



CHINA'S GLOBAL SUPPLY CHAIN:

How Chinese Communism Threatens American Interests

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Preface

This white paper is an extension of a narrow campaign on encroaching Chinese influence that began in 2016. The goal of this campaign was to raise awareness of the Chinese Communist Party expanding its “soft power” by controlling American film production and distribution. The result was a revision of U.S. government oversight and approval of the foreign ownership of critical domestic assets. That revision was realized through the expanded authority of the Committee on Foreign Investment in the United States (CFIUS).¹ Passed in 2018, this was the first major reform of CFIUS since 2007.²

The expanded campaign comes at a time when it is critical to understand how Chinese influence has expanded in the United States, especially in light of the COVID-19 pandemic. It is not intended to serve as an extended critique of Chinese communism. Nor is it intended to criticize China for its foreign policy activities outside of the United States, such as the Chinese Communist Party’s support for North Korea or its weaponization of artificial islands in the South China Sea.³ Instead, our objective is to present a readable digest of information on how China, in many aspects, owns the United States.

Introduction

In today's globalized world, China is the most serious geopolitical threat to the United States. This is according to President Trump,⁴ Chairman of the Joint Chiefs of Staff Mark Milley,⁵ and former National Security Advisor James Jones,⁶ among other experts.

As Defense Department policy chief John Rood explained, "China is challenging this international rules-based order, challenging the individual freedoms that we support, challenging the free movement of ideas, and people [and] trade."⁷ Chinese aggression is driven by the Communist Party of China, which aims to expand its country's power in East Asia and worldwide—even on American soil.

Given the aggressive intentions of a communist regime hostile to American values, is it wise for so many vital U.S. products to rely on supply chains dominated by China?

The recent outbreak of the Wuhan coronavirus serves as a reminder of the downsides of our overreliance on China. The Chinese Communist Party covered up how many of its citizens were infected, lying in public statements and even blaming the U.S. military for spreading the disease.⁸ In January 2020, the Chinese Communist Party prohibited U.S.-based 3M and Honeywell from exporting masks from China to the United States to help slow the spread of the virus.⁹ Moreover, European countries later discovered Chinese-made masks and testing kits to be defective.¹⁰

Consider the following sectors vital to America's economic prosperity and national security:

Medicine: China produces 97 percent of U.S. antibiotics and about 80 percent of active pharmaceutical ingredients used in American drugs, giving the Chinese Communist Party a chokehold on potentially life-saving medicine.¹¹ For example, Chinese pharmaceutical companies supply 70 percent of the world's acetaminophen, commonly used in Tylenol.¹²

Food: In 2017, the United States imported \$4.6 billion in agricultural goods from China, which is also responsible for much of the global supply of soy and pea proteins that are found in nutritional supplements and synthetic meats.¹³ A Chinese firm has also purchased Smithfield, the world's largest pork processor and hog producer.¹⁴

Politics: According to Foreign Agent Registration Act filings, Chinese spending on political influence has skyrocketed from about \$7 million in 2016 to over \$30 million in 2020. This spending does not include considerable Chinese investments in "soft power" such as funding propaganda programs in education.

Data and DNA: China has obtained the personal information of many Americans through both illegal means such as hacking, as well as through access obtained by corporate purchases and investments. Experts are concerned about the implications for individual Americans.

Education: The Chinese government's theft of intellectual property has been an open secret for decades.¹⁵ More recently, U.S. authorities have discovered China is funding American university researchers, who don't always disclose those contributions.¹⁶ The Chinese Communist Party similarly funds "Confucius Institutes" at dozens of colleges and universities, providing it with another platform to spread propaganda.¹⁷

Technology: The manufacturing of smartphones and other household items is heavily reliant on China, which controls most of the rare earth minerals that make those items work.¹⁸ Additionally, China is seeking to build 5G networks in the United States and other Western countries, which could potentially feed personal information and sensitive data to the Chinese Communist Party.¹⁹

Media: Chinese firms have bought Legendary Entertainment, and other media companies.²⁰ Control of 8,000-plus American theater screens and other media platforms allows China to project "soft power" and block unflattering depictions of the Chinese government from being presented, both in terms of creative production and mass distribution.²¹

Another illustration of China's dominance is its recent slew of corporate takeovers. According to the Paulson Institute, Chinese firms and investors own a controlling majority in nearly 2,400 U.S. companies.²² Some of those companies are:²³

- AMC Entertainment (entertainment)
- Cirrus Wind Energy (energy)
- Complete Genomics (health care)
- First International Oil (energy)
- GE Appliances (technology)
- IBM—P.C. division (technology)
- Legendary Entertainment Group (entertainment)
- Motorola Mobility (technology)
- Nexteer Automotive (automotive)
- Riot Games (entertainment)
- Smithfield Foods (food)
- Teledyne Continental Motors and Mattituck Services (aerospace)
- Terex Corp. (machinery)
- Triple H Coal (mining)
- Zonare Medical Systems (health care)

The CCP doesn't need to purchase a company outright to access its secrets, either. In December 2020, a leaked database of Chinese Communist Party members found hundreds of them at foreign companies operating in China. IBM employed over 800 CCP members. 3M, a manufacturer of personal protective medical equipment, had over 200 CCP members. Boeing employed nearly 300 CCP members. "[M]embership in the Chinese Communist Party makes those people devoted not to the nation of China, or to the people of China, but to the political party of the CCP," noted one analyst.

While the United States grants China permission to buy its companies, China does not allow U.S. companies to operate the same way in China. The Chinese Communist Party prohibits foreign ownership of Chinese companies, requiring multinational companies to enter into forced technology-sharing if they wish to do business in China.²⁴ At the same time, the Chinese government does not recognize the right to free speech or freedom of press (among other basic rights), arbitrarily disallowing traditional and social media companies from doing business in China.²⁵ The Chinese "Great Firewall" of Internet censorship is infamous.²⁶

The COVID-19 pandemic, which originated in China and has been exacerbated by the Chinese Communist Party, is wreaking havoc globally—in terms of public health and economic activity. But the Chinese government's threat predates the current crisis. In the Chinese language, the word "crisis" (*weiji*) consists of two characters: Danger and opportunity. Our dependence on China is the danger. The opportunity is for America to reclaim its sovereignty and crack down on China's communist influence worldwide.

Medicine

The COVID-19 pandemic exposed just how ill-prepared many countries were in responding to an unprecedented crisis. The resulting shortage of Personal Protective Equipment (PPE) left medical workers on the frontline vulnerable to viral contraction, exacerbating the spread of the coronavirus.²⁷

The Chinese Communist Party is anything but blameless. Many essential medical items, such as face masks, are produced in China. A *New York Times* report found that China hoarded face masks, preventing them from being exported to the United States and other Western countries.²⁸ Moreover, those countries that were able to obtain Chinese-made items discovered sub-standard and even defective face masks.²⁹

The Chinese Monopoly

Face masks represent only the tip of the iceberg. The COVID-19 pandemic is also forcing the federal government to reevaluate its overreliance on China for medicine. The U.S.-China Economic and Security Review Commission's 2019 report to Congress, titled "Growing U.S. Reliance on China's Biotech and Pharmaceutical Products," sounded the alarm bell that Americans are no longer capable of manufacturing vital drugs.³⁰ In the report's words: "The U.S. generic drug industry can no longer produce certain critical medicines such as penicillin and doxycycline, and the APIs [active pharmaceutical ingredients] needed to make these antibiotics are sourced from China."³¹ Even switching to a country like India would not eliminate the Chinese monopoly, since Indian drug makers are similarly reliant on China for the vast majority of APIs.³²

Indeed, a recent study from the Council on Foreign Relations shows that Chinese pharmaceutical companies supply 97 percent of U.S. antibiotics.³³ Eighty percent of the APIs used to make drugs in the United States come from China or countries that rely on Chinese production.³⁴

Despite the COVID pandemic shining a spotlight on our reliance on China for medicine and masks, progress in securing our medicine is slow.

In September 2021, the U.S. Department of Defense's Inspector General warned America's reliance on "foreign-made APIs" leaves the U.S. vulnerable to a "drug shortage" so severe that it could weaken the U.S. military.³⁵

In April 2022, *The Nikkei* published an investigative report documenting China's takeover of "key global pharmaceutical supplies," like the antibiotic used to treat anthrax attacks, and found China gained dominance over APIs thanks to its governmental policies, which included subsidizing Chinese companies. The report found that China controls 86% of global exports of tetracycline, an important antibiotic.³⁶

Medical equipment is also manufactured in China—and increasingly so. In 2019, Chinese medical device exports doubled to nearly \$30 billion, compared to a decade ago.³⁷ This means the United States has become more reliant on Chinese-made medical devices—leaving medical workers susceptible to faulty products. In January 2020, Cardinal Health was forced to recall almost three million surgical gowns that had been made in China, at a cost of roughly \$100 million.³⁸ More recently, the United Kingdom ditched an entire order of 250 Chinese ventilators that were designed to help COVID-19 victims, after doctors found the breathing kits were so poorly made, they threatened patients' lives.³⁹

Dependence on China persisted throughout the pandemic. In 2022, the Biden administration agreed to send COVID rapid tests to each American household. In turn,

the U.S. spent \$1.3 billion on tests produced in China. White House press secretary Jen Psaki said the purchase was “in order to meet that demand.”⁴⁰

Weaponizing Medicine?

China’s stranglehold on the medical industry leaves it susceptible to disruptions in supply. The Chinese Communist Party could feasibly weaponize its medical monopoly to cripple the U.S. healthcare system.

According to Rosemary Gibson, author of *China Rx*, “If China shut the door on exports of medicines and their key ingredients and raw material, U.S. hospitals and military hospitals and clinics would cease to function within months, if not days.”⁴¹ In her words: “They can sell us medicines without any medicine in them. They can sell medicines that have lethal contaminants in it.”⁴² Gibson noted that the last U.S. penicillin plant closed in 2004, leaving Americans reliant on Chinese producers for those antibiotics.⁴³

Gibson's fears are not unfounded. Speaking at the National People’s Conference in 2019, Tsinghua University professor Li Daokui (a member of the Chinese Communist Party) claimed, “We are at the mercy of others when it comes to computer chips, but we are the world’s largest exporter of raw materials for vitamins and antibiotics.”⁴⁴ He added: “Should we reduce the exports, the medical systems of some western countries will not run well.”⁴⁵

In March 2020, the Chinese state news agency Xinhua similarly argued that other countries would not blame China for spreading the coronavirus, since they are dependent on Chinese drug exporters.⁴⁶ Without Chinese drugs, Xinhua claimed, the United States would “sink into the hell of a novel coronavirus epidemic.”⁴⁷

Concerns over Chinese medical weaponization have already triggered a 2019 congressional hearing.⁴⁸ At the hearing, Gibson again sounded the alarm, claiming medicine “can be used as a weapon of war against the United States.”⁴⁹ In a letter to health officials, Senate Finance Chairman Chuck Grassley (R-IA) similarly cited China’s medical monopoly as a major threat.⁵⁰

And it is a growing one. Between 2016 and 2018, the number of Food and Drug Administration import alerts—which can lead to a complete blocking of flagged products from entering U.S. ports—regarding Chinese companies rose from 19 to 28.⁵¹ Whether the Communist Party of China chooses to weaponize its medical supply or not, the United States is running a major risk by relying heavily on Chinese imports.

Recurring Problems in Chinese Medicine

Relying on China for medicine is not only risky on supply-chain grounds.

In 2013, the Chinese government announced a nationwide suspension of a children's vaccine after multiple children died, only to reverse course merely days later and clear the vaccines of all wrongdoing.⁵²

In 2015, a Chinese pharmaceutical manufacturer had to recall tens of thousands of APIs after "impurities 'similar to furs' were found in sampled bottles."⁵³

In 2016, the Chinese government caused widespread outrage after reluctantly admitting it tried to cover-up millions of tainted vaccines that were given to children, and which were sold by a pharmacist who already had been twice convicted for such illegal activities.⁵⁴

In 2018, impurities in APIs manufactured by China caused a worldwide recall of critical heart drugs.⁵⁵ The FDA ultimately issued only a "warning letter" to the Chinese company behind the recalls and closed it out less than three years later.⁵⁶

The same month as the heart drugs were recalled, hundreds of thousands of children vaccines across China had to be recalled after their manufacturer was caught having "fabricated data."⁵⁷

China Killing Americans With Fentanyl

Fentanyl is the leading cause of death for Americans aged 18-45. And the deadly drug is largely coming from China.

A key driver of the fentanyl crisis in the U.S. has been illicit fentanyl sourced to China, either trafficked directly (via the mail) or via Mexican cartels, who produce the fentanyl after buying the ingredients from China and traffic the drug across the southern border. Chinese "brokers" also launder money for Mexican drug cartels.⁵⁸

"Since 2013, China has been the principal source of the fentanyl flooding the U.S. illicit drug market —or of the precursor agents from which fentanyl is produced, often in Mexico — fueling the deadliest drug epidemic in U.S. history," according to the Brookings Institute.

The results are deadly.

Between October 2020 and October 2021, more than 105,000 Americans died of drug overdoses, with 66 percent of these deaths due to synthetic opioids like fentanyl. According to the DEA, in that period "the United States suffered more fentanyl-related deaths than gun- and auto-related deaths combined."⁵⁹

The Chinese government says it banned the production of fentanyl in 2019, but the ban—if it's even enforced—hasn't stopped the flood. An NPR investigation reported, “more than a year later, Chinese vendors have tapped into online networks to brazenly market fentanyl analogs and the precursor chemicals used to make fentanyl, and ship them directly to customers in the U.S. and Europe as well as to Mexican cartels.”⁶⁰

These days, the Chinese government's line is a flatout (if unbelievable) denial. “China has not found any scheduled precursor chemicals trafficked to Mexico or received any notification from the Mexican side about seizing scheduled chemicals originating from China,” the Chinese government told Politico.⁶¹

Food

The Wuhan coronavirus has brought much-needed attention to global supply chain issues, especially America's overreliance on China for food—not just from an availability perspective, but also from a safety standpoint. In addition, a Chinese firm owns Smithfield Foods, the world's largest pork processor and hog producer.⁶²

Food Imports from China

In 2017, the United States imported nearly \$5 billion in agricultural products from China.⁶³ This translates to about four billion pounds of agricultural products, including fruits and vegetables (fresh and processed), tea, and spices.⁶⁴ Fruit and vegetable imports account for the most significant piece of agricultural imports from China (36 percent), followed by snack food.⁶⁵

While Canada and Mexico remain the two largest suppliers of U.S. agricultural imports, China is still one of America's most important suppliers and its largest in Asia.⁶⁶ U.S. food supplies would be severely disrupted without Chinese products. This includes America's “essential” food supply—fruits and vegetables that Americans consume on a regular basis.

China's History of Safety Issues

America's dependence on the Chinese food supply leaves U.S. consumers dangerously vulnerable to food safety violations. A 2015 report by Asia Inspection found that nearly half of all Chinese food processing plants fail international standards for food safety.⁶⁷ According to the report, abnormal levels of antibiotics, bacteria, pesticides, and heavy

metals are found in food processed by China.⁶⁸ It is also not uncommon to find Chinese food plagued by abnormal coloring, strange odors, and mislabeled packaging.⁶⁹

In 2016, Chinese government officials reported 500,000 food safety violations in a nine-month period, including “rice contaminated with heavy metals [and] the use of recycled ‘gutter oil’ in restaurants.”⁷⁰ (Chinese government figures are notoriously misleading, so the actual number of violations is likely much higher.)

Chinese adulterated-food incidents include but are not limited to:

- “Lean meat powder”: Over the years, Chinese farmers have been found using a group of black-market additives, such as clenbuterol (asthma medication) and ractopamine, to make their meat products leaner.⁷¹
- Metal in rice: In 2017, Chinese officials reported that 10 percent of China's rice supply (over 12 million tons of grain) was contaminated with excess cadmium, a heavy metal known to cause cancer.⁷²
- Banned antibiotics in seafood: In 2016, Chinese fish and shrimp cultivated in certain regions were found to contain banned antibiotics, which can be harmful to humans.⁷³
- Aluminum in dumplings: In 2014, certain Chinese pastas and noodles, including the crusts used for dumplings, were found to contain high levels of aluminum.⁷⁴
- Melamine in baby formula: In 2008, melamine in baby formula led to the deaths of six Chinese babies, and the hospitalization of 50,000 people.⁷⁵
- Melamine in pet food: In 2007, China saw an outbreak of cat and dog deaths and illnesses associated with pet food manufactured with vegetable proteins contaminated by melamine.⁷⁶ Even worse, as many as three million Americans were found to have consumed chickens and hogs that had eaten contaminated Chinese feed.⁷⁷

And safety issues transcend agriculture or food. Between 2004 and 2007, an estimated 100,000 U.S. homes were made with toxic Chinese drywall.⁷⁸ In 2016, Chinese-made flooring sold by Lumber Liquidators was found to have contained cancerous compounds.⁷⁹ In 2019, Chinese-made blood pressure medication was found to be tainted.⁸⁰ The common denominator is the Chinese Communist Party’s reckless disregard for safety protocols, which can threaten consumers in the United States and around the world.

Contaminated Plant Protein Powders

Given the rising popularity of plant-based protein powder, Chinese production of the powder has come under intense scrutiny. It is possible for contaminants to penetrate plant protein powders, either through plant growth in contaminated soil or the industrial processing of those plants.⁸¹

In 2018, the nonprofit Clean Label Project (CLP) released test results for 134 protein powders (primarily used for muscle-building), screening for heavy metals.⁸² CLP found that at least 70 percent of the protein powders tested positive for lead and cadmium. The worst-performing product was “Vega Sport Plant-Based Vanilla Performance Protein,” which comes from pea protein powder sourced in China, among other countries.⁸³ The fourth-worst product, “Nature’s Best ISOPURE,” can be purchased directly from a Chinese manufacturer.⁸⁴

Synthetic Meat Relies on China

Plant protein isn't only used for nutritional supplements. Meat imitations, such as the Beyond Burger, are increasingly popular in the United States.⁸⁵ Also known as “fake meat,” these products generally use one of two proteins: Soy protein or pea protein. The production of both is heavily reliant on China.

The Good Food Institute (GFI), a trade association for fake meat products, reports that “China is such a dominant supplier of soy and pea protein to the world” that Chinese companies “typically export 50 to 100 percent of processed soy or pea to Europe, North America, and other countries in Asia.”⁸⁶ According to GFI, “70 percent of the world’s supply of soy isolate, a primary ingredient in many plant-based foods, is processed in one region in China: Shandong Province.”⁸⁷

Meanwhile, yellow peas are typically harvested outside China (in North America) and then sent to China for industrial processing.⁸⁸ The Chinese firm Jianyuan, one of the largest pea protein producers in China, uses a North American distributor called Farbest Brands that markets the powder for plant-based foods.⁸⁹

According to *Time*, pea protein from China is also being used by U.S. companies producing fake milk:⁹⁰

“Peas are easily broken down into building blocks of function: Starch, fiber, and protein. In China, home to many of the manufacturing plants that do this work, called fractionation, pea-protein isolate is widely thought of as the byproduct of the process. Pea starch is used to make noodles, and the leftover protein is shipped over to the U.S. McConnell’s Fine Ice Creams makes five non-dairy flavors starring micronized pea protein; Ripple Foods has sold seven million gallons of its non-dairy milk made with Ripptein, a proprietary protein made from yellow peas; and Annie’s, one of the scant few utilizing organic peas, stashes it in its mac and cheese.”

In February 2020, Beyond Meat purchased 285 tons of pea protein from the Chinese firm Shuang-ta Foods, indicating that China will remain a dominant producer of processed plant protein.⁹¹ In-deed, Chinese manufacturers are expected to increase their processing

capacity from 67,000 tons annually to 146,000 tons this year.⁹² Fake meat has been and will continue to be synonymous with Chinese influence.

The Smithfield Sale

Another direct threat to American food is the country's ownership of Smithfield Foods, the world's largest pork processor and hog producer. In 2013, the Chinese firm Shuanghui International Holdings—now known as WH Group and owned by Chinese billionaire Wan Long—bought Smithfield for \$7.1 billion,⁹³ gaining oversight of nearly 50 meat processing facilities and 40,000 employees in the United States.⁹⁴

China also gained access to about one million sows, which feed tens of millions of Americans.⁹⁵ In any given year, Smithfield's sales exceed \$15 billion, with the company selling more than 10 billion pounds of fresh pork and packaged meats per year.⁹⁶ According to Sen. Debbie Stabenow (D-MI), "Food security is national security. And I can't imagine that the American people will feel comfortable if they wake up someday and find that half of our food processors are owned by China."⁹⁷

Contributing to national security concerns, Chinese ownership can be traced directly to China's communist government. Smithfield's parent company, WH Group, began as a state-owned enterprise.⁹⁸ Wan Long transformed a government-owned slaughterhouse into China's largest meat company, leveraging political connections to grow his business.⁹⁹ The billionaire owner of WH Group is connected to China's top communist officials, and he remains a member of the National People's Congress.¹⁰⁰

China Buying the Farm

A budding concern is the growing Chinese purchase of real estate in the United States.

According to the United States Department of Agriculture, which tracks foreign ownership of farmland, Chinese purchases of farmland increased 10 fold between 2009 and 2016. The Chinese own a relatively small amount of farmland overall—about 350,000 acres.¹⁰¹ But it doesn't take a lot of land to cause trouble, and there is concern about ulterior motives for Chinese acquisitions.

The purchase of 300 acres of farmland in North Dakota by Chinese investors has caused alarm. The \$2.6 million investment is supposedly for a milling operation. But the land sits just a short distance from the Grand Forks Air Force Base. CNBC reports Air Force personnel are concerned about potential Chinese espionage because the farmland is "located on a narrow geographic footprint at which passive receiving equipment could intercept sensitive drone and space-based communications to and from the base."¹⁰²

In Texas, a Chinese billionaire with ties to the CCP has spent tens of millions of dollars buying up over 140,000 acres since 2016 to develop a wind farm. Critics warn these land purchases could also be used for espionage of the nearby Laughlin Air Force Base, and question the wisdom of relying on a Chinese-owned company for electricity—especially given the recent energy troubles in Texas.¹⁰³

According to the Midwest Center for Investigative Reporting, as of 2017 only a handful of states banned foreign ownership of farmland. That may be changing. The purchases fueled the passage of the Lone Star Infrastructure Protection Act in 2022. The law bans businesses associated with hostile foreign governments from accessing sensitive infrastructure including the Texas electrical grid, computer systems, and waste treatment systems.¹⁰⁴

Finance

Serious questions have emerged about investments in Chinese companies and their access to U.S. exchanges—and well over \$1 trillion is at risk.

One example is Luckin Coffee, China's answer to Starbucks. Luckin went public in 2019 on the NASDAQ exchange. Within months its valuation had skyrocketed to \$12 billion.

Yet it was a scam. The company had been faking sales. “Its sudden fall saddled pension, mutual and hedge funds, not to mention individual investors, with heavy losses both in Asia and the West,” reported the Wall Street Journal.¹⁰⁵

Shares of “bad actor” Chinese companies—including those sanctioned by the United States for national security and human rights abuses—have become heavily embedded in the U.S. capital markets. They are routinely added to indexes from mainland Chinese exchanges and made available to our investors through Exchange Traded Funds benchmarked against such indexes, ending up in the 401k pension plans, retirement accounts and other investment portfolios of scores of millions of unwitting American investors.

There are over 1,000 Chinese companies in the U.S. capital markets, many of them using the proceeds of their debt and equity offerings and other dollar fundraising activities in the U.S. capital markets for an array of nefarious purposes, including the funding of advanced PLA weapons system, the construction of a surveillance state, building and/or equipping concentration camps in Xin-jiang and militarizing Beijing's illegal islands in the South China Sea.

Moreover, none of these Chinese companies is compliant with US federal securities laws—including some 31 companies listed by the Pentagon as People’s Liberation Army-affiliated enterprises, the military arm of the Chinese Communist Party. The Public Company Accounting Oversight Board (PCAOB) was established to protect American investors from fraud, non-disclosure of material risks and other financial abuses, but not with regard to China.¹⁰⁶

Remember the Enron scandal? Many Americans lost a fortune. But while all U.S. companies now have to abide by new post-Enron regulations and PCAOB audits, Chinese companies in our capital markets are exempt from this requirement, thereby according them preferential treatment over their American corporate counterparts. This outrage was made possible by a Memorandum of Understanding signed in May, 2013 by the Obama Administration, which provided a waiver to Chinese companies that allowed them to escape these regulatory safeguards.¹⁰⁷

Since that fatally-flawed agreement, the PCAOB has expressed concern some seven years hence about its “lack of access to China” that prevents it from doing its job properly. In their words:

“Unfortunately, since signing the MOU in 2013, Chinese cooperation has not been sufficient for the PCAOB to obtain timely access to relevant documents and testimony necessary to carry out our mission,” the agency said, “nor have consultations undertaken through the MOU resulted in improvements.”¹⁰⁸

The potentially risky American investments could total as much as \$1.9 trillion or more, although no one yet knows for sure.¹⁰⁹ Indeed, in Nov. 2020, a giant Chinese financial company, the Ant Technology Group, was expected to raise \$30-\$40 billion in what was anticipated to be the largest initial public offering (IPO) in world history with a dual listing in Hong Kong and Shanghai. Few investors understand the seriousness of the material risks afflicting this company which are associated with national security, human rights and personal privacy abuses.¹¹⁰ (The Chinese government put the brakes on the Ant IPO at the last minute.¹¹¹)

Fortunately, in May 2020, the U.S. Senate unanimously passed a bill that would delist Chinese companies from U.S. exchanges unless they can prove they are not owned by a foreign government and submit to U.S. PCAOB audits within a three-year period. In August 2020, the Trump Administration endorsed a similar requirement, but, thankfully, with a much shorter implementation time for compliance with federal securities laws.¹¹² In 2021, the SEC approved a rule requiring Chinese-owned companies to disclose whether they are controlled by the Chinese government and to comply with comprehensive audits.¹¹³

And in November 2020, the Trump Administration banned U.S. investors from putting money into the aforementioned 31 companies linked to the Chinese military.¹¹⁴ However, billions of American dollars have already gone to investing in these companies.

Much more needs to be done—and urgently—to protect the hard-earned investment dollars of average American investors and stop the Chinese Communist Party from funding the destruction of our country and everything we hold dear—*with our money*.

While the American government may be aware of the scamming taking place in Chinese investing, some of the financial war China is waging against the U.S. is much more subtle. Roughly two-thirds of U.S. dollars spent in China over the past 30 years were spent on projects that expand China's industrial capacity, according to a report from Arkansas Sen. Tom Cotton. Compare that to Chinese investment in the U.S. Just 8 percent of the Chinese dollars spent in the U.S. fund industrial infrastructure in ways that could boost productivity. The rest is spent on intellectual property that can be exported to China without leaving much of a lasting investment in the U.S. China is also strategically investing in companies that offer national security perks. Chinese firms spent \$37 billion in at least U.S.-based 27 semiconductor companies between 2013 and 2016. The Chinese have also made mass investments in U.S. firms that produce artificial intelligence, airplanes, robotics, and other high-tech equipment.¹¹⁵

A Semiconductor War?

Billions of people around the world use smartphones and other electronic devices. Those devices are powered by semiconductors, also known as microchips. In many ways, semiconductors are the drivers of the digital economy. And China has become a global leader in semiconductor production, raising concerns about the country's rising market share and the electronic devices specifically powered by Chinese microchips.

While Taiwan, South Korea, and Japan are the world's top three countries in terms of semiconductor production capacity, controlling more than half of global semiconductor output, China is quickly gaining.¹¹⁶ In fact, the Chinese now produce one billion chips per day. In the first seven months of 2021, Chinese semiconductor output hit a record high, reaching over 203 billion units—up nearly 50 percent from the same period a year earlier.¹¹⁷ The Chinese economy has long been a manufacturing hub, producing nearly 40 percent of the world's electronics, such as smartphones and computers.¹¹⁸ However, the Chinese manufacturing sector's newfound interest in semiconductors is carving out a greater and greater market share for the CCP, expanding its influence in the electronic sphere.

As the leader in global semiconductor production, Taiwan's deteriorating relationship with China is worth noting.¹¹⁹ Taiwan's seventh largest city, Hsinchu, is home to the Taiwan Semiconductor Manufacturing Company (TSMC). The company is the world's most integrated and largest single producer of high-end chips used in smartphones, AI devices, and computers. In 2020, TSMC's consolidated revenue nearly reached \$48 billion.¹²⁰ The CCP knows as much, contributing to the rising tension between the two powers. Fighters from the PLA Air Force continue to find their way into Taiwan's Air Defense Identification Zones, while Chinese leaders routinely antagonize Taiwan with their rhetoric.¹²¹ Many experts suspect Taiwan's prowess in semiconductor production to trigger further aggression from the Chinese government, which hopes to take advantage of Taiwanese output. A future war of microchips is not unrealistic.¹²²

Such a war could come from a real war—over Taiwan. In March 2021, U.S. Admiral Phil Davidson, commander of the U.S. Indo-Pacific Command, told Congress he expects China to attack Taiwan within several years. Taking over Taiwan—long a goal of the CCP—would have the added benefit of giving the CCP a stranglehold over semiconductors globally. A war game study from the Center for a New America Security found that American dependence on Taiwan for semiconductors could be the flashpoint of a future war between the U.S. and China. The study compared Taiwanese chips to America's dependence on oil from the Middle East.¹²³

As China strengthens its own domestic capacity, the country applies pressure on Taiwan and other leaders in the semiconductor space. In 2020, China's 14th five-year plan incorporated measures to advance research, education, and financing for its domestic semiconductor industry.¹²⁴ Numerous Chinese companies, such as SMIC and the state-owned chipmaker Zhaoxin, have become major players.¹²⁵

U.S. policymakers are feeling the pressure too. While China is the world's largest consumer of microchips, the country's own companies only meet about 30 percent of local demand, forcing Chinese consumers to be reliant on American technology.¹²⁶ While Chinese policymakers are pursuing technological "self-reliance" in the semiconductor space, it is still not a reality, leading the United States to leverage its unique position. In 2019, the Commerce Department banned telecom giant Huawei from buying parts and components from U.S. companies without government approval, with the Trump administration claiming that Huawei threatens national security.¹²⁷ In 2020, the Commerce Department added more restrictions, mandating that foreign manufacturers using American-made machinery or software must obtain a special license. Later that year, the Trump administration officially blacklisted SMIC, China's largest semiconductor producer.

The Biden administration has doubled down on President Trump's actions. In April 2021, the Biden administration added seven Chinese companies to the official blacklist, accusing those companies of working with China's military. The semiconductor industry has become a geopolitical battleground, with the leaders in global production holding enormous sway over the world's digital economy.

Despite facing rebuke, Chinese industry groups are still intent on penetrating the American market and gaining new insights into Western industry. In March 2021, the China Semiconductor Industry Association—a Chinese industry group closely linked to the CCP—announced plans to work with the Washington, D.C.-based Semiconductor Industry Association, meeting twice a year to discuss policies that range from export curbs to supply-chain safety and encryption technology.¹²⁸ The new relationship suggests that China is not deterred by U.S. government intervention, exploring new ways to gain a stronger foothold in the digital economy that affects billions of people.

The United States has taken steps to regain semi-conductor independence at home. Intel announced in January 2022 that it would be opening a \$20 billion factory in Ohio which could become the world's largest silicon chip manufacturing plant.¹²⁹

Supply Chain Squeeze

Former Director of National Intelligence John Ratcliffe said China takes eight steps to gain control of a supply chain.¹³⁰

1. Decide to compete in an industry.
2. Attract foreign companies while strictly controlling market access.
3. Force concessions from those companies.
4. Capitalize on foreign innovation to improve Chinese domestic product.
5. Acquire foreign competitors' tools and resources (in this case, theater chains and film production companies).
6. Enact state protections for domestic Chinese companies.
7. Independently produce a competitive Chinese product.
8. Become a global leader in the industry.

China has followed this recipe with great success. China is responsible for 28.7 percent of all manufacturing output worldwide. For comparison, the U.S. is only responsible for 16.8 percent of global manufacturing. From 2001 to 2020, China's trade surplus with the United States grew nearly four-fold from \$83 billion to \$310 billion.¹³¹ This dominances means that any disruptions in China are going to be felt in the U.S., too.

This became clear when China implemented its zero-Covid policy which shut down or disrupted many manufacturers as they locked down regions of the country to stop the spread of the virus.¹³² Parash Jain, global head of shipping and ports equity research at HSBC told CNBC that America's reliance on China for its manufactured goods means that any small disruption in China, will have a ripple effect across the supply chain.”

“However, the chaos created because of this will eventually have an impact on the other side of the ocean. That’s why, as long as China maintains this very strict zero-Covid stance, we cannot rule out a disruption time to time as the year progress,” Jain explained.¹³³

Politics

Chinese businesses hire U.S. lobbyists to do their bidding on Capitol Hill—and they spare no expense.

In 2019, President Trump banned ZTE, a Chinese technology firm, from doing business in the U.S. This decision was finalized after it was revealed that ZTE violated U.S. sanctions by selling equipment to Iran and North Korea. In response, ZTE spent millions on lobbyists to try to convince Trump to allow ZTE to resume business as usual. Among the lobbyists hired were former Sens. Norm Coleman and Joe Lieberman along with David Urban and Bryan Lanza, two lobbyists who worked on Trump’s 2016 campaign.¹³⁴

There are countless examples of American lobbyists raking in healthy paychecks from Chinese businesses that are under the thumb and guidance of the Chinese Communist Party and Xi Jinping.¹³⁵ In 2020, Chinese interests reported spending over \$30 million on influence activities that fall under the Foreign Agent Registration Act—a sharp increase from the \$7.5 million reported in FARA filings in 2016.

Under the federal Foreign Agents Registration Act (FARA), lobbyists and other U.S. individuals who represent foreign interests and engage in political activities are required to register with the federal government. According to FARA registrations from 2016 to 2020, Chinese interests have spent more than \$140 million on such activities in America. However, only political or quasi-political activities are covered under FARA. For example, China’s proliferation of Confucius Institutes and Confucius Classrooms, which have popped up at more than 600 academic institutions, are not covered under FARA. Nor are controlled radio or television stations that broadcast Chinese government propaganda or the Chinese spin on the news.¹³⁶

FARA registrations have also revealed more than 35 U.S. companies representing Chinese firms and the CCP.¹³⁷ From the lobbying giant Squire Patton Boggs to the PR firms Burson-Marsteller and Ogilvy, these companies are known to advance the interests of entities like Huawei, China Daily, and the “Government of China,” among others.

Chinese lobbying has intensified. In 2021, the Chinese government spent over \$68 million in lobbying, while Chinese non-governmental sources spent more than \$15 million. (Important context: In China, there is no line between private business and the government, like there is in the US.)

In total, China spent more than \$80 million in 2021 on lobbying in the US, according to Open Secrets. The biggest spenders were media companies: CCTV America, China Daily, and Xinhua, the official mouthpiece of the Chinese government.¹³⁸

As of September 2022, the Department of Justice listed 21 active registrants representing China, and 8 active registrants representing Hong Kong. Registrants included ADLAB, LLC and Ruder Finn, both representing Huawei.¹³⁹

While Huawei and other Chinese companies have been blacklisted by the United States government, they are still free to hire US lobbyists.

Former members of Congress, even China critics while in office, are also known to lobby the federal government on behalf of Chinese interests. Former lawmakers Trent Lott, Ed Royce, and David Vitter were all recognized for standing up to China during their time in Congress, yet all three lobby for Chinese companies that have been accused of threatening U.S. national security.¹⁴⁰ As of August 2021, there are 12 former members of Congress registered as foreign agents for Chinese companies or lobbyists for their U.S. affiliates.

In addition to hiring lobbyists, China has urged American companies to use their own lobbyists to promote pro-China policies. In December 2021, vice-foreign minister Xie Feng urged American sponsors of the Beijing Olympics to speak out against anti-China policies, including restrictions on trade in regions of China where Uyghur slave labor is used in manufacturing.

“Speak up and speak out, and push the US government to pursue a rational and pragmatic policy towards China, stop conducting wars in trade, industry and technology, and stop creating ... ideological and geopolitical confrontations and conflicts,” Xie said at a meeting of major trade associations, including the American Chamber of Commerce and the U.S.-China Business Council.¹⁴¹

Many American corporations have taken China’s hint. They’ve stopped speaking on any issue that could be perceived as anti-China and they’ve taken steps to silence those who do.

LinkedIn blocked foreign journalists from posting content in China. Clothing companies Zara and Hugo Boss reversed statements they had made against using cotton produced in Xinjiang. Marriott hotels refused service to a group of Uyghur ex-pats looking to host a convention. Apple removed apps, including the Quran app from its App Stores in China. Amazon has ensured its cloud technology complies with Chinese regulations. The list goes on and on.¹⁴²

Sister Cities

Sister cities were first developed in the U.S. in the 1950s under President Eisenhower to promote global diplomacy on the local level. American cities would partner up with an international city and exchange citizen diplomats and volunteers to help both cities learn more about each other's culture.¹⁴³ In the U.S., Sister Cities International is the organization responsible for coordinating the relationships. In China, the Chinese People's Association for Friendship with Foreign Countries (CPAFFC) coordinates the relationship.

What started as a harmless way for cities to learn more about other cultures opened the door for the Chinese Communist Party to install officials that could lobby local governments in the U.S. on behalf of the Chinese government. Sister city relationships also give Chinese officials an important foothold in international business. For example, Chinese officials were able to purchase the car manufacturer Volvo, which is headquartered in Gothenburg, Sweden, in part because Gothenburg and Shanghai are sister cities.¹⁴⁴

Chinese business acquisitions are often made with an eye towards acquiring technology. According to a report by U.S. Senator Tom Cotton, "92 percent of Chinese investment funded acquisitions of American companies and intellectual property." This investment is not designed to improve America—but rather to take advantage of our intellectual property for China's own advancement.¹⁴⁵

U.S. officials have warned that sister cities can be even more nefarious. In February 2020, then-Secretary of State Mike Pompeo warned the National Governors Association that Chinese officials were lobbying elected officials, attempting to lure talented students to China, and using Chinese language courses to influence grade school children.

"Chinese Communist Party officials, too, are cultivating relationships with county school board members and local politicians—often through what are known as sister cities programs," Pompeo explained.¹⁴⁶

To facilitate this lobbying effort, the Chinese government hosts U.S.-China Mayors' Conferences in the United States where top officials, including Xi Jinping, treat American mayors and their staff to dinners while sprinkling Chinese propaganda talking points throughout the event. These conferences also allow Chinese-tied individuals to build relationships with American politicians while they try to change U.S. foreign policy. In 2019, Chinese officials stressed the importance of trade between the U.S. and China as the Trump administration continued its "trade war" at an event hosted by Sister Cities International and CPAFFC.¹⁴⁷

Some of the Chinese Communist Party's sister city lobbying extends far beyond trade. In 2016, CPAFFC terminated a sister city relationship between Prague and Beijing after

officials in Prague refused to terminate a relationship with Taipei, the capital of Taiwan. Chinese officials were enraged that Prague recognized Taiwan and cut the relationship off after a failed lobbying attempt. As part of the soured relationship, CPAFFC also took back a panda that was on loan to the Prague zoo as part of the cultural exchange.¹⁴⁸

Some U.S. officials have worked to limit the power of Chinese officials by regulating sister city relationships. Sens. Marsha Blackburn, Josh Hawley, Kevin Cramer, and Marco Rubio sponsored the Sister City Transparency Act, a bill that would authorize a review of sister city agreements by the Government Accountability Office.¹⁴⁹ Sens. Blackburn and Hawley also penned a letter urging mayors to reconsider their relationships with China and end any sister city arrangements.

“The recent actions of the Chinese Communist Party (CCP), however, suggest that sister-city partnerships may be China’s newest political weapon,” the Senators wrote. “Clearly, the CCP hides behind the veil of soft diplomacy and mutual benefit until their foreign partners exhibit ideological nonconformity... Sister-city partnerships may leave American communities vulnerable to Chinese espionage and economic coercion. With that, we urge you to heed the CCP’s strategic intentions and attempts to exploit our freedoms at the Federal and local levels.”¹⁵⁰

Political Espionage

While sister cities and lobbyists are perfectly legal in the U.S., Chinese officials also subvert the law to spy on politicians on behalf of the Chinese government.

In December 2020, *Axios* revealed that the FBI had been investigating several Chinese spies who were targeting local-level politics. The most noteworthy example of this espionage was the investigation into Fang Fang, a Chinese spy who had befriended U.S. Congressman Eric Swalwell. According to the report, Fang had sexual relationships with at least two Midwestern mayors and developed a personal friendship with Swalwell—who sits on the House Intelligence Committee. Fang worked on fundraisers for Swalwell and helped place an intern in his office.

Fang was able to meet politicians and build relationships with them at conference events for local politicians and mayors, similar to the mayoral conference hosted by CPAFFC.¹⁵¹

There are several other examples of Chinese spies getting access to top U.S. officials. In 2018, *Politico* revealed that Sen. Dianne Feinstein, who was the top Democrat on the Senate intelligence committee for several years, had unknowingly employed a Chinese spy for 20 years to serve as her driver.¹⁵²

The unfortunate reality of the problem with Chinese political espionage is that there could be several other cases taking place under the radar of law enforcement.

Think Tanks

Think tanks hold a lot of influence in Washington—and the Chinese hold a lot of influence over some prominent think tanks. A prime example of this dynamic is the Brookings Institution. The Brookings Institution, a liberal think tank, has received millions of dollars from foreign governments, including China and Qatar. Top officials at the Brookings Institution have, in turn, promoted policies that could benefit those nations. For example, retired U.S. Marine Corps Gen. John Allen, who led the institution, had direct correspondence with then-National Security Advisor H.R. McMaster, asking him to take specific actions to benefit Qatar during the same period in which the Institution received a \$2 million donation from the government of Qatar.¹⁵³

In another instance of the appearance of quid pro quo payments, Huawei, the Chinese telecommunications firm, paid Brookings Institution researcher Darrell West to release a glowing report about how Huawei could be the future of telecommunications in the U.S.¹⁵⁴ Huawei gave the institution \$300,000 and West has routinely defended the company.¹⁵⁵

These biased research projects have real consequences. The Brookings Institution is frequently cited by liberal members of Congress. Moreover, alumni of the Brookings Institution often find their way into government roles. At least 17 individuals appointed by President Biden have worked at the Brookings Institution, including Treasury Secretary Janet Yellen, Director of National Intelligence Averil Haines, and Rush Doshi, the China Director on the National Security Council. It is unclear what direct ties any of these individuals had to the Brookings Institutions' donors.

Brookings' ties to China are significant. Brookings' internal China Center was founded by John Thornton, a former president of Goldman Sachs who has received the "Friendship Award" from the Chinese communist government—the highest award given to foreigners.¹⁵⁶ Thornton is chairman of the Hong Kong-based Silk Road Finance Corporation, which facilitates Chinese investments in the controversial Belt and Road Initiative. Belt and Road is widely considered to be a "debt trap" scheme whereby the Chinese government builds infrastructure for poorer countries as a way to expand its military and political influence—and then can use the financing for leverage.¹⁵⁷

Yet Brookings is not alone. According to the Washington Free Beacon, China Daily—a news agency controlled by the CCP—has paid millions of dollars to American newspapers and magazines since the start of 2021, circulating pro-China advertising campaigns to the masses in America.¹⁵⁸ *China Daily* also partnered with the isolationist Quincy Institute for Responsible Statecraft, a controversial think tank supported by billionaires Charles Koch and George Soros. The news agency featured an interview with Charles Freeman, a U.S. diplomat affiliated with the Quincy Institute, who praised China's rapid modernization since the 1970s. In his words: "I knew China would change, but I never imagined how much and how fast it has changed."

Freeman joins a long list of pro-China voices at the Quincy Institute. For instance, the think tank's scholars have defended the CCP against allegations that the Chinese government has committed genocide against Muslim minority groups, namely the Uighurs, in Western China.¹⁵⁹

Entities like *China Daily* see global think tanks as valuable allies in promoting Chinese interests. A June 2021 newswire distributed by *China Daily* urged think tanks in China and Russia to “maintain close relations and deepen their cooperation.”¹⁶⁰ Zhou Shuchun, the publisher and editor-in-chief of *China Daily* in addition to serving as a member of the Standing Committee of the National Committee of the Chinese People's Political Consultative Conference (the country's top political advisory body), advocated for “deepening the cooperation among think tanks and jointly enhancing the international community's discourse.” It is not difficult to envision Zhou having similar ambitions in the United States, whether they're made public or not.

U.S. policymakers have begun to take notice of influencers like Zhou. In March 2021, House Republicans put forward a bill aimed at exposing the foreign funding of American think tanks that promote Chinese interests.¹⁶¹ Rep. Lance Gooden (R-TX) introduced the Think Tank and Nonprofit Foreign Influence Disclosure Act of 2021, with the goal of “root[ing] out foreign funding behind America's policy research institutions” and undermining “China's misinformation campaign against the United States.” While the bill would hold think tanks to stricter disclosure requirements, legislation has not advanced in the House, leaving a void for concrete action.

Data and DNA

Chinese Government Seeks Americans' DNA

Your DNA is unique and defines who you are. Individual genetic information has become a new frontier in medicine. A number of companies offer low-cost, direct-to-consumer services that allow individuals to learn more about their genetic profile.

This information has potential for beneficial uses for individuals. For instance, people can learn of genetic risk factors for diseases such as cancer, allowing them to take preventive measures. At-home DNA tests can also reveal a person's genealogy and have been used to solve unsolved crimes.

An individual's DNA also can potentially be used against someone if it falls into the wrong hands. Intelligence officials warn the Chinese government is trying to acquire the DNA

of individual Americans. The exact designs of the Chinese are not known publicly, but the possibilities are not good.

Background

The CCP has created a surveillance state that already collects personal data on its own citizens. The Chinese government's intention to construct a national forensic DNA database was first reported in 2017.¹⁶²

Much of this surveillance is conducted using digital data. Analysts expect that China will have over 600 million facial-recognition cameras throughout the country in the near future. This system is designed to keep tabs on the movements and activities of individual Chinese citizens—particularly in the event they do not carry a cell phone, which has its own geo-location data.

The Chinese government has also created the China National Gene Bank to store DNA data on its own citizens. The Gene Bank is administered by BGI Group (see below).

One group the Chinese government has targeted for coercive DNA sampling is the ethnic minority Uighur population. DNA is reportedly collected from Uighurs along with a facial scan, voice recording, and fingerprints. Over 1 million Uighurs are believed to be detained in CCP “re-education” concentration camps.

According to a 2019 New York Times story, Chinese DNA surveillance has been enabled by Americans: “Scientists affiliated with China’s police used equipment made by Thermo Fisher, a Massachusetts company. For comparison with Uighur DNA, they also relied on genetic material from people around the world that was provided by Kenneth Kidd, a prominent Yale University geneticist.”¹⁶³ Dr. Kidd denied knowing how the tech was used, while Thermo Fisher announced following the Times inquiry that it would no longer sell equipment to Xinjiang province, but not the rest of China. The Times noted that China accounts for \$200 million in revenue for Thermo Fisher annually.

Americans have essentially enabled a direct threat to U.S. interests. Focused on an illicit data pursuit, the CCP’s use of tactics like cyber theft has given China enough data to compile a “dossier” on every American.¹⁶⁴

Analysts believe the DNA collection is part of the CCP’s efforts to control the population. Some fear it may be used as part of the Chinese government’s organ harvesting.¹⁶⁵ Since 2017, China’s police force has collected DNA from millions of men and school-aged boys across the country, with the intention of collecting and storing genetic profiles of roughly 10 percent of the country’s male population—as many as 70 million people.¹⁶⁶ These DNA profiles can be used to construct genetic links to China’s entire male population, which

equates to about 700 million people. While the CCP claims DNA collection and storage will help track down criminals, the blatant invasion of privacy rights will also deepen the government's control over its population.

The CCP has also collected DNA data on Han Chinese, often through “free health checks.” The Chinese government is believed that have over DNA samples from over 100 million Chinese.¹⁶⁷

Methods of DNA Acquisition

Two methods of Chinese acquisition of Americans' DNA have emerged publicly.

The first is through opportunistic, Trojan Horse schemes. Following the COVID-19 outbreak, which started in China, the Chinese company BGI Group pushed states to use its testing equipment.¹⁶⁸ BGI Group, formerly known as Beijing Genomics Institute, is funded by the Chinese government to maintain China's DNA database of its own citizens. BGI Group pushed US labs to use its equipment, and even offered to set up entire laboratories. BGI Group has reportedly expanded its business by offering low- and no-cost testing around the world.

China's “generosity” had a catch. Intelligence experts feared this was a backdoor attempt to collect DNA on Americans, because BGI's equipment can do full DNA catalogues on individuals. An FBI special agent, meanwhile, warned Congress in March 2020 that BGI Group had a history of misusing data. BGI Group stores some of its data on systems made by Huawei—a controversial Chinese corporation that the U.S. government placed on a blacklist in 2020. The Commerce Department sanctioned two BGI Group subsidiaries in early 2021.

Beyond COVID-19, BGI Group is amassing and analyzing a vast bank of genomic data by selling prenatal tests to women around the world.¹⁶⁹ As of August 2021, more than eight million women—many of them in the United States—have taken prenatal tests sold by BGI Group, which works closely with the Chinese military to improve “population quality” and conduct genetic research that combats hearing loss and altitude sickness in soldiers. According to Reuters, U.S. government advisors fear that access to human genomes could “propel China to dominate global pharmaceuticals, and also potentially lead to genetically enhanced soldiers, or engineered pathogens to target the U.S. population or food supply.”¹⁷⁰

BGI Group has published more than a dozen joint studies on prenatal and neonatal research with the PLA. DNA data collected from the company's prenatal tests on women outside China has also been stored in the country's government-funded gene database, presumably for Chinese military use.¹⁷¹

Fulgent Genetics, a California-based company owned by Chinese-American billionaire Ming Hsieh has been accused of using practices similar to that of BGI Group. In December 2021, the FBI issued a warning that Fulgent likely shares data collected by its products with the Chinese government. Fulgent had received tens of millions of dollars in federal contracts, with several contracts for Covid-19 testing. Fulgent has denied sharing data with Chinese authorities.¹⁷²

The second way the Chinese government can obtain Americans' DNA is through acquisition of data from third parties. There's a saying about smartphone apps: If the app is free, you are the product. In other words, the app is reselling data about its users. For example, a dieting app may sell data about a user's food preferences to food marketers. Other apps may sell your individual location data to sources such as private investigators—including *real-time* data.¹⁷³

The most notable example is TikTok, the popular social media app owned by ByteDance, a Chinese company that has been accused of collecting American data and handing it over to the Chinese communist government and military.¹⁷⁴ The app's threat to Americans is so concerning that the Pentagon forbids its staff from downloading the app, as do the TSA and all branches of the military.¹⁷⁵ The Trump administration even attempted to ban TikTok in the United States. The Biden administration initially reversed course and derailed the previous administration's efforts to ban TikTok entirely.¹⁷⁶ But in February 2022, the Biden administration announced that it was looking at other ways to have oversight into TikTok's data collection, including mandatory source code audits to monitor data collection by some apps.¹⁷⁷

During the 2022 Winter Olympics in Beijing, the Chinese Communist Party gave the world's athletes a taste of living under the authoritarian eye of the party. The Olympic hosts required athletes to use apps and QR code scanners to do everything from ordering food to checking into their events. The cybersecurity group Citizen Lab

TikTok Deception?

New information undermines belief in TikTok's corporate assurances that data is safe.

In June 2022, BuzzFeed reported that recordings of 80 internal meetings at TikTok show that US user data has repeatedly been accessed from China. "Ultimately, the tapes suggest that the company may have misled lawmakers, its users, and the public by downplaying that data stored in the US could still be accessed by employees in China," the website reported.¹⁷⁸

"I feel like with these tools, there's some backdoor to access user data in almost all of them," said an external auditor hired by TikTok.

"Everything is seen in China," said a member of TikTok's Trust and Safety department.

advised athletes to use “burner” phones because of the spyware coded into all of the apps the athletes were required to use.¹⁷⁹

DNA collection also involves direct-to-consumer genetic test kits. These companies collect and sell genetic data as part of their business model. According to one law firm, “This genetic data often contains highly sensitive information about a consumer’s identity and health, such as ancestry, personal traits, and disease propensity.”¹⁸⁰ And despite some companies claiming they can remove identifying features as they sell the data, “an emerging consensus is that genetic data cannot truly be de-identified. For instance, some report that the existence of powerful computing algorithms accessible to Big Data analysts makes it very challenging to prevent data from being de-identified.”

Additionally, the Chinese can potentially access data by buying or making investments in U.S. companies. Chinese interests have made investments in or purchased more than 20 U.S. companies in healthcare and pharmaceutical industries.

Threat

In the wrong hands, personal genetic information can be misused in a number of ways.

1. The information could be used by scammers. Today, we hear of fraudsters impersonating the IRS over the phone to extort Americans. Tomorrow, fraudsters may be able to claim to know someone’s personal DNA information and sell them phony cures.
2. Many disorders, such as alcoholism, have a genetic component. People may not even be aware of their own genetic risk factors. This information could be abused by Chinese intelligence services in the targeting of specific high-value individuals, such as a politician or CEO.
3. DNA could potentially be used in the development of bio-weapons.

Legislation

DNA privacy is an emerging issue that has flown under the radar.

Many consumers mistakenly may assume their personal DNA data is already protected by law. This is not the case. The Health Insurance Portability and Accountability Act (HIPAA) is a well-known law that protects patient privacy. But while it applies to medical providers, it does not apply to direct-to-consumer genetic testing companies. The use of personal genetic information is typically defined in the “fine print” agreements that consumers may—or may not read—when they submit their DNA samples. A 2018 Vanderbilt University survey found that 78 percent of testing companies gave genetic information to third parties without additional consumer consent.¹⁸¹

As of early 2021, there has been little legislative attention to this important issue. At the federal level, Rep. Bobby Rush (D-IL) proposed a bill in 2019.¹⁸² The bill died in committee.

At the state level, a bill on DNA privacy passed the California state legislature in 2019 but was vetoed by Gov. Gavin Newsom. Legislation has since been introduced in California and New Jersey.

In the United Kingdom, Tom Tugendhat, chairman of the British parliament's Foreign Affairs Select Committee, condemned BGI Group's harvesting of genomic data from prenatal tests in July 2021.¹⁸³ In his words: "I'm always concerned when data leaves the United Kingdom, that it should be treated with the respect and privacy that we would expect here at home, and the concern that this raises is that it may not be so." Tugendhat also urged the British government to take a closer look at BGI Group, ensuring that the company follows strict data protection laws. He is one of nine British lawmakers who has been sanctioned by the CCP for pointing out human rights abuses in Xinjiang, which Beijing describes as "lies and disinformation."

In the United States, however, we are behind the curve. The CCP likely has DNA data on many Americans already. State and federal legislators need to act quickly to protect Americans' personal information.

Chinese Tech Threats to State Governments

Chinese-made technology also poses a threat if used by federal, state, or local governments.

In 2021, Chinese government hackers broke into the computer networks of at least six state governments. Hackers can exploit holes found in software. But there's also concern that technology products made in China could be built with backdoors that allow for easy infiltration or espionage.¹⁸⁴ At least 40 state governments use equipment supplied by Lenovo and Lexmark, two Chinese companies with ties to the CCP.¹⁸⁵

A 2022 report from the conservative Heritage Foundation warned state governments they need to address the Chinese tech threat head on.¹⁸⁶ The report urges states to take action on several fronts:

1. Restrict CCP-linked companies from state contracts.
2. Restrict university partnerships that help the Chinese military.
3. Move public funds, such as pension investments, away from Chinese entities.
4. Pushing back against Chinese lobbying in states.

Some states are taking action. In 2022, Georgia passed a state law prohibiting companies owned or operated by the Chinese government from bidding on state contracts. Texas also passed a law in 2021 prohibiting companies aligned with hostile nations from accessing critical infrastructure including the electrical grid, computer networks, and water systems.

Education

Where the Chinese Communist Party also possesses substantial oversight is in the realm of intellectual property, particularly on college campuses. Many American colleges and universities have partnerships with their Chinese counterparts, forcing U.S. officials to closely examine those relationships over concerns about academic dishonesty and intellectual property theft.

Foreign Recruitment

In 2008, the Chinese government created the “Thousand Talents Program,” now known as the “National High-End Foreign Experts Recruitment Plan.”¹⁸⁷ “Thousand Talents” was a recruiting program set up by the Chinese government to obtain researchers and scientists from Western countries and bring their talents (and trade secrets) back to China.¹⁸⁸ China provided significant funding for those researchers and scientists to relocate to East Asia, so that they could continue their work on Chinese soil—specifically in high-tech industries.¹⁸⁹ China’s communist government was primarily interested in new discoveries at the forefront of scientific research, which could advance the Chinese agenda.¹⁹⁰

While the “Thousand Talents Program” is the most prominent, the Chinese Communist Party maintains over 200 state-sponsored foreign talent acquisition programs.¹⁹¹ Many are operated by the People’s Republic of China Central Government, while their agendas are largely unknown to foreign intelligence officials.¹⁹²

It is widely believed by federal officials that China’s recruitment plans encourage the theft of intellectual property and economic espionage. In 2019, a former Monsanto engineer was indicted by federal prosecutors for stealing “software used by farmers to monitor the content levels of their soil in order to make fertilizer applications more efficient.”¹⁹³ Prosecutors alleged that he stole the software in exchange for a job at the Institute of Soil Science, Chinese Academy of Sciences in Nanjing.¹⁹⁴

Similarly, China’s Northwestern Polytechnical University (NPU) was charged by U.S. prosecutors for allegedly participating in a plan to steal anti-submarine warfare technology and send it back to China.¹⁹⁵ NPU is one of China’s “Seven Sons of National Defense,” a group of leading universities with ties to the Chinese military-industrial complex. The “Seven Sons” stand “at the forefront of national defense in China,” contributing to military projects from an educational perspective. As such, they are deemed “very high risk” by the Australian Strategic Policy Institute,¹⁹⁶ which is funded by the U.S. State Department to track Chinese research collaborations.¹⁹⁷

The Chinese Communist Party has made it a mission to fund research on American soil, without admitting it. Last year, the Department of Justice (DOJ) reached a \$5.5 million settlement with the Michigan-based Van Andel Research Institute over allegations that it failed to disclose two of its researchers were funded by the Chinese government.¹⁹⁸ DOJ investigators accused the Institute of failing to divulge to the National Institutes of Health (NIH) that its scientists also received foreign research funding to work with the NIH.¹⁹⁹ In the DOJ's words: The Institute made "factual representations to NIH with deliberate ignorance or reckless disregard for the truth regarding the Chinese grants."²⁰⁰

One of the best-known cases of Chinese interference is that of Charles Lieber, chairman of Harvard University's chemistry department.²⁰¹ In January 2020, Lieber was arrested for concealing more than \$2 million in Chinese funding. Lieber purportedly signed a contract with the Chinese government stating that he would be paid \$50,000 a month, with an additional \$150,000 per year to cover personal expenses.²⁰² He also received \$1.5 million to establish a research lab at the Wuhan University of Technology, focusing on the "research and development of nanowire-based lithium ion batteries with high performance for electric vehicles."²⁰³ The Chinese Communist Party's goal, presumably, was to use Lieber's expertise to advance its electric automobile industry—at the expense of its American competitors. Lieber was found guilty of two counts of making false statements to federal authorities, two counts of making and subscribing a false income tax return, and two counts of failing to file reports of foreign banking with the IRS in December 2021.²⁰⁴

Lieber may be the most notable spy, but he is not alone. The Department of Justice noted in 2020 that more than 1,000 foreign researchers tied to the Chinese military had left the U.S. in response to pressure from the federal government. At least six members of the People's Liberation Army had their visas expelled for lying about their connections to the Chinese military.²⁰⁵ One of those arrested was Hu Haizhou. Hu was arrested attempting to flee the U.S. in 2020 with highly advanced robotic code stolen from the University of Virginia's Department of Mechanical and Aerospace Engineering.²⁰⁶

In September 2021, three additional professors were identified as participants in the Thousand Talents Program, according to leaked documents obtained by the Epoch Times. Two of the professors were with Carnegie Mellon University while another worked for University of California – Berkeley. All three were involved in the study of biomedical research and development. The professor from Berkeley was the recipient of several grants from the National Institutes of Health and the National Science Foundation, totaling more than \$5.9 million in research funding.²⁰⁷

While these examples of theft were committed by Chinese nationals, even some American scientists are feared to be compromised. The National Institutes of Health released a report in 2021 announcing that 500 federally funded scientists were under investigation for being potentially compromised by the Chinese government who hopes to use the situations to steal intellectual property. The potentially compromised scientists are

employed by 90 separate institutions, according to NIH. Much of the exposed data was medical research, including COVID-19 developments.²⁰⁸

The Education Department Steps In

The Chinese government's interference is so rampant that it has even triggered a Department of Education investigation.²⁰⁹ In February 2020, the Education Department announced an inquiry into foreign contribution reporting at Ivy League universities.²¹⁰ Its investigation not only followed the Lieber arrest, but also came after Harvard University and Yale University failed to report hundreds of millions of dollars in foreign gifts and contracts, many of them involving China.²¹¹ Yale failed to disclose at least \$375 million in recent years.²¹²

As Education Secretary Betsy DeVos explained, "This is about transparency. If colleges and universities are accepting foreign money and gifts, their students, donors, and taxpayers deserve to know how much and from whom. Moreover, it's what the law requires."²¹³ The Education Department's investigation also follows a 2019 Senate report, which concluded the following:²¹⁴

- From January 2012 to June 2018, 15 U.S. colleges and universities reported receiving more than \$15 million directly from Hanban, a propaganda arm of the Chinese Communist Party.²¹⁵ Furthermore, the Senate Permanent Subcommittee on Investigations requested financial records from about 100 U.S. academic institutions, finding that China directly contributed over \$113 million to them—more than seven times the amount those schools originally reported.
- Nearly 70 percent of the U.S. academic institutions that received more than \$250,000 from Hanban failed to properly report that information to the Education Department.
- On average, fewer than 300 of the approximately 6,000 American colleges and universities report receiving foreign money each year.

Nevertheless, the Chinese government continues to interfere with the U.S. education system. The Chinese Communist Party has pledged to spend about \$2 trillion in an effort to obtain and eventually dominate technologies from the developed world.²¹⁶

And the Chinese threat is heightened by academia's failure to report China's contributions. According to the Clarion project, an estimated \$1 billion that flowed from foreign sources like China to colleges and universities from foreign sources between 2013 and 2018 was undisclosed.²¹⁷ Those disclosure failures come in spite of federal law, which requires schools to disclose foreign funding.²¹⁸

In November 2020, the Trump administration threatened to pull federal aid from any university that failed to report foreign funding.²¹⁹ This prompted a wave of previously unknown disclosures of foreign funds. Princeton University, for example, disclosed an additional \$4.6 million from CCP-controlled Peking University to fund research in drug development and computer science. At the same time, Princeton's Center on Contemporary China failed to produce any research on Chinese censorship, detainment of Uyghurs, or any other contemporary Chinese scandals.²²⁰

The full extent of Chinese interference in higher education is still largely unknown.

The Trump administration aggressively targeted China in the U.S., but the Biden administration has halted much of the Trump administration's efforts leaving many to question how seriously he takes the problem of China's growing soft power in the U.S. Biden's Education Secretary Miguel Cardona has not been vocal on the issue of Chinese influence in schools and he was not asked a single question about the issue during his confirmation.²²¹ Biden has already scrapped one Trump Administration rule that required K-12 schools to disclose any funding from China, a decision that gravely concerned Republicans.²²²

Confucius Institutes

To expand its influence in the United States, the Chinese government also relies on so-called "Confucius Institutes," which are housed at U.S. academic institutions and promote the Chinese worldview.²²³ Funded by the Chinese Communist Party, Confucius Institutes generally offer Mandarin classes for students, coupled to cultural outreach to local communities and nearby K-12 schools.²²⁴ The first Confucius Institute was established in 2004 at the University of Maryland.²²⁵ Since then, close to 100 similar programs have been opened across the United States.²²⁶ Additionally, 500 "Confucius Classrooms" have popped up at K-12 programs.

Confucius Institutes are supplemented by the People's Liberation Army (PLA) of China, which is expanding its research collaboration with foreign colleges and universities.²²⁷ Since 2007, the PLA has sponsored more than 2,500 military scientists and engineers to study abroad, developing relationships with academic institutions in the United States and other Western countries.²²⁸

This elevates the risk of Chinese censorship within American borders. According to a 2014 report from the American Association of University Professors, Confucius Institutes jeopardize academic freedom through their inaccurate portrayals of China.²²⁹ In the report's words: "Most agreements establishing Confucius Institutes feature non-disclosure clauses and unacceptable concessions to the political aims and practices of the government of China. Specifically, North American universities permit Confucius Institutes

to advance a state agenda in the recruitment and control of academic staff, in the choice of curriculum, and in the restriction of debate.”²³⁰

That same year, a Confucius Institute in Portugal was accused of censoring materials for a conference on Chinese studies.²³¹ According to a Confucius Institute Headquarters official, several of the materials initially prepared for the conference “were contrary to Chinese regulations,” and therefore scrapped.²³²

Four years later, Sen. Marco Rubio (R-FL) accused three Florida academic institutions with Confucius Institutes—Miami Dade College, the University of North Florida, and the University of South Florida—of refusing to discuss sensitive topics, such as Taiwan, Tibet, and the Tiananmen Square Massacre.²³³ As Sen. Rubio explained, “Sensitive topics like Tiananmen, Tibet and Taiwan are off limits at Confucius Institutes or, if discussed, how to the Chinese Government and Communist Party line.”²³⁴ The Florida senator cited a 2017 report by the National Association of Scholars, asking Confucius Institute officials what they would say if asked about Tiananmen Square.²³⁵ Several respondents admitted that they would mention “the Square’s historic architecture,” and not the Chinese government’s suppression of pro-democracy protesters in 1989.²³⁶

Faced with mounting criticism, several academic institutions—including Texas A&M University system and the University of West Florida—have begun shuttering Confucius Institutes.²³⁷ This follows bipartisan congressional pressure and interest from the Federal Bureau of Investigation (FBI).²³⁸ FBI Director Christopher Wray has publicly voiced his own “concerns,” describing Confucius Institutes as “just one of many tools” that the Chinese Communist Party uses to spread its influence abroad.²³⁹

Amid the criticism, some Confucius Institutes have shut down at the behest of universities that do not want to be tied to the Chinese government.²⁴⁰ But dozens of Confucius Institutes remain active across the country, spreading pro-China propaganda while silencing dissent. These programs have direct access to American students, which the Chinese government sees as valuable targets for its one-sided messaging. They also still have access to Chinese money. According to a report from the *Washington Examiner*, Columbia University received \$17.6 million from Chinese sources in 2020 alone.²⁴¹

Even where Confucius Institutes have closed, American schools maintain close ties to China.²⁴² For example, the University of Central Arkansas (UCA) announced the closure of its Confucius Institute (CI) in July 2021, formally ending UCA’s 14-year involvement in a CCP program. Yet, in a move consistent with Confucius Institute closures in other states, UCA continues to coordinate with its former CI partner university in China, suggesting that U.S. academia and the Chinese government remain closely linked.

UCA is only the tip of the iceberg: The University of Michigan continued to receive funding from China’s Centre for Language Education and Cooperation (formerly known as Hanban)

even after the school's Confucius Institute closed.²⁴³ Similarly, Tufts University launched a new partnership with the same Chinese university previously involved in Tufts' shuttered Confucius Institute. Educators from that school, the Beijing Normal University, even worked on the Chinese development of unmanned aerial vehicles and facilitated transfers of sensitive technology between academic institutions and Chinese industry groups.^{244,245}

Confucius Classrooms

While Confucius Institutes target college-aged Americans, Confucius Classrooms target children in grades K-12. Similar to Confucius Institutes, Confucius Classrooms provide Chinese language courses to students. The U.S. school and the Chinese government—through Hanban, the organization known as the Confucius Institute headquarters—jointly fund the program. Most programs include a Chinese national as the instructor and offer international exchange programs for students to tour China, just like the Confucius Institutes. The Confucius Classroom division was first born in 2008 and there are more than 1,000 Confucius Classrooms worldwide. At one time, there were more than 340 Confucius Classrooms throughout the United States, but the current number is not clear.²⁴⁶

Some Confucius Classrooms branch off nearby Confucius Institutes. Others were established independent of any university as part of the Asia Society's Confucius Classroom Network. The Asia Society, a New York-based nonprofit founded by John D. Rockefeller in 1956, was originally established to develop cultural exchanges between the U.S. and Asian countries. Still today, the Asia Society has a major emphasis on the exchange of artwork, much of which is located at the Asia Society Museum in New York City.²⁴⁷ The Asia Society, however, has also worked to expand access to Chinese language courses in American classrooms with the direct help of CCP members and the U.S. Department of Education.

The Asia Society Confucius Classroom Network opened its first programs in 2010 and it continued to recognize programs as official "Confucius Classrooms" until late 2020. The Asia Society bragged about working directly with Hanban to open more than 100 classrooms in the U.S.²⁴⁸ During this time, the Asia Society also partnered with the U.S. Department of Education to sponsor events focused on the teaching of the Chinese language in schools. The Department of Education and the Asia Society even co-authored a report about teaching the Chinese language all while the Asia Society was working with Hanban.²⁴⁹

The Asia Society also recognized Confucius Classrooms during this time that were funded by Foreign Language Assistance Program (FLAP) grants with the remaining funding coming from Hanban.²⁵⁰ Rebecca Richey, an official with the U.S. Department of Education who oversaw FLAP, was listed on the Confucius Classroom's Initiative Expert Advisory Committee alongside two Chinese government officials.²⁵¹

The Asia Society also developed several schools throughout the United States with help of grants from, among others, the Bill and Melinda Gates Foundation. The Gates Foundation gave the Asia Society \$7.75 million to build its International Studies Schools Network (ISSN) to help build a network of schools that focused on a "global curriculum."²⁵² Many of the ISSN schools have Confucius Classrooms and those schools often encourage students to participate in an exchange program to visit China.²⁵³ These schools have received a lot of positive publicity and in 2012, then vice presidents Joe Biden and Xi Jinping were photographed together during a tour of an ISSN in California.²⁵⁴

While there are hundreds of Confucius Classrooms still operating in the United States, they can be difficult to track down. This is, in part, because the Asia Society quietly rebranded its "Asia Society Confucius Classroom Network" into the "Asia Society Chinese Language Partner Network" sometime around September 2020, according to archive screenshots from the Asia Society's website.²⁵⁵ It is not clear why this quiet rebrand took place, however it did coincide with the Trump administration's effort to provide more transparency in the Confucius Institutes.

Hanban has also rebranded to the Center for Language Education and Cooperation (CLEC) and the CCP added an additional non-governmental organization called the Chinese International Education Foundation to oversee local Confucius Institutes that still remain.²⁵⁶

Despite the rebrand, these programs remain unchanged. Confucius Classrooms—whatever they may be called—remain an American-based outpost where the CCP can continue to spread its propaganda to young children while pushing its one-sided, pro-China message.

Chinese Students and Scholars Association

The Chinese Students and Scholars Association (CSSA) is a student group present on many campuses throughout the United States. While it paints itself as nothing more than a cultural group for Chinese students in the U.S., it has been accused of operating as an arm of the Chinese Communist Party to spread propaganda and censorship into the U.S.

In 2015, for example, CSSA organized hundreds of Chinese students to welcome Xi Jinping to greet him in Washington when he arrived for a diplomatic meeting. Further investigation revealed that CSSA's presence was not a spontaneous student gathering, but rather a coordinated recruitment effort conducted at the direction of the Chinese Embassy in Washington whereby each George Washington University student was paid to attend the rally. A similar arrangement was made 2012 to greet Xi on a separate visit to the U.S.²⁵⁷

In 2022, the CSSA at George Washington University was involved in another apparent censorship effort on campus. At the time, a separate group of students had hung up posters

condemning China's detainment of the Uyghurs during the winter Olympics in Beijing. CSSA accused the campus of supporting anti-Asian hate and the university president, Mark Wrighton, ordered the posters to be removed because they were "inciting racial hatred and ethnic conflicts." He later apologized for ordering the removal of the posters.²⁵⁸

America's "Brain Drain"

It's impossible to understand China's influence on education without analyzing the flow of students—namely, America's "brain drain." Chinese students are increasingly taking the knowledge they acquire from American colleges and universities back to China, where they can use it on behalf of the Chinese Communist Party. In 2000, only 10 percent of Chinese students studying abroad returned to China.²⁵⁹ In 2017, that number increased to 80 percent.²⁶⁰ It is now the norm for Chinese talent to return to East Asia, once their schooling is complete.

Chinese graduates often return to China in pursuit of high-paying jobs, many of them in finance and technology. In 2017, more than \$65 billion worth of venture capital investments were made in China—a 35 percent increase year on year.²⁶¹ This has produced a robust labor market for Chinese talent to consider, even when compared to the United States. But that talent is taking advantage of the U.S. education system to contribute to China's economy—not America's.

The return of Chinese talent is also an opportunity for Chinese government officials to recruit highly educated individuals into public-sector roles.²⁶² The same goes for valuable research positions funded by the Chinese Communist Party.²⁶³ According to a 2018 *Bloomberg* report, "U.S.-trained, Chinese-born talent is becoming a key force in driving Chinese companies' global expansion and the country's efforts to dominate next-generation technologies like artificial intelligence and machine learning. Where college graduates once coveted a prestigious overseas job and foreign citizenship, many today gravitate toward career opportunities at home, where venture capital is now plentiful and the government dangles financial incentives for cutting-edge research."²⁶⁴

Those "financial incentives" are worth monitoring. Wherever Chinese talent ends up in China's economy, it poses the risk of undermining the United States—which groomed that talent in the first place.

Technology

Building on its “brain gain,” the Chinese Communist Party leverages a wide range of unfair trade practices to gain an upper hand economically. This is especially evident in the realm of technology and, by extension, data collection. The Chinese government sees itself in a race against the United States for global tech supremacy, and the end seems to justify the Chinese Communist Party’s means.²⁶⁵

For example, the Chinese government engages in a policy known as “forced technology transfer” with foreign companies seeking to do business on Chinese soil.²⁶⁶ This means that American businesses must surrender major technological information to Chinese firms or government entities in order to conduct business in China.²⁶⁷ More often than not, American companies “transfer” their technology by forming a joint venture with a Chinese company, which gains access to American partner’s trade secrets.²⁶⁸

This is driven by China’s reliance on foreign technology—a gap that the Chinese Communist Party hopes to bridge. More than half of the suppliers to China’s tech-using sectors are foreign-based, providing China with intermediate goods that Chinese manufacturers find difficult to produce.²⁶⁹ China’s largest goods import by value is semi-conductors—about 12 percent of total imports.²⁷⁰ What the Chinese government does to bridge the gap is force foreign suppliers to operate through joint ventures with domestic “partners” where the foreign partner cannot hold a controlling stake.²⁷¹ Many are then forced to hand over sensitive information, which can then be used by Chinese firms to gain market share.²⁷²

According to the European Union Chamber of Commerce in China, European companies that are competing in high-value, cutting-edge industries are forced to transfer technology at higher-than-average rates.²⁷³ Chemicals and petroleum, medical device, pharmaceutical, and automotive companies are the most vulnerable.²⁷⁴ Indeed, the *South China Morning Post* reports that “44 percent of aerospace and 41 percent of chemical companies face ‘notable’ pressure to transfer technology.”²⁷⁵

There are many examples. Kawasaki Heavy Industries, the maker of Japan’s Shinkansen bullet train, set up a joint venture with Chinese manufacturers in 2004.²⁷⁶ Seven years later, the Chinese government filed for international patents on high-speed trains, with Kawasaki officials claiming that Chinese competitors used their technology transfer to gain a competitive advantage.²⁷⁷

Similarly, U.S.-based DuPont Co. spent more than a year in arbitration with its one-time Chinese partner, accusing the company of stealing valuable chemical technology.²⁷⁸ Huntsman Corp., another American manufacturer, claims to have found its Chinese

competitors using the same kind of technology in their own products, such as black dye used in textiles.²⁷⁹

China's technological dominance spans all sectors of technological advancement. Roughly 90 percent of the world's circuit board production is in Asia, with China owning half. China also produces 80 percent of the world's solar cells, 75 percent of the world's module production, and 64 percent of the world's solar-quality polysilicon capacity.²⁸⁰

China's Industrial Targets

When forced technology transfers occur, the Chinese Communist Party stands to benefit. Chinese partners that enter into joint ventures are often state-owned companies, and all are closely linked to Communist Party officials.²⁸¹

Dan Prud'homme, a U.S.-China trade expert quoted by the *South China Morning Post*, detailed a variety of ways in which the Chinese government influences technology transfers, including the "excessive disclosure of trade secrets to government authorities required in industries such as chemicals and pharmaceutical industries in exchange for licensing and other regulatory approvals."²⁸² Prud'homme also noted the "unfair court rulings in civil intellectual property litigation [that] will result in unexpected losses of technological knowledge."²⁸³ When a Chinese firm steals valuable information, the Chinese government inevitably gains access to that "knowledge."

This is all part of the Chinese Communist Party's long-term goal of *replacing* multinational companies with Chinese firms. Part of a new program known as "Made in China 2025," the Chinese government has identified 10 domestic sectors in which it hopes to expand manufacturing capacity:²⁸⁴

1. New information technology
2. High-end numerically controlled machine tools and robots
3. Aerospace equipment
4. Ocean engineering equipment and high-end vessels
5. High-end rail transportation equipment
6. Energy-saving cars and new energy cars
7. Electrical equipment
8. Farming machines
9. New materials, such as polymers
10. Bio-medicine and high-end medical equipment

In identifying what are essentially its weakest sectors, the Chinese Communist Party is issuing a warning to foreign competitors in those industries, including American companies. Those who choose to do business in China do so at their own peril.

Rare Earth Dominance

One sector that does not project Chinese weakness is the cultivation of rare earth minerals. Whereas the Chinese government sees domestic industries like information technology as lagging behind, China has monopolized rare earth metals that are integral to the production of many high-tech products.

In 2017, the United States produced zero rare earth metals, such as scandium and yttrium.²⁸⁵ China, on the other hand, accounted for more than 80 percent of the world's supply.²⁸⁶ With a processing capacity of 222,000 tons, China boasts five times the combined capacity of the rest of the world, serving as the primary supplier of rare earth minerals to the United States and other Western countries.²⁸⁷

And demand is rising. In 2018, the United States imported \$160 million worth of rare earth compounds in metals—up 17 percent from the year before.²⁸⁸ The rare earth elements market boasts an annual growth rate of 7.5 percent, making China's monopoly all the more significant.²⁸⁹

That significance lies in the versatility of rare earth compounds, which make much of consumerism possible. Neodymium is used to make magnets for computer hard drives, hybrid cars, and wind turbines.²⁹⁰ Lanthanum, another rare earth element, is needed for camera and telescope lenses, in addition to studio lighting and cinema projection.²⁹¹ Cerium, meanwhile, is used in the catalytic converters in cars, enabling them to run at high temperatures.²⁹² The element is also used to refine crude oil.²⁹³ From smartphones to television sets, rare earth is contained in countless consumer products.²⁹⁴

According to a report from February 2022, China controlled 60 percent of the world's lithium, 80 percent of the cobalt, and 68 percent of the world's graphite. These three minerals are essential for the production of high-capacity batteries. Overall, China controls 55 percent of global rare earths mining capacity and 85 percent of the world's rare earths mineral refining as of 2020.²⁹⁵

Media

In addition to manufacturing, the projection of “soft power” is a significant component of the Chinese Communist Party’s pursuit of global influence.²⁹⁶ In a 2014 address to China’s ruling Politburo, General Secretary Xi Jinping claimed “[m]ass media, groups, and individuals should play their roles in displaying [Chinese] charm to the world.”²⁹⁷ In Xi’s words, the country’s goal is to “raise China’s overall cultural strength and competitiveness.”²⁹⁸

His predecessor, Hu Jintao, first identified soft power as a key feature of Chinese foreign policy in 2007, when he called for “promoting [the] vigorous development and prosperity of socialist culture” to “hold high the great banner of socialism” in a speech to state officials.²⁹⁹

And the United States is China’s primary target. America’s free-market system allows Chinese companies to turn commerce into “soft power” by capitalizing on the Chinese government’s extensive financial resources. Through acquisitions and mergers, Chinese companies supported by government money can influence public opinion with exclusively Chinese interests in mind. Dean Cheng of the Heritage Foundation calls it the “exploitation of economic ties to further other interests”—or “employ[ing] soft power in hard ways.”³⁰⁰

Takeover of U.S. Cinema

China—in particular, the Chinese firm Dalian Wanda—has had its sights set on the American film industry for years. In 2012, Dalian Wanda bought AMC Entertainment—the second largest movie theater chain in the country—for about \$2.6 billion.³⁰¹ AMC, in turn, reached a purchase agreement with Carmike Cinemas in 2016 for a deal now worth \$1.1 billion.³⁰² This asset deal formed the country’s largest chain with 8,000-plus screens in more than 600 theaters.³⁰³ Dalian Wanda also agreed to purchase Legendary Entertainment, the film production company behind the “Dark Knight” Batman trilogy (among others), for about \$3.5 billion in 2016.³⁰⁴

Dalian Wanda is not a typical private company. The firm’s founder and chairman, Wang Jianlin, served in the People’s Liberation Army between 1970 and 1986, at which time he was appointed Office Director of the Xigang District Government in Dalian, China.³⁰⁵ (Wang’s father was a communist military hero who fought alongside Mao Zedong, Chinese communism’s founding father.)³⁰⁶ Wang also served as a deputy to the 17th National Congress of the Communist Party, revealing a direct link to the Chinese government.³⁰⁷

Dalian Wanda received at least \$1.1 billion in Chinese government subsidies between the start of 2011 and mid-2014.³⁰⁸ It has also sold stakes in the company to various family members of elected officials.³⁰⁹ For example, Qi Qiaoqiao, the elder sister of General

Secretary Xi Jinping, bought an early stake in the firm.³¹⁰ And it is Dalian Wanda that controls a significant piece of Hollywood.

As AMC theaters were forced to close during the pandemic, Wanda sold off a significant portion of its shares in AMC.³¹¹ Wanda exited AMC in May 2021 after Reddit-driven meme investors bought shares of the theater chain and inflated the stock's price.³¹²

Regardless, self-censorship by Hollywood remains a major concern as studios wish to reach Chinese audiences. "During a decade-plus period in which China has risen to the status of a hegemon in waiting, with its business interests and political influence extending to every corner of the world, the Hollywood studios have not created a single film, big or small, that depicts the country with a whiff of critique or even real-world nuance," wrote Hollywood Reporter in May 2021.³¹³

China's Impact on the Film Industry

The Chinese Communist Party's influence on American movies is multidimensional. While the country does not have a movie-rating system, it relies on the State Council to force U.S. filmmakers to adjust their screenplays if they wish to penetrate China's lucrative market of moviegoers.³¹⁴ The country only allows 34 non-Chinese films into its market every year³¹⁵—all of which are heavily edited—but its 1.3 billion people have China projected to become the largest movie market in the world in 2020.³¹⁶ This means that the State Council is a force to be reckoned with for American filmmakers promoting their movies in China.

To reach the Chinese market, filmmakers are often forced to make creative changes to their content. For example, the 2014 film *Transformers: Age of Extinction* portrayed the U.S. government as "either ridiculous or diabolical, [while] China's is assured and effective."³¹⁷ Similarly, the 2012 remake of the Cold War action movie *Red Dawn* originally featured Chinese soldiers invading an American town, but moviemakers changed the attacking army into North Koreans.³¹⁸ As film producer Peter Shiao explained, "[Chinese diplomats] were not interested in their country being perceived as a violent military threat to the lives of the average American."³¹⁹

Japan and Taiwan are particularly sensitive subjects for Chinese censors. The film trailer for the sequel to *Top Gun* initially featured a noticeable change to the bomber jacket worn by Tom Cruise's character. The original film featured Japanese and Taiwanese flags, but the remake had them replaced. Not surprisingly, the Chinese firm Tencent Holdings is funding production of the remake.³²⁰ However, Tencent withdrew from co-financing the movie—and the film had the Taiwanese and Japanese flags restored upon its release.

Some filmmakers work directly with Chinese officials in production. Disney's live action remake of *Mulan* included many Chinese officials in its end credits and said the film was

made under the supervision of the China Film Co. Production Company. Disney also thanked the Turpan Bureau of Public Security, an agency that has been sanctioned by the U.S. Commerce department for “human rights violations and abuses in the implementation of China’s campaign of repression, mass arbitrary detention and high-technology surveillance against Uighurs, Kazakhs, and other members of Muslim minority groups.”³²¹

When U.S. filmmakers do not work directly with Chinese officials, some production companies choose to self-censor to avoid any risk of offending Chinese Communist Party officials who will ultimately decide if the film is allowed to air in the country. The 2010 remake of *The Karate Kid* was called the *Kung Fu Kid* outside of the U.S. to gain favor with the Chinese. (Kung Fu is a Chinese sport while Karate is Japanese.)³²² The 2015 film *Pixels* cut a scene showing the Great Wall of China being decimated to appease the Chinese while including imagery of U.S. monuments being destroyed.³²³

The Chinese Communist Party’s goal is to promote its own interests through film production and distribution. According to Ying Zhu, professor of media culture at the College of Staten Island at the City University of New York, “The Chinese censors can act as world film police on how China can be depicted, how China’s government can be depicted, in Hollywood films.”³²⁴ Film producer Rob Cain echoed her sentiment in a 2016 *Financial Times* interview: “China is going to be the arbiter of what can get made and will get made.”³²⁵

Takeover of U.S. Radio

Hollywood isn’t the Chinese government’s only target. China Radio International (CRI), its state-owned radio broadcaster, has indirectly obtained control of numerous American radio stations and their airtime.³²⁶ While the Federal Communications Commission (FCC) prohibits foreign governments or their representatives from holding a radio license for a U.S. broadcast station, CRI has exploited a loophole allowing its subsidiary companies to hold ownership stakes in U.S. stations.³²⁷ The subsidiary in question is the California-based G&E Studio, which is 60 percent owned by a Beijing-based group called Guoguang Century Media Consultancy.³²⁸ Guoguang, in turn, is wholly owned by a subsidiary of CRI.³²⁹

In the Washington, D.C. area, G&E Studio approached Loudon County radio station WCRW-AM 1190 in 2009 to lease almost all of the station’s airtime.³³⁰ The company did so through a process called “time-brokering,” paying tens of thousands of dollars a month to gain control of the station’s airwaves.³³¹ G&E Studio has paid WCRW more than \$720,000 a year to secure virtually all of its airtime.³³² (This is an alternative to purchasing a studio outright.) The company also built three 195-foot towers carrying a 50,000 watt signal to encompass all of Washington, D.C. and outlying suburbs, extending the station’s signal past the U.S. Capitol.³³³

As a subsidiary firm, G&E Studio is directly connected to “China’s only state-level radio and television media organization specializing in international communications.”³³⁴ According

to *Reuters*, CRI “sticks close to the Chinese government line.”³³⁵ Wang Gengnian, CRI’s International Director General, has been a Communist Party member since 2004.³³⁶

Overall, there are now about 30 stations broadcasting pro-China propaganda in the United States.³³⁷ As of May 2020, EDI Media (the owner of G&E Studio) lists stations in cities including Boston, Houston, and Los Angeles.³³⁸

China’s Impact on the Radio Industry

Content at WCRW and other Chinese-owned stations is produced either by CRI from Beijing or G&E Studio from California. And it is decidedly pro-China, “delivering a China-focused digest with its own slant,” according to a 2015 *Fox News* report.³³⁹

One November 2015 segment highlighted a story explaining the Chinese Communist Party’s concern about then-Defense Secretary Ash Carter’s visit to the Asia-Pacific region.³⁴⁰ An October 2015 broadcast on the Washington-based WCRW featured Chinese and American naval commanders preparing to hold talks after a U.S. Navy ship passed close by one of China’s new artificial islands in the South China Sea.³⁴¹ The American military, which sees the island-building program as a “hard power” ploy to seize control of strategic waterways, ordered the Navy sail-by to confirm that assessment, yet WCRW omitted that side of the story.³⁴² The Chinese-owned station claimed the talks were being held “amid the tension the U.S. created this week.”³⁴³

In both of those cases, Chinese-controlled broadcasts cast U.S. foreign policy objectives in a less favorable light, while portraying the Chinese Communist Party’s actions in the South China Sea as defensive or retaliatory. The script was flipped.

Telecommunications

At the same time, the China Global Television Network (CGTN), formerly known as CCTV, now reaches an estimated 75 million Americans.³⁴⁴ In 2018, the U.S. government ordered the network to register under the Foreign Agents Registration Act, first passed in 1938.³⁴⁵ But its influence is still felt nonetheless.

In May 2020, the PBS affiliates KOCE and KCET—which receive millions of dollars in federal funding—aired a documentary produced in conjunction with CGTN, touting General Secretary Xi Jinping’s poverty alleviation program.³⁴⁶ The film’s producer, Robert Lawrence Kuhn, maintains ties to Chinese officials and the government’s State Council Information Office, which specializes in foreign propaganda.³⁴⁷

Beyond television, China’s newest battleground is 5G infrastructure, which will secure a new global wireless standard that TV streaming and other services depend on. The Chinese

firm Huawei Technologies is working to build a 5G network in the United Kingdom, New Zealand, and other countries. While the Trump administration has prevented Huawei from doing the same in the United States until at least 2021, the Chinese firm still strives to reach millions of Americans.³⁴⁸

This raises concerns that Huawei will create backdoors allowing for surveillance and data collection by the Chinese Communist Party, including the addition of spying technologies to smartphones.³⁴⁹ In February 2020, Huawei and its subsidiaries were indicted by the Justice Department for racketeering conspiracy and the conspiracy to steal trade secrets, updating a previous indictment secured in 2019.³⁵⁰ The Justice Department accused Huawei and those subsidiaries of stealing the intellectual property of U.S. businesses over two decades.³⁵¹

The Huawei scandal has exposed deeper fears of Chinese espionage—beyond 5G expansion. In 2019, the Interior Department suspended its use of Chinese-made drones used to fight wildfires, due to concern that they were secretly reporting data to Beijing.³⁵² Similarly, U.S. authorities have warned that TikTok, one of the world’s most downloaded apps, is owned by a Chinese company that could turn user data over to the Chinese government.³⁵³ The Committee on Foreign Investment in the United States has placed TikTok under federal review, citing evidence of the app sending data to China.³⁵⁴

The list goes on. In April 2020, the federal government moved to strip China Telecom's permits to provide services in the United States.³⁵⁵ According to the Justice Department, the reasons for its drastic actions include “the nature of China Telecom’s U.S. operations, which provide opportunities for PRC state-actors to engage in malicious cyber activity enabling economic espionage and disruption and misrouting of U.S. communications.” Across the media landscape, Chinese espionage threatens consumers and American interests writ large.

The Mainstream Media

The Chinese Communist Party is also striving to promote itself by buying “advertorials” in mainstream news outlets. For instance, both the *New York Times* and the *Washington Post* have published propaganda from *China Daily*, a “news” organization serving as an arm of the Chinese government.³⁵⁶ The *Post* has published its “China Watch” section for over 30 years, spreading pro-China messages to millions of American readers in that time.³⁵⁷ In 2019, one “China Watch” feature became a special, eight-page segment in the *Post*.³⁵⁸

While such features contain disclaimers, they can easily be mistaken for legitimate news at first glance. According to a *Washington Free Beacon* analysis, China had paid for nearly 400 pages of advertising in the *Washington Post* and more than 100 pages in the *Wall Street Journal*, along with lesser amounts in the *New York Times* and *Financial Times*, between 2011 and 2019.³⁵⁹ The Chinese government also paid for hundreds of online ads at the *NYTimes.com* and *WSJ.com* websites, exposing millions more readers to Chinese

propaganda.³⁶⁰ One lawyer who spoke to the *Free Beacon* claimed the newspapers' failure to report such media placements to the federal government may constitute a violation of the Foreign Agents Registration Act.³⁶¹

Journalists are also under immense pressure to portray China favorably, or risk losing access to the Chinese mainland. In February 2020, China's Ministry of Foreign Affairs expelled three Wall Street Journal reporters from the country after their newspaper published an essay with the headline "China Is the Real Sick Man of Asia."³⁶² Chinese officials demanded that the Journal "recognize the seriousness of the error, openly and formally apologize, and investigate and punish those responsible, while retaining the need to take further measures against the newspaper."³⁶³ This incentivizes reporters and editors to self-censor content to avoid the repercussions of overtly criticizing China.

There are other media-related conflicts of interest of note. Disney, which owns ABC News, also owns a theme park in Shanghai and film studios hoping to distribute movies in China, where they must pass government censors.³⁶⁴ This begs the question: How willing is ABC News to criticize the Chinese government? Or praise America's foreign policy in East Asia?

Progress Points

For years, Chinese companies listed on US stock exchanges have not abided by the same audit and accounting standards as other companies. In 2020, Congress passed the Holding Foreign Companies Accountable Act, which requires that companies on US stock exchanges allow independent audits or else be delisted. It also requires companies to disclose ties to CCP officials.

The SEC has warned over 250 Chinese companies that they will be delisted by 2024 if they don't abide by the new law. As of September 2022, a few Chinese companies have begun delisting themselves from US stock exchanges.

However, analysts are skeptical that the implementation of this law will be a success due to Chinese efforts to defang it. Dennis Kwok and Sam Goodman, of Harvard and the China Risks Institute respectively, write that the U.S. Public Companies Accounting Oversight Board, which helps implement the new regulations, struck a deal with Chinese government authorities giving them too much control over information. Ultimately, they argue, the law may simply be window dressing.³⁶⁵

States are also looking at how they can take action. In June 2021, Texas Governor Greg Abbott signed the Lone Star Infrastructure Protection Act into law. The bill bans entities

with ties to hostile foreign governments from accessing critical infrastructure such as water systems and the electrical grid.

Meanwhile, some progress has been made against Chinese influence in our education system. A 2022 report by the National Association of Scholars, which tracks Confucius Institutes, found that of the 118 programs, 104 had closed and four more were in the process of closing.³⁶⁶ This was influenced by the Department of Defense announcing it would cut funding to universities that have Confucius Institutes.

However, the good news may be short-lived. The report found that Confucius Institutes were reopening under a new brand. Given that a CCP official once called Confucius Institutes an "important part of the CCP's external propaganda structure," it's likely the Chinese government will continue to target young student minds with propaganda.

Conclusion

From medicine to the media, China is a powerful adversary to Western democracies—especially the United States. Not only does the Chinese Communist Party pose a “global threat to human rights”—according to Human Rights Watch—but China’s economic boom comes at the expense of vital U.S. interests.³⁶⁷

As the COVID-19 pandemic has made all too clear, China’s stranglehold on the global supply chain leaves countries like the United States over reliant on Chinese products to fill essential voids. Consider this: Chinese Communist Party recently imposed restrictions on research into the origins of the Wuhan coronavirus, requiring research to be formally approved by Beijing before it is published.³⁶⁸ Again, the Chinese Communist Party censored any content that could be perceived as critical of China.³⁶⁹

Looking ahead, can the United States survive as a global superpower while simultaneously relying on a country that undermines America’s self interests?

America must tread carefully as the Chinese government deploys its own “Made in China 2025” program. America’s public and private sectors should take a page out of the Chinese playbook—and bring the supply chain back home.³⁷⁰ Now is the time to focus on our own “Made in the USA” programs.

At the very least, American leaders must reconsider the U.S. relationship with the Chinese Communist Party—during a pandemic and beyond. Only then can they truly protect American lives from the Chinese government’s threat and maintain America’s influence on the global stage.

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