup>Tager, James. “Made in Hollywood, Censored by Beijing.” *PEN America*, <https://pen.org/report/made-in-hollywood-censored-by-beijing/>.

<sup>82</sup>*Ibid.*

<sup>83</sup>Tsui, Clarence. “In search of Chinese box office success, French filmmakers face censorship and erratic regulation.” *South China Morning Post*, 29 Mar. 2018, <https://bit.ly/3p3quBx>. And Chan, Hiu Man. “A New Era of Sino-British Film Collaboration.” *ChinaFilmInsider*, 14 Jan. 2019, <http://chinafilminsider.com/a-new-era-of-sino-british-film-collaboration/>.

<sup>84</sup>Dou, Eva. “Disney’s ‘Mulan’ faces criticism for filming in China’s Xinjiang region.” *Washington Post*, 08 Sep. 2020, <https://wapo.st/36cNLYV>.

<sup>85</sup>“Exclusive: China bars media coverage of Disney’s ‘Mulan’ after Xinjiang backlash—sources.” *Reuters*, 10 Sep. 2020, <https://reut.rs/3mX6HSk>.

films that might run afoul of CCP censorship.<sup>86</sup> Just as in the film and media industries, the PRC uses its massive market to coerce compliance with censorship and surveillance requirements from foreign artists.<sup>87</sup> One well known Hollywood director, Judd Apatow, summed up this phenomenon succinctly, “Instead of us doing business with China and that leading to China becoming more free, what has happened is a place like China has bought our silence with their money.”<sup>88</sup>

The EU-China 2020 Strategic Agenda for Cooperation aims to “promote exchanges and cooperation between the European Union and China in the fields of press, publication, radio, film and television.”<sup>89</sup> Yet it is clear, China’s authoritarian system uses the media to promote propaganda and disinformation, as well as to enforce censorship and deny reciprocity. Democratic societies that value free and independent media and journalism as a pillar of democracy must proceed cautiously and stand together in combatting the CCP’s media strategy to ensure our citizens’ ability to obtain information in a free and transparent manner.

### ***Chinese Communist Party and Political Influence***

China’s expansive network of organizations built to influence Western politicians and thought leaders at the local and national level has significant consequences for U.S. and European foreign policy. The goal of this influence is threefold: maintain and grow its economic advantage, control the narrative on PRC policies, and reshape the international system so that it accedes to China’s authoritarian model.

#### *Local and National Leaders*

The CCP has realized that to reach its goals it must influence past, current, and future leaders. Party-to-party engagement between foreign political parties and the International Department of the Communist Party of China (ID-CPC) seeks to create links and relationships between the CCP and lawmakers outside traditional channels.<sup>90</sup> The ID-CPC has focused on Asia, Europe, and Africa, pushes positive messages of China, and exports its authoritarian model to foreign political leaders.<sup>91</sup> To influence the U.S. Congress, the PRC funds trips for approximately 200 Congressional staff per year under the Mutual Educational and Cultural Exchange Act.<sup>92</sup> While many foreign governments conduct similar trips, the scale of these trips and the network of PRC-funded organizations that conduct them is far beyond any other country. In addition, the PRC

<sup>86</sup>Tager, James. “Made in Hollywood, Censored by Beijing.” *PEN America*, <https://pen.org/report/made-in-hollywood-censored-by-beijing/>.

<sup>87</sup>Cutchin, James. “How U.S. video game companies are building tools for China’s surveillance state.” *Los Angeles Times*, 22 Jul. 2019, <https://lat.ms/3l5Ggcx>. And Olesen, Alexa. *Censorship and Conscience: Foreign Authors and the Challenge of Chinese Censorship*. PEN America Center, 20 May 2015, <https://bit.ly/3mXufXi>.

<sup>88</sup>Feldman, Josh. “Judd Apatow Calls Out ‘Chilling’ Hollywood Censorship: ‘China Has Bought Our Silence.’” *Mediaite*, 14 Sep. 2020, <https://www.mediaite.com/tv/judd-apatow-calls-out-chilling-hollywood-censorship-china-has-bought-our-silence/>.

<sup>89</sup>*EU-China 2020 Strategic Agenda for Cooperation*. European External Action Service, 2020, <https://bit.ly/3evEM9a>.

<sup>90</sup>Hackenesch, Christine and Julia Bader. “The Struggle for Minds and Influence: The Chinese Communist Party’s Global Outreach.” *International Studies Quarterly*, vol. 64, no. 3, 2020, p. 723-733, <https://bit.ly/2UeOAv3>.

<sup>91</sup>*Ibid.*

<sup>92</sup>Congressional Research Service.

has increased embassy personnel charged with legislative affairs to help manage its image and lobby against legislation that criticizes the CCP.<sup>93</sup>

At the local level, the PRC emphasizes the Sister Cities program, most recently to support its “One Belt, One Road” (OBOR) initiative.<sup>94</sup> According to *China Daily*, the number of U.S.-China sister cities nearly doubled between 2005 and 2015, from 88 to 164,<sup>95</sup> and in 2019 China had sister city relationships with 2,629 cities around the world.<sup>96</sup> Research has found that “city twinning” had an impact on entrepreneurial collaborations between U.K. and Chinese cities, with data showing increased exports from China to the United Kingdom.<sup>97</sup> The CCP uses these arrangements as a mechanism to increase adherence by local governments to the CCP’s “One-China Principle” and preclude these cities from engaging with Taiwan.<sup>98</sup> Shanghai canceled its sister city agreement with the Czech capital of Prague after the Prague City Council supported a sister city agreement with Taipei, Taiwan.<sup>100</sup>

Beijing also enlists former politicians and the business community as agents of influence. Two former British Prime Ministers, a former German Vice Chancellor, and former French Prime Minister now hold senior positions at PRC companies and foundations.<sup>101</sup> One former British Prime Minister’s position with the U.K.-China Fund, an investment fund supporting OBOR, has raised concerns that China is using him to gain access to U.K. expertise and financial markets.<sup>102</sup> In the United States, the Trump Administration’s

<sup>93</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>.

<sup>94</sup> Timsit, Annabelle. “The surprisingly vital role sister cities play in Chinese diplomacy.” *Quartz*, 01 May 2020, <https://qz.com/1846303/sister-cities-play-surprisingly-vital-role-in-eu-chinese-relations/>. And Li Jing. “Sister city relations promote cooperation.” *China Daily*, 26 Apr. 2019, <https://bit.ly/38mMWQ2>.

<sup>95</sup> “Sister Cities: Siblings’ relations are changing.” *China Daily*, 06 Nov. 2015, <https://bit.ly/32kBD7c>.

<sup>96</sup> Li, Jing. “Sister city relations promote cooperation.” *China Daily*, 26 Apr. 2019, <https://bit.ly/38mMWQ2>.

<sup>97</sup> Acuto, Michele, et al. *‘City Diplomacy’ and Twinning: Lessons from the UK, China and Globally*. Government of the UK Office for Science, 2016, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/545780/gs-16-13-future-of-cities-diplomacy-uk-china-twinning.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/545780/gs-16-13-future-of-cities-diplomacy-uk-china-twinning.pdf).

<sup>98</sup> The “One-China Principle” is the policy of the Government of the People’s Republic of China (PRC) which states that “Taiwan is an alienable part of China.” This is separate and distinct from the United States “One China Policy,” which recognizes “the Government of the People’s Republic of China as the sole legal government of China, acknowledging the Chinese position that there is but one China and Taiwan is part of China.” Despite this acknowledgement of the PRC’s position, the United States does not assert, as the PRC does, that the PRC has sovereignty over Taiwan. See “White Paper—The One-China Principle and the Taiwan Issue.” The Taiwan Affairs Office and The Information Office of the State Council, 21 Feb. 2000, <https://www.fmprc.gov.cn/ce/ceno/eng/ztxw/twwt/t110655.htm>. And “U.S. Relations With Taiwan Bilateral Relations Fact Sheet.” U.S. Department of State, 31 Aug. 2018, <https://www.state.gov/u-s-relations-with-taiwan/>.

<sup>99</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>.

<sup>100</sup> Simalčík, Matej and Adam Kalivoda. “Sister-City Relations and Identity Politics: The Case of Prague, Beijing, Taipei, and Shanghai.” *China Observers in Central and Eastern Europe*, 03 Mar. 2020, <https://chinaobservers.eu/sister-city-relations-and-identity-politics-the-case-of-prague-beijing-taipei-and-shanghai/>.

<sup>101</sup> Benner, Thorsten, et al. *Authoritarian Advance: Responding to China’s Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/38e3VUK>.

<sup>102</sup> Pickard, Jim, and Sebastian Payne. “David Cameron pushes ahead with troubled \$1bn China fund.” *Financial Times*, 15 Jun. 2020, <https://www.ft.com/content/a0b3858e-4e92-4db2-83fd-a6550d0b1427>. And Maçães, Bruno. “David Cameron Didn’t Just Sell Out to China.” *Foreign Policy*, 20 Dec. 2017, <https://foreignpolicy.com/2017/12/20/david-cameron-didnt-just-sell-out-to-china/>.

ban on Chinese telecommunications firm ZTE was lifted after the company spent millions on lobbyists, including notable former U.S. senators with substantial national security experience and two former Trump campaign officials.<sup>103</sup> PRC tech giant Tencent recently hired as a lobbyist the former chairman of the U.S. House Foreign Affairs Committee, who previously authored several pieces of legislation aimed at pushing back on China.<sup>104</sup> In addition to paying for direct lobbying, Beijing uses business groups to connect with and influence politicians. In Europe, Luigi Gambardella, the founder of the China-EU Business Association, has been called “Brussels’ biggest Beijing booster.”<sup>105</sup> In 2015, he escorted Lu Wei, the architect of the Chinese government’s censorship crackdown, around Brussels, arranging a meeting with the EU’s digital commissioner who tweeted afterward that the two had agreed to deepen digital policy collaboration.<sup>106</sup>

The CCP has also turned to think tanks to deepen its influence in the United States and Europe.<sup>107</sup> The Chinese-U.S. Exchange Foundation, which is tied to the PRC government, provides grants to prominent American think tanks, such as Brookings, the Carnegie Endowment for International Peace, and the Asia Society.<sup>108</sup> The PRC has also created networking arrangements in Europe, such as the “16+1 think tank network” and eSilks, a think tank network aligned with OBOR.<sup>109</sup> In 2017, the Chinese Academy of Social Sciences, a government think tank, opened a branch in Budapest presumably as a reward for Hungary’s political cooperation and to influence future European debate on cooperation with China.<sup>110</sup> As a result of their connections to the Chinese government, think tanks may be significantly undermining their credibility as centers of independent expertise on China.<sup>111</sup>

### *Rewarding Friends*

Government-directed economic and cultural investments have produced positive political results for Beijing. In this regard, support from Greece and Hungary for PRC foreign policy objectives are well known and prominent examples. In one example, the year

<sup>103</sup> Meyer, Theodor. “Chinese companies spend big to fend off Trump.” *Politico*, 20 Jun. 2019, <https://politi.co/2U3EkFz>.

<sup>104</sup> Allen-Ebrahimian, Bethany. “Ed Royce, once an outspoken critic of Vietnam’s Communist Party, now lobbying for Tencent.” *Axios*, 15 Sep. 2020, <https://bit.ly/3n4BsoB>.

<sup>105</sup> “Follow the New Silk Road: China’s growing trail of think tanks and lobbyists in Europe.” Corporate Europe Observatory, 08 Apr. 2019, <https://corporateeurope.org/en/2019/04/follow-new-silk-road-chinas-growing-trail-think-tanks-and-lobbyists-europe>.

<sup>106</sup> Hirst, Nicholas. “Europe’s Mr. China.” *Politico*, 31 May 2017, <https://www.politico.eu/article/gambardella-is-radio-beijing/>. And Liu Jia, and Gao Shuang. “Digital Silk Road to span Eurasia.” *ChinaEU*, 10 Jul. 2015, <https://www.chinaeu.eu/digital-silk-road-to-span-eurasia/>.

<sup>107</sup> Benner, Thorsten, et al. *Authoritarian Advance: Responding to China’s Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/38e3VUK>. And “Follow the New Silk Road: China’s growing trail of think tanks and lobbyists in Europe.” Corporate Europe Observatory, 08 Apr. 2019, <https://bit.ly/2IgdQOM>.

<sup>108</sup> Diamond, Larry and Orville Schell. Chinese Influence and American Interests Promoting Constructive Vigilance. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/352CKu6>. And Allen-Ebrahimian, Bethany. “This Beijing-Linked Billionaire Is Funding Policy Research at Washington’s Most Influential Institutions.” *Foreign Policy*, 28 Nov. 2017, <https://bit.ly/3k5tud0>.

<sup>109</sup> Ha?la, Martin. “A New Invisible Hand: Authoritarian Corrosive Capital and the Repurposing of Democracy.” *Sharp Power and Democratic Resilience Series*, National Endowment for Democracy International Forum for Democratic Studies, Mar. 2020, <https://bit.ly/32uisYR>.

<sup>110</sup> “China launches ‘China-CEE Institute’ think tank in Hungary.” *Xinhua*, 25 Apr. 2017, <https://bit.ly/3k31kz7>.

<sup>111</sup> *Ibid.*

after the Chinese shipping giant COSCO bought a majority stake in Greece's largest port, Piraeus, Greece vetoed the European Union's statement at the UN condemning PRC human rights violations.<sup>112</sup> The year before, Greece was joined by Hungary, the first European country to participate in China's OBOR initiative, in insisting that the European Union water down its statement on the illegality of China's claims in the South China Sea.<sup>113</sup>

More attention is also being paid to the growing economic and political ties between Serbia and China over the past decade.<sup>114</sup> With the support of Serbian President Aleksander Vučić, Serbia has opened its doors to Chinese investment, including infrastructure, steel, and telecommunications.<sup>115</sup> In a 2016-2017 survey, Serbians ranked China second to Germany as "credible investors" in Serbia.<sup>116</sup> In a survey conducted during the COVID-19 pandemic, 40 percent of Serbians thought China was their country's largest donor,<sup>117</sup> when in fact the European Union is the largest, and China ranks fifteenth.<sup>118</sup> China has rewarded Serbia with investments in its economy and culture. The Basketball Federation of Serbia signed a cooperation agreement with the Chinese Basketball Association to develop basketball in China,<sup>119</sup> and 8,000 Chinese citizens virtually ran the Belgrade marathon "as a sign of friendship."<sup>120</sup> China is even planning to remake classic films from the Balkan region as a diplomatic nicety.<sup>121</sup>

In the EU-China Strategic Agenda for Cooperation, both parties agreed "to establish cultural centres" and to "boost long-term and stable cooperation between major cultural institutions and between important art festivals."<sup>122</sup> The PRC is establishing these culture centers around the globe, including in Sofia, Bulgaria,<sup>123</sup> Brussels,

<sup>112</sup> Emmot, Robin, and Angeliki Koutantou. "Greece blocks EU statement on China human rights at U.N." *Reuters*, 18 Jun. 2017, <https://www.reuters.com/article/us-eu-un-rights/greece-blocks-eu-statement-on-china-human-rights-at-u-n-idUSKBN1990FP>.

<sup>113</sup> Chung, Lawrence. "Hungary is first in Europe to sign up for China's New Silk Road plan." *South China Morning Post*, 07 Jun. 2015, <https://bit.ly/3k7f8c3>. And Norman, Laurence. "EU Issues South China Sea Statement Ending Discord Within Bloc." *Wall Street Journal*, 17 Jul. 2016, .

<sup>114</sup> Conley, Heather A. et al. *Becoming a Chinese Client State: The Case of Serbia*. Center for Strategic and International Studies, Sep. 2020, <https://bit.ly/3l75RSB>.

<sup>115</sup> Le Corre, Philippe, and Vuk Vuksanovic. "Serbia: China's Open Door to the Balkans." *The Diplomat*, 01 Jan. 2019, <https://thediplomat.com/2019/01/serbia-chinas-open-door-to-the-balkans/><sup>116</sup> *Ibid*.

<sup>117</sup> Velebit, Vuk. "China Has Overtaken Russia as Serbia's Great Ally." *Balkan Insight*, BIRN, 08 Jul. 2020, <https://bit.ly/355hLqD>.

<sup>118</sup> "Weekly: EU largest donor to Serbia, China holds 15th place, Russia below." *NI*, 27 Mar. 2020, <http://rs.n1info.com/English/NEWS/a582483/EU-largest-donor-to-Serbia.html>. And *EU Assistance to Serbia*. Delegation of the European Union to the Republic of Serbia, 2020, <https://bit.ly/3l7RiOq>.

<sup>119</sup> Tan, Kelvin. "Chinese and Serbian federations to sign basketball development MoU." *SportBusiness*, 14 Jan. 2020, .

<sup>120</sup> Todić, Maja. "Chinese run Belgrade virtual marathon." *NI*, 21 Apr. 2020, <http://rs.n1info.com/English/NEWS/a593616/Some-8-000-Chinese-run-Belgrade-virtual-marathon.html>.

<sup>121</sup> Davis, Rebecca. "China to Remake Classic Balkan Films as Part of Diplomatic Charm Offensive." *Variety*, 09 May 2019, <https://variety.com/2019/film/news/china-serbia-bosnia-bridge-sarajevo-1203209766/>.

<sup>122</sup> *EU-China 2020 Strategic Agenda for Cooperation*. European External Action Service, 2020, <https://bit.ly/3evEM9a>.

<sup>123</sup> "Largest Chinese cultural centre in Central and South-Eastern Europe opens in Bulgarian capital Sofia." *The Sofia Globe*, 23 Nov. 2017, <https://sofiaglobe.com/2017/11/23/largest-chinese-cultural-centre-in-central-and-south-eastern-europe-opens-in-bulgarian-capital-sofia2/>.

Belgium,<sup>124</sup> and Ames, Iowa,<sup>125</sup> with the motivation of bringing CCP messaging to local populations. However, the CCP recently blocked U.S. Ambassador Branstad from visiting an American culture center in China, which indicates that this cooperation is and will be far from reciprocal.<sup>126</sup>

### *Punishing Enemies*

“We treat our friends with fine wine, but for our enemies we got shotguns,” was the threat from Chinese Ambassador to Sweden Gui Congyou during recent tensions between the two countries.<sup>127</sup> Beijing has no qualms about pulling that “shotgun” on its enemies to chastise offending nations and deter others from making similar “mistakes.” The “shotgun” comes in the form of economic, diplomatic, or cultural intimidation, and often all three. The German Federal Ministry of the Interior, Building and Community acknowledged this in its 2019 Report on the Protection of the Constitution (Facts and Trends):

*Governmental, semi-governmental and private actors use well-connected German decision-makers and multipliers to lobby on behalf of Chinese interests. Chinese investment in Germany also creates economic dependencies that China can use as leverage to gain political concessions if necessary.*<sup>128</sup>

Over the past decade, the world has come to understand the reality of the PRC’s use of coercion to gain political concessions. Norway, Australia, and the Czech Republic have been particular targets of this coercion.<sup>129</sup> In the Czech Republic, Chinese investors stopped financing the Slavia Praha soccer team after Prague cancelled its sister city agreement over Beijing’s refusal to remove the “One-China Principle.”<sup>130</sup>

The very real threat of being frozen out of the PRC market is enough to force even the biggest companies to acquiesce.<sup>131</sup> In recent years, Marriott, Mercedes-Benz, Gap, Mattel, Apple, Delta Airlines, Versace, and many more companies have been forced to walk back or apologize for running afoul of the CCP orthodoxy.<sup>132</sup> Recent

<sup>124</sup> “Chinese cultural exhibitions held for two weeks in Brussels.” *China Daily*, 16 May 2019, <http://www.chinadaily.com.cn/a/201905/16/WS5cdcfbc2a3104842260bc083.html>.

<sup>125</sup> “In Memory of Governor Robert D. Ray 1928-2018.” Chinese Cultural Center of America, <http://www.cccaiowa.org/default.htm>.

<sup>126</sup> Perlez, Jane and Luz Ding. “China Thwarts U.S. Effort to Promote American Culture on Campuses.” *New York Times*, 30 Dec. 2018, <https://nyti.ms/32ngE3L>.

<sup>127</sup> “How Sweden copes with Chinese bullying.” *The Economist*, 20 Feb. 2020, <https://www.economist.com/europe/2020/02/20/how-sweden-cope-with-chinese-bullying>.

<sup>128</sup> *2019 Annual Report on the Protection of the Constitution (Facts and Trends)*. Federal Republic of Germany Ministry of the Interior, Building and Community, Bundesamt für Verfassungsschutz, Jul. 2020, <https://bit.ly/2U83EKx>.

<sup>129</sup> Propper, Eyal. *When Beijing Is Angry: China’s Punitive Reprisals when Its Interests are Harmed*. INSS Insight, no. 1377, The Institute for National Security Studies, 27 Aug. 2020, <https://www.inss.org.il/publication/china-punishments/>. And Kolstad, Ivar. “Too big to fault? Effects of the 2010 Nobel Peace Prize on Norwegian exports to China and foreign policy.” *International Political Science Review*, vol. 41(2), 2020, p. 207-223, <https://www.cmi.no/publications/6354-too-big-to-fault>. And Pannett, Rachel. “Australia Worries Coal Is China’s Next Target as Ties Fray.” *Wall Street Journal*, 14 Oct. 2020, <https://bit.ly/3k7gun9>.

<sup>130</sup> “China to stop financing Slavia Praha football club in the wake of Prague-Beijing dispute, says Czech President.” *CTK*, [expast.cz](https://expast.cz), 11 Oct. 2019, <https://bit.ly/3k6kn1P>.

<sup>131</sup> Spector, Mike, and Wayne Ma. “If You Want to Do Business in China, Mind Your T’s: Taiwan and Tibet.” *Wall Street Journal*, 03 Jun. 2018, <https://www.wsj.com/articles/if-you-want-to-do-business-in-china-mind-your-ts-taiwan-and-tibet-1527937201>.

<sup>132</sup> Ma, Wayne. “Gap Irks China With Map on Shirt, Quickly Apologizes.” *Wall Street Journal*, 15 May 2018, <https://on.wsj.com/2Ic3pMl>. And Casey, Nicholas. “Mattel Seeks to Placate China

high profile examples from the sports industry resonate broadly with the general population on both sides of the Atlantic, and demonstrate the PRC's leverage over important cultural institutions. In 2019, the general manager of the National Basketball Association's (NBA) Houston Rockets, Daryl Morey, tweeted support for Hong Kong democracy advocates, leading the PRC to suspend broadcasts of Rockets games immediately and Chinese companies to cancel endorsement deals.<sup>133</sup> Within days, Morey apologized,<sup>134</sup> the NBA commissioner issued a lukewarm statement,<sup>135</sup> and NBA superstar LeBron James lamented publicly that Morey "was not educated on the situation at hand."<sup>136</sup> The NBA is likely to lose hundreds of millions of dollars as a result of this situation.<sup>137</sup> That an organization like the NBA and its individual players, who openly advocate for free speech in the United States, would so quickly betray their principles to appease the CCP astounded many.<sup>138</sup>

Just two months later in the United Kingdom, Arsenal soccer star Mesut Ozil posted on social media about the horrific treatment of the Uyghurs by the CCP in Xinjiang.<sup>139</sup> In response, China pulled down TV coverage of the upcoming Arsenal game,<sup>140</sup> prompting the team to issue a statement on Chinese social media platform Weibo about "not involving itself in politics."<sup>141</sup> China is also punishing the Premier League over the U.K.'s support for Hong Kong and its decision to ban Huawei equipment from its telecommunications network.<sup>142</sup>

The most disturbing form of PRC coercion is not economic in nature, but rather "hostage diplomacy," or the targeting of citizens of

With Apology." *Wall Street Journal*, 22 Sep. 2007, <https://www.wsj.com/articles/SB119037171135935172>. And "Delta Air Lines apologizes after listing Taiwan, Tibet as countries on website." *Reuters*, 12 Jun. 2018, <https://reut.rs/3pfrl25>. And Wernau, Julie. "Geopolitical Faux Pas Prompts Foreign Brands to Apologize to China Consumers." *Wall Street Journal*, 13 Aug. 2019, <https://on.wsj.com/3p44vKy>. And "Statement from Arne Sorenson, President and CEO, Marriott International, Inc." News Center, Marriott International, 11 Jan. 2018, <https://bit.ly/38qMjVw>. And "Germany's Daimler issues 'full apology' to China over Dalai Lama." *BBC*, 08 Feb. 2018, <https://www.bbc.com/news/world-asia-china-42986679>.

<sup>133</sup> "A Timeline of the Complicated Controversy Between the NBA and China." *Complex*, 14 Oct. 2019, <https://bit.ly/2TZMf6K>.

<sup>134</sup> Morey, Daryl (dmorey). "1/ I did not intend my tweet to cause any offense to Rockets fans and friends of mine in China. I was merely voicing one thought, based on one interpretation, of one complicated event. I have had a lot of opportunity since that tweet to hear and consider other perspectives." 06 Oct. 2019, 8:18 PM. Tweet. <https://bit.ly/2IceZqO>.

<sup>135</sup> Charania, Shams (ShamsCharania). "Adam Silver has released statement on league's relationship status with China, reading in part: 'The NBA will not put itself in a position of regulating what players, employees and team owners say or will not say on these issues. We simply could not operate that way.'" 08 Oct. 2019, 5:13 AM. Tweet. <https://bit.ly/3ey67Yh>.

<sup>136</sup> Golliver, Ben (BenGolliver). "Lakers' LeBron James on NBA's China controversy: 'I don't want to get into a ... feud with Daryl Morey but I believe he wasn't educated on the situation at hand and he spoke.'" 14 Oct. 2019, 9:29 PM. Tweet. <https://bit.ly/2GBDKkI>.

<sup>137</sup> Young, Jabari. "NBA will lose hundreds of millions of dollars due to rift with China, commissioner says." *CNBC*, 16 Feb. 2020, <https://www.cnbc.com/2020/02/16/nba-will-lose-hundreds-of-millions-of-dollars-due-to-rift-with-china-commissioner-says.html>.

<sup>138</sup> Golliver, Ben. "NBA under fire from all directions after response to Rockets-China incident." *Washington Post*, 08 Oct. 2019, <https://www.washingtonpost.com/sports/2019/10/07/nba-under-fire-all-directions-after-response-rockets-china-incident/>. And Weiss, Bari. "The World's Wokest Sports League Bows to China." *New York Times*, 07 Oct. 2019, <https://nyti.ms/3k7a5Z8>.

<sup>139</sup> Ozil, Mesut (MesuzOzil1088). "#HayirliCumalarDoguTurkistan . . ." 13 Dec. 2019, 5:50 AM. Tweet. <https://twitter.com/mesuzozil1088/status/1205439723302469632?lang=en>.

<sup>140</sup> CNN, John Sinnott. "Chinese State Media Pulls TV Coverage of Arsenal Game after Mesut Ozil Shows Uyghur Support." *CNN*, 16 Dec. 2019, <https://cnn.it/2TYCaHk>.

<sup>141</sup> Ames, Nick. "Arsenal Distance Themselves from Mesut Ozil Comments on Uyghurs' Plight." *The Guardian*, 13 Dec. 2019, <https://bit.ly/2TY9LRT>.

<sup>142</sup> "China's State TV Demotes English Soccer Amid Spat With U.K." *Bloomberg*, 23 Jul. 2020, [www.bloomberg.com/news/articles/2020-07-23/china-state-tv-blacks-out-english-soccer-amid-spat-with-u-k](https://www.bloomberg.com/news/articles/2020-07-23/china-state-tv-blacks-out-english-soccer-amid-spat-with-u-k). And "CCTV's Premier League Broadcasts 'Demoted' amid Diplomatic Tension." *SportBusiness*, 23 Jul. 2020, [www.sportbusiness.com/news/cctv-cuts-premier-league-broadcasts-amid-diplomatic-tension/](https://www.sportbusiness.com/news/cctv-cuts-premier-league-broadcasts-amid-diplomatic-tension/).

other countries in retaliation against their governments.<sup>143</sup> In 2018, the PRC detained and imprisoned two innocent Canadian citizens and later indicted them for espionage, all in retaliation for Canada's arrest of Huawei's Chief Financial Officer in response to a lawful U.S. extradition request.<sup>144</sup> China likewise arrested two prominent Australians in 2020 as relations soured between the two countries.<sup>145</sup> The United Kingdom, United States, and Australia have recently issued travel advice to their citizens warning of possible arbitrary detentions in China.<sup>146</sup>

### **Democracies Respond**

The CCP's use of influence operations, as well as inducement and punishment of politicians, businesses, thought leaders, and citizens, makes clear its motivation to subvert the freedom and openness of democratic societies and silence critics who stand in its path. A former Australian Defence Department official described the consequences of the CCP's insidious behavior this way:

*The point for Australia is simply that, short of complete capitulation of our interests and values, there is nothing Canberra can do or say that will avoid China's criticism ... The lesson for Australia, and all democracies, is that making concessions to Beijing's wolf warrior behaviours will only encourage more coercion.*<sup>147</sup>

These influence operations blatantly undermine the principles of freedom of speech and the rule of law that are foundational to the world's democracies. Unfortunately, it has also created a system that incentivizes Westerners to favor short-term profits over long-term security and prosperity. However, democratic governments and politicians are beginning to stand up to PRC bullying and coercion.

- In the United States, senior administration officials have delivered a series of speeches on the threat of the CCP, including on forms of undue PRC influence that have gained little attention.<sup>148</sup> For example, Secretary Pompeo delivered an address to

<sup>143</sup> Bolton, John. "China's Hostage Diplomacy." *Wall Street Journal*, 07 Jul. 2020, [www.wsj.com/articles/chinas-hostage-diplomacy-11594140841](https://www.wsj.com/articles/chinas-hostage-diplomacy-11594140841).

<sup>144</sup> "Michael Kovrig and Michael Spavor: China charges Canadians with spying." BBC, 19 Jun. 2020, <https://www.bbc.com/news/world-asia-china-53104303>. Vikander, Tessa. "Canada Refuses to Release Emails with U.S. over Huawei Exec's Arrest." *Reuters*, 18 Aug. 2020, [www.reuters.com/article/us-usa-huawei-tech-canada/canada-refuses-to-release-emails-with-u-s-over-huawei-execs-arrest-idUSKCN25D13X](https://www.reuters.com/article/us-usa-huawei-tech-canada/canada-refuses-to-release-emails-with-u-s-over-huawei-execs-arrest-idUSKCN25D13X).

<sup>145</sup> Smyth, Jamie and Christian Shepherd. "Beijing detains Australian TV anchor working for Chinese state media." *Financial Times*, 31 Aug. 2020, <https://on.ft.com/2TZj1OH>.

<sup>146</sup> "Britain Warns Its Citizens of Risk of Arbitrary Detention in China." *Reuters*, 15 Sep. 2020, <https://reut.rs/38gyyZG>. And "US follows Australia and United Kingdom, issuing updated travel warning to citizens about travel to China." Australian Broadcasting Corporation News, 16 Sep. 2020, <https://www.abc.net.au/news/2020-09-16/us-issues-china-travel-warns-citizens-of-arbitrary-detention/12667150>. And O'Keefe, Kate and Aruna Viswanatha. "China Warns U.S. It May Detain Americans in Response to Prosecutions of Chinese Scholars." *Wall Street Journal*, 17 Oct. 2020, <https://www.wsj.com/articles/china-warns-u-s-it-may-detain-americans-in-response-to-prosecutions-of-chinese-scholars-11602960959>.

<sup>147</sup> Jennings, Peter. "China turns into wolf warrior at the world's door under Xi Jinping." *The Australian*, 12 Sep. 2020, <https://bit.ly/38ntGBZ>.

<sup>148</sup> Wray, Christopher. *The Threat Posed by the Chinese Government and the Chinese Communist Party to the Economic and National Security of the United States*. U.S. Department of Justice Federal Bureau of Investigation, 07 Jul. 2020, <https://bit.ly/32kGo0y>. And Barr, William P. *Attorney General William P. Barr Delivers Remarks on China Policy at the Gerald R. Ford Presidential Museum*. U.S. Department of Justice, 16 Jul. 2020, <https://bit.ly/2lfGgIX>. And O'Brien, Robert C. *The Chinese Communist Party's Ideology and Global Ambitions*. U.S. National Security Council, 24 Jun. 2020, <https://bit.ly/2JNqVQp>.



the National Governors' Association in an effort to underscore the importance of coordinating U.S. strategy between the federal and subnational levels.<sup>149</sup>

- During a recent visit to Germany by Chinese Foreign Minister Wang Yi, German Foreign Minister Heiko Maas called for China to adhere to “One Country, Two Systems” in Hong Kong and to allow an independent observer mission into Xinjiang.<sup>150</sup>
- Czech Senate President Vystrčil traveled to Taiwan this summer and announced “I am Taiwanese” to the Taiwanese Parliament, echoing President John Kennedy’s 1963 speech “Ich bin ein Berliner.”<sup>151</sup> Additionally, the Mayor of Prague, Zdeněk Hřib, refused to acquiesce to Beijing’s demands to disinvite Taiwanese diplomats to a gathering.<sup>152</sup>
- The European Commission under President Ursula von der Leyen upheld the EU’s determination of China as a “systemic rival.”<sup>153</sup> The EU High Representative for Foreign Policy Josep Borrell joined the Group of Seven (G7) countries in condemning China’s imposition of its national security law on Hong Kong in June.<sup>154</sup> The European Commission has also launched a Democracy Action Plan to bolster the EU’s resilience to foreign interference in European democracies.<sup>155</sup>

Transatlantic legislative bodies are also leading the charge on various aspects of China policy, informing the public and creating pressure on executive branches to take more decisive actions.

- The U.S. Congress hosts the Congressional Executive Commission on China<sup>156</sup> and the U.S.-China Economic and Security Review Commission, which provide independent assessments and recommendations on China policy.<sup>157</sup>
- The U.K. Parliament’s Foreign Affairs Committee published a report entitled “China and the Rules-Based International System,”<sup>158</sup> and a group of Tory Parliamentarians founded the China Research Group to push a tougher stance.<sup>159</sup>

<sup>149</sup> Pompeo, Michael R. “U.S. States and the China Competition.” *National Governors Association Meeting*, 08 Feb. 2020, [www.state.gov/u-s-states-and-the-china-competition/](http://www.state.gov/u-s-states-and-the-china-competition/).

<sup>150</sup> “Germany’s Maas Calls for Withdrawal of Hong Kong Security Law.” *Deutsche Welle*, 09 Sep. 2020, [www.dw.com/en/germanys-maas-calls-for-withdrawal-of-hong-kong-security-law/a-54781315](http://www.dw.com/en/germanys-maas-calls-for-withdrawal-of-hong-kong-security-law/a-54781315).

<sup>151</sup> Hille, Katherin. “‘I am a Taiwanese’: Czech Senate president addresses parliament in Taipei.” *Financial Times*, 01 Sep. 2020, <https://www.ft.com/content/fb018ddd-2591-4355-94b1-602ff2b025af>.

<sup>152</sup> Tait, Robert. “Zdeněk Hřib: The Czech Mayor Who Defied China.” *The Guardian*, 3 Jul. 2019, <https://bit.ly/3p4krwy>.

<sup>153</sup> Von der Leyen, Ursula. “State of the Union Address by President von der Leyen at the European Parliament Plenary.” European Commission, 16 Sep. 2020, <https://bit.ly/3mXcilk>.

<sup>154</sup> “G7 Foreign Ministers Statement on Hong Kong.” European External Action Service, 17 Jun. 2020, <https://eeas.europa.eu/headquarters/headquarters-homepage/81075/g7-foreign-ministers%E2%80%99-statement-hong-kong-en>.

<sup>155</sup> “Public consultation: Commission seeks citizens’ views in preparation of new European Democracy Action Plan.” European Commission, 15 Jul. 2020, <https://bit.ly/36aGB7M>.

<sup>156</sup> Congressional-Executive Commission on China. [www.cecc.gov/](http://www.cecc.gov/).

<sup>157</sup> *Charter*. United States-China Economic and Security Review Commission, <https://bit.ly/2U0rqZd>.

<sup>158</sup> United Kingdom, Parliament, House of Commons, Foreign Affairs Committee. *China and the Rules-Based International*. 04 Apr. 2019, <https://bit.ly/3eyYnVM>.

<sup>159</sup> Payne, Sebastian. “Senior Tories launch ERG-style group to shape policy on China.” *Financial Times*, 24 Apr. 2020, [www.ft.com/content/b354c58b-06fc-4848-a823-584bcc0c3869](http://www.ft.com/content/b354c58b-06fc-4848-a823-584bcc0c3869).

- A cross-party, multinational group of parliamentarians founded the International Parliamentary Alliance on China in 2020 to reform how democracies deal with China.<sup>160</sup>
- In 2020, the European Parliament created the Special Committee on Foreign Interference in all Democratic Processes in the European Union to analyze the risks and identify solutions.<sup>161</sup> The European Think Tank Network on China commended the European Parliament for taking “the most principled stance of all the EU institutions and serves an important watchdog function” given the parliament’s advocacy for human rights in China.<sup>162</sup>

European governments are making it more difficult for the PRC and other malign actors to exert undue influence by implementing lobbying registration regimes with similarities to the U.S. Foreign Agents Registration Act.

- In 2011, the European Commission and the European Parliament created the joint Transparency Register,<sup>163</sup> which incentivizes entities that lobby these two EU institutions to declare those activities voluntarily.<sup>164</sup> Negotiations are currently underway among the European Commission, Council, and Parliament to create a joint register for all three institutions.<sup>165</sup>
- In 2014, the United Kingdom enacted a law requiring consultant lobbyists to publically register.<sup>166</sup>
- employee, or member whose primary activities are to influence the French government.<sup>167</sup>
- In July 2020, the German governing coalition agreed to implement a mandatory transparency register for members of the Bundestag.<sup>168</sup>
- Austria, Ireland, Lithuania, Poland, and Slovenia have also instituted mandatory lobbying registry and transparency requirements.<sup>169</sup>

In education, governments are pushing for greater transparency, and universities are moving to protect their students.

<sup>160</sup> Inter-Parliamentary Alliance on China. <https://ipac.global/>.

<sup>161</sup> “Parliament Sets up Special Committees and a Permanent Subcommittee.” European Parliament, 19 Jun. 2020, [www.europarl.europa.eu/news/en/press-room/20200615IPR81228/parliament-sets-up-special-committees-and-a-permanent-subcommittee](http://www.europarl.europa.eu/news/en/press-room/20200615IPR81228/parliament-sets-up-special-committees-and-a-permanent-subcommittee).

<sup>162</sup> Rühlig, Tim Nicholas, et al. *Political values in Europe-China relations*. European Think-tank Network on China, Dec. 2018, <https://bit.ly/217FYU2>.

<sup>163</sup> *Transparency and the EU*. European Commission, <https://ec.europa.eu/transparencyregister/public/homePage.do>.

<sup>164</sup> “Public consultation: Commission seeks citizens’ views in preparation of new European Democracy Action Plan.” European Commission, 15 Jul. 2020, <https://bit.ly/36aGB7M>. And *Inter-institutional Agreement on a Common Transparency Register between the Parliament and the Commission*. European Parliament, 11 May 2011, <https://bit.ly/3p4kMiO>.

<sup>165</sup> *Inter-institutional negotiations on the Transparency Register*. European Parliament, 2020. <https://www.europarl.europa.eu/tr-negotiations/en/home/welcome-page.html>.

<sup>166</sup> Feikert-Ahalt, Clare. “Lobbying Disclosure Laws.” *Www.Loc.Gov*, 01 Mar 2017, [www.loc.gov/law/help/lobbying-disclosure/unitedkingdom.php](http://www.loc.gov/law/help/lobbying-disclosure/unitedkingdom.php). And “Bill Documents—Transparency of Lobbying, Non-Party Campaigning and Trade Union Administration Act 2014.” *Parliament UK*, 02 May 2014, <https://bit.ly/38efnzi>.

<sup>167</sup> Boring, Nicolas. “Lobbying Disclosure Laws: France.” *Library of Congress*, 01 Mar. 2017, [www.loc.gov/law/help/lobbying-disclosure/france.php](http://www.loc.gov/law/help/lobbying-disclosure/france.php).

<sup>168</sup> Posaner, Joshua. “Germany to Introduce Lobbying Register for MPs.” *Politico Europe*, 03 Jul. 2020, [www.politico.eu/article/germany-lobbying-register/](http://www.politico.eu/article/germany-lobbying-register/).

<sup>169</sup> Bauer, Elisabeth, et al. “Transparency of lobbying in Member States.” Transparency Unit, DG Presidency, European Parliamentary Research Service, Nov. 2019, <https://www.europarl.europa.eu/EPRS/Lobbying-transparency-comparative-analysis.pdf>.

- In February 2020, the European Commission published a draft “Concept Note On Tackling Foreign Interference In Higher Education Institutions And Research Organisations” to begin discussions at the EU-level on effective responses that will “protect ... academic freedom, integrity and institutional autonomy ... [and] key research findings and intellectual assets.”<sup>170</sup>
- The U.S. Government has engaged, warned, and investigated American universities regarding their ties to the CCP.<sup>171</sup> Included in this is the designation of the “Confucius Institute U.S. Center” as a foreign mission of the PRC.<sup>172</sup>
- In a 2019 government communication, Sweden proposed the establishment of a national knowledge center on China, to strengthen Swedish proficiency and address knowledge gaps on China.<sup>173</sup> Sweden has also closed all of the Confucius Institutes and Confucius classrooms.<sup>174</sup>
- In September 2020, to prevent intellectual property theft by Chinese students, the United Kingdom added Advanced Conventional Military Technology to the list of sensitive subjects that require certain foreign students to obtain U.K. government certification to study under its Academic Technology Approval Scheme.<sup>175</sup>
- Harvard, Princeton, and Oxford are altering their teaching methods to protect students at risk of PRC extraterritorial coercion, including through anonymous assignment submissions and the use of codes to identify students.<sup>176</sup>

Social media companies are starting to curb covert influence on their platforms, albeit under intense consumer and political pressure.

- Similar to the *Daily Telegraph*’s decision mentioned above, Twitter banned advertisements by state-controlled media fol-

<sup>170</sup> 170 “Concept Note on Tackling Foreign Interference in Higher Education Institutions and Research Organizations.” European Commission, 20 Feb. 2020, <https://bit.ly/3kabf62>.

<sup>171</sup> Krach, Keith. “Letter From Under Secretary Keith Krach to the Governing Boards of American Universities.” U.S. Department of State, 18 Aug. 2020, [www.state.gov/letter-from-under-secretary-keith-krach-to-the-governing-boards-of-american-universities/](http://www.state.gov/letter-from-under-secretary-keith-krach-to-the-governing-boards-of-american-universities/). And “U.S. Department of Education Launches Investigation into Foreign Gifts Reporting at Ivy League Universities.” U.S. Department of Education, 12 Feb. 2020, [www.ed.gov/news/press-releases/test-0](http://www.ed.gov/news/press-releases/test-0). And DeVos, Betsy, and Michael R. Pompeo. “Joint Letter to Chief State School Officers.” U.S. Department of Education and U.S. Department of State, 09 Oct. 2020, <https://bit.ly/3l6PoOg>. And DeVos, Betsy, and Michael R. Pompeo. “Letter to the Presidents of American Institutions of Higher Education and Affiliates.” U.S. Department of Education and U.S. Department of State, 09 Oct. 2020, <https://bit.ly/2GAoUpp>.

<sup>172</sup> Pompeo, Michael R. “Designation of the Confucius Institute U.S. Center as a Foreign Mission of the PRC.” U.S. Department of State, 13 Aug. 2020, <https://bit.ly/3k5Qtmw>.

<sup>173</sup> Löfven, Stefan. “Approach to matters relating to China”, Ministry for Foreign Affairs of Sweden, 26 Sep. 2019, <https://bit.ly/3k57izu>.

<sup>174</sup> Flittner, Sofia. “Sweden Has Closed All Confucius Institutes and Classrooms.” *ScandAsia*, 19 May 2020, <https://scandasia.com/sweden-has-closed-all-confucius-institutes-and-classrooms/>.

<sup>175</sup> *Academic Technology Approval Scheme (ATAS)*. UK Foreign, Commonwealth & Development Office, 06 Oct. 2020, <https://www.gov.uk/guidance/academic-technology-approval-scheme>. And Fisher, Lucy. “Chinese students face ban amid security fears.” *Times UK*, 01 Oct. 2020, <https://bit.ly/3p7BTA7>.

<sup>176</sup> Craymer, Lucy. “China’s National-Security Law Reaches Into Harvard, Princeton Classrooms.” *Wall Street Journal*, 19 Aug. 2020, [www.wsj.com/articles/chinas-national-security-law-reaches-into-harvard-princeton-classrooms-11597829402](http://www.wsj.com/articles/chinas-national-security-law-reaches-into-harvard-princeton-classrooms-11597829402). Wintour, Patrick. “Oxford moves to protect students from China’s Hong Kong security law.” *The Guardian*, 28 Sep. 2020, <https://www.theguardian.com/education/2020/sep/28/oxford-moves-to-protect-students-from-chinas-hong-kong-security-law#:~:text=Students%20at%20Oxford%20University%20specialising,months%20ago%20in%20Hong%20Kong>.

lowing reports that the platform had promoted CCP disinformation on the plight of the Uyghurs.<sup>177</sup>

- Twitter, Facebook, and Instagram now designate accounts from state-sponsored media, which include *Xinhua* and *The People's Daily*.<sup>178</sup>
- Google was forced to terminate a project to create a censored search engine in China following outrage from its own employees.<sup>179</sup>
- Presidential election.<sup>180</sup>

Additionally, a growing number of governments and multilateral organizations are countering disinformation from authoritarian nations, including the PRC.

- In 2014, seven NATO allies created the NATO Strategic Communications Center of Excellence to contribute to NATO allies and partners' strategic communications capabilities.<sup>181</sup>
- In December 2016, the U.S. Congress authorized the Global Engagement Center within the State Department to combat foreign propaganda and disinformation.<sup>182</sup>
- In 2018, G7 leaders announced the creation of the G7 Rapid Response Mechanism, led by Canada, "to respond to efforts of foreign actors seeking to 'undermine our democratic societies and institutions, our electoral processes, our sovereignty and our security.'" <sup>183</sup>
- In 2018, the European Union debuted a disinformation action plan and created a strategic communication task force within the European External Action Service.<sup>184</sup> In its effort to tackle COVID-19 disinformation, the European Union named China as a source.<sup>185</sup>

<sup>177</sup> "Updating Our Advertising Policies on State Media." *Company Blog*, Twitter Inc., 19 Aug. 2019, <https://bit.ly/36cUKkB>. And Gallagher, Ryan. "Twitter Helped Chinese Government Promote Disinformation on Repression of Uighurs." *The Intercept*, 19 Aug. 2019, <https://bit.ly/36a3QP7>.

<sup>178</sup> "New labels for government and state-affiliated media accounts." *Company Blog*, Twitter Inc., 06 Aug. 2020, <https://bit.ly/3eGFxfK>. And "Facebook Starts Labeling Russian, Chinese, Iranian State Media." *VOA News*, RFE/RL, 05 Jun. 2020, <https://bit.ly/3216pwW>. And Bonifacic, Igor. "Instagram starts labeling 'state controlled media' accounts and posts." *Engadget*, 05 Oct. 2020. <https://www.engadget.com/instagram-state-controlled-media-application-220248779.html?guccounter=1>.

<sup>179</sup> Su, Jeb. "Confirmed: Google Terminated Project Dragonfly, Its Censored Chinese Search Engine." *Forbes*, 19 Jul. 2019, [www.forbes.com/sites/jeanbaptiste/2019/07/19/confirmed-google-terminated-project-dragonfly-its-censored-chinese-search-engine/#755be97e7e84](http://www.forbes.com/sites/jeanbaptiste/2019/07/19/confirmed-google-terminated-project-dragonfly-its-censored-chinese-search-engine/#755be97e7e84). And Gallagher, Ryan. "Google Shut Out Privacy and Security Teams From Secret China Project." *The Intercept*, 29 Nov. 2018, <https://theintercept.com/2018/11/29/google-china-censored-search/>.

<sup>180</sup> Goldman, Adam. "Facebook Takes Down Fake Pages Created in China Aimed at Influencing U.S. Election." *New York Times*, 23 Sept. 2020, <https://nyti.ms/2IqkRPC>.

<sup>181</sup> "About Us" NATO Stratcom Centre of Excellence, [www.stratcomcoe.org/about-us](http://www.stratcomcoe.org/about-us). And "Seven Allies Establish NATO's Strategic Communications Center of Excellence in Latvia." Atlantic Council, 07 Jul. 2014, [www.atlanticcouncil.org/blogs/natosource/seven-allies-establish-nato-s-strategic-communications-center-of-excellence-in-latvia/](http://www.atlanticcouncil.org/blogs/natosource/seven-allies-establish-nato-s-strategic-communications-center-of-excellence-in-latvia/).

<sup>182</sup> Global Engagement Center. U.S. Department of State, <https://nyti.ms/2IqkRPC>.

<sup>183</sup> *Rapid Response Mechanism Canada—Protecting Democracy*. Government of Canada, 06 Sep. 2019, <https://bit.ly/2U3GG7C>.

<sup>184</sup> "Joint Communication to the European Parliament, The European Council, The Council, The European Economic and Social Committee and the Committee of the Regions: Action Plan against Disinformation." European Commission High Representative of the European Union for Foreign Affairs and Security Policy, JOIN(2018) 36 final, 12 May 2018, <https://bit.ly/2JKLWLq>.

<sup>185</sup> "Joint Communication to the European Parliament, The European Council, The Council, The European Economic and Social Committee and the Committee of the Regions: Tackling COVID-19 disinformation - Getting the facts right.", European Commission High Representative of the Union for Foreign Affairs and Security Policy, 10 Jun. 2020, <https://bit.ly/3n1vuEY>. And

- In 2020, the U.S. Department of State designated as foreign missions fifteen PRC state-run media outlets, including *The People's Daily*, *Xinhua News Agency*, and CGTN.<sup>186</sup>
- As free and independent media has eroded in parts of Central and Eastern Europe as a result of foreign and domestic influences, the United States' Radio Free Europe/Radio Liberty reinstated services in Hungary, Bulgaria, and Romania, to help inoculate these societies from influence attempts, including by the PRC.<sup>187</sup>

Finally, and perhaps most importantly, citizens and publics are beginning to take notice of the efforts of PRC influence, particularly censorship and human rights abuses.

- In 2019, a German newspaper issued a poll asking for names for the Berlin Zoo's two new panda cubs. "Hong" and "Kong" won the poll.<sup>188</sup>
- In September 2020, #BoycottMulan became a prominent social media hashtag after viewers discovered that Disney filmed portions of the movie in Xinjiang.<sup>189</sup>

### Conclusion

The depth and breadth of CCP influence operations, disinformation, and coercion underscores its insidiousness and the urgency with which the community of democracies must tackle these problems. The founding documents of our democratic institutions leave no question as to what should be our path forward. The U.S. Constitution enshrines "the freedom of speech, of the press, and the right of the people to peaceably assemble," and the Fourth Amendment guarantees "the right of the people to be secure in their persons, houses, papers, and effects."<sup>190</sup> Similarly, the EU's Lisbon Treaty mandates that the Union "shall contribute to . . . the protection of human rights . . . as well as to the strict observance and the development of international law, including respect for the principles of the United Nations Charter."<sup>191</sup> NATO's Washington Treaty unambiguously stipulates that its members "are determined to safeguard the freedom, common heritage and civilisation of their

"European Commission Accuses China of Peddling Disinformation." *Politico Europe*, 10 Jun. 2020, [www.politico.eu/article/european-commission-disinformation-china-coronavirus/](http://www.politico.eu/article/european-commission-disinformation-china-coronavirus/).

<sup>186</sup>Ortagus, Morgan. "Designation of Additional Chinese Media Entities as Foreign Missions." U.S. Department of State, 22 Jun. 2020, [www.state.gov/designation-of-additional-chinese-media-entities-as-foreign-missions/](http://www.state.gov/designation-of-additional-chinese-media-entities-as-foreign-missions/).

<sup>187</sup>"RFE/RL Expands To Bulgaria, Romania." *RFE/RL*, 18 Jul. 2018, <https://bit.ly/3p7C1cb>. And "RFE/RL Relaunches Operations In Hungary Amid Drop In Media Freedom." *RFE/RL Hungarian Service*, 08 Sep. 2020, <https://bit.ly/3n1vEMA>. And Karásková, Ivana. "China has successfully planted its narratives on topics like the Hong Kong protests into major news outlets across Central and Eastern Europe." *The Diplomat*, 19 Nov. 2019, <https://thediplomat.com/2019/11/how-china-influences-media-in-central-and-eastern-europe/>. And "About the Project" ChinfluenCE, 2020, <https://bit.ly/2Gz8Vrs>.

<sup>188</sup>Staudenmaier, Rebecca. "German Media Call to Name Berlin's New Pandas Hong and Kong." *Deutsche Welle*, 6 Sep. 2019, [www.dw.com/en/german-media-call-to-name-berlins-new-pandas-hong-and-kong/a-50321006](http://www.dw.com/en/german-media-call-to-name-berlins-new-pandas-hong-and-kong/a-50321006).

<sup>189</sup>Chow, Andrew. "Here's What to Know About the Mulan Boycott." *TIME*, 02 Mar. 2020, <https://time.com/5653973/mulan-boycott-liu%20yifei/>.

<sup>190</sup>U.S. Constitution. Amend. I, <https://bit.ly/3559X8d>. And U.S. Constitution. Amend. IV, <https://bit.ly/3kd925>.

<sup>191</sup>"Consolidated Versions of the Treaty on the Functioning of the European Union." *Official Journal of the European Union*, 07 Jun. 2016, <https://bit.ly/3kcS3os>.

peoples, founded on the principles of democracy, individual liberty and the rule of law.”<sup>192</sup>

The world’s democracies have a responsibility and mandate to ensure the posterity of these rights. As the United States and Europe begin to combat and buffer our societies against malign CCP influence, there is much more we can and should do together. The EU-U.S. Dialogue on China is a strong start and will hopefully engender constructive dialogue on Chinese influence operations, as well as other critical issues. Through greater cooperation, we can prevent the CCP from sowing dissent within and between our societies, and maintain our freedom and prosperity.

---

<sup>192</sup>“The North Atlantic Treaty.” North Atlantic Treaty Organization, 04 Apr. 1949, <https://bit.ly/3eCIA8K>.

## CHAPTER TWO—INTERNATIONAL ORGANIZATIONS

---

*Authoritarian actors have long recognized the power of multilateral bodies and have used them to advance their interests and limit the freedom of their own citizens. If the United States cedes leadership of these bodies to adversaries, opportunities to shape developments that are positive for the United States will be lost.*<sup>193</sup>

—2017 U.S. NATIONAL SECURITY STRATEGY

### **Introduction**

International organizations (IOs) play an important role in shaping the international system. In a world of almost 200 countries, each with its own national interests and agenda, IOs provide a framework for collective action and shared responsibility in matters of global consequence. This includes everything from responding to humanitarian crises and vaccinating children, to exposing human rights abuses and holding malign actors accountable. As stated in the United Nations (UN) Charter, the purpose of the institution is to maintain international peace and security, promote friendly relations among nations, foster cooperation to address international problems of an economic, social, cultural, or humanitarian character, and promote and encourage respect for human rights and fundamental freedoms.<sup>194</sup> As the UN celebrated its 75th anniversary in 2020, all member countries signed a declaration acknowledging its accomplishments, including saving hundreds of thousands of lives, providing education around the world, and safeguarding public health.<sup>195</sup>

While far from perfect in practice, the principal reason for the formation of IOs, including the UN, was to uphold and promote an international system characterized by liberal principles, including respect for freedom and human rights, and to play a decisive role in the maintenance of international security. The United States and Europe, who led the effort to establish the international system, recognize the importance of these foundational principles and cooperate accordingly, despite periodic disagreements and differing approaches. Today, however, the nations committed to upholding liberal principles face an immense challenge, as countries like China seek to subvert IOs to serve their own interests.

---

<sup>193</sup> *National Security Strategy of the United States of America*, The White House, Dec. 2017, p. 40, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>

<sup>194</sup> *Charter of the United Nations and Statute of the International Court of Justice*. United Nations, 1945, <https://treaties.un.org/doc/publication/ctc/uncharter.pdf>.

<sup>195</sup> “Strengthening of the United Nations system”, 75th Session of the United Nations General Assembly, United Nations, 16 Sep. 2020, <https://undocs.org/A/75/L.1>.

### ***History of China at the United Nations***

China's relationship with IOs, and the UN in particular, has a complicated history. While China was a founding member of the UN, along with 50 other nations, it was represented by the Republic of China (now known as Taiwan) from 1945 until 1971.<sup>196</sup> The UN General Assembly (UNGA) voted to recognize the People's Republic of China (PRC) as the legitimate representative of China to the UN in Resolution 2758 on October 25, 1971.<sup>197</sup> The PRC thereafter represented China in the UNGA, the UN Security Council (UNSC), and all other UN-related organizations.

Unlike the PRC, the United States is a founding member of the UN and signed the UN Charter in 1945. Of the 51 UN founders, 14 were European: Belarus, Belgium, Czechoslovakia, Denmark, France, Greece, Luxembourg, the Netherlands, Norway, Poland, Turkey, Ukraine, the United Kingdom, and Yugoslavia.<sup>198</sup> As original members of the UN, the United States and European allies have a long-term vested interest in the institution and its work.

### ***China: Shaping the United Nations in Its Own Image***

Although the PRC has been present in the UN since 1971, it was not until the 2000s that it began to employ a concerted effort to exhort its influence on the UN. This effort contributes to a major goal of the PRC's foreign policy—to “reform global governance” such that the international system is more conducive to Chinese Communist Party (CCP) interests.<sup>199</sup> The PRC strategy to reshape the international system uses China's economic and military strength as justification for increasing its influence in international organizations. At the 75th anniversary of the UN in September 2020, CCP General Secretary Xi Jinping said that the “global governance system needs to reflect this reality of international politics and the process of multi-polarization.”<sup>200</sup> Yet evidence shows that Chinese influence in IOs does not merely advocate for a greater PRC role, but actively works to reshape international norms and institutions in favor of CCP ideology and objectives. By reshaping institutions along these lines, the CCP strives to provide a circular guarantee for its own longevity.<sup>201</sup>

In June 2018, the CCP inserted Xi Jinping Thought, which ensures CCP leadership over all forms of policy work in China, into its global diplomacy. At the Central Conference on Work Relating to Foreign Affairs, Xi urged China's foreign affairs apparatus to “take an active part in leading the reform of the global governance

<sup>196</sup> Han, Cheung. “The day China joined the UN: UN Resolution 2758, passed in 1971, still carries ramifications for Taiwan today.” 18 Oct. 2015. *Taipei Times*, <https://www.taipetimes.com/News/feat/archives/2015/10/18/2003630319>.

<sup>197</sup> *Ibid.*

<sup>198</sup> *Charter of the United Nations and Statute of the International Court of Justice*. United Nations, 1945, <https://treaties.un.org/doc/publication/ctc/uncharter.pdf>.

<sup>199</sup> Tobin, Liza. “Xi's Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies.” *The Strategist*, vol. 2, no. 1, Texas National Security Review, 12 Nov. 2018, <http://dx.doi.org/10.26153/tsw/863>.

<sup>200</sup> Xi, Jinping. “Full text: Xi Jinping's speech at high-level meeting to mark UN's 75th anniversary” CGTN, 22 Sep. 2020. <https://bit.ly/38i59yj>.

<sup>201</sup> Weiss, Jessica. “A World Safe for Autocracy? China's Rise and the Future of Global Politics.” *Foreign Affairs*, Jul./Aug. 2019, <https://fam.ag/2GBnevP>. and Chu, Yun-han. “Sources of Regime Legitimacy and the Debate over the Chinese Model.” *The China Review*, vol. 13, no. 1, Chinese University of Hong Kong Press, Spring 2013, <https://www.jstor.org/stable/23462227?seq=1>.



system, and build a more complete network of global partnerships, so that new advances will be made in major country diplomacy with Chinese characteristics to create a favorable environment for ... building ... a great modern socialist country in all aspects.”<sup>202</sup> During Xi’s speech on the occasion of the 40th anniversary of China’s economic reforms in December 2018, he reiterated that China must “play the role of a responsible big country ... and actively participate in the global governance system reform and construction.”<sup>203</sup>

The PRC’s vision of a “reformed” global governance system starkly contrasts with the current international system that recognizes limits to state authority under the UN Charter, and which charges the UN to encourage and promote fundamental freedoms, self-determination of peoples, and universal human rights. China’s actions indicate a CCP vision for a global governance system based on authoritarian principles instead of following common rules and standards.<sup>204</sup>

The CCP has become adept at finding new points of leverage to build its influence within the UN. These efforts include, but are not limited to: blocking humanitarian efforts in Syria, gaining credibility for its views and policies by inserting signature CCP language into key UN documents and initiatives, blocking non-governmental organizations critical of China from participating at the UN, creating new UN funds and then stacking the boards of those funds, and offering debt relief, investments, and job opportunities in exchange for votes in UN bodies.<sup>205</sup>

As a permanent UNSC member, China is supposed to support international peace and security. However, China has instead used its position to do the opposite, using its veto power eight times since 2011 to block UNSC resolutions on the Syrian conflict.<sup>206</sup> The most recent veto in July 2020 resulted in the closing of a six-year-old border crossing that facilitated the flow of humanitarian aid to millions of civilians inside of Syria. The vote result was 13-2, with the rest of the UNSC, except for Russia, supporting the assist-

<sup>202</sup> “Xi urges breaking new ground in major country diplomacy with Chinese characteristics.” *XinhuaNet*, 23 Jun. 2018, <https://bit.ly/2JL5VJZ>.

<sup>203</sup> “Xi Jinping’s Speech on 40th Anniversary of China’s Reforms, Opening Up—Full Text.” *Transcend Media Service*, 18 Dec. 2018, <https://www.transcend.org/tms/2018/12/xi-jinpings-speech-on-40th-anniversary-of-chinas-reforms-opening-up-full-text/>.

<sup>204</sup> Hart, Melanie and Blaine Johnson. *Mapping China’s Global Governance Ambitions: Democracies Still Have Leverage to Shape Beijing’s Reform Agenda*. Center for American Progress, 28 Feb. 2019, <https://www.americanprogress.org/issues/security/reports/2019/02/28/466768/mapping-chinas-global-governance-ambitions/>. and Ikenberry, G. John and Darren J. Lim. *China’s emerging institutional statecraft: The Asian Infrastructure Investment Bank and the prospects for counter-hegemony*. Project on International Order and Strategy, Brookings Institution, Apr. 2017, <https://www.brookings.edu/research/chinas-emerging-institutional-statecraft/>. And Goldberg, Richard. “Trump’s New China Strategy Must Focus on International Organizations.” Foundation for Defense of Democracies, 02 Jun. 2020, <https://www.fdd.org/analysis/2020/06/02/trump-china-strategy-focus/>.

<sup>205</sup> Fung, Courtney and Shing-Hon Lam. “China already leads 4 of the 15 U.N. specialized agencies—and is aiming for a 5th.” *Washington Post*, 03 Mar. 2020, <https://www.washingtonpost.com/politics/2020/03/03/china-already-leads-4-15-un-specialized-agencies-is-aiming-5th/>. And Lee, Kristine. “It’s Not Just the WHO: How China is Moving on the Whole U.N.” *Politico*, 15 Apr. 2020, <https://www.politico.com/news/magazine/2020/04/15/its-not-just-the-who-how-china-is-moving-on-the-whole-un-189029>.

<sup>206</sup> “UN Security Council Working Methods: The Veto.” *Security Council Report*, United Nations, 03 Sep. 2020, <https://www.securitycouncilreport.org/un-security-council-working-methods/the-veto.php>.

ance.<sup>207</sup> While China has no visible interest in the Syrian conflict, it has decided, with the assistance of Russia, that humanitarian assistance should not be provided to Syrians. China's unwillingness to shine light on the abuses of the Syrian regime demonstrate its concern that the same light may next focus on the PRC's own abuses against Uyghurs and Tibetans. The PRC continues to block not only resolutions, but also discussions at the UNSC on issues where it believes it could become a target of criticism.

### ***China Weakens Human Rights At the United Nations***

Further, China sits on the UN Human Rights Council (UNHRC), despite being one of the world's worst abusers of human rights. In 2018, China was successful in passing a resolution through the UNHRC that included language on "universality" and "constructive international dialogue." These terms are used by those nations seeking to water down the international consensus on basic human rights. "Universality" is frequently used to promote the lowest common denominator in defining human rights, and is significantly weaker than what is enshrined in the Universal Declaration of Human Rights and other human rights treaties. "Constructive international dialogue" is used to promote non-interference in a nation's treatment of its own people, and calls for dialogue and a nebulous concept of cooperation instead of the investigation of serious human rights abuses.<sup>208</sup>

In addition to these terms, the PRC also successfully inserted the phrase "community of shared future for human beings" that is synonymous to wording in its own constitution, an example of garnering international acceptance for CCP language.<sup>209</sup> Of the UNHRC's 47 members, only the United States voted against this resolution, while 17 other delegations, including many European nations, abstained.<sup>210</sup> This resolution was only the second that China has ever sponsored in its 12-year history on the UNHRC. While this victory may seem small, it supports China's claim that it offers a superior definition of and approach to human rights, and internationalizes terms that the CCP uses to describe how it will advance its own interests. Further, the UN often refers back to language from previous resolutions, giving this CCP language legitimacy in the UN lexicon that the PRC can now use as a basis for expanding its views on human rights issues across the UN system.

China responds to criticism of its human rights record not with action to address the concerns, but with an alternative false narrative. In 2019, 50 nations, led by the Chinese government, signed a letter calling allegations of gross violations of human rights by the CCP in Xinjiang unfounded. This was more than double the

<sup>207</sup> DeYoung, Karen and Sarah Dadouch. "Humanitarian aid to Syrians threatened as Russia and China veto proposals at U.N." *Washington Post*, 10 Jul. 2020, <https://wapo.st/3ewZyoX>.

<sup>208</sup> Fisher, John. "China's 'Win-Win' Resolution Is Anything But." Human Rights Watch, 05 Mar. 2018, <https://www.hrw.org/news/2018/03/05/chinas-win-win-resolution-anything>; And Piccone, Ted. "China's Long Game on Human Rights at the United Nations." Brookings Institution, Sep. 2018, <https://brook.gs/32jLudB>.

<sup>209</sup> Tobin, Liza. "Xi's Vision for Transforming Global Governance: A Strategic Challenge for Washington and Its Allies." *The Strategist*, vol. 2, no. 1, Texas National Security Review, 12 Nov. 2018, p. 155-156, <http://dx.doi.org/10.26153/tsw/863>.

<sup>210</sup> Nebehay, Stephanie. "U.S. and China clash at U.N. rights forum on Beijing text." *Reuters*, 23 Mar. 2018, <https://www.reuters.com/article/us-china-rights-un-usa/u-s-and-china-clash-at-u-n-rights-forum-on-beijing-text-idUSKBN1GZ1D0>.

number of nations who condemned these abuses in an earlier letter.<sup>211</sup> Given China's push to alter views on human rights matters and the CCP's efforts to control votes, the challenge to remove or stop such language from becoming an entrenched norm will require greater alignment between the United States and Europe going forward.

China's political influence in countries like Greece and Hungary has also succeeded in frustrating EU consensus at the UN on human rights issues. In March 2017, Hungary prevented the European Union from joining a letter expressing concern over lawyers being tortured in detention. Hungary is a large recipient of Chinese investment and was the first EU nation to sign up for China's "One Belt, One Road" (OBOR) initiative.<sup>212</sup> In June 2017, Greece, another large recipient of Chinese investment in Europe, blocked the European Union from making a statement at the UNHRC that was critical of China's crackdown on activists and dissidents. The Greek government indicated that the proposed statement was an "unconstructive criticism of China" and preferred that the European Union raise this issue outside of the UN.<sup>213</sup>

China undertakes significant efforts to minimize criticism of its human rights record within the UN system. China sits on the UN's Economic and Social Council's (ECOSOC) Non-Governmental Organizations committee. This 19-member committee decides which non-governmental organizations (NGOs) will receive consultative status with the ECOSOC, a prestigious status that provides the organizations with access to many UN bodies and human rights mechanisms, as well as physical access to UN facilities. China uses this perch to not only block NGOs critical of China, but to approve organizations that are closely aligned with the CCP.<sup>214</sup> <sup>215</sup> One such CCP-backed NGO is the "China Association for Preservation and Development of Tibetan Culture" (CAPDTC). CAPDTC has been accredited since 2007 and, on multiple occasions, has parroted the CCP's position on Tibetan issues.<sup>216</sup>

This also occurs at the UNHRC. Of the 47 NGOs based in China, Hong Kong, or Macau with access to the UNHRC, 34 are government-organized NGOs controlled by the CCP or a PRC government agency, or headed by retired CCP or government officials.<sup>217</sup> China also harasses and intimidates Chinese dissidents who testify before

<sup>211</sup> Yellinek, Roie and Elizabeth Chen. "The '22 vs. 50' Diplomatic Split Between the West and China Over Xinjiang and Human Rights." *China Brief*, The Jamestown Foundation, 31 Dec. 2019, <https://jamestown.org/program/the-22-vs-50-diplomatic-split-between-the-west-and-china-over-xinjiang-and-human-rights/>.

<sup>212</sup> Denyer, Simon. "Europe divided, China gratified as Greece blocks E.U. statement over human rights." 19 June 2017. *The Washington Post*, <https://wapo.st/2GEjVnC>.

<sup>213</sup> Emmott, Robin, and Angeliki Koutantou. "Greece blocks EU statement on China human rights at UN." 18 June 2018. *Reuters*, <https://www.reuters.com/article/us-eu-un-rights/greece-blocks-eu-statement-on-china-human-rights-at-u-n-idUSKBN1990FP>

<sup>214</sup> Lee, Kristine and Alexander Sullivan. "People's Republic of the United Nations: China's Emerging Revisionism in International Organizations." Asia-Pacific Security Program, Center for New American Security, May 2019, <https://bit.ly/36gmdu>.

<sup>215</sup> Lieberman, Amy. "For many human rights NGOs, UN access remains out of reach." *Devex*, 06 Feb. 2020, <https://www.devex.com/news/for-many-human-rights-ngos-un-access-remains-out-of-reach-96516>.

<sup>216</sup> Lee, Kristine and Alexander Sullivan. "People's Republic of the United Nations: China's Emerging Revisionism in International Organizations." Asia-Pacific Security Program, Center for New American Security, May 2019, <https://bit.ly/36gmdu>.

<sup>217</sup> Wee, Sui-Lee and Stephanie Nebehay. "At U.N., China uses intimidation tactics to silence its critics." *Reuters Investigates*, 06 Oct. 2015, <https://www.reuters.com/investigates/special-report/china-softpower-rights/>.

UN bodies or participate in other UN activities, and frequently intervenes to prevent citizens from leaving China for these purposes.<sup>218</sup> In 2013, human rights activist Cao Shunli was detained at the Beijing airport on her way to Geneva. She later died in prison after being denied medical care for liver disease and tuberculosis.<sup>219</sup>

### ***Checkbook Diplomacy***

“Checkbook diplomacy,” or offering substantial loans, grants, or other funding to advance a Chinese objective has also become a hallmark of the CCP’s activity at the UN. In 2015, during Xi Jinping’s first speech to the UNGA, he made clear that the PRC’s activities at the UN would no longer be limited to “development” issues, but would now expand to matters of peace and security. In this speech, Xi promised a \$1 billion fund for peace and development.<sup>220</sup> China’s decision to make this unrequested donation begs the question of whether these funds are, in fact, intended to promote sustainability, development, peace, and security worldwide, or rather to solidify a connection between the UN and China’s OBOR initiative.

The answer is simple. China created a fund outside normal UN processes and organizations in order to facilitate OBOR as a preferred instrument of the UN. After this speech, a variety of UN officials, including the UN Secretary General Antonio Guterres, began a campaign to legitimize OBOR within UN systems and around the world, particularly in developing nations. Interestingly, in May 2016, Beijing and the UN signed a decade-long agreement to allocate \$20 million a year into a “UN Peace and Development Trust Fund,” which is directed by a steering committee of three current Chinese government officials, in addition to China’s former Vice Minister of Foreign Affairs Liu Zhenmin.<sup>221</sup> Liu currently leads the UN’s Department of Economic and Social Affairs (DESA), a position that has been filled by a PRC national since 2007. This fund, according to the UN website, has a mandate of “proposing cost and action plan[s] and identifying priorities of the Fund; prioritizing among projects and activities to be funded.”<sup>222</sup> This board, by design, advises the UN secretary general on development projects around the globe.

Shortly after its conception, China’s State Information Center asked DESA to conduct a study to examine how the Development Fund could aid the UN in meeting its sustainable development goals. In summer 2016, one of DESA’s top economists, also a Chinese national, determined that OBOR was “in line” with UN goals and policies to tackle global poverty by 2030.<sup>223</sup> The marriage of this fund, DESA, and OBOR, provides Beijing not only with insight

<sup>218</sup> *Ibid.*

<sup>219</sup> *Ibid.*

<sup>220</sup> Feltman, Jeffrey. “China’s Expanding Influence at the United Nations—And How The United States Should React.” *Global China*, Brookings Institution, Sep. 2020, <https://brook.gs/3mTBe3o>.

<sup>221</sup> Lynch, Colum. “China Enlists U.N. to Promote Its Belt and Road Project.” *Foreign Policy*, 10 May 2018, <https://bit.ly/32nHhW9>.

<sup>222</sup> “Steering Committee.” United Nations Peace and Development Trust Fund, <https://www.un.org/en/unpdf/about.shtml>.

<sup>223</sup> Lynch, Colum. “China Enlists U.N. to Promote Its Belt and Road Project.” *Foreign Policy*, 10 May 2018, <https://bit.ly/32nHhW9>.

into every UN development project in the world, but also political and investment opportunities. If the PRC sincerely wanted to contribute to peace and security, it could have easily provided funds within the existing system, but chose instead to operate outside of it.

Finally, China uses its influence in IOs to further its agenda on Taiwan, in particular its view that Taiwan is a part of the PRC and therefore should not participate in the international system. Several UN members in Latin America, the Pacific Islands, and Africa still recognize Taiwan diplomatically, and therefore it is not the consensus view within the UN system that Taiwan is part of China. Taiwan has applied for UN membership numerous times, only to be blocked by the PRC. Even in IOs where UN membership is not a requirement, China blocks Taiwanese participation.<sup>224</sup> By contrast, the Palestinian Authority has been able to achieve observer status over the objection of UN member countries. China also goes to great lengths to prohibit Taiwanese citizens from even being able to tour the UN headquarters building in New York by pressuring the UN to reject Taiwanese passports as an official form of identification.<sup>225</sup>

### ***Personnel at United Nations Agencies***

Beyond China's influence over policy matters, the true key to the CCP's strategy to reshape the UN according to its own agenda is orchestrating the election of its top diplomats as the heads of UN agencies—a strategy that has enjoyed significant success in recent years. As of October 2020, China leads four of the fifteen specialized UN agencies: the International Civil Aviation Organization (ICAO); the International Telecommunication Union (ITU); the Food and Agriculture Organization (FAO); and the UN Industrial Development Organization.<sup>226</sup> No other country leads more than one specialized agency. (The United States leads two other UN entities outside of the specialized group, and EU members lead more than ten.)<sup>227</sup> China's bid to lead a fifth specialized agency, the World Intellectual Property Organization, failed in March 2020, after Europeans and Americans made clear their concern that a PRC citizen in the position would exacerbate already huge economic and security challenges associated with China's state-sponsored intellectual property theft.<sup>228</sup> It is notable that while China is eager to put up candidates to lead UN specialized agencies that develop norms or set standards, it does not compete to lead UN funds and programs focused on humanitarian and development work.

<sup>224</sup> Winkler, Sigrid. "Taiwan's UN Dilemma: To be or Not to be", Brookings Institution, 20 Jun. 2012, <https://www.brookings.edu/opinions/taiwans-un-dilemma-to-be-or-not-to-be/>.

<sup>225</sup> Horton, Chris. "As U.N. Gathers, Taiwan, Frozen Out, Struggles to Get Noticed." *New York Times*, 21 Sep. 2018, <https://nyti.ms/3557r1G>.

<sup>226</sup> Fung, Courtney, and Shing-Hon Lam. "China already leads 4 of the 15 U.N. specialized agencies—and is aiming for a 5th." 03 Mar. 2020. *Washington Post*, <https://www.washingtonpost.com/politics/2020/03/03/china-already-leads-4-15-un-specialized-agencies-is-aiming-5th/>.

<sup>227</sup> Schaefer, Brett. "How the U.S. Should Address Rising Chinese Influence at the United Nations." Backgrounder, no. 3431, 20 Aug. 2019. Margaret Thatcher Center for Freedom, The Heritage Foundation, <https://heritage.org/2JL6Xpl>.

<sup>228</sup> Runde, Daniel F. "Trump Administration wins big with WIPO election", *The Hill*, 09 Mar. 2020. <https://bit.ly/3l6SrGc>.

Although UN employees are required to represent the interests of all member states over those of their own respective countries, many PRC nationals behave in precisely the opposite manner. One example, as illustrated by Brett Schaefer of the Heritage Foundation, is the case of Zhao Houlin as the head of the ITU. The ITU is responsible for policies and standards-setting for information and communication technologies. Zhao has sought not only to promote Chinese technology companies, but also to encourage Chinese companies and internet service providers to circumvent the process set forth by the Internet Corporation for the Assignment of Names and Numbers, and instead go solely through Beijing's National Internet Registry. Zhao has publicly spoken out against U.S. criticism of the use of Huawei in the UN and promoted OBOR as a model for development, even though it is China's own signature foreign policy initiative rather than a multilateral strategy. Zhao's lack of neutrality as an international civil servant makes clear China's view that international fora exist to suit Beijing's ends, often to the detriment of other members.<sup>229</sup>

In addition to these top jobs, PRC nationals are in numerous subsidiary positions that influence decision-making across the UN system. For example, China is successfully placing its nationals within UN agencies through the Junior Professional Officer (JPO) program. The JPO program allows a UN member country to sponsor its nationals to work at IOs at the member government's expense.<sup>230</sup> Once placed, they are likely to parlay their experience in the JPO program into a permanent placement within the UN system, and thereby exert influence at higher levels. The United States and Europe have both welcomed the recruitment of experts from around the world to serve within the UN system. However, given the record of the PRC government in leveraging these positions to advance its own interests and the control it often seeks to exert over its citizens, the growing number of junior officers who may be positioned to reshape organizations in China's favor should be a cause for concern.

### ***Contributions to the United Nations***

In addition to personnel, member states can influence the UN system through contributions ranging from financial contributions to the deployment of peacekeeping personnel. The United States and its European allies historically have provided the bulk of UN funding over the years. China, as its economy has grown, is now paying an increasing share of assessed contributions (often referred to as "UN dues"), and currently trails only the United States in its rate of assessment. While this improved burden-sharing arrangement is welcome and long overdue, China must not be empowered to leverage its contributions to twist the UN to fit its own agenda, rather than promote the goals of the UN Charter.

After years of claiming "developing country status" and thereby artificially reducing its assessment rate, the PRC is now the second largest financial contributor to the UN regular budget, surpassing

<sup>229</sup>Schaefer, Brett, Dean Cheng, and Klon Kitchen. "Chinese Leadership Corrupts Another U.N. Organization." The Heritage Foundation, 11 May 2020, <https://on.wsj.com/2l9W27J>.

<sup>230</sup>"Junior Professional Officer Programs." International Organization Careers, <https://iocareers.state.gov/Main/Content/Page/junior-professional-officer-programs>.

Japan in 2018. That same year, the UNGA passed a resolution cementing China's assessment for the regular budget at 12.005 percent for 2019 to 2021, up from 7.921 percent for 2016 to 2018.<sup>231</sup> (In 1995, China paid only 0.72 percent of the UN regular budget.)<sup>232</sup> The United States currently pays 22 percent of the UN regular budget, the maximum amount that any country may be assessed for support.<sup>233</sup>

China now is also the second largest contributor to the UN peacekeeping budget, and provides more personnel to peacekeeping missions than any other permanent UNSC member.<sup>234</sup> With an assessed peacekeeping budget of \$6.5 billion from 2019 to 2020, the top contributors based on assessed contributions for 2019 were: the United States (27.89 percent), China (15.21 percent), Japan (8.56 percent), Germany (6.09 percent), the United Kingdom (5.79 percent), France (5.61 percent), and Italy (3.30 percent).<sup>235</sup>

Beyond these required UN dues, the UN and its affiliated organizations are also funded by voluntary contributions. Though China's required contributions to the UN have been increasing, it has only marginally increased its voluntary contributions. The United States and European allies remain, by far, the largest voluntary contributors to the UN and its affiliated agencies, with the majority of their contributions going to humanitarian operations.<sup>236</sup> In 2018, China's voluntary contributions to the UN were only \$580 million, in stark contrast to nearly \$8 billion voluntarily contributed by the United States.<sup>237</sup>

Three examples are illustrative:

- In 2019, the largest donors to the UN Office of Humanitarian Affairs were the United States (\$55.1 million), Sweden (\$34.6 million), and the United Kingdom (\$30 million). China provided a paltry \$30,000.<sup>238</sup>
- The UN Refugee Agency's top donors in 2019 were the United States (\$1.7 billion), the European Union (\$473 million), and Germany (\$391 million). China donated just \$1.9 million.<sup>239</sup>
- The World Food Program's top donors were the United States (\$3.4 billion), Germany (\$887 million), and the United Kingdom (\$698 million). China contributed \$30 million. At a time

<sup>231</sup> "China passes Japan to become UN's No. 2 contributor." *Nikkei Asian Review*, 24 Dec. 2018, <https://asia.nikkei.com/Politics/International-relations/China-passes-Japan-to-become-UNs-No.-2-contributor>.

<sup>232</sup> "Status of Contributions as at 31 December 1975." United Nations, 22 Jan. 1976, <http://undocs.org/en/ST/ADM/SER.B/224>.

<sup>233</sup> "Resolutions adopted by the General Assembly", *55th Session of the United Nations General Assembly*, 22 Jan. 2001, <https://undocs.org/A/RES/55/5b-f>.

<sup>234</sup> Lee, Kristine and Alexander Sullivan. "People's Republic of the United Nations: China's Emerging Revisionism in International Organizations." *Asia-Pacific Security Program*, Center for New American Security, May 2019, <https://bit.ly/36gmdu>.

<sup>235</sup> While the United States has been assessed at a rate of 27.89% since 2017, the United States has been paying at a rate of 25%, consistent with current law. See: "How We Are Funded." United Nations Peacekeeping, 2020, <https://peacekeeping.un.org/en/how-we-are-funded>.

<sup>236</sup> Schaefer, Brett. "How the U.S. Should Address Rising Chinese Influence at the United Nations." *Backgrounder*, no. 3431, Margaret Thatcher Center for Freedom, The Heritage Foundation, 20 Aug. 2019, <https://heritagetrust.org/2JL6Xpl>.

<sup>237</sup> "Statistics", United Nations System Chief Executives Board for Coordination, 2016, <https://www.unsystem.org/content/statistics>.

<sup>238</sup> *Annual Report 2019*. United Nations Office for the Coordination of Humanitarian Affairs, <https://www.unocha.org/sites/unocha/files/2019OCHAannualreport.pdf>.

<sup>239</sup> *Funding Update 2019: Global Overview*. United Nations High Commissioner for Refugees, <https://www.unhcr.org/5eddeb394>.

when more than 20 million refugees and 47.5 million internally displaced persons have been forced from their homes, and 135 million people in 55 countries are facing starvation—the highest levels of human displacement and humanitarian need in recorded history—China has shirked its humanitarian responsibilities and instead provided the bare minimum.<sup>240</sup>

Rather than stepping-up voluntary contributions to the UN humanitarian organizations it does not control, China has since 2015 sought to raise its international profile and advance its political, economic, and military interests by dramatically increasing the number and types of troops it contributes to UN peacekeeping operations. According to the Council on Foreign Relations (CFR), in 1990, “China provided only five personnel to all total peacekeeping operations.”<sup>241</sup> Today, China deploys 2,531 peacekeeping personnel (as of August 2020), more than all other permanent UNSC members combined.<sup>242</sup>

The UN’s troop contributing countries (TCCs) receive reimbursements and training made available through the assessed peacekeeping budget.<sup>243</sup> Notably, some TCCs are more motivated by the operational experience and financial incentives gained through participation than by the overall objectives of such missions. Moreover, TCCs are able to negotiate memorandums of understanding that cover when, where, how, and what types of troops are deployed. This presents a clear opportunity for China to expand its military-to-military contacts and ensure its personnel serve only in areas where it has other interests. CFR research makes this clear: over the last six years, Chinese peacekeeping personnel appeared in countries with significant Chinese financial investment in the years prior. For example, China has contributed specialized peacekeeping forces to multiple missions where it has significant interest in securing access to natural resources, including Western Sahara; Darfur, Sudan; South Sudan; and the Democratic Republic of Congo.

China only pays its required share of peacekeeping contributions. Its People’s Liberation Army personnel deployed to UN missions are paid for by dues collected from all UN member states. The United States and the European Union consistently provide the voluntary financial, political, and enabling contributions upon which all successful peacekeeping operations depend. As of August 2020, 27 EU member states contributed 5,145 staff to peacekeeping missions around the globe.<sup>244</sup> Moreover, despite being slightly risk-averse to deploying troops to high conflict areas, the European Union maintains numerous technical, diplomatic, and specialized training programs—to include counter-improvised explosive device programs provided through the UN Mine Action Service and the

<sup>240</sup> “Figures at a Glance.” United Nations High Commissioner for Refugees, 18 Jun. 2020, <https://www.unhcr.org/en-us/figures-at-a-glance.html>. And “Fact Sheet: Hunger and Conflict.” World Food Program, Oct. 2020, [https://docs.wfp.org/api/documents/WFP-0000119678/download/?\\_ga=2.173870179.1360960934.1602808352-1420031420.1602808352](https://docs.wfp.org/api/documents/WFP-0000119678/download/?_ga=2.173870179.1360960934.1602808352-1420031420.1602808352).

<sup>241</sup> Best, Lucy. “What Motivates Chinese Peacekeeping?” *Asia Unbound*, The Council on Foreign Relations, 07 Jan. 2020, <https://www.cfr.org/blog/what-motivates-chinese-peacekeeping>.

<sup>242</sup> Schaefer, Brett. “How the U.S. Should Address Rising Chinese Influence at the United Nations.” *Background*, no. 3431, The Heritage Foundation, 20 Aug. 2019, <https://heritage.org/2JL6Xpl>.

<sup>243</sup> “Deployment and Reimbursement.” United Nations Peacekeeping, <https://bit.ly/32nhWLZ>.

<sup>244</sup> “Troop and Police Contributions.” United Nations Peacekeeping, <https://bit.ly/2GF9oZo>.



EU Military Advisory Mission, including the successor EU Training Mission in the Central African Republic. Both of these missions are outside of the traditional UN peacekeeping contributions.

Similarly, the United States provides vital training and equipment to support UN peacekeeping forces through various programs and initiatives, including the U.S. Department of State's Global Peace Operations Initiative (GPOI) and the complementary African Peacekeeping Rapid Response Partnership. Through GPOI, the United States has contributed nearly \$1.3 billion in assistance to help TCCs build critical enabling peacekeeping capabilities, enhance readiness, support rapid deployment, increase the participation of women, and become self-sufficient. GPOI partners have increased their military deployment rates to the UN and African Union operations by 150 percent overall; the number of females deployed has increased by 114 percent since April 2010 alone.<sup>245</sup>

The transatlantic alliance provides not only the political leadership but also technical assistance, training, and enabling capabilities that advance international peace and security. In stark contrast to the PRC, these efforts extend well beyond assessed contributions and economically motivated troop deployments.

### ***The Need for Transatlantic Cooperation***

There is huge potential for the United States and Europe to build greater diplomatic momentum to encourage impartiality and good governance at the UN. One example is in the area of global health. In response to the CCP's efforts to hide the nature and scope of the COVID-19 outbreak that originated in Wuhan—including by delaying the entry of the World Health Organization's (WHO) investigative team into China and launching a massive disinformation campaign—the United States and the European Union began discussions about how to rebuild the WHO as an independent institution inoculated against the outsized and undue influence of the Chinese government. Notably, the Chinese government paid only 0.2 percent of the WHO's budget from 2018-2019, while the European Union funded nearly 11 percent and the United States funded 15 percent.<sup>246</sup> Similar to the current U.S. position on the imperative of WHO reform, in the summer of 2020, EU health ministers stated that “an evaluation and reform of the WHO was needed.” Germany, which began its six-month EU presidency in July 2020, put WHO reform on its agenda.<sup>247</sup> Despite European Union concerns about the U.S. decision to withdraw from an unreformed WHO, the opportunity to work collaboratively towards our mutual objective is apparent, and should be explored at other specialized agencies.

Another area where the United States and Europe can cooperate is in the election of top UN officials. A recent example was the successful joint effort to elect a Singaporean national to lead WIPO. This should not be a one-time success. The United States and European partners should reflect on the lessons from both the suc-

<sup>245</sup> “Key Topics—Office of Global Programs and Initiatives.” U.S. Department of State Bureau of Political-Military Affairs, <https://bit.ly/36eljon>.

<sup>246</sup> “Europeans Working with US to Restructure WHO, Top Official Says.” 19 Jun. 2020. *Voice of America*, <https://bit.ly/3l6eTPJ>.

<sup>247</sup> *Ibid.*.

cessful WIPO election and previously failed FAO election and work together to produce future positive outcomes.

Equally important to note, though not all UN agencies and programs rise to the same level of importance, supporting qualified and independent candidates to lead these agencies and programs can bolster our current diplomatic ties, as well as those with our allies outside the transatlantic relationship. By focusing on maintaining consistent, early diplomatic engagement coupled with high-level discussions, the United States and Europe can sustain the hard-fought efforts to champion impartiality and good governance across the UN system. Future elections depend on the critical bond between the United States and Europe. Upcoming elections for leadership of the Organization for Economic Cooperation and Development, Universal Postal Union, World Trade Organization, and the ICAO provide opportunities to achieve success that serves the shared transatlantic interest in an international system characterized by liberal principles and commitment to the UN Charter.

Working together, the United States and Europe can also make meaningful reforms to the UN and restore the organization as a model of transparency and good governance. The transatlantic alliance should continue to push for transparency throughout the UN system. In a recent example, the European Union and United States supported a resolution led by Chile, Mexico, and Uruguay that resulted in the webcasting of ECOSOC's NGO committee for the first time.<sup>248</sup> Prior to this successful resolution in 2017, those committee meetings were held in private.

### ***Conclusion***

China is clear about its intentions to disregard the rules-based international system that the UN was founded upon, and to instead slowly chip away and reshape the UN system to fit the CCP's agenda. While the PRC only joined the UN in 1971, it has made up for lost time by pushing its influence across the UN system, from heading UN specialized agencies to increasing its number of peacekeepers. It is unrealistic to presume that China will not use its influence to shape the international system. Indeed, the United States and its European allies must expect them to do so and respond by using their own influence to protect the norms and practices that have served the international system so well. Finally, despite China's increasing monetary contributions, the reality is that the United States, Europe, and other advanced democracies continue to provide the lion's share of financial support to the UN and other IOs. Both sides of the Atlantic must be steadfast in insisting that their contributions not subsidize goals that undermine the system that they have founded and continue to value.

---

<sup>248</sup> Amadeo, Stefanie. "Remarks at the Economic and Social Council Meeting on Non-Governmental Organizations." U.S. Mission to the United Nations, 19 Apr. 2017, <https://bit.ly/38gCObC>.

## CHAPTER THREE—TRADE, INVESTMENT, AND ECONOMIC STATECRAFT

---

*With the US—and with other democracies—we do share a number of deep concerns on the substance of Chinese behaviour that must be addressed: the persistent lack of a level-playing field in the economic area; the distorting effects of industrial subsidies; the absence of reciprocity in procurement rules. The list is quite long. And our impatience is growing that despite Chinese commitments to address these concerns, there is insufficient follow through in terms of actual reforms.<sup>249</sup>*

—JOSEP FONTELLES BORRELL, HIGH REPRESENTATIVE OF  
THE EUROPEAN UNION FOR FOREIGN AFFAIRS AND SECURITY POLICY

### ***Introduction***

U.S. and European governments and companies' earlier optimism<sup>250</sup> about China's commitment to economic reform and liberalization consistent with free and private markets has been replaced with growing frustration. The People's Republic of China's (PRC) continued advancement of an ecosystem of anti-competitive economic and industrial policies that further its strategic goals and hamper legitimate private enterprise presents an unprecedented challenge to the international trading system and to all other participants in international commerce. The most damaging PRC policies include:

- Selective and policy-driven market access restrictions;
- Government-sanctioned (or -tolerated) intellectual property (IP) theft;
- Endorsement of forced technology transfers;
- Trade retaliation or the threat thereof for political decisions;
- Support to Chinese state-owned enterprises (SOEs) that heavily underbid on international contracts; and
- Use of state subsidies (many of dubious consistency with China's obligations under various trade commitments) for research and development in certain lucrative sectors.

While China's accession to the World Trade Organization (WTO) did lead to some openness and greater opportunities for foreign

---

<sup>249</sup> Borrell, Josep Fontelles. "China, the United States and us." European External Action Service, 31 Jul. 2020, <https://eeas.europa.eu/headquarters/headquarters-homepage/83644/china-united-states-and-us-en>.

<sup>250</sup> Kartnitschnig, Matthew. "How Germany opened the door to China—and threw away the key." *Politico Europe*, 10 Sep. 2020, <https://politi.co/3keycVX>

firms, progress in establishing a non-discriminatory, free, and open market in the PRC has long since stalled. It has become clear that the PRC government intends to pursue an economic model that couples the nearly limitless resources and power of the state with subservient economic actors in a bid to expand their footprints and revenues. It does so at the expense of public and private foreign companies seeking to compete according to longstanding market principles and rules.

Given the immense size of the PRC market and its global reach today, China's practices have the potential to upend a global economic community previously characterized by open markets and trade liberalization. The PRC government, newly enriched through the benefits of participation in the free market trade liberalization system established under the General Agreement on Tariffs and Trade (GATT), WTO, and related agreements, now seeks to undermine and potentially displace that system by advancing a CCP-centric agenda that exploits gaps in that system and which furthers China's national goals at the expense of all other participants. For instance, despite being the world's second largest economy, the PRC continues to insist that it is a "developing nation" under WTO rules and takes resources and advantages truly needed by much poorer nations while competing unfairly with richer ones. The PRC government is pursuing a neo-mercantilist policy of placing the power and resources of the state at the disposal of supposedly private Chinese economic actors in a bid to distort markets to advance and promote Chinese political ends, displace non-Chinese competitors, and dominate Chinese-favored sectors globally.

Both U.S. and European companies face this threat. In the European Union, surveys reveal that, "Member states are increasingly dissatisfied with the [PRC's] unwillingness to reciprocate the openness of the EU market."<sup>251</sup> For their part, American businesses working in China see "advocat[ing] more strongly for a level playing field for U.S. business in China" as the best thing the U.S. government could do to "help foreign businesses in China."<sup>252</sup>

If the United States and Europe hope to preserve the vision of free markets that provide non-discriminatory benefits equally to all, this challenge cannot go unmet. The United States and Europe created the modern free market system in response to the horrors of the early 20th century wars. For seven decades, this system has helped to realize the aspirations of billions of people using their individual talents to advance their personal economic interests, cutting global poverty by two-thirds since 1995 alone.<sup>253</sup> That system is now under assault. The United States and Europe have a shared interest in protecting, strengthening, and advancing the free market on behalf of and at the direction of their citizens.

The transatlantic community shares many concerns with Chinese practices and tends to agree on the scope and nature of the prob-

<sup>251</sup> Oertel, Janka. "The new China Consensus: How Europe is growing wary of Beijing." European Council on Foreign Relations, 07 Sep. 2020, <https://bit.ly/3kaiBq1>.

<sup>252</sup> *2020 China Business Climate Survey Report*. American Chamber of Commerce in the People's Republic of China, Mar. 2020, <https://bit.ly/2GyZEj8>.

<sup>253</sup> See *2020 Index of Economic Freedom*. The Heritage Foundation, May 2020, <https://www.heritage.org/index/>. And Kim, Anthony and Patrick Tyrrell. "Economic Freedom Enables Great Escape from Poverty." The Heritage Foundation, 13 Feb. 2018, <https://heritage.org/2018/02/13/economic-freedom-enables-great-escape-from-poverty/>.

lems we face in the trade sphere. The next step, and best path forward, is to find potential areas for cooperation that strengthen the system itself and push back on specific PRC behavior. Such cooperation should be grounded by our shared beliefs in preserving and promoting an open and non-discriminatory free market environment, while upholding the legitimate interest of the state in establishing appropriate rules that protect consumers and investors, and protecting individuals and private property from undue foreign coercion and theft, particularly the IP rights that are foundational to U.S. and European prosperity. The United States and Europe must rise to the challenge and boldly and openly reaffirm these principles together.

### ***China's Discriminatory Practices***

#### *The Power of the State*

As China's market has become more saturated and advanced, the large revenue gains previously realized by Western companies are increasingly difficult to achieve. And technologically, China is catching up quickly and moving into more advanced manufacturing sectors. For instance, German technology and machinery, long seen as the world's most advanced, is no longer so confident in its technological advantage.<sup>254</sup> Another expert notes:



*In the past, German industrial companies combatted China's attempts to steal their technology by holding back their latest innovations from the Chinese market. In most cases, even if the gear they sold to China wasn't state-of-the-art, it was generally superior to what Chinese suppliers could offer. That strategy has become increasingly difficult as Chinese rivals have become more sophisticated, forcing German companies to put their top-shelf offerings on the Chinese market.*<sup>255</sup>

Market economy states have also grown increasingly concerned about PRC-directed and controlled investments in strategic sectors, as well as acquisitions of key technology companies by firms with government ties. An examination of Chinese acquisitions in Sweden by the Swedish Defense Research Agency highlights the concentration of these purchases in smaller companies that work in industrial products and machinery, biotechnology, information and communications technology, electronics, and the automotive sector. The report further notes that around half of these Chinese acquisitions align with priorities set by the Chinese government in its Made in China 2025 plan.<sup>256</sup>

<sup>254</sup> Staff discussions with a European energy expert.

<sup>255</sup> Kartmitschnig, Matthew. "How Germany opened the door to China—and threw away the key." *Politico Europe*, 10 Sep. 2020, <https://politi.co/32lMuOf>.

<sup>256</sup> Hellstrom, Jerker, Oscar Almén and Johan Eglund. "Kinesiska bolagsförvärv i Sverige: en kartläggning." Swedish Defense Research Agency (FOI), 29 Nov. 2019, <https://bit.ly/3p9Fqy8>.

The “Made in China 2025” plan highlights 10 sectors:	
 New generation information technology	 New energy and energy-saving vehicles
 High-end computerized machines and robots	 Energy equipment
 Aerospace	 Agricultural machines
 Maritime equipment and high-tech ships	 New materials
 Advanced railway transportation equipment	 Biopharma and high-tech medical devices

**Source:** “Notice of the State Council on Issuing Made in China 2025, May 8, 2015. Guofa [2015] No. 28.”

Made in China 2025 is designed to marshal the Chinese economy to make huge strides in certain industrial areas that the state considers to be of great strategic importance.<sup>257</sup> Not surprisingly, the 10 areas highlighted by the program have also been the targets of many of China’s most malign trade practices. These sectors are: new generation information technology; new energy and energy-saving vehicles; high-end computerized machines and robots; energy equipment; aerospace; agricultural machines; maritime equipment and high-tech ships; new materials; advanced railway transport equipment; and biopharma and high-tech medical devices. And while the PRC government has certainly focused on bolstering the role of SOEs in these sectors, private Chinese companies have also

<sup>257</sup> Sutter, Karen. *Made in China 2025 Industrial Policies: Issues for Congress*. Congressional Research Service, 11 Aug. 2020, <https://fas.org/sgp/crs/row/IF10964.pdf>.

recently been commanded to “organize and mobilize private economic professionals to devote themselves to major national strategies such as innovation-driven development strategies.”<sup>258</sup>

The Chinese Communist Party (CCP) has increasingly mobilized its power to quickly achieve these goals. As Martin Hala of Charles University writes, “The CCP sets the rules and can determine the success or failure of ‘private’ ventures by controlling access to capital from state and policy banks, by offering and withdrawing licenses and permits, and ultimately through direct administrative intervention. . . . It can allow billion-dollar companies to spring up overnight and then dissolve them by fiat and redirect the flow of capital to other players.”<sup>259</sup>

### *Forced Technology Transfer*

Forced technology transfer is among the most “unreasonable and discriminatory” practices that the PRC imposes, strongly encourages, or supports through administrative action on foreign companies seeking market access in China.<sup>260</sup> In 2020, 13 percent of American companies<sup>261</sup> and 16 percent of European companies operating in China reported being asked to transfer their technology.<sup>262</sup> More worrisome is analysis from the EU Chamber of Commerce in China which reveals, “In industries like medical devices, aerospace and aviation, and environment—the crown jewels of European innovation—nearly a third of members report having been compelled to transfer technology in order to maintain market access.”<sup>263</sup> These targeted sectors correspond with the priority areas laid out in Made in China 2025.

Joint venture requirements with Chinese companies are a key vector for the transfer of proprietary IP and technology. These joint ventures often include requirements that the Chinese partner be provided access to the foreign investor’s core technologies. The U.S. Trade Representative explains that the goal behind this requirement is made clear in the PRC’s trade strategies, which “articulate the concept of Introducing, Digesting, Absorbing, and Reinventing foreign intellectual property and technology (IDAR).”<sup>264</sup>

This practice has been visible for some time, but its true effects are only now being felt and understood. Siemens, in order to tap the potentially lucrative market for high-speed trains in China,

<sup>258</sup> “Zhonggong zhongyang bangong tin yinfa ‘guanyu jiaqiang xin shidai minying jingji tongzhan gongzuo de yijian.’” [The General Office of the CPC Central Committee issued the “Opinions on Strengthening the United Front Work of Private Economy in the New Era”]. *Xinhua*, 15 Sep. 2020, <https://bit.ly/2IbEUOW>.

<sup>259</sup> Hala, Martin. “A New Invisible Hand: authoritarian Corrosive Capital and the Repurposing of Democracy.” *Sharp Power and Democratic Resilience Series*, National Endowment for Democracy’s International Forum for Democratic Studies, Mar. 2020, <https://www.ned.org/wp-content/uploads/2020/03/New-Invisible-Hand-Authoritarian-Corrosive-Capital-Repurposing-Democracy-Hala.pdf>.

<sup>260</sup> “Findings of the Investigation Into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974.” Office of the United States Trade Representative, 22 Mar. 2018, p. 11-12, <https://bit.ly/369oAGM>.

<sup>261</sup> *2020 Member Survey*. The U.S.-China Business Council, p. 13, <https://bit.ly/3540YUx>.

<sup>262</sup> *European Business In China: Business Confidence Survey 2020*. European Union Chamber of Commerce in China, Jun. 2020, p. 43, <https://bit.ly/3mUTidm>.

<sup>263</sup> *Ibid.*, p. 43-44.

<sup>264</sup> “Findings of the Investigation Into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974.” Office of the United States Trade Representative, 22 Mar. 2018, p. 11-12, <https://bit.ly/369oAGM>.

signed a technology transfer agreement with its Chinese partner; China's high-speed train companies have now used that technology to become a competitor to Siemens.<sup>265</sup> German industry group BDI notes that Chinese companies are often rewarded and incentivized by the PRC government with tax exemptions for creating technology transfer.<sup>266</sup>

Spain's Gamesa, a producer of wind turbines, has experienced these IDAR strategies firsthand.<sup>267</sup> To enter the Chinese market in the 2000s, Gamesa followed local content rules that compelled them to make 70 percent of their parts inside China. Gamesa-trained local suppliers then began to sell the same parts to Gamesa's PRC competitors, who also benefited from low-interest state loans and access to cheap land for factories and wind farms.<sup>268</sup> Other sectors, including solar energy, have had nearly identical experiences.<sup>269</sup> This type of manipulated or forced transfer of expertise is now simply seen as a cost of doing business. Gamesa remains a leader in the field, but companies that benefited from its technology are gaining ground. In 2005, not one PRC company was in the top ten manufacturers of wind turbines.<sup>270</sup> In 2019, five of the top ten producers were from China, though most of their sales were inside the PRC.<sup>271</sup> The Chinese government has continuously promised to end the practice of forced technology transfer, but has not done so.<sup>272</sup>

### *State-Sponsored Industrial Espionage*

State-sanctioned IP theft by PRC actors continues unabated, in contravention of established norms against economic espionage and despite prior commitments by the Chinese government. U.S. President Barack Obama and PRC General Secretary Xi Jinping signed an agreement in 2015 that "neither government will conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies

<sup>265</sup> "The importance of China's high-speed tech transfer policy." *Railway Technology*, 1 Mar. 2017, <https://www.railway-technology.com/features/featurethe-importance-of-chinas-high-speed-tech-transfer-policy-5748075/>.

<sup>266</sup> "Partners and Systemic Competitor—How Do We Deal With China's State-Controlled Economy?" Jan. 2019. Federation of German Industries (BDI), Jan. 2019, p. 7, <https://english.bdi.eu/media/publications/?publicationtype=Positions#/publication/news/china-partner-and-systemic-competitor/>.

<sup>267</sup> Gamesa is now known as Siemens Gamesa. It merged with Siemens Wind Power in 2017.

<sup>268</sup> Bradsher, Keith. "To Conquer Wind Power, China Writes the Rules." *New York Times*, 14 Dec. 2010. <https://www.nytimes.com/2010/12/15/business/global/15chinawind.html>.

<sup>269</sup> Bradsher, Keith. "China Racing Ahead of U.S. in the Drive to Go Solar." *New York Times*, 24 Aug. 2009, [nyti.ms/2IgTcO8](https://www.nytimes.com/2009/08/24/business/24solar.html).

<sup>270</sup> Schmitz, Hubert and Lena, Rasmus Lema. "The Global Green Economy: Competition or Cooperation Between Europe and China." In *The Triple Challenge for Europe: Economic Development, Climate Change, and Governance*, Fegerberg, Jan et al., editors, Oxford UP, 2015, p.119-41. Publisher: Oxford University Press Editors: Jan Fagerberg, Steffan Laestadius, Ben Martin. 2015.

<sup>271</sup> Stromsta, Karl-Erik. "WoodMac: Vestas Tops Global Wind Turbine Supplier Rankings in 2019." *Green Tech Media*, 11 May 2020, <https://www.greentechmedia.com/articles/read/woodmac-vestas-tops-ranking-of-global-wind-turbine-suppliers-in-2019>.

<sup>272</sup> "Findings of the Investigation Into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation Under Section 301 of the Trade Act of 1974." Office of the United States Trade Representative, 22 Mar. 2018, p. 6-8, Office of the United States Trade Representative.

<https://ustr.gov/sites/default/files/Section%20301%20FINAL.PDF>.



or commercial sectors.”<sup>273</sup> However, a 2019 survey of the 23 companies on the *CNBC* Global CFO Council revealed that 20 percent of them had IP stolen by China during the prior year.<sup>274</sup> A November 2019 investigation by the U.S. Senate Homeland Security and Governmental Affairs Committee found that the U.S. government “has failed to stop China from acquiring knowledge and intellectual property from U.S. taxpayer funded researchers and scientists” and lacked “a comprehensive strategy to combat this threat.”<sup>275</sup>

This rampant IP theft is in large measure directed and supported by Chinese government entities to systematically acquire foreign technology in violation of clear commitments by the PRC government. The most well-known of these programs is the Thousand Talents Program, which states its goal as “to follow the unified deployment of the Central Coordinating Group on Talent and focus on the needs of China’s economic and social development in key industries and key areas, recruiting 50-100 foreign experts each year over about 10 years so as to recruit 500-1,000 high-level foreign experts.”<sup>276</sup>

PRC-sponsored professional associations that openly announce their intent to transfer technology (often acquired in violation of national laws) back to China have been established in Europe, North America, and Australia. Take, for example, the Federation of Chinese Professional Associations in Europe. This umbrella organization for more than 60 professional guilds has established two “innovation bases” in Europe. The base in Belgium openly advertises that it “symbolizes how Chinese companies can directly make use of Europe’s technological resources and its strong research.”<sup>277</sup> One of the individual members, the China-Sweden Life Science Association, says its “purpose is to promote knowledge exchange”<sup>278</sup> and boasts of its connection to BGI Genomics, a rising giant that combines big data with genetics and has been implicated in human rights violations in Xinjiang.<sup>279</sup>

Democratic governments, including the United States, Australia, and New Zealand, are beginning to investigate and prosecute legal violations connected with these kinds of programs. A recent and very public case is that of Harvard Professor Charles Lieber, chair of the Department of Chemistry and Chemical Biology, who is charged by the U.S. Department of Justice with failing to disclose

<sup>273</sup> “FACT SHEET: President Xi Jinping’s State Visit to the United States.” White House Office of the Press Secretary, 25 Sep. 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/fact-sheet-president-xi-jinpings-state-visit-united-states>. 25 Sept. 2015. <https://bit.ly/3l65qb9>.

<sup>274</sup> Rosenbaum, Eric. “1 in 5 corporations say China has stolen their IP within the last year: *CNBC* CFO survey.” 01 Mar. 2019, *CNBC.com*. <https://cnb.cx/3p1YFtb>.

<sup>275</sup> “Threats to the U.S. Research Enterprise: China’s Talent Recruitment Plans.” United States Senate Committee on Homeland Security and Governmental Affairs Permanent Subcommittee on Investigations, 18 Nov. 2019, <https://bit.ly/3k7TJ2l>.

<sup>276</sup> “Detailed Rules for the ‘Thousand Talents Program’ High-Level Foreign Expert Project.” *SeBeijing Institute of Technology Human Resources Department Webpage*, translated by Etcetera Language Group. Communist Party of China Central Organization Department, 2011. <https://cset.georgetown.edu/research/detailed-rules-for-the-thousand-talents-program-high-level-foreign-expert-project/>.

<sup>277</sup> Tatlow, Didi Kirsten, Hinnerk Feldwisch-Drentrup and Ryan Fedasiuk. “Europe: A technology transfer mosaic.” *China’s Quest for Foreign Technology: Beyond Espionage*, Hannas, William D. and Didi Kirsten Tatlow, editors, Routledge, 2020, <https://www.routledge.com/Chinas-Quest-for-Foreign-Technology-Beyond-Espionage/Hannas-Tatlow/p/book/9780367473570>.

<sup>278</sup> China-Sweden Life Science Association, <https://bit.ly/2UeP6sZ>.

<sup>279</sup> Needham, Kirsty. “Special Report: COVID opens new doors for China’s gene giant.” *Reuters*, 05 Aug. 2020, <https://www.reuters.com/article/us-health-coronavirus-bgi-specialreport/special-report-covid-opens-new-doors-for-chinas-gene-giant-idUSKCN2511CE>.

his affiliation with and income from the Thousand Talents Program.<sup>280</sup> Turab Lookman, formerly a scientist at Los Alamos National Laboratory, pled guilty when charged with lying to a federal investigator about his involvement in the Thousand Talents Program.<sup>281</sup>

In the medical field, the U.S. National Institutes of Health and Federal Bureau of Investigation (FBI) are cracking down on research stolen by the PRC government. In one of many such cases, Wang Xin, a visiting medical researcher at the University of California at San Francisco (UCSF) and also a member of the People's Liberation Army, told investigators that he had sent research back to his lab in China and had been instructed to "observe the layout of the UCSF lab and bring back information on how to replicate it in China."<sup>282</sup> Another case involved Dr. Alan List, Thomas Sellers, and four researchers at Florida's H. Lee Moffitt Cancer Center & Research Institute. They all resigned after their involvement in Thousand Talents came under scrutiny.<sup>283</sup> The U.S. Justice Department also alleges that the medical industry was recently targeted by two PRC hackers working with China's Ministry of State Security.<sup>284</sup> Companies victimized by these hackers are located not only in the United States, but also Australia, Belgium, Germany, Japan, Lithuania, the Netherlands, South Korea, Spain, Sweden, and the United Kingdom.<sup>285</sup>

Indeed, much of China's industrial espionage takes place under the guise of academia. In 2018, Belgium extradited to the United States an alleged Chinese spy, Xu Yanjun, who according to prosecutors, often presented himself as affiliated with the Jiangsu Science and Technology Promotion Association to get close to and obtain proprietary information from aviation experts working for U.S. companies like GE Aviation. The criminal complaint alleges that Mr. Xu was in close contact with the Nanjing University of Aeronautics and Astronautics, which is a regular collaborator with Commercial Aircraft Corporation of China (COMAC) and Aviation Industries of China.<sup>286</sup> As alleged in the criminal complaint, "Xu sent a document to an individual believed to be associated with a

<sup>280</sup> "Harvard University Professor and Two Chinese Nationals Charged in Three Separate China Related Cases." U.S. Department of Justice Office of Public Affairs, 28 Jan. 2020, <https://www.justice.gov/opa/pr/harvard-university-professor-and-two-chinese-nationals-charged-three-separate-china-related>.

<sup>281</sup> "Former scientist from Los Alamos National Laboratory pleads guilty in federal court to making false statement about involvement with Chinese government technology program." U.S. Department of Justice U.S. Attorney's Office District of New Mexico, 24 Jan. 2020, <https://www.justice.gov/usao-nm/pr/former-scientist-los-alamos-national-laboratory-pleads-guilty-federal-court-making-false>.

<sup>282</sup> "Officer of China's People's Liberation Army Arrested At Los Angeles International Airport." U.S. Department of Justice U.S. Attorney's Office Northern District of California, 11 Jun. 2020, <https://www.justice.gov/usao-ndca/pr/officer-china-s-people-s-liberation-army-arrested-los-angeles-international-airport>.

<sup>283</sup> Griffin, Justine. "Moffitt Cancer Center shakeup: CEO and others resign over China ties." *Tampa Bay Times*, 18 Dec. 2019, <https://bit.ly/3mTu9zQ>.

<sup>284</sup> "Two Chinese Hackers Working with the Ministry of State Security Charged with Global Computer Intrusion Campaign Targeting Intellectual Property and Confidential Business Information, Including COVID-19 Research." U.S. Department of Justice Office of Public Affairs, 21 Jul. 2020, <https://www.justice.gov/opa/pr/two-chinese-hackers-working-ministry-state-security-charged-global-computer-intrusion>.

<sup>285</sup> United States, District Court for the Eastern District of Washington. *United States of America v. Li and Dong*. Docket no. 4:20-CR-6019-SMJ, 07 Jul. 2020, <https://www.justice.gov/opa/press-release/file/1295981/download>.

<sup>286</sup> United States, District Court for the Southern District of Ohio. *United States of America v. Xu*. Docket no. 1 18MJ-190, 21 Mar. 2018, p. 5, <https://bit.ly/36cPddP>.

Chinese company that ... pertain[ed] to a specific technology related to diesel engine variable nozzle turbocharging technology.”<sup>287</sup> As part of Made in China 2025 and extensively detailed in the 13th Five-Year Plan for the Development of Strategic Emerging Industries,<sup>288</sup> COMAC is developing a new large-size airliner that would compete with Airbus and Boeing—the two companies that dominate the market for large passenger airliners—but has run into technical difficulties and is looking for solutions.<sup>289</sup> This COMAC project was also the likely destination for IP that another FBI investigation alleges was stolen from an unnamed French aerospace company with an office in Suzhou, China. The FBI charges that Chinese intelligence used two local employees to hack that company to steal trade secrets and then used that route to make “further computer intrusions” into thirteen other American, Australian, British, and French aerospace companies, to obtain information about “a turbofan engine used in commercial jetliners.”<sup>290</sup> Says the indictment: “At the time of the intrusions, a Chinese state-owned aerospace company was working to develop a comparable engine for use in commercial aircraft manufactured in China and elsewhere.”<sup>291</sup>

Despite this shared grave threat and the need to take immediate action to protect highly advanced and valuable IP from what appears to be a coordinated Chinese government plan to steal it, both Boeing and Airbus remain far more focused on the short-term challenge of competition with each other, including by lodging WTO complaints. Some, however, are starting to highlight the emerging threat. As EU High Representative for Foreign Affairs and Security Policy Josep Borrell noted, “while the U.S. is punishing Airbus and we prepare measures on Boeing, China is fully subsidising wide-body aircrafts which they will sell everywhere in the world, including to our own private companies.”<sup>292</sup>

There are many further examples of the Chinese state either sanctioning IP theft outright or demonstrating complicity through gross negligence or failure to take action. For every company that decides to publicize China’s aggressive theft, dozens of others remain quiet to safeguard their market access and avoid reprisals by the Chinese government.

<sup>287</sup> *Ibid* p. 13.

<sup>288</sup> 289. “Circular of the State Council on Issuing the National 13th Five-Year Plan for the Development of Strategic Emerging Industries.” Translated by Etcetera Language Group, Ben Murphy, editor, The State Council of the People’s Republic of China, 09 Dec. 2019, <https://cset.georgetown.edu/research/national-13th-five-year-plan-for-the-development-of-strategic-emerging-industries/>.

<sup>289</sup> Qiu, Stella and Tim Hether. “China’s bid to challenge Boeing and Airbus falters.” *Reuters*, 09 Jan. 2020, <https://www.reuters.com/article/us-china-aviation-comac-insight/chinas-bid-to-challenge-boeing-and-airbus-falters-idUSKBN1Z905N>.

<sup>290</sup> “Chinese Intelligence Officers and Their Recruited Hackers and Insiders Conspired to Steal Sensitive Commercial Aviation and Technological Data for Years.” U.S. Department of Justice Office of Public Affairs, 30 Oct. 2018, <https://www.justice.gov/opa/pr/chinese-intelligence-officers-and-their-recruited-hackers-and-insiders-conspired-steal>.

<sup>291</sup> United States, District Court for the Eastern District of Washington. *United States of America v. Li and Dong*. Docket no. 4:20-CR-6019-SMJ, 07 Jul. 2020, <https://bit.ly/32guJjp>.

<sup>292</sup> Borrell, Josep Fontelles. “China, the United States and us.” European External Action Service, 31 Jul. 2020, <https://eeas.europa.eu/headquarters/headquarters-homepage/83644/china-united-states-and-us—en>.

*State Subsidies and Other State Support*

The global reach of China's state-owned and ostensibly private firms appears to be underpinned by a vast array of declared and undeclared subsidies and other support designed to further the industrial objectives of Made in China 2025 and other economic and industrial policies. The PRC government, at the national and sub-national levels, grants special privileges or statuses to Chinese firms or provides less transparent (but no less effective and market distorting) signaling of official state favor in designated strategic sectors. Enterprises receive these preferences in the form of favorable loans, tax exemptions, and preferential land access, among others. Further, as Germany's BDI notes, "politically mandated large-scale mergers create national champions" that can out-muscle Western firms operating under normal market conditions.<sup>293</sup> In July 2020, the Central Comprehensively Deepening Reforms Commission chaired by General Secretary Xi approved a three-year plan to further augment the support given to SOEs.<sup>294</sup>

State subsidization enables PRC companies to sell goods below market prices, allowing them to outbid and crowd out market-based competitors and thereby pursue global dominance of key sectors. Such government support distorts the global market economy by undermining longstanding and generally accepted market-based principles of fair competition, leading to barriers to entry and forced exit from the market for foreign or private firms, not only in the PRC but in markets around the world. Further, such subsidies create government-sponsored or supported de facto monopolies, cartels, and other anti-market arrangements in key sectors, limiting or removing opportunities for other firms.

Subsidies are concentrated in specific areas identified as "Major Special Projects" in the State Council's 2006-2020 National Medium- and Long-Term Program for Science and Technology Development. These align with the ten Made in China 2025 sectors mentioned earlier and include: core electronic devices; high-end generic chips and basic software; super large-scale integrated circuit manufacturing technology and techniques; next generation broadband mobile communication; machine tools and basic manufacturing technology; large oil-gas fields and coal-bed methane; high temperature gas-coolant reactor nuclear power stations; major new drugs; large passenger aircraft; and high resolution earth observation systems, among others.<sup>295</sup> Areas termed "Frontier Technologies," like facial and gait identification, information technology, advanced materials, and advanced energy technology are also heavily promoted.<sup>296</sup>

The PRC's push into artificial intelligence (AI) and technology-based security represents one example illustrative of its subsidization practices. PRC developers, including facial recognition start-up SenseTime, are backed by access to government data to help them

<sup>293</sup> *Partners and Systemic Competitor—How Do We Deal with China's State-Controlled Economy?* The Federation of German Industries (BDI), Jan. 2019, p. 3, <https://bit.ly/2TYdiQ6>.

<sup>294</sup> Tang, Frank. "China approves plan to boost prominence of state firms, despite complaints from trade partners." *South China Morning Post*, 08 Jul. 2020, <https://bit.ly/2IczrHP>.

<sup>295</sup> *The National Medium- and Long-Term Program for Science and Technology Development (2006-2020): An Outline*. The State Council of the People's Republic of China, <https://bit.ly/219NwFN>.

<sup>296</sup> *Ibid.*

build their product,<sup>297</sup> large purchases of surveillance software for use in China,<sup>298</sup> and what *China Daily* calls “special programs for top AI companies and startups that include perks like free rent, subsidies for hiring locals and housing benefits.”<sup>299</sup> Partnerships with government agencies, like SenseTime’s project with the People’s Bank of China to integrate AI and digital currencies, further help companies develop the products they need to become key players on the international market.<sup>300</sup> Companies are then able to further boost their resources by raising capital in foreign markets. After two initial funding rounds in 2017 and 2018 that drew most of their support from PRC entities including Alibaba and state-backed Sailing Capital,<sup>301</sup> SenseTime was able to raise \$620 million in 2018 from Western investors, including U.S. firms like Fidelity International and Silver Lake.<sup>302</sup> Thus, enterprises, with credit, resources, and the backing of the Chinese government, are positioned to exploit foreign capital markets established on presumptions of free markets.<sup>303</sup>

#### *Restricted Market Access*

Both the United States and Europe continue to experience unfair market access restrictions in spite of years of promises by the Chinese government to open and liberalize, per its commitments under its WTO accession in 2001. China continues to create barriers, both formal and informal, to foreign competition and, when pressed, has only grudgingly removed minimal barriers to entry in recent years. These small measures of public action deflect inquiry into and provide cover for ignoring more extensive and pervasive market barriers. As the European Chamber of Commerce in China reports:

“In 2019, 41% of companies reported at least some market opening. However, most advances were related to the fixing of minor irritants, such as improved bureaucratic procedures, rather than the deep and substantial reforms needed to create a truly open, fair and competitive playing field. Almost half of respondents continue to face market access barriers.”<sup>304</sup>

Indeed, U.S. and European companies are very familiar with these challenges. Although the number of restricted sectors on China’s National Negative List has decreased over time, 69 percent of U.S. companies operating in the PRC in 2019 told the American Chamber of Commerce in China that a “lack of market access [in-

<sup>297</sup> Bergen, Mark and David Ramli. “China’s Plan for World Domination in AI Isn’t So Crazy After All.” *Bloomberg*, 14 Aug. 2017, <https://www.bloomberg.com/news/articles/2017-08-14/china-s-plan-for-world-domination-in-ai-isn-t-so-crazy-after-all>.

<sup>298</sup> Mozur, Paul. “One Month, 500,000 Face Scans: How China Is Using A.I. to Profile a Minority.” *New York Times*, 14 Apr. 2019, <https://nyti.ms/366BEwE>.

<sup>299</sup> He, Wei. “A budding highland for innovations.” *China Daily*, 10 Oct. 2018, <https://bit.ly/3mYzPsh>.

<sup>300</sup> Dai, Sarah. “National AI champion SenseTime enters pact with China’s central bank amid digital currency trials.” *South China Morning Post*, 27 Apr. 2020, <https://bit.ly/369RmqR>.

<sup>301</sup> Jiang, Sijia and Julie Zhu. “China’s SenseTime valued at \$4.5 billion after Alibaba-led funding: sources.” *Reuters*, 08 Apr. 2018, <https://reut.rs/3n3chCy>.

<sup>302</sup> *Ibid.*

<sup>303</sup> Ryan, Fergus, Danielle Cave, and Vicky Xiuzhong Xu. *Mapping more of China’s technology giants*. No. 24/2019, Australian Strategic Policy Institute, 28 Nov. 2019, p. 17, <https://www.aspi.org.au/report/mapping-more-chinas-tech-giants>.

<sup>304</sup> *European Business In China: Business Confidence Survey 2020*. European Union Chamber of Commerce in China, Jun. 2020, <https://bit.ly/3mUTidm>.

hibited their] operations in China.”<sup>305</sup> Similarly, 44 percent of EU companies operating in China reported some kind of restricted access to the market, whether direct or indirect.<sup>306</sup> For these companies, increased market access is cited as the most important deliverable out of the potential EU-China Comprehensive Agreement on Investment, followed closely by a push for non-discrimination between Chinese SOEs and other companies.<sup>307</sup>

Instead of committing to opening its market to foreign competition in a non-discriminatory manner, as envisaged by long-standing GATT principles that would foster a healthy market environment under which the nation’s citizens can benefit from innovation and competition, the PRC government instead carefully stages any openings so as to benefit its own favored companies over foreign competition. China will frequently only start to open up certain sectors after domestic firms have already secured a dominant market position. As the European Chamber noted, “Financial services opening, for example, only took place after the entire market was saturated with Chinese SOEs, leaving only niche, albeit profitable, roles to the few European players that were able to obtain the necessary operating licenses.”<sup>308</sup>

#### *Trade Retaliation*

After World War II, the United States, Europe, and other nations established more rigorous and predictable rules to cope with the unilateral trade protectionism and retaliatory practices that contributed to the Great Depression. A work in progress even today, the procedures established through GATT and the WTO have provided a formal process for determining whether a country has violated or ignored its trade obligations. This system allows, under appropriate circumstances, WTO member countries to withdraw benefits from an offending trading partner that has been found to have violated agreed upon trading rules and caused economic harm. While this process can often be slow and cumbersome, its core objective is to consider trade disputes on their merits and resolve legitimate differences on the basis of free market principles and not on the basis of unrelated political objectives.

CCP leadership, however, has blurred the lines between politics and economics, increasingly operating outside this system by taking unilateral and punitive trade actions to punish countries economically for espousing positions contrary to CCP political orthodoxy and objectives. The impact of these practices extend beyond economic harm. The PRC is interfering in the sovereign affairs and decisions of free and democratic nations and, in effect, seeking to turn them into co-conspirators by coercing from them their acceptance of CCP political positions.

One early such instance was the PRC’s imposition of harsh import controls on Norway’s second largest export—salmon—following the awarding of the Nobel Peace Prize to Chinese democracy advo-

<sup>305</sup> “Waishang touzi zhun ru tebie guanli cuoshi (fumian qingdan) (2020 nian)” [Special Administrative Measures for Foreign Investment Access (Negative List) (Year 2020)], The State Council of the People’s Republic of China, 23 Jun. 2020, <https://bit.ly/3n2AmtA>.

<sup>306</sup> *European Business In China: Business Confidence Survey 2020*. European Union Chamber of Commerce in China, Jun. 2020, <https://bit.ly/3mUTidm>.

<sup>307</sup> *Ibid.*

<sup>308</sup> *Ibid.*

cate Liu Xiaobo.<sup>309</sup> Norwegian academic Ivar Kolstad recently found that Norway lost between US\$780 million and \$1.3 billion in direct total exports to China in the following three years, and subsequently aligned its votes on human rights issues in the UN more closely with China's.<sup>310</sup> Since then, China has imposed tighter restrictions on the import of Philippine bananas amidst a dispute in the South China Sea in 2012, and blocked canola (rapeseed),<sup>311</sup> soybean,<sup>312</sup> and pork imports after Canada arrested Huawei executive Meng Wanzhou.<sup>313</sup> Most recently, the PRC followed through on threats to punish Australia for demanding an independent international investigation into the origins of the COVID-19 pandemic. China conjured up dubious technical excuses to place import duties of 80.5 percent on Australian barley,<sup>314</sup> suspended some beef imports,<sup>315</sup> and opened an investigation into Australian wine imports.<sup>316</sup>

Three trends in trade retaliation by the PRC should alarm both U.S. and EU policy makers. First, China's perceived successes in coercing smaller nations has given it confidence to target larger economies like Canada and Australia. These examples must serve as a warning to the United States, the United Kingdom, and larger EU economies, especially given the PRC's likely use of these tools if both sides of the Atlantic increase their focus on its violations of human rights and international law, or take stronger actions to confront its unfair trade and economic practices.

Second, China has proven adept at limiting its retaliation to sectors and products that harm the other country but not itself. For example, in Australia's case, China has not targeted iron ore—the Australian export that is key to building the PRC's infrastructure and economy. More than 60 percent of China's iron ore comes from Australia. China has not targeted its sizeable liquefied natural gas imports from Australia,<sup>317</sup> but has recently banned some imports of Australian coal, one of the commodities for which it is less reliant.<sup>318</sup> Likewise in the 2012 dispute with the Philippines, China did not target electronic products and metal components, the larg-

<sup>309</sup>Lewis, Mark. "Norway's salmon rot as China takes revenge for dissident's Nobel Prize." *The Independent*, 06 Oct. 2011, <https://www.independent.co.uk/news/world/europe/norways-salmon-rot-as-china-takes-revenge-for-dissidents-nobel-prize-2366167.html>.

<sup>310</sup>Kolstad, Ivar. "Too big to fault? Effects of the 2010 Nobel Peace Prize on Norwegian exports to China and foreign policy." *International Political Science Review*, vol. 41(2), 10 Jan. 2020, p. 207-223, <https://www.cmi.no/publications/6354-too-big-to-fault>.

<sup>311</sup>Nickel, Rod, and Hallie Gu. "Like gold: Canadian canola prices spike as shippers find back door to China." *Reuters*, 09 Aug. 2020, <https://reut.rs/3590jkQ>. For more, see World Trade Organization. China—Measures Concerning the Importation of Canola Seed from Canada. DS589, 09 Sep. 2019, <https://bit.ly/36f4RFL>.

<sup>312</sup>Powell, Naomi. "Canadian soybean exports to China plunge 95% after hitting record high, as diplomatic dispute continues." *Financial Post*, 17 May 2019, <https://bit.ly/2GzD6Ph>.

<sup>313</sup>Chase, Steven. "China says lifting of ban on meat imports not a sign of better relations with Canada." *Globe and Mail*, 07 Nov. 2019, <https://tgam.ca/35aaRAAd>.

<sup>314</sup>Packham, Colin and Jonathan Barrett. "Australia appeals China's barley import tariff as trade tensions worsen." *Reuters*, 18 Aug. 2020, <https://reut.rs/2I9j9PZ>.

<sup>315</sup>Foley, Mike and Eryk Bagshaw. "China suspends Australian beef imports from four abattoirs." *Sydney Morning Herald*, 12 May 2020, <https://www.smh.com.au/politics/federal/china-suspends-australian-beef-imports-from-four-abattoirs-20200512-p54s4k.html>.

<sup>316</sup>"China launches second Australian wine probe amid tensions." *BBC*, 31 Aug. 2020, <https://www.bbc.com/news/world-australia-53970006>.

<sup>317</sup>Tan, Huileng. "China may punish Australia with trade curbs—but it can't stop buying iron ore from Down Under." *CNBC*, 11 Jun. 2020, <https://cnb.cx/3k5bf7r>.

<sup>318</sup>Tan, Su-Lin. "China's ban on Australian coal could be 'indefinite' amid heightened political tensions." *South China Morning Post*, 13 Oct. 2020, <https://bit.ly/3mWAniz>.

est category of Philippine exports to China.<sup>319</sup> In the 2010 Norwegian case, China did not retaliate against the Norwegian exports it needed most—machinery and electrical equipment or raw materials.<sup>320</sup>

Finally, in a novel development, China is exploring the use of export restrictions as punishments. In response to the recent U.S. decision to sell Patriot missiles to Taiwan, China announced that it would cut off Lockheed Martin’s access to China’s rare earth minerals, contrary to its WTO commitments.<sup>321</sup> Japan has also experienced a PRC government-directed rare earths cut-off.<sup>322</sup> During the COVID-19 crisis, export controls imposed by the PRC on medical supplies led to shortages of personal protective equipment around the world.<sup>323</sup> Such tactics may come into greater use as China considers passing legislation on broader export restrictions. Current proposals raise questions of consistency with the WTO and GATT. Moreover, this trend may force governments and companies alike to reconsider current dependency on an unpredictable PRC market for the commodities upon which stable supply chains depend.<sup>324</sup> If the PRC’s behavior continues, the United States and Europe must seriously consider taking measures to ensure that the supply chains for advanced manufacturing and global health commodities, including for active pharmacological ingredients and personal protective equipment, is diverse enough to deny China’s ability to manipulate markets.

### Conclusion

While some companies only experience some of these detrimental PRC practices, some like U.S. semiconductor manufacturer Micron have run the full gamut of trade abuses. Made in China 2025 details the PRC’s push to make most of China’s semiconductors in-country.<sup>325</sup> In pursuit of that goal, the PRC founded and heavily subsidized Fujian Jinhua Integrated Circuit.<sup>326</sup> Wired Magazine explains that the head of Micron’s Taiwan subsidiary then “quit and moved to UMC [United Microelectronics Corporation], set up a \$700 million joint agreement with Jinhua (owned by the Chinese government), and then hired two more MMT employees, who starting in roughly 2016 began to bring over Micron trade secrets.”<sup>327</sup> The U.S. indictment of both companies and the individuals in ques-

<sup>319</sup> *Foreign Trade Statistics of the Philippines: 2012*. Philippine Statistics Authority, 07 Nov. 2013, <https://bit.ly/32wWQef>.

<sup>320</sup> “Product Exports by Norway to China 2010.” The World Bank World Integrated Trade Solution, <https://bit.ly/3n4NTAC>.

<sup>321</sup> Liu, Xuanzun, Chu, Daye and Tu, Lei “Lockheed Martin faces China’s sanctions over Taiwan deal.” *Global Times*, 14 Jul. 2020, <http://www.globaltimes.cn/content/1194528.shtml>.

<sup>322</sup> Harrell, Peter, Elizabeth Rosenberg and Edoardo Saravalle. *China’s Use of Coercive Economic Measures*. Center for a New American Security Energy, Economics, and Security Program, 11 Jun. 2018, p. 42, <https://bit.ly/3mWAniz>.

<sup>323</sup> O’Keeffe, Kate, Liza Lin, and Eva Xiao. “China’s Export Restrictions Strand Medical Goods U.S. Needs to Fight Coronavirus, State Department Says.” *Wall Street Journal*, 16 Apr. 2020, <https://www.wsj.com/articles/chinas-export-restrictions-strand-medical-goods-u-s-needs-to-fight-coronavirus-state-department-says-11587031203>.

<sup>324</sup> Zhang, Jing, Tamer A. Soliman and Yoshihide Ito. “Key Changes in the Jul. 3, 2020, Draft of China’s Export Control Law.” Mayer Brown, 09 July 2020, <https://bit.ly/32mzwjk>.

<sup>325</sup> Ye, Josh. “China to fall short of Made in China 2025 localisation target for integrated circuits, says US research firm,” *South China Morning Post*, 22 May 2020, <https://bit.ly/357tl4x>.

<sup>326</sup> U. S. District Court, Northern District of California, U.S. Department of Justice. *United States v. United Microelectronics Corporation, et al.: Indictment*. 27 Sep. 2018, <https://www.justice.gov/usao-ndca/press-release/file/1107341/download>.

<sup>327</sup> Rogers, Adam. “US Accuses Chinese Company of Stealing Micron Trade Secrets.” *Wired Magazine*, 01 Nov. 2018, <https://bit.ly/32hvicv>.



tion highlighted that prior to these events, “the PRC did not possess DRAM technology,” a cutting-edge device used in memory storage.<sup>328</sup>

The PRC’s continued use of anti-competitive regulations, policies, and practices, if allowed to progress unchecked, will have detrimental effects not only for transatlantic economies, but for the global international trading system and free market economies. Despite U.S. and EU efforts to push for changes through good faith trade negotiations with the PRC, little progress, even after repeated promises by the PRC, has been forthcoming.<sup>329</sup> Despite the continued complaints from foreign investors and companies, China is betting that foreign companies will continue to see opportunities in China and are therefore willing to contend with persistent trade barriers and government discrimination.

Both sides of the Atlantic, inside or outside of the European Union, should work together to present an increasingly united front against the practices highlighted above. The decision by the United States, Japan, and Taiwan to join the EU’s WTO complaint against the PRC for violations related to forced technology transfer is a good place to start.<sup>330</sup> The European Union, Japan, and the United States have also worked together to build a new trilateral proposal to the WTO that would put further strictures on state subsidies.<sup>331</sup> Presenting a united front also means fixing some current issues in transatlantic economic relationship—like the continued sparring between Boeing and Airbus—so the United States and Europe can redirect our attention to the larger challenge. Finally, in light of the increased use of trade retaliation, the United States and Europe should remain in close discussions on re-evaluating areas of supply chain reliance on China and how to support friends and allies subjected to such coercion. These are just a few of the initial steps both sides of the Atlantic can start taking to ensure the international trading system does not regress into a might-makes-right paradigm.

<sup>328</sup> “PRC State-Owned Company, Taiwan Company, And Three Individuals Charged With Economic Espionage.” U.S. Department of Justice—U.S. Attorney’s Office, Northern District of California, 01 Nov. 2018, <https://www.justice.gov/usao-ndca/pr/prc-state-owned-company-taiwan-company-and-three-individuals-charged-economic-espionage>.

<sup>329</sup> “Economic And Trade Agreement Between The United States of America and The People’s Republic of China—Fact Sheet.” U.S. Trade Representative, 15 Jan. 2020, <https://bit.ly/219OJgj>. And Timsit, Annabelle. “Why the EU-China economic agreement seems to be going nowhere.” *Quartz*, 02 Oct. 2020, <https://qz.com/1906588/why-the-eu-china-economic-agreement-seems-to-be-going-nowhere/>.

<sup>330</sup> World Trade Organization. *China—Certain Measures on the Transfer of Technology*. DS549, 01 Jun. 2018, <https://bit.ly/3k6jjVs>.

<sup>331</sup> Wu, Wendy. “US, EU and Japan take aim at China with proposed WTO rules targeting state subsidies.” *South China Morning Post*, 15 Jan. 2020, <https://bit.ly/38qKYxY>.



## CHAPTER FOUR—TECHNOLOGY

---

*[China] is a key global actor and leading technological power. Its increasing presence in the world, including in Europe, should be accompanied by greater responsibilities for upholding the rules-based international order, as well as greater reciprocity, non-discrimination, and openness of its system.*

—EU-CHINA: A STRATEGIC OUTLOOK (2019)

### **Introduction**

The nature of modern and emerging technologies necessarily expands beyond national borders. The critical civilian and military technologies of the coming decades will require hardware, software, and supply chains that span across country borders and company lines. Countries and companies that are able to capitalize upon, set standards for, and manufacture these technologies will have an unparalleled advantage in shaping the structures of the world's cities, military operations, and even individual behavior of the future.

Due to its sheer size, the People's Republic of China (PRC) already has an inherent edge in developing these technologies. The PRC is the second largest economy by nominal gross domestic product (GDP) (first by purchasing power parity), and as of 2019, has the world's largest labor force—although it is not as large as many may assume.<sup>332</sup> In 2020, China is predicted to surpass the United States as the world's biggest consumer market.<sup>333</sup> Moreover, the Chinese Communist Party (CCP) has made it a priority to invest in, shape the rules for, and dominate critical technology sectors largely by employing a vast suite of “mercantilist” and unfair policies favoring PRC firms at the expense of foreign companies. At the 19th Party Congress, General Secretary Xi called upon China to “aim for the frontiers of science and technology, strengthen basic research, and make major breakthroughs in pioneering basic research and groundbreaking and original innovations . . . [as well as] strengthen basic research in applied sciences, launch major national science and technology projects, and prioritize innovation in key generic technologies, cutting-edge frontier technologies, modern engineering technologies, and disruptive technologies.”<sup>334</sup> The CCP's goal to become a technological and manufacturing superpower and achieve technological superiority, while weakening other

<sup>332</sup> “Labor Force, Total—China.” The World Bank, 21 Jun. 2020, <https://bit.ly/2JJ5T5k>.

<sup>333</sup> Sun, Nikki. “China to Surpass US as World's Biggest Consumer Market This Year.” *Nikkei Asia*, 24 Jan. 2019, [s.nikkei.com/3k5bShj](https://s.nikkei.com/3k5bShj).

<sup>334</sup> Xi, Jinping. “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.” *19th National Congress of the Communist Party of China*, Xinhua, 18 Oct. 2017, <https://bit.ly/2U44FDD>.

nations' technological competitiveness, is critical to advancing the CCP's political goals of shaping the international landscape into one that is safe for an authoritarian China to grow and dominate.

While the United States and EU member states, along with Japan, South Korea, and Taiwan, remain important leaders in technological development, they will find it increasingly difficult to compete with the PRC's massive market, systemic "innovation mercantilist" government focus, and resources for emerging technology.<sup>335</sup> Says Stanford University's Anja Manuel, "[Chinese] initiatives . . . aim to end the technological lead of the west and its allies by dominating market share, controlling international standards, and hollowing out industrial capacity. It is time for like-minded allies to unite."<sup>336</sup> If the United States and Europe are not aligned, then there is a risk of a 'tri-polar world'—with the United States, China, and Europe all acting as 'technology leaders', but with Europe as the weakest pole and the United States struggling to keep up with the PRC.<sup>337</sup> If the United States and Europe work together, however, governments and businesses alike will be in a much stronger position to properly manage the PRC as a systemic rival and shape the future of technological development, including the international regulatory environment surrounding the use of emerging technology.

### ***The China Challenge***

The CCP has made technological superiority a priority in its developmental and political goals. At the 19th Party Congress in 2017, Xi Jinping congratulated the Party for "propelling China into a leading position in terms of economic and technological strength" and declared that by 2035, China will become a "global leader in innovation."<sup>338</sup> The Party is mobilizing all aspects of national power for science and technology—from labs, to universities, to private companies, to the military—in support of these national goals. At the July 2020 Symposium of Entrepreneurs, Xi noted that "enterprise marketing knows no borders [but] entrepreneurs have a motherland" and that "patriotism is the glorious tradition of [China's] outstanding entrepreneurs in modern times."<sup>339</sup> The CCP's military-civilian fusion strategy, which effectively eliminates the barriers between China's civilian research and commercial sectors and its military and defense industrial sectors by giving the CCP legal authority to co-opt civilian manufacturing for defense purposes, only further demonstrates how the CCP is mobilizing both the civilian and defense sectors to support Party goals.<sup>340</sup>

<sup>335</sup> Atkinson, Rob. "How China's mercantilist policies have undermined global innovation in the telecom equipment industry," *ITIF*, 22 Jun. 2020, <https://bit.ly/369r73K>

<sup>336</sup> Manuel, Anja. "US, Europe, and UK must unite to keep Chinese tech at bay," *Financial Times*, 05 Oct. 2020, <https://www.ft.com/content/bc7abf86-f13e-4025-a120-004361aef21a>.

<sup>337</sup> Zillner, Michael. "Why is Europe Lagging Behind in the Tech Race?" *European Generation*, 14 Feb. 2019, <https://www.europeangeneration.eu/single-post/2019/02/14/Why-is-Europe-Lagging-Behind-in-the-Tech-Race>. And staff discussion with ex-U.S. government official.

<sup>338</sup> Xi, Jinping. "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." *19th National Congress of the Communist Party of China*, Xinhua, 18 Oct. 2017, <https://bit.ly/2U44FDD>.

<sup>339</sup> Xi, Jinping. "Xi Jinping: Speech at the Symposium of Entrepreneurs." *Teller Report*, 21 Jul. 2020, <https://bit.ly/38sdyzc>.

<sup>340</sup> "Military-Civil Fusion and the People's Republic of China." U.S. Department of State Bureau of International Security and Nonproliferation, 28 May 2020, <https://bit.ly/32r90W7>.

The CCP is not only dedicating mass amounts of political will to advance this goal, but is investing heavily in infrastructure, research and development (R&D), and industrial subsidies needed to achieve it. For example, in 2020, the National People’s Congress unveiled another five-year plan under which municipalities, provinces, and companies will invest close to \$2.4 trillion in building “new infrastructure” through artificial intelligence (AI), data centers, 5G, the Industrial Internet, and more.<sup>341</sup>

Yet despite this massive national effort to become a technological superpower, Chinese development is still highly reliant upon global trade, acquiring both innovation and investment from abroad.<sup>342</sup> More than half of the suppliers to China’s tech-intensive sectors are foreign-based.<sup>343</sup> As the strategic competition between the United States and China intensifies, the PRC has pushed to become more self-sufficient in technologies for which it currently relies upon foreign companies. For example, to avoid U.S. sanctions, Huawei has pledged to invest \$1 billion to attract developers to an open-source replacement for Google Mobile Services.<sup>344</sup> Another example is the \$29 billion semiconductor fund Chinese officials announced in October 2019, designed to fund the research necessary to reduce its reliance on U.S. semiconductors.<sup>345</sup>

The CCP has also been particularly active in setting standards and regulations for the use of these technologies and the data that accompanies them. China is “attempting to develop national technology and industry standards, which are intended to promote home-grown technologies that can serve as regional and global standards.”<sup>346</sup> This year, the CCP is expected to release China Standards 2035, a 15-year “standards plan” that includes goals such as increasing the number of Chinese standards adopted as international standards and influencing international standards setting bodies.<sup>347</sup> The plan lays out standards for new technologies that currently lack adopted- or agreed-upon international standards, such as 5G internet, the Internet of Things, and AI.

The CCP’s political will, investments, and regulatory support towards technology development and innovation are concerning not only because they put the PRC on track to outpace the United States and Europe, but because such technologies can be utilized by the Party and the government when necessary. Despite repeated assurances by the Chinese government that its technology companies are separate from the state, the CCP has directed “approaches

<sup>341</sup> Lin, Liza. “China’s Trillion-Dollar Campaign Fuels a Tech Race With the U.S.” *Wall Street Journal*, 11 Jun. 2020, <https://www.wsj.com/articles/chinas-trillion-dollar-campaign-fuels-a-tech-race-with-the-u-s-11591892854?mod=hp-listb-pos3>.

<sup>342</sup> “Chapter 4—China.” *S&T Strategies of Six Countries: Implications for the United States*, National Academic Press, 21 Jan. 2010, p. 22-34, <https://www.nap.edu/read/12920/chapter/6#23>.

<sup>343</sup> Wernau, Julie. “Forced Tech Transfers Are on the Rise in China, European Firms Say.” *Wall Street Journal*, 20 May 2019, <https://www.wsj.com/articles/forced-tech-transfers-are-on-the-rise-in-china-european-firms-say-11558344240>.

<sup>344</sup> Cheng Ting-Fang and Laily Li. “Huawei to replace Google on smartphones as it faces US threat.” *Nikkei Asia Review*, 10 Sep. 2020, <https://s.nikkei.com/2Uc94o5>.

<sup>345</sup> Segal, Adam. “The Coming Tech Cold War With China Beijing Is Already Countering Washington’s Policy.” *Foreign Affairs*, 09 Sep. 2020, <https://fam.ag/32kC01G>.

<sup>346</sup> “Chapter 4—China.” *S&T Strategies of Six Countries: Implications for the United States*, National Academic Press, 21 Jan. 2010, p. 22-34, <https://www.nap.edu/read/12920/chapter/6#23>.

<sup>347</sup> Koty, Alexander Chipman. “What is the China Standards 2035 Plan and How Will it Impact Emerging Industries?” *China Briefing*, Dezan Shira & Associates, 02 Jul. 2020, <https://www.china-briefing.com/news/what-is-china-standards-2035-plan-how-will-it-impact-emerging-technologies-what-is-link-made-in-china-2025-goals/>.

for the Party to improve its influence over the private sector, including strengthening ideological and political guidance for entrepreneurs ... to be ‘politically sensible’ that the Party can rely on at “critical moments.”<sup>348</sup> The decree also calls upon the Party to strengthen control over the private sector since the private economy is “an important part of the development of socialism with Chinese characteristics.”<sup>349</sup> In other words, to the CCP, all technological innovation, production, and creations by Chinese nationals or creations in China belong to the CCP and can be utilized to achieve (sometimes predatory and nefarious) CCP goals.

### ***Mapping the Emerging Technology and Digital Landscapes in Europe and the United States***

Across the continent, Europe has been particularly strong in technology sectors such as aerospace, machinery, telecommunications equipment, and pharmaceuticals and biotechnology.<sup>350</sup> Within Europe, certain countries have carved out competitive advantages in several niche technology markets. For example, Finland’s great strides in autonomous transport technology and application development have allowed Finnish technology companies to constitute more than 50 percent of the country’s total exports.<sup>351</sup> Yet as a whole, Europe still has room for improvement on several technologies related to information technology (IT) including AI and mass data storage infrastructure.

Meanwhile, the United States still leads the world in technology development and global R&D. Holding this leadership position is critical to maintaining the U.S. economic strength and military advantage upon which many countries around the world rely. The U.S. technology sector accounts for \$1.9 trillion—or approximately 10 percent of the total U.S. economy. It is the third largest sector in the U.S. economy, behind more traditional manufacturing and government.<sup>352</sup> In defense, the U.S. military relies heavily on new and emerging technologies to maintain readiness, seek operational advantages against potential adversaries, and modernize its fighting force to deter aggression in new domains, such as cyber and space.<sup>353</sup>

Yet the PRC is making inroads in areas where Europe has less technological development capability and investing heavily to overtake the United States as the world’s technology leader. As such, the United States and Europe face individual as well as joint chal-

<sup>348</sup> Li, Jane. “Beijing is publicizing its philosophy of how tech firms like TikTok must aid China’s rise.” *Quartz*, 16 Sep. 2020, <https://qz.com/1904063/china-issues-decree-to-enhance-control-of-firms-like-bytedance/>.

<sup>349</sup> “Zhonggong zhongyang bangong ting yinfa “guanyu jiaqiang xin shidai mingying jingji tongzhan gongzuo de yijian.” The State Council of the People’s Republic of China, 15 Sep. 2020, <https://bit.ly/2lbEUOW>. Staff translation.

<sup>350</sup> *The State of European Tech 2017*, Atomico, <https://bit.ly/2U0TN9v>. And “Europe first: the EU’s digital industrialisation challenge.” *Financial Times*, <https://www.ft.com/content/73213036-1dd8-11ea-97df-cc63de1d73f4>.

<sup>351</sup> “Technology Finland.” Technology Industries, 16 Apr. 2020, <https://bit.ly/3k3EjMn>.

<sup>352</sup> CompTIA. “US Tech Employment Surpasses 12 Million Workers, Accounts for 10% of Nation’s Economy.” *CISION PR Newswire*, 21 Apr. 2020, <https://prn.to/3p2FYdH>.

<sup>353</sup> *Science and Technology Strategy*. U.S. Air Force, Apr. 2019, <https://bit.ly/3nkgLoT>. And McGrath, Beth, Joe Mariani and Akash Keyal. “Military technology advances enable “ready anywhere” mentality.” *Deloitte Insights*, Deloitte, 02 Aug. 2019, <https://bit.ly/32s5FG1>; and Flournoy, Michele and Gabrielle Chefitz. *Sharpening the U.S. Military’s Edge: Critical Steps for the Next Administration*. Center for a New American Security, 13 Jul. 2020, <https://bit.ly/35fnYAm>.

lenges from the PRC regarding technology. Some of these individual challenges are structural. For example, Europe will struggle to compete because it lacks a single market for many goods, including digital goods. While the United States does have a single market, its fragmented regulatory structure makes it difficult to set standards for emerging technology. Other individual challenges stem from specific policies and ideologies, for example differing American and European views on how to regulate data collection, storage, and usage and how to approach antitrust for innovation-based industries.

Despite these differences, the United States and Europe have a lot of shared concerns when it comes to PRC technological encroachment and predation. One major issue that both Europe and the United States face is the PRC's leveraging of its massive market to force technology transfers from our respective companies. Moreover, through foreign direct investment, government-backed venture capital investments, mandatory joint ventures, cyber espionage, licensing agreements, and talent acquisition, PRC companies regularly acquire U.S. and European intellectual property and knowhow.<sup>354</sup> In a 2020 annual survey by the EU Chamber of Commerce in China, 20 percent of participants said they felt compelled to transfer technology to maintain market access—up from 10 percent in 2017.<sup>355</sup> Likewise, the U.S.-China trade deal emphasized intellectual property enforcement, and early drafts include provisions on clearer rules on forced technology transfers.<sup>356</sup>

The United States and European nations recognize increasingly problematic PRC efforts to shape and dominate certain technology spheres, and both face different but crucial obstacles to competing with the PRC on their own. This is evident in three key areas necessary for emerging technology: R&D; data and digitalization; and standards setting. As such, joint efforts by the United States and European nations are key to maintaining the lead in technology and ensuring the use of critical technology does not infringe upon our shared values of freedom, transparency, and human rights.

### *Research and Development*

While the United States and Europe still lead in R&D investment, the PRC is quickly catching up. Of the 2,500 largest R&D investors worldwide, which account for approximately 90 percent of total global R&D, 769 were American, 551 were EU-based, and 507 were Chinese.<sup>357</sup> Given how quickly the PRC is increasing its year-to-year investments in R&D, there may soon be far more contributing Chinese companies than European ones. According to the European Commission's 2019 Industrial R&D Investment Scoreboard, between 2018 and 2019, Europe increased its R&D investment by 4.7 percent, with most R&D growth coming from Europe's auto-

<sup>354</sup> O'Connor, Sean. *How Chinese Companies Facilitate Technology Transfer from the United States*. U.S.-China Economic and Security Review Commission, 06 May 2019, <https://bit.ly/2U2DQ2w>.

<sup>355</sup> Wernau, Julie. "Forced Tech Transfers Are on the Rise in China, European Firms Say." *Wall Street Journal*, 20 May 2019, <https://on.wsj.com/2JJJq8d>.

<sup>356</sup> Lester, Simon and Huan Zhu. "What Will the US?China Deal Accomplish on Tech Transfer, IP Protection and Innovation?" Cato Institute, 14 Feb. 2020, <https://www.cato.org/blog/what-will-us-china-deal-accomplish-tech-transfer-ip-protection-innovation>.

<sup>357</sup> Joint Research Centre. "The 2019 EU Industrial R&D Investment Scoreboard." Publications Office of the European Union, 19 Dec. 2019, <https://bit.ly/3lb1xSg>.

motive companies. Comparatively, the United States and China increased their investment by 10.3 percent and 26.7 percent, respectively, largely driven by the information communications technology sectors.<sup>358</sup>

Moreover, European firms are not entering the market as quickly as their U.S. and PRC counterparts. Among the top 2,500 firms, the United States and China represent 37 percent and 25 percent, respectively, of new entrants. The European Union captured only 13 percent.<sup>359</sup> Lastly, the share of R&D investment by the business sector is lower in the European Union than in the United States, China, and South Korea.<sup>360</sup> The share of business R&D within total R&D expenditures is substantially lower in the European Union (at 64 percent) than in the United States (72 percent), or China, Japan, and South Korea combined (almost 80 percent).<sup>361</sup> In the PRC especially, the business sector is the largest share and driver of the rapid increase in R&D expenditure—although in the PRC this “business-driven” expenditure is supported and subsidized by the government.<sup>362</sup>

Though the United States today is in a better position than the European Union on overall R&D, the PRC is projected to overtake U.S. spending by 2030.<sup>363</sup> The Information Technology & Innovation Foundation (ITIF) catalogues 36 indicators of China’s scientific and technological progress compared to the United States, particularly in innovation.<sup>364</sup> The United States also struggles with diminishing federal support for investment in R&D. According to ITIF, in “21 of the 27 years following 1990, federal R&D spending has made up a smaller share of GDP than the year before . . . [which] has resulted in stagnant productivity growth, lagging competitiveness, and reduced innovation.”<sup>365</sup>

That the United States lacks federal support on the issue of emerging technology is even evident in one of its strongest technology sectors: AI.<sup>366</sup> The United States was named the “undisputed leader” in AI according to the 2019 Global AI Index, which is the first index to “benchmark nations on their level of investment, innovation, and implementation of AI.”<sup>367</sup> The United States received more than 80 percent in all categories of the index—talent, infrastructure, operating environment, R&D, and commercial

<sup>358</sup> *Ibid.*

<sup>359</sup> Ballard, Barclay. “Behind the Curve: Why Europe Is Stuttering in the Global Tech Race.” *European CEO*, 17 Jun. 2019, <https://bit.ly/3ka84LE>.

<sup>360</sup> *Ibid.*

<sup>361</sup> Total R&D expenditures is the aggregation of all sectors carrying out R&D activities: the business sector, government, higher education, and private non-profit institutions. Ballard, Barclay. “Behind the Curve: Why Europe Is Stuttering in the Global Tech Race.” *European CEO*, 17 Jun. 2019, <https://bit.ly/3ka84LE>.

<sup>362</sup> Ruirui Wu et al. “Effect of government R&D subsidies on firms’ innovation in China.” *Asian Journal of Technology Innovation*, vol. 28, no.1, Korean Society for Innovation Management and Economics, 19 Nov. 2019, p. 42-59, DOI: 10.1080/19761597.2019.1693901.

<sup>363</sup> “2018 Global R&D Funding Forecast Snapshot - Research & Development World.” *Research & Development World*, 12 Mar. 2018, <https://bit.ly/38l7qJ8>.

<sup>364</sup> Atkinson, Robert D. and Caleb Foote. *Is China Catching up to the United States in Innovation?* Information Technology and Innovation Foundation, 08 Apr. 2019, <https://bit.ly/36fYXnE>.

<sup>365</sup> Foote, Caleb and Robert D. Atkinson. *Dwindling Federal Support for R&D Is a Recipe for Economic and Strategic Decline.* Information Technology and Innovation Foundation, 14 Dec. 2018, <https://bit.ly/3lhS7Es>.

<sup>366</sup> Castro, Daniel, Michael McLaughlin, and Eline Chivot. “Who is Winning the AI Race: China, the EU or the United States?” Center for Data Innovation, 19 Aug. 2019, <https://www.datainnovation.org/2019/08/who-is-winning-the-ai-race-china-the-eu-or-the-united-states/>.

<sup>367</sup> *The Global AI Index.* Tortoise Media, <https://www.tortoisemedia.com/intelligence/ai/>.



investment.<sup>368</sup> Yet U.S. government strategy received only 68.5 percent, which was significantly lower than the government strategy ranking for all other top five leaders in AI.<sup>369</sup> The PRC, on the other hand, came in second with a 58.3 percent total score, but its government strategy was rated at 100 percent.<sup>370</sup> This is just one statistic that demonstrates the need for the U.S. government to take stronger action on developing a strategy to manage, encourage, and protect emerging technological needs.

Comparatively, in an indication of the Chinese government's focus on emerging technologies, the PRC currently has 15 times the number of deployed 5G base stations as the United States, and has almost twice as many supercomputers.<sup>371</sup> As the chair of the Defense Innovation Advisory Board at the U.S. Department of Defense testified to the House Committee on Science, Space, and Technology in January 2020, the United States may be soon "competing with a country that has a bigger economy, more R&D investments, better quality research, wider application of new technologies, and stronger computing infrastructure."<sup>372</sup>

#### *Data and Digitalization*

Data and digitalization are crucial to the future of civilian and military technology, as digital transformations will disrupt nearly all processes, practices, and industries in high capital markets.<sup>373</sup> Europe lags behind the United States and the PRC in data and digitalization. Of the world's 15 largest digital firms, not one is European.<sup>374</sup> However, digitization has been a particular focus of the European Commission over the past few years. In February 2020, European Commission President Ursula von der Leyen wrote that "the digital transformation could not be left to chance."<sup>375</sup> The European Data Strategy recognizes this need and attempts to set a general framework for the future of European data and data industries.<sup>376</sup> Europe also established the General Data Protection Regulation (GDPR), although the standards in these regulations differ from those in the United States and have caused what the U.S. government has called "disproportionate barriers" to effective digital trade.<sup>377</sup> Finally, several European states and the European Union have taken deliberate steps to focus on production of new technologies in this sphere, including large infrastructure projects like the European Commission's "smart cities" initiative, which will

<sup>368</sup> *Ibid.*

<sup>369</sup> *Ibid.*

<sup>370</sup> *Ibid.*

<sup>371</sup> Woo, Stu. "In the Race to Dominate 5G, China Sprints Ahead." *Wall Street Journal*, 07 Sep. 2019, <https://on.wsj.com/2Ip6Mz2>.

<sup>372</sup> Schmidt, Eric. "Testimony", *Hearing on Losing Ground: U.S. Competitiveness in Critical Technologies*, U.S. House of Representatives Committee on Science, Space and Technology, 29 Jan. 2020, <https://science.house.gov/imo/media/doc/Schmidt%20Testimony.pdf>. Witness testimony.

<sup>373</sup> Lewellyn, Alicia. "Digitalization—Future of Work." *NASA Blogs*, NASA, 15 Apr. 2019, <https://blogs.nasa.gov/futureofwork/tag/digitalization>.

<sup>374</sup> Tsanova, Iliyana and Roger Havenith. "Europe Is No Longer an Innovation Leader. Here's How It Can Get Ahead." World Economic Forum, 14 Mar. 2019, <https://bit.ly/38poZb3>.

<sup>375</sup> von der Leyen, Ursula. "Shaping Europe's Digital Future." European Commission, 19 Feb. 2020, <https://bit.ly/3p4SGnt>.

<sup>376</sup> "European Data Strategy." European Commission, <https://bit.ly/32sBKOi>.

<sup>377</sup> 2020 *National Trade Estimate Report on Foreign Trade Barriers*. United States Trade Representative, 31 Mar. 2020, <https://bit.ly/35ex0NQ>.

create demand for a larger ecosystem of digitization, data, and integrated software.<sup>378</sup>

Meanwhile, U.S. regulations on data issues focus on sector-specific rules and state laws.<sup>379</sup> This fragmented regulatory environment makes creating standards regarding data particularly difficult. The United States continues to make efforts to bring together these domestic regulations in a way that provides mechanisms to comply with EU data protection requirements, such as in the case of the EU-U.S. Privacy Shield Framework.<sup>380</sup> In addition, there is a bipartisan interest in advancing national privacy legislation. However, there is still much debate in the United States and Europe among academics, policymakers, and businesses about who can own data, where data can be stored, how data can be used, and what obligations providers have to protect data.<sup>381</sup> To properly facilitate data transfers and support transatlantic commerce, it is imperative that the United States and the European Union find ways to answer these questions together.

However, efforts to reach agreement on these questions will be for nothing if such data goes through infrastructure produced in part or in whole by countries without such data protections. Without transatlantic collaboration on proper IT development, digitization, and mass data storage infrastructure, the United States and Europe will still face severe economic, personal privacy, and national security challenges.

Unfortunately, development of this type of infrastructure in Europe is largely hindered by the lack of a common market for services and the digital economy. For example, the EU's common market for physical goods allowed a few European mobile phone companies, such as Nokia and Ericsson, to take advantage of the full European market. Yet, there is no corresponding market for software and digital platforms. Such technology companies are often met with differing national regulations and market considerations, limiting their overall growth potential and creating barriers to capturing market share large enough to compete with global technology companies. Software or digital platform companies in the United States and China, by comparison, can "capture a significant chunk of the U.S.' 327 million customers with a relatively homogenous business strategy . . . [and] can do likewise when targeting a [Chinese] population of 1.4 billion."<sup>382</sup> Any European company, on the other hand, would need to customize its digital product and create country-specific business strategies in order to fully capture Europe's 500 million inhabitants. It is unlikely that European technology companies will be able to gain an effective market share to compete with Chinese companies internationally.

This is evident in Europe's 'smart city' initiative. The sectors that support smart city initiatives are all sectors in which Europe is currently highly reliant upon foreign companies, particularly Chi-

<sup>378</sup> "Smart Cities." European Commission, <https://bit.ly/3evIJuw>.

<sup>379</sup> "The Future of Regulation." *Deloitte Insights*, Deloitte, 19 Jun. 2018, <https://bit.ly/36bD6hh>.

<sup>380</sup> "2020 National Trade Estimate Report on Foreign Trade Barriers," United States Trade Representative, 31 Mar. 2020, <https://bit.ly/318JxI9>.

<sup>381</sup> "The Future of Regulation." *Deloitte Insights*, Deloitte, 19 Jun. 2018, <https://bit.ly/36bD6hh>.

<sup>382</sup> Ballard, Barclay. "Behind the Curve: Why Europe Is Stuttering in the Global Tech Race." *European CEO*, 17 Jun. 2019, <https://bit.ly/3ka84LE>.

nese companies.<sup>383</sup> According to the Australian Strategic Policy Institute, European countries currently have 22 cooperative agreements with Chinese companies for technologies such as surveillance equipment for various ‘smart cities’ across France, Belgium, the Netherlands, Spain, and Romania, as well as five signed memorandums of understanding (MOUs) between European cities and Chinese companies for further cooperation and potential development.<sup>384</sup> All parties contracting with the PRC on smart cities must be made aware of the risks inherent in these agreements and MOUs, particularly given how the PRC employs and uses ‘smart city’ technologies domestically to monitor its citizens and suppress dissent. Moreover, the PRC’s 2017 cybersecurity law requires all Chinese companies to provide data and information to the Chinese government when asked, so European cities risk losing control of the data they collect through their smart cities programs. This raises massive concerns surrounding data privacy, surveillance, and economic coercion. Such risks should concern any country that values liberal, open, democratic societies, as the United States and Europe both do. European decisions on data issues could simultaneously undermine Europe’s active leadership in protecting its citizens’ data and privacy rights and support the CCP’s political goals at home and abroad.

The United States faces similar concerns, as the PRC is quickly surpassing it in creating, replicating, and storing data. By 2025, it is projected that the PRC will be responsible for storing 27.8 percent of total global online data, while the United States will store approximately 17.5 percent.<sup>385</sup> Such shifts in the utilization and storage of global internet data have huge implications, especially for the future of Chinese AI and machine learning development, as well as the PRC’s ability to undermine global data privacy, surveil citizens around the world, and use such data to leverage its economic might against countries and individuals to coerce them into conforming with CCP goals. Some of this shift can be attributed to the sheer size of the PRC. As a large market with more than four times the population of the United States, the PRC naturally has far more opportunities for data collection, even with its lower internet penetration rate.<sup>386</sup> Yet this disparity is also partially because of slow U.S. government responses to the unique needs of emerging technologies and the changes necessary to protect and encourage such innovation. For example, the United States has been slow to adopt proactive policies to support the Internet of Things, AI, facial recognition, smart cities, smart health, and other digital policy areas. If the PRC will soon control much of the world’s data, it is that much more important for the United States and Europe, along with other advanced democracies, to combine their data markets of

<sup>383</sup> “Cities of Tomorrow: Safety, Smarts, and Surveillance.” Center for Strategic and International Studies, 23 Jan. 2020, <https://bit.ly/3ljMRk1>. Panel discussion.

<sup>384</sup> Cave, Danielle et al. Mapping China’s Tech Giants. Australian Strategic Policy Institute, <https://chinatechmap.aspi.org.au/#/map/15-Smart%20City-Public%20Security%20project>. Database.

<sup>385</sup> Reinsel, David, John Gants and John Rydning. *DataAge 2025—The Digitalization of the World From Edge to Core*. International Data Corporation, May 2020, <https://bit.ly/3eCDMAe>.

<sup>386</sup> Thomala, Lai Lin. “Penetration rate of internet users in China from December 2008 to March 2020.” *Statista*, 30 Apr. 2020, <https://bit.ly/36e70RY>.

scale and set global standards for how such data is collected, stored, utilized, and protected.

### *Standards Setting*

Much like with data collection, the PRC's vast market and manufacturing capability gives it a natural advantage when competing with European- or U.S.-set standards. The PRC also builds on that advantage by subsidizing Chinese firms to participate in international standards setting bodies and pressuring Chinese companies to toe the line on CCP standards decisions.<sup>387</sup> To mitigate this advantage, the United States and the European Union have taken a few steps to better harmonize their technical and emerging technology usage standards. The United States has proposed legislation to reduce barriers to joint-technical development with trusted allies and partners and expand participation and leadership in international standards-setting bodies.<sup>388</sup> Meanwhile, the European Union set out a process for "harmonization regulation," which defines the essential requirements a product or service has to comply with and creates a presumption of conformity for standards.<sup>389</sup>

But by the nature of the process, even established international standards do not necessarily mean that all countries and companies around the world are required to abide by them. Rather, international standards for technologies give companies the option to choose to conform new technologies to such standards to facilitate interoperability, but they don't have to.<sup>390</sup> Therefore, any country that is able to secure a foothold in creating a large market of goods with the same standards can direct the development of complementary technologies around the world and will have a large comparative advantage when fighting for such technology markets.<sup>391</sup> Because new technologies such as 5G and Internet of Things naturally cross multiple sub-sectors of technology, there may be a larger need to ensure more standardization for these technologies across the hard and soft infrastructure. If markets are not big enough such efforts are likely to backfire, leading to a "Galapagos Island" effect in which countries' indigenous technologies are isolated from global standards.<sup>392</sup> This is why standards cooperation between the European Union and United States is critical to ensuring that any PRC standard is limited.

Take, for example, the PRC's substantial share of the lithium battery market. As global demand for rechargeable batteries grew through the rise of electric vehicles and other green technologies, the Chinese government recognized trend lines early on and heavily subsidized its rechargeable battery production industry. As of 2019, China controlled about two-thirds of global lithium produc-

<sup>387</sup> Haley, Usha C.V. and George T. Haley, "How Chinese subsidies changed the world," *Harvard Business Review*, 25 Apr. 2013, <https://hbr.org/2013/04/how-chinese-subsidies-changed>.

<sup>388</sup> United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/3mY5Roq>.

<sup>389</sup> Staff interviews.

<sup>390</sup> Wilson, Naomi. "China Standards 2035 and the Plan for World Domination—Don't Believe China's Hype." Council on Foreign Relations, 03 Jun. 2020, <https://on.cfr.org/32lmthW>.

<sup>391</sup> O'Sullivan, Eoin and Laure Brevignon-Dodin. *Role of Standardisation in support of Emerging Technologies A Study for the Department of Business, Innovation & Skills (BIS) and the British Standards Institution (BSI)*. Institute for Manufacturing, Jun. 2012, <https://bit.ly/21gX0io>.

<sup>392</sup> Ezell, Stephen J. and Robert D. Atkinson. "The Middle Kingdom Galapagos Island Syndrome: The Cul-De-Sac of Chinese Technology Standards." The Information Technology and Innovation Foundation, Dec. 2014, <https://bit.ly/3ljNaLH>.

tion capacity, as compared to the 13 percent of global capacity the United States controls.<sup>393</sup> Since the PRC was able to capture such a large market share, the standard for rechargeable batteries in any type of electronic vehicle is now lithium-ion.<sup>394</sup> Other smaller producers can neither gain a foothold in the global battery industry, nor are their new, often cleaner and more efficient battery formulas as marketable.<sup>395</sup> For both economic as well as security reasons, it is imperative that the United States and Europe do not allow the PRC to gain this advantage in other sectors, particularly given how the technology and data that flow through PRC-based or PRC-made systems is subject to control and usage by the CCP.

### ***Transatlantic Cooperation***

The United States and Europe may have different policy positions and different market environments, but they share many similar interests and challenges. Alone, the United States and Europe cannot compete with China's massive market and the large state resources the PRC is pouring into emerging technology. Both are struggling with the lack of national strategy on key sectors such as AI, database management, and data storage, sharing, and usage. Neither can either afford to waste any time in developing new technologies and corresponding regulations alone, while China develops the same with no regard for the challenges to data privacy and individual freedoms. The combined economies of scale of the United States and European Union put the two regions in a much stronger position to compete against China's immense market power on issues such as technology standardization and production.

There are many areas in which U.S. and European interests do align, and in which there are little to no regulatory barriers to cooperation. First, there are opportunities for more cooperation in developing and regulating AI-enabled manufacturing. Both the European Union and the United States are in the process of developing standards for trustworthy AI, so there's an opportunity to coalesce around good ongoing work.<sup>396</sup> The United States and European nations can also discuss ways to manage the potential social implications of this shift, as well as work together to support the network processes in AI-enabled manufacturing. The United States and Europe should seek opportunities to work together to become the world leaders in these and other new technologies.

Second, both the United States and the European Union will need to tackle the challenges that arise from massive database storage, protection, and development. A regular dialogue to discuss best practices and challenges to digital trade from legislation such as the GDPR, the path to digitalization for Europe, and database storage practices would be a very positive development. The U.S.-U.K. Special Relationship Economic Working Group Meeting is one good example of such a dialogue that looks at these issues, as well as others surrounding emerging technology. Through sustained and

<sup>393</sup> Mai, HJ. "To compete in the global battery arms race, the US must spur its domestic market, analysts say." *Utility Dive*, 24 Jun. 2019, <https://bit.ly/2I5zMMO>.

<sup>394</sup> Rapier, Robert. "Why China is dominating lithium-ion battery production." *Forbes*, 04 Aug. 2019, <https://bit.ly/3oYp5vU>.

<sup>395</sup> Austin, Robert. "Lithium-ion is a pawn in economic domination." *CIO*, International Data Group, 02 May 2019. <https://bit.ly/3p6gTJZ>.

<sup>396</sup> Staff interviews.

targeted communication between the United States and the European Union, we can find common ground to create a framework of standards on how cyber-enabled technology can be protected from cybersecurity threats, and use this to set the agenda at the multinational level for big data collection, storage, protection, and sharing. Discussing these technologies could serve joint security efforts as well, such as using the Common Identity Repository to track terrorist activity.

Third, the United States and Europe can also cooperate on issues involving the environment. In 2019, green energy patents filed globally increased by 28 percent compared to 2018, demonstrating this growing and important market.<sup>397</sup> As the number of green energy patent filings rapidly grows, the United States still holds the largest share, followed by Japan and Europe.<sup>398</sup> There is a lot of U.S. and EU cooperation at the ministerial level on this issue, for example the Clean Energy Ministerial, Generation IV International Framework, and the U.S.-EU Energy Council.<sup>399</sup> But the United States and Europe could work more closely together to encourage further scientific cooperation and standards setting for new, cleaner technologies.

Finally, the United States and European countries should work together to mobilize and create economies of scale with trusted democracies around the world in critical technology development. Creating supply chains for sensitive technologies in trusted countries would help promote this cooperation and provide the rest of the world with a reliable and safe alternative to the risks associated with Chinese technology. The general framework for this type of arrangement already exists. The United States and Japan have the legal and regulatory framework for science and technology cooperation through their defense relationship, such as the 1980 U.S.-Japan Systems and Technology Forum that boosted defense-applicable scientific cooperation between the two countries under the auspices of their mutual defense treaty.<sup>400</sup> To a lesser extent, the European Union and Japan have also sought increased cooperation in science, technology, and innovation through the 2011 Japan-EU Science and Technology Cooperation Agreement.<sup>401</sup>

Yet these are just the general frameworks that show intent and interest to cooperate, and much more needs to be done. The United States, the United Kingdom, and the European Union could explore avenues for more tangible cooperation; on the defense side, the United States and North Atlantic Treaty Organization countries could do likewise. The United States and Europe could combine these efforts where there is overlap to further trilateral cooperation with Japan. Expanding such agreements to include other allies like Australia, New Zealand, Canada, and Japan would help leverage

<sup>397</sup> News Byte. "Green energy patents filed globally jump 28% in a year." *Science Business*, 28 Jan. 2020, <https://bit.ly/3pd0EuU>.

<sup>398</sup> "Patenting of Sustainable Energy Technologies." *Global Trends in Sustainable Energy Research and Technologies*, National Science Board, 2018, <https://bit.ly/32ni1PX>.

<sup>399</sup> "U.S.-EU Energy Council." U.S. Department of Energy Office of International Affairs, <https://bit.ly/35bKl3V>.

<sup>400</sup> Schoff, James L. *U.S.-Japan Technology Policy Coordination: Balancing Technonationalism With a Globalized World*. Carnegie Endowment for International Peace, 29 Jun. 2020, <https://bit.ly/2U9s86f6>.

<sup>401</sup> "EU and Japan step up cooperation in science, technology and innovation." European Commission, 26 May 2020, <https://bit.ly/32lgHwU>.

all of our complementary strengths to protect the basic common interests that we all share—protecting individual freedoms and rights, safeguarding the environment, and avoiding PRC monopolization of critical technologies.<sup>402 403</sup>

### **Conclusion**

Cooperation in these areas will only occur if both the United States and Europe have the sustained political will to align agendas and continue regular dialogue on technology cooperation specifically. All areas in which the United States and Europe struggle—from mobilizing manufacturing and dwindling R&D investment to fractured markets and regulatory environments—are areas where the PRC either does not face the same structural problems or can subsidize to compensate for these shortfalls.

Eventually, the United States, Europe, and other democratic allies will need to find avenues to work together to maintain a competitive position against the PRC's massive scale and resources dedicated to its emerging technology market. The United States and Europe in particular should seek in the short-term to bolster areas within our domestic markets that face little to no obstacles to cooperation and align our positions with those of our other democratic partners to regain a competitive stance in the global technology race. Such an agenda has the combined benefits of spurring domestic economic growth, improving our companies' competitiveness around the world, protecting the rights and security of our citizens, and strengthening our resilience to the threats posed by China. Without further transatlantic cooperation, both regions face a real risk of being left behind on global technology standards, production, and development.

---

<sup>402</sup> Staff discussions.

<sup>403</sup> United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/32lgHwU>.





## CHAPTER FIVE—OVERSEAS COMMERCIAL ACTIVITY

---

*If a foreign, state-owned, company wants to purchase a European harbour, part of our energy infrastructure or a defence technology firm, this should only happen in transparency, with scrutiny and debate. It is a political responsibility to know what is going on in our own backyard so that we can protect our collective security if needed.*

—JEAN-CLAUDE JUNCKER, FORMER PRESIDENT OF THE EUROPEAN COMMISSION<sup>404</sup>

### **Introduction**

In 2009, two Dutch scholars wrote an article in the *Financial Times* advocating for “a transparent European review body” to scrutinize growing investment from China. They argued that while Europe stood to benefit from this increased investment, Europe should also “identify which entities are vital to European security, what level of Chinese investment constitutes an undesirable influence, and what the benefits of foreign investment are in relation to national security interests.”<sup>405</sup> Similarly, as Chinese investment in U.S. land, factories, and businesses began to grow, U.S. observers raised concerns. As one example, a 2013 report by the U.S.-China Economic and Security Review Commission noted that, “The possibility of government intent or coordinated strategy behind Chinese investments raises national security concerns.”<sup>406</sup> Today, stronger investment screening to protect national security stands out as among the greatest transatlantic achievements when it comes to the challenges posed by China.

The People’s Republic of China’s (PRC) 1997 “Going Out” strategy marked the beginning of its drive to increase overseas investment, including through acquiring strategic assets and foreign technology.<sup>407</sup> This policy has grown into today’s “One Belt, One Road” (OBOR) initiative—the most visible directive for these activities globally. The transatlantic community’s approaches to OBOR and investment from the PRC are certainly not uniform. The U.S. government holds decidedly negative views of OBOR, which it sees

---

<sup>404</sup> “State of the Union 2017—Trade Package: European Commission proposes framework for screening of foreign direct investments.” European Commission. 14 Sep. 2017, <https://bit.ly/3l7U06y>. Emphasis added.

<sup>405</sup> Okano-Heijmans, Maaik, and Frans-Paul van der Putten. “Europe Needs to Screen Chinese Investment.” *Financial Times*, 11 Aug. 2009, [www.ft.com/content/8ba0192e-86b7-11de-9e8e-00144feabdc0](http://www.ft.com/content/8ba0192e-86b7-11de-9e8e-00144feabdc0).

<sup>406</sup> “Executive Summary.” *2013 Annual Report, United States Economic and Security Review Commission*, 20 Nov. 2013, p. 2, <https://bit.ly/3ljNv0V>.

<sup>407</sup> Bhattacharya, Amar et al. *China’s Belt and Road: The new geopolitics of global infrastructure development*. Brookings Institution, Apr. 2019, <https://www.brookings.edu/research/chinas-belt-and-road-the-new-geopolitics-of-global-infrastructure-development/>.

as a means to increase the economic influence of state-owned Chinese firms in global markets, to engender undue PRC political leverage with governments around the world, and to provide greater access to strategic nodes that facilitate a global presence of the People's Liberation Army. Views among European governments are far more varied—17 EU member states have signed OBOR memoranda of understanding (MOU).<sup>408</sup> French and German leaders have criticized the initiative publicly, but have in fact attracted more PRC investment than the Central and Eastern European states that officially endorsed OBOR.<sup>409</sup> On both sides of the Atlantic, certain industries view OBOR as a significant opportunity. Large American and European banks, including Deutsche Bank, Standard Chartered Bank, and Citigroup, are very involved in the financing of OBOR projects.<sup>410</sup> Other sectors, however, see OBOR challenging their own competitiveness, particularly in third country markets, where concessional lending by the PRC government, non-transparent procurement processes, and closed digital standards combine to cement greater reliance on PRC supply chains and technical standards.<sup>411</sup>

Despite differing approaches, governments in the United States and Europe clearly recognize the inherent risks in certain PRC acquisitions and investments. Recent U.S.-Europe discussions on Chinese investment have focused intensely on Huawei's construction of 5G networks. There are, however, several other areas where PRC investments and acquisitions require further transatlantic attention. China's acquisition of major footholds in these three areas presents long-term economic and security implications for the United States and Europe:

- Energy infrastructure, particularly electrical grids;
- Ports and shipping; and
- Undersea cables.

While not an exhaustive list, these examples are representative of increasingly concerning PRC activities in sensitive sectors. The United States and its European partners must align our policies and work together, including through the North Atlantic Treaty Organization (NATO), to safeguard our shared interests.

## **Energy**

### *Overview*

China is extending its international reach in the realm of energy, setting as one of its primary goals the mastery of both old and new

<sup>408</sup> Sarsenbayev, Madi, and Nicolas Véron. "European versus American Perspectives on the Belt and Road Initiative." *China & World Economy*, vol. 28, no. 2, Peterson Institute for International Economics, 2020, p. 88, [www.piie.com/sites/default/files/documents/sarsenbayev-veron2020-04.pdf](http://www.piie.com/sites/default/files/documents/sarsenbayev-veron2020-04.pdf).

<sup>409</sup> Duchâtel, Mathieu and Alexandre Sheldon Duplaix. *Blue China: Navigating the Maritime Silk Road to Europe*. European Council on Foreign Relations, Apr. 2018, p. 5, <https://bit.ly/354Elzk>.

<sup>410</sup> Skala-Kuhmann, Astrid. "European Responses to BRI: An Overdue Assessment", *Horizons Journal of International Relations and Sustainable Development*, no. 14, Center for International Relations and Sustainable Development, Summer 2019, p. 144-155, <https://bit.ly/36cDPyH>. And "Citi's Strong Momentum Across Belt and Road Initiative Recognized by Asiamoney." Citigroup, 03 Oct. 2019, <https://bit.ly/36cDPyH>.

<sup>411</sup> *The Road Less Travelled: European Involvement in China's Belt and Road Initiative*. European Union Chamber of Commerce in China, Jan. 2020, <https://bit.ly/21462Qt>.

power sources. Increasingly, it is looking to exert greater influence and control over those resources abroad, including as part of OBOR. These developments pose several serious economic, security, and environmental challenges for the United States and Europe.

As it has since the Industrial Revolution, the creation, control, and utilization of energy sources remains one of every nation's biggest challenges. Whether the British Imperial Navy's need for mid-Pacific coaling stations, disputes over access to Middle Eastern oil fields, or more modern quests to develop energy sources not reliant on fossil fuels, securing an adequate supply of fuel for the modern means of production remains a prize. The past 10 years have seen a marked growth in international Chinese investment in energy installations of all kinds.<sup>412</sup> China is the world's largest consumer and producer of energy, and its needs will only grow.<sup>413</sup>

While Chinese investment in Europe has fallen rather dramatically from its heights in 2016 and 2017, investments in infrastructure to generate and provide energy continue to constitute a significant proportion of total investment.<sup>414</sup> Examining the goal behind these investments, scholars have found that, "Chinese penetration of the European energy sector serves both political and commercial purposes." Domestically, these investments "address the need to balance supply chain security of fossil fuels," greener production techniques, and greater energy efficiency, while offering the "opportunity to improve the market position and energy-industrial capabilities of Chinese energy companies."<sup>415</sup> Internationally, they form a key part of OBOR and the basis for increased Chinese influence: energy and utility projects comprise 37 percent of all OBOR projects.<sup>416</sup>

#### *Power Grids, Nuclear Energy, and Coal Plants*

In the PRC's National Medium- and Long-Term Program for Science and Technology Development for 2006-2020, energy topped the list of China's many priorities. The program called for improved energy savings, increased energy supplies, promotion of more efficient use of coal, full absorption of "imported energy technologies," mastery of equipment for coal and nuclear plants, and focused development of "technologies to realize large volume, long distance, efficient power transmission."<sup>417</sup> Energy equipment is also one of the PRC's priorities under Made in China 2025. Electrical power grids, nuclear plants, and coal-fired power plants are three major priorities in realizing the objectives of its economic and industrial plans.

<sup>412</sup>In much of the research available, these projects are variously described as "energy" or "infrastructure and utilities."

<sup>413</sup>"China." U.S. Energy Information Administration, 14 May 2015, <https://bit.ly/38fSHiB>.

<sup>414</sup>Kratz, Agatha, et al. "Chinese FDI in Europe: 2019 Update." Rhodium Group/Mercator Institute for China Studies, Apr. 2020, <https://merics.org/en/report/chinese-fdi-europe-2019-update>. Their evaluation of 2019 investment inflows noted that "transport, utilities and infrastructure came fourth [in sectors of Chinese investment in the EU] with EUR 0.8 billion in investment."

<sup>415</sup>Liedtke, Stephan. "Chinese Energy Investments in Europe: An Analysis of Policy Drivers and Approaches." 22 Sept. 2017. *Energy Policy*, vol. 101, pp. 659-669., doi:10.1016/j.enpol.2016.09.037. <https://bit.ly/38fSHiB>.

<sup>416</sup>Committee calculations from China Global Investment Tracker. American Enterprise Institute/The Heritage Foundation. Full data set accessible here: <https://bit.ly/355wlOQ>.

<sup>417</sup>"The National Medium- and Long-Term Program for Science and Technology Development (2006-2020)." The State Council of the People's Republic of China, <https://bit.ly/2f9NwFN>.

Created as a national energy transmission champion in 2002, State Grid Corporation of China (State Grid) is the world's largest utility and the third most profitable company in the Fortune 500 ranking.<sup>418</sup> No longer content with the PRC market, State Grid has rapidly expanded its international holdings over the past 10 years, buying up the third-largest electricity players in both Chile and Brazil, taking a 40 percent share in the Philippines' national electrical grid,<sup>419</sup> and making huge inroads in Australia.<sup>420</sup> In Europe since 2009, State Grid has purchased 35 percent of CDP Reti, the holding company that manages the Italian gas and electricity grid,<sup>421</sup> 24 percent of Greek power grid operator ADMIE,<sup>422</sup> and become the largest shareholder in the Portuguese electrical grid operator REN.<sup>423</sup> State Grid publicly notes that its increased international activities are based around OBOR, and openly states that it has "enhanced its . . . ability to serve national strategies" and is "boosting China's influence worldwide."<sup>424</sup>

China Southern Power Grid Company, which covers the areas of China that State Grid does not, is also going abroad, moving into Laos, the Philippines,<sup>425</sup> Vietnam,<sup>426</sup> and Myanmar.<sup>427</sup> In September 2020, the company signed a deal with Eé du Laos that will give China Southern majority shares in a new company that will control Laos' power grid and the rights to buy and sell power in the country.<sup>428</sup>

Another national energy champion, this time in the realm of nuclear energy, is China General Nuclear Power Corporation (CGNPC), China's largest domestic nuclear power operator. Like State Grid, CGNPC is looking to expand internationally. Through OBOR, China is reportedly looking to build more than 30 nuclear power plants outside of China.<sup>429</sup> Three projects in the United Kingdom represent CGNPC's initial entry into the international market. At Hinkley Point C, which is currently under construction, CGNPC has a 33 percent stake and also has an option to acquire 20 percent of the potential Sizewell C plant. Should it go ahead despite mounting opposition, a second plant at Bradwell could be the

<sup>418</sup> "Global 500." Fortune, <https://bit.ly/3l9SEsi>. Accessed 25 Aug. 2020. It is superseded only by Wal-Mart in first place and Sinopec in second.

<sup>419</sup> Ahmed, Sara. "IEEFA update: China's state grid group triggers oversight controversy in the Philippines." Institute for Energy Economics and Financial Analysis, 18 Feb. 2020, <https://bit.ly/2TYadQ5>.

<sup>420</sup> Wade, Geoffrey. "The State Grid Corporation of China: Its Australian engagement and military links." *Interpreter*, The Lowy Institute, 17 Dec. 2015, <https://www.loyyinstitute.org/the-interpreter/state-grid-corporation-china-its-australian-engagement-and-military-links>.

<sup>421</sup> Pagni, Luca. "Un alleato cinese per lo Stato italiano State Grid diventa socio di Snam e Terna." *La Repubblica*, 30 Jul. 2014, <https://bit.ly/2JGduS1>.

<sup>422</sup> Note: ADMIE is also known as IPTO, for the English translation of its name - Independent Power Transmission Operator. "State Grid Europe Limited." Independent Power Transmission Operator, [www.admie.gr/en/company/participation/state-grid](http://www.admie.gr/en/company/participation/state-grid).

<sup>423</sup> "Shareholder Structure." REN, <https://bit.ly/3p230wt>.

<sup>424</sup> "International Cooperation Overview." State Grid Corporation of China, <https://bit.ly/2IbEgRW>.

<sup>425</sup> "MVIP in Full-scale Construction in the Philippines." China Southern Power Grid, 26 Nov. 2019, <https://bit.ly/36b2XpE>.

<sup>426</sup> "Two units of Vinh Tan 1 Thermal Power Plant put into operation." State-owned Assets Supervision and Administration Commission of the State Council, 30 Nov. 2018, <https://bit.ly/38jErFy>.

<sup>427</sup> "International Cooperation." China Southern Power Grid, <http://eng.csg.cn/Cooperation/201603/t20160320-133961.html>.

<sup>428</sup> "Financially Strapped Laos Partners with Chinese Company to Manage Power Grid." *Radio Free Asia*, 10 Sep. 2020, <https://www.rfa.org/english/news/laos/grid-09102020153801.html>.

<sup>429</sup> "China could build 30 'Belt and Road' nuclear reactors by 2030: official." *Reuters*, 20 Jun. 2020, <https://reut.rs/3lsDRZX>.

first Chinese-built nuclear plant outside of China.<sup>430</sup> Robert Davies, the Chief Operating Officer of CGNPC's U.K. presence said, "For us, the U.K. is an important stepping stone into Europe. The Generic Design Assessment process [U.K. regulatory approval] is recognised in the nuclear world as having a lot of clout."<sup>431</sup> The PRC has also worked to gain access to uranium deposits around the world,<sup>432</sup> including one of the world's largest uranium mines in Namibia.<sup>433</sup> The China National Nuclear Corporation has worked with Saudi Arabia to help that country discover its indigenous uranium reserves.<sup>434</sup>

Finally, PRC companies are investing heavily in coal-fired power generation, despite the Chinese government presenting itself as a leader in fighting climate change and a champion of green energy. China is the world's largest investor in green energy,<sup>435</sup> but only a very small percentage of its OBOR energy projects—around 2.8 percent—are in clean energy.<sup>436</sup> China is also slowly decreasing the number of coal-fired power plants it builds within the PRC, but its manufacturing of the equipment used in these plants has not slowed down, leaving it with a stockpile of technology and anxious executives incentivized to sell it.<sup>437</sup> China is, at competitive prices, creating the means to support coal burning plants abroad for the long life-cycles of these plants, not decreasing the use of coal abroad.

The American Enterprise Institute's Chinese Investment Tracker lists 48 major Chinese investments in coal since 2007, the vast majority of them in South and Southeast-Asia.<sup>438</sup> In Vietnam alone, China has built 15 coal power plants and is working on eight more.<sup>439</sup> Since 2000, Chinese development banks have funded 21 coal-based projects in Indonesia, all of which are now touted as part of OBOR, even those constructed prior to the initiative's announcement in 2013.<sup>440</sup> In Europe, 81 percent of China's invest-

<sup>430</sup>Pratley, Nils. "No business need at all now for a Chinese nuclear plant in the UK." *The Guardian*, 07 Jul. 2020, <https://bit.ly/2TYTuvZ>.

<sup>431</sup>Vaughan, Adam, and Lily Kuo. "China's Long Game to Dominate Nuclear Power Relies on the UK." *The Guardian*, 26 Jul. 2018, [www.theguardian.com/environment/2018/jul/26/chinas-long-game-to-dominate-nuclear-power-relies-on-the-uk](http://www.theguardian.com/environment/2018/jul/26/chinas-long-game-to-dominate-nuclear-power-relies-on-the-uk).

<sup>432</sup>Zhang, Hui and Yunsheng Bai. "China's Access to Uranium Resources." *Project on Managing the Atom*, Harvard Kennedy School Belfer Center for Science and International Affairs, May 2015,

<https://www.belfercenter.org/sites/default/files/legacy/files/chinasaccesstouraniumresources.pdf>.  
<sup>433</sup>Husab Uranium Project, Namib Desert, Namibia." *Mining Technology*, <https://www.mining-technology.com/projects/husab-uranium-project-namibia-swakop/>.

<sup>434</sup>Graham-Harrison, Emma, Stephanie Kirschgaessner and Julian Borger. "Revealed: Saudi Arabia may have enough uranium ore to produce nuclear fuel." *The Guardian*, 17 Sep. 2020, <https://amp.theguardian.com/world/2020/sep/17/revealed-saudi-arabia-may-have-enough-uranium-ore-to-produce-nuclear-fuel>.

<sup>435</sup>"How Is China's Energy Footprint Changing?" *China Power*, Center for Strategic and International Studies. 15 Feb. 2016, <https://chinapower.csis.org/energy-footprint/>.

<sup>436</sup>"Clean energy" is defined here as solar, wind, and other renewables. Author calculations based on data from *China's Global Energy Finance*. Boston University Global Development Policy Center, [www.bu.edu/cgef/](http://www.bu.edu/cgef/).

<sup>437</sup>Downs, Erica. *China-Pakistan Economic Corridor Power Projects: Insights into Environmental and Debt Sustainability*. Columbia University Center on Global Energy Policy, 03 Oct. 2019, <https://www.energypolicy.columbia.edu/research/report/china-pakistan-economic-corridor-power-projects-insights-environmental-and-debt-sustainability>.

<sup>438</sup>China Global Investment Tracker. American Enterprise Institute, <https://bit.ly/3ewWsRR>.

<sup>439</sup>Inskeep, Steve and Ashley Westerman. "Why Is China Placing A Global Bet On Coal?" *NPR*, 29 Apr. 2019, <https://www.npr.org/2019/04/29/716347646/why-is-china-placing-a-global-bet-on-coal>.

<sup>440</sup>*China's Global Energy Finance*. Boston University Global Development Policy Center, [www.bu.edu/cgef/](http://www.bu.edu/cgef/).

ment in energy between 2008 and 2015 went into coal, gas, and oil.<sup>441</sup> Most of these investors were Chinese state-owned companies.<sup>442</sup> By contrast, the U.S. Development Finance Corporation operates under environmental rules that place restrictions on support for investment in projects, particularly energy projects, which might produce large greenhouse gas emissions.<sup>443</sup> The European Investment Bank has begun to “phase out support to energy projects reliant on unabated fossil fuels.”<sup>444</sup>

A 2019 report from the Institute for Energy Economics and Financial Analysis explains that Chinese financing is often a last resort for those looking to fund a coal plant. Many more traditional financing sources—such as Standard Chartered U.K., Generali of Italy, and Nippon Life of Japan—have determined coal-fired power plants are no longer worth the investment.<sup>445</sup> But as demand for coal persists, PRC companies are meeting it: more than 70 percent of coal plants currently under construction outside of China are being financed by PRC banks.<sup>446</sup> Clearly, the Chinese government believes the political and financial benefits of these investments outweighs the political and market trends in the opposite direction, such as global efforts to reduce carbon emissions.

The lack of respect for the environmental regulations and guidelines of national governments is a growing concern related to PRC investment. For instance, as CEE Bankwatch warned in its examination of several state-owned enterprise (SOE)-funded southeastern-European projects, “despite Chinese policy guidelines requiring compliance with host country legislation, most of the projects breach national and EU environmental, procurement and state aid law.”<sup>447</sup> In Serbia, the municipality of Bor has brought criminal charges against the managers of a Chinese copper smelting plant where excessive levels of sulfur dioxide have begun to choke the local population.<sup>448</sup> China’s purportedly greener power projects have also produced disastrous environmental outcomes elsewhere. In Ecuador, a Chinese-built hydroelectric dam has nearly 8,000 cracks, but Ecuador is still repaying China for the dam with oil that Ecuador is moving further and further into the Amazon to extract.<sup>449</sup> And China’s extensive damming of the Mekong River within China is having disastrous consequences for those who live downstream in Thailand, Laos, Cambodia, and Vietnam.

<sup>441</sup> Liedtke, Stephan. “Chinese Energy Investments in Europe: An Analysis of Policy Drivers and Approaches.” *Energy Policy*, vol. 101, Elsevier, 14 Sep. 2016, p. 665, table 2, <https://bit.ly/3eGDacQ>.

<sup>442</sup> *Ibid.*

<sup>443</sup> “Environmental and Social Policy and Procedures.” U.S. Development Finance Corporation, Jan. 2020, <https://bit.ly/3mWE5sv>.

<sup>444</sup> “EIB energy lending policy: Supporting the energy transformation” European Investment Bank, 15 Nov. 2019, p. 4, <https://www.eib.org/en/publications/eib-energy-lending-policy.htm>.

<sup>445</sup> Brown, Melissa, and Tim Buckley. “IEEFA China: Lender of Last Resort for Coal Plants.” Institute for Energy Economics & Financial Analysis, 22 Jan. 2019, <https://bit.ly/32kEsVW>.

<sup>446</sup> Numbers produced by data firm Refinitiv in “The Belt and Road’s Decarbonization Dilemma.” *Quartz*. <https://qz.com/1760615/china-quits-coal-at-home-but-promotes-the-fossil-fuel-in-developing-countries/>.

<sup>447</sup> “EU-China leaders’ meeting: EU must do more to tackle legal breaches by Chinese companies in Europe, say civil society organisations.” CEE Bankwatch Network, 14 Sep. 2020, <https://bankwatch.org/press—release/eu-china-leaders-meeting-eu-must-do-more-to-tackle-legal-breaches-by-chinese-companies-in-europe-say-civil-society-organisations>.

<sup>448</sup> “Local authorities sue Chinese Zijin over pollution.” N1, 15 Sep. 2020, <https://bit.ly/3ewk1dw>.

<sup>449</sup> Casey, Nicholas and Clifford Krauss. “It Doesn’t Matter if Ecuador Can Afford This Dam. China Still Gets Paid.” *New York Times*, 24 Dec. 2018, <https://nyti.ms/35Z1rG>.

Water levels are falling precipitously, causing drought, lack of fresh drinking water, and decreasing numbers of the fish that locals rely on to feed their families.<sup>450</sup>

### *Illegal Trade Practices and Standards Setting*

The Chinese government directly supports PRC energy companies in making inroads into external markets through industrial espionage operations, massive state subsidies, and support for standards-setting campaigns. These well-orchestrated campaigns by the PRC have harmful effects on, and strongly disadvantage, businesses that play by the established free trading rules and are not backed by the power of a unitary state.

A key example is PRC state support to fund thousands of engineers and researchers, which has been instrumental in helping State Grid develop the Ultra-High Voltage (UHV) grid technology that it now sells and operates.<sup>451</sup> When building out these UHV technologies, reports indicate that the Chinese government required 80 to 90 percent of the equipment be sourced locally, largely cutting out foreign competition.<sup>452</sup> The PRC allows some foreign companies to participate in Chinese energy projects but only in limited ways and many have involved forced technology transfer. Xu Yi-chong writes that State Grid's "collaboration with the multinationals was not always easy, as SGCC [State Grid] wanted to gain control of core technologies . . . and wanted to be in the driver's seat in collaboration, while the [multi-national corporations] refused to surrender their control."<sup>453</sup> As in other sectors, PRC SOEs have also established research centers abroad that then work to transfer pertinent technology back to China. In 2011, State Grid founded the Global Energy Interconnection Research Institute,<sup>454</sup> which now has branches in Santa Clara, California<sup>455</sup> and Berlin, Germany.<sup>456</sup>

The PRC's quest to master the nuclear fuel cycle has been facilitated in part by industrial espionage. In 2019, CGNPC was placed on the U.S. Entity List<sup>457</sup> after a nuclear scientist employed there was convicted of "enlisting U.S.-based nuclear experts to provide

<sup>450</sup> Eyler, Brian. "Science Shows Chinese Dams Are Devastating the Mekong." *Foreign Policy*, 22 Apr. 2020, <https://bit.ly/35bUnaI>. See also: Forsyth, Luc. "China's Domestic Dams: Hydro-power not only an export for world's biggest dam builder." *Mongabay*, 28 Feb. 2017, <https://bit.ly/3eHWS7P>.

<sup>451</sup> Fairley, Peter. "China's Ambitious Plan to Build the World's Biggest Supergrid." *Technology, Engineering, and Science News*, IEEE Spectrum, 21 Feb. 2019, <https://bit.ly/2JzeQOP>.

<sup>452</sup> Fairley, Peter. "China's Ambitious Plan to Build the World's Biggest Supergrid." *Technology, Engineering, and Science News*, IEEE Spectrum, 21 Feb. 2019, <https://bit.ly/2U76nUO>. And "Power Play: China's Ultra-High Voltage Technology and Global Standards." *Paulson Papers on Standards* The Paulson Institute, Apr. 2015, <https://bit.ly/2If6ZVD>.

<sup>453</sup> Xu, Yi-chong. "The Search for High Power in China." *Policy, Regulation, and Innovation in China's Electricity and Telecom Industries*, Brandy, Loren and Thomas G. Rawski, editors, Cambridge UP, 2019, p. 242.

<sup>454</sup> *Ibid.*

<sup>455</sup> "About GEIRI North America." GEIRINA, [www.geirina.net/about](http://www.geirina.net/about).

<sup>456</sup> "About GEIRI Europe." GEIRI Europe, [www.geiri.eu/about-us/](http://www.geiri.eu/about-us/).

<sup>457</sup> The entity list names entities that conduct activities contrary to U.S. national security interests and are thus subject to licensing requirements for the purposes of exports, re-exports, or in-country transfers of specific goods. See: "Entity List." U.S. Department of Commerce Bureau of Industry and Security, <https://www.bis.doc.gov/index.php/policy-guidance/lists-of-parties-of-concern/entity-list>. And "Addition of Certain Entities to the Entity List, Revision of Entries on the Entity List, and Removal of Entities From the Entity List." *Federal Register*, U.S. Department of Commerce Bureau of Industry and Security, 14 Aug. 2019, <https://www.federalregister.gov/documents/2019/08/14/2019-17409/addition-of-certain-entities-to-the-entity-list-revision-of-entries-on-the-entity-list-and-removal>.

assistance in developing and producing special nuclear material in China for a Chinese state-owned nuclear power company.”<sup>458</sup> For nearly twenty years, he had worked to obtain “technical assistance related to CGNPC’s Small Modular Reactor Program; CGNPC’s Advanced Fuel Assembly Program; CGNPC’s Fixed In-Core Detector System; and verification and validation of nuclear reactor-related computer codes.”<sup>459</sup> Such state-sponsored industrial espionage has the potential to lead to disastrous outcomes, additional nuclear proliferation, and damage to the business prospects of responsible nuclear companies like Westinghouse and Areva.

The PRC has stated its ambitions to lead in “the formulation of general energy internet standards, cross-industry public standards and important technical standards that are coordinated with smart cities.”<sup>460</sup> State Grid has “attached great importance to the development of international standards and Chinese electric engineering technologies and standards to become international standards so as to improve[e] the influence and say of China.”<sup>461</sup> To that end, the former chairman of State Grid<sup>462</sup> and current chairman of China Huaneng Group,<sup>463</sup> one of China’s largest electricity generating companies, Dr. Shu Yinbiao, was also installed as president of the International Electrotechnical Commission (IEC) in 2020.<sup>464</sup> The IEC is “the leading global organization that publishes consensus-based international standards and manages conformity assessment systems for electric and electronic products, systems and services.”<sup>465</sup>

While still chairman of State Grid and then an IEC vice-president, Dr. Shu stated that “during the last ten years, along with the rapid development of Chinese technology, more and more of our technical standards have been adopted as IEC International Standards.”<sup>466</sup> Many of the new standards are in UHV transmission. The Argonne National Laboratory warns that “the potential internationalization of China’s domestic UHV standards will almost certainly affect the global market share for both Chinese manufacturers and dominant multinational companies.”<sup>467</sup>

### *Security and Political Leverage*

While Russian dominance of gas pipelines in Europe has long been a deep concern for many on both sides of the Atlantic, con-

<sup>458</sup> “U.S. Nuclear Engineer Sentenced to 24 Months in Prison for Violating the Atomic Energy Act.” U.S. Department of Justice, 31 Aug. 2017, <https://bit.ly/2U1oMML>.

<sup>459</sup> *Ibid.*

<sup>460</sup> “News Release: Uphold Multilateralism and Jointly Build Human Community with Shared Future.” Peoples Republic of China National Development and Reform Commission, 24 Sep. 2020, <https://bit.ly/2JL15ML>.

<sup>461</sup> “International Standards.” State Grid Corporation of China, <https://bit.ly/2I2TkkV>.

<sup>462</sup> “Shu Yinbiao.” World Economic Forum, [www.weforum.org/people/shu-yinbiao](http://www.weforum.org/people/shu-yinbiao).

<sup>463</sup> “IEC Officers.” International Electrotechnical Commission, [www.iec.ch/about/profile/officers.htm](http://www.iec.ch/about/profile/officers.htm).

<sup>464</sup> Note also that three of the IEC’s eight “ambassadors” are representatives of major Chinese entities and their interests: Huawei, CHINT Group, and the China Information Security Certification Center. See: “IEC Ambassadors.” International Electrotechnical Commission, <https://bit.ly/2GA5fpq>.

<sup>465</sup> “What we do.” International Electrotechnical Commission, <https://www.iec.ch/about/activities/?ref=menu>.

<sup>466</sup> Shu, Yinbiao. “IEC Global Visions - State Grid Corporation of China: Sharing Know-How—Advancing Progress.” *Global Visions*, International Electrotechnical Commission, <https://bit.ly/3n101TS>.

<sup>467</sup> “Power Play: China’s Ultra-High Voltage Technology and Global Standards.” *Paulson Papers on Standards*, The Paulson Institute, Apr. 2015, <https://bit.ly/32kS5UO>.



continent-wide electric power transmission, or supergrids, may soon be a real possibility and point of concern.<sup>468</sup> Like oil and gas pipelines, the parties that control the energy and its transmission will be in a very powerful position. This requires substantial U.S. and European vigilance of PRC control in this area. Already, government reports in the Philippines have warned that their state electricity grid, which is partially run by State Grid, can be shut down on the Chinese government's orders and "disrupt national power systems."<sup>469</sup> The Brookings Institution's Tom Stefanick writes:

*[O]perat[ion of] continental-scale power networks requires tight integration of massive high-voltage generators, transformers, and cables on the one hand, and precision real-time sensing, synchronization, and control on the other. Data networks are critical to enabling human and automated control of power grids through devices often referred to as supervisory control and data acquisition (SCADA) systems.*<sup>470</sup>

Indeed, the Cyberspace Administration of China's vision for a "ubiquitous power Internet of Things" as "the application of modern information technologies such as mobile Internet and artificial intelligence to realize the interconnection of everything in the power system" is representative of the policy guidance that directs and informs State Grid's endeavors to connect electrical grids to the Internet of Things.<sup>471</sup> With this aim in mind, State Grid is now in the top twenty of companies filing artificial intelligence patents with the World Intellectual Property Organization, and is the clear leader in patent filings for "energy management."<sup>472</sup>

Today's less advanced, but computer-run technologies have already shown themselves to be vulnerable to state-sponsored infiltration or shutdown. Russian attacks temporarily took down parts of Ukraine's transmission grid in 2015 and 2016 and were only saved from serious damage by manual backups and analog relays.<sup>473</sup> Should State Grid—or another state-controlled actor like it—come to control large swathes of international power grids, the geopolitical consequences could be severe. In the internet-powered supergrids of the future, argues Phillip Cornell, "even if local grids are independently operated, deep interconnection means that supply and demand will increasingly be matched across the super-grid, making them more interdependent."<sup>474</sup>

<sup>468</sup> "What is a Supergrid?" *The Economist*, 17 Jan. 2020, <https://econ.st/2U1hVsD>.

<sup>469</sup> Griffiths, James. "China can shut off the Philippines' power grid at any time, leaked report warns." *CNN*, 26 Nov. 2019, <https://www.cnn.com/2019/11/25/asia/philippines-china-power-grid-intl-hnk/index.html>.

<sup>470</sup> Stefanick, Tom. "Secure power: Gigawatts, Geopolitics, and China's Energy Internet." *Global China*, The Brookings Institution, Apr. 2020, <https://brook.gs/3mXASZG>.

<sup>471</sup> Rengong zhineng rang dianwang bian "congming" le [Artificial Intelligence Makes the Power Grid 'Smart'], Cyberspace Administration of China, 26 Jul. 2019, <https://bit.ly/3eASRCf>.

<sup>472</sup> "WIPO Technology Trends 2019: Artificial Intelligence." *Technology Trends 2019*, World Intellectual Property Organization, 2019, <https://bit.ly/2Idw5Ec>.

<sup>473</sup> Greenberg, Andy. "How an Entire Nation Became Russia's Test Lab for Cyberwar." *Wired*, Condé Nast, 20 Jun. 2017, [www.wired.com/story/russian-hackers-attack-ukraine/](http://www.wired.com/story/russian-hackers-attack-ukraine/).

<sup>474</sup> Cornell, Phillip. "Energy Governance and China's Bid for Global Grid Integration." *EnergySource*, Atlantic Council, 05 Sept. 2019, <https://bit.ly/3p24Ayp>.

While the rules contained in the EU's Third Energy Package<sup>475</sup> may provide some protection in Europe, and investment screening rules in both the United States and European nations may prove effective, a growing Chinese-controlled UHV grid is a distinct possibility. The Global Energy Interconnection Development and Cooperation Organization, established by State Grid, states its goal is to see the construction of power grid interconnection between Asia and Europe<sup>476</sup> and envisions at least four projects touching Europe by 2035.<sup>477</sup> Control over international power grids may begin to affect the political choices of nations that become dependent on the PRC or State Grid for their energy needs. More worrisome, said Yobun Inoue of Japan's Institute of Energy Economics, "Getting hold of power grids gives [State Grid] a lot of information about a country's energy supply and demand."<sup>478</sup> PRC access to such information could inform China's energy investment decisions.

In the nuclear arena, as in other areas, the PRC is likely to take a page from the Russian textbook and its state-owned nuclear firm RosAtom, and begin building nuclear plants as part of larger coercive diplomatic packages.<sup>479</sup> Unlike private companies, PRC SOEs can afford to bankroll civil nuclear projects that might not be profitable for private companies and can provide further sweeteners to close deals. As China is not a member of the Organization for Economic Cooperation and Development, PRC companies are also not held to the agreed rules on chargeable interest rates and loan tenor.<sup>480</sup>

### *Confronting These Challenges*

Recognizing these dangers, the German government in 2018 acted in extraordinary circumstances to prevent State Grid from purchasing 20 percent of 50Hertz, a large utility in Germany.<sup>481</sup> Although the percentage of potential purchase was below the 25 percent threshold then needed to trigger investment screening procedures, the German government utilized its state investment bank KfW to purchase the shares and keep them out of PRC hands.<sup>482</sup> But this scenario has been—until now—relatively rare. Sellers tend to take the best offer, and often, that comes from China and state-backed companies. As the United States and Europe have not tra-

<sup>475</sup> "Third Energy Package - Energy European Commission." *Energy*, European Commission, 16 Mar. 2020, [https://ec.europa.eu/energy/topics/markets-and-consumers/market-legislation/third-energy-package\\_en](https://ec.europa.eu/energy/topics/markets-and-consumers/market-legislation/third-energy-package_en).

<sup>476</sup> Research Report on the Belt and Road Energy Interconnection. Global Energy Interconnection Development and Cooperation Organizations (GEIDCO), Apr. 2019, <https://bit.ly/2Ickbuw>. Powerpoint Presentation.

<sup>477</sup> *Ibid.*, slide 18.

<sup>478</sup> Okutsu, Akane and Cliff Venzon and CK Tan. "China's Belt and Road power grids keep security critics awake." *Nikkei Asia*, 03 Mar. 2020, <https://asia.nikkei.com/Spotlight/Asia-Insight/China-s-Belt-and-Road-power-grids-keep-security-critics-awake>.

<sup>479</sup> Thoburn, Hannah. "Russia building nuclear reactors - and influence - around the globe." *Reuters*, 05 May 2015, <https://www.reuters.com/article/thoburn-rosatom/column-russia-building-nuclear-reactors-and-influence-around-the-globe-idUSL1N0XW1U320150505>.

<sup>480</sup> "Trade And Agriculture Directorate Participants To The Arrangement On Officially Supported Export Credits." Organisation for Economic Co-Operation and Development, 15 Jan. 2020, p. 1-15, <https://bit.ly/2GBiW65>.

<sup>481</sup> Braw, Elisabeth. "Chinese Acquisitions of Western Firms Threaten National Security." *Foreign Policy*, 24 Aug. 2020, <https://foreignpolicy.com/2020/08/24/chinese-acquisitions-of-western-firms-threaten-national-security/>.

<sup>482</sup> "KfW acquires temporary stake in German TSO 50Hertz on behalf of the Federation." The Federal Government of Germany Federal Ministry of Finance, 27 Jul. 2018, <https://www.bundesfinanzministerium.de/Content/EN/Pressemitteilungen/2018/2018-07-27-50-Hertz.html>.

ditionally engaged in the kind of state-supported enterprise purchases that Beijing supports, we must develop a joint strategy for how to contend with the risks of purchases of key utilities or industries. Market decisions now have to be calculated with a political risk factor that was once not necessary.

Awareness of the dangers inherent in super-connected power grids is also growing. A recently-passed law in the United States takes the first steps towards protecting the American electric grid from cyber-attacks. The law mandates a study, currently underway, on the efficacy of replacing some key points of digital infrastructure with physical, unhackable infrastructure.<sup>483</sup> A new approach pioneered by Idaho National Labs, called the “consequence-driven, cyber-informed engineering methodology,” requires utility operators to “identif[y] the most essential processes and functions and then reduc[e] or eliminat[e] the digital pathways attackers could use to reach them.”<sup>484</sup> Creating these “gaps” in the grid can either buy time to stop a hack or diminish the severity of one. The United States has also banned the further use and import of “bulk-power system electrical equipment” with ties to “a foreign adversary.”<sup>485</sup> As grids around the world grow more interconnected and more tied to the internet, the European Union and individual nations should examine similar steps.

## **Ports and Shipping**

### *Overview*

China’s port investments—though extending back several decades—have taken on a new significance as a critical element of the Maritime Silk Road, the maritime part of OBOR.<sup>486</sup> Ports are, in effect, the first stepping stone to the rest of OBOR, linking PRC companies, goods, and services to other forms of transport infrastructure. This provides overseas markets to the PRC and economic opportunities for host countries. However, port investments also serve clear strategic purposes that should cause concern for the United States and Europe. Ports provide PRC access to strategic locations, thereby helping the People’s Liberation Army Navy (PLAN) project power further afield and increase PRC influence globally. Alongside PRC consideration of establishing overt military bases, commercial port investments present a significant challenge for the U.S. military today, could have a greater impact on NATO access and planning in the future, and could complicate efforts by the United States and Europe seeking to deepen engagement in Africa and the Indo-Pacific. A second and more immediate challenge is the use of untrusted technology in this highly sensitive sector, aiding intelligence gathering opportunities and potentially providing access to commercially sensitive information as well.

<sup>483</sup> “Risch, King Bill Protecting Energy Grid from Cyberattacks Becomes Law.” Office of Senator James Risch, 23 Dec. 2019, <https://bit.ly/3lcxXvS>.

<sup>484</sup> Bochman, Andy. “Internet Insecurity.” *The End of Cybersecurity*, *Harvard Business Review*, Harvard Business Publishing, May 2018, <https://hbr.org/cover-story/2018/05/internet-insecurity>.

<sup>485</sup> “Executive Order 13920: Securing the United States Bulk-Power System.” *Federal Register*, Executive Office of the President, 01 May 2020, <https://bit.ly/2TZmcN1>.

<sup>486</sup> Thorne, Devin and Ben Spevack. *Harbored Ambitions: How China’s Port Investments are Strategically Reshaping the Indo-Pacific*. C4ADS, 2018, p. 10, <https://bit.ly/355puEX>.

Addressing these challenges will require long-term cooperation between the United States and Europe. This is particularly true now that PRC port investments are a global enterprise. In the Indo-Pacific region, PRC companies have markedly stepped up investments along strategic sea routes in places like Cambodia, Myanmar, Malaysia, Indonesia, and Sri Lanka.<sup>487</sup> In sub-Saharan Africa, PRC companies are involved in 46 ports, operating 11 of them.<sup>488</sup> PRC companies have stakes in five of the top 10 European ports by container volume.<sup>489</sup> In the United States, PRC state-owned enterprises have stakes in ports at Los Angeles and Seattle.<sup>490</sup> A COSCO Shipping Corporation Limited (COSCO) subsidiary recently sold its stake in the Port of Long Beach, California, as part of a deal with the Departments of Homeland Security and Justice, which both raised security concerns about the investment.<sup>491</sup>

### *Economic Challenges*

PRC port investment has resulted in economic benefits. For example, the throughput at the Port of Piraeus increased 200 percent from 2007 to 2017 under the management of COSCO, benefitting the port and certainly benefitting COSCO itself.<sup>492</sup> However, European observers have pointed to long-term economic detriments, as well. In its January 2020 report on the economic challenges OBOR presents to European companies, the EU Chamber of Commerce noted: “[T]he greatest concern is the emergence of the still-growing SASAC [China’s State-owned Assets Supervision and Administration Commission of the State Council] monopoly of the shipping sector’s value chain, as it raises serious questions about how global competition can be maintained and casts the maritime aspect of the BRI [Belt and Road Initiative] in a grim light.”<sup>493</sup> European shipping giants are not competing against individual SOEs but rather against SASAC, which is overseeing industry consolidation across the maritime value chain, as well as a variety of government subsidies to help SOEs compete globally.<sup>494</sup>

Two of the largest state-owned firms involved in port investment, operation, and management are the aforementioned COSCO and China Merchants Port Holdings Co. (CMPort). As of 2020, COSCO had an operating and management role at 36 ports worldwide, and

<sup>487</sup> *Ibid.*

<sup>488</sup> Devermont, Judd. “Assessing the Risks of Chinese Investments in Sub-Saharan African Ports.” Center for Strategic and International Studies, 04 Jun. 2019, <https://www.csis.org/analysis/assessing-risks-chinese-investments-sub-saharan-african-ports>.

<sup>489</sup> Petkova, Mirela and Frans-Paul Van der Putten. “Building the ‘Belt and Road’ in Europe? Chinese construction companies and transport infrastructure in the European Union.” Clingendael Institute, Apr. 2020, p. 3-4, <https://bit.ly/355yyK8>.

<sup>490</sup> Haire, Chris. “Chinese company to sell Long Beach Container Terminal for \$1.78 billion.” *Long Beach Press-Telegram*, 01 May 2019, <https://www.presstelegram.com/2019/04/30/chinese-company-to-sell-long-beach-container-terminal-for-1-78-billion/>; And Gallagher, John. “Experts warn of China’s influence at U.S. ports.” *Freight Waves*, 22 Oct. 2019, <https://www.freightwaves.com/news/experts-warn-of-chinas-influence-at-us-ports>.

<sup>491</sup> Yiu, Enoch. “US Security Concerns Force Cosco-Owned Orient Overseas to Sell Long Beach Port in California.” *South China Morning Post*, 01 May 2019, <https://bit.ly/369WNWN>.

<sup>492</sup> Van der Putten, Frans-Paul. “European seaports and Chinese strategic influence: The relevance of the Maritime Silk Road for the Netherlands.” Clingendael Institute, Dec. 2010, p. 14-15, <https://www.clingendael.org/publication/european-seaports-and-chinese-strategic-influence-0>.

<sup>493</sup> *The Road Less Travelled: European Involvement in China’s Belt and Road Initiative*. European Union Chamber of Commerce in China, Jan. 2020, p. 21, <https://bit.ly/2I462Qt>.

<sup>494</sup> *Ibid.*, p. 21.

CMPort's portfolio spans 41 ports in 25 countries.<sup>495</sup> Ports are simply one piece of COSCO and CMPort's expanding role across global maritime supply chains. CMPort's parent company is now the world's largest port and logistics company, and COSCO the world's third largest shipping firm.<sup>496</sup>

SOEs are found throughout the maritime supply chain, and are receiving direct and indirect subsidies, state-backed financing, and other non-market forms of support.<sup>497</sup> Analysis of the shipping and shipbuilding industries by the Center for Strategic and International Studies, for example, found that these companies received \$127 billion in state-backed financing from 2010 to 2018, and about \$5 billion in direct subsidies. The authors note that this is likely a "conservative estimate," given the data does not include potential indirect subsidies, state-backed fundraising, preferential borrowing, barriers to foreign competitors in the PRC market, advantages garnered via SASAC's consolidation policies, and forced technology transfer and intellectual property theft.<sup>498</sup>

### *Security Risks*

The link between OBOR and the PRC's aspirations for its military is becoming more direct. Former CCP General Secretary Hu Jintao was the first to prioritize China becoming a "strong maritime country," and current CCP General Secretary Xi Jinping was the first to connect China's overseas development and economic goals (particularly via OBOR) more explicitly to its security goals.<sup>499</sup> In January 2019, Xi emphasized completing a "security system" for OBOR, so as to "strengthen protection of [China's] interests and ensure the security of major overseas projects."<sup>500</sup>

China's definition of a "strong maritime country" includes a "powerful navy," and the desired posture for its navy has also evolved significantly in the last decade.<sup>501</sup> While it formerly emphasized a focus on "offshore defense," it has now expanded to stress the importance of "far seas protection," in part to safeguard China's overseas interests.<sup>502</sup> As China's 2019 defense white paper states, China is "build[ing] far seas forces," "develop[ing] overseas logistical facilities," "conduct[ing] vessel protection operations," and "maintain[ing] the security of strategic SLOCs [sea lines of commu-

<sup>495</sup> "About CSP Corporate Profile." COSCO Shipping Ports Limited, 2020, <https://ports.coscoshipping.com/en/AboutCSP/CorporateProfile/Overview/>; "Zhaoshang ju gangkou knoggu youxian gongsi" "[Company Profile]," China Merchants Port Holdings Co. Ltd., 23 Sep. 2020, [www.cmport.com.hk/EN/about/Profile.aspx?from=2](http://www.cmport.com.hk/EN/about/Profile.aspx?from=2).

<sup>496</sup> Blanchette, Jude, et al. "Hidden Harbors: China's State-backed Shipping Industry." *CSIS Briefs*, Center for Strategic and International Studies, Jul. 2020, p. 1, <https://bit.ly/2TYFa6y>.

<sup>497</sup> The Road Less Travelled: European Involvement in China's Belt and Road Initiative. European Union Chamber of Commerce in China, Jan. 2020, p. 21, <https://bit.ly/2I462Qt>.

<sup>498</sup> Blanchette, Jude, et al. "Hidden Harbors: China's State-backed Shipping Industry." *CSIS Briefs*, Center for Strategic and International Studies, Jul. 2020, p. 6, <https://bit.ly/2TYFa6y>.

<sup>499</sup> Duchâtel, Mathieu and Alexandre Sheldon Duplaix. "Blue China: Navigating the Maritime Silk Road to Europe." *Policy Brief*, European Council on Foreign Relations, Apr. 2018, p. 3, <https://bit.ly/354Elzk>.

<sup>500</sup> As quoted in Sbragia, Chad. "Statement." *Hearing on China's Maritime Silk Road Initiative*, U.S. House Committee on Transportation and Infrastructure Subcommittee On Coast Guard And Maritime Transportation, 17 Oct. 2019, p. 4, <https://bit.ly/3eGFMyc>.

<sup>501</sup> Duchâtel, Mathieu and Alexandre Sheldon Duplaix. "Blue China: Navigating the Maritime Silk Road to Europe." *Policy Brief*, European Council on Foreign Relations, Apr. 2018, p. 8, <https://bit.ly/354Elzk>.

<sup>502</sup> *Ibid*, p. 28.

nication],” among other tasks.<sup>503</sup> Various PRC publications, including the 2013 Science of Military Strategy, note the importance of “strategic strong points,” a term that has been used to mean construction of overseas ports in strategic locations or places that can support military bases.<sup>504</sup>

The need for a greater naval presence to defend overseas interests—and to construct logistics and support nodes for the military—is a noticeable theme in the writings of Chinese security researchers.<sup>505</sup> As researchers from Institut Montaigne—referring to China’s new military base in Djibouti—note, “Since Djibouti, the Chinese strategic community takes for granted that the People’s Liberation Army (PLA)—and especially the navy—is building a logistical support network to ensure the success of future operations to protect Chinese overseas interests.”<sup>506</sup> For example, they cite PRC scholars who, concerned by growing U.S.-India ties, recommend “the construction of multi-level shipping supply bases along the Indian Ocean coast” to protect overseas interests, including supplying a navy to undertake operations further afield.<sup>507</sup>

China is likely to pursue a mix of overseas bases and dual-use support facilities, with commercial ports serving as a key enabler for the latter. Rather than military-only facilities, Shanghai-based scholar Xue Guifang notes that China “favors the commercial model (the development of ports purely for commercial use) and the dual-use model (the development of commercial ports with the potential to serve military functions).”<sup>508</sup> In particular, “where it enjoys close ties to the host country, China may gradually select some overseas commercial ports for dual use to project power.”<sup>509</sup> A new report co-authored by former U.S. Assistant Secretary of State Daniel Russel cautions that “Beijing appears to seek ports with terminals capable of supporting various types of PLA military operations. This includes high-standard Ro-Ro [roll-on/roll-off] features to unload heavier than normal cargo (e.g. armored vehicles), berth depths that are at least 10 meters (to accommodate warships), cold

<sup>503</sup> Erickson, Andrew S. *Full Text of 2019 Defense White Paper: ‘China’s National Defense in the New Era’*. The State Council Information Office of the People’s Republic of China, 24 Jul. 2019, [www.andrewerickson.com/2019/07/full-text-of-defense-white-paper-chinas-national-defense-in-the-new-era-english-chinese-versions](http://www.andrewerickson.com/2019/07/full-text-of-defense-white-paper-chinas-national-defense-in-the-new-era-english-chinese-versions).

<sup>504</sup> Kennedy, Conor. “Strategic Strong Points and Chinese Naval Strategy.” *China Brief*, vol. 19, no. 6, 22 Mar. 2019. Jamestown Foundation, <https://jamestown.org/program/strategic-strong-points-and-chinese-naval-strategy>.

<sup>505</sup> Xue, Guifang (Julia). “The Potential Dual Use of Support Facilities in the Belt and Road Initiative.” *Securing the Belt and Road Initiative: China’s Evolving Military Engagement Along the Silk Roads*, special report no. 80, National Bureau of Asian Research, Sep. 2019, p. 54, <https://www.nbr.org/product/special-report-no-80-securing-the-belt-and-road-initiative-chinas-evolving-military-engagement-along-the-silk-roads/>.

<sup>506</sup> Duchâtel, Mathieu. “Introduction.” *China’s Port Investment: The Flag Behind the Trade*, China Trends, Institut Montaigne, Jun. 2019, p. 1, <https://bit.ly/2GBkPBb>. See also: Kennedy, Conor. “Strategic Strong Points and Chinese Naval Strategy.” *China Brief*, vol. 19, no. 6, 22 Mar. 2019. Jamestown Foundation, <https://jamestown.org/program/strategic-strong-points-and-chinese-naval-strategy>.

<sup>507</sup> Stanzel, Angela. “China’s String of Ports in the Indian Ocean.” *China’s Port Investment: The Flag Behind the Trade*, China Trends, Institut Montaigne, Jun. 2019, p. 4, <https://www.institutmontaigne.org/documents/china-trends/China-trends-2-print-web.pdf>.

<sup>508</sup> Xue, Guifang (Julia). “The Potential Dual Use of Support Facilities in the Belt and Road Initiative.” *Securing the Belt and Road Initiative: China’s Evolving Military Engagement Along the Silk Roads*, special report no. 80, National Bureau of Asian Research, Sep. 2019, p. 53-54, <https://www.nbr.org/product/special-report-no-80-securing-the-belt-and-road-initiative-chinas-evolving-military-engagement-along-the-silk-roads/>.

<sup>509</sup> *Ibid.*, p. 54.

storage facilities, assembly sites, and heavy-duty reinforced access roads.”<sup>510</sup>

The same PRC SOEs involved in port operation and shipping already provide logistics support to the PLA. That role could grow as China’s overseas interests increase and the PLA expands its operations further afield. COSCO, CMPort, and their subsidiaries have supported the PLA in recent years through transport missions, underway fuel replenishment, and participation in exercises to move entire combat units (both troops and equipment).<sup>511</sup>

This support is in fact required by law. China’s 2010 National Defense Mobilization Law calls for “combining peacetime production with wartime production” and mandates that “any organization or individual has the obligation to accept the expropriation of civil resources in accordance with the law.”<sup>512</sup> Key objectives of the 2017 Law of the People’s Republic of China on National Defense Transportation include “promoting the development of military and civilian integration in the transportation field” and “guaranteeing smooth progress for national defense activities.”<sup>513</sup> It allows the PRC government to “expropriate” civilian transport resources for national purposes.<sup>514</sup> China also instituted “Technical Standards for New Civilian Ships to Implement National Defense Requirements” in 2015, for vessels to “serve national defense needs if they are mobilized.”<sup>515</sup>

The extent to which China can leverage its port investments and its global shipping assets for military purposes depends on several factors. First is China’s relationship with the host government, and the extent to which China has leverage over that government. In this context, China’s port investments in the Indo-Pacific and Africa are of far greater concern than its European investments. Second, the degree of operational control over a given port is also important. As military analyst Isaac Kardon puts it, “Majority or sole ownership of the port operator is the condition that best positions a firm to guarantee logistical support for naval operations.”<sup>516</sup> Where PRC firms do hold operational control in Europe, this could present a more immediate risk to core transatlantic interests than ports in other regions. Third are potential logistical impediments to the ability of the PLA to use ports, such as commercial firms not yet properly trained and equipped to support the PLA effectively,

<sup>510</sup> Russel, Daniel R., and Blake H. Berger. *Weaponizing the Belt and Road Initiative*. Asia Society Policy Institute, Sep. 2020, p. 19, <https://bit.ly/2I2tUE3>.

<sup>511</sup> Kennedy, Conor. “Civil Transport in PLA Power Projection.” *China Maritime Report*, no. 4, U.S. Naval War College, p. 9, 11, 12, <https://bit.ly/32mFb94>. And Peltier, Chad. “China’s Logistics Capabilities for Expeditionary Operations.” *Jane’s*, 2019, p. 51, <https://bit.ly/3p9Fqy8>.

<sup>512</sup> “Zhonghua renmin gongheguo guofang dongyuan fa: yu di shiyi jie quanguo renmin daibiao dahui changwu weiyuanhui di shisan ci huiyi tongguo” [The National Defense Mobilization Law of the People’s Republic of China: Adopted at the 13th Meeting of the Standing Committee of the 11th National People’s Congress], 26 Feb. 2010 <https://bit.ly/36h5Vc1>, as quoted in: Russel, Daniel R., and Blake H. Berger. *Weaponizing the Belt and Road Initiative*. Asia Society Policy Institute, Sep. 2020, p. 18, <https://bit.ly/2I2tUE3>.

<sup>513</sup> *Law of the Peoples Republic of China on National Defense Transportation*. Panyue, Huang, editor, Chinese Ministry of National Defense, 03 Mar. 2017, <https://bit.ly/3kadiXM>.

<sup>514</sup> *Ibid.*

<sup>515</sup> Thorne, Devin and Ben Spevack. *Harbored Ambitions: How China’s Port Investments are Strategically Reshaping the Indo-Pacific*. C4ADS, 2018, p. 23, <https://bit.ly/3p5svNG>. And Zhao Lei. “New rules mean ships can be used by military.” *China Daily*, 18 Jun. 2015, <https://bit.ly/3mXf7Jq>.

<sup>516</sup> Kardon, Isaac B. “Panel II: China’s Development of Expeditionary Capabilities: “Bases and Access Points.” *Chinese Military Power Projection and U.S. National Interests*, U.S.-China Economic and Security Review Commission, 20 Feb. 2020, p. 3, <https://bit.ly/38wC1Dj>.

ports not being built to military specifications despite existing regulations, and difficulties for commercial ports to procure materials the PLA might need.<sup>517</sup>

*Implications for the United States and Europe*

The United States and Europe should be concerned about China's port investments for several reasons. First, ports where PRC companies have ownership, a managerial role, or physical presence could be exploited by the PRC government to conduct intelligence gathering activities. Access to data tracking movement of goods and ships could provide immense commercial advantages, and ports can become a platform for observing the U.S. and other militaries.<sup>518</sup> In particular, the PRC's development of 'smart ports' is ushering in the use of untrusted vendors for the technological components of port operation, which present cyber and data security risks.<sup>519</sup> As one example, PRC company Nuctech increasingly supplies critical equipment necessary for efficient port operations, such as cargo scanners and data integration tools. Nuctech technology is also present in airports across Europe and is used by customs and police around the world.<sup>520</sup> Nuctech has grabbed large chunks of market share in Europe through unfair economic practices. According to research in a new edited volume by Didi Kirsten Tatlow and William D. Hannas, the company's success is underpinned by a state-supported effort to acquire cargo container screening technologies from European companies in 1980s and 1990s. After the project was prioritized in China's 8th Five Year Plan, Tsinghua University was tasked with conducting the necessary research to copy the technology.<sup>521</sup> Today, Nuctech underbids its competitors across Europe and donates products to key OBOR countries, including in Eastern Europe.<sup>522</sup>

Nuctech's parent company Tsinghua Tongfang has ties to the PLA. Company documents tout Tsinghua Tongfang's role in advancing "the national strategy of military-civil fusion, encircling both the military and civilian markets," and its other portfolio holdings include a company that supplies command and control systems to the PLA.<sup>523</sup> Tsinghua Tongfang itself is owned by state-owned China National Nuclear Corporation—a defense conglomerate also with significant ties to the PLA.<sup>524</sup> Member of European

<sup>517</sup> *Ibid.*, p. 7-8.

<sup>518</sup> Russel, Daniel R., and Blake H. Berger. *Weaponizing the Belt and Road Initiative*. Asia Society Policy Institute, Sep. 2020, p. 35, <https://bit.ly/38jH5Lu>.

<sup>519</sup> *Ibid.*

<sup>520</sup> Cerulus, Laruens. "Meet the Huawei of airport security." *Politico Europe*, 11 Feb. 2020, <https://www.politico.eu/article/beijing-scanners-europe-nuctech/>. And Ren Xiaojin. "China's 'Silicon Valley' applies tech prowess to Belt and Road." *China Daily*, 17 May 2017, <https://bit.ly/32lUKhd>

<sup>521</sup> Tatlow, Didi Kirsten, Hinnerk Feldwisch-Drentrup and Ryan Fedasiuk. "Europe: A technology transfer mosaic." *China's Quest for Foreign Technology: Beyond Espionage*, Hannas, William D. and Didi Kirsten Tatlow, editors, Routledge, 2020, p. 213-214, <https://bit.ly/32m8qsr>.

<sup>522</sup> "Zhongguo yuanzhu a'er banyia haiguan jiance shebei jiaojie yishi zai du la si gangkou juxing" ["Handover ceremony of China-bought Albanian customs monitoring equipment held at Port of Durres"]. Embassy of the People's Republic of China in the Republic of Albania, 15 Apr. 2008, <http://al.china-embassy.org/chn/zagx/zajw/t514030.htm>. And "Belarus' Customs gets technical aid from China." *Belarusian Telegraph Agency*, 16 May 2019, <https://bit.ly/38jmp1N>.

<sup>523</sup> Tongfang report. 2018, <http://pdf.dfcfw.com/pdf/H2—AN201904251322616010—1.PDF>, as cited in Tatlow, Didi Kirsten, Hinnerk Feldwisch-Drentrup and Ryan Fedasiuk. "Europe: A technology transfer mosaic." *China's Quest for Foreign Technology: Beyond Espionage*, Hannas, William D. and Didi Kirsten Tatlow, editors, Routledge, 2020, p. 212, 215, <https://bit.ly/32m8qsr>.

<sup>524</sup> "DOD Releases List of Additional Companies, in Accordance with Section 1237 of FY99 NDAA." U.S. Department of Defense, 28 Aug. 2020, <https://bit.ly/36rqwe7>.



Parliament Axel Voss has sounded the alarm on Nuctech's presence in European airports, and maritime ports should receive similar attention given U.S. and European economic dependence on maritime trade.<sup>525</sup>

Second, ports operated by PRC companies could lead to greater PLA access and facilitate the PLAN's power projection capabilities further afield. The Pentagon has noted that these ports could allow the PLA to "pre-position the necessary logistics support to sustain naval deployments in waters as distant as the Indian Ocean, Mediterranean Sea, and Atlantic Ocean to protect its growing interests."<sup>526</sup> As discussed above, the tight links between commercial shipping companies and the PLAN could provide the latter with access to onshore or open water refueling, resupply, and other forms of support.<sup>527</sup> Greater PLA presence in and access to these waterways certainly concern the United States given its military presence in the Indo-Pacific region. However, European nations' growing interest in protecting freedom of navigation shows that these developments could have a more direct impact on European economic and security interests as well.<sup>528</sup>

A third and related concern is the potential thwarting or denial of U.S. or allied access to ports where PRC companies have operational control. Even absent an explicit denial, the United States and its allies could perceive that espionage or other risks are too high to utilize a specific port. Further, increasingly limited safe options for port access will complicate military planning and operations.<sup>529</sup>

The transatlantic alliance via NATO and the European Union must work together to encourage significant caution surrounding PRC port investments, and seek to limit these investments (particularly at strategic locations) and evaluate the security implications of current PRC presence, especially where that confers operational and managerial control. NATO can start by identifying and prioritizing PRC presence in European ports that could increase operational risks and complicate military planning, as well as by conducting a deep assessment of the implications of untrusted technologies in ports. The latter issue will also require significant outreach to the private sector.

The United States and European partners like the United Kingdom and France should also focus on PRC port investment in the Indo-Pacific and Africa, and its implications for deeper transatlantic engagement and security cooperation in both of these regions. U.S. scholars have pointed to numerous port projects in the Indo-Pacific—from Gwadar in Pakistan to Koh Kong in Cam-

<sup>525</sup> Cerulus, Laurens. "Meet the Huawei of airport security." *Politico Europe*, 11 Feb. 2020, <https://www.politico.eu/article/beijing-scanners-europe-nuctech/>.

<sup>526</sup> *Military and Security Developments Involving the People's Republic of China 2020: Annual Report to Congress*. Department of Defense, Sep. 2020, p. 128-129, <https://bit.ly/3lajH6x>.

<sup>527</sup> Russel, Daniel R., and Blake H. Berger. *Weaponizing the Belt and Road Initiative*. Asia Society Policy Institute, Sep. 2020, p. 23, <https://bit.ly/2GLh8sU>.

<sup>528</sup> *French Strategy in the Indo-Pacific: "For An Inclusive Indo-Pacific"* Republic of France Ministry of Foreign Affairs, Aug. 2019, p. 1, <https://bit.ly/3n0WvbB>. And *Policy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together*. The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 8, <https://bit.ly/35c2eW1>. And "Partnership Interoperability Initiative." North Atlantic Treaty Organization, 12 Jun. 2020, <https://bit.ly/2U5PdH5>.

<sup>529</sup> For further discussion, see Russel, Daniel R., and Blake H. Berger. *Weaponizing the Belt and Road Initiative*. Asia Society Policy Institute, Sep. 2020, p. 38-40, <https://bit.ly/36em7uF>.

bodia—which could support the PLA’s power projection in the Indo-Pacific and assist it in overcoming key military challenges like being boxed in by strategic chokepoints such as the Strait of Malacca.<sup>530</sup> In the longer-term, the United States and Europe should be watchful of the PRC establishing a more overt military presence in both of these regions. The U.S. Department of Defense assesses that the PLA has considered basing in a variety of African and Indo-Pacific nations in which the U.S. and European nations have a strong interest, including Thailand, Singapore, Indonesia, Sri Lanka, Kenya, Seychelles, and Angola.<sup>531</sup>

### ***Undersea Cables***

#### *Overview*

Undersea fiber optic cables are a crucial and irreplaceable form of critical digital infrastructure. These cables carry \$10 trillion in global business transactions per day, and at least 95 percent of total digital communications.<sup>532</sup> With ever-greater demand for more bandwidth-intensive online activities like video streaming, and the advent of cloud computing and the Internet of Things, the imperative for a reliable and redundant system of undersea cables will only continue to increase.<sup>533</sup> In today’s market, PRC company Hengtong Group is becoming a stronger competitor to traditional players, especially through its subsidiary Huawei Marine. A more dominant market position could create dependency on PRC-built undersea cables, posing a significant cyber and data security threat. In the longer-term, China could use these cables to advance undersea sensors and acoustic networks to track submarines and other targets. It is imperative that the United States and Europe—particularly through NATO—begin to focus on the implications of PRC investment in this critical technology.

#### *Undersea Cables and the Digital Silk Road*

Undersea cables are a core focus of the PRC’s Digital Silk Road (DSR), which aims to advance “China-centric” digital transformation globally and facilitate the PRC’s emergence as the global leader in information and communications technology by constructing and investing in digital infrastructure abroad, as well as promoting greater reliance on PRC technology companies.<sup>534</sup> PRC

<sup>530</sup> Thorne, Devin and Ben Spevack. *Harbored Ambitions: How China’s Port Investments are Strategically Reshaping the Indo-Pacific*. C4ADS, 2018, <https://bit.ly/32oYDlC>.

<sup>531</sup> *Military and Security Developments Involving the People’s Republic of China 2020*. Department of Defense, Sep. 2020, p. 129, [bit.ly/31ajH6x](https://bit.ly/31ajH6x).

<sup>532</sup> Sanger, David E. and Eric Schmitt. “Russian Ships Near Data Cables Are Too Close for U.S. Comfort.” *New York Times*, 25 Oct. 2015, <https://nyti.ms/3p7R5xl>. And *Strategic Importance of, and dependence on, undersea cables*. NATO Cooperative Cyber Defense Center of Excellence, Nov. 2019, <https://bit.ly/38rPpbZ>. And Knapp, Brandon. “How exposed deep-sea cables could leave the economy vulnerable to a Russian attack.” *DefenseNews*, 01 Feb. 2018, <https://bit.ly/356iUhw>. And Birnbaum, Michael. “Russian submarines are prowling around vital undersea cables. It’s making NATO nervous.” *The Washington Post*, 22 Dec. 2017, <https://wapo.st/3mztAeA>.

<sup>533</sup> Dean, Benjamin C. *Transatlantic Cyber-Insecurity and Cybercrime: Economic Impact and Future Prospects*. European Parliamentary Research Service, Dec. 2017, p. 36, <https://bit.ly/35eGDwd>.

<sup>534</sup> *The Digital Silk Road Initiative: Wiring Global IT and Telecommunications to Advance Beijing’s Global Ambitions*. Pointe Bello, Jan. 2019, p. 7-8, <https://bit.ly/2TVa6o7>. And Dekker, Brigitte, et al. *Unpacking China’s Digital Silk Road*. Clingendael, 2020, <https://bit.ly/2IcKGQc>. And Cheney, Clayton. “China’s Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism.” *Net Politics*. Council on Foreign Relations, 26 Sep. 2019, <https://on.cfr.org/3evKkjT>

strategic acquisitions and investments abroad will in turn help it to develop advanced technologies for its own global economic and military power—not only undersea cables, but also satellite-navigation systems, artificial intelligence, and quantum computing.<sup>535</sup> Undersea cables—followed by construction of a data center and cloud infrastructure—are a vital first step for DSR implementation because they allow for greater “interconnection and intercommunication with the national network infrastructures along OBOR.”<sup>536</sup>

State-owned telecommunications firms China Mobile, China Telecom, and China Unicom are major investors in fiber-optic cable consortiums.<sup>537</sup> However, the bigger shift is that PRC firms are playing a greater role in the construction, ownership, and operation of subsea cables, gaining on the market’s three established players: SubCom (U.S.), Alcatel Submarine Networks (EU), and NEC (Japan). The key PRC player is Hengtong Group and its subsidiaries, including Huawei Marine (purchased from Huawei last year) and Hengtong Marine.<sup>538</sup> A minor player only a decade ago, Huawei Marine’s market share was projected to grow to 20 percent by the end of 2019 (up from 7 percent during 2012-2015).<sup>539</sup> Its growth is further evidenced by its move into more complex and geographically disbursed cable projects. Competitors claim that this increasingly global reach is abetted by substantial subsidies from the PRC government.<sup>540</sup> The European Commission in September 2020 opened an anti-dumping investigation into optical fiber cables from China, of which Hengtong is a major supplier.<sup>541</sup>

### *PRC Cable Projects*

When it comes to the integrity of undersea cables, the United States and Europe have traditionally been far more focused on the threat posed by Russia. Throughout the Cold War, and even in recent years, the United States and Europe have been alert to the risk of Russia’s large submarine fleet tapping these cables, or seeking to locate vulnerable and hard-to-reach stretches of cable to cut in the event of conflict. Russia remains a significant threat: in 2015, the *New York Times* reported sightings of a Russian surveil-

<sup>535</sup> Cheney, Clayton. “China’s Digital Silk Road: Strategic Technological Competition and Exporting Political Illiberalism.” *Net Politics*, Council on Foreign Relations, 26 Sep. 2019, <https://www.cfr.org/blog/chinas-digital-silk-road-strategic-technological-competition-and-exporting-political>.

<sup>536</sup> “Create ‘Online Silk Road’ and Promote the Development of ‘One Belt, One Road’—Part Four of the Interpretation of ‘The National Informatization Plan of the 13th Five-Year Plan’” *Website of the China Academy of Information and Communications Technology (CAICT)*, Ministry of Industry and Information Technology (MIIT), 05 Jan. 2017, <http://www.caict.ac.cn/kxyj/caictgd/201804/t20180428-159428.htm> as quoted in *The Digital Silk Road Initiative: Wiring Global IT and Telecommunications to Advance Beijing’s Global Ambitions*. Pointe Bello, 2019, p. 19, <https://a.storyblok.com/f/58650/x/0c5c298009/pointe-bello-digital-silk-road-2019.pdf>.

<sup>537</sup> *The Digital Silk Road Initiative: Wiring Global IT and Telecommunications to Advance Beijing’s Global Ambitions*, Pointe Bello, 2019, p. 22-23, <https://a.storyblok.com/f/58650/x/0c5c298009/pointe-bello-digital-silk-road-2019.pdf>.

<sup>538</sup> “Profile.” Smart Ocean System, <https://bit.ly/3l242WN>.

<sup>539</sup> Huang, Eli. “China’s Cable Strategy: Exploring Global Undersea Dominance.” *RealClearDefense*, 04 Dec. 2017, <https://bit.ly/34ZhqWc>.

<sup>540</sup> Stavridis, James. “China’s Next Naval Target Is the Internet’s Underwater Cables.” *Bloomberg*, 08 Apr. 2019, <https://www.bloomberg.com/opinion/articles/2019-04-09/china-spying-the-internet-s-underwater-cables-are-next>.

<sup>541</sup> “EU launches investigation into Chinese optical fibre cable imports.” *Reuters*, 24 Sep. 2020, <https://www.reuters.com/article/eu-china-digital/eu-launches-investigation-into-chinese-optical-fibre-cable-imports-idUSKCN26F2AB>.

lance ship equipped with deep water vehicles near a known cable route off the U.S. East Coast.<sup>542</sup>

Russia has undertaken such operations for years. In reference to the Russian threat, former U.K. Chief of Defence Staff General Lord Nicholas Houghton said, “[W]e should not fall victim of our own lack of imagination when assessing this threat.”<sup>543</sup> The United States and Europe should also not make this mistake when it comes to China. It is important that the transatlantic community get ahead of this issue, especially as Hengtong Group gains ground in the market. Rather than the threat of military sabotage familiar to NATO, this threat is driven by a potentially serious commercial competitor that—in gaining a greater market position—could impact the security of sensitive data and assist the PLA. This is a new challenge for NATO in the area of undersea cables.

Huawei Marine is exploring several major projects with touchpoints in Europe.<sup>544</sup> However, none cover the geographic distance and number of important landing points of the Pakistan East Africa Connecting Europe (PEACE) Cable currently under construction. The PEACE Cable starts in Gwadar and Karachi, Pakistan, and transits through various sites in Africa to land in Marseilles, France.<sup>545</sup> PEACE Cable International, owned by Hengtong Group, is leading the consortium for this cable, with Hengtong Marine and Huawei Marine supplying the cable’s infrastructure. The cable is explicitly tied to OBOR. Sun Xiaohua, the Chief Operating Officer of PEACE Cable International said the project is intended “to serve Chinese enterprises along on the “One Belt, One Road” initiative corridor as large scale Chinese investment in Africa, such as Djibouti [sic].”<sup>546</sup>

<sup>542</sup> Sanger, David E. and Eric Schmitt. “Russian Ships Near Data Cables Are Too Close for U.S. Comfort.” *New York Times*, 25 Oct. 2015, <https://nyti.ms/3l2N4b0>.

<sup>543</sup> See the back cover of the following report: Sunak, Rishi. *Undersea Cables: Indispensable, Insecure*. Policy Exchange, 2017, <https://policyexchange.org.uk/wp-content/uploads/2017/11/Undersea-Cables.pdf>.

<sup>544</sup> PEACE Cable, described in this chapter, is the most significant. One proposed project is Arctic Connect, spearheaded by Cinia, a state-owned Finnish cable owner and operator, with construction by Huawei Marine. Arctic Connect would link Northern Europe first to Russia and Asia via the Northern Sea Route, and aligns with China’s interest in advancing a greater presence in the Arctic. For an overview of this case study, see: Jüris, Frank. “Handing over infrastructure for China’s strategic objectives: ‘Arctic Connect’ and the Digital Silk Road in the Arctic.” *Sinopsis*, 03 Jul. 2020, <https://sinopsis.cz/en/arctic-digital-silk-road/>.

<sup>545</sup> “Projects.” Smart Ocean System, <http://www.hengtongmarine.com/index.php/cases/cases.html>.

<sup>546</sup> “PEACE Cable, The Carrier’s Cable.” PEACE, 29 Nov. 2018, <http://www.peacecable.net/news/Detail/16600>.



HengTong Marine

An overland cable from the PRC to Gwadar and Karachi in Pakistan—where PEACE Cable starts—became operational in July 2020.<sup>547</sup> This combination of land- and sea-based cables could provide direct connections for China to places like Gwadar (home to a PRC-owned port of potential dual-use) and Djibouti (which hosts its only overseas military base). Such connections could be useful to the PRC government even if the cable is not commercially successful.<sup>548</sup> This cable also marks a huge transition for Hengtong and its subsidiaries into becoming truly global players. As Sun puts it, “We see the PEACE project as a strategic pivot for the HENGTONG Group to further expand as a subsea cable investor and we look forward to identifying new investment opportunities in this market.”<sup>549</sup>

As with Huawei and 5G networks, the growing presence of PRC firms in undersea cables presents risks that the United States and Europe—particularly NATO allies—should not ignore. An immediate risk is to data and cybersecurity, and the use of cables for intelligence gathering. Cables can be tapped in order to monitor and intercept data, deny service, and other actions. U.S. and European intelligence services have engaged in these practices, such as a multi-year cable tapping operation by the United States targeting Soviet cables.<sup>550</sup> In that case, the United States installed tapping equipment at sea with U.S. Navy divers, a very difficult undertaking.<sup>551</sup> However, the role of PRC companies in cable construction and operation provides an opportunity to install equipment during the manufacturing or installation process that do not re-

<sup>547</sup> “Pak-China fiber optic cable becomes operational: CEN.” *The Nation*, 19 Jul. 2020, <https://nation.com.pk/19-Jul-2020/pak-china-fiber-optic-cable-becomes-operational-cen>.

<sup>548</sup> Hillman, Jonathan. *The Emperor’s New Road: China and the Project of the Century*, Yale University Press, 2020, p. 175.

<sup>549</sup> “PEACE heads to the south of Africa.” PEACE, 22 Jan. 2020, <http://peace-cable.com/News/Detail/16618>.

<sup>550</sup> Jüris, Frank. “Handing over infrastructure for China’s strategic objectives: ‘Arctic Connect’ and the Digital Silk Road in the Arctic.” *Sinopsis*, AcaMedia z.—., 03 Jul. 2020, p. 8, <https://sinopsis.cz/en/arctic-digital-silk-road/>.

<sup>551</sup> *Ibid.*, 8.

quire later insertions.<sup>552</sup> Though some industry experts have questioned the feasibility of gleaning data undetected, the U.S. Director of National Intelligence assesses that “a well designed fiber network can experience a wide variety of anomalies with no data loss or network warnings detected in the network monitoring system.”<sup>553</sup>

Indeed, Hengtong will have access to the entire cable network through its joint venture with Lighthash, which describes itself as a network and data center operator as well as a manager of cable spectrum and capacity services.<sup>554</sup> As U.K. Parliamentarian Rishi Sunak (currently serving as the Chancellor of the Exchequer) writes, the “network management systems (NMS) employed by cable operators” is a key cybersecurity concern because it “provide[s] centralised control over the physical components of cable networks.”<sup>555</sup> As the cable operator, Lighthash will oversee the physical and security management of the network, and is in a position to manage and redirect data flows traveling through the cable. In most cable projects, the owner and operator sells capacity to businesses that need it, such as data center operators or cloud providers. In this case, however, Lighthash itself is a data center operator and cloud service provider, making Hengtong not just the builder and operator, but also a key customer.<sup>556</sup> This model is somewhat unique in the cable market. This arrangement begs the question of whether the cable will be commercially successful in the absence of other investors—and if not, what its purpose will be. Europe earlier confronted the geopolitically-motivated construction of gas pipelines with no market justification. We may now be entering a similar geopolitical dynamic with undersea cables.

While Hengtong Group does not dominate today’s market for undersea cables, the company has made significant strides over the last decade to become the fourth largest player. If PEACE Cable indeed becomes a gateway to a global role for Hengtong and subsidiary Huawei Marine, the United States, Europe, and other allies could find themselves increasingly dependent on the company’s undersea cables for transmitting valuable and sensitive data of all kinds. For the United States and Europe, the implications of PRC-built and operated cables landing in the territories of NATO allies should be an immediate focus. In the longer-term, and if Hengtong makes headway in places like Africa and Southeast Asia, the reliance of other security partners on PRC-built technology could have an impact on U.S. and European security.

<sup>552</sup>Schadlow and Helwig. And Page, Jeremy and Kate O’Keeffe. “America’s Undersea Battle With China for Control of the Global Internet Grid.” *Wall Street Journal*, 12 Mar. 2019, <https://www.wsj.com/articles/u-s-takes-on-chinas-huawei-in-undersea-battle-over-the-global-internet-grid-11552407466>.

<sup>553</sup>Page and O’Keeffe. And *Threats to Undersea Cable Communications*. Office of the Director of National Intelligence, 28 Sept. 2017, p. 22, <https://www.dni.gov/files/PE/Documents/1--2017-AEP-Threats-to-Undersea-Cable-Communications.pdf>. This same DNI report did note that cable system operators interviewed had “not knowingly experienced cable system disruptions due to vendor selection, international supply chain issues, or cyber-related incidents.” However, the industry participants all acknowledged “the changes occurring in the industry and the potential for new and increasing threats.” (p. 16)

<sup>554</sup>“HENGTONG LightHash.” *LinkedIn*, <https://bit.ly/369vFHu>.

<sup>555</sup>Sunak, Rishi, “Undersea Cables: Indispensable, insecure.” Policy Exchange, 2017, p. 26, <https://policyexchange.org.uk/wp-content/uploads/2017/11/Undersea-Cables.pdf>.

<sup>556</sup>“HENGTONG LightHash.” *LinkedIn*, <https://bit.ly/369vFHu>. And “PEACE Cable System, Pakistan \* East Africa Connecting Europe.” HENGTONG LightHash, <https://bit.ly/34Ymev5>.

Another long-term concern is the potential use of undersea cables to deploy a network of underwater sensors and other observation devices for use by the PRC government and the PLA. Though these technologies have civilian purposes like environmental surveying and scientific research, they can also be used for military purposes—particularly for tracking and detection of targets like submarines. The PRC recognizes this, as it began deploying undersea acoustics systems near its own coastline in 2010 and at its nuclear submarine base.<sup>557</sup> A 2015 article published by the PRC’s State Oceanic Administration articulated China’s ambition to deploy undersea observation systems in “the near seas, the depths of the far seas, and around islands bordering the far seas, as well as in strategic passages and such areas.”<sup>558</sup> State-owned enterprises like China State Shipbuilding Corporation (CSSC) and China Electronics Technology Corporation are involved in major initiatives to build these technologies.<sup>559</sup> CSSC is reportedly spearheading a project known among analysts as the Great Undersea Wall—a constellation of subsea sensors, unmanned surface vehicles, unmanned underwater vehicles, and other components to detect and track underwater targets.<sup>560</sup>

Hengtong Group has demonstrable ties to the Chinese government and the PLA, and is involved in this type of research. Hengtong’s founder and current chairman of the board served in the PLA, and since 2013 has served as a deputy to the National People’s Congress.<sup>561</sup> In 2016, Hengtong—along with the PLA Naval University of Engineering, Zhongtian Technology Submarine Cable Co., Ltd. (ZTT), and Beijing University of Posts and Telecommunications—formed the Underwater Optical Network Joint Laboratory to conduct research on undersea optical fibers and improve their domestic production.<sup>562</sup> The PRC government has reportedly lauded Hengtong as an embodiment of “civil-military integration,” and partner ZTT is also active in advancing “military-civil fusion.”<sup>563</sup> Multiple Hengtong subsidiaries have research initia-

<sup>557</sup> Goldstein, Lyle J. “China Is Building a ‘Undersea Great Wall’ To Take on America in a War.” *The National Interest*, 27 Oct. 2019, <https://nationalinterest.org/blog/buzz/china-building-undersea-great-wall-take-america-war-90601>.

<sup>558</sup> Quoted in Goldstein, Lyle J. “China Is Building a ‘Undersea Great Wall’ To Take on America in a War.” *The National Interest*, 27 Oct. 2019, <https://nationalinterest.org/blog/buzz/china-building-undersea-great-wall-take-america-war-90601>.

<sup>559</sup> Dahm, J. Michael. “Exploring China’s Unmanned Ocean Network.” *Asia Maritime Transparency Initiative*, Center for Strategic & International Studies, 16 Jun. 2020, <https://amti.csis.org/exploring-chinas-unmanned-ocean-network/>.

<sup>560</sup> Nurkin, Tate, et al. “China’s Advanced Weapons Systems.” *Jane’s*, IHS Markit, 2020, p. 175-176, <https://bit.ly/2TUsRrU>.

<sup>561</sup> Hillman, Jonathan. “Sale of Huawei’s underseas cables could leave risks unaddressed.” *Axios*, 04 June 2020, <https://www.axios.com/sale-of-huaweis-underseas-cables-could-leave-risks-unaddressed-388845c5-efa8-413d-95d2-06fe93de9c06.html>. And “Deputies interviewed before closing meeting of 2nd session of 13th NPC.” *Xinhua*, 15 Mar. 2019, <http://english.www.gov.cn/news/photos/2019/03/15/content-281476563391760.htm>. And “Functions and Powers of the NPC.” The National People’s Congress of the People’s Republic of China, <http://www.npc.gov.cn/englishnpc/c2846/201903/b149298c33b24f1e8aaa7b8b0e45fa77.shtml>.

<sup>562</sup> Hillman, Jonathan. “Sale of Huawei’s underseas cables could leave risks unaddressed.” *Axios*, 04 June 2020, <https://bit.ly/3p0NH7n>. And “Beijing University of Posts and Telecommunications.” China Defense Universities Tracker, Australian Strategic Policy Institute, 17 Nov. 2019, <https://unitracker.aspi.org.au/universities/beijing-university-of-posts-and-telecommunications/>. And “BRIEF-Hengtong Optic-Electric unit to jointly set up underwater optical network joint laboratory.” *Reuters*, 01 Nov. 2016, <https://reut.rs/32gUK1M>.

<sup>563</sup> Hillman, Jonathan. “Sale of Huawei’s underseas cables could leave risks unaddressed.” *Axios*, 04 June 2020, <https://bit.ly/2ImNALv>. And *The Digital Silk Road Initiative: Wiring Global*

tives with Tongji University in Shanghai on applying undersea observation networks to civilian and military uses.<sup>564</sup> The U.S. Department of Commerce added Tongji University to its Unverified List in 2019 when it was unable to conduct end use controls for commercial exports.<sup>565</sup>

Fellow democracies Australia and Japan share these concerns. Australia will not allow cables built by untrusted vendors to land on its shores. It intervened several years ago to prevent Huawei Marine from supplying an undersea cable from the Solomon Islands to Australia, and supplied an alternative.<sup>566</sup> In another example, the United States, Japan, and Australia made a counteroffer to convince Papua New Guinea to abandon an ongoing cable project with Huawei Marine, but Papua New Guinea turned it down.<sup>567</sup> India is reportedly looking to phase Huawei out of its 5G networks following China's aggressive actions on the Sino-Indian border, and it likely is similarly unenthusiastic about Huawei Marine-supplied cables landing on its shores.<sup>568</sup>

The United States and Europe should initiate discussions on undersea cables, including through NATO. These discussions should identify any existing vulnerabilities for NATO with respect to undersea cables (especially cables supplied by PRC firms) and discuss how to improve information and intelligence sharing on PRC involvement in undersea cables.<sup>569</sup> NATO should conduct exercises on issues such as testing its preparedness to operate in an environment where an adversary has access to its vital data and determine the efficacy of mitigations.<sup>570</sup> Finally, the United States, Europe, and other democratic allies (e.g. Australia, Japan, India) should start discussing ways to contend with potential security challenges arising from PRC cable builders and operators' growing presence in the market.

### **Conclusion**

To build upon recent steps to safeguard critical infrastructure and technologies, the United States, the European Union, and the United Kingdom should continue to work together on priority sectors and technologies where dependency or vulnerability on the PRC would have potentially far-reaching and long-term implications. Power grids and other forms of energy infrastructure, ports, and undersea cables are three of these, but other sectors of concern must also be examined. Coordination should aim to eliminate,

*IT and Telecommunications to Advance Beijing's Global Ambitions*. Point Bello, 2019, p. 23-25, <https://bit.ly/3ld3620>.

<sup>564</sup>Jüris, Frank. "Handing over infrastructure for China's strategic objectives: 'Arctic Connect' and the Digital Silk Road in the Arctic." *Sinopsis*, AcaMedia z.—, 03 Jul. 2020, p. 15, <https://sinopsis.cz/en/arctic-digital-silk-road/>.

<sup>565</sup>*Ibid.* And "Revisions to the Unverified List (UVL)." *Federal Register*, 11 Apr. 2019, <https://www.federalregister.gov/documents/2019/04/11/2019-07211/revisions-to-the-unverified-list-uvl>.

<sup>566</sup>"Solomon Islands drops Chinese tech giant Huawei for billion-dollar undersea cable, signs Australia." *South China Morning Post*, 12 Jun. 2018, <https://bit.ly/3euPigG>. And Packham, Colin. "Ousting Huawei, Australia finishes laying undersea internet cable for Pacific allies." *Reuters*, 27 Aug. 2019, <https://www.reuters.com/article/us-australia-pacific-cable/ousting-huawei-australia-finishes-laying-undersea-internet-cable-for-pacific-allies-idUSKCN1VI08H>.

<sup>567</sup>"PNG resists pressure, sticks with Huawei." *RNZ*, 28 Nov. 2018, <https://bit.ly/32evLwo>.

<sup>568</sup>Chen, Celia. "India to slowly phase out Huawei and other Chinese vendors from its telecoms network, FT reports." *South China Morning Post*, 25 Aug. 2020, <https://bit.ly/3p3DCX9>.

<sup>569</sup>Sunak, Rishi. *Undersea Cables Indispensable, Insecure*, Policy Exchange, 2017, p. 8, <https://policyexchange.org.uk/wp-content/uploads/2017/11/Undersea-Cables.pdf>.

<sup>570</sup>*Ibid.*, p. 8.



limit, or mitigate the impacts of shared vulnerabilities. Already tighter U.S.-Europe linkages between agencies focused on investment screening can be leveraged to focus on these broader challenges. Lastly, NATO should play a primary role as it increases its attention on China.



## CHAPTER SIX—THE TRANSATLANTIC ALLIANCE AND AFRICA

---

*We believe that every human being—African, European, American, you name it—wants similar things. We want basic security for our families. We want opportunity and reward for the hard work that we invest in. And we want the freedom to do whatever we want to do with our own lives.*<sup>571</sup>

—MICHAEL R. POMPEO, U.S. SECRETARY OF STATE

### ***Introduction***

At times, policymakers on both sides of the Atlantic have a tendency to view the transatlantic alliance in a narrow bilateral sense. However, the tectonic demographic, political, and economic shifts underway across the African continent mean that our alliance needs to think more broadly. This new reality has not escaped the attention of malign actors who seek to undermine Africa’s fragile democracies, sow seeds of discord, and exploit markets to the detriment of the African people and the national security interests of the alliance. Though the United States and Europe may have vastly different histories, priorities, and strategies for engagement on the African continent, it is imperative that we work in close collaboration with African partners to help manage these tectonic shifts, counter malign influence, and promote the growth of healthier, more stable, democratic societies that share our values and interests.

### ***Africa Matters***

While Asia’s growth, in both demographic and economic terms, has dominated the first part of this century, the second half will be Africa’s to claim.<sup>572</sup> Over the next two decades, it is projected that Africa will account for nearly half of global population growth and, by mid-century, will be home to a quarter of the world’s population.<sup>573</sup> Sixty percent of Africa’s population is currently under the age of 25 with an overall median age of 20, which stands in stark contrast with the Organisation for Economic Cooperation and

---

<sup>571</sup> Pompeo, Michael R. “Liberating Africa’s Entrepreneurs.” U.S. Department of State, 19 Feb. 2020, <https://www.state.gov/liberating-africas-entrepreneurs/>.

<sup>572</sup> “Africa is changing so rapidly, it is becoming hard to ignore.” *The Economist*, 26 Mar. 2020, <https://www.economist.com/special-report/2020/03/26/africa-is-changing-so-rapidly-it-is-becoming-hard-to-ignore>.

<sup>573</sup> Bello-Schunemann, Julia. “Africa’s population boom: burden or opportunity?” ISS Today, Institute for Security Studies, <https://issafrika.org/amp/iss-today/africas-population-boom-burden-or-opportunity>.

Development's median age of 42 years.<sup>574</sup> In 2019, six of the 10 fastest-growing economies in the world were on the continent.<sup>575</sup> This growth is expected to be further bolstered by a young and rapidly expanding workforce, which will be larger than that of China and India by 2034<sup>576</sup> and will surpass the rest of the world by 2050.<sup>577</sup> It may further be driven by rapid urbanization which, if effectively managed, could deliver high concentrations of consumers and workers supporting key sectors and boosting the living standards for tens of millions of people.<sup>578</sup>

By all accounts, Africa's potential for continued and expanding economic growth is incredible but largely dependent upon its ability to harness the power of its growing population and young workforce. Despite decades of progress in reducing poverty rates, Africa's demographic shifts have increased the absolute number of people living in extreme poverty and placed enormous pressure upon African governments struggling to keep up with rising demand for social services, including for health, education and skills training, and to create jobs.<sup>579</sup> An estimated one million Africans enter the job market each month, but many lack necessary skills and education to compete for the jobs that are available.<sup>580</sup> Failure to foster inclusive economic growth and opportunity in Africa will likely serve as a catalyst for economic migration—a matter of particularly high consequence for EU member states.

At the same time, realizing Africa's full potential will also be dependent upon its ability to resolve conflict and respond to crises—both natural and man-made—which, left unchecked, will continue to impose a shocking humanitarian toll and undermine peace, security, and growth throughout the region. The combination of poverty, hunger, and desperation has toppled governments, left Africa's young population more vulnerable to extremism, trafficking, and migration, given rise to exponentially increased demands for U.S. and European humanitarian assistance, and challenged the common values and interests upon which our international system was built.

<sup>574</sup> Dews, Fred. "Charts of the Week: Africa's changing demographics." *Brookings Now*, Brookings Institution, 18 Jan. 2019, <https://www.brookings.edu/blog/brookings-now/2019/01/18/charts-of-the-week-africas-changing-demographics/amp>.

<sup>575</sup> Signe, Landry, et al. "Six of the world's 10 fastest-growing economies are in Africa," World Economic Forum, 06 Aug. 2019. <https://bit.ly/365tMLX>.

<sup>576</sup> Leke, Acha, et al. "These 6 Sectors of Africa's Economy Are Poised for Growth." *Harvard Business Review*, Harvard Business Publishing, 20 Sep. 2016, <https://bit.ly/3esNqVZ>.

<sup>577</sup> Altenburg, Tilman, et al. "Foresight Africa: Top Priorities for the continent in 2019." *Africa Growth Initiative*, Brookings Institution, 11 Jan. 2019, <https://www.brookings.edu/multi-chapter-report/foresight-africa-top-priorities-for-the-continent-in-2019/>.

<sup>578</sup> By 2050, the continent is expected to have 1.5 billion urban dwellers—nearly triple its current levels—though it will still be one of the world's least urbanized geographic regions. By contrast, Europe is expected to have the largest reduction in urban population, from 13 percent in 2018 to nine percent by 2050. See "World Urbanization Prospects: The 2018 Revision." United Nations Department of Economic and Social Affairs Population Division, 2019, <https://bit.ly/32ht5xO>.

<sup>579</sup> According to World Bank economist Luc Christiaensen, "Overall, the proportion of people in Africa living in monetary poverty has clearly declined, from 54% in 1990 to 41% in 2015." A quoted in: Wilhelm, Jan. "Africa: More poverty despite economic growth." *Deutsche Welle*, 19 Mar. 2020, <https://www.dw.com/en/africa-more-poverty-despite-economic-growth/a-52840817>. See also Hamel, Kristofer, et al. "Poverty in Africa is Falling—But Not Fast Enough." 28 Mar. 2019, Brookings Institution.

<sup>580</sup> "Africa is changing so rapidly, it is becoming hard to ignore." *The Economist*, 26 Mar. 2020, <https://www.economist.com/special-report/2020/03/26/africa-is-changing-so-rapidly-it-is-becoming-hard-to-ignore>.

African nations will continue to become vital determinants of the world's economic, political, and security developments well into this century. It is imperative that the United States and Europe recognize this, reinvigorate their focus on the continent, and understand that China is already competing against us.

### ***The China Factor***

As Africa undergoes its dramatic transformation, China has already begun investing in and becoming tied to Africa's destiny. While contemporary Sino-African relations date to the late 1950s, trade volumes between China and Africa expanded by 700 percent in the 1990s.<sup>581</sup> Chinese engagement has only continued its rapid acceleration. Between 2005 and 2018, China invested \$300 billion on the continent, including \$60 billion pledged by General Secretary Xi Jinping at the 2018 Forum on China-Africa Co-Operation (FOCAC) Summit.

The 2018 FOCAC Summit in Beijing, attended by representatives from all but one of Africa's 54 countries,<sup>582</sup> highlighted the depth and breadth of the Sino-African relationship. It also served as a wake-up call for the United States and Europe: Chinese engagement on the continent extends well beyond the corrupt deals and debt-traps upon which much attention has been focused. China demonstrated that it is ready to strengthen relationships and deepen its engagement across a host of economic and development areas in Africa, to an extent and scale that neither the United States nor Europe has offered in decades, and has cast itself as a non-interventionist power.<sup>583</sup>

At the same time, it is important not to oversell Western and Chinese media portrayals of China's 'dominant' presence in Africa. According to David Dollar at the Brookings Institution, "Chinese direct investment in Africa was \$32 billion at the end of 2014 ... representing less than 5 percent of the total stock of foreign investment on the continent."<sup>584</sup> Further, the assumption that Africa is saturated with Chinese investment in infrastructure is "overblown," with the misconception partly due to "big but vague deals announced in the press."<sup>585</sup> China will, however, continue to pursue expanded partnerships in infrastructure development and further support Africa's nascent industrialization, both of which fortify Beijing's ever-expanding "One Belt, One Road" (OBOR) initiative. The future of global manufacturing points toward Africa, with its large, low-wage workforce and increasing interest in pivoting away from traditional commodity export-driven economic models. Manu-

<sup>581</sup> Antwi-Boateng, Osman. "New World Order Neo-Colonialism: A Contextual Comparison of Contemporary China and European Colonization in Africa." *Journal of Pan African Studies*, vol. 10, no. 2, Apr. 2017.

<sup>582</sup> Sun, Yun. "China's 2018 financial commitments to Africa: Adjustment and recalibration." *Africa in Focus*, Brookings Institution, 05 Sep. 2018, <https://www.brookings.edu/blog/africa-in-focus/2018/09/05/chinas-2018-financial-commitments-to-africa-adjustment-and-recalibration/>.

<sup>583</sup> The "five-no" approach touted by President Xi Jinping at the Focac 2018 Summit in Beijing were: no interference in the development paths of individual countries; no interference in their internal affairs; no imposition of China's will; no attachment of political strings regarding assistance; and no seeking of selfish political gains in investment and financing cooperation. See: "China's 'five-no' approach demonstrates real friendship toward Africa: Kenyan analyst." *Xinhua*, 05 Sep. 2018, <https://bit.ly/3excOJW>.

<sup>584</sup> Dollar, David. *China's Engagement with Africa: From Natural Resources to Human Resources*. Brookings Institution John L. Thornton China Center, 2016, <https://brook.gs/3l2390D>.

<sup>585</sup> Dollar, David. *China's Engagement with Africa: From Natural Resources to Human Resources*. Brookings Institution John L. Thornton China Center, 2016, <https://brook.gs/3l2390D>.

facturing capacity, however, will require a significant boost in Africa's infrastructure spending. The People's Republic of China (PRC) and Chinese companies already are investing heavily in this area, and reportedly accounted for 62 percent of the market share of infrastructure construction in 2018.<sup>586</sup>

Reports of China's volume of direct investment in Africa may be overblown, but the negative effects of its lending model are not. Under its 'tied financing model,' the China Development Bank, or China Exim Bank, offers loan for infrastructure projects contingent upon agreement that construction will be done by pre-selected Chinese firms. This generally eliminates competitive procurement processes, limits the ability of U.S., European, or African firms to bid, undermines transparency, and denies job opportunities for African engineers and laborers.<sup>587</sup> Further, because many Chinese firms working in Africa are state-owned enterprises (SOEs) or private firms over which the Chinese Communist Party (CCP) wields significant influence, it is highly likely that "Beijing directs, encourages, or tolerates their corrupt behavior, thereby perpetuating a system of corruption in Africa that harms ordinary Africans."<sup>588</sup>

PRC-financed and constructed infrastructure projects are not limited to bridges, roads, and railway systems. They also include sensitive government buildings, information technology networks, and systems critical to national security. "China has constructed or renovated nearly 200 government buildings, gifted batches of computers to African governments, and built "secure" telecommunications networks that give Beijing the opportunity for unprecedented surveillance on the continent."<sup>589</sup> A report by the Heritage Foundation in May 2020 provided further insight into the breadth of China's potential surveillance reach, including through construction of sensitive infrastructure and technology systems in 40 of 54 African countries, arguing that this could pose a threat to the United States and other democratic countries. The nearly 200 African government buildings constructed or renovated by Chinese companies mentioned in the report included 24 presidential or prime ministerial buildings, 26 legislatures, 19 foreign ministry buildings, and 32 military or police buildings.<sup>590</sup> Also of note was the construction of the African Union's (AU) headquarters in Ethiopia by state-owned China State Construction Engineering Corporation, followed by the 2018 revelation that China had surveilled and hacked the AU building's data systems daily for five years.<sup>591</sup> In addition to Chinese-built or gifted sensitive telecommunications networks and equipment to African governments, more than two-

<sup>586</sup> Moore, W. Gyude. "A new Cold War is coming, Africa should not pick sides." *Mail & Guardian (South Africa)*, 21 Aug. 2020, <https://bit.ly/353f2xU>.

<sup>587</sup> Morris, Scott. "China in Africa." *Hearing on China's Strategic Aims in Africa*, U.S.-China Economic and Security Review Commission, 08 May 2020, <https://bit.ly/350UZA0>.

<sup>588</sup> Meservey, Joshua. "Chinese Corruption in Africa Undermines Beijing's Rhetoric about Friendship with the Continent." *Issue Brief*, no. 4895, The Heritage Foundation, 08 Aug. 2018, <https://www.heritage.org/global-politics/report/chinese-corruption-africa-undermines-beijings-rhetoric-about-friendship-the>.

<sup>589</sup> Gramer, Robbie, et al. "China's Building Projects in Africa Are a Spymaster's Dream." *Foreign Policy*, 21 May 2020, <https://bit.ly/2Icc5S1>.

<sup>590</sup> Meservey, Joshua. "Government Buildings in Africa Are a Likely Vector for Chinese Spying." *Backgrounder*, no. 3476, The Heritage Foundation Douglas and Sarah Allison Center for Foreign Policy, 20 May 2020, <https://www.heritage.org/asia/report/government-buildings-africa-are-likely-vector-chinese-spying>.

<sup>591</sup> Aglionby, John, et al. "African Union Accuses China of Hacking Headquarters." *Financial Times*, 29 Jan. 2018, <https://www.ft.com/content/c26a9214-04f2-11e8-9650-9c0ad2d7c5b5>.

thirds of the 4G networks on which these and wider commercial systems operate were developed by Chinese telecommunications giant Huawei.<sup>592</sup>

PRC penetration into Africa's sensitive government, information, and communications technology infrastructure poses direct threats to both U.S. and European interests. It enables the CCP to launch influence operations; recruit intelligence assets at senior levels of African governments; gain insights into U.S. and European diplomatic strategies, counterterrorism operations, or joint military exercises; and disadvantage U.S. and European companies competing for economic opportunities in Africa.<sup>593</sup>

In addition to threats against U.S. and European interests, Chinese technology is actively being used by some African governments to surveil their own citizens and stifle dissent. In March 2018, for example, the government of Zimbabwe partnered with CloudWalk Technology to "begin a large-scale facial recognition program throughout the country" that will be "primarily used in security and law enforcement." The program is backed by the OBOR initiative.<sup>594</sup> Technicians from Huawei "have in at least two cases, personally helped African governments spy on their political opponents, including intercepting their encrypted communications and social media, and using cell data to track their whereabouts."<sup>595</sup> While there was no direct evidence linking the Chinese government to the actions of Huawei employees in these instances, there is evidence that the Chinese technology giant's personnel made the surveillance possible. In at least one instance, a government security official "said the operation would have been impossible without the skills of Huawei's technicians" and that "Huawei employees played a direct role in government efforts to intercept the private communications of opponents."<sup>596</sup>

Chinese government officials have played a pivotal role in facilitating deals with Huawei by "attending meetings and escorting African intelligence officials to the company's headquarters in Shenzhen."<sup>597</sup> Beyond the obvious commercial interests at stake, PRC officials recognize the longer-term benefit of moving African governments closer toward their norms of governance, in which unfettered electronic surveillance of citizens is legal and pervasive. For Africa's autocratic leaders, and even democrats facing emboldened opponents, these tools are being deployed at an alarming rate.

<sup>592</sup> Gramer, Robbie, et al. "China's Building Projects in Africa Are a Spymaster's Dream." *Foreign Policy*, 21 May 2020, <https://bit.ly/2lcc55l>.

<sup>593</sup> Meservey, Joshua. "Government Buildings in Africa Are a Likely Vector for Chinese Spying." *Backgrounder*, no. 3476, The Heritage Foundation Douglas and Sarah Allison Center for Foreign Policy, 20 May 2020, <https://www.heritage.org/asia/report/government-buildings-africa-are-likely-vector-chinese-spying>.

<sup>594</sup> Chutel, Lynsey. "China is Exporting Facial Recognition Software to Africa, Expanding its Vast Database." *Quartz Africa*, 25 May 2018, <https://qz.com/africa/1287675/china-is-exporting-facial-recognition-to-africa-ensuring-ai-dominance-through-diversity>.

<sup>595</sup> Parkinson, Joe, et al. "Huawei Technicians Helped African Governments Spy on Political Opponents." *Wall Street Journal*, 15 Aug. 2019, <https://www.wsj.com/articles/huawei-technicians-helped-african-governments-spy-on-political-opponents-11565793017>.

<sup>596</sup> *Ibid.*

<sup>597</sup> Parkinson, Joe, et al. "Huawei Technicians Helped African Governments Spy on Political Opponents." *Wall Street Journal*, 15 Aug. 2019, <https://www.wsj.com/articles/huawei-technicians-helped-african-governments-spy-on-political-opponents-11565793017>.

### *Transatlantic Cooperation in Sub-Saharan Africa*<sup>598</sup>

During his opening remarks at a joint Europe-Africa investment forum in 2018, then-European Commission President Jean-Claude Juncker astutely noted that “Africa’s future is also our [European] future.”<sup>599</sup> Though U.S. and European relations with countries in Africa reflect a long and complicated history, this statement demonstrates notable progress in the much-needed reorientation of U.S. and European policy—away from paternalism and toward mutually-advantageous partnerships, including in areas of trade, development, and security. Moving forward, it is important that we continue to recognize Africans as essential partners in their own right, and to invest in the development of strong institutions that operate in accordance with the rule of law, accountability and transparency, and respect for individual freedoms and human rights.

In December 2018, in recognition of the increasing importance Africa plays on the world stage, then-National Security Advisor John Bolton put forward the Trump Administration’s Africa Strategy.<sup>600</sup> Ambassador Bolton’s presentation highlighted “three core U.S interests on the continent”: the advancement of mutually-beneficial trade and commercial ties based on the principle of reciprocity, countering threats to security posed by conflict and violent extremist organizations, and the use of targeted aid to advance U.S. interests and support African countries on their “journey to self-reliance,” a goal central to the U.S. Agency for International Development’s policy framework.<sup>601</sup> While the strategy lays specific markers for the U.S. approach to engagement with Africa, its implementation is, in effect, a combination of new bilateral and regional initiatives with the continuation of decades-old programs.

For the past 20 years in Europe, the Cotonou Agreement<sup>602</sup> has framed the relationship between the European Union and Africa. In March 2020, the European Union issued a communication, “Towards a Comprehensive Strategy with Africa,” to frame a post-Cotonou partnership with Africa, focused on five areas: access to energy, digital transformation, sustainable growth and jobs, peace and governance, and migration and mobility.<sup>603</sup> The EU communication has come under scrutiny however, for not adequately incorporating African priorities or joint AU-EU recommendations articulated previously through, for example, the 2017 Abidjan Declaration. Also at play is the manner in which the African Continental Free Trade Area will factor in discussions about trade between Africa and Europe, and how Europe will support intra-Afri-

<sup>598</sup> For the purposes of the remainder of this chapter, the use of “Africa” refers to Sub-Saharan Africa only.

<sup>599</sup> “Jean-Claude Juncker: Africa’s future will shape Europe’s.” *Deutsche Welle*, 18 Dec. 2018, <https://www.dw.com/en/jean-claude-juncker-africas-future-will-shape-europes/a-46788746>.

<sup>600</sup> “Remarks by National Security Advisor Ambassador John R. Bolton on the Trump Administration’s New Africa Strategy.” The White House National Security Council, 13 Dec. 2018, <https://www.whitehouse.gov/briefings-statements/remarks-national-security-advisor-ambassador-john-r-bolton-trump-administrations-new-africa-strategy/>.

<sup>601</sup> “The Journey to Self-Reliance.” U.S. Agency for International Development, <https://www.usaid.gov/selfreliance>.

<sup>602</sup> South Sudan, Africa’s newest country, did not sign the Cotonou Agreement following its independence from Sudan in 2011, and is the only country that is not a signatory in Sub-Saharan Africa.

<sup>603</sup> “Joint Communication to the European Parliament and the Council Towards a comprehensive strategy with Africa.” European Commission High Representative of the Union for Foreign Affairs and Security Policy, 03 Sep. 2020, <https://bit.ly/3l27xwp>.



can trade. The new partnership will be the basis for discussion in the next EU-AU Summit.

#### *Trade, Jobs, and Growth*

Both the U.S. and EU strategies prioritize advancing trade with Africa and using trade as a means to create jobs and stability on the continent. For example, a new U.S. initiative, Prosper Africa, is meant to complement and potentially outlive the African Growth and Opportunity Act (AGOA) as the core U.S. economic policy toward Africa. AGOA, authorized by Congress in 2005, provides eligible countries duty-free access to U.S. markets for thousands of products.<sup>604</sup> Participation in AGOA has effectively incentivized stronger adherence to the rules-based system—to include respect for the rule of law and free market principles—that has helped lift hundreds of millions of people out of poverty over the past three decades. As the United States and Europe, through initiatives such as the EU's World Trade Organization-compatible Economic Partnership Agreements, pursue next generation trade deals and investment with African partners, it will be critical to uphold these principles, provide a counter-balance to China, and view each other as partners, rather than competitors.

#### *Security*

The United States and Europe have built a strong foundation for security cooperation in Africa. Today, U.S. and European partners work with African nations across the continent on everything from anti-piracy missions in Djibouti<sup>605</sup> to combatting violent extremism in Niger, and training security forces in Kenya.<sup>606</sup> Additional, sometimes coordinated, efforts by the United States and Europe in Africa include support to local security capacity building, and counter-narcotics and maritime security cooperation. Further, the United States and Europe provide financial support for and high-level United Nations (UN) Security Council engagement on the seven UN peacekeeping missions active in Sub-Saharan Africa. Africa's growth and development will be dependent on managing the terror threat and resolving new and long-running armed conflicts. As the United States, Europe, and African partners bolster cooperation to combat growing threats, they must also address the conditions that enable China's predatory behavior in Africa and how China's increasing engagement in protection and security-focused activities should be channeled in a way that supports collective goals.

U.S. and European activities in this area provide short-term security benefits, but should also be viewed with a long-term perspective. As Africa rapidly grows in population and importance, it will be ever more critical that the United States and Europe invest in new and continuing partnerships. It is also important that we further provide security assistance to support our African partners in

<sup>604</sup> "African Growth and Opportunity Act (AGOA)." U.S. Trade Representative, <https://bit.ly/2I5Idan>.

<sup>605</sup> Melvin, Neil. "The Foreign Military Presence In the Horn of Africa Region." *SIPRI Background Paper*, Stockholm International Peace Research Institute, Apr. 2019, <https://bit.ly/350vbUu>.

<sup>606</sup> "Deployments Africa: The British Army in Africa." The British Army, 2019, <https://www.army.mod.uk/deployments/africa/>.

their ongoing efforts to combat extremism and manage conflict with professionalism and a respect for human rights. This is important for our relationship with our African counterparts. If we fail to do so, actors like China will be “unencumbered by international norms and professional military standards,” and “leverage speed of action and access to economic and security arenas in many parts of the continent.” Left unchecked, “their coercive and exploitative activities undermine and threaten many African countries’ stability.”<sup>607</sup>

#### *Development and Civil Society*

Both the United States and Europe have recognized the importance of tackling the challenge of illicit financial flows and trafficking in humans, weapons, and natural resources to address even greater threats, such as terrorism, transnational crime, and rampant corruption. Capacity building and other support to African law enforcement and financial and justice sectors is vital. However, neither existing cooperative efforts nor bilateral actions from the United States and the nations of Europe are sufficient to address the threats that take advantage of conflict, weak governance and corrupt systems, which exist in pockets across Africa. Additionally, “geopolitical competitors are deploying corruption as a hybrid weapon: China seeks to win influence in Africa and other parts of the world dealing with weak governance ... Globally, corruption-riddled governance drives ... migration ... and drug trafficking, while hindering the ability of ... border officials ... to enforce the law.”<sup>608</sup>

On development assistance, the European Union boasts that “together, the European Union and its member states are the biggest donor to the African continent,” and the United States takes pride in being the single largest bilateral donor.<sup>609</sup> While our rationales and strategies for providing assistance may come from different perspectives, the economic, social, and political development of Africa has been a centerpiece of U.S. and European relations with the continent.

Democracy assistance has long been a pillar of U.S. foreign policy and foreign assistance. Today, the United States, alongside our European partners, continues to support the growth of strong, democratic institutions across the African continent. Examples include supporting democratic transitions in Ethiopia and Sudan, working with civil society to engage citizens ahead of elections in Nigeria, Uganda and Zambia, providing technical assistance to parliamentary and constitutional processes in the Gambia and Somalia, and supporting anti-corruption institutions in the Democratic Republic of the Congo and independent media in the Central African Republic.

<sup>607</sup> Townsend, Stephen. “A secure and stable Africa is an enduring American interest.” *Hearing to receive testimony on United States Africa Command and United States Southern Command in review of the Defense Authorization request for Fiscal Year 2021 and the Future Years Defense Program*, U.S. Senate Committee on Armed Services, 30 Jan. 2020, <https://www.africom.mil/document/32925/2020-posture-statement-to-congress>.

<sup>608</sup> Bellows, Abigail. *Regaining U.S. Global Leadership on Anticorruption*. Carnegie Endowment for International Peace, 01 Jul. 2020, <https://carnegieendowment.org/2020/07/01/regaining-u.s.-global-leadership-on-anticorruption-pub-82170>.

<sup>609</sup> “Overall European Union support to Africa.” African Union/European Union, <https://africa-eu-partnership.org/en/about-us/financing-partnership#>.

However, despite shared dedication to the ideals of democracy, levels of democracy and governance assistance from both the United States and Europe to Africa have fluctuated over the last two decades. This is due in part to changing priorities across administrations and the focus on addressing more pressing challenges, including those posed by terrorism or migration.<sup>610</sup> The focus on addressing the symptoms of these challenges rather than structural and causal conditions only limits the development of political and economic systems conducive to strong and close relations among the United States, Europe, and our African counterparts. In the words of one observer, “If the United States and the other major bilateral and multilateral donors were to move together toward a comprehensive strategy that affirms the close linkage between democracy, good governance, and sound economic management, they would generate powerful new pressures for countries to deliver on development as well as democratic freedoms.”<sup>611</sup> Such an effort would provide a solid counterweight to the consistent external challenges to the development of democracy in Africa, many perpetuated by malign actors like China and Russia.

### **Conclusion**

The effects of how the transatlantic community works together has far reaching implications for the rest of the world. This is particularly true in Africa, where China is aggressively working to undermine the principles of democracy, the rule of law, free trade, open competition, and human rights. It is in the economic, security and humanitarian interests of the United States and Europe to provide a counterbalance to China’s malign activities in Africa as our partners work to manage the tectonic changes that confront them. There are numerous opportunities to deepen existing partnerships and open new areas for cooperation, including in the areas of trade, economic growth, security cooperation, and democracy and good governance. If the transatlantic alliance is committed to upholding the foundational principles upon which we built the international system, we must recognize that Africa truly does matter.

<sup>610</sup> Godfrey, Ken and Richard Youngs. *Toward a New EU Democracy Strategy*. Carnegie Europe, 17 Sep. 2019, <https://carnegieeurope.eu/2019/09/17/toward-new-eu-democracy-strategy-pub-79844>. Working paper.

<sup>611</sup> Ofusu Debrah, Isaac. “Why Democracy Promoters Must Pay Close Attention to Ghana and Africa’s Other Growing Democracies.” *The Southern Voices Network*, no. 4, Wilson Center Africa Program, Nov. 2015, <https://bit.ly/3l3jhz1>.



## CHAPTER SEVEN—THE TRANSATLANTIC ALLIANCE AND THE INDO-PACIFIC

*Allies such as the United Kingdom, France, and Canada play a critical role in maintaining a free and open Indo-Pacific.*<sup>612</sup>

—*INDO-PACIFIC STRATEGY REPORT*, U.S. DEPARTMENT OF DEFENSE, JUNE 2019

### **Introduction**

Over the last 40 years, the Indo-Pacific has become the world's economic center of gravity. It is home to the two of the three largest economies (China and Japan), some of the world's fastest growing economies (especially in Southeast Asia), more than half the world's population, and some of the world's most crucial global supply and trade routes.<sup>613</sup> The United States conducted \$1.8 trillion in two-way trade with the region in 2018—more than it did with any other region in the world.<sup>614</sup> For the European Union, the Association of Southeast Asian Nations (ASEAN) is its third largest trading partner outside of Europe, and U.K.-ASEAN trade flows are growing by double digits.<sup>615</sup> This region is also home to advanced democracies like Japan, Australia, New Zealand, Taiwan, and India that will figure decisively in upholding a free, open, and rules-based international system. The Indo-Pacific also features acute security challenges, particularly China's assertive and coercive actions to seek hegemony in the region. The degree to which China can dominate the Indo-Pacific will have a direct impact on its ability to project power globally.

As a result of the region's growing economic and political weight, the opportunities presented by robust alliances and partnerships, and China's more assertive and coercive regional posture, the United States has determined that the Indo-Pacific is a top foreign policy priority.

Over the last few years, Europeans too have realized that political, economic, and security developments in the Indo-Pacific will have an increasingly greater bearing on their own interests and have more clearly defined their priorities in the region.

<sup>612</sup>—*Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting A Networked Region*. U.S. Department of Defense, 01 June 2019, p. 42, <https://bit.ly/38eHrTv>

<sup>613</sup>Brophy, Caitlin and Ferland, Colby. *Asia Matters for America Matters for Asia*. East West Center, 2018, <https://bit.ly/351dwML>.

<sup>614</sup>*Ibid.*

<sup>615</sup>Sotullo, Jorge. "Fact Sheets on the European Union." European Parliament, Nov. 2019, <https://www.europarl.europa.eu/factsheets/en/sheet/183/southeast-asia>. And "UK-ASEAN Fact-sheet." Government of the United Kingdom Foreign, Commonwealth, and Development Office, 06 Jan. 2020, <https://bit.ly/3euS4m6>.

In 2018, the European Union published a robust strategy for fostering principles-based economic connectivity between Europe and Asia, and followed that up with a new partnership on sustainable connectivity and quality infrastructure with Japan.<sup>616</sup> In 2019, France published its own Indo-Pacific strategy, calling the region “crucial for global peace and security, multilateralism, the preservation of global public goods, and world economic development and trade.”<sup>617</sup> With the publication of Germany’s new Indo-Pacific strategy in September 2020, Foreign Minister Heiko Maas said, “We are sending a clear message today: The Indo-Pacific is a priority of German foreign policy.”<sup>618</sup> The U.K.’s forthcoming Integrated Review on security, defense, development, and foreign policy is likely to focus significantly on the Indo-Pacific as the country repositions itself post-Brexit. Other important European players, including Spain and Sweden, have also published their own regional strategies for the Asia-Pacific.<sup>619</sup>

The United States welcomes Europe’s greater focus on the Indo-Pacific, and views Europe as a partner in upholding a free and open system based on clear and transparent rules. Key regional actors like Japan, Australia, India, and ASEAN have also demonstrated their interest in a larger European role and increasingly hope for, and even expect, greater European contributions to prosperity, security, and good governance in the Indo-Pacific.<sup>620</sup>

As both the United States and Europe increasingly prioritize the Indo-Pacific, transatlantic cooperation is forming in the region, though much more nascent than in Africa. Currently, the United States and Europe coordinate diplomatic messaging, discuss the Indo-Pacific in various policy dialogues, participate in the region’s key institutions, take separate but mutually supportive actions on important regional challenges (such as providing humanitarian assistance for Rohingya refugee camps in Bangladesh), and occasionally conduct joint military actions. Just one example of this would be the U.S.-U.K. freedom of navigation operation in the South China Sea.<sup>621</sup>

<sup>616</sup> “Joint Communication to the European Parliament, the Council, and the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Connecting Europe and Asia - Building blocks for an EU Strategy.” European Commission High Representative of the Union for Foreign Affairs and Security Policy, 19 Sep. 2018, <https://bit.ly/3klORvF>. And “The Partnership on Sustainable Connectivity and Quality Infrastructure between Japan and the European Union.” Japan Ministry of Foreign Affairs, 2018, <https://www.mofa.go.jp/files/000521432.pdf>.

<sup>617</sup> *French Strategy in the Indo-Pacific: “For An Inclusive Indo-Pacific,”* Republic of France Ministry of Foreign Affairs, Aug. 2019, p. 1, <https://www.diplomatie.gouv.fr/en/country-files/asia-and-oceania/the-indo-pacific-region-a-priority-for-france/>

<sup>618</sup> Riedel, Norbert. “Why Germany is opening a new chapter in its tie with the Indo-Pacific.” *Straits Times*, 19 Sep. 2020, <https://www.straitstimes.com/opinion/why-germany-is-opening-new-chapter-in-its-ties-with-the-indo-pacific>.

<sup>619</sup> *Strategy for Sweden’s regional development cooperation in Asia and the Pacific region, 2016-2021.* Government of Sweden Ministry for Foreign Affairs. <https://www.government.se/4a6b76/contentassets/4be274e3951b4c269553956c442214db/strategy-for-swedens-regional-development-cooperation-in-asia-and-the-pacific-region-20162021.pdf>. And *A Strategic Vision for Spain in Asia, 2018-2022.* Government of Spain Ministry for Foreign Affairs, European Union, and Cooperation, Feb. 2018, <https://bit.ly/3k18uUF>.

<sup>620</sup> For a useful discussion of this, see Mohan, Garima. *A European Approach to the Indo-Pacific.* Global Public Policy Institute, Dec. 2019, <https://www.gppi.net/media/Mohan—2019—A—European—Approach—To—The—Indo—Pacific—final.pdf>.

<sup>621</sup> Reuters Staff. “U.S., Britain conduct first joint drills in contested South China Sea,” *Reuters*, 16 Jan. 2019, <https://www.reuters.com/article/us-usa-britain-southchinasea/u-s-britain-conduct-first-joint-drills-in-contested-south-china-sea-idUSKCN1PA0PV>

Increased coordination is especially important given the growing dominance of the People's Republic of China (PRC) in the Indo-Pacific. Whether through economic coercion and trade retaliation, encroachment on sources of vitality through illegal fishing in the South China Sea and damming of the Mekong River, excessive and illegal maritime claims, the People's Liberation Army's power projection within and beyond the First Island Chain, and influence operations to advance Chinese Communist Party (CCP) narratives in other countries, China's reach and malign influence is felt acutely by its Indo-Pacific neighbors. As the PRC aims to reshape the Indo-Pacific into a region that is deferential to the CCP, coordinated American and European engagement and cooperation will become all the more important.

There is clear alignment between our shared principles and the areas of emphasis in the American and European strategies and approaches to the region. This foundation could provide a basis for increasing cooperation on advancing economic growth and connectivity, upholding regional security, promoting good governance, and addressing environmental challenges. To do so, the United States and European nations will have to decide at the political level at what extent to leverage the transatlantic relationship to advance a free, open, inclusive, and rules-based Indo-Pacific region.<sup>622</sup> At a minimum, the alliance should ensure it does not duplicate efforts or create direct conflicts between our goals and actions. This demands a higher degree of collaboration and cooperation than our countries have been accustomed to, but as the Indo-Pacific region experiences dramatic shifts, it is critical that we do so.

### ***Areas of Potential Cooperation***

#### ***Private Sector-Led Investment***

As Indo-Pacific countries develop, the United States and Europe share an interest in fostering private sector investments in emerging markets, including through high-standard infrastructure projects. Both the United States and Europe have called for partnerships with other nations on—as the EU's strategy puts it—“connectivity based on commonly agreed rules and standards enabling a better governance of flows of goods, people, capital and services.”<sup>623</sup> Both want to meet demands in emerging markets by “crowding in” more private investment, and both recognize the necessity of providing technical assistance and support to emerging markets in areas such as public procurement and protection of intellectual property rights, generally.<sup>624</sup> Finally, both the United States and the European Union call for a particular focus on energy, transport infrastructure, and the digital economy.

<sup>622</sup> “Free, open, inclusive, and rules-based” combines all the terms described in the United States, French, and German strategies for the Indo-Pacific.

<sup>623</sup> “Joint Communication to the European Parliament, the Council, and the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Connecting Europe and Asia - Building blocks for an EU Strategy.” European Commission High Representative of the Union for Foreign Affairs and Security Policy, 19 Sep. 2018, p. 3, <https://bit.ly/3k1ORvF>.

<sup>624</sup> *Ibid.*, p. 10, 12. And *A Free and Open Indo-Pacific*, U.S. Department of State, 04 Nov. 2019, p. 16, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

Alignment on some of these principles and priorities already has turned into agreements among development finance institutions (DFIs), such as the agreement among the U.S. Development Finance Corporation (DFC), FinDev Canada, and the European Development Finance Institutions (called the DFI Alliance) to enhance coordination on “shared development objectives,” the EU’s quality infrastructure agreement with Japan, and the U.S.-Japan-Australia memorandum of understanding on providing market-based alternatives to state-directed financing for emerging markets.<sup>625</sup>

The next step is to transform these agreements into concrete cooperation among U.S., European, and Indo-Pacific partners to demonstrate the value of private sector-led investment that is “sustainable, comprehensive, and rules-based.”<sup>626 627</sup> The United States and Europe share this key goal in the Indo-Pacific, and have the opportunity to combine and synchronize investments “into a force multiplier,” offering a better chance to demonstrate the visibility and credibility of private sector-led investment. This is in stark contrast to the state-directed and often opaque investments offered by the PRC.<sup>628</sup>

Strengthening the DFI Alliance should be a top priority for the United States, Europe, and Canada. The DFI Alliance provides a framework for cooperation on transactions, operations, policy processes, and public engagements on the value of DFIs to fostering economic growth.<sup>629</sup> Key lines of effort could include policy dialogues that define and scope the types of projects most ripe for joint financing or cooperation, improving alignment on standards (using the G-20 standards agreed to in Japan in 2018 as a starting point), solidifying data and information sharing, and setting up processes for de-conflicting investments.<sup>630</sup> The DFI Alliance should also ad-

<sup>625</sup> “OPIC Signs MOU Establishing DFI Alliance with key allies.” U.S. International Development Finance Corporation, 11 Apr. 2019, <https://www.dfc.gov/media/opic-press-releases/opic-signs-mou-establishing-dfi-alliance-key-allies>. And “US, Japan, Australia Sign First Trilateral Agreement on Development Finance Collaboration.” U.S. International Development Finance Corporation, 12 Nov. 2018, <https://www.dfc.gov/media/opic-press-releases/us-japan-australia-sign-first-trilateral-agreement-development-finance>.

<sup>626</sup> “Joint Communication to the European Parliament, the Council, and the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank: Connecting Europe and Asia - Building blocks for an EU Strategy.” European Commission High Representative of the Union for Foreign Affairs and Security Policy, 19 Sep. 2018, p. 2-3, <https://bit.ly/3k1ORvF>. And “Acting OPIC President and CEO David Bohigian Leads Delegation to Meet with Key Allies.” U.S. International Development Finance Corporation, 08 Mar. 2019, <https://www.dfc.gov/media/opic-press-releases/acting-opic-president-and-ceo-david-bohigian-leads-delegation-meet-key>.

<sup>627</sup> For an overview of bilateral and multilateral development finance institutions, see: *Development Finance Institutions and Private Sector Development*. Organization for Economic Co-operation and Development, <https://www.oecd.org/development/development-finance-institutions-private-sector-development.htm>. OPIC has since been replaced by the International Development Finance Corporation.

<sup>628</sup> Mohan, Garima. *A European Approach to the Indo-Pacific*. Global Public Policy Institute, Dec. 2019, p. 24, <https://bit.ly/2I9Dbdd>. And Runde, Daniel F. and et al. “Strategic Directions for the United States International Development Finance Corporation (DFC) Supporting Development and National Security.” Center for Strategic and International Studies, Sep. 2019, p. 24, 32, <https://bit.ly/352FqHS> 190923—RundeBanduraMurphy—USDfC—WEB.pdf. And Ingram, George, and Robert A. Mosbacher Jr. “Development finance: Filling today’s funding gap.” *Blum Roundtable on Global Politics*, Brookings Institution, 31 Jul. 2018, <https://brook.gs/3p1rHcw>.

<sup>629</sup> “Memorandum of Understanding on Cooperation Between Overseas Private Investment Corporation/DFC, European Development Finance Institutions, And Development Finance Institute Canada (DFIC) Inc. (“FinDev Canada”).” U.S. International Development Finance Corporation, 11 Apr. 2019, p. 2-3, <https://bit.ly/38hxx1A>.

<sup>630</sup> “G20 Principles for Quality Infrastructure Investment,” Ministry of Foreign Affairs Japan, 2018, <https://bit.ly/3p0Rq4R>. And “Memorandum of Understanding on Cooperation Between Overseas Private Investment Corporation/DFC, European Development Finance Institutions,



vance technical level discussions to address and streamline obstacles to effective and efficient cooperation, such as separate due diligence processes and differing documentation for project applicants to complete.<sup>631</sup> A 2019 paper by the Center for Strategic and International Studies offers an extensive list of cooperative initiatives the DFI Alliance could pursue, including establishing joint project preparation facilities, co-financing or co-guarantees, joint technical assistance, and harmonizing tools and measures to assess development impact.<sup>632</sup>

Disagreements over environmental standards may present a significant barrier to further cooperation, as European nations claim U.S. environmental standards are insufficient, a position the United States disputes. Reconciling these differences will require sustained transatlantic dialogue. Again, the Osaka G20 principles on infrastructure could provide a starting point. The United Kingdom, the European Union, and European states should remain open to joining the Blue Dot Network, an initiative spearheaded by the United States, Japan, and Australia that establishes shared standards for infrastructure development. The United States will continue to invest in fossil fuel projects given continued demand, but it is also making significant global investments in renewable energy. Of the DFC's total active financial commitments to energy projects, 64 percent of those are for renewable energy, with 36 percent going to fossil fuel projects.<sup>633</sup> Many developing country energy plans call for clean and renewable energy built onto a strong grid baseload reinforced by traditional energy sources. The United States and Europe are well positioned to assist these countries in developing such energy sources in an efficient and environmentally responsible manner, and there remains ample opportunity for cooperation with European DFIs that have exited fossil fuels.

The United States' Indo-Pacific strategy and the EU connectivity strategy also both emphasize investing in and strengthening connections among people.<sup>634</sup> Within the goal of advancing private sector-led development, the United States and Europe could consider coordinating certain training for officials on project development and preparation, open procurement and tendering processes, developing and managing project pipelines, and effectively managing key sectors like energy, transport infrastructure, and digital econ-

---

And Development Finance Institute Canada (DFIC) Inc. ("FinDev Canada"). U.S. International Development Finance Corporation, 11 Apr. 2019, p. 3, <https://bit.ly/38hbx1A>. And Runde, Daniel F. and et al. "Strategic Directions for the United States International Development Finance Corporation (DFC) Supporting Development and National Security." Center for Strategic and International Studies, Sep. 2019, p. 33, <https://bit.ly/352FqHS>.

<sup>631</sup> Runde, Daniel F. and et al. "Strategic Directions for the United States International Development Finance Corporation (DFC) Supporting Development and National Security." Center for Strategic and International Studies, Sep. 2019, p. 33, <https://bit.ly/352FqHS>. And Ingram, George, and Robert A. Mosbacher Jr. "Development finance: Filling today's funding gap." Blum Roundtable on Global Politics, Brookings Institution, 31 Jul. 2018, <https://www.brookings.edu/research/development-finance-filling-todays-funding-gap/>.

<sup>632</sup> Runde, Daniel F. and et al. "Strategic Directions for the United States International Development Finance Corporation (DFC) Supporting Development and National Security." Center for Strategic and International Studies, Sep. 2019, p. 33, <https://bit.ly/352FqHS>.

<sup>633</sup> U.S. International Development Finance Corporation, as of 30 Jun. 2020.

<sup>634</sup> "Joint Communication To The European Parliament, The Council, The European Economic And Social Committee, The Committee Of The Regions And The European Investment Bank: Connecting Europe and Asia—Building blocks for an EU Strategy." European Commission High Representative of the Union for Foreign Affairs and Security Policy, 19 Sep. 2018, p. 6, <https://bit.ly/3k1ORvF>. And *A Free and Open Indo-Pacific*, U.S. Department of State, 04 Nov. 2019, p. 25-28, <https://bit.ly/3p0rmH4>.

omy.<sup>635</sup> This could also include, for example, embedding expert advisors (at the invitation of host governments) in ministries of important Indo-Pacific partners. This line of effort should focus on areas where the United States and Europe can agree on standards and policy processes, so as to increase fair, competitive opportunities for private sector actors on both sides.

Legislatures on both sides of the Atlantic must bolster these efforts, including by demonstrating support for cooperation among U.S. and European DFIs and highlighting such cooperation publicly. Legislatures can also signal political support for DFIs to pursue more creative and challenging investments in unconventional or ignored developing country markets. This is important to enable increased visibility and credibility of U.S. and European private sector-led options, and counter state-directed options that might present unacceptable risks to developing countries. Legislatures should support U.S. and European aid agencies prioritization of funding for relevant technical assistance programs. In addition, lawmakers should support preserving the flexibility of DFIs to make investments according to development and foreign policy goals that are also consistent with free market principles and trade obligations.

### *Maritime Security*

The connectivity and open trade that our economies rely upon is underpinned by security and the preservation of public goods in the region. Among the greatest challenges to connectivity and global trade is the PRC's aggressive pursuit of greater control of critical land routes, sea lanes, and air space in the Indo-Pacific in the hopes of eventually exercising greater influence beyond the region. The South China Sea, the Indian Ocean, and other maritime areas witnessing greater PRC presence are crucial to commercial activity, energy exploration, transport, and the exercise of security operations in areas permitted under international law. Without referencing China's recent actions specifically, European nations have increasingly stated their clear interest in maintaining open sea lanes, trade routes, and supply chains, and their desire to expand their roles beyond being "passive trading partners."<sup>636</sup> In its strategy, for example, France seeks to play a stronger role in mediating disputes in the Indo-Pacific region.<sup>637</sup> Germany warns of "disruption to these maritime trade routes" in the region.<sup>638</sup> Both France and the United Kingdom have recently stepped up their engagement by establishing additional defense partnerships and deepening security cooperation.<sup>639</sup>

<sup>635</sup> Runde, Daniel F. and et al. "Strategic Directions for the United States International Development Finance Corporation (DFC) Supporting Development and National Security." Center for Strategic and International Studies, Sep. 2019, p. 33, <https://bit.ly/352FqHS>.

<sup>636</sup> Lee Jeong-ho and Keegan Elmer. "European nations 'determined to stay relevant' in Asia-Pacific, South China Sea." *South China Morning Post*, 15 Sep. 2019, <https://bit.ly/3l3sY0m>.

<sup>637</sup> *French Strategy in the Indo-Pacific: "For An Inclusive Indo-Pacific"* Republic of France Ministry of Foreign Affairs, Aug. 2019, p. 35, <https://bit.ly/2IaW5A1>.

<sup>638</sup> *Policy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together*. The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 9, <https://bit.ly/2U1gPgg>.

<sup>639</sup> For some examples, please see: "Indo-Pacific Strategies of U.S. Allies and Partners: Issues for Congress." *EveryCRSReport*, Demand Progress/Congressional Data Coalition, 30 Jan. 2020, <https://www.everycrsreport.com/reports/R46217.html#—Toc31982453>. And Odgaard, Liselotte. "European Engagement in the Indo-Pacific: The Interplay between Institutional and State-Level

Upholding internationally recognized freedom of navigation rights and promoting maritime security provide a strong starting point for greater transatlantic cooperation, alongside other partners like Japan, Australia, and ASEAN member states. Cooperation and coordination on freedom of navigation and maritime security training, capacity-building, and exercises would serve as strong examples of the multilateral engagement emphasized in European strategies and central to the U.S. Indo-Pacific strategy.<sup>640</sup> Providing capabilities and training to enhance maritime domain awareness, improve information sharing, exercise sovereignty over one's exclusive economic zones, increase interoperability in the maritime domain, and other areas will continue to be a top priority for U.S. security assistance to the region. Further integrating transatlantic cooperation into the growing web of partnerships and regional security could help build a "flexible, resilient network of like-minded security partners to address common challenges."<sup>641</sup> Europe's interest in working within multilateral security forums presents opportunities to partner with ASEAN member states in concert with the United States, Japan, and Australia. In addition, as the North Atlantic Treaty Organization (NATO) examines its response to Chinese actions, building on existing partnerships between NATO and Indo-Pacific countries should be a key focus—something Germany's strategy calls for.<sup>642</sup>

The United Kingdom, France, and Germany each demonstrate strong and consistent support for international law principles generally and freedom of navigation rights in the South China Sea specifically.<sup>643</sup> The trio recently advocated for freedom of navigation and maritime claims rooted in international law at the United Nations (UN), and the French and U.K. navies have conducted several freedom of navigation operations.<sup>644</sup> France also conducts periodic transits of the Taiwan Strait.<sup>645</sup> Germany's Indo-Pacific strat-

---

Naval Diplomacy." *Asia Policy*, vol. 14, no. 4, The National Bureau of Asian Research, 30 Oct. 2019, <https://bit.ly/32khqP0>.

<sup>640</sup>A *Free and Open Indo-Pacific*, U.S. Department of State, 04 Nov. 2019, p. 7-8, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>641</sup>*Ibid.*, p. 22.

<sup>642</sup>T3APolicy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together. The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 16, 29, <https://bit.ly/2U1gPgg>. And "Partnership Interoperability Initiative." North Atlantic Treaty Organization, 12 Jun. 2020, <https://bit.ly/32gP4Fi>. And "Relations with Australia." North Atlantic Treaty Organization, 15 Jun. 2020, <https://bit.ly/3ez3z3j>. And "Relations with Japan." North Atlantic Treaty Organization, 12 Sep. 2018, <https://bit.ly/2TXdHCj>.

<sup>643</sup>"Joint Statement by France, Germany and the United Kingdom on the situation in the South China sea today", *Federal Foreign Office*, 29 Aug. 2019. <https://bit.ly/3p3HWWn>; And: Roy Chaudhury, Dipanjan. "France, Germany and UK joins India on safeguarding Freedom of Navigation in South China Sea", *The Economic Times*, 30 Aug. 2019. <https://economictimes.indiatimes.com/news/defence/france-germany-uk-joins-india-on-safeguarding-freedom-of-navigation-in-south-china-sea/articleshow/70910429.cms?from=mdr>;

<sup>644</sup>"Note Verbale", *UK Mission to the UN*, 16 Sept. 2020. <https://bit.ly/3l0XXdu>; And: "South China Sea: France and Britain join the US to oppose China", *Deutsche Welle*, 27 June 2018. <https://www.dw.com/en/south-china-sea-france-and-britain-join-the-us-to-oppose-china/a-44422935>.

<sup>645</sup>"China accuses France of illegally sailing warship in Taiwan Strait", *Financial Times*, 25 Apr. 2019. <https://www.ft.com/content/12f4ff22-674d-11e9-9adc-98bfd35a056>; And Ali, Idrees and Stewart, Phil. "Exclusive: In rare move, French warship passes through Taiwan Strait", *Reuters*, 12 Mar. 2018. <https://www.reuters.com/article/us-taiwan-france-warship-exclusive/exclusive-in-rare-move-french-warship-passes-through-taiwan-strait-idUSKCN1S027E>.

egy emphasizes upholding international maritime law and “expanding security and defence cooperation.”<sup>646</sup>

### *Good Governance and Human Rights*

At the 2019 UN General Assembly, the United States, Canada, the United Kingdom, Germany, and the Netherlands hosted an event on Xinjiang, attended by 31 other nations representing the European Union and the Organization of Islamic Cooperation.<sup>647</sup> Legislatures on both sides of the Atlantic have since pushed through legislation and resolutions on the horrific human rights abuses being perpetrated by the Chinese government against Uyghurs and other Muslim minorities, and American and European leaders continue to call for unfettered UN access to the province.<sup>648</sup>

As the Indo-Pacific region figures more prominently in the transatlantic relationship, the United States and Europe should identify further opportunities to promote the rule of law, democratic freedoms, human rights, and good governance in the region. Shared priorities include: promoting freedom of speech, assembly, religion, and association; supporting freedom of the press, including through training for reporters and investigative journalists; advancing transparency, accountability, and citizen-responsive governance; combatting corruption; countering disinformation; promoting human rights and gender equality; supporting human rights defenders; building civil society organizations and partnerships among them; and fostering inclusive economic growth under a rules-based system.<sup>649</sup>

The United States and Europe should use international organizations and other high-impact forums to highlight important human rights challenges. U.S. and European embassies and development organizations could also hold joint events more regularly in China and other countries. On-the-ground dialogue and cooperation with each other, including the sharing of best practices and coordinating or de-conflicting programs, may become more important if Europe acts to increase its good governance initiatives in the region. Legislatures should also strengthen cooperation in this area through hosting joint events and conducting exchanges and dialogues with regional counterparts.

### *Environment*

Finally, the Indo-Pacific provides an opportunity for the United States and Europe to work together on environmental issues. The United States and Europe may not fully align on some environmental matters, but can nevertheless agree on certain specific

<sup>646</sup> *Policy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together*. The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 8, <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf>.

<sup>647</sup> Churchill, Owen. “US calls for UN to demand unfettered access to China’s Xinjiang region”, *South China Morning Post*, 25 Sept. 2019. <https://bit.ly/3eu1ZIN>.

<sup>648</sup> “France’s Macron urges U.N. mission to visit China’s Xinjiang region”, *Reuters*, 21 Sep. 2020. <https://www.reuters.com/article/us-un-assembly-france-china/frances-macron-urges-u-n-mission-to-visit-chinas-xinjiang-region-idUSKCN26D2SO>.

<sup>649</sup> “A Free and Open Indo-Pacific,” *U.S. Department of State*, 04 Nov. 2019, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>. And “EU Annual Report on Human Rights and Democracy in the World 2019.” *Council of the European Union*, 15 Jun. 2020, <https://www.consilium.europa.eu/media/44432/st08580-en20.pdf>.

issues, such as the importance of assisting developing nations in mitigating against the effects of natural disasters, increasing responsible management and stewardship of natural resources, and advancing sustainable forms of energy. There has been severe environmental degradation by PRC actors in the region especially over the past few years, through dredging to construct illegal islands in the South China Sea, rampant illegal fishing, harmful use of the Mekong River, and construction of coal-fired power plants across the region, among other issues.

Both the French and German Indo-Pacific strategies prioritize climate change and environmental issues, as does Sweden's 2016 regional development strategy. For France, "climate, environment and biodiversity" is one of the three pillars outlined in its strategy.<sup>650</sup> Germany's strategy emphasizes the importance of economic growth in the Indo-Pacific being "environmentally friendly and socially compatible" and states that "natural resources must be managed sustainably."<sup>651</sup>

The United States also emphasizes environmental issues in its Indo-Pacific strategy. The State Department's Infrastructure Transaction and Assistance Network provides assistance to help countries evaluate potential infrastructure projects, including for environmental sustainability.<sup>652</sup> The United States engages in capacity building for security forces to address environmental challenges, an issue that is becoming more acute given China's environmental degradation in the South China Sea and along the Mekong River.<sup>653</sup> The United States Agency for International Development (USAID) also operates multiple programs to improve resource management and build resilience to environmental shocks and stresses throughout the region. These efforts include: the SEVIR-Mekong program; the Green Invest Asia initiative; the Green Power Asia initiative; a broader development portfolio focused on improving energy and water security; combatting illegal fishing, logging, and wildlife trafficking; and enhancing forest protection and management.<sup>654</sup>

To advance their cooperation in this region, the United States and Europe could coalesce around several concrete areas. First, the United States and European partners can continue to invest in energy development in the Indo-Pacific. The DFC is investing significantly in renewable energy projects in India.<sup>655</sup> U.S. assistance

<sup>650</sup> *French Strategy in the Indo-Pacific: "For An Inclusive Indo-Pacific,"* Republic of France Ministry of Foreign Affairs, Aug. 2019, p. 5, <https://www.diplomatie.gouv.fr/en/country-files/asia-and-oceania/the-indo-pacific-region-a-priority-for-france/#:text=In%20an%20international%20context%20marked,the%20heart%20of%20this%20strategy.>

<sup>651</sup> *Policy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together.* The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 10, <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf>.

<sup>652</sup> *A Free and Open Indo-Pacific,* U.S. Department of State, 04 Nov. 2019, p. 15, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>653</sup> *Ibid.*, p. 22.

<sup>654</sup> "Indo-Pacific Region: Improving Natural Resource Management." U.S. Agency for International Development, 28 Aug. 2020, <https://www.usaid.gov/indo-pacific-vision/nrm>.

<sup>655</sup> "DFC Approves \$3.6 Billion of New Investments in Global Development in Largest Quarter Ever." U.S. International Development Finance Corporation, 09 Sep. 2020, <https://bit.ly/2GCH1Lq>. And "OPIC Board Approves More than \$1.3 Billion to Development Projects in Africa, Indo-Pacific, and Latin America." U.S. International Development Finance Corporation, 13 Dec. 2018, <https://www.dfc.gov/media/opic-press-releases/opic-board-approves-more-13-billion-development-projects-africa-indo>.

provided under the U.S. Department of State's Asia Enhancing Development and Growth Through Energy program has mobilized \$806 million in public and private sector financing for 11 renewable energy programs in Indonesia.<sup>656</sup> The United States also recently established a partnership with Mekong River countries that will focus, in part, on energy and water security, and the European Union has provided assistance to Mekong countries on natural resource management and other issues over the years.<sup>657</sup> France is active in providing energy-related development assistance across Southeast Asia.<sup>658</sup> The U.S., U.K., and German governments have come together to support large-scale grid integration in India.<sup>659</sup>

A second area could include fostering resilience to environmental challenges in the Pacific Islands. Germany specifically highlights this aim in its strategy, and the United Kingdom and France are also active on this topic.<sup>660</sup> In May 2019, a joint statement by the United States and the leaders of the three Federated American States emphasized cooperation on "supporting the resiliency of the Pacific Islands environment."<sup>661</sup> Since then, the United States has provided further assistance as part of its Pacific Pledge program for "disaster resilience, weather forecasting, and to address environmental challenges."<sup>662</sup> We have a mutual interest in protecting these islands and all parties should look for opportunities to work together to tackle these challenges.

Third and finally, combatting poaching; illegal wildlife trade and trafficking; and illegal, underreported, and unregulated fishing are priorities for both the United States and Europe. Germany lists some of these areas as priorities in its strategy, and USAID has existing efforts.<sup>663</sup> While this challenge affects countries throughout the region, China is the largest market for trafficked wildlife goods.<sup>664</sup> Thus, ending destructive wildlife trafficking presents an area where the United States and European countries should work together to press China to stem demand for these products, address

<sup>656</sup> *A Free and Open Indo-Pacific*, U.S. Department of State, 04 Nov. 2019, p. 17, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>657</sup> Pompeo, Michael R. "The Mekong-U.S. Partnership: The Mekong Region Deserves Good Partners." U.S. Department of State, 14 Sep. 2020, <https://bit.ly/3p4ALgW>. And Soutullo, Jorge. *The Mekong River: geopolitics over development, hydropower and the environment*. European Parliament Policy Department for External Relations, Nov. 2019, <https://bit.ly/32gRMKJ>.

<sup>658</sup> "Southeast Asia - Activity Report." Agence Française de Développement, Nov. 2019, <https://www.afd.fr/en/ressources/southeast-asia-activity-report?origin=en/rechercher?query=southeast+asia>.

<sup>659</sup> "U.S., Germany & U.K. Bolster Support for India's Large-Scale Grid Integration of Renewable Energy." U.S. Agency for International Development, 04 Sep. 2019, <https://bit.ly/368MD8L>.

<sup>660</sup> *Policy guidelines for the Indo-Pacific region: Germany—Europe—Asia: shaping the 21st century together*. The Federal Government of Germany Federal Foreign Office, Sep. 2020, p. 7, <https://www.auswaertiges-amt.de/blob/2380514/f9784f7e3b3fa1bd7c5446d274a4169e/200901-indo-pazifik-leitlinien--1--data.pdf>. And: Field, Mark. "UK support for Pacific Islands on climate change." *Pacific Island Forum in Nauru on 'Climate Change—A Key Security Risk'*, United Kingdom Foreign & Commonwealth Office, 05 Sep. 2018, p. 7, <https://bit.ly/2JJCY9>.

<sup>661</sup> "Joint Statement from the President of the United States and the Presidents of the Freely Associated States." The White House, 21 May 2019, <https://bit.ly/3lFki2p>.

<sup>662</sup> "U.S. Engagement in the Pacific Islands: UN General Assembly Update." U.S. Department of State, 03 Oct. 2019, <https://www.state.gov/u-s-engagement-in-the-pacific-islands-un-general-assembly-update/>.

<sup>663</sup> "USAID Wildlife Asia." U.S. Agency for International Development, 03 Sep. 2020, <https://www.usaid.gov/asia-regional/fact-sheets/usaids-wildlife-asia-activity>.

<sup>664</sup> Stephens, Suzanna and Matthew Southerland. *China's Role in Wildlife Trafficking and the Chinese Government's Response*, U.S.-China Economic and Security Review Commission, 06 Dec. 2018, <https://bit.ly/3exiwvm>.

prevalence of trafficking in captive-bred wildlife products, and raise public awareness and other avenues of cooperation.<sup>665</sup>

### **Conclusion**

The United States and European nations are making decisive shifts towards the Indo-Pacific in their respective foreign policies. The next steps are to build upon the existing political will to cooperate in the region and to decide where to focus and what cooperation means in practice. For the United States and the European Union, these are a perfect set of topics to explore in the context of the dialogue on China. The United States and the United Kingdom should begin to have similar conversations after the latter's Integrated Review is published. Discussions with EU member states who already have a significant regional footprint, like France, should also be emphasized.

Launching these discussions should be encouraged because the extent of Europe's interest in a concrete partnership with the United States in the region is not yet clear. The French and German regional strategies rarely mention the United States, and there is no mention of any political desire to partner with the United States in the region, other than broad references to working through NATO and regional organizations. In addition, neither France nor Germany acknowledges the central role that U.S. alliances with Japan, Australia, and others play in upholding regional peace and stability. Some have also pointed out that American strategy documents on the Indo-Pacific barely mention Europe.<sup>666</sup> This is not to suggest that European nations should center their strategies on the United States, or is not intended to ignore the private discussions on the region that have increased over the past several years. However, U.S. involvement in the Indo-Pacific today is much deeper than Europe's; the scant public discussion by European governments on cooperation with the United States has caused some European commentators to argue that the Indo-Pacific strategies reflect Europe's desire to position itself equidistantly between the United States and China, and that it does not view the United States' approach to China as positive for the region.<sup>667</sup>

While the potential avenues for cooperation are numerous, it will require political will and interest on both sides of the Atlantic to identify concrete opportunities to align and, to the greatest extent

<sup>665</sup> De Gabriel, Grace. "Will China Say No to Wildlife Trade?" *UN Chronicle*, United Nations, <https://www.un.org/en/chronicle/article/will-china-say-no-wildlife-trade>. And United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://www.congress.gov/bill/116th-congress/senate-bill/4272?s=1&r=5>.

<sup>666</sup> The Department of Defense's Indo-Pacific Strategy Report does mention UK and French contributions to the region. The State Department's strategy document mentions the European Union only once. See: Samaranayake, Nilanthi. "Future US-France Cooperation: Think Indo-Pacific," *The Diplomat*, 03 Feb. 2020, <https://thediplomat.com/2020/02/future-us-france-cooperation-think-indo-pacific/>. And *Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting A Networked Region*. U.S. Department of Defense, 01 June 2019, p. 42-43, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>. And *A Free and Open Indo-Pacific*, U.S. Department of State, 04 Nov. 2019, p. 16, <https://www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf>.

<sup>667</sup> Fulda, Andreas. "Germany's New Policy Paper for the Indo-Pacific: Some Change in Tone, Little in Substance." *Royal United Services Institute*, 11 Sep. 2020, <https://bit.ly/366lBxo>; And Xu, Yixiang. "A Stronger Germany in the Indo-Pacific?" *American Institute for Contemporary German Studies*, 17 Sep. 2020, <https://www.aicgs.org/2020/09/a-stronger-germany-in-the-indo-pacific/>.

practicable, integrate distinct lines of effort. If the European Union opts to publish a pan-European Indo-Pacific strategy, a more overt acknowledgement of the utility of transatlantic cooperation would be a useful signal and starting point. The United States Government—both the executive and the legislative branches—should incorporate the need for cooperation with Europe more explicitly in its diplomatic messaging on the Indo-Pacific. There already is ample evidence of significant overlap in interests, such that the United States, the European Union (especially France and Germany), and the United Kingdom should begin identifying areas for cooperation sooner rather than later. Indo-Pacific partners seek a strong presence from the United States in the region, and they are hopeful for greater European engagement as well. Taking initial steps to ramp up cooperation in fostering private sector-led development, strengthening maritime security, promoting good governance and human rights, and safeguarding the environment hold great promise for advancing shared interests and reaping mutually-advantageous gains for the transatlantic alliance and Indo-Pacific partners.



## CONCLUSION AND RECOMMENDATIONS

---

The United States and Europe on the one hand, and China on the other, have very different visions of what the world should look like. This competition of ideas and of systems touches on our political and cultural values, our economic prosperity, and our security. Led by the transatlantic community, much of the world has created an open system of rules, norms, and institutions that upholds individual rights and freedoms, advances market-based economic prosperity, and safeguards the security interests of everyone. Yet China is attempting to fundamentally alter the foundation upon which shared prosperity and security are built.

Despite some differences, the transatlantic alliance has enjoyed enormous success in fostering and advancing that system. The United States and Europe must decide how we will ensure the international system maintains its commitment to its values, even in the face of China's unfair trading practices, murky and corrupt investment, and political interference to advance its authoritarian ends. The United States and Europe will have stronger answers if we stand together.

Neither side of the Atlantic can respond to the challenges China poses alone. The only way forward is to work together. Transatlantic security and prosperity requires that we renew our commitment to each other and pledge to use all of our combined tools to succeed. The recommendations below are a starting point to build upon the shared assessments of both sides about the challenges the People's Republic of China (PRC) poses and begin to address the issues that will define the years and decades to come.<sup>668</sup>

### *Safeguarding Our Open Societies*

- **Collaborate on university and think tank codes of conducts designed to forestall undue foreign influence by authoritarian countries like the PRC.**<sup>669</sup> These codes of conduct should advocate standards and mechanisms for transparency in donations and contracts, mutual support in the event of PRC pressure, adequate protection for students, institutional reciprocity with the PRC, and academic independence. The European Commission's concept note on foreign interference in higher education proposes the creation of guidelines by member states and stakeholders, as well as the co-creation of a shared code of conduct between European universities and

---

<sup>668</sup>The three above paragraphs are drawn from a speech given in November 2019 by Senator James Risch on the importance of transatlantic cooperation on China. United States, Congress, Senate, Committee on Foreign Relations, "Risch: U.S. and Europe Must Compete with China," 12 Nov. 2019, <https://bit.ly/32eAYEs>.

<sup>669</sup>Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/2TX8TWH>.

research institutions.<sup>670</sup> This could be expanded to include universities in the United States and in other democratic allies.

- **Share standards and best practices for increasing transparency of the lobbying industry. Governments should update their regulations to ensure they address specific and emerging challenges posed by the PRC.**<sup>671</sup> U.S. and European transparency regimes should determine requirements for the United Front Work Department and its sub-entities to report their activities.<sup>672</sup> Democracies could consider a particular designation for lobbying by governments that pose particularly acute national security concerns, re-examine scholastic and academic registration exemptions from countries designated national security concerns, and consider limitations on former government officials representing the governments of such countries.<sup>673</sup>
- **Hold gatherings among government officials in the United States, Europe, and other democratic partners to discuss PRC authoritarian influence within their countries and ways to effectively push back.** The U.K. Parliament, the U.S. Congress, the European Parliament, and other democratic legislatures are already at the forefront of their nations' and organization's responses to the PRC's authoritarianism. The recent creation of the Inter-Parliamentary Alliance on China is a great place to start and could be further institutionalized.<sup>674</sup> The North Atlantic Treaty Organization (NATO) Parliamentary Assembly could provide a successful model for this type of cooperation.<sup>675</sup>
- **Continue to enhance collaboration on countering disinformation to ensure coordinated counter-messaging.** Government organizations tasked with combatting disinformation, such as the U.S. Global Engagement Center, the European External Action Service Strategic Communications Task Force, the Group of Seven Rapid Response Mechanism, and NATO, should strengthen their relationships and ensure their jurisdiction and expertise includes countering malign influence from the PRC.
- **Continue to invest in and prioritize the development of independent China expertise.**<sup>676</sup> The creation of the European Think-Tank Network on China to deepen European ex-

<sup>670</sup> "Concept Note on Tackling Foreign Interference in Higher Education Institutions and Research Organizations." European Commission, 20 Feb. 2020, <https://s3.eu-central-1.amazonaws.com/euobs-media/3ef6dc3d60ee27a2df16ff62d47e93fdc.pdf>.

<sup>671</sup> And Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/32jHY2C>.

<sup>672</sup> Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://www.hoover.org/sites/default/files/research/docs/chineseinfluence-americaninterests-fullreport-web.pdf>.

<sup>673</sup> United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/2I5jAuD>.

<sup>674</sup> Inter-Parliamentary Alliance on China. <https://ipac.global/>.

<sup>675</sup> NATO Parliamentary Assembly. <https://bit.ly/3mUr2Yv>.

<sup>676</sup> Conversation with European researcher. And Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/32jHY2C>.

expertise is a positive development.<sup>677</sup> A well-developed cohort of independent China experts will greatly improve transatlantic capacity to understand and counter the PRC's malign influence. The U.S. government has pledged to increase funding for the study of Mandarin Chinese, and European nations should do likewise. The Government of Sweden proposed a national knowledge center on China,<sup>678</sup> and other democracies should follow suit.

- **Conduct effective outreach to Chinese diaspora communities to help them protect themselves from efforts by the PRC government to target them.**<sup>679</sup> This could include efforts to build awareness, creation of reporting and early warning mechanisms, training on legal rights and protections, and proactive law enforcement engagement, such as briefings and trainings for local police.<sup>680</sup> In conducting such outreach, the United States and European governments should ensure they do not stigmatize members of Chinese diaspora communities, and consult with these communities to understand how to best support them.

#### ***Protecting the Integrity of International Organizations***

- **Adopt a “whole of United Nations (UN)-system” approach in addressing policy issues at the UN.** The UN system is large and missions are often siloed. In addition to closer coordination within particular UN agencies, this approach should involve more information sharing, message coordination, and other efforts among U.S. and European representation at UN missions globally, such as in New York, Geneva, Rome, Paris, and other locations. The United States and Europe should not take the traditional approach of only discussing human rights issues in Geneva or UN Security Council issues in New York. Instead, they should be reaching out in capitals and at other UN missions to align priorities and raise awareness of challenges to UN principles.
- **Work together to promote good governance in international organizations by coordinating on the election of candidates to top UN positions.** This should include avoiding situations in which an “American” candidate and “European” candidate both run, thereby splitting votes. Instead the United States and Europe should seek to coalesce around a highly qualified consensus candidate who is committed to impartiality and transparency.

<sup>677</sup> “European Think-tank Network on China.” Mercator Institute for China Studies, <https://merics.org/en/european-think-tank-network-china>.

<sup>678</sup> Löfven, Stefan. “Approach to matters relating to China.” The Government of Sweden Ministry for Foreign Affairs, 26 Sep. 2019, <https://bit.ly/3mTLPeM>.

<sup>679</sup> Staff conversation with Europe-based academic researchers. And Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/32jHY2C>.

<sup>680</sup> Staff conversation with academic researcher. And Benner, Thorsten, et al. *Authoritarian Advance: Responding to China's Growing Political Influence in Europe*. Global Public Policy Institute/Mercator Institute for China Studies, Feb. 2018, <https://bit.ly/32jHY2C>. And Diamond, Larry and Orville Schell. *Chinese Influence and American Interests Promoting Constructive Vigilance*. The Hoover Institution, 24 Oct. 2018, <https://hvr.co/2TX8Twh>.

- **Increase the number of citizens employed in UN positions and Junior Professional Officer (JPO) programs.** The UN maintains a list of countries that are “under-represented” in the UN system. In the latest report for 2018, the United States remains under-represented, as are some European countries.<sup>681</sup> The United States and those European countries that are under-represented should increase efforts to have nationals apply to open UN jobs. Both the United States and Europe should increase their support for JPOs across the UN system. Supporting JPOs from the United States and European partners provides long-term pathways within the UN system to protect shared values and mutual security interest.
- **Continue to defend international human rights standards at the UN.** The UN has many tools to protect and promote human rights, even outside the UN Human Rights Council. At every opportunity, the transatlantic alliance should defend these rights and stymie efforts to water down UN resolutions and other relevant documents to shield countries from criticism of their human rights violations.

#### *Defending the International Trading System*

- **Advance shared objectives at the World Trade Organization (WTO).** Despite the difficulties of reforming the WTO’s 25-year-old rules, the United States and Europe share two key priorities that can provide a starting point for reinvigorated collaboration on international trade issues. First, we must advocate for revocation of China’s developing country status. China, the world’s second largest economy, is taking advantage of this status to the detriment of other market players as well as truly developing nations. Second, we should further advance efforts by the European Union, Japan, and the United States to “strengthen existing WTO rules on industrial subsidies”—one of the most blatant ways in which China violates the rules.<sup>682</sup> Finding agreement among like-minded partners, building a majority, and only then incorporating China into the discussion, may be the only way to overcome the current deadlock at the WTO. In addition, some parochial differences should be set aside so additional trade agreements can be advanced that help lower income countries develop faster.
- **Broaden and deepen existing trilateral trade discussions among the United States, the European Union, and the United Kingdom.** During the now-suspended Transatlantic Trade and Investment Partnership discussions, the United States and the European Union discovered the significant gains to be made in searching for convergence on rules and regulations. While such discussions can be quite difficult, they are worth exploring and strengthening, given the tremendous economic gains that could be achieved. Small but positive steps

<sup>681</sup> UN Secretary-General. “Composition of the Secretariat : staff demographics : report of the Secretary-General”, United Nations Digital Library, 2019, <https://digitallibrary.un.org/record/3809594?ln=en>.

<sup>682</sup> “Joint Statement of the Trilateral Meeting of the Trade Ministers of Japan, the United States and the European Union.” U.S. Trade Representative, 14 Jan. 2020, <https://bit.ly/38edz9V>.

have recently been taken to reduce reciprocal U.S. and EU tariffs.<sup>683</sup> We must build on this progress. A United States and Europe more united on these economic and regulatory issues would present an irresistible force in promoting our shared values and hopes for economic outcomes against China's mercantilist worldview.

- **Fix the reparable issues in our own trading relationship so we can focus on the real challenge: China.** A prime example is the ongoing dispute between Boeing and Airbus. Governments on both sides of the Atlantic should engage in discussions to prevent future disputes. Governments should also encourage discussions within industry to focus the combined energies of Boeing and Airbus to address the larger, emerging problem—a Commercial Aircraft Corporation of China replete with stolen technology and fully backed and financed by the Chinese government.
- **Undertake a more coordinated approach to export controls with respect to China.** This is key to protecting shared security interests and the future competitiveness of U.S. and European companies in certain industries. Recent U.S. export controls protect dual-use items and safeguard key technologies from military end users in China. These are necessary choices, but difficult in that they can put U.S. companies at a disadvantage vice their competitors in other advanced economies. Forging a community of advanced democracies around critical technology issues has strong support in the United States, in the U.K. government, and in the European and Japanese expert communities.<sup>684</sup> Coordinating and harmonizing export controls should be at the top of the agenda. This has become more urgent as China looks to “implement a unified export control system” in legislation currently under consideration by the People's Congress.<sup>685</sup>
- **Consider working together to diversify some key supply chains away from China as a hedge against future trade disruptions, whether politically, economically, or naturally instigated.** COVID-19 has caused companies and governments to rethink the extent of their reliance on China-based supply chains. Earlier, to help guard their industries

<sup>683</sup> “Joint Statement of the United States and the European Union on a Tariff Agreement.” U.S. Trade Representative, 21 Aug. 2020, <https://bit.ly/38fsOzI>.

<sup>684</sup> “The Clean Network.” U.S. Department of State, <https://bit.ly/3mXz5Up>. And United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/2I5jAuD>. And Fishman, Edward and Siddharth Mohandas. “A Council of Democracies Can Save Multilateralism: Boris Johnson's ‘D-10’ Is the Club the World Desperately Needs”, *Foreign Affairs*, 03 Aug. 2020, <https://fam.ag/3ewNV1m>. And “UK seeks alliance to avoid reliance on Chinese tech: The Times.” *Reuters*, 14 Apr. 2020, <https://www.reuters.com/article/us-britain-tech-coalition/uk-seeks-alliance-to-avoid-reliance-on-chinese-tech-the-times-idUSKBN2343JW>. And Ebrahimian, Bethany Allen. “Report: How democracies can push back on China's growing tech dominance.” *Axios*, 15 Sep. 2020, <https://www.axios.com/china-tech-dominance-democracies-d60a4e60-53c7-46a6-85c6-8979ef0225cf.html>. And Jain, Ash, et al. *D-10 Strategy Forum*. Atlantic Council, 16 Mar. 2017, <https://www.atlanticcouncil.org/programs/scowcroft-center-for-strategy-and-security/global-strategy-initiative/democratic-order-initiative/d-10-strategy-forum/>.

<sup>685</sup> “Export Control Law of the People's Republic of China (Draft) (Second Version).” Translated by Etcetera Language Group, People's Republic of China National People's Congress, 28 Jun. 2020, <https://cset.georgetown.edu/research/export-control-law-of-the-peoples-republic-of-china-draft-second-version/>.

against political retaliation, South Korean multinationals began to relocate their factories,<sup>686</sup> and Japan introduced financial incentives to help companies relocate.<sup>687</sup> Now, the transatlantic community should work together to agree upon the sectors most disadvantaged and endangered by over-concentration in China, and when appropriate, exploit each other's comparative economic advantages when diversifying the location of manufacturing resources. We could also consider jointly working to support the creation of free trade and manufacturing zones in Africa and Southeast Asia.

### *Shaping the Future of Technology*

- **Form a community of advanced democracies that promotes cooperation on critical technology.** Cooperation should focus on developing norms, standards, and regulations on the development and application of new and emerging technologies; coordinate basic and pre-competitive research and development initiatives; and engage other activities related to harnessing the combined technological prowess of advanced democracies. Coordination on export controls and investment screening as it relates to key technologies should also top the agenda. This proposal has bipartisan support in the United States, the U.K. government, and in the American, European, and Japanese expert communities.<sup>688</sup> The community should also facilitate discussions among other stakeholders, such as executive branch members, legislators, and private sector industry professionals on these issues.
- **Initiate regulatory dialogues between partner agencies.** A series of dialogues comprised of U.S. and EU experts that will examine topics relevant to boosting emerging technology development. The dialogues should start by 1) identifying technology sectors where there are little to no regulatory barriers to cooperation; 2) identifying niche areas in which there are no standards and would benefit from uniform standardization at the development-level; 3) setting priorities for greater regulatory harmonization and alignment of regulatory practices; and 4) examining spheres in which both sides are facing difficulties in competing with Chinese companies or Chinese-gov-

<sup>686</sup> Birmingham, Finbarr and Lee Jeong-ho. "How the trade war led to Samsung and other South Korean companies' exodus from China." *South China Morning Post*, 04 Jul. 2019, <https://www.scmp.com/economy/china-economy/article/3017110/samsung-and-other-south-korean-firms-exodus-china-example>.

<sup>687</sup> "Japan sets aside ¥243.5 billion to help firms shift production out of China." *Japan Times*, 09 Apr. 2020, <https://bit.ly/368OgDp>. And Jin Yiqian qibai jia zai hua ri qi shengqing banqian butie riben chanye lian cheli zhongguo." *Asia Pacific Report*, Radio Free Asia, 14 Sep. 2020, <https://www.rfa.org/mandarin/yataibaodao/jingmao/ql2-09142020062444.html>.

<sup>688</sup> "The Clean Network." U.S. Department of State, <https://www.state.gov/the-clean-network/> And United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/2l5jAuD>. And Fishman, Edward and Siddharth Mohandas. "A Council of Democracies Can Save Multilateralism: Boris Johnson's 'D-10' Is the Club the World Desperately Needs", *Foreign Affairs*, 03 Aug. 2020, <https://fam.ag/3ewNV1m>. And "UK seeks alliance to avoid reliance on Chinese tech: The Times." *Reuters*, 14 Apr. 2020, <https://reut.rs/36nzmtl>. And Ebrahimian, Bethany Allen. "Report: How democracies can push back on China's growing tech dominance." *Axios*, 15 Sep. 2020, <https://bit.ly/2HZAsDq>. And Jain, Ash, et al. *D-10 Strategy Forum*. Atlantic Council, 16 Mar. 2017, <https://www.atlanticcouncil.org/programs/scowcroft-center-for-strategy-and-security/global-strategy-initiative/democratic-order-initiative/d-10-strategy-forum/>.

ernment led initiatives to capture technological market share.<sup>689</sup>

- **Identify ways and implement incentives to encourage greater private sector and academic collaboration in niche technology areas that address disadvantages on both sides of the Atlantic in competing with China.** Two potential examples include (1) artificial intelligence software and manufacturing development and (2) renewable energy.
- **Address issues with global patent enforcement through multilateral international intellectual property organizations.** This is particularly important as PRC companies demand compensation for standard-essential patents while failing to pay for using products that have parts which use U.S. and European patents.
- **Work with advanced democracies such as Japan, Australia, India, Canada and New Zealand, on aligning science and technology agreements and explore further opportunities for plurilateral cooperation on technology development and associated regulation.** This alignment would help set baseline standards for technology infrastructure and development, as well as values that should be upheld in the usage of emerging technologies. It would also help leverage economies of scale when competing with PRC technologies and international standards-setting.

#### *Addressing the Implications of China's Strategic Investments*

- **Focus investment screening cooperation on the implications of state-directed acquisitions and investments by China.** Recent alignment on investment screening—and the requirement under U.S. law for more cooperation with allies and partners—is an opportunity to bring together the U.S. federal agencies and relevant European counterparts to prioritize addressing the implications of state-directed PRC investment and acquisition in certain sectors. Through appropriate forums and dialogues, the United States and Europe should identify and focus on areas of current or future strategic dependency or vulnerability vis-à-vis the PRC. Power grids, ports, and under-sea cables certainly all fit into this category, but other emerging areas of concern should be constantly explored. These discussions and information sharing should be further expanded to include other non-EU nations with good screening mechanisms, as well as like-minded nations like Canada, Japan, and Australia.
- **Examine the security of our power grids and establish fail-safe measures to protect our increasingly connected grids.** The United States and Europe can use existing legislative and regulatory regimes to accomplish this. The two sides of the Atlantic should also consider the establishment of exchange programs between our energy-specialized institutes and departments that will focus on the development of improved

<sup>689</sup> United States, Congress, Senate, Risch, James E. *STRATEGIC Act*. Congress.gov, 116th Congress, 2nd Session, Senate Bill 4272, introduced 22 Jul. 2020, <https://bit.ly/2l5jAuD>.

security protocols for the new and advanced forms of energy generation and transmission.

- **Work together to hold the PRC to account on its environmental mismanagement.** While the PRC makes a lot of promises about its intent to improve its green credentials, and has made some improvements within the PRC itself, its energy-related actions outside of China continue to degrade the environment. The United States and Europe, together with our democratic partners, should examine various means of holding China to its promises on environmental issues. Germany has held up the ratification of an EU-wide trade deal with South America over Brazil’s deforestation of the Amazon—similar tactics could be considered for use with the PRC.<sup>690</sup>
- **Conduct U.S.-Europe port mapping exercises and identify risk mitigations.** The United States and NATO countries should conduct independent exercises to identify ports that are strategically significant and are currently operated or controlled by PRC state-owned enterprises or vulnerable to future acquisition or investment. In the United States, for example, the National Security Council should lead an effort that takes a broad view, while each regional combatant command within the U.S. military identifies those ports that are “essential to United States joint forces in carrying out assigned missions in their areas of responsibility.”<sup>691</sup> NATO allies should use independent assessments as a basis for comparison, prioritization, and identification of measures to mitigate risks, focusing primarily on ports in Europe. The United States and individual security partners that are active in Africa and the Indo-Pacific (e.g. France, the United Kingdom) should conduct a similar exercise looking at those two regions.
- **Address cyber and data security issues in ports.** The United States and Europe should conduct a fulsome review—in coordination with industry—of cyber and data security vulnerabilities, including potential security vulnerabilities in Nuctech equipment. Transatlantic partners should ensure that scanning and other equipment from untrusted vendors are not used in embassies, at military bases, or in any NATO facility.<sup>692</sup>
- **Initiate NATO discussions on undersea cables and conduct exercises that test NATO preparedness for severe compromise of undersea cable systems.** These discussions should identify any existing vulnerabilities for NATO with respect to undersea cables (especially with respect to cables supplied by PRC firms). Upon identifying vulnerabilities, NATO countries must limit or eliminate the presence of undersea ca-

<sup>690</sup> Stuenkel, Oliver. “Why the EU-Mercosur Deal Hinges on Germany’s Reaction to Bolsonaro”. *America’s Quarterly*, Americas Society/Council of the Americas, 09 Sep. 2020. <https://bit.ly/3evX0Y1>.

<sup>691</sup> Kardon, Isaac B. “Panel II: China’s Development of Expeditionary Capabilities: ‘Bases and Access Points.’” *Chinese Military Power Projection and U.S. National Interests*, U.S.-China Economic and Security Review Commission, 20 Feb. 2020, p. 14, <https://bit.ly/2U48kkB>.

<sup>692</sup> Cooper, Sam, and Andrew Russell. “Canadian minister promises review after security contracts awarded to Chinese-state tech company.” *Global News*, 17 Jul. 2020, <https://bit.ly/21c5F7E>.



bles that land in NATO countries or on which NATO countries rely. Furthermore, NATO countries should improve information and intelligence sharing on trends in PRC investment in undersea cables and the use of cables for intelligence collection. The United States, Europe, and other partners should also increase general attention on the security challenges associated with growing of PRC firms in the cable market. NATO should assess the necessity and potential for deploying more “dark cables” for redundancy.<sup>693</sup> Exercises should consider security and economic ramifications.<sup>694</sup> NATO should also evaluate its preparedness to operate in an environment where an adversary has access to its vital data and determine the efficacy of mitigations (such as shifting traffic to other systems).

### ***Growing U.S.-Europe Cooperation in Africa and the Indo-Pacific***

#### *Both Regions*

- **Highlight transatlantic cooperation in diplomatic messaging.** U.S. and European administrations and legislatures should highlight joint transatlantic efforts in both the Indo-Pacific and Africa in diplomatic and public messaging.
- **Prioritize full implementation of the Development Finance Institution Alliance.** Efforts should prioritize defining and scoping the types of projects most ripe for joint financing or cooperation, improving alignment on standards (using the G-20 standards agreed to in Japan as a starting point), solidifying data and information sharing, setting up processes to de-conflict investments, addressing technical barriers, and addressing differences on environmental issues. Both sides of the Atlantic should focus on shared goals, such as bringing cleaner power online faster for developing countries. European countries should remain open to joining the Blue Dot Network. Legislators on both sides of the Atlantic should continually demonstrate support for initiatives to spur private sector investment, including by signaling support for exploring investments in strategic but heretofore underexplored markets.
- **Hold regular and high-impact events on human rights, good governance, development, and other issues.** This builds on the already strong cooperation demonstrated during the joint Xinjiang event at the 2019 UN General Assembly. Legislatures should strengthen cooperation in this area as well.

#### *Africa*

- **Reframe the “Transatlantic Relationship” to include African partners.** In the next century, countries like Nigeria, South Africa, Ghana and Senegal will only grow as centers of economic and political power, and it is critical that the United States and Europe begin treating them as such. The United

<sup>693</sup> Sunak, Rishi. *Undersea Cables Indispensable, Insecure*, Policy Exchange, 2017, p. 8, <https://policyexchange.org.uk/wp-content/uploads/2017/11/Undersea-Cables.pdf>.

<sup>694</sup> *Ibid*, p. 8.

States, Europe, and Africa should establish a dialogue on trade, security, development, and environmental issues of mutual interest. This initial gathering would be an important step toward showing our African counterparts that we view them as important partners and neighbors, and start conversations that are long overdue.

- **Codify into law the Prosper Africa initiative while also considering an inter-continental Prosper Africa initiative to provide an attractive alternative to China that speaks to our principles.** The United States and Europe must look at Sub-Saharan African countries as principal economic, political and security partners in their own right, not just through the lens of competing with China. While the U.S. Congress should codify the Prosper Africa initiative and authorize consistent funding to ensure its future success, the United States and the European Union should also examine the establishment of an intercontinental Prosper Africa initiative. This means the United States and Europe need to work together to ensure that we are providing our African partners with attractive and mutually-beneficial opportunities. There is no shortage of stories about how the United States and Europe are preferred partners for African governments, but that we often do not show up at the table or that our bureaucratic processes impede collaboration. An inter-continental Prosper Africa initiative could help achieve better collaboration (for example, by creating a framework to align our trade and investment facilities) while limiting barriers and challenges faced by African countries in working with us.
- **Expand assistance programs that build democratic institutions, fight corruption, increase government accountability, grow American and European investment in Africa, and push back on corrupt practices by PRC firms.** Investing in these areas are important to the enabling environment for the expanded and mutually-beneficial trade with Africa that both the United States and Europe seek. In addition to trade, the institutionalization of democratic norms and institutions in Africa will also further our security and diplomatic interests. Improving legal regimes that provide accountability for corrupt activities and improve fiscal transparency and encourage competition (particularly on large state contracts) should also be a major focus.
- **Come to consensus on how to engage China in sub-Saharan Africa.** While the United States views PRC activity in Sub-Saharan Africa as predatory, self-serving and extractive, Europe's perspective allows for some cooperation based on respective priorities. China's presence is unlikely to diminish and both sides of the Atlantic will need to remain present and involved. In this context, the United States and Europe must be on the same page as allies on how to engage China in Africa, as daylight between us will only provide opportunities for China to exploit.

- **Continue supporting African partners to combat the threat posed by violent extremist groups and armed conflict.** On counterterrorism, the international community must work with our African partners to identify a single venue for coordination located within each region that prioritizes the inclusion of African partner voices. The United States and Europe must also expand cooperation with each other and African partners on counter trafficking and transnational crime, such as intelligence sharing and capacity building to investigate and prosecute criminal activity, including money laundering and other financial crimes. This also has the benefit of highlighting criminal activity on the continent that is being supported by Chinese interests.

*Indo-Pacific*

- **Put the Indo-Pacific front and center in transatlantic dialogues.** The Indo-Pacific region should be prioritized as a central topic in the U.S.-EU dialogue on China, and a U.S.-U.K. dialogue should be initiated after the latter's Integrated Review is published.
- **Align efforts under U.S. Indo-Pacific economic strategy and the EU-Asia connectivity initiative.** The European Union should move full speed ahead with implementing its Asia connectivity strategy. The United States and the European Union should identify commonalities in their approaches and start to identify concrete projects or initiatives to pursue together, such as potential coordination to build human capital in areas that helps foster open markets more hospitable to private sector-led investment and growth. This could also include de-conflicting and coordinating technical assistance and training to government official and private sector representatives in procurement practices, management of key economic sectors, and other areas.
- **Increase coordination and cooperation on maritime security and freedom of navigation.** Areas of focus can include joint freedom of navigation operations, increased multilateral training exercises, providing capabilities and training to Indo-Pacific partners, aligning efforts in regional security forums, and strengthening NATO cooperation with Japan, Australia, and other interested Indo-Pacific partners.
- **Cooperate on environmental and natural resource challenges in the Indo-Pacific.** Initial areas could include renewable energy, resilience in the Pacific Islands, and illegal and unregulated fishing. On wildlife trafficking, the United States and Europe should team up to jointly press China for greater transparency, accountability, and cooperation.



## ABBREVIATIONS AND ACRONYMS

---

**AGOA**—African Growth and Opportunity Act  
**AI**—Artificial Intelligence  
**ASEAN**—Association of Southeast Asian Nations  
**AU**—African Union  
**BRI**—Belt and Road Initiative  
**CAPDTC**—China Association for Preservation and Development of Tibetan Culture  
**CCP**—Chinese Communist Party  
**CFR**—Council on Foreign Relations  
**CGNPC**—China General Nuclear Power Corporation  
**CGTN**—China Global Television Network  
**COMAC**—Commercial Aircraft Corporation of China  
**COSCO**—COSCO SHIPPING Corporation Limited  
**CMPort**—China Merchants Port Holdings Co.  
**CSSA**—Chinese Students and Scholars Associations  
**CSSC**—China State Shipbuilding Corporation  
**DFC**—U.S. Development Finance Corporation  
**DFI Alliance**—An alliance of development finance institutions that includes U.S., Canadian and European development finance institutions  
**DFIs**—Development Finance Institutions  
**DESA**—UN’s Department of Economic and Social Affairs  
**DSR**—Digital Silk Road  
**ECFR**—European Council on Foreign Relations  
**ECOSOC**—The UN’s Economic and Social Council  
**EU**—European Union  
**FAO**—Food and Agriculture Organization, a UN specialized agency  
**FBI**—Federal Bureau of Investigation (U.S.)  
**FOCAC**—Forum on China-Africa Co-Operation Summit  
**G7**—Group of Seven  
**GATT**—General Agreement on Tariffs and Trade  
**GDP**—Gross Domestic Product

**GDPR**—General Data Protection Regulation  
**GPOI**—U.S. Department of State’s Global Peace Operations Initiative  
**ICAO**—International Civil Aviation Organization, a UN specialized agency  
**ICT**—Information and Communications Technology  
**IDAR**—Introducing, Digesting, Absorbing, and Reinnovating foreign intellectual property and technology  
**ID-CPC**—International Department of the Communist Party of China  
**IEC**—International Electrotechnical Commission  
**IO**—International Organization  
**IP**—Intellectual Property  
**IT**—Information Technology  
**ITIF**—Information Technology & Innovation Foundation  
**ITU**—International Telecommunication Union, a UN specialized agency  
**JPO**—The UN’s Junior Professional Officer program  
**MOU**—Memorandum of Understanding  
**NATO**—North Atlantic Treaty Organization  
**OBOR**—One Belt, One Road  
**PEACE Cable**—The Pakistan East Africa Connecting Europe undersea cable  
**PLA**—People’s Liberation Army (China)  
**PLAN**—People’s Liberation Army Navy (China)  
**PRC**—People’s Republic of China  
**R&D**—Research and Development  
**SASAC**—State-Owned Assets Supervision and Administration Commission of the State Council  
**SOE**—State-Owned Enterprise  
**State Grid**—State Grid Corporation of China  
**TCC**—Troop-Contributing Country  
**UHV**—Ultra-High Voltage  
**U.K.**—United Kingdom  
**UN**—United Nations  
**UNGA**—UN General Assembly  
**UNHRC**—UN Human Rights Council  
**UNSC**—UN Security Council  
**U.S.**—United States  
**USAID**—United States Agency for International Development  
**UCSF**—University of California at San Francisco

**WHO**—World Health Organization

**WIPO**—World Intellectual Property Organization, a UN specialized agency

**WTO**—World Trade Organization

**ZTT—T1**Zhongtian Technology Submarine Cable Co., Ltd.

