

Tab L

Chapter 3: China and the World

Section 5: China's Domestic Information Controls, Global Media Influence, and Cyber Diplomacy

FIRST draft to Commissioners– sent July 26, 2017

Please place behind **Tab L** in the 2017 Annual Report Binder

1 Introduction

2 The Chinese government has significantly tightened its domestic information controls—entailing
3 surveillance and censorship of the Internet, domestic propaganda operations known as “public opinion
4 guidance,” and repression of journalism—in order to support government policies and prevent consensus
5 against the government from forming in Chinese society. These information controls function as a trade
6 barrier by, among other things, keeping U.S. companies from reaching Chinese consumers. They also
7 deprive Chinese citizens of a fuller understanding of differing views on situations where escalating tensions
8 may increase the likelihood of conflict, creating potentially harmful implications for U.S. national security.

9 Beijing has also invested heavily in expanding the overseas presence of its official news entities, distorting
10 international reporting on China’s activities by training foreign journalists to paint Chinese policy in a
11 positive light. Chinese propaganda regularly appears in foreign mainstream news publications—including
12 in the United States—without clear indications of its origins, blurring the line between propaganda and
13 news.

14 Chinese corporations, many with connections to the Chinese state, have gone on an investment spree in
15 Hollywood over the last few years, raising concerns that the Chinese government may have undue influence
16 over the U.S. film industry, an important pillar of the U.S. economy and a critical component of U.S. soft
17 power.

18 Meanwhile, Beijing is promoting its concept of “Internet sovereignty,” including in international fora, to
19 legitimize its monitoring of Chinese citizens and control of their Internet usage. In addition to China, this
20 concept could contribute to legitimizing suppression of the freedom of expression in other countries. Beijing
21 also advocates for a “multilateral” system of Internet governance which designates national governments
22 as the main actors. These views sharply contrast with longstanding U.S. policy.

23 This section examines China’s tightening domestic information controls, including the implications for U.S.
24 companies, the “social credit” system which will leverage vast data collection capabilities to incentivize
25 politically correct thought and behavior, domestic propaganda, the repression of Chinese journalists
26 domestically and expansion of Chinese government-approved journalism overseas, China’s media
27 influence in the United States and the U.S. film industry’s access to the Chinese market, how Chinese
28 leaders seek to use media as a soft power weapon against the United States, and Beijing’s concept of
29 “Internet sovereignty,” including its stance on global Internet governance and norms in cyberspace. It draws
30 from the Commission’s May 2017 hearing on China’s information controls, global media influence, and
31 cyber warfare strategy, open source research and analysis, and consultations with outside experts.

32 **China’s Domestic Information Controls**

33 **Increasing Domestic Censorship**

34 The Chinese government has long maintained stringent information and media controls, but recently the
35 Chinese Communist Party (CCP) has taken steps to tighten its grip, with the goal of resisting perceived
36 infiltration by foreign (and especially Western) ideas, which are regarded as “cultural threats.” According
37 to Xiao Qiang, founder and editor-in-chief of *China Digital Times*, an activist website that tracks Chinese
38 censorship, the key driver behind this increase in domestic censorship is the CCP’s fear that the unrestricted
39 flow of information could undermine its legitimacy.¹ Professor Xiao argues that the CCP wants to “re-
40 institutionalize and internalize” its own narrative in the minds of the Chinese people, and that this is the
41 motivation behind strengthening Internet controls in China.² To these ends, the Chinese government has
42 invoked “Internet sovereignty”—a “slogan that calls for each state to exercise absolute control of its slice
43 of the Web,” according to the *Washington Post*’s Emily Rauhala—to justify its increasing crackdown on
44 online freedoms.³

45 China has implemented several new rules increasing its control over online media. In February 2016, the
46 State Administration of Press, Publication, Radio, Film and Television (SAPPRFT)—China’s oversight
47 organization governing film censorship—and the Ministry of Industry and Information Technology
48 (MIIT)—the government agency responsible for regulation and development of communications
49 technology—issued new rules preventing foreign-owned companies or their affiliates from publishing
50 material online (including digitized material such as books, maps, and scientific materials) without
51 obtaining approval from the Chinese government.⁴ The new rule, which allows for a very broad
52 interpretation due to its vagueness, potentially endangers the presence of foreign companies that distribute
53 any online content, including news sources, in China.⁵ Chinese companies’ ability to distribute foreign
54 media is already heavily regulated.⁶ In May 2017, SAPPRFT punished Tencent—which, until recently, was
55 China’s most valuable tech company⁷—for “making and broadcasting political and societal news programs

¹ Xiao Qiang, founder and editor-in-chief, *China Digital Times*, interview with Commission staff, March 24, 2017.

² Xiao Qiang, founder and editor-in-chief, *China Digital Times*, interview with Commission staff, March 24, 2017.

³ Emily Rauhala, “Forget Xi’s ‘Defense’ of Globalization. China Just Fortified the Great Firewall,” *Washington Post*, January 23, 2017. https://www.washingtonpost.com/news/worldviews/wp/2017/01/23/forget-xis-defense-of-globalization-china-just-fortified-the-great-firewall/?tid=sm_tw&utm_term=.d9324beb2ce2.

⁴ David Barboza and Paul Mozur, “New Chinese Rules on Foreign Firms’ Online Content,” *New York Times*, February 19, 2016. <https://www.nytimes.com/2016/02/20/business/media/new-chinese-rules-on-foreign-firms-online-content.html>.

⁵ David Barboza and Paul Mozur, “New Chinese Rules on Foreign Firms’ Online Content,” *New York Times*, February 19, 2016. <https://www.nytimes.com/2016/02/20/business/media/new-chinese-rules-on-foreign-firms-online-content.html>.

⁶ Congressional-Executive Commission on China, “New Internet Regulations Tighten State Control over Audio and Video Content,” May 5, 2008. <https://www.cecc.gov/publications/commission-analysis/new-internet-regulations-tighten-state-control-over-audio-and-video>.

⁷ Saheli Roy Chaudhury, “Tencent Overtakes Alibaba as China’s Most Valuable Tech Company,” CNBC, August 18, 2016. <http://www.cnbc.com/2016/08/17/tencent-overtakes-alibaba-as-chinas-most-valuable-tech-company-as-wechat-owner-posts-strong-results.html>.

56 without a permit,” according to Caixin, by partially suspending Tencent’s approval to import foreign media
57 and video games.⁸

58 In May 2017, the Chinese government also issued new regulations mandating that the top editor of any
59 domestic online news service be a Chinese citizen and that the service “promote the formation of a positive,
60 healthy, upright and virtuous Internet culture, and protect the national and public interest.”⁹ The regulations
61 also call for stricter enforcement of often-ignored rules mandating that editorial staff at online news services
62 be credentialed by government regulators just like staff of traditional news media.¹⁰ The *Wall Street Journal*
63 reported that the new rules do not appear to apply to foreign news organizations headquartered outside
64 China, but cooperation between Chinese news services and foreign entities requires a security review by
65 government regulators.¹¹

66 *Foreign Policy* reported in July 2017 that the Chinese censorship regime is now “determined to be an all-
67 encompassing guardian of socialist morality, even if that comes at the expense of business
68 innovation.”¹² Several regulatory actions in May and June 2017 emphasized the shift from only censoring
69 political media to censoring media regardless of political content, resulting in China’s media and tech
70 companies “closing down hundreds of mobile video platforms, firing thousands of journalists, and
71 promising to promote state media opinions,” according to the *Financial Times*.¹³ In May, the Cyberspace
72 Administration of China (CAC), the state agency responsible for online censorship, ordered five leading
73 news portals to stop live news broadcasts.¹⁴ In June, the CAC shut down 32 WeChat accounts focused on
74 “celebrity news,” SAPPRFT ordered Weibo and two other popular websites to stop video and audio
75 streaming, and the China Netcasting Services Association—the government body regulating online
76 broadcasting—banned the depiction of dozens of topics deemed vulgar or unpatriotic.¹⁵ After the CAC shut

⁸ Shi Rui and Wu Gang, “Regulators Fine Tencent over Unlicensed News Broadcasts,” Caixin, May 26, 2017. <http://www.caixinglobal.com/2017-05-26/101095312.html>.

⁹ Cyberspace Administration of China, *Regulations on the Management of Internet News Services*, May 2, 2017. http://www.cac.gov.cn/2017-05/02/c_1120902760.htm.

¹⁰ DD Wu, “Want to Be Chief Editor in China? Better Have a Chinese Passport.” *Diplomat*, May 6, 2017. <http://thediplomat.com/2017/05/want-to-be-chief-editor-in-china-better-have-a-chinese-passport/>; Josh Chin, “Beijing Reins In Online News Services,” *Wall Street Journal*, May 2, 2017. <https://www.wsj.com/articles/beijing-reins-in-online-news-services-1493747638>; Cyberspace Administration of China, “Regulations on the Management of Internet News Services,” May 2, 2017. http://www.cac.gov.cn/2017-05/02/c_1120902760.htm.

¹¹ Josh Chin, “Beijing Reins In Online News Services,” *Wall Street Journal*, May 2, 2017. <https://www.wsj.com/articles/beijing-reins-in-online-news-services-1493747638>.

¹² Christopher Balding, “How Badly Is China’s Great Firewall Hurting the Country’s Economy?” *Foreign Policy*, July 18, 2017. <http://foreignpolicy.com/2017/07/18/how-badly-is-chinas-great-firewall-hurting-the-countrys-economy>.

¹³ Yuan Yang, “China’s Tech Groups Bow to Beijing Censorship Demands,” *Financial Times*, June 29, 2017. <https://www.ft.com/content/43def3ec-5c8f-11e7-9bc8-8055f264aa8b>.

¹⁴ April Ma, “Cyberspace Officials Order Unqualified Portals to End Live News,” Caixin, May 9, 2017. <http://www.caixinglobal.com/2017-05-09/101088333.html>.

¹⁵ China Netcasting Services Association, “China Netcasting Services Association Publishes ‘General Rules for Auditing Network Audiovisual Programs,’” June 30, 2017. <http://www.cnsa.cn/2017/06/30/ART10Qg4cp7jtd1Z5o0RnfzMI70630.shtml>; Jinghua Qian, “China’s Online Multimedia Sector Bans Portrayal of Homosexuality,” *China Film Insider*, June 30, 2017. <http://chinafilm insider.com/chinas-online-multimedia-sector-bans-portrayal-homosexuality/>; Han Wei, “Weibo and Other

77 down the gossip blogs, the Central Committee for Discipline Inspection criticized the CAC for not pushing
78 the Party line aggressively enough.¹⁶ The *Wall Street Journal* reported that a sustained campaign against
79 celebrity gossip would be a “dramatic reorientation of China’s censorship machinery.”¹⁷ Qiao Mu, a scholar
80 of Chinese media, assessed this indicated a return of the Mao-era Communist ideology that prefers politics
81 and class warfare over apolitical entertainment; Victor Shih, an expert in Chinese politics at the University
82 of California, San Diego said that more “red” content can be expected in Chinese media as a result.¹⁸ When
83 video-streaming websites removed most foreign dramas in July, Li Yuan at the *Wall Street Journal* assessed
84 it was because Beijing “wants Chinese youth to watch revolutionary-themed series and other politically
85 inspiring fare” instead of sitcoms.¹⁹ According to Joanna Chiu of Agence France-Presse, in July the CAC
86 ordered some of the biggest Chinese tech companies—Baidu, Sohu, Tencent, Netease, and Phoenix—to
87 close accounts that had published “bad information,” including “misinterpreting policy directives,
88 disseminating false information, distorting Chinese Communist Party history, plagiarizing photos, and
89 challenging public order.”²⁰

90 **VPN Crackdown**

91 In January 2017, the MIIT announced a crackdown on virtual private networks²¹ (VPNs), which are
92 commonly used in China by both foreigners and Chinese to circumvent China’s “Great Firewall.”²²
93 According to this announcement, locally-based VPN providers, data centers, and Internet service providers

Websites Barred from Video Streaming by Authority,” Caixin, June 22, 2017. <http://www.caixinglobal.com/2017-06-23/101104665.html>; April Ma, “WeChat Widens Crackdown on Celebrity Gossip,” Amy Qin, “Chinese Censors Have New Target: Celebrity News,” Caixin, June 12, 2017. <http://www.caixinglobal.com/2017-06-12/101100934.html>; *New York Times*, June 9, 2017. <https://www.nytimes.com/2017/06/09/world/asia/china-celebrity-news-wechat.html>; Zhou Xin, “Chinese Censor Shuts Down Dozens of Online Entertainment News Accounts,” *South China Morning Post*, June 8, 2017. <http://www.scmp.com/news/china/economy/article/2097367/chinese-censor-shuts-down-dozens-online-entertainment-news>.

¹⁶ Josh Chin and Eva Dou, “Communist Party Pushes China’s Internet Censors to ‘Ensure Political Security,’” *Wall Street Journal*, June 12, 2017. <https://www.wsj.com/articles/communist-party-pushes-chinas-internet-censors-to-ensure-political-security-1497272684>.

¹⁷ Josh Chin and Eva Dou, “Communist Party Pushes China’s Internet Censors to ‘Ensure Political Security,’” *Wall Street Journal*, June 12, 2017. <https://www.wsj.com/articles/communist-party-pushes-chinas-internet-censors-to-ensure-political-security-1497272684>.

¹⁸ Josh Chin and Eva Dou, “Communist Party Pushes China’s Internet Censors to ‘Ensure Political Security,’” *Wall Street Journal*, June 12, 2017. <https://www.wsj.com/articles/communist-party-pushes-chinas-internet-censors-to-ensure-political-security-1497272684>.

¹⁹ Li Yuan, “Censors Scrub Korean Soaps Off China’s Screens,” *Wall Street Journal*, July 21, 2017. <https://www.wsj.com/articles/china-is-now-coming-for-your-favorite-sitcoms-1500547881>.

²⁰ Joanna Chiu, “China Orders Tech Firms to Ramp Up Censorship,” *Agence France-Presse*, July 20, 2017. <https://tribune.com.pk/story/1462418/china-orders-tech-firms-ramp-censorship/>.

²¹ **FOOTNOTE:** According to *Gizmodo*, “VPNs, or Virtual Private Networks, allow users to securely access a private network and share data remotely through public networks. Much like a firewall protects your data on your computer, VPNs protect it online. And while a VPN is technically a WAN (Wide Area Network), the front end retains the same functionality, security, and appearance as it would on the private network.” Andrew Tarantola, “VPNs: What They Do, How They Work, and Why You’re Dumb for Not Using One,” *Gizmodo*, March 26, 2013. <http://gizmodo.com/5990192/vpns-what-they-do-how-they-work-and-why-youre-dumb-for-not-using-one>.

²² **FOOTNOTE:** The so-called “Great Firewall” comprises a number of “measures ... which censor and criminalize sensitive material on the Internet [in China].” Cheang Ming, “China’s Great Firewall Is Doubling Up on VPN Regulation,” *CNBC*, January 24, 2017. <http://www.cnb.com/2017/01/24/chinas-great-firewall-is-doubling-up-on-vpn-regulation.html>.

94 need government approval to operate.²³ The campaign, which authorities initially planned to continue until
95 at least March 2018, is ostensibly intended to “clean up” internet services in China, although the Chinese
96 government insisted it would not affect multinational corporations that had official approval to use “cables
97 or other means of cross-border connectivity.”²⁴ In July 2016, the Chinese government began targeting VPN
98 users as well, threatening to cut off the Internet access and fine anyone who uses VPNs to earn profits
99 exceeding 5,000 yuan, or about \$730.²⁵ Sophie Richardson, China director at Human Rights Watch,
100 testified to the Commission in May 2017 that the regulatory expansion of punishments for VPN use to
101 consumers as well as providers is especially concerning.²⁶ Radio Free Asia reported in April 2017 that
102 Chinese activists assess this local regulation is likely a pilot program for a planned nationwide
103 implementation of VPN bans and fines.²⁷

104 After popular China-based VPN provider Green announced in late June that it would cease operations by
105 July 1, Chinese Internet users began to speculate that most VPNs would soon be removed from mobile app
106 stores.²⁸ According to Bloomberg, in July 2017, the MIIT ordered state-run telecommunications providers
107 to block access to VPNs by February 2018; MIIT denied the report.²⁹ That same month, the Associated
108 Press reported that China’s biggest telecommunications provider, China Telecom Ltd., had told corporate
109 customers that they may only use VPNs to connect to their own headquarters abroad and that they may no
110 longer use VPNs to link to sites outside China.³⁰ The letter reportedly also stipulated that companies are
111 required to provide the identities of all personnel who use VPNs.³¹ A purported letter addressing the
112 customers of Hotwon, a Chinese cloud computing services company, claimed that China’s Ministry of
113 Public Security was behind the most recent crackdown, not the MIIT, and listed several popular VPNs and

²³ Cheang Ming, “China’s Great Firewall Is Doubling Up on VPN Regulation,” CNBC, January 24, 2017. <http://www.cnbc.com/2017/01/24/chinas-great-firewall-is-doubling-up-on-vpn-regulation.html>.

²⁴ Josh Ye and Nectar Gan, “China Tries to Ease Fears over Impact of VPN Crackdown,” *South China Morning Post*, January 26, 2017. <http://www.scmp.com/news/china/policies-politics/article/2065344/china-tries-ease-fears-over-impact-vpn-crackdown>; Sidney Leng, Josh Ye, and Nectar Gan, “The Who, What, and Why in China’s Latest VPN Crackdown,” *South China Morning Post*, January 26, 2017. <http://www.scmp.com/news/china/policies-politics/article/2065432/who-what-and-why-chinas-latest-vpn-crackdown>.

²⁵ Eva Li, “Chongqing Police to Punish Those Skirting China’s Great Firewall,” *South China Morning Post*, March 29, 2017. <http://www.scmp.com/news/china/policies-politics/article/2082752/chongqing-police-punish-those-skirting-chinas-great>.

²⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

²⁷ Xi Wang, “China Could Roll Out Chongqing VPN Ban, Fines Nationwide: Activists,” *Radio Free Asia*, April 3, 2017. <http://www.rfa.org/english/news/china/ban-04032017101601.html>.

²⁸ Oiwan Lam and Jack Hu, “China’s Great Firewall Grows Ever-Stronger as Virtual Private Networks Disappear,” *Global Voices*, June 27, 2017. <https://globalvoices.org/2017/06/27/chinas-great-firewall-grows-ever-stronger-as-virtual-private-networks-disappear/>.

²⁹ Staff, “China Says It Will Not Disrupt Legitimate Internet Access,” Bloomberg, July 12, 2017. <https://www.bloomberg.com/news/articles/2017-07-12/china-says-will-not-disrupt-legitimate-internet-access>; Staff, “China Tells Carriers to Block Access to Personal VPNs by February,” Bloomberg, July 10, 2017. <https://www.bloomberg.com/news/articles/2017-07-10/china-is-said-to-order-carriers-to-bar-personal-vpns-by-february>.

³⁰ Associated Press, “China Clamping Down on Use of VPNs To Evade Great Firewall,” July 20, 2017. <http://www.cnbc.com/2017/07/20/china-clamping-down-on-use-of-vpns-to-evade-great-firewall.html>.

³¹ Associated Press, “China Clamping Down on Use of VPNs To Evade Great Firewall,” July 20, 2017. <http://www.cnbc.com/2017/07/20/china-clamping-down-on-use-of-vpns-to-evade-great-firewall.html>.

114 proxy programs as targets for “clearing up.”³² Bill Bishop, creator of the popular *Sinica* newsletter, told the
115 Commission he was “reasonably confident” the document was legitimate because it “fits with other things
116 that are going on around VPNs.”³³ He assessed that the Ministry of Public Security’s involvement “means
117 this crackdown has much more teeth.”³⁴ (Note to Commissioners: this will be updated as further
118 developments are announced.)

119 **Censorship “Tax”**

120 According to Margaret Roberts, assistant professor of political science at UC San Diego, the fact that the
121 Great Firewall is porous “makes it seem like it’s not an imposition on freedom because it’s possible to
122 circumvent,” so both the Chinese government and Chinese Internet users maintain the illusion that the
123 censorship is not really absolute because it is possible to evade with time and money.³⁵ Although this is
124 true in a sense, Dr. Roberts argues the burdens imposed by censorship—including the recent VPN
125 crackdowns—amount to a “tax” on Internet use in China that most affects those who are least capable of
126 bearing it. Dr. Roberts testified to the Commission that Internet censorship in China is a tax because it
127 “requir[es people] to spend more time or more money to access information.”³⁶ Additionally, this tax is
128 regressive because it allows “those with more capabilities to access information but largely keep[s] out
129 those who don’t have the knowledge or resources to facilitate evasion.”³⁷ According to Dr. Roberts, only
130 about three to five percent of urban Chinese reported having used a VPN; most Chinese are satisfied with
131 using Chinese websites and apps that do not require VPNs.³⁸ She found that those most likely to evade
132 censorship in China are the “economic and political elite” who “have higher incomes, more education, [are]
133 younger ... have an interest in foreign information, have traveled abroad, and are much more interested in
134 politics and international politics.”³⁹ In addition to the tax posed on regular Internet users, Chinese
135 informational controls function as a trade barrier by “distort[ing] the information sector, reducing the

³² CNintheloop (@chinaintheloop), “MPS is behind this round of VPN crackdown, not MIIT. Not GFW tech upgrade either. The pic confirms what I’ve been told by industry insider,” July 19, 2017, 9:23 P.M.

<https://twitter.com/Chinaintheloop/status/887845327465623552>; Hotwon, “About Us,” 2017, <http://hotwon.cn/aboutus/>.

³³ Bill Bishop, creator, *Sinica* newsletter, interview with Commission staff, July 20, 2017.

³⁴ Bill Bishop (@niubi), “Ministry of public security means this crackdown has much more teeth,” July 19, 2017, 9:35 P.M. <https://twitter.com/niubi/status/887848397180465152>.

³⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Margaret Roberts, May 4, 2017.

³⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Margaret Roberts, May 4, 2017.

³⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Margaret Roberts, May 4, 2017.

³⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, May 4, 2017, 4.

³⁹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, May 4, 2017, 4.

136 competitiveness of censored information, including that from American businesses,” according to Dr.
137 Roberts, and they even hamper the innovation of Chinese businesses.⁴⁰

138 Dr. Roberts argues that fear of punishment is not a primary factor deterring Chinese from evading
139 censorship; rather, they cannot be bothered to spend the time and money.⁴¹ Emphasizing that the primary
140 barrier is inconvenience, Dr. Roberts testified that certain “pulls”—specific blocked services users want to
141 access—can alter this cost/benefit analysis and spur Chinese Internet users to “jump the Wall” when they
142 had not previously.⁴² For example, users tend to begin using VPNs in response to sudden blocks of websites
143 or services they had been accustomed to accessing, as was seen after China blocked Instagram in 2014 in
144 response to the prodemocracy “Umbrella Revolution” in Hong Kong.^{43 44} Dr. Roberts testified that this ban
145 resulted in millions of downloads of VPNs in mainland China and expanded use of blocked websites like
146 Twitter, Facebook, and Wikipedia.⁴⁵ Increased censorship in response to crises such as the 2015 industrial
147 disaster in Tianjin also correlate with increased VPN use in China.^{46 47}

148 **Social Credit System**

149 The Chinese government has begun implementing its so-called “social credit” system, which relies on data
150 accumulated by use of commercial apps and the Internet to produce assessments of Chinese citizens’
151 political and social trustworthiness in addition to their financial credit.⁴⁸ First announced in June 2014, a
152 *Planning Outline* issued by China’s State Council claimed this system would “ensure that sincerity and

⁴⁰ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Margaret Roberts, May 4, 2017.

⁴¹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, May 4, 2017, 4.

⁴² U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Margaret Roberts, May 4, 2017.

⁴³ **FOOTNOTE:** For more information on the Umbrella Revolution and associated events in Hong Kong, see U.S.-China Economic and Security Review Commission, *2014 Annual Report to Congress*, November 2014, 523–527.

⁴⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, 4–5, May 4, 2017.

⁴⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, 5, May 4, 2017.

⁴⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Margaret Roberts, 5, May 4, 2017.

⁴⁷ **FOOTNOTE:** In August 2015, a massive series of explosions near Tianjin caused by improper storage of volatile industrial chemicals killed at least 165 people and caused more than \$1 billion in damage, leaving a crater 20 feet deep. 49 people, including government officials and employees of the storage company involved, were jailed as a result. Merrit Kennedy, “China Jails 49 over Deadly Tianjin Warehouse Explosions,” *National Public Radio*, November 9, 2016. <http://www.npr.org/sections/thetwo-way/2016/11/09/501441138/china-jails-49-over-deadly-tianjin-warehouse-explosions>.

⁴⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017; *China Copyright and Media*, “Planning Outline for the Construction of a Social Credit System (2014-2020),” June 14, 2014. <https://chinacopyrightandmedia.wordpress.com/2014/06/14/planning-outline-for-the-construction-of-a-social-credit-system-2014-2020/>.

153 trustworthiness become conscious norms of action among all the people.”⁴⁹ The Mercator Institute for
154 China Studies (MERICS) assessed in May 2017 that “if implemented successfully, the [social credit] system
155 will strengthen the Chinese government’s capacity to enforce and fine-tune market regulations and
156 industrial policies in a sophisticated manner, but the full potential impact of the system will likely not be
157 apparent until 2020.”⁵⁰ According to the *Wall Street Journal*, this system “could be used to govern activities
158 ranging from a person’s ability to set up a business to his or her professional promotion,” and Dr.
159 Richardson testified to the Commission that potential consequences could also affect users’ “ability to get
160 a passport, move around the country freely, access a VPN, or rent an apartment.”⁵¹ She also added that the
161 planned social credit system lacks privacy protections or a way to challenge or contest a negative rating.⁵²
162 Even without the added complications of the social credit system, though, user data are already vulnerable
163 in China. For example, in June 2017 Chinese police announced they had arrested 22 people—20 of whom
164 worked for Apple contractors or distributors of Apple products in China—for illegally selling the personal
165 information of Apple customers.⁵³

166 As of November 2016, more than three dozen local governments in China had begun to compile social and
167 financial digital records ahead of a planned national rollout in 2020, according to the *Wall Street Journal*.⁵⁴
168 Guangdong Province began this process in early 2015, and in April 2017 the capitals of four neighboring
169 provinces signed an agreement to share and integrate social credit data.⁵⁵ Dr. Richardson testified that the
170 program is still “a work in progress” and is currently overseen by “at least a dozen different government
171 agencies” ranging from the military to the Ministry of Education with the assistance of Chinese Internet

⁴⁹ *China Copyright and Media*, “Planning Outline for the Construction of a Social Credit System (2014-2020),” June 14, 2014. <https://chinacopyrightandmedia.wordpress.com/2014/06/14/planning-outline-for-the-construction-of-a-social-credit-system-2014-2020/>.

⁵⁰ Mirjam Meissner, “China’s Social Credit System: A Big-Data Enabled Approach to Market Regulation with Broad Implications for Doing Business in China,” *Mercator Institute for China Studies*, May 24, 2017, 1, 8. https://www.merics.org/fileadmin/templates/download/china-monitor/merics_ChinaMonitor_39_englisch_Web.pdf.

⁵¹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017; Chui-Wei Yap and Gillian Wong, “China Wants to Tap Big Data to Build a Bigger Brother,” *Wall Street Journal*, November 6, 2015. <https://blogs.wsj.com/chinarealtime/2015/11/06/china-wants-to-tap-big-data-to-build-a-bigger-brother/>.

⁵² U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

⁵³ Paul Mozur, “Apple Customer Data in China Was Sold Illegally, Police Say,” *New York Times*, June 9, 2017. <https://www.nytimes.com/2017/06/09/business/china-apple-personal-data-sold.html>.

⁵⁴ Josh China and Gillian Wong, “China’s New Tool for Social Control: A Credit Rating for Everything,” *Wall Street Journal*, November 28, 2016. <https://www.wsj.com/articles/chinas-new-tool-for-social-control-a-credit-rating-for-everything-1480351590>.

⁵⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

172 companies.⁵⁶ According to MERICS, the National Credit Information Sharing Platform, an interagency
173 collaboration, is the “backbone” of the system.⁵⁷

174 Private companies in China are cooperating with the Chinese government by “scooping up unprecedented
175 data on people’s lives through their mobile phones and competing to develop and market surveillance
176 systems for government use,” according to the *Wall Street Journal*.⁵⁸ For example, in April 2017, ten
177 companies in the bicycle-sharing industry—a sector of the Chinese tech economy that is “skyrocketing” in
178 growth, according to the respected Internet Trends report⁵⁹—signed an information-sharing agreement with
179 the National Development and Reform Commission and its think tank affiliate.⁶⁰ A boom in the
180 development of facial recognition technology—bolstered by the hundreds of millions of surveillance
181 cameras in the country, estimated to reach 620 million by 2020—has proven to be a valuable new source
182 of data for the government.⁶¹ According to Caixin in April 2017, of the eight credit reporting companies
183 approved to collect and analyze user data, all of them had yet to complete the trial program and obtain a
184 license. Wan Cunzhi, director of the People’s Bank of China’s Credit Information System Bureau, says the
185 companies’ preparation “is far below ... regulatory standards,” suggesting a delayed official rollout.⁶² Mr.
186 Wan argues the companies’ focus on their own “business activities” impedes sharing and therefore
187 collaboration with the government.⁶³ Due to these concerns over potential conflicts of interest, the Chinese
188 government decided in June not to award any of these licenses in 2017.⁶⁴

⁵⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

⁵⁷ **FOOTNOTE:** According to MERICS, the top ten government providers of data to the National Credit Information Sharing Platform as of May 2017 were the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Agriculture, the National Health and Family Planning Commission, the Ministry of Transport, the Ministry of Housing and Urban-Rural Development, the State Food and Drug Administration, the State Supervisory Authority for Production Safety, the People’s Bank of China, and the Ministry of Finance. Mirjam Meissner, “China’s Social Credit System: A Big-Data Enabled Approach to Market Regulation with Broad Implications for Doing Business in China,” *Mercator Institute for China Studies*, May 24, 2017, 6. https://www.merics.org/fileadmin/templates/download/china-monitor/merics_ChinaMonitor_39_englisch_Web.pdf.

⁵⁸ Josh Chin and Liza Lin, “China’s All-Seeing Surveillance State Is Reading Its Citizens’ Faces,” *Wall Street Journal*, June 26, 2017. https://www.wsj.com/article_email/the-all-seeing-surveillance-state-feared-in-the-west-is-a-reality-in-china-1498493020-lMyQjAxMTA3MzIxNzIyOTc0Wj/.

⁵⁹ Josh Constine, “Read Mary Meeker’s Essential 2017 Internet Trends Report,” *TechCrunch*, May 31, 2017. <https://techcrunch.com/2017/05/31/mary-meeker-internet-trends-2017/>.

⁶⁰ Bibek Bhandari, “National Credit System Puts Bike-Sharing Bandits in Crosshairs,” *Sixth Tone*, April 28, 2017. <http://www.sixthtone.com/news/1000117/national-credit-system-puts-bike-sharing-bandits-in-crosshairs>.

⁶¹ Josh Chin and Liza Lin, “China’s All-Seeing Surveillance State Is Reading Its Citizens’ Faces,” *Wall Street Journal*, June 26, 2017. https://www.wsj.com/article_email/the-all-seeing-surveillance-state-feared-in-the-west-is-a-reality-in-china-1498493020-lMyQjAxMTA3MzIxNzIyOTc0Wj/ Will Knight, “Paying with Your Face,” *MIT Technology Review*, March/April 2017. <https://www.technologyreview.com/s/603494/10-breakthrough-technologies-2017-paying-with-your-face/>.

⁶² Zhang Yuzhe and Dong Tongjian, “Guinea-Pig Firms Slow to Help China Create Credit-Reporting System,” *Caixin*, April 25, 2017. <http://www.caixinglobal.com/2017-04-25/101082789.html>.

⁶³ Zhang Yuzhe and Dong Tongjian, “Guinea-Pig Firms Slow to Help China Create Credit-Reporting System,” *Caixin*, April 25, 2017. <http://www.caixinglobal.com/2017-04-25/101082789.html>.

⁶⁴ Lucy Hornby, “China Changes Tack on ‘Social Credit’ Scheme Plan,” *Financial Times*, July 4, 2017. <https://www.ft.com/content/f772a9ce-60c4-11e7-91a7-502f7ee26895>.

189 According to *Foreign Policy*, some Chinese tech companies have begun to develop their own social credit
190 programs, such as the popular bicycle-sharing app Mobike, which grants users a score that is raised or
191 lowered based on their behavior; lower scores mean higher fees for use, and higher scores can result in free
192 rides.⁶⁵ The *Financial Times* assessed that “the big prize for these companies is ... data,” especially on
193 customers’ usage habits.⁶⁶ Alibaba, in addition to cooperating in developing the government’s social credit
194 program, has created its own internal program, which uses an algorithm to assess the character of its 400
195 million users based on their purchase histories.⁶⁷ In May 2017, Sesame Credit announced a partnership with
196 state-run wireless carrier China Mobile and electronics recycling company Aihuishou to share user data
197 and provide rewards for users with a minimum credit score.⁶⁸

198 **Domestic Propaganda**

199 The CCP employs comment spammers referred to as “50-centers” or members of the “50-cent party” due
200 to the persistent rumor that they are paid five Chinese mao, or fifty cents, for each post they make in support
201 of the government.⁶⁹ ⁷⁰ These spammers manipulate online discussion of politically sensitive topics
202 primarily to attempt to distract (rather than directly argue with) critics of the CCP.⁷¹ An April 2009 internal
203 CCP memo directed Party committees and departments to “make repeated postings on [sites] containing
204 related news or reports to guide online public opinion effectively.”⁷² A Chinese blogger who hacked a local
205 propaganda department in 2014 revealed that there are 50-centers in “virtually every [propaganda]
206 department,” and according to Professor Xiao, the total ranks of government-sponsored online

⁶⁵ Amy Hawkins, “Chinese Citizens Want the Government to Rank Them,” *Foreign Policy*, May 24, 2017. <http://foreignpolicy.com/2017/05/24/chinese-citizens-want-the-government-to-rank-them/>.

⁶⁶ Louise Lucas, “Sharing Economy Takes Mercantile Twist in China,” *Financial Times*, May 29, 2017. <https://www.ft.com/content/4d060364-41b6-11e7-9d56-25f963e998b2>.

⁶⁷ Amy Hawkins, “Chinese Citizens Want the Government to Rank Them,” *Foreign Policy*, May 24, 2017. <http://foreignpolicy.com/2017/05/24/chinese-citizens-want-the-government-to-rank-them/>; Celia Hatton, “China ‘Social Credit’: Beijing Sets Up Huge System,” BBC, October 26, 2015. <http://www.bbc.com/news/world-asia-china-34592186>.

⁶⁸ Yang Ge, “Ant Financial’s Credit Scoring Ambitions Crawl Ahead with Two New Deals,” Caixin, May 10, 2017. <http://www.caixinglobal.com/2017-05-10/101088774.html>.

⁶⁹ **FOOTNOTE:** This rumor has not been shown to be true. The term is now used to generically refer to enthusiastic online supporters of the Chinese government, regardless of whether or not they are paid, or how much. Anonymous, translated by David Wertime, “How to Spot a State-Funded Chinese Internet Troll,” *Foreign Policy*, June 17, 2015. <http://foreignpolicy.com/2015/06/17/how-to-spot-a-state-funded-chinese-internet-troll/>.

⁷⁰ Joyce Lau, “Who Are the Chinese Trolls of the ‘50 Cent Army?’” *Voice of America*, October 7, 2016. <http://www.voanews.com/a/who-is-that-chinese-troll/3540663.html>; Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, not Engaged Argument,” *American Political Science Review*, June 21, 2017, 10. <https://gking.harvard.edu/50c>; Zhang Lei, “Invisible Footprints of Online Commentators,” *Global Times*, February 5, 2010. <http://www.globaltimes.cn/special/2010-02/503820.html>.

⁷¹ David Wertime, “Meet the Chinese Trolls Pumping Out 488 Million Fake Social Media Posts,” *Foreign Policy*, May 19, 2016. <http://foreignpolicy.com/2016/05/19/meet-the-chinese-internet-trolls-pumping-488-million-posts-harvard-stanford-ucsd-research/>.

⁷² Xiao Qiang, “An Inside Look at a 50 Cent Party Meeting,” *China Digital Times*, August 4, 2010. <http://chinadigitaltimes.net/2010/08/an-inside-look-at-a-50-cent-party-meeting/>.

207 commentators exceed ten million.⁷³ Some 50-centers are regular government employees that perform this
208 task in addition to their regular duties, but many others are college students organized through the
209 Communist Youth League or outsourced employees of online marketing companies.⁷⁴

210 A May 2016 study by professors at Harvard, Stanford, and UC San Diego shows that official 50-centers
211 produce approximately 488 million fabricated social media posts per year, meaning that about one out of
212 every 178 social media posts on a Chinese commercial website is “fabricated” by the Chinese government.⁷⁵
213 Contrary to the popular conception of 50-centers as “ordinary citizens” hired specifically to conduct public
214 opinion guidance, the study found that almost all of the 50-cent workers sampled were government
215 employees.⁷⁶ The study also found that these 50-centers “regularly distract the public and change the
216 subject” from politically sensitive topics, tending to spam generic and supportive platitudes in response to
217 government initiatives instead of directly or aggressively arguing with other posters.⁷⁷ The study’s authors
218 argue that although they cannot conclusively identify the causes of specific “bursts” of posts by 50-centers,
219 the bursts are “consistent with a strategy of distraction” in the context of unusually sensitive or important
220 events during which the CCP might want to be especially assiduous in its public opinion guidance.⁷⁸ The
221 study also assessed that the main goal of this type of official Chinese propaganda is not to inspire either
222 patriotism or jingoism but rather to counteract posts with “collective action potential” and thus prevent any
223 anti-CCP consensus from coalescing among the Chinese public.⁷⁹

224 Gary King, director of Harvard University’s Institute for Quantitative Social Science and the main author
225 of the study, told the Commission that China employs both human and automated censors, and that each

⁷³ Xiao Qiang, Founder and Editor-in-Chief, *China Digital Times*, interview with Commission staff, April 18, 2017; Nikhil Sonnad, “Hacked Emails Reveal China’s Elaborate and Absurd Internet Propaganda Machine,” *Quartz*, December 18, 2014. <https://qz.com/311832/hacked-emails-reveal-chinas-elaborate-and-absurd-internet-propaganda-machine/>.

⁷⁴ Xiao Qiang, Founder and Editor-in-Chief, *China Digital Times*, interview with Commission staff, April 18, 2017.

⁷⁵ Kaveh Waddell, “‘Look, a Bird!’ Trolling by Distraction,” *Atlantic*, January 27, 2017. <https://www.theatlantic.com/technology/archive/2017/01/trolling-by-distraction/514589/>; David Wertime, “Meet the Chinese Trolls Pumping Out 488 Million Fake Social Media Posts,” *Foreign Policy*, May 19, 2016. <http://foreignpolicy.com/2016/05/19/meet-the-chinese-internet-trolls-pumping-488-million-posts-harvard-stanford-ucsd-research/>.

⁷⁶ Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, Not Engaged Argument,” *American Political Science Review*, June 21, 2017, 10. <https://gking.harvard.edu/50c>.

⁷⁷ Emily David, “The Chinese Communist Party’s Censorship Practices and Future Implications,” *Project 2049 Institute*, April 21, 2017. <https://www.theguardian.com/world/2013/jan/07/china-anti-censorship-protest-support>; David Wertime, “Meet the Chinese Trolls Pumping Out 488 Million Fake Social Media Posts,” *Foreign Policy*, May 19, 2016. <http://foreignpolicy.com/2016/05/19/meet-the-chinese-internet-trolls-pumping-488-million-posts-harvard-stanford-ucsd-research/>.

⁷⁸ Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, not Engaged Argument,” *American Political Science Review*, June 21, 2017, 12, 13. <https://gking.harvard.edu/50c>.

⁷⁹ Nikhil Sonnad, “China’s Internet Propaganda Is More Subtle and Sophisticated Than It Ever Has Been,” *Quartz*, May 23, 2016. <https://qz.com/690650/chinas-internet-propaganda-is-more-subtle-and-sophisticated-than-it-ever-has-been/>; Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, Not Engaged Argument,” *American Political Science Review*, June 21, 2017, 33. <https://gking.harvard.edu/50c>.

226 method has different qualities.⁸⁰ For example, after Liu Xiaobo, the Nobel Peace Prize-winning activist,
227 died in a Chinese prison in July 2017, pictures of him were automatically blocked in transmission on
228 WeChat and WhatsApp, debuting a formidable new automated censorship capability.⁸¹ Bao Pu, a Hong
229 Kong-based publisher of political books banned on the mainland, told the *Wall Street Journal*, “If you have
230 a machine doing [the censoring], it can instantly block everything. It doesn’t matter if it’s a billion messages
231 or 10 billion.”⁸² Dr. King assessed that the human censors—who manually delete posts after they have been
232 made—are fallible and inefficient due to their poor choice of keywords, whereas the automated censors use
233 keywords to prevent online posts from being made in the first place.⁸³ However, Dr. King said that artificial
234 intelligence and machine learning, which China is aggressively developing, have the potential to further
235 refine Chinese censors’ ability to choose effective keywords (for more information on China’s development
236 of artificial intelligence and machine learning, see Chapter 4, Section 1, “China’s Pursuit of Global
237 Dominance in Computing, Robotics, and Biotechnology”).⁸⁴

238 It is difficult to measure the effectiveness of this type of public opinion guidance, but Dr. King and his
239 associates used an article published by *Global Times*—a hawkish tabloid that is backed by the CCP but not
240 authoritative—as an illustrative example.⁸⁵ In response to the May 2016 study, *Global Times* published a
241 piece defending the CCP’s opinion guidance programs.⁸⁶ Dr. King and his colleagues found that 82 percent
242 of the comments on the paper’s website “expressed an opinion [that] supported China’s system of public
243 opinion guidance,” reflecting the fact that *Global Times* readers tend to be more nationalistic.⁸⁷ However,
244 in the much more politically diverse discussion on Weibo, China’s Twitter-like microblogging platform,
245 63 percent of comments disapproved of these opinion guidance techniques.⁸⁸

⁸⁰ Gary King, director, Harvard University Institute for Quantitative Social Science, interview with Commission staff, March 31, 2017.

⁸¹ Eva Dou, “China’s Stopchat: Censors Can Now Erase Images Mid-Transmission,” *Wall Street Journal*, July 18, 2017. <https://www.wsj.com/articles/chinas-stopchat-censors-can-now-erase-images-mid-transmission-1500363950>.

⁸² Eva Dou, “China’s Stopchat: Censors Can Now Erase Images Mid-Transmission,” *Wall Street Journal*, July 18, 2017. <https://www.wsj.com/articles/chinas-stopchat-censors-can-now-erase-images-mid-transmission-1500363950>.

⁸³ Gary King, director, Harvard University Institute for Quantitative Social Science, interview with Commission staff, March 31, 2017.

⁸⁴ Gary King, director, Harvard University Institute for Quantitative Social Science, interview with Commission staff, March 31, 2017; Brian Fung, “China Has Now Eclipsed Us in AI Research,” *Washington Post*, October 13, 2016. <https://www.washingtonpost.com/news/the-switch/wp/2016/10/13/china-has-now-eclipsed-us-in-ai-research/>.

⁸⁵ Eric Fish, “China’s Angriest Newspaper Doesn’t Speak for China,” *Foreign Policy*, April 28, 2017. <http://foreignpolicy.com/2017/04/28/chinas-angriest-newspaper-doesnt-speak-for-china/>; Zheping Huang, “Inside the Global Times, China’s Hawkish, Belligerent State Tabloid,” *Quartz*, August 9, 2016. <https://qz.com/745577/inside-the-global-times-chinas-hawkish-belligerent-state-tabloid/>.

⁸⁶ Global Times, “Editorial: Harvard Team Has an Amateur Understanding of the So-Called ‘50-Cent Party,’” May 21, 2016. <http://opinion.huanqiu.com/editorial/2016-05/8958840.html>.

⁸⁷ Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, Not Engaged Argument,” *American Political Science Review*, June 21, 2017, 38. <https://gking.harvard.edu/50c>.

⁸⁸ Gary King, Jennifer Pan, and Margaret Roberts, “How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, Not Engaged Argument,” *American Political Science Review*, June 21, 2017, 38. <https://gking.harvard.edu/50c>.

246 **Repression of Domestic Chinese Journalism**

247 In March 2017, Liu Qibao, head of the CCP's Central Propaganda Department, said the media should
248 "confidently ... tell good China stories," reflecting the general trend of tightened state control of news
249 media.⁸⁹ Since Chinese President and General Secretary of the CCP Xi Jinping announced in February 2016
250 that Chinese media "must serve the Party" and "must bear the surname 'Party,'" the CCP has cracked down
251 on domestic Chinese journalism to the point that "during 2016, it was difficult to discern any difference
252 between a report from one media outlet and a report from another," according to the International Federation
253 of Journalists' 2016 *China Press Freedom Report*.⁹⁰ David Bandurski, editor of Hong Kong University's
254 *China Media Project*, assessed that since 2014 Chinese media have remained "virtually silent on major
255 stories;" he added that the 2015 Tianjin industrial explosion was the only "truly notable exception to the
256 lull in quality reporting by China's domestic media" because "the explosions were a story of such immense
257 scale, unfolding in a highly populated urban area, that coverage was impossible to quell entirely."⁹¹

258 The *New York Times* assessed President Xi's "new policy remove[d] any doubt that in the view of the
259 president and party chief, the media should be first and foremost a party mouthpiece," a significant shift
260 from President Xi's predecessor Hu Jintao, who believed Chinese state media must improve its ability to
261 be more responsive to the modern digital environment in order to effectively shape public opinion.⁹² During
262 the Commission's 2017 trip to Hong Kong, Willy Wo-lap Lam, adjunct professor at the Chinese University
263 of Hong Kong, told the Commission President Xi believes insufficient Communist Party control over media
264 was a key factor in the collapse of the Soviet Union, and assessed President Xi is determined not to make
265 the same mistake.⁹³ John Hemmings of the Henry Jackson Society, a British think tank that advocates for
266 liberal democratic principles, assessed in July 2017 that "a centralizing of ... media ... functions to the
267 [CCP] and to Xi personally" is now occurring.⁹⁴ Relatively liberal or dissenting media organizations, such
268 as the well-respected Caixin and especially the *Southern Weekend* newspapers, have been censored or

⁸⁹ State Council Information Office of the People's Republic of China, *Media People Have the Responsibility to Tell Good "China Stories,"* March 9, 2017. <http://www.scio.gov.cn/32621/32629/32754/document/1544567/1544567.htm>.

⁹⁰ International Federation of Journalists, "China Press Freedom Report 2016 – Strangling the Media: China Tightens Its Grip," January 20, 2017, 10. http://www.ifj.org/fileadmin/documents/170120_China_PF_Report_ENGLISH_01.pdf; Chun Han Wong, "As Xi's Grip on Media Tightens, Chinese Newspaper Editor Resigns in Protest," *Wall Street Journal*, March 29, 2016. <https://blogs.wsj.com/chinarealtime/2016/03/29/as-xis-grip-on-media-tightens-chinese-newspaper-editor-resigns-in-protest/>; Edward Wong, "Xi Jinping's News Alert: Chinese Media Must Serve the Party," *New York Times*, February 22, 2016. <https://www.nytimes.com/2016/02/23/world/asia/china-media-policy-xi-jinping.html>.

⁹¹ U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 3.

⁹² Emily David, "The Chinese Communist Party's Censorship Practices and Future Implications," *Project 2049 Institute*, April 21, 2017. <https://www.theguardian.com/world/2013/jan/07/china-anti-censorship-protest-support>; Craig S. Smith, "The New York Times vs. the 'Great Firewall' of China," *New York Times*, March 31, 2016. <https://www.nytimes.com/2017/03/31/insider/the-new-york-times-vs-the-great-firewall-of-china.html>.

⁹³ Willy Wo-Lap Lam, senior fellow, Jamestown Foundation, meeting with Commission, May 19, 2017.

⁹⁴ John Hemmings, "Safeguarding our Systems: Managing Chinese Investment into the UK's Digital and Critical National Infrastructure," *Henry Jackson Society*, July 2017, 16. <http://henryjacksonsociety.org/wp-content/uploads/2017/07/Safeguarding-Our-Systems-Report-FINAL-Digital.pdf>.

269 pressured more heavily in response to perceived disobedience since President Xi's February 2016
270 directive.^{95 96}

271 Sarah Cook, senior research analyst for East Asia at the watchdog organization Freedom House, assessed
272 that 2016 was "a particularly bad year for non-state controlled media outlets in China."⁹⁷ Ms. Cook noted
273 that in addition to the shuttering of the stalwart moderate political journal *Yanhuang Chunqiu* and
274 Consensus Net, an online forum known for neutral political discussion among intellectuals, journalists, and
275 officials, commercial web portals such as Tencent, Sina, and Netease were subjected to increased pressure
276 not to produce original, unofficial news content.⁹⁸ Severe punishments meted out to professional journalists
277 also served as a warning to corruption investigators, some of whom ultimately changed careers out of
278 concern for their wellbeing.⁹⁹ Many Chinese journalists, according to Dan Southerland, former executive
279 editor at *Radio Free Asia*, are young and inexperienced and tend to move on to better jobs quickly, leaving
280 a dearth of older, experienced reporters.¹⁰⁰ According to a May 2017 report from the All-China Journalists
281 Association, 39 percent of China's approximately 224,000 journalists are aged 30–40 and 34 percent are
282 aged 40–50, and according to Mr. Southerland, more than 80 percent of "front-line" journalists in China
283 are aged 30 or younger.¹⁰¹

284 The International Federation of Journalists assessed in its 2016 *China Press Freedom Report* that until
285 2013, there were Chinese reporters willing to report on "cases of great general concern and even on some
286 so-called 'sensitive' topics such as negative stories about the leadership," but this kind of reporting has
287 "gradually diminished" to the point that some journalists claimed in 2016 that they were "completely

⁹⁵ Chun Han Wong, "As Xi's Grip on Media Tightens, Chinese Newspaper Editor Resigns in Protest," *Wall Street Journal*, March 29, 2016. <https://blogs.wsj.com/chinarealtime/2016/03/29/as-xis-grip-on-media-tightens-chinese-newspaper-editor-resigns-in-protest/>; Andrew Browne, "China's Censors Battle Mounting Defiance," *Wall Street Journal*, March 15, 2016. <https://www.wsj.com/articles/chinas-censors-battle-mounting-defiance-1458021415>.

⁹⁶ FOOTNOTE: For example, Dr. Richardson of Human Rights Watch testified to the Commission that in *Southern Weekend's* annual editorial summarizing the major events of the past year, the 2004 edition "explicitly" criticized the CCP for limitations on "citizens and rights;" the 2008 edition "implicitly called for 'democracy and freedom and human rights;'" the 2013 edition substituted President Xi's slogan about the "great rejuvenation and dreams of the Chinese nation" for any mention of human rights; and the 2017 edition was "utterly devoid of any political language and focused only on, quote, 'hopes and dreams.'" U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sophie Richardson, May 4, 2017.

⁹⁷ Sarah Cook, "Independent Journalism in China Struggles to Survive," *Diplomat*, December 21, 2016. <http://thediplomat.com/2016/12/independent-journalism-in-china-struggles-to-survive/>.

⁹⁸ Sarah Cook, "Independent Journalism in China Struggles to Survive," *Diplomat*, December 21, 2016. <http://thediplomat.com/2016/12/independent-journalism-in-china-struggles-to-survive/>.

⁹⁹ Sarah Cook, "Independent Journalism in China Struggles to Survive," *Diplomat*, December 21, 2016. <http://thediplomat.com/2016/12/independent-journalism-in-china-struggles-to-survive/>.

¹⁰⁰ U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 3.

¹⁰¹ Xinhua, "China Focus: China Has 223,925 Journalists: Report," May 31, 2017. http://news.xinhuanet.com/english/2017-05/31/c_136328620.htm; U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 3.

288 mute.”¹⁰² The Foreign Correspondents’ Club of China’s Working Conditions Survey 2016 reported that
289 sources and local staff of foreign reporters are subjected to intimidation, which presents “major challenges”
290 for these journalists.¹⁰³ According to the International Federation of Journalists’ report, there were two
291 “major incidents” in China in 2016 involving state detention of Chinese journalists: one involving three
292 reporters in Wuwei, Gansu Province, and one involving five booksellers in Hong Kong.^{104 105}

293 Mr. Southerland testified to the Commission that these local assistants, who are instrumental to foreign
294 journalists in their capacity as translators and in arranging interviews with witnesses, are often subjected to
295 “intimidation sessions”¹⁰⁶ in which police interrogate them about their work.¹⁰⁷ Mr. Southerland testified
296 that due to the significantly increased risks faced by Chinese reporters, most of the best investigative
297 reporting in China over roughly the past six years has been done by foreign reporters, but the harassment
298 that foreign reporters face has also increased.¹⁰⁸ According to PEN America, a prominent literary
299 organization that advocates for freedom of expression, foreign journalists in China face more restrictions
300 now than at any other time in recent history.¹⁰⁹ In November 2016, BBC journalists in China attempting to
301 interview a house-arrested candidate legally running for local political office were physically impeded by
302 plainclothes minders, apparently to the greatest extent that the minders could without being caught on
303 camera using overt physical violence.¹¹⁰ After an interview attempt with a would-be petitioner in March
304 2017, plainclothes police seized the BBC crew’s cameras, smashed them, and forced members of the crew
305 to sign confessions for “trying to conduct an ‘illegal interview,’” according to the *Guardian*.¹¹¹ Mr.
306 Southerland testified that this kind of assault of foreign journalists is “something new;” in years past, the
307 worst a foreign journalist had to fear from the Chinese state was “just to be expelled,” but this has changed

¹⁰² International Federation of Journalists, “China Press Freedom Report 2016 – Strangling the Media: China Tightens Its Grip,” January 20, 2017, 10. http://www.ifj.org/fileadmin/documents/170120_China_PF_Report_ENGLISH_01.pdf.

¹⁰³ Committee to Project Journalists, “Foreign Correspondents’ Club of China: Working Conditions Survey 2016,” 1. <https://cpj.org/blog/WORKING%20CONDITIONS%20SURVEY%202016.pdf>.

¹⁰⁴ International Federation of Journalists, “China Press Freedom Report 2016 – Strangling the Media: China Tightens Its Grip,” January 20, 2017, 20. http://www.ifj.org/fileadmin/documents/170120_China_PF_Report_ENGLISH_01.pdf.

¹⁰⁵ **FOOTNOTE:** In October 2015, five booksellers tied to Mighty Current Media, a Hong Kong publisher of political gossip books, were detained by mainland Chinese security personnel, raising concerns about the status of Hong Kong’s legal autonomy. For more information on these events and their implications, see U.S.-China Economic and Security Review Commission, Chapter 3, Section 3, “China and Hong Kong,” in *2016 Annual Report to Congress*, November 2016, 409–413.

¹⁰⁶ **FOOTNOTE:** These intimidations are often referred to as being “made to drink tea” since Public Security Bureau officials sometimes invite activists and journalists to come to the local police station for tea in order to interrogate them. Yuwen Wu, “Tea? Reining in Dissent the Chinese Way,” BBC, January 17, 2013. <http://www.bbc.com/news/world-asia-china-21027416>.

¹⁰⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹⁰⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹⁰⁹ Shanthy Kalathil: “Beyond the Great Firewall: How China Became a Global Information Power,” *Center for International Media Assistance*, March 2017, 7. http://www.cima.ned.org/wp-content/uploads/2017/03/CIMA-Beyond-the-Great-Firewall_150ppi-for-web.pdf.

¹¹⁰ Staff, “BBC Returns to Would-Be China Candidate,” BBC, November 24, 2016. <http://www.bbc.com/news/av/world-asia-china-38081966/bbc-returns-to-would-be-china-candidate>.

¹¹¹ Benjamin Haas, “BBC Crew Attacked in China and Forced to Sign Confession,” *Guardian*, March 3, 2016. <https://www.theguardian.com/world/2017/mar/03/bbc-crew-attacked-in-china-says-reporter>.

308 for the worse recently.¹¹² For example, Michael Forsythe, the lead reporter on a 2012 Bloomberg story
309 investigating the wealth of President Xi’s family, was subjected to death threats from people “tied to Xi’s
310 family” after the story’s publication, according to Leta Hong Fincher, a prominent China scholar and Mr.
311 Forsythe’s spouse.¹¹³

312 **China’s Global Media Influence**

313 **Global Development of Chinese Journalism**

314 While the CCP has increasingly suppressed reporting on politically sensitive stories within China, it has
315 made a strong push to develop the overseas presence of state-approved journalists to bolster China’s
316 international image. Mr. Southerland testified to the Commission that CCP leaders believe Western
317 reporting has damaged China’s international image ever since the Tiananmen Massacre; he assessed that
318 China has “worked hard since then to present itself as a peace-loving nation whose rise threatens no one.”¹¹⁴
319 China’s effort to improve its international image has in part relied on the rapid development of Chinese
320 news services in foreign languages.¹¹⁵ According to Shanthi Kalathil, director of the National Endowment
321 for Democracy’s International Forum for Democratic Studies, in the process of building up its overseas
322 presence in news media, the Chinese government has attempted to exert this pressure primarily in three
323 ways: “influencing foreign reporting on China; extending its presence abroad through its international
324 broadcasting and publication arms; and influencing the structure and values of news organizations,
325 primarily in developing countries, through funding, training and cooperation.”¹¹⁶

326 ***Influencing foreign reporting on China:*** According to the *New York Times*, “The Chinese Communist
327 Party’s efforts at shaping the world’s view of its country, culture and government have grown into an
328 aggressive transnational censorship program that seeks to quash critical voices globally.”¹¹⁷ Mr.
329 Southerland testified to the Commission that “China’s foreign propaganda efforts have taken on a new level

¹¹² U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹¹³ Leta Hong Fincher (@LetaHong), “@KaiserKuo they were tied to Xi family, but did not come from central government,” October 26, 2012, 10:29 P.M. <https://twitter.com/LetaHong/status/262018192728272897>; Leta Hong Fincher (@LetaHong), “Now that NYT has gone public about Chinese govt pressure, I can admit that we got death threats after Bloomberg story on Xi Jinping,” October 26, 2012, 9:31 P.M. <https://twitter.com/LetaHong/status/262003544033460225>.

¹¹⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹¹⁵ James Wan, “Propaganda or Proper Journalism? China’s Media Expansion in Africa,” *African Arguments*, August 18, 2015. <http://africanarguments.org/2015/08/18/propaganda-or-proper-journalism-chinas-media-expansion-in-africa/>.

¹¹⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 1.

¹¹⁷ Craig S. Smith, “The New York Times vs. the ‘Great Firewall’ of China,” *New York Times*, March 31, 2016. <https://www.nytimes.com/2017/03/31/insider/the-new-york-times-vs-the-great-firewall-of-china.html>.

330 of assertiveness, confidence, and ambition.”¹¹⁸ These media influence activities have been documented in
331 several countries on China’s periphery:

- 332 • *Freedom House* reported in 2013 that local government officials in Asia, Africa, and Latin America
333 “have taken steps to restrict or punish reporting damaging to China’s reputation either at the
334 behest of Chinese representatives or to preemptively avoid tensions with a large donor and trading
335 partner.”¹¹⁹
- 336 • In 2015, a Chinese-language newspaper, *Baobo News*, was launched in Myanmar with the backing
337 of SAPPRFT, the Confucius Institute, and the propaganda department of Yunnan University’s CCP
338 Committee.¹²⁰
- 339 • A leaked Chinese government document from 2015, *Long-Term Plan on China-Pakistan Economic*
340 *Corridor*,¹²¹ included plans for a Chinese-built national fiber optic network in Pakistan that will be
341 used not only for a large surveillance system but also as a “cultural transmission carrier” to
342 “cooperate with Chinese media in the ‘dissemination of Chinese culture,’” according to the
343 Pakistani newspaper *Dawn*.¹²²
- 344 • During the Commission’s 2017 trip to South Korea, General Kim Hee-sang, deputy director of the
345 South Korea Ministry of Foreign Affairs, told the Commission the South Korean government is
346 concerned about Chinese investments in the country’s entertainment and film industry.¹²³
- 347 • An Australian Broadcasting Corporation report in June 2017 assessed the CCP wields influence in
348 Australia by, among other things, controlling most Chinese-language media.¹²⁴

¹¹⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹¹⁹ Sarah Cook, “The Long Shadow of Chinese Censorship: How the Communist Party’s Media Restrictions Affect News Outlets around the World,” *Freedom House*, October 22, 2013, 9. http://www.cima.ned.org/wp-content/uploads/2015/02/CIMA-China_Sarah%20Cook.pdf.

¹²⁰ Mark C. Eades, “Blood Brothers?: China’s Push for Influence in Myanmar,” *Foreign Policy Association*, March 30, 2016. <https://foreignpolicyblogs.com/2016/03/30/blood-brothers-chinas-push-influence-myanmar/>; *China Daily*, “China Opens First Myanmar Newspaper,” December 8, 2015. http://www.chinadaily.com.cn/m/yunnan/cultureindustry/2015-12/08/content_22662654.htm; Yunnan University News Center, “Mandalay, Burma Celebrates Launch of *Baobo News Net*, Joint Project between Confucius Institute and Yunnan University,” April 9, 2015. <http://www.news.ynu.edu.cn/gjil/2015-04-09/0-29-10098.html>; Office of Chinese Language Council International, “‘*Baobo News Net*’ Chinese-Burmese Website Formally Launches,” April 8, 2015. http://www.hanban.org/article/2015-04/08/content_586494.htm.

¹²¹ **FOOTNOTE:** The China-Pakistan Economic Corridor (CPEC) is a \$46 billion infrastructure investment plan under the One Belt, One Road umbrella. For China, the goals of CPEC are threefold: to create an alternative trade route through Pakistan and gain access to ports on the Arabian Sea; to contain Islamic terrorism and insurgency in Xinjiang, Pakistan, and Afghanistan through economic development; and to stabilize Pakistan’s economic and security environment. For Pakistan, CPEC presents an opportunity to address major infrastructure shortfalls, particularly energy shortages. U.S. China Economic and Security Review Commission, *2016 Annual Report to Congress*, November 2016, 17–18.

¹²² Khurram Hussain, “Exclusive: CPEC Master Plan Revealed,” *Dawn*, June 21, 2017. <https://www.dawn.com/news/1333101>.

¹²³ Kim Hee-sang, deputy director of South Korea Ministry of Foreign Affairs, meeting with Commission, Seoul, South Korea, May 22, 2017.

¹²⁴ Nick McKenzie et al., “Australian Sovereignty under Threat from Influence of China’s Communist Party,” Australian Broadcasting Corporation, June 4, 2017. <http://www.abc.net.au/news/2017-06-04/australian-sovereignty-under-threat-from-chinese-influence/8583832>.

349 Newspapers viewed by Chinese officials as “anti-China” have been pressured to drop negative stories
350 “through a combination of direct action, economic pressure to induce self-censorship by international media
351 owners, indirect pressure applied via proxies such as advertisers, and cyberattacks and physical assaults,”
352 according to Ms. Kalathil.¹²⁵ Australia has been a major target of these operations; Ms. Kalathil testified to
353 the Commission that local analysts in Australia have reported that “the formerly lively, independent Chinese
354 language media space [in Australia] now hews largely to the pro-China line, in part because pro-China
355 media groups now control much of the Chinese language media sector.”¹²⁶ ¹²⁷ For example, Yan Xia, editor-
356 in-chief of the independent Chinese-language Australian newspaper *Vision China Times*, wrote in
357 September 2016 that a Beijing-based immigration agency felt compelled to stop placing ads in Mr. Yan’s
358 paper as a result of harassment from Chinese immigration officials.¹²⁸ Mr. Yan wrote that Chinese-language
359 media in Australia are “under pressure to support President Xi Jinping and Beijing’s foreign policy,” and
360 he fears this influence will be more easily wielded in the future as “increasing numbers of Australian
361 politicians, Chinese community groups and Chinese media companies are becoming more reliant on
362 commercial and political ties with China.”¹²⁹

363 In addition to exerting pressure through and on members of the Chinese community in Australia, the
364 Chinese government has pursued more traditional forms of cooperation with Australian media. In May

¹²⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 1–2.

¹²⁶ **FOOTNOTE:** According to analysis by the *Sydney Morning Herald*, “Nearly 95 per cent of the Australian Chinese newspapers have been brought in by the Chinese government to some degree.” Australian National University professor Bates Gill and independent researcher Linda Jakobson cited the *Australian New Express Daily*—which is owned by Chau Chak Wing, a Chinese real estate tycoon and member of a CCP advisory body in Guangdong Province who praised the paper for “never hav[ing] any negative reporting [about China]”—as a particularly striking example. For a list of the major Chinese-language print publications in Australia, including their circulation numbers, see Wanning Sun, “Chinese-Language Media in Australia: Development, Challenges and Opportunities,” *Australia-China Relations Institute*, 2016, 67–69. http://www.australiachinarelations.org/sites/default/files/1609%20Australia-China%20Relations%20Institute%20Publication%20-%20Chinese-language%20media%20in%20Australia%20Developments%2C%20challenges%20and%20opportunities_0.pdf; Bates Gill and Linda Jakobson, *China Matters: Getting It Right for Australia*, La Trobe University Press, 2017. https://books.google.com/books?id=uLtUDgAAQBAJ&pg=PT89&lpg=PT89&dq=chau+chak+wing+the+age+interview+never+found+any+negative+commentary&source=bl&ots=Fkb7Nzpr85&sig=8gkBwjAYoGSR6r3JTSJsibW3iZ8&hl=en&sa=X&ved=0ahUKEwjT_fuNoqfUAhUT24MKHYj0AE8Q6AEINjAC#v=onepage&q=chau%20chak%20wing%20the%20age%20interview%20never%20found%20any%20negative%20commentary&f=false; Kelsey Munro and Philip Wen, “Chinese Language Newspapers in Australia: Beijing Controls Messaging, Propaganda in Press,” *Sydney Morning Herald*, July 10, 2016. <http://www.smh.com.au/national/chinese-language-newspapers-in-australia-beijing-controls-messaging-propaganda-in-press-20160610-gpg0s3.html>.

¹²⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 2.

¹²⁸ Yan Xia, “Local Chinese Newspapers Feel Bite of Beijing’s Running Dogs,” *Australian*, October 10, 2016. <http://www.theaustralian.com.au/business/media/local-chinese-newspapers-feel-bite-of-beijings-running-dogs/news-story/2a4ff1e311123e64e6497c8115da9834>.

¹²⁹ Yan Xia, “Local Chinese Newspapers Feel Bite of Beijing’s Running Dogs,” *Australian*, October 10, 2016. <http://www.theaustralian.com.au/business/media/local-chinese-newspapers-feel-bite-of-beijings-running-dogs/news-story/2a4ff1e311123e64e6497c8115da9834>.

365 2016, six major agreements¹³⁰ were signed between Chinese and Australian media organizations, which
366 were “a victory for Chinese propaganda” according to John Fitzgerald, director of the Center for Social
367 Impact Swinburne’s Program for Asia-Pacific Social Investment and Philanthropy at Swinburne University,
368 and Wanning Sun, professor of media and communication studies at the University of Technology
369 Sydney.¹³¹ Radio National, part of the Australian Broadcasting Corporation, said the agreement meant
370 “China’s colossal PR machine [would] have a say in what news we get from China.”¹³² Liu Qibao, head of
371 the Central Propaganda Bureau of the CCP, personally attended the signing of the agreements, suggesting
372 the significance of the deal for the Chinese government.¹³³ Under the arrangement, the Australian company
373 Fairfax Media will distribute the monthly *China Daily* supplement *China Watch*¹³⁴ in the *Sydney Morning*
374 *Herald*, the *Age*, and the *Australian Financial Review*, and Fairfax will have no editorial control over the
375 content.¹³⁵

China’s Discrediting of Guo Wengui in International Media

376 In March 2017, Guo Wengui, a Chinese real estate tycoon living in the United States since 2015, began to
377 publicly criticize the effectiveness of the CCP’s anti-corruption campaign and allege high-level corruption
378 in the CCP.¹³⁶ Chinese state-run media called him a “criminal suspect” and launched an international
379 publicity campaign, including releasing a videotaped confession by a former senior intelligence official
380 accusing Mr. Guo of corruption and uploading videos to YouTube on a channel called “Truth about Guo
381

¹³⁰ **FOOTNOTE:** The agreements were between Xinhua, *China Daily*, China Radio International, *People’s Daily*, and Qingdao Publishing Group (all of which are state-run) on the Chinese side and Fairfax Media, Sky News Australia, the Global China-Australia Media Group, Weldon International, and the Australia-China Relations Institute (ACRI) at the University of Technology, Sydney, on the Australian side. Lowy Institute for Public Policy, “Australian Media Deals Are a Victory for Chinese Propaganda,” May 31, 2016. <https://www.lowyinstitute.org/the-interpreter/australian-media-deals-are-victory-chinese-propaganda>.

¹³¹ John Fitzgerald and Wanning Sun, “Australian Media Deals Are a Victory for Chinese Propaganda,” *Lowy Institute*, May 31, 2016. <https://www.lowyinstitute.org/the-interpreter/australian-media-deals-are-victory-chinese-propaganda>.

¹³² Helen Clark, “China’s Foothold in Struggling Australian Media,” *Diplomat*, June 10, 2016. <http://thediplomat.com/2016/06/chinas-foothold-in-struggling-australian-media/>; Staff, “Australian Media Deals Are a Victory for Chinese Propaganda,” *Lowy Institute for International Policy*, May 31, 2016. <https://www.lowyinstitute.org/the-interpreter/australian-media-deals-are-victory-chinese-propaganda>.

¹³³ John Fitzgerald and Wanning Sun, “Australian Media Deals Are a Victory for Chinese Propaganda,” *Lowy Institute for International Policy*, May 31, 2016. <https://www.lowyinstitute.org/the-interpreter/australian-media-deals-are-victory-chinese-propaganda>.

¹³⁴ **FOOTNOTE:** *China Watch* has also been distributed by newspapers in the United States. For more information, see “China’s Media Influence in the United States” below.

¹³⁵ Bates Gill and Linda Jakobson, *China Matters: Getting It Right for Australia*, La Trobe University Press, 2017. https://books.google.com/books?id=uLiUDgAAQBAJ&pg=PT86&lpg=PT86&dq=qingdao+publishing+group+daily+group&source=bl&ots=Fkb7Lsqycc&sig=iv7HA-sctZhdFNUcFMWwCX_RdeE&hl=en&sa=X&ved=0ahUKEwjKmv_kup_UAhVD6iYKHWRIy8Q6AEINDAD#v=onepage&q=qingdao%20publishing%20group%20daily%20group&f=false; Helen Clark, “China’s Foothold in Struggling Australian Media,” *Diplomat*, June 10, 2016. <http://thediplomat.com/2016/06/chinas-foothold-in-struggling-australian-media/>.

¹³⁶ Josh Rudolph, “The Publicity War between Beijing and Guo Wengui,” *China Digital Times*, April 21, 2017. <http://chinadigitaltimes.net/2017/04/international-publicity-war-beijing-guo-wengui/>; Michael Forsythe, “As Trump Meets Xi at Mar-a-Lago, There’s a ‘Wild Card,’” *New York Times*, April 4, 2017. <https://www.nytimes.com/2017/04/04/world/asia/china-mar-a-lago-guo-wengui.html>.

382 Wengui,” to discredit him.¹³⁷ In an unbylined¹³⁸ story, the *South China Morning Post* called the campaign
383 “unprecedented” and “unusually sophisticated,” and Professor Xiao Qiang testified to the Commission
384 that he had “never seen something like this.”¹³⁹ After Mr. Guo threatened to drop a “nuclear bomb” of
385 corruption allegations involving relatives of powerful CCP officials, the Chinese government asked
386 INTERPOL to issue a red notice¹⁴⁰ for Mr. Guo.¹⁴¹ Chinese social media mentions of the story were
387 heavily censored: FreeWeibo.com, a site that tracks censored posts on Weibo, listed Mr. Guo as the top
388 censored subject in the week prior to April 20.¹⁴² Mr. Guo’s Facebook and Twitter accounts were briefly
389 suspended, raising concerns of pressure by Chinese officials.¹⁴³ GreatFire, an anticensorship activism
390 organization, claimed the Chinese government had targeted Mr. Guo’s Twitter account with a direct
391 denial of service¹⁴⁴ (DDoS) attack.¹⁴⁵

¹³⁷ Michael Forsythe and Alexandra Stevenson, “The Billionaire Gadfly in Exile Who Stared Down Beijing,” *New York Times*, May 30, 2017. <https://www.nytimes.com/2017/05/30/world/asia/china-guo-wengui.html>; Chun Han Wong, “Chinese Tycoon on His High-Level Corruption Claims: ‘Everything Is Just Getting Started!’” *Wall Street Journal*, May 3, 2017. <https://www.wsj.com/articles/chinese-tycoon-lob-claims-into-beijing-politics-1493803804>; Staff, “China Launches Unprecedented International Publicity War against Wanted Tycoon Guo Wengui,” *South China Morning Post*, April 20, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089184/beijing-launches-unprecedented-international-publicity>.

¹³⁸ **FOOTNOTE:** According to National Public Radio, a byline—the line at the top of an article naming the author—is an important part of transparency, and “transparency fosters accountability.” An article that lacks a byline also arguably lacks accountability. For example, when the *South China Morning Post* published an interview with a detained Chinese legal assistant, David Bandurski noted the lack of a byline and said that questionable details of the article, including the refusal by the paper’s senior staff to clarify how they arranged an interview with a detained person, raised “very serious questions about the newspaper’s commitment to editorial independence.” Sara Goo, “Guidance for Bylines on NPR.org,” National Public Radio, March 1, 2017. <http://ethics.npr.org/category/g-transparency/>; David Bandurski, “The Mea Culpa Machine,” China Media Project, July 15, 2016. <https://medium.com/china-media-project/the-mea-culpa-machine-a40a12f65f98>.

¹³⁹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Xiao Qiang, May 4, 2017; Staff, “China Launches Unprecedented International Publicity War against Wanted Tycoon Guo Wengui,” *South China Morning Post*, April 20, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089184/beijing-launches-unprecedented-international-publicity>.

¹⁴⁰ **FOOTNOTE:** According to INTERPOL, a red notice is “a request to locate and provisionally arrest an individual pending extradition. It is issued ... at the request of a member country or an international tribunal based on a valid national arrest warrant. It is not an international arrest warrant. INTERPOL cannot compel any member country to arrest an individual who is the subject of a Red Notice. Each member country decides for itself what legal value to give a Red Notice within their borders.” INTERPOL, “What Is the Purpose of an INTERPOL Red Notice?” 2017. <https://www.interpol.int/INTERPOL-expertise/Notices/Red-Notices>.

¹⁴¹ Michael Forsythe, “China Seeks Arrest of Billionaire Who Accused Officials’ Relatives of Graft,” *New York Times*, April 19, 2017. <https://www.nytimes.com/2017/04/19/world/asia/china-guo-wengui-interpol-voice-of-america.html>.

¹⁴² Mimi Lau, “How the Social Media Buzz in China and the West Differ over Wanted Tycoon Guo Wengui,” *South China Morning Post*, April 21, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089260/now-you-see-guo-wengui-now-you-dont-chinese-social>.

¹⁴³ Samuel Wade, “Tycoon’s Facebook, Twitter Accounts Suspended,” *China Digital Times*, April 27, 2017. <https://chinadigitaltimes.net/2017/04/tycoons-facebook-twitter-accounts-suspended-amid-corruption-claims/>; Michael Forsythe, “He Tweeted about Chinese Government Corruption. Twitter Suspended His Account,” *New York Times*, April 26, 2017. <https://www.nytimes.com/2017/04/26/world/asia/guo-wengui-chinese-billionaire-twitter.html>; Paul Mozur, “Facebook Briefly Suspends Account of Outspoken Chinese Billionaire,” *New York Times*, April 21, 2017. <https://www.nytimes.com/2017/04/21/technology/guo-wengui-china-facebook-account-suspended.html>.

¹⁴⁴ **FOOTNOTE:** A DDoS is a type of cyber attack designed to force a server to shut down by overwhelming it with requests for information from multiple sources in a coordinated fashion. Kim Zetter, “Hacker Lexicon: What Are DoS and DDoS Attacks?” *Wired*, January 16, 2016. <https://www.wired.com/2016/01/hacker-lexicon-what-are-dos-and-ddos-attacks/>.

¹⁴⁵ Charlie Smith, “Is China Establishing Cyber Sovereignty in the United States?” *GreatFire*, May 23, 2017. <https://en.greatfire.org/blog/2017/may/china-establishing-cyber-sovereignty-united-states>.

392 In April 2017, Voice of America's (VOA) Chinese-language service conducted a live interview with Mr.
393 Guo in which he made new allegations of corruption involving powerful Party officials, claiming "If
394 [Chinese officials] weren't so corrupt, they wouldn't be scared" of him.¹⁴⁶ According to VOA's Mandarin
395 Service Chief, Sasha Gong, Mr. Guo explained during a pre-interview that he paid for "office rentals,
396 private jets, surveillance systems, personnel and many other expenses" for Chinese security services
397 personnel in exchange for their help in "dealing with his business rivals."¹⁴⁷ Although the interview was
398 advertised beforehand as scheduled to run for three hours, VOA cut off the interview early after Mr. Guo
399 made new corruption allegations, citing a prior agreement to only air one hour of it.¹⁴⁸ According to Ms.
400 Gong, the Chinese Foreign Ministry complained to VOA's Beijing correspondent that the interview
401 would "disturb" China's upcoming 19th Party Congress in November 2017, and the Ministry threatened
402 to "respond seriously" if the interview proceeded.¹⁴⁹ Ms. Gong refused to cancel the interview but said
403 VOA's upper management ordered that it run for "no longer than 15 minutes," although the plug was
404 ultimately not pulled until one hour and 19 minutes in, after which Ms. Gong and four colleagues were
405 suspended without pay.¹⁵⁰ Mr. Guo claimed afterward that the interview had been sabotaged by a Chinese
406 state-affiliated "liaison person" within VOA.¹⁵¹ Ms. Gong wrote in the *Wall Street Journal* that she was
407 "not aware of another instance in the 75-year history of [VOA] in which a foreign government has
408 attempted to intervene with such force in the network's broadcast decisions."¹⁵² In June, the *Washington*
409 *Free Beacon* reported that Congress was preparing to ask the U.S. State Department Inspector General to
410 investigate whether or not VOA was pressured by Beijing, and Secretary of State Rex Tillerson said that
411 he would support such an investigation if it was deemed necessary.¹⁵³ The Chinese government began

¹⁴⁶ Michael Forsythe, "China Seeks Arrest of Billionaire Who Accused Officials' Relatives of Graft," *New York Times*, April 19, 2017. <https://www.nytimes.com/2017/04/19/world/asia/china-guo-wengui-interpol-voice-of-america.html>.

¹⁴⁷ Sasha Gong, "How China Managed to Muffle the Voice of America," *Wall Street Journal*, May 23, 2017. <https://www.wsj.com/articles/how-china-managed-to-muffle-the-voice-of-america-1495580183>.

¹⁴⁸ Nectar Gan, "Wanted Chinese Tycoon Guo Wengui Blames 'Spy' in US Broadcaster Voice of America for Pulling Plug on Interview," *South China Morning Post*, April 22, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089523/china-tycoon-blames-spy-within-voa-pulling-plug-us>; Robert Delaney, "Plug Pulled on US Interview with Wanted Chinese Tycoon Guo Wengui," *South China Morning Post*, April 20, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089000/plug-pulled-us-interview-wanted-chinese-tycoon-guo>.

¹⁴⁹ Sasha Gong, "How China Managed to Muffle the Voice of America," *Wall Street Journal*, May 23, 2017. <https://www.wsj.com/articles/how-china-managed-to-muffle-the-voice-of-america-1495580183>.

¹⁵⁰ Sasha Gong, "How China Managed to Muffle the Voice of America," *Wall Street Journal*, May 23, 2017. <https://www.wsj.com/articles/how-china-managed-to-muffle-the-voice-of-america-1495580183>.

¹⁵¹ Nectar Gan, "Wanted Chinese Tycoon Guo Wengui Blames 'Spy' in US Broadcaster Voice of America for Pulling Plug on Interview," *South China Morning Post*, April 22, 2017. <http://www.scmp.com/news/china/policies-politics/article/2089523/china-tycoon-blames-spy-within-voa-pulling-plug-us>.

¹⁵² Sasha Gong, "How China Managed to Muffle the Voice of America," *Wall Street Journal*, May 23, 2017. <https://www.wsj.com/articles/how-china-managed-to-muffle-the-voice-of-america-1495580183>.

¹⁵³ Bill Gertz, "Congress Seeks IG Probe of VOA China Interview," *Washington Free Beacon*, June 15, 2017. <http://freebeacon.com/national-security/congress-seeks-ig-probe-voa-china-interview/>; C-SPAN, "Secretary Tillerson Supports OIG Investigation of Voice of America China Controversy," June 13, 2017. <https://www.c-span.org/video/?c4673540/secretary-tillerson-supports-oig-investigation-voice-america-china-controversy>.

412 trying associates of Mr. Guo for fraud in June, marking the first official allegations made.¹⁵⁴ According to
413 the *Wall Street Journal*, the authorities “went to unusual lengths to open the proceedings to public view”
414 by posting videos of the proceedings in addition to transcripts, emphasizing the degree to which the
415 publicity campaign remained in full force.¹⁵⁵ Three employees of Beijing Pangu Investment, one of Mr.
416 Guo’s companies, were sentenced.¹⁵⁶

417 ***Extending presence abroad:*** Unconstrained by the budget pressures facing private sector international
418 media companies, Chinese news media have expanded into the international media market aggressively.¹⁵⁷
419 According to the *Economist*, Xinhua, a Chinese state-run news agency, opened 40 new foreign news
420 bureaus between 2009 and 2011 to reach a total of 162—with plans to have 200 by 2020—and the number
421 of Xinhua correspondents based overseas also doubled during that time.¹⁵⁸ According to research conducted
422 by the China Africa Research Initiative at the Johns Hopkins University School of Advanced International
423 Studies, Xinhua bureaus have become a primary news source in Africa competing with Western agencies
424 like the Associated Press and Reuters.¹⁵⁹ At the same time, Chinese authorities have increasingly blocked
425 foreign sources of news within China, including the *New York Times*, which was officially blocked in 2012
426 in retaliation for publishing an article on the personal wealth of then Chinese Premier Wen Jiabao’s family
427 members.¹⁶⁰

428 Distancing themselves somewhat from the often terse and humorless voice of official propaganda, Chinese
429 official and semi-official media have experimented with relatively flashy and snappy publications that are
430 more approachable for foreign audiences; in most cases, it is not immediately apparent that this material is
431 Chinese state-backed propaganda. For example, *Foreign Policy* described the new English-language
432 website Sixth Tone—an affiliate of Party-controlled *The Paper*—as “Vox ... acquired by the Chinese
433 Communist Party.”¹⁶¹ The *Washington Post* and *New York Times* have also featured inserts from the

¹⁵⁴ Josh Chin, “China Cranks Up Heat on Exiled Tycoon Guo Wengui,” *Wall Street Journal*, June 9, 2017.
<https://www.wsj.com/articles/china-cranks-up-heat-on-exiled-tycoon-guo-wengui-1497006242>.

¹⁵⁵ Josh Chin, “China Cranks Up Heat on Exiled Tycoon Guo Wengui,” *Wall Street Journal*, June 9, 2017.
<https://www.wsj.com/articles/china-cranks-up-heat-on-exiled-tycoon-guo-wengui-1497006242>.

¹⁵⁶ Alice Woodhouse, “Three Linked to Exiled Billionaire Guo Wengui Sentenced in China,” *Financial Times*, June 16, 2017.
<https://www.ft.com/content/4ba6b584-1fe9-345b-813d-2403971f33b0?mhq5j=e1>.

¹⁵⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 2.

¹⁵⁸ *Economist*, “China Is Spending Billions to Make the World Love It,” March 23, 2017.
<http://www.economist.com/news/china/21719508-can-money-buy-sort-thing-china-spending-billions-make-world-love-it>.

¹⁵⁹ Jakup Emil Hansen, “Media Training for Africa: Is China Exporting Its Journalism?” China-Africa Research Initiative, 2016, 2.
https://static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/573c96e0f8baf3591b0523bc/1463588577164/Policy+Brief+12_Jakup+Emil+Hansen.pdf.

¹⁶⁰ Craig S. Smith, “The New York Times vs. the ‘Great Firewall’ of China,” *New York Times*, March 31, 2016.
<https://www.nytimes.com/2017/03/31/insider/the-new-york-times-vs-the-great-firewall-of-china.html>.

¹⁶¹ Sarah Cook, “Independent Journalism in China Struggles to Survive,” *Diplomat*, December 21, 2016.
<http://thediplomat.com/2016/12/independent-journalism-in-china-struggles-to-survive/>.

434 Chinese official media outlet *China Daily* without clearly marking them as Chinese propaganda, and state-
435 run China Central Television (CCTV) hired many experienced U.S. reporters to run its Washington
436 bureau.¹⁶² CCTV International was rebranded as China Global Television Network (CGTN) at the end of
437 2016 and now oversees all new foreign language channels and digital content.¹⁶³

438 ***Influencing the structure and values of news organizations:*** Although China’s news influence operations
439 have encountered obstacles in developed countries like Australia, they have found more success in
440 developing countries.¹⁶⁴ A 2013 report by Ms. Cook notes that China has granted media development aid
441 to developing countries,¹⁶⁵ training journalists in those countries so they are unlikely to report on negative
442 stories about China.¹⁶⁶ According to Ms. Kalathil, China has provided extensive assistance to countries in
443 Latin America, Central and East Asia, and Africa in developing their communications and media sectors.¹⁶⁷
444 It has primarily done so by providing “financial resources, infrastructure and equipment, study tours in
445 China, and training;” however, unlike most traditional media development assistance, “China does not
446 support the typical normative goals of this kind of assistance: freedom of expression, editorial
447 independence, technologically neutral protocols, and developing the professional and investigatory capacity
448 of local journalists.”¹⁶⁸

449 Chinese media—particularly in Africa, according to Mr. Southerland—have received the approval of host
450 governments by “present[ing] African developments in a favorable light while countering what some
451 African governments regard as mostly negative news reports carried by Western media,” such as discussion
452 of famine, disease, and corruption.¹⁶⁹ At the same time, Emeka Umejei, a doctoral candidate at the

¹⁶² Lily Kuo, “China Is Getting Better at Influencing Media outside China,” *Quartz*, October 22, 2013. <https://qz.com/138185/china-is-getting-better-at-influencing-media-outside-china/>.

¹⁶³ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, 2, May 4, 2017.

¹⁶⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017.

¹⁶⁵ **FOOTNOTE:** For example, in 2008, China officially provided \$18 million in international direct media assistance, but this figure does not account for the hundreds of millions of dollars—as much as \$6 billion—that China has spent on “enhancing the global reach of its state-run media enterprises, focused on the Xinhua news agency, CCTV, and the People’s Daily newspaper.” Douglas Farah and Andy Mosher, “Winds from the East: How the People’s Republic of China Seeks to Influence the Media in Africa, Latin America, and Southeast Asia,” *Center for International Media Assistance*, 2010, 8-9, September 8, 2010. http://www.cima.ned.org/wp-content/uploads/2015/02/CIMA-China-Report_1.pdf.

¹⁶⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 8; Sarah Cook, “The Long Shadow of Chinese Censorship: How the Communist Party’s Media Restrictions Affect News Outlets around the World,” *Freedom House*, October 22, 2013, 22. http://www.cima.ned.org/wp-content/uploads/2015/02/CIMA-China_Sarah%20Cook.pdf.

¹⁶⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 2.

¹⁶⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017, 2.

¹⁶⁹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Dan Southerland, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 5.

453 University of the Witwatersrand in Johannesburg, argues that “China media organizations based in Africa
454 make sure that content provided by their African employees doesn’t offend Chinese interests on the
455 continent. Story ideas proposed by African journalists have to be approved or rejected by Beijing.”¹⁷⁰ The
456 resulting mutual positive coverage between Chinese media in Africa and African media reporting on China
457 serves the purposes of both the Chinese and African governments.

458 Journalists in some African countries have long been harassed, intimidated, and jailed by repressive
459 governments, and China’s involvement in the development of African news media has reportedly
460 emboldened these repressive tendencies.¹⁷¹ Anne Nelson, adjunct associate professor of international and
461 public affairs at Columbia University, assessed in 2013 that as a result of “China’s integrated approach to
462 media investment ... African leaders are assured that they can practice censorship with impunity.”¹⁷² Mr.
463 Southerland testified to the Commission in May 2017 that some African academics and human rights
464 advocates now worry that “China’s media links and African government connections are encouraging some
465 African leaders to feel that they can control, harass, and repress African journalists with impunity.”¹⁷³

466 **China’s Media Influence in the United States**

467 According to Ms. Cook, CCP overseas influence campaigns, including in the United States, primarily target
468 overseas Chinese and non-Chinese foreigners “to promote a positive view of China and the CCP regime;
469 second, to encourage U.S.-China investment; and third, to suppress voices that present the Chinese
470 government negatively.”¹⁷⁴ As in Australia, an important part of this strategy in the United States, according
471 to Ms. Cook, is “insinuating state-media content into mainstream media or other existing dissemination
472 channels.”¹⁷⁵ This propaganda campaign in the United States has increasingly targeted English-language

¹⁷⁰ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 8.

¹⁷¹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 8; Committee to Protect Journalists, *Attacks on the Press: The New Face of Censorship*, Bloomberg Press, 2017, 133–5; Freedom House, “Freedom on the Net 2016: Sudan Country Profile,” 2016. <https://freedomhouse.org/report/freedom-net/2016/sudan>; Joshua Masinde, “Kenyan Journalists Have Been Dealing with a Violent Run-Up to Next Year’s Elections,” October 6, 2016. <https://qz.com/799636/kenyan-journalists-have-been-dealing-with-a-violent-and-life-threatening-run-up-to-next-years-elections/>; Salem Solomon, “Activists Seek Release of Eritrean Journalist Jailed 15 Years,” *Voice of America*, September 28, 2016. <https://www.voanews.com/a/activists-seek-release-of-eritrean-journalist-jailed-15-years/3529127.html>; Committee to Protect Journalists, “Eritrea Most Censored Country in the World,” April 21, 2015. <https://cpj.org/2015/04/eritrea-most-censored-country-in-the-world.php>.

¹⁷² Paul Rothman, “China’s Quest for International “Discourse Influence” Threatens Media Environments in Africa,” *Center for International Media Assistance*, January 25, 2016. <http://www.cima.ned.org/blog/chinas-quest-international-discourse-influence-threatens-media-environments-africa/>.

¹⁷³ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Dan Southerland, May 4, 2017, 6, 8.

¹⁷⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sarah Cook, May 4, 2017.

¹⁷⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017, 4.

473 media with both regular inserts of *China Watch* into newspapers and an entire English-language edition of
474 *China Daily*, the launch of CGTN, and more prominent deals such as Xinhua’s leasing of a 60-foot LED
475 sign in Times Square.¹⁷⁶ The Chinese government also pursues “friendly” relationships with private media
476 owners and reporters to incentivize them to portray China positively without explicit direction; for example,
477 according to a Reuters report, the messaging of independently-produced content broadcast by G&E, a
478 California studio partnering with CRI, “matches that of Chinese state propaganda.”¹⁷⁷

479 Chinese state-run media and CCP-friendly private networks such as Phoenix¹⁷⁸ have a virtual monopoly in
480 Chinese-language U.S. cable television, distorting the information available to the Chinese-speaking
481 community in the United States. According to Ms. Cook, CCTV News is available in 90 million U.S.
482 households, and Phoenix TV and CTI, a pro-China network based in Taiwan, are each available in 70
483 million U.S. households.¹⁷⁹ However, ETTV—a Taiwanese station that Ms. Cook described in her
484 testimony as pro-independence—reaches just 12 million households, and New York-Based New Tang
485 Dynasty TV (NTDTV), which is known for reporting on human rights, reaches just six million.¹⁸⁰ Ms. Cook
486 testified to the Commission that NTDTV’s website “significantly outranks” those of both Xinhua and
487 CCTV in popularity.¹⁸¹ ¹⁸² This suggests that if NTDTV—and other independent Chinese-language cable
488 networks—were more widely available in the United States, they would be more popular than CCTV, as
489 well, reducing Chinese state-run media’s dominance.

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

491 China is now a major target audience for U.S. film studios. As Jack Ledwith, senior vice president of
492 international distribution at Universal Pictures, succinctly put it at the 2016 Chinese American Film Festival

¹⁷⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017, 4; Stuart Elliott, “Sign of Arrival, for Xinhua, Is 60 Feet Tall,” *New York Times*, July 25, 2011. <http://www.nytimes.com/2011/07/26/business/media/xinhua-giant-sign-to-blink-on-in-times-square.html>.

¹⁷⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017, 4; Koh Gui Qing and John Shiffman, “Beijing’s Covert Radio Network Airs China-Friendly News across Washington, and the World,” Reuters, November 2, 2015. <http://www.reuters.com/investigates/special-report/china-radio/>.

¹⁷⁸ **FOOTNOTE:** Although Phoenix is not state-run, CCTV reportedly has a 10 percent stake in the network. Philip P. Pan, “Making Waves, Carefully, on the Air in China,” *Washington Post*, September 19, 2005. <http://www.washingtonpost.com/wp-dyn/content/article/2005/09/18/AR2005091801597.html>.

¹⁷⁹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sarah Cook, May 4, 2017.

¹⁸⁰ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017, 11.

¹⁸¹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sarah Cook, May 4, 2017.

¹⁸² **FOOTNOTE:** According to Amazon’s Alexa, as of April 25, 2017, NTDTV, Xinhua, and CCTV were ranked 947th; 2,103rd; and 2,475th in the United States, respectively. U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, May 4, 2017, 13.

493 in Los Angeles, “China is very important to us.”¹⁸³ According to the *Wall Street Journal*, “Hollywood has
494 become so entangled with China that the movie industry can’t run without it,” since Chinese ticket sales
495 continue to increase rapidly while U.S. sales remain flat.¹⁸⁴ From 2011 to 2015, the Chinese entertainment
496 industry grew at a rate of about 17 percent per year to an estimated total of about \$180 billion, according
497 to analysis by the Wharton School of the University of Pennsylvania.¹⁸⁵ In 2016, China’s total film ticket
498 sales were about \$6.6 billion, more than half of the U.S. total of \$11.4 billion.¹⁸⁶ In contrast to previous
499 rapid growth, Chinese film industry analysis company Entgroup assessed that China’s domestic film ticket
500 sales only increased 2.4 percent in 2016—compared with 49 percent in 2015—and only 3.7 percent in the
501 first half of 2017.¹⁸⁷ In spite of anemic growth, the Chinese market still has a significant impact on
502 Hollywood movies. For example, although the June 2017 film *The Mummy*’s domestic debut was poor,
503 according to Hollywood trade publication *Variety* it had a “significantly greater” opening in China, earning
504 \$52 million.¹⁸⁸ See Appendix 1 for a list of major investments and acquisitions in Hollywood by Chinese
505 companies since 2012.

506 U.S.-China tensions over exports of U.S. films to China have persisted since at least 2007, when the United
507 States brought a case to the World Trade Organization accusing China of unfairly restricting these
508 exports.¹⁸⁹ China maintains a film import quota, ostensibly limited to 34 U.S. films each year.¹⁹⁰ However,
509 according to Patrick Frater, Asia bureau chief of *Variety*, this number is “a minimum, not a maximum, and
510 Chinese officials [often apply] a degree of flexibility;” Mr. Frater reported that in 2016 China allowed in
511 40 revenue-sharing films plus additional films on a flat-fee basis “to counter an unexpected downturn at the
512 [Chinese] box office.”¹⁹¹ The 34-film agreement expired in February 2017, but the guidelines will remain

¹⁸³ Xinhua, “Spotlight: Hollywood Welcomes More Film Co-Productions with China,” March 31, 2017.
http://news.xinhuanet.com/english/2017-03/31/c_136172081.htm.

¹⁸⁴ Erich Schwartzel, “Hollywood’s New Script: You Can’t Make Movies without China,” *Wall Street Journal*, April 18, 2017.
<https://www.wsj.com/articles/hollywoods-new-script-you-cant-make-movies-without-china-1492525636>.

¹⁸⁵ Shanthy Kalathil: “Beyond the Great Firewall: How China Became a Global Information Power,” *Center for International Media Assistance*, March 2017, 24. http://www.cima.ned.org/wp-content/uploads/2017/03/CIMA-Beyond-the-Great-Firewall_150ppi-for-web.pdf.

¹⁸⁶ Erich Schwartzel, “Hollywood’s New Script: You Can’t Make Movies without China,” *Wall Street Journal*, April 18, 2017.
<https://www.wsj.com/articles/hollywoods-new-script-you-cant-make-movies-without-china-1492525636>.

¹⁸⁷ Patrick Brzeski, “China Box Office Remains Sluggish in 2017, Despite Big Hollywood Gains,” *Hollywood Reporter*, July 5, 2017. <http://www.hollywoodreporter.com/news/china-box-office-remains-sluggish-2017-big-hollywood-gains-1018671>; Sherry Fei Ju and Charles Clover, “China’s Hollywood War Chest Threatened by Poor Ticket Sales,” *Financial Times*, April 2, 2017.
<https://www.ft.com/content/a0fa2766-14fc-11e7-80f4-13e067d5072c>.

¹⁸⁸ Patrick Frater, “China Box Office: ‘The Mummy’ Takes \$52 Million Opening Weekend Win,” *Variety*, June 11, 2017.
<http://variety.com/2017/film/asia/china-box-office-mummy-52-million-opening-weekend-1202462078/>.

¹⁸⁹ Sean O’Connor and Nicholas Armstrong, “Directed by Hollywood, Edited by China: How China’s Censorship and Influence Affect Films Worldwide,” *U.S.-China Economic and Security Review Commission*, October 28, 2015, 4.
<https://www.uscc.gov/sites/default/files/Research/Directed%20by%20Hollywood%20Edited%20by%20China.pdf>.

¹⁹⁰ Patrick Frater, “Hollywood Blockbusters Drive China’s Box Office as Local Fare Stumbles,” *Variety*, June 22, 2017.
<http://variety.com/2017/film/news/hollywood-blockbusters-china-box-office-1202473286/>.

¹⁹¹ Patrick Frater, “Hollywood Blockbusters Drive China’s Box Office as Local Fare Stumbles,” *Variety*, June 22, 2017.
<http://variety.com/2017/film/news/hollywood-blockbusters-china-box-office-1202473286/>.

513 in place until a new one is made.¹⁹² Li Ruigang, head of China Media Capital, speculated in January 2017
514 that the quota might be increased to 50–70.¹⁹³

515 U.S. film studios have adopted various methods to circumvent these limits, such as making films in joint
516 ventures with Chinese companies, but each method presents different challenges.¹⁹⁴ ¹⁹⁵ According to
517 Bloomberg, “The number of boxes that foreign studios have to check to qualify as a Chinese co-production
518 may seem onerous, but the payoff can be huge.”¹⁹⁶ China issued a record 89 permits in 2016, 11 percent
519 more than in 2015, according to *China Film Insider*.¹⁹⁷ According to Miao Xiaotian, president of China
520 Film Co-Production Co.—the largest producer and distributor of films in China—in order to qualify as a
521 co-production, a movie must be jointly financed by Chinese and foreign studios, have Chinese actors cast
522 in at least a third of the leading roles, and have a sufficient amount of “Chinese elements.”¹⁹⁸ However, the
523 vagueness of Chinese requirements is often troubling for U.S. filmmakers attempting to manage these co-
524 productions.¹⁹⁹ In a high-profile case, U.S. studio Legendary Entertainment formed Legendary East in
525 2011, based in Hong Kong, with “Chinese management and international investors,” according to *Variety*,
526 in order to have “a fully funded studio operating from China.”²⁰⁰ In 2013, Legendary East formed a

¹⁹² Sean Burch, “US Congressional Leaders Bound for China to Challenge Hollywood Movie Quota,” *Wrap*, May 23, 2017.
<http://www.thewrap.com/chinese-quota-on-hollywood-movies-likely-to-expand/>.

¹⁹³ Celine Ge, “Soft Power: China’s Hollywood Dreams Not Just about Making Money, Says Media Tycoon Li Ruigang,” *South China Morning Post*, January 19, 2017. <http://www.scmp.com/business/companies/article/2063471/chinas-hollywood-dreams-not-just-about-making-money-says-tycoon>.

¹⁹⁴ **FOOTNOTE:** The methods available are revenue sharing, granting foreign studios only 25 percent of the domestic Chinese box office revenues; flat fee access, which is generally unprofitable for the studios that produce the movies, though these profits have begun to increase recently; and co-productions, granting 50 percent of the total domestic Chinese box office revenues. The *Wall Street Journal* reported in June 2017 that some Hollywood studios had begun conducting an audit of 2016 box office receipts from China due to concerns they had been shortchanged. Wayne Ma, “Hollywood Studios, Suspicious of China’s Box-Office Numbers, Conduct Audit,” *Wall Street Journal*, June 27, 2017. <https://www.wsj.com/articles/u-s-film-studios-pursue-audit-of-china-box-office-receipts-1498565240>; Patrick Brzeski, “How Hollywood Is Squeezing More from China Film Deals,” *Hollywood Reporter*, June 16, 2017. <http://www.hollywoodreporter.com/news/how-hollywood-is-squeezing-more-china-film-deals-1012699>; Staff, “Hollywood Has 1.4 Billion Reasons to Play Nice with China,” Bloomberg, April 19, 2017. <https://www.bloomberg.com/news/articles/2017-04-20/hollywood-has-1-4-billion-reasons-to-try-to-play-nice-with-china>.

¹⁹⁵ Staff, “Hollywood Has 1.4 Billion Reasons to Play Nice with China,” Bloomberg, April 19, 2017. <https://www.bloomberg.com/news/articles/2017-04-20/hollywood-has-1-4-billion-reasons-to-try-to-play-nice-with-china>.

¹⁹⁶ Staff, “Hollywood Has 1.4 Billion Reasons to Play Nice with China,” Bloomberg, April 19, 2017. <https://www.bloomberg.com/news/articles/2017-04-20/hollywood-has-1-4-billion-reasons-to-try-to-play-nice-with-china>.

¹⁹⁷ Steven Schwankert, “2016 Sets Record for Co-Production Permits in China,” *China Film Insider*, January 31, 2017. <http://chinafilminsider.com/2016-sets-record-co-production-permits-china/>.

¹⁹⁸ Staff, “Hollywood Has 1.4 Billion Reasons to Play Nice with China,” Bloomberg, April 19, 2017. <https://www.bloomberg.com/news/articles/2017-04-20/hollywood-has-1-4-billion-reasons-to-try-to-play-nice-with-china>; Marc Graser, “Legendary East Finds Key Partner in China Film Co.” *Variety*, May 30, 2013. <http://variety.com/2013/film/news/legendary-east-finds-key-partner-in-china-film-co-1200489836/>.

¹⁹⁹ Sean O’Connor and Nicholas Armstrong, “Directed by Hollywood, Edited by China: How China’s Censorship and Influence Affect Films Worldwide,” *U.S.-China Economic and Security Review Commission*, October 28, 2015, 9. <https://www.uscc.gov/sites/default/files/Research/Directed%20by%20Hollywood%20Edited%20by%20China.pdf>.

²⁰⁰ Nikke Finke, “Legendary East to Raise \$220.5M through Hong Kong for Film Studio from China,” *Variety*, August 21, 2011. <http://deadline.com/2011/08/legendary-east-to-raise-220-5m-through-hong-kong-to-become-fully-funder-film-studio-from-china-161050/>.

527 partnership with China Film Co. and announced an agreement to produce multiple films over a three-year
528 period “designed for the Chinese and global markets.”²⁰¹

529 **China’s Ideological Conflict with the United States and Its Influence over** 530 **Hollywood**

531 Mareike Ohlberg, a research associate at MERICS, argues that the CCP under President Xi “considers itself
532 to be involved in an ideological confrontation with ‘the West’” and primarily the United States. Ms. Ohlberg
533 assesses that top Party leaders “are fearful that a lack of a widely shared Chinese ideology at home could
534 lead to cadre and elite defection, resulting in a collapse similar to the fate of the Soviet Union.”²⁰² To
535 strengthen China’s “voice” and defend against what the Party perceives as the outsized influence of U.S.
536 soft power, China has adopted new tactics to increase its own soft power. According to Ms. Kalathil,
537 China’s soft power promotion previously focused on “the transmission of Chinese culture to the outside
538 world,” but more recently the Chinese government has shifted to “committing to support Chinese
539 investment in global entertainment.”²⁰³ According to the *New York Times’* Mr. Forsythe, a CCP Central
540 Committee communiqué in 2011 cited an “urgency for China to strengthen its cultural soft power and global
541 cultural influence.”²⁰⁴ Ms. Kalathil wrote in March 2017 that this strategy has relied on a kind of “market-
542 based judo” by “us[ing] the soft power strength of the United States for its own purposes.”²⁰⁵

543 Recently, Congress has raised concerns over Chinese acquisitions of U.S. assets in the film industry and
544 the implications for the kinds of movies Hollywood will be able to produce and screen as a result. In
545 September 2016, 16 Members of Congress cosigned a letter to Gene L. Dodaro, Comptroller General of the
546 Government Accountability Office (GAO), expressing concern over the activities of Dalian Wanda Group,
547 a Chinese conglomerate that acquired U.S. film studio Legendary Entertainment in January 2016, and AMC
548 Theaters, one of the largest cinema chains in the United States, in 2012.²⁰⁶ The congressional letter
549 requested that GAO produce a report assessing whether the authority of the Committee on Foreign
550 Investment in the United States (CFIUS) had “effectively kept pace with the growing scope of foreign

²⁰¹ Marc Graser, “Legendary East Finds Key Partner in China Film Co.” *Variety*, May 30, 2013. <http://variety.com/2013/film/news/legendary-east-finds-key-partner-in-china-film-co-1200489836/>.

²⁰² Marieke Ohlberg, “Boosting the Party’s Voice: China’s Quest for Global Ideological Dominance,” *Mercator Institute for China Studies*, July 21, 2016, 1. <http://www.merics.org/redirect/pdf-china-monitor-nummer-34/>.

²⁰³ Shanthi Kalathil: “Beyond the Great Firewall: How China Became a Global Information Power,” *Center for International Media Assistance*, March 2017, 23. http://www.cima.ned.org/wp-content/uploads/2017/03/CIMA-Beyond-the-Great-Firewall_150ppi-for-web.pdf.

²⁰⁴ Michael Forsythe, “Wang Jianlin, a Billionaire at the Intersection of Business and Power in China,” *New York Times*, April 28, 2015. <https://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-abillionaire-at-the-intersection-of-business-and-power-in-china.html>.

²⁰⁵ Shanthi Kalathil: “Beyond the Great Firewall: How China Became a Global Information Power,” *Center for International Media Assistance*, March 2017, 23. http://www.cima.ned.org/wp-content/uploads/2017/03/CIMA-Beyond-the-Great-Firewall_150ppi-for-web.pdf

²⁰⁶ Edward Wong, “Chinese Purchases of U.S. Companies Have Some in Congress Raising Eyebrows,” *New York Times*, September 30, 2016. <https://www.nytimes.com/2016/10/01/world/asia/china-us-foreign-acquisition-dalian-wanda.html>.

551 acquisitions in strategically important sectors in the [United States]” and cited the lack of updates to
552 CFIUS’s authority since its inception “despite a rapidly changing foreign investment climate ... and new
553 state-owned or –controlled companies that are structured as independent entities but are largely directed by
554 foreign governments.”²⁰⁷ The letter also cited the Commission’s 2012 Annual Report, which recommended
555 modifications to CFIUS’ mandate in response to the concerns described above.²⁰⁸ In October 2016, GAO
556 agreed to review CFIUS’ authority.²⁰⁹ In November 2016, then Senate Majority Leader Chuck Schumer
557 sent a letter to then Treasury Secretary Jack Lew and then U.S. Trade Representative Michael Froman
558 calling for reviews of CFIUS’s mandate and added scrutiny on Dalian Wanda’s acquisitions.²¹⁰ Senator
559 Schumer wrote of his concern that “these acquisitions reflect the strategic goals of China’s government”
560 and promised that “the new Congress in 2017 will work on legislation to further expand CFIUS oversight
561 authority.”²¹¹

562 Dalian Wanda’s chairman Wang Jianlin—one of the richest men in China—has said Wanda sets aside \$5–
563 10 billion each year for overseas investment.²¹² Zhang Lihua, a professor at Tsinghua University, connected
564 Mr. Wang’s push to develop China’s “cultural industry” to the 2011 Central Committee communiqué, and
565 Mr. Forsythe argued “it’s pretty clear” Mr. Wang is trying to help expand “China’s cultural influence and
566 cultural soft power around the world,” though Mr. Wang has insisted Wanda’s sole motive is profit.²¹³ Li
567 Ruigang, chairman of China Media Capital, argued in January 2017 that “China is using its market size to
568 influence Hollywood’s way of thinking and how they make films,” but he later downplayed the “flood” of

²⁰⁷ Robert Pittenger et al., letter to Gene L. Dodaro, September 15, 2016. <https://pmcdeadline2.files.wordpress.com/2016/10/cfius-letter-wm.pdf>.

²⁰⁸ Robert Pittenger et al., letter to Gene L. Dodaro, September 15, 2016. <https://pmcdeadline2.files.wordpress.com/2016/10/cfius-letter-wm.pdf>; U.S.–China Economic and Security Review Commission, *2012 Annual Report to Congress*, November 2012, 22. https://www.uscc.gov/sites/default/files/annual_reports/2012-Report-to-Congress.pdf.

²⁰⁹ Nancy Tartaglione, “Hollywood & China: U.S. Gov’t Agency Agrees to Review Foreign Investment Panel,” *Deadline*, October 4, 2016. <http://deadline.com/2016/10/china-hollywood-congress-wanda-foreign-ownership-gao-1201830426/>.

²¹⁰ Nancy Tartaglione, “More Scrutiny for Wanda? Chuck Schumer Raises Concern over China’s U.S. Acquisitions – Report,” *Deadline*, December 1, 2016. <http://deadline.com/2016/12/wanda-china-hollywood-washington-scrutiny-chuck-schumer-trump-letter-1201862605/>.

²¹¹ Erich Schwartzel and Siobhan Hughes, “China’s Dalian Wanda Group Faces Renewed U.S. Regulatory Scrutiny,” *Wall Street Journal*, December 1, 2016. <https://www.wsj.com/articles/chinas-wanda-group-faces-renewed-scrutiny-1480568582>.

²¹² Celine Ge, “Jack Ma Unseats Wang Jianlin as China’s Richest Man with US\$31 Billion Fortune,” *South China Morning Post*, May 18, 2017. <http://www.scmp.com/business/companies/article/2094798/alibabas-ma-unseats-dalian-wandas-wang-chinas-richest-man>; Patrick Brzeski, “China’s Wanda Plans to Invest Billions More in U.S. Entertainment Despite ‘Trade Tensions,’” *Hollywood Reporter*, January 17, 2017. <http://www.hollywoodreporter.com/news/chinas-wanda-plans-invest-billions-more-us-entertainment-trade-tensions-964848>.

²¹³ Lionel Barber and Charles Clover, “Wang Jianlin Confirms China Blocked Wanda’s US TV Deal,” *Financial Times*, April 19, 2017. <https://www.ft.com/content/bbb231ea-235f-11e7-8691-d5f7e0cd0a16>; Nigel M. Smith, “Wang Jianlin: Does China’s Richest Man Have a Plan to Take over Hollywood?” *Guardian*, October 19, 2016. <https://www.theguardian.com/film/2016/oct/19/wang-jianlin-chinas-richest-man-hollywood>; Brooks Barnes, “Dalian Wanda of China Offers a Carrot to Hollywood,” *New York Times*, October 17, 2016. <https://www.nytimes.com/2016/10/18/business/media/dalian-wanda-goes-on-an-entertainment-shopping-spre.html>; Michael Forsythe, “Wang Jianlin, a Billionaire at the Intersection of Business and Power in China,” *New York Times*, April 28, 2015. <https://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-billionaire-at-the-intersection-of-business-and-power-in-china.html>.

569 Chinese investment in Hollywood, calling it more of a “trickle.”²¹⁴ Wanda-owned AMC purchased Carmike
570 Cinemas in 2016, making Dalian Wanda the owner of the largest theater chain in the United States with
571 “easily more than 600 theaters,” according to the *Los Angeles Times*.²¹⁵ Ms. Cook testified to the
572 Commission that there has been at least one case in which AMC screened a “Chinese propaganda film,”²¹⁶
573 which she assessed would probably not have occurred had AMC not been under Chinese ownership.²¹⁷ She
574 also testified it is possible Chinese-owned U.S. theater chains might not screen films of which the Chinese
575 government disapproves, though Chinese officials would never confirm the reasons a particular film might
576 not have been screened; however, she added she had not heard of any complaints about this happening.²¹⁸
577 Primarily as a result of more stringent Chinese capital controls, some prospective Chinese acquisitions of
578 U.S. media assets have either fallen through or been held up by regulators. In December 2016, Chinese
579 government agencies warned against “irrational” outbound investments in some sectors, including cinemas
580 and entertainment, which financial newspaper Caixin assessed was intended to stem capital outflows and
581 stabilize the yuan; rising debt is also a concern.²¹⁹ Mr. Frater of *Variety* argued, “Unconventional dealings
582 such as off-balance-sheet borrowing or building up stakes in American movie producers are a no-go
583 under the straitlaced regime of Chinese President Xi Jinping.”²²⁰ Mr. Wang of Dalian Wanda Group told
584 the *Financial Times* in May 2017 that he intended to shift his investment focus to domestic Chinese ventures
585 in response to the tighter capital controls.²²¹

²¹⁴ Debra Kamin, “China Media Capital Chief on Hollywood Investment: ‘We Should Be Smart Money, Not Dumb Money,’” *Variety*, March 6, 2017. <http://variety.com/2017/tv/news/china-media-capital-li-ruingang-hollywood-investment-intv-1202002607/>; Celine Ge, “Soft Power: China’s Hollywood Dreams Not Just about Making Money, Says Media Tycoon Li Ruigang,” *South China Morning Post*, January 19, 2017. <http://www.scmp.com/business/companies/article/2063471/chinas-hollywood-dreams-not-just-about-making-money-says-tycoon>.

²¹⁵ Ryan Faughdner, “China-Owned AMC Seals Deal to Buy Carmike Cinemas, Making It the Largest Theater Chain in U.S.,” *Los Angeles Times*, November 15, 2016. <http://www.latimes.com/business/hollywood/la-fi-ct-amc-carmike-20161114-story.html>.

²¹⁶ **FOOTNOTE:** The film in question is *The Founding of a Party*, a historical drama marking the 90th anniversary of the founding of the CCP. Jonathan Landreth, “China Lion to Release Chinese Communist Party Epic in North America, Australia, New Zealand,” *Hollywood Reporter*, May 20, 2011. <http://www.hollywoodreporter.com/news/china-lion-release-chinese-communist-190514>.

²¹⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sarah Cook, May 4, 2017.

²¹⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Sarah Cook, May 4, 2017.

²¹⁹ Stella Qiu and Elias Glenn, “China to keep monitoring ‘irrational’ overseas investments: state planner,” Reuters, July 17, 2017. <http://www.reuters.com/article/us-china-economy-odi-idUSKBNIA3075>; Staff, “China’s \$162 Billion of Dealmaker Debt Raises Alarm,” *Bloomberg*, July 4, 2017. <https://www.bloomberg.com/news/articles/2017-07-04/china-s-162-billion-of-dealmaker-debt-raises-alarm-amid-probe>; Sui-Lee Wee, “Shares Plunge as China Voices Concern Over ‘Systemic Risks,’” *New York Times*, June 22, 2017. <https://www.nytimes.com/2017/06/22/business/dealbook/china-banking-deals-stocks-fall.html>; Han Wei and Fran Wang, “China to Issue Negative List for State Firms’ Outbound Investment,” *Caixin*, January 19, 2017. <http://www.caixinglobal.com/2017-01-19/101046849.html>.

²²⁰ ²²⁰ Patrick Frater, “China Pulls Rug Out from under Wanda as It Plans Restructuring ahead of IPO,” *Variety*, July 20, 2017. <http://variety.com/2017/biz/news/china-banks-dalian-wanda-1202500375/>.

²²¹ Dan Southerland, “China Soft Power Part II: Beijing Turns to Hollywood to Win Hearts and Minds,” *Radio Free Asia*, May 22, 2017. <http://www.rfa.org/english/commentaries/china-hollywood-05222017154615.html>.

586 Across the board, outbound Chinese investments have slowed.²²² According to CNBC, “at least a dozen”
587 cross-border U.S.-Chinese tech, media, and entertainment deals dried up from November 2016 to April
588 2017.²²³ Most notably, this has included the prospective \$1 billion deal for Dalian Wanda Group to acquire
589 Dick Clark Productions—which runs both the Golden Globe and American Music Award ceremonies—
590 and a prospective \$1 billion, three-year deal between Huahua Media, Shanghai Film Group, and Paramount
591 Pictures.²²⁴ The *New York Times* reported in July 2017 that Chinese government regulators had forbidden
592 large state-owned banks from lending to debt-laden Dalian Wanda Group to finance its overseas
593 investments, and *Variety* reported that Wanda was being punished for breaching capital control
594 regulations.²²⁵ AMC Entertainment tried in July to publicly distance itself from Wanda’s debt problems.²²⁶
595 To capitalize on the growing Chinese film audience, “major studios have sought to appease Chinese censors
596 in exchange for a foothold in China’s extremely limited release market,” according to Ms. Kalathil.²²⁷ In
597 order to be approved for release in China, all films must receive permission from SAPPRFT.²²⁸ According
598 to Ying Zhu, professor of media culture at the College of Staten Island at the City University of New York,
599 “[Hollywood] films critical of the Chinese government will be absolutely taboo” and will not be able to get
600 financing.²²⁹ For example, Richard Gere, who has publicly criticized Beijing’s treatment of Tibetans, told
601 *Hollywood Reporter* in April 2017, “There are definitely movies that I can’t be in because the Chinese will

²²² Kane Wu, James T. Areddy, and Chao Deng, “Anbang, after a Whirlwind of Western Deals, Has Been Benched by China,” *Wall Street Journal*, June 1, 2017. <https://www.wsj.com/articles/anbang-after-a-whirlwind-of-western-deals-has-been-benched-by-china-1496328771>; Staff, “China Reserves Rise a Third Month amid Tighter Capital Controls,” *Bloomberg*, May 6, 2017. <https://www.bloomberg.com/news/articles/2017-05-07/china-reserves-rise-a-third-month-amid-tighter-capital-controls>.

²²³ Rebecca A. Fanin, “Why China-Hollywood Deals Have Come to a Screeching Halt,” *CNBC*, April 21, 2017. <http://www.cnbc.com/2017/04/20/why-china-hollywood-deals-have-come-to-a-screeching-halt.html>.

²²⁴ Rebecca A. Fanin, “Why China-Hollywood Deals Have Come to a Screeching Halt,” *CNBC*, April 21, 2017. <http://www.cnbc.com/2017/04/20/why-china-hollywood-deals-have-come-to-a-screeching-halt.html>; Lionel Barber and Charles Clover, “Wang Jianlin Confirms China Blocked Wanda’s US TV Deal,” *Financial Times*, April 19, 2017. <https://www.ft.com/content/bbb231ea-235f-11e7-8691-d5f7e0cd0a16>.

²²⁵ Patrick Frater, “China Pulls Rug Out from under Wanda as It Plans Restructuring ahead of IPO,” *Variety*, July 20, 2017. <http://variety.com/2017/biz/news/china-banks-dalian-wanda-1202500375/>; Keith Bradsher and Sui-Lee Wee, “Mysterious Document Is Latest Blow for Dalian Wanda,” *New York Times*, July 17, 2017. <https://www.nytimes.com/2017/07/17/business/dalian-wanda-document-china.html>.

²²⁶ Amie Tsang and Sui-Lee Wee, “AMC Tries to Steer Clear of Chinese Owner’s Debt Worries,” July 18, 2017. <https://www.nytimes.com/2017/07/18/business/dealbook/amc-wanda-china-debt.html>.

²²⁷ Shanathi Kalathil, “Beyond the Great Firewall: How China Became a Global Information Power,” *Center for International Media Assistance*, March 2017, 23. http://www.cima.ned.org/wp-content/uploads/2017/03/CIMA-Beyond-the-Great-Firewall_150ppi-for-web.pdf.

²²⁸ **FOOTNOTE:** SAPPRFT bans content that endangers national territorial integrity and state sovereignty, incites the division of ethnic groups and undermines national solidarity, divulges state secrets, propagates obscenity and superstition or glorifies violence, slanders or insults others, or is prohibited for publication and dissemination by other provisions. *China Copyright and Media*, “Audiovisual Products Management Regulations,” February 28, 2011. <https://chinacopyrightandmedia.wordpress.com/1994/08/25/audiovisual-products-management-regulations/>.

²²⁹ Frank Langfitt, “How China’s Censors Influence Hollywood,” *National Public Radio*, May 18, 2015. <http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>.

602 say, ‘Not with him,’” and that he “recently had an episode where someone said they could not finance a
603 film with me because it would upset the Chinese.”²³⁰

604 Mr. Southerland wrote on Radio Free Asia’s website that Hollywood industry leaders have “curtailed their
605 creative freedom in deference to China” and that this self-censorship “can work through casting decisions,
606 the elimination of content viewed in Beijing as ‘sensitive,’ and the insertion of content, images, or story
607 lines considered ‘positive’ by the Chinese side.”²³¹ U.S. film studios hoping to secure a China release for
608 their products must keep in mind the need to portray China positively. For example, *Time* pointed out that
609 the 2014 film *Transformers 4*—which grossed \$320 million in China—depicted beleaguered Hong Kong
610 policemen insisting on calling the central government in Beijing for help.²³² Similarly, the 2013 film
611 *Gravity* appealed to Chinese audiences by portraying China’s space program in a positive light: a stranded
612 astronaut saves herself by utilizing a fictional state-of-the-art Chinese space station and lands on Earth in a
613 Chinese space capsule.²³³ According to leaked correspondence from Sony’s president of worldwide
614 distribution Rory Bruer regarding the 2013 film *Captain Phillips*, the film was not approved for release in
615 China because it showed “the big military machine of the U.S. saving one U.S. citizen. China would never
616 do the same and in no way would want to promote this idea.”²³⁴

617 **Beijing’s Concept of “Internet Sovereignty”**

618 In order to legitimize its monitoring and control of Chinese citizens’ Internet usage, Beijing advocates for
619 a concept widely referred to as “Internet sovereignty.”²³⁵ ²³⁶ This concept entails that a government has the
620 right to monitor and control the networks in its territory and the content that Internet users there access and
621 transmit in any way it chooses.²³⁷ China’s *National Cyberspace Security Strategy*, which was approved by

²³⁰ Tatiana Siegel, “Richard Gere’s Studio Exile: Why His Hollywood Career Took an Indie Turn,” *Hollywood Reporter*, April 18, 2017. <http://www.hollywoodreporter.com/features/richard-geres-studio-exile-why-his-hollywood-career-took-an-indie-turn-992258>.

²³¹ Dan Southerland, “China Soft Power Part II: Beijing Turns to Hollywood to Win Hearts and Minds,” *Radio Free Asia*, May 22, 2017. <http://www.rfa.org/english/commentaries/china-hollywood-05222017154615.html>.

²³² Clifford Coonan, “China Box Office 2014: ‘Transformers 4,’ Homegrown Films on Top,” *Hollywood Reporter*, December 29, 2014. <http://www.hollywoodreporter.com/news/china-box-office-2014-transformers-760374>; Nash Jenkins, “How Transformers 4 Became the No. 1 Film in Chinese History,” *Time*, July 8, 2014. <http://time.com/2965333/how-transformers-4-became-the-number-one-film-in-chinese-history/>.

²³³ Sean O’Connor and Nicholas Armstrong, “Directed by Hollywood, Edited by China: How China’s Censorship and Influence Affect Films Worldwide,” *U.S.-China Economic and Security Review Commission*, October 28, 2015, 10. <https://www.uscc.gov/sites/default/files/Research/Directed%20by%20Hollywood%20Edited%20by%20China.pdf>.

²³⁴ Gus Lubin, “Why ‘Captain Phillips’ Was Banned in China,” *Business Insider*, October 28, 2016. <http://www.businessinsider.com/captain-phillips-banned-china-2016-10>.

²³⁵ **FOOTNOTE:** This concept is also referred to as “cyber sovereignty” or “cyberspace sovereignty.”

²³⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sophie Richardson, May 4, 2017.

²³⁷ Cyberspace Administration of China, *Full Text of “National Cyberspace Security Strategy,”* December 27, 2016. Translation. http://www.cac.gov.cn/2016-12/27/c_1120195926.htm; U.S.-China Economic and Security Review Commission, *Hearing on*

622 the CCP's Central Leading Group for Cyberspace Affairs headed by President Xi, states that "national
623 sovereignty has expanded and extended to cyberspace. Internet sovereignty has become an important part
624 of national sovereignty."²³⁸ This document also states that countries should "respect each country's right to
625 independently choose its development path, cyber regulation model, and Internet public policy...."²³⁹ It
626 adds that "each country has the right, according to its national situation and learning from international
627 experience, to establish laws and regulations related to cyberspace, to take necessary measures according
628 to law, and regulate the country's information networks and cyber activities in its territory...."²⁴⁰

629 **Beijing's Stance on Governance and Norms in Cyberspace**

630 To Beijing, Internet sovereignty also means that national governments should be the dominant actors in
631 making the rules of the Internet, what Beijing calls a "multilateral" system of global Internet governance.²⁴¹
632 According to this view, other actors, such as the private sector and civil society, should have a diminished
633 role.²⁴² Beijing's position contrasts with the "multistakeholder" model advocated for by the United States,
634 the European Union and others.²⁴³ In the multistakeholder model, governmental, industry, academic, and
635 other non-state organizations have an equal role in the management of the Internet.²⁴⁴ Based on this model,
636 the Internet Corporation for Assigned Names and Numbers (ICANN)²⁴⁵ oversees the Internet Assigned
637 Numbers Authority, the body responsible for globally assigning root zone domains (including .com, .org,

China's Information Controls, Global Media Influence, and Cyber Warfare Strategy, written testimony of James A. Lewis, May 4, 2017; and Nigel Inkster, *China's Cyber Power*, Routledge, 2016, 9–10.

²³⁸ Cyberspace Administration of China, *Full Text of "National Cyberspace Security Strategy"*, December 27, 2016. Translation. http://www.cac.gov.cn/2016-12/27/c_1120195926.htm.

²³⁹ Cyberspace Administration of China, *Full Text of "National Cyberspace Security Strategy"*, December 27, 2016. Translation. http://www.cac.gov.cn/2016-12/27/c_1120195926.htm.

²⁴⁰ Cyberspace Administration of China, *Full Text of "National Cyberspace Security Strategy"*, December 27, 2016. Translation. http://www.cac.gov.cn/2016-12/27/c_1120195926.htm.

²⁴¹ U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017; Cyberspace Administration of China, *Full Text of "National Cyberspace Security Strategy"*, December 27, 2016. Translation. http://www.cac.gov.cn/2016-12/27/c_1120195926.htm.

²⁴² U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sophie Richardson, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, May 4, 2017.

²⁴³ Dean Cheng, *Cyber Dragon: Inside China's Information Warfare and Cyber Operations*, Praeger, 2017, 60; Dan Levin, "At U.N., China Tries to Influence Fight over Internet Control," *New York Times*, December 16, 2015. <https://www.nytimes.com/2015/12/17/technology/china-wins-battle-with-un-over-word-in-internet-control-document.html?module=ArrowsNav&contentCollection=Technology&action=keypress®ion=FixedLeft&pgtype=article>.

²⁴⁴ Dean Cheng, *Cyber Dragon: Inside China's Information Warfare and Cyber Operations*, Praeger, 2017, 61; Dan Levin, "At U.N., China Tries to Influence Fight over Internet Control," *New York Times*, December 16, 2015. <https://www.nytimes.com/2015/12/17/technology/china-wins-battle-with-un-over-word-in-internet-control-document.html?module=ArrowsNav&contentCollection=Technology&action=keypress®ion=FixedLeft&pgtype=article>.

²⁴⁵ **FOOTNOTE:** ICANN was under U.S. government oversight until October 2016. Washington rarely attempted to exercise any control over it, however. Dave Lee, "US Ready to 'Hand Over' the Internet's Naming System," BBC, August 18, 2016. <http://www.bbc.com/news/technology-37114313>.

638 .mil, .edu. etc.) to Internet protocol addresses (the Domain Name System).²⁴⁶ Beijing, however, has pushed
639 for the UN's International Telecommunications Union to have a greater role in Internet governance.²⁴⁷
640 Beijing promotes its concepts of Internet sovereignty and multilateral Internet governance in international
641 fora, including the World Internet Conference—an annual summit the Chinese government established and
642 first hosted in 2014.²⁴⁸ At the 2015 World Internet Conference, President Xi delivered the keynote speech
643 in which he laid out his “four principles” and “five proposals” regarding the Internet, which included
644 “respecting cyber sovereignty” among the principles and “building an Internet governance system,
645 advancing fairness and justice” among the proposals.²⁴⁹ Another of his proposals was to “establish sound
646 order.”²⁵⁰ In what *China Daily* described as an assertion of the need to balance freedom and order, President
647 Xi said, “Freedom is the end of order, and order the guarantee of freedom.”²⁵¹

The Internet as a Global Commons

648
649 A commons can be defined as a “resource shared by a group of people.”²⁵² According to the UN
650 Environment Programme's Law Division, the global commons “refers to resource domains or areas that lie
651 outside of the political reach of any one nation state.”²⁵³ In her testimony to the Commission, Professor
652 Chris C. Demchak, RADM Grace M. Hopper Professor of Cybersecurity at the U.S. Naval War College,
653 explained that the concept of the Internet as a global commons originated in the 1990's.²⁵⁴ Regarding the
654 Internet's development, she writes, “In the early 1990's after almost three decades of development built in
655 and for universities by public funding, cyberspace emerged for public and commercial use as the ‘Internet’.

²⁴⁶ Dean Cheng, *Cyber Dragon: Inside China's Information Warfare and Cyber Operations*, Praeger, 2017, 61.

²⁴⁷ Dean Cheng, *Cyber Dragon: Inside China's Information Warfare and Cyber Operations*, Praeger, 2017, 62; Dan Levin, “At U.N., China Tries to Influence Fight over Internet Control,” *New York Times*, December 16, 2015. <https://www.nytimes.com/2015/12/17/technology/china-wins-battle-with-un-over-word-in-internet-control-document.html?module=ArrowsNav&contentCollection=Technology&action=keypress®ion=FixedLeft&pgtype=article>.

²⁴⁸ U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sophie Richardson, May 4, 2017; and Nigel Inkster, *China's Cyber Power*, Routledge, 2016, 118-122.

²⁴⁹ *Xi Jinping's Remarks during the Opening Ceremony of the Second World Internet Conference (Full Text)*, December 16, 2015. Translation. http://news.xinhuanet.com/politics/2015-12/16/c_1117481089.htm; “Xi Jinping Delivers Remarks by Video during the Opening of the Third World Internet Conference,” World Internet Conference website, November 16, 2016. <http://www.wicwuzhen.cn/system/2016/11/16/021369955.shtml>.

²⁵⁰ *Xi Jinping's Remarks during the Opening Ceremony of the Second World Internet Conference (Full Text)*, December 16, 2015. Translation. http://news.xinhuanet.com/politics/2015-12/16/c_1117481089.htm

²⁵¹ *China Daily*, “Internet Sovereignty Should be Respected: President,” December 16, 2015. http://www.chinadaily.com.cn/world/2015wic/2015-12/16/content_22725768.htm.

²⁵² Scott J. Shackelford, *Managing Cyber Attacks in International Law, Business, and Relations*, Cambridge University Press, 2014, 57.

²⁵³ UN Environment Programme, “IEG of the Global Commons.” <http://staging.unep.org/delc/GlobalCommons/tabid/54404/Default.aspx>.

²⁵⁴ U.S.-China Economic and Security Review Commission, *Hearing on China's Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Chris C. Demchak, May 4, 2017.

656 It was already embedded with the ideology of a public good thereby meant to be free and benignly
657 useful.”²⁵⁵

658 However, Professor Demchak argues that the Internet is not a commons. She states that the Internet is “man-
659 made, -owned, -maintained, -updated, and -monitored” and consists of infrastructure located in sovereign
660 territory.²⁵⁶ She adds that information technology firms comply with local laws wherever they operate,
661 which contrasts with the idea of the Internet being beyond government regulation.²⁵⁷

662 Other experts have described the Internet as a “pseudo commons.”²⁵⁸ In an article published in 2010, James
663 A. Lewis, Senior Vice President of the Center for Strategic and International Studies, wrote, “Cyberspace
664 is a ‘pseudo commons,’ more like a condominium or a shopping mall. It is a shared global infrastructure.”²⁵⁹

665 Although U.S. government statements do not describe the Internet as a commons, the most recent U.S.
666 international cyberspace policy document, the 2011 “International Cyberspace Strategy”, supports an
667 “open” Internet and the “free flow of information.”²⁶⁰ Furthermore, President Donald Trump’s executive
668 order on cybersecurity issued in May 2017 states that “It is the policy of the executive branch to promote
669 an open, interoperable, reliable, and secure internet....”²⁶¹

670 In its participation in international negotiations on global Internet governance, norms in cyberspace, and
671 cybersecurity, Beijing seeks to ensure continued control of networks and information in China and to reduce
672 the risk of actions by other nation-states that are not in its interest.²⁶² In 2013 Beijing agreed that
673 international law and the UN charter apply to cyberspace by signing on to a report produced by the UN
674 Group of Governmental Experts on Developments in the Field of Information and Telecommunications in
675 the Context of International Security on norms governing the actions of nation-states in cyberspace, despite

²⁵⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Chris C. Demchak, May 4, 2017.

²⁵⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Chris C. Demchak, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Chris C. Demchak, May 4, 2017.

²⁵⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of Chris C. Demchak, May 4, 2017.

²⁵⁸ James A. Lewis, *Brown Journal of World Affairs* 16:2 (Spring/Summer 2010): 62. https://www.brown.edu/initiatives/journal-world-affairs/sites/brown.edu/initiatives.journal-world-affairs/files/private/articles/16.2_Lewis.pdf ; James A. Lewis, “The ‘Korean’ Cyber Attacks and Their Implications for Cyber Conflict,” *Center for Strategic and International Studies*, 2009. <http://www.distributedworkplace.com/DW/Government/Korean%20Cyber%20Attacks%20and%20Their%20Implications%20of%20Cyber%20Conflict.pdf>.

²⁵⁹ James A. Lewis, *Brown Journal of World Affairs* 16:2 (Spring/Summer 2010): 62. https://www.brown.edu/initiatives/journal-world-affairs/sites/brown.edu/initiatives.journal-world-affairs/files/private/articles/16.2_Lewis.pdf.

²⁶⁰ White House, *International Strategy for Cyberspace*, May 16, 2011.

²⁶¹ White House, *Presidential Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure*, May 11, 2017. <https://www.whitehouse.gov/the-press-office/2017/05/11/presidential-executive-order-strengthening-cybersecurity-federal>.

²⁶² U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of James A. Lewis, May 4, 2017.

676 opposing such commitments for most of the negotiations.²⁶³ However, fearing that international law will
677 be used by other countries against China, Beijing is unwilling to agree on specific applications of
678 international law to cyberspace.²⁶⁴ Dr. Lewis, in his testimony to the Commission, said, “In particular, the
679 Chinese are opposed to anything that would appear to legitimize U.S. attack or U.S. retaliation upon them,
680 and I’ve heard this directly from senior Chinese diplomats. [They argue,] We do not agree with the Law of
681 Countermeasures or the application of the laws of armed conflict because it would legitimize your attack,
682 your retaliation.”²⁶⁵ In his written testimony, he explained that countermeasures are “retaliatory actions that
683 do not involve the use of force, such as sanctions or indictments.”²⁶⁶

684 **China-Russia Cooperation on Cyberspace**

685 The Chinese and Russian governments take similar stances on cybersecurity, norms in cyberspace, and
686 Internet governance and partner in their efforts in these areas, but deep cooperation appears to be limited
687 by a lack of mutual trust and respect.²⁶⁷ Since 2011, Beijing and Moscow have promoted an International
688 Code of Conduct for Information Security, which asserts, among other things, that “policy authority for
689 Internet-related public issues is the sovereign right of states.”²⁶⁸ Also, in 2015, the two governments reached
690 an agreement on “cooperation in ensuring international information security.”²⁶⁹ Included in the agreement
691 is the statement that “Each party shall have an equal right to protection of information resources of their
692 state against misuse and unauthorized intervention, including by cyber attacks on them.”²⁷⁰ However,

²⁶³ Jen Psaki, “Statement on Consensus Achieved by the UN Group of Governmental Experts on Cyber Issues,” Washington, DC, June 7, 2013; U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017.

²⁶⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of James A. Lewis, May 4, 2017; Adam Segal, “Chinese Cyber Diplomacy in a New Era of Uncertainty,” *Hoover Institution*, June 2, 2017. <http://www.hoover.org/research/chinese-cyber-diplomacy-new-era-uncertainty>.

²⁶⁵ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of James A. Lewis, May 4, 2017.

²⁶⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017.

²⁶⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017; U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, oral testimony of James A. Lewis, May 4, 2017; and Nigel Inkster, *China’s Cyber Power*, Routledge, 2016, 132.

²⁶⁸ Liu Jieyi, “Letter Dated 9 January 2015 from the Permanent Representatives of China, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan and Uzbekistan to the United Nations Addressed to the Secretary-General,” January 13, 2015. <https://ccdcoe.org/sites/default/files/documents/UN-150113-CodeOfConduct.pdf>; Li Baodong et al., “Letter Dated 12 September 2011 from the Permanent Representatives of China, the Russian Federation, Tajikistan and Uzbekistan to the United Nations Addressed to the Secretary-General,” September 14, 2011. https://ccdcoe.org/sites/default/files/documents/UN-110912-CodeOfConduct_0.pdf.

²⁶⁹ Government of the Russian Federation, *Agreement between the Government of the Russian Federation and the Government of the People’s Republic of China on Cooperation in Ensuring International Information Security*, April 30, 2015. https://cyber-peace.org/wp-content/uploads/2013/05/RUS-CHN_CyberSecurityAgreement201504_InofficialTranslation.pdf.

²⁷⁰ Government of the Russian Federation, *Agreement between the Government of the Russian Federation and the Government of the People’s Republic of China on Cooperation in Ensuring International Information Security*, April 30, 2015. https://cyber-peace.org/wp-content/uploads/2013/05/RUS-CHN_CyberSecurityAgreement201504_InofficialTranslation.pdf.

693 Russian cybersecurity firm Kaspersky Lab reported that China-origin cyber intrusions against Russian
694 defense firms had occurred in the first half of 2016, and Chinese cybersecurity firm Qihoo 360 reported in
695 February 2017 that a cyber threat group associated with the Russian intelligence apparatus was active on
696 networks in China.²⁷¹ Adam Segal of the Council on Foreign Relations writes that the agreement “does not
697 seem to cover, or at least prevent, espionage.”²⁷²

698 Dr. Lewis described the China-Russia cyber diplomacy partnership as “a marriage of convenience, not
699 love”²⁷³ and said “I have not seen evidence that Russia and China have cooperated in cyber activities the
700 way we would cooperate with our NATO allies or with Australia or Japan.”²⁷⁴ Nigel Inkster, director of
701 Future Conflict and Cyber Security at the International Institute for Strategic Studies, writes, “While China
702 and Russia share important aims in cyber governance and security, levels of strategic trust between them
703 remain far below that which has facilitated the Five Eyes intelligence alliance (between Australia, Canada,
704 New Zealand, the UK, and the U.S.)”²⁷⁵

705 **Implications for the United States**

706 China’s domestic censorship regime, in addition to suppressing Chinese civil society and violating the
707 privacy of Internet users in China, functions as a trade barrier and materially harms the interests of U.S.
708 companies operating in China. These companies already face an unfair business environment, and the
709 information controls are an additional tax on their operations.²⁷⁶

710 China’s global media influence strategy is designed to undermine U.S. soft power by inducing self-
711 censorship in Hollywood.²⁷⁷ Although Chinese acquisitions of U.S. media companies have tapered off
712 recently due to restrictions in China’s capital controls, the influence already gained through purchasing or
713 investing in these U.S. assets is alarming. Manipulation of U.S. news coverage of China’s activities through
714 paid inserts of state-sponsored content into widely read and otherwise reputable publications also risks

²⁷¹ Stepan Kravchenko, “Russia More Prey Than Predator to Cyber Firm Wary of China,” Bloomberg, August 25, 2016.
<https://www.bloomberg.com/news/articles/2016-08-25/russia-more-prey-than-predator-to-cyber-firm-wary-of-china>; Adam
Segal, “Chinese Cyber Diplomacy in a New Era of Uncertainty,” *Hoover Institution*, June 2, 2017.

²⁷² Adam Segal, “Chinese Cyber Diplomacy in a New Era of Uncertainty,” *Hoover Institution*, June 2, 2017.
<http://www.hoover.org/research/chinese-cyber-diplomacy-new-era-uncertainty>.

²⁷³ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence,
and Cyber Warfare Strategy*, written testimony of James A. Lewis, May 4, 2017.

²⁷⁴ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence,
and Cyber Warfare Strategy*, oral testimony of James A. Lewis, May 4, 2017.

²⁷⁵ Nigel Inkster, *China’s Cyber Power*, Routledge, 2016, 132.

²⁷⁶ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence,
and Cyber Warfare Strategy*, written testimony of Margaret Roberts, 5, May 4, 2017.

²⁷⁷ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence,
and Cyber Warfare Strategy*, written testimony of Shanthi Kalathil, 4, 5, May 4, 2017.

715 undermining U.S. policy by portraying China’s troubling actions, such as territorial expansion in the South
716 China Sea, as justified.²⁷⁸

717 There are several primary tools currently available in the U.S. regulatory framework to curtail China’s
718 influence on U.S. media.²⁷⁹ The Foreign Agents Registration Act (FARA, which is intended to counter
719 foreign propaganda in the United States),²⁸⁰ CFIUS, and the Federal Communications Commission may all
720 have important roles to play. For example, according to Ms. Cook’s testimony, based on its current mandate,
721 “It would appear that [FARA] can encompass foreign state-owned media operating in the United States.”²⁸¹
722 However, the Project on Government Oversight and the U.S. Department of Justice found that “compliance
723 with [FARA] is unacceptably low, and it’s rarely enforced.”²⁸²

724 In addition to justifying its control of information within China, Beijing’s concept of Internet sovereignty
725 provides an example and support for other repressive governments and may contribute to legitimizing the
726 suppression of the freedom of expression in other countries. Furthermore, Professor Demchak writes:

727 *China has provided an alternate model of success to the one advanced by the western countries, a*
728 *strong voice against western domination in international institutions, and alternative sources of*
729 *technology and capital more suited to the desires for surveillance and interception of leaders with*
730 *authoritarian tendencies. With Chinese support, they have the option of operating more*
731 *aggressively on their internal Internet, confident of relatively strong similarly-inclined allies*
732 *outside the western dominated institutions and norms.*²⁸³

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

²⁷⁸ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, 9, May 4, 2017.

²⁷⁹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, 17, May 4, 2017.

²⁸⁰ **FOOTNOTE:** The Foreign Agents Registration Act of 1938 “requires persons acting as agents of foreign principals in a political or quasi-political capacity to make periodic public disclosure of their relationship with the foreign principal, as well as activities, receipts and disbursements in support of those activities.” U.S. Department of Justice, “FARA: Foreign Agents Registration Act.” <https://www.fara.gov/>.

²⁸¹ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Sarah Cook, 17, May 4, 2017.

²⁸² Lydia Dennett, “Take Action to Strengthen Foreign Lobbying Laws,” Project on Government Oversight, June 12, 2017. <http://www.pogo.org/strauss/issues/other-items/take-action-to-strengthen-foreign-lobbying-laws.html>.

²⁸³ U.S.-China Economic and Security Review Commission, *Hearing on China’s Information Controls, Global Media Influence, and Cyber Warfare Strategy*, written testimony of Chris C. Demchak, May 4, 2017.

735 **Conclusions**

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

Appendix 1: Major Investments and Acquisitions in Hollywood by Chinese Companies since 2012

Note to Commissioners: This table is a work in progress and will be updated as necessary.

Date	Company Name	Deal Type	Chinese Investor(s)	Value (US \$)	Status
June 2011	Legendary East (Legendary Entertainment)	Joint venture, co-production	Huayi Brothers Media	Undisclosed	Ended in Jan. 2012
Feb. 2012	Oriental DreamWorks (DreamWorks Animation)	Joint venture	China Media Capital (CMC), Shanghai Media Group (SMG), and Shanghai Alliance Investment (SAIL)	330 million	Finalized
May 2012	AMC Entertainment	Acquisition	Dalian Wanda Group (DWG)	2.6 billion	Finalized
Aug. 2012	DreamWorks Animation	Co-production, investment	CMC, SMG, and SAIL	350 million	Finalized
Mar. 2014	Walt Disney Studios	Co-production	SMG	Undisclosed	Finalized
Mar. 2014	Studio 8	Investment	Huayi Brothers Media	150 million	Canceled
Mar. 2014	STX Entertainment (TPG Capital)	Joint venture	Hony Capital	1 billion	Finalized
Jun. 2014	Studio 8	Investment	Fosun International	200 million	Finalized
Nov. 2014	Walt Disney Studios	Co-production	SMG	Undisclosed	Finalized
Mar. 2015	Lionsgate	Co-production	Hunan TV, Leomus Pictures	375 million	Finalized
Mar. 2015	STX Entertainment	Co-production	Huayi Brothers Media	1 billion	Finalized
Apr. 2015	Dick Cook Studios	Joint venture	CITIC Group	150 million	Finalized
May 2015	Symbolic Exchange	Co-production	Meridian Entertainment	Undisclosed	Finalized
Jun. 2015	Paramount Pictures	Co-production	Alibaba Pictures	Undisclosed – 1 film	Finalized
Sep. 2015	Legendary Entertainment	Co-production	Tencent Pictures	Undisclosed – 1 film	Finalized
Sep. 2015	Flagship Entertainment (Warner Bros.)	Joint venture	CMC, Television Broadcasts Limited	Undisclosed	Finalized
Nov. 2015	TSG Entertainment Finance (20th Century Fox)	Co-production	Bona Film Group	235 million	Finalized
Jan. 2016	Legendary Entertainment	Acquisition	DWG	3.5 billion	Finalized
Jan. 2016	Universal Pictures	Co-production	Perfect World	500 million	Finalized

Mar. 2016	Imagine Entertainment	Investment	CMC	100 million	Finalized
Mar. 2016	Anthem and Song (Russo Brothers)	Joint venture	United Entertainment Partners, HDQH Fund	200-300 million	Finalized
Apr. 2016	Skydance Media	Co-production	Alibaba Pictures	Undisclosed – 1 film	Finalized
Apr. 2016	Dick Cook Studios	Co-production	Film Carnival	500 million	Finalized
Apr. 2016	Paramount Pictures	Co-production	Alibaba Pictures	Undisclosed – 2 films	Finalized
Jun. 2016	IM Global	Acquisition	Tang Media Partners	Undisclosed	Finalized
Jun. 2016	IM Global	Co-production	Tencent Pictures	100 million	Finalized
Jul. 2016	Paramount Pictures	Acquisition	DWG	5 billion	Canceled
Jul. 2016	FremantleMedia North America	Co-production	Meridian Entertainment	Undisclosed	Finalized
Aug. 2016	STX Entertainment	Investment	Tencent Pictures, PCCW	700 million	Finalized
Sep. 2016	David S. Goyer	Co-production	Tencent Pictures	Undisclosed	Finalized
Sep. 2016	Sony Pictures Entertainment	Co-production	DWG	Undisclosed	Finalized
Oct. 2016	Amblin Entertainment	Investment, co-production	Alibaba Pictures Group	Undisclosed	Finalized
Nov. 2016	Carmike Cinemas	Acquisition	AMC Entertainment (DWG)	1.2 billion	Finalized
“Late ” 2016	MGM	Acquisition	Undisclosed	Undisclosed	Canceled
Jan. 2017	Paramount Pictures	Co-production	Shanghai Film Group, Huahua Media	1 billion	In progress
Jan. 2017	Voltage Pictures	Acquisition	Anhui Xinke New Materials	345 million	Canceled
Mar. 2017	Dick Clark Productions	Acquisition	DWG	1 billion	Canceled
Mar. 2017	Free Association	Co-production	Tencent Pictures	Undisclosed – 1 film	Finalized
Apr. 2017	Blumhouse Entertainment	Co-production	Meridian Entertainment	Undisclosed	Finalized
Apr. 2017	Tom DeSanto	Co-production	CITIC Guoan	120 million	Finalized
May 2017	Creative Artists Agency	Co-production	Bona Film Group	150 million	Finalized
Jun. 2017	Perfect Village Entertainment	Joint venture	Perfect World Entertainment	Undisclosed	In progress

	(Village Roadshow Pictures, WME/IMG)				
Jun. 2017	Paramount Pictures	Investment	Weying Technology	Undisclosed – 1 film	Finalized

Source: Various.¹

¹ Patrick Frater, "China's Weying Boards Paramount's 'Transformers: The Last Knight,'" *Variety*, June 14, 2017. <http://variety.com/2017/film/asia/chinas-weying-boards-paramounts-transformers-the-last-knight-1202465635/>; Patrick Frater, "Perfect World, Village Roadshow, WME Launch China Production Venture," *Variety*, June 20, 2017. <http://variety.com/2017/film/asia/perfect-world-village-roadshow-wme-china-production-company-1202471803/>; Patrick Brzeski, "Fox Partners with China's Tencent to Co-Produce 10 Online Movies," *Hollywood Reporter*, June 1, 2017. <http://www.hollywoodreporter.com/news/fox-partners-chinas-tencent-produce-10-online-movies-1009264/>; Justin Kroll, "Bona Film Group and CAA Establish Film Fund," *Variety*, May 25, 2017. <http://variety.com/2017/film/news/bona-film-group-cao-film-fund-1202444839/>; Gene Maddaus and Patrick Frater, "Paramount's New Chief Jim Gianopulos Revives \$1 Billion China Slate Deal (Exclusive)," April 26, 2017. <http://variety.com/2017/biz/news/paramount-shanghai-film-group-huahuamedia-gianopulos-china-slate-1202400276/>; 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Erich Schwartzel, Kane Wu, and Wayne Ma, "Hollywood Is Left Hanging as China Reins In Investments," *Wall Street Journal*, February 24, 2017. <https://www.wsj.com/articles/capital-control-policy-puts-brakes-on-chinese-investment-in-hollywood-1487965450/>; Gene Maddaus, "Voltage Sues Xinke over Busted Acquisition Deal," *Variety*, January 20, 2017. <http://variety.com/2017/film/news/voltage-xinke-busted-sale-china-overseas-investment-1201965639/>; Leon Lazaroff, "Viacom Gets to Keep Paramount but It Still Has to Make Hit Movies," *Street*, January 20, 2017. <https://www.thestreet.com/story/13960609/1/viacom-gets-to-keep-paramount-but-it-still-has-to-make-hit-movies.html>; Ryan Faughdner, "China-Owned AMC Seals Deal to Buy Carmike Cinemas, Making It the Largest Theater Chain in U.S.," *Los Angeles Times*, November 15, 2016. <http://www.latimes.com/business/hollywood/la-fi-ct-amc-carmike-20161114-story.html>; Abid Rahman, "Steven Spielberg's Amblin Pacts with China's Alibaba Pictures Group," *Hollywood Reporter*, October 9, 2016. <http://www.hollywoodreporter.com/news/steven-spielbergs-amblin-pacts-chinas-936630/>; 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