



CSBA

Center for Strategic and Budgetary Assessments

# WINNING WITHOUT FIGHTING

CHINESE AND RUSSIAN POLITICAL  
WARFARE CAMPAIGNS AND  
HOW THE WEST CAN PREVAIL

VOLUME II: CASE STUDIES

ROSS BABBAGE



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The logo for the Center for Strategic and Budgetary Assessments (CSBA) features the letters 'CSBA' in a large, bold, red serif font. The letters are closely spaced and have a classic, slightly ornate design.

Center for Strategic and Budgetary Assessments

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## ABOUT THE CENTER FOR STRATEGIC AND BUDGETARY ASSESSMENTS (CSBA)

The Center for Strategic and Budgetary Assessments is an independent, nonpartisan policy research institute established to promote innovative thinking and debate about national security strategy and investment options. CSBA's analysis focuses on key questions related to existing and emerging threats to U.S. national security, and its goal is to enable policymakers to make informed decisions on matters of strategy, security policy, and resource allocation.

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Cover: Official Kremlin photo of Vladimir Putin and Xi Jinping in Beijing in June 2018.

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# Introduction

The first volume of this report assessed the role of political warfare in the international operations of the Putin and Xi Jinping regimes. While many contemporary thinkers use a narrow definition of political warfare, this report takes another path by drawing on Clausewitzian logic to argue that political warfare encompasses the use of a very wide range of national and international instruments in efforts to persuade, intimidate, coerce, undermine and weaken opponents, and hence achieve desired political goals. This approach mirrors that of the Russian and Chinese regimes, both of which marshal and maneuver numerous instruments in coordinated political warfare operations in order to win political advances. The only major activity excluded from this conception of political warfare is the use of kinetic force. In consequence, political warfare is defined in this report as: “Diverse operations to influence, persuade and coerce nation states, organizations and individuals to operate in accord with one’s strategic interests without employing kinetic force.”

The techniques range widely from more political measures such as assertive diplomacy, intense media campaigns, economic sanctions, subversion, corruption, and the theft of intellectual property to more strategic measures such as exerting coercive pressure through the deployment of powerful paramilitary and military forces. Political warfare is used extensively by the regimes in Beijing and Moscow to shape the strategic space, but it can also be used to prepare targeted environments for more substantial unconventional and conventional kinetic military operations.

Political warfare is clearly distinguished from so-called hybrid warfare and other forms of conflict that inhabit the gray area between Western conceptions of “peace” and “conventional war.” Whereas political warfare does not, hybrid warfare operations involve the use of or commitment to use military or paramilitary forces in kinetic combat operations. In short, political warfare involves coercive operations without kinetic force, whereas hybrid warfare involves coercive operations with the actual or authorized use of kinetic force. In some situations, political warfare may be employed for some time prior to and following a temporary escalatory phase of kinetic hybrid warfare, as was the case with the Crimea crisis in 2013–2015.

This Volume comprises two annexes: Annex A contains the full texts of eight illustrative case studies that describe recent Chinese and Russian political warfare operations in a range of theaters; Annex B lists some key indicators of authoritarian state political warfare campaigns and offers insight into the progression of some campaigns from the commencement state, to the contested state, and finally to the client state.

# Annex A: Illustrative Case Studies

## **Recent Russian and Chinese Political Warfare Operations**

In pursuit of their strategic goals, the Russian and Chinese regimes have employed their political warfare strategies, operational concepts, and formidable arsenals in many theaters in recent years. The diversity of their operations and the skill in which a wide range of instruments have been employed have been impressive.

In order to illustrate the diverse nature of these operations, some of their successes and failures and the effectiveness of local and broader Western countermeasures, this Annex summarizes eight case studies. They are:

- Russia's operations against Estonia and the Baltic Republics;
- Russia's Political Warfare Operations in the annexation of Crimea;
- China's operations in the U.S. island territories in the Western Pacific;
- China's activities in the island states of the South Pacific;
- China's political warfare operations in New Zealand;
- China's political warfare operations in Australia;
- China's political warfare operations in Indonesia;
- China's Belt and Road Initiative (BRI)



## CASE STUDY #1

# Russia's Operations against Estonia and the Baltic Republics

*by Mike Winnerstig*

## The Strategic Situation

Following their declarations of independence in 1991, Estonia, Latvia, and Lithuania, emerged from 50 years of Soviet occupation as small, vulnerable states. Estonia and Latvia inherited substantial ethnic Russian minorities. In the year immediately following Baltic independence, there was hope that relations with Russia could be peaceable. Under President Boris Yeltsin, Russia acknowledged that the three republics had been occupied by the Soviet Union, border treaties with Lithuania and Latvia were signed, and Soviet troops peacefully withdrew from all three countries.

This conciliatory period was, however, short-lived, and relations with Russia worsened following the ascent of Vladimir Putin to the presidency in 2000. In a 2007 speech, Putin declared the collapse of the Soviet Union to be a “major geopolitical catastrophe” of the 20<sup>th</sup> century.<sup>1</sup> The Baltic States perceived this as a provocative message.

Messaging from Moscow continues to be disquieting. The Russian leadership and intelligentsia now often refer to the actions of Mikhail Gorbachev and Boris Yeltsin as “treacherous,” especially regarding their roles in the dissolution of the Soviet Union and the independence of

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<sup>1</sup> Vladimir Putin, “Annual Address to the Federal Assembly of the Russian Federation,” Moscow, Russia, April 25, 2005, available at <http://en.kremlin.ru/events/president/transcripts/22931>.

the Baltic States.<sup>2</sup> There is also a legal motion in the Russian parliament mandating an investigation into the “legality” of the independence of the Baltic States. The subsequent Russian invasion of Georgia in 2008 and the Russian invasion of Crimea and Eastern Ukraine in 2014 reinforced the Baltic States’ rising perceptions of threat.

### Russian Political Warfare Operations in Estonia

A central feature of the current Russian leadership is its wartime mindset. Its world view is driven by a zero-sum approach to relations with the West: if the West loses, Russia gains. Secondly, it reflects a belief—however erroneous—that the West, primarily the United States, is actively working to undermine the current Russian state and aims to engineer an eventual “regime change” in Moscow.<sup>3</sup> This has led to increasingly hostile relations with the West and a souring of relations with former Soviet republics, such as the Baltic States, that have joined the Western alliance. Since Russia still views the former Soviet republics as being within its “sphere of interest,” it believes it should retain control over these now independent countries. Political warfare operations are viewed as a primary means of maintaining and strengthening that influence.

Russian strategic culture has frequently emphasized the non-kinetic yet coercive means of warfare, such as political and diplomatic pressure, subversion of foreign political systems, and the extensive use of information warfare and propaganda.<sup>4</sup> Indeed, a KGB maxim was the tailored use of “active measures” to influence a targeted state and weaken its political, economic, scientific, technical, and military strength. These tools are still used extensively by the Russian state as it promotes its geopolitical goals.

Russian political warfare operations in the Baltic States have two major aims. First, to protect the Russian-speaking minorities against alleged discrimination and mistreatment by non-Russian majorities. Secondly, to demonstrate that NATO and the West are unable to defend the Baltic States and are strategically impotent. If Russia were to launch attacks against the Baltic States and the United States and NATO were unable to protect them, the credibility and the cohesion of NATO and the broader network of U.S. alliances would be seriously damaged.<sup>5</sup>

The Russian operations that generate the greatest concern in Estonia are those relating to Moscow’s Compatriots Policy, through which the Russian state supports its diaspora populations living abroad. Following Estonia’s independence in 1991, the non-native Estonian population was required to apply for citizenship. To receive full citizenship, each applicant

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2 See Alexander Dugin, *Last War of the World-Island: The Geopolitics of Contemporary Russia* (London: Arktos Media Ltd., 2015), p. 56ff.  
3 Mark Galeotti, *Putin’s Hydra: Inside Russia’s Intelligence Services* (London: Eurpoean Council on Foreign Relations, 2016), p. 5.  
4 See Harrys Puusepp, ed., *Annual Review 2014* (Tallinn: Estonian Internal Security Service, 2014).  
5 See Henrik Praks, *Hybrid or Not: Deterring and Defeating Russia’s Ways of Warfare in the Baltics—the Case of Estonia*, Research Paper #124 (Rome: NATO Defence College, 2015), pp. 2, 12.

needed to pass tests to demonstrate basic Estonian language skills and knowledge of Estonian society and politics. From a Russian-speaking perspective, this was isolating and insulting. Moscow, leveraging this discontent to its benefit, made supporting and protecting Russian speakers a key policy goal. This objective has continued to be pursued by building coercive military power in Estonia's approaches and attempting to mobilize the Russian diaspora through a form of political warfare.

**FIGURE 1: THE BALTIC STATES**



Maps generated using Mapbox Studio. Sites and locations data derived from Google Maps.

Although some manifestations of this policy are innocuous, such as promoting Russian language, other elements promote anti-Estonian views. This was demonstrated dramatically in 2007 when the Estonian state decided to move a World War II monument of a Soviet soldier to a location outside the center of the capital city. This decision was heavily criticized by Russia and Russian organizations based in Estonia. The backlash spurred several days of riots and looting and a Russian cyber attack on the country's IT infrastructure.<sup>6</sup> The compatriot-related

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6 See Anna Bulakh et al., "Russian Soft Power and Non-military Influence: The View from Estonia," in Mike Winnerstig, ed., *Tools of Destabilization: Russian Soft Power and Non-military Influence in the Baltic States* (Stockholm: Swedish Defence Research Agency, December 2014).

organizations in Estonia clearly sought to keep Russian-speaking Estonians from fully integrating into the country.<sup>7</sup>

These policies and programs frequently target Russian-speaking young people. Word of the Youth (*Molodoye Slovo*) invites Russian speaking “patriots” to summer camps in Russia, where the children receive Kremlin-approved lessons in history and politics.<sup>8</sup> The Russian Embassy in Tallinn has played a strong role in organizing events and programs to propagate the Kremlin’s version of history.<sup>9</sup>

The messages being sent to the Russian-speaking population emphasize three themes. First, the Russian minority is discriminated against by the Estonian state and by ethnic Estonians in general. Second, Estonia is a society with links to Nazism in both its history and current politics. And third, Estonia is a failed state with few allies, and it will have no one to defend it were it ever attacked.<sup>10</sup>

There have been other more episodic political warfare operations against the Estonian government. For example, in 2014 a private conversation between the Estonian Minister of Foreign Affairs and the High Representative of the European Union for Foreign and Security Affairs was intercepted and broadcast by Russia Today, a major Russian media outlet.<sup>11</sup> Another example was the cross-border raid and kidnapping of an Estonian security police officer, Eston Kohver, by the Russian FSB two days after then-U.S. President Barack Obama visited Tallinn. It is unclear whether this action was performed as a response to the visit, but it was widely perceived to be an act of political intimidation.

In 2015 amid the European refugee crisis, Russian media outlets linked Estonian resistance to taking in refugees to Nazism and discrimination against Russian-speaking Estonians. Around the same time, a Finnish Neo-Nazi, Risto Teinonen—who had long lived in Estonia—was expelled from the country after the Estonian Internal Security Service accused him of launching political hate campaigns in Estonia in a way that supported Russian influence operations.<sup>12</sup> During this period it was also discovered that a Russian neo-Nazi skinhead from St. Petersburg was sent to Estonia to be falsely portrayed in Kremlin-controlled media as an Estonian “local Nazi activist.”<sup>13</sup>

Most recently, another organization was established to promote the Kremlin message in a Baltic setting: the Russian Association for Baltic Studies (RABI). This academic body, located

7 Praks, *Hybrid or Not*, p. 4f.

8 Bulakh et al., “Russian Soft Power: The View from Estonia,” p. 48f.

9 See Harrys Puusepp, ed., *Annual Review 2017* (Tallinn: Estonian Internal Security Service, 2017), p. 5ff.

10 See Praks, *Hybrid or Not*, p. 5.

11 Puusepp, *Annual Review 2014*, p. 13.

12 Harrys Puusepp, ed., *Annual Review 2015* (Tallinn: Estonian Internal Security Service, 2015), p. 5.

13 Harrys Puusepp, ed., *Annual Review 2016* (Tallinn: Estonian Internal Security Service, 2016), p. 8.



at a university in the Russian enclave of Kaliningrad, is closely linked to the Russian foreign ministry and conveys its message of discrimination of Russian speakers, Estonian and general Baltic Nazi sympathies, and the Baltic republics—including Estonia—as failing states.<sup>14</sup>

During 2017 Estonia saw an uptick in Russian events to commemorate its history. These included the centennial celebration of the Russian revolution in 1917 and the traditional WWII victory celebration. These events usually involve groups of Russian-speaking individuals marching and holding pictures of their relatives who fell in the war. However, in recent years a hitherto peaceful act of remembrance has been transformed into a modern politically motivated demonstration. The Russian interest in using historic memorials for political purposes was underlined by the fact that the Russian Embassy in Tallinn formed a council for war memorials in 2017.

### **Measuring the Success of Russian Political Warfare and Estonian Countermeasures**

Despite the efforts made by Russia and its many organizations to wage political warfare against Estonia, the effect has been limited. There is no separatist movement in Estonia, and there is currently no political party solely catering to Russian speakers. Given the relative economic success Estonia has enjoyed over the last 20 years, the local living standards are now about twice as high as those in Russia, which works against the anti-Estonian messaging.

Furthermore, the integration of Russian speakers into the Estonian society has continued rather successfully. Today, a clear majority of Russian speakers in Estonia are actually Estonian citizens, and the number of non-citizens in the country has diminished drastically from 32 percent in 1990 to 6.7 percent in 2014 to less than 6 percent today.<sup>15</sup> A thorough study of these issues conducted in 2011 concluded that around half Russian-speaking Estonians are either well integrated or relatively well integrated into Estonian society, whereas the other half is marginally integrated or not integrated at all.<sup>16</sup> Interestingly, the younger generation of Russian speakers is considered to be the cohort that is best integrated into Estonian society.

However, the Russian media outlets do contribute substantially to the Russian speakers' worldview, especially in terms of international events. Thus, there is a drastic difference in the views on various international topics between the native Estonians and Russian-speaking Estonians. Attitudes toward the Russo-Ukrainian war and the role of NATO are

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14 Ibid., p. 10.

15 Bulakh et al., "Russian Soft Power: The View from Estonia," p. 37.

16 Ibid., p. 38ff.

prime examples of this.<sup>17</sup> The disparities in information flows between the Estonian and Russian-speaking inhabitants of Estonia remains fertile ground for Russian influence and trouble-making.

The Estonian Government tried to rectify this situation launching a Russian language broadcaster. The new channel, called ETV+, was inaugurated in 2015 but enjoys very limited funding and a modest audience share. Moreover, this new media organization has also been accused of being editorially pro-Russian. Nevertheless, as a free country, Estonia has not ended Russian TV transmissions into Estonia and hence the Kremlin-controlled programing will continue to be received.

The Estonian security services are very professional, and they keep track of Russian political warfare operations. These efforts are reinforced by Estonia's close integration with relevant staffs in NATO and the EU. Nevertheless, Moscow's political warfare operations will continue to thrive on the perceived hardships of the Russian-speaking minority in Estonia. The most effective counter will be steps to better integrate the country's Russian speakers into the nation's social fabric.

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17 See Dmitri Teperik, "Estonia," in Olga Chyzhova et al., *Disinformation Resilience in Central and Eastern Europe* (Kyiv: The Foreign Policy Council "Ukrainian Prism" and The Eurasian States in Transition research center [EAST Center], 2018), p. 129, available at [http://prismua.org/wp-content/uploads/2018/06/DRI\\_CEE\\_2018.pdf](http://prismua.org/wp-content/uploads/2018/06/DRI_CEE_2018.pdf).

## CASE STUDY #2

# Russia's Political Warfare Operations in the Annexation of Crimea

*by Whitney McNamara*

Since coming to power in 2000, Putin has cultivated a strong nationalistic narrative with a heavy emphasis on returning the Soviet Union to its former power and prestige. To that end, Russia has worked to reassert itself on the international stage—but nowhere more so than in its near abroad. By doing so, Russia hopes to expand its sphere of influence, increase its buffer zone, and regain regional dominance. This strategy also aims to undermine the West and its institutions and prevent former Soviet republics from integrating into them. Though Russia has reconstituted its military to this end, its non-kinetic means of influence and coercion—artifacts of the Soviet era—have also reemerged, and it is largely through these means that Moscow has been attempting to achieve its objectives.

The extent of these non-lethal measures to achieve a nation's goals are laid out clearly in Gerasimov's doctrine, which includes efforts to shape the political, economic, and social features of the target state through subversion, espionage, and propaganda. Whether or not the Russian Chief of the General Staff was commenting on how he saw Western nations conducting warfare or foreshadowing how Russia intends to achieve its political-military objectives, it is clear that Moscow has long understood the instrumental role that these measures can play.

A large component of this so-called New Generation Warfare is the manipulation of the information space where “the battlefield is consciousness, perception and strategic calculus of the adversary, the main operational tool is information struggle, aimed at imposing one's strategic

will on the other side.”<sup>18</sup> This is rooted in Soviet reflexive control theory, a tool used to influence an opponent into unknowingly making decisions that are advantageous to the Kremlin by skewing the enemy’s perception. The Russians are grounded in this doctrine of denial and deception. This uses ambiguous warfare that is intrinsically difficult to detect or control, as it is designed to confuse and neutralize an effective enemy response. In the case of Crimea, deception and disinformation was not only one of the central lines of effort to annex the peninsula but it also lent legitimacy to the operation. Mark Laity, Chief Strategic Communications at Supreme Headquarters Allied Powers Europe (SHAPE) explains the “information line of effort was fundamental” in Crimea and “not just to give them a strategic narrative to try to justify what they did, but [also] to use information to deceive, delay and disrupt, like a smokescreen.”<sup>19</sup>

These measures take advantage of the benefits of 21<sup>st</sup> century technologies—namely the internet and social media platforms in addition to Russia’s burgeoning electronic warfare and cyber capabilities. However, the latter techniques as used in Crimea did not require a high degree of sophistication to be effective. These attacks, dubbed “low tech cyber assaults,” included Distributed Denial of Services attacks against Ukrainian news outlets as well as the jamming of Ukrainian naval communications and phones of key Ukrainian officials in the lead up to the annexation. In one instance, an unencumbered takeover of the physical infrastructure that holds the internet exchange point (IXP) was carried out by Russian Special Forces to disrupt internet usage on the peninsula. This communication and information blackout allowed Russia to gain information superiority throughout the operation, ensuring that media coverage of the annexation came solely from Russian sources and leaving Ukrainian officials without situational awareness and operational communication channels.

An adept use of the internet and social media allowed Moscow to easily and cheaply disperse disinformation and propaganda about its activities in Crimea. Russia’s government-controlled news outlets like RT and Sputnik are key players in its information campaigns. Since Russia’s modern-day active measures grew out of Soviet efforts to control its own people, it is unsurprising that this information campaign was also directed at its domestic population. The themes of the messaging included underscoring the instability of Maiden protests to warn Russians of the dangers of seeking closer ties with the European Union. Another strong message was the grave danger that ethnic Russians faced in Ukraine from ultra-nationalists. Moscow’s messaging also suggested that the West was behind the mounting chaos in Ukraine and was backing the protestors. Media coverage also sought to emphasize the legitimacy of the Russian-forced referendum in Crimea, the eagerness of the Ukrainian soldiers to voluntarily

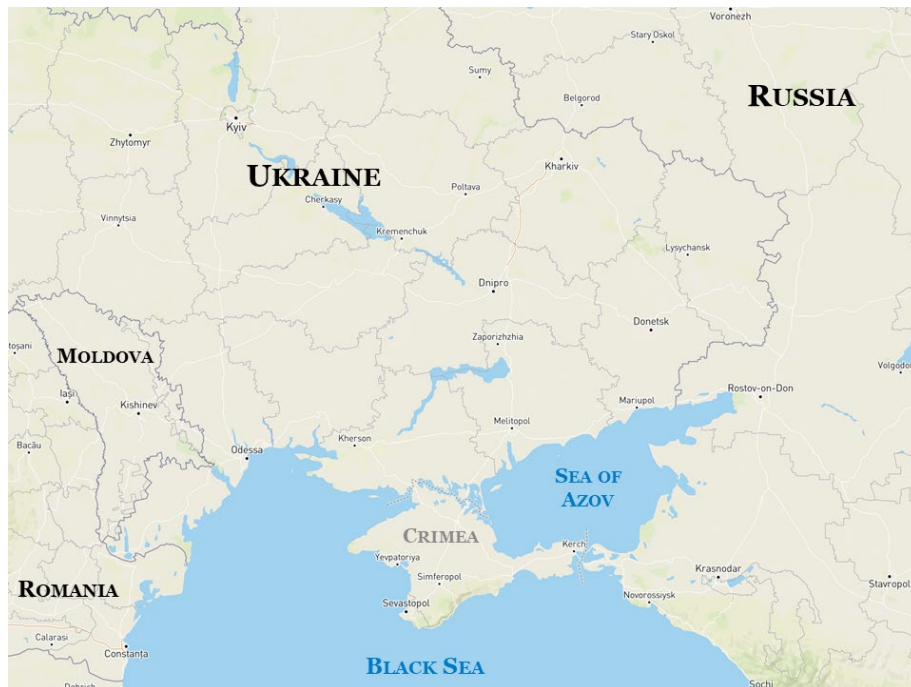
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18 Dmitry Adamsky, *Cross-Domain Coercion: The Current Russian Art of Strategy*, Proliferation Papers #54 (Paris: IFRI Security Studies Center, November 2015).

19 Keir Giles, *Handbook of Russian Information Warfare*, Fellowship Papers #9 (Rome: NATO Defence College, November 2016).

pledge allegiance to Russia, and reminders that Crimea historically belonged to Russia, all while claiming Russia had no involvement in the conflict.<sup>20</sup>

**FIGURE 2: CRIMEA AND SOUTHEASTERN UKRAINE**



Maps generated using Mapbox Studio. Sites and locations data derived from Google Maps.

These messages were not confined to traditional media outlets but were repeated by multiple channels. During the annexation, the Russian government spent more than \$19 million to fund 600 people to constantly comment on news articles, write blogs, and operate through social media.<sup>21</sup> This presence was designed to sway public and international opinion, overpower the voices of dissenters online, and create the impression that many were supportive of the annexation. Social cyber attackers targeted the pro-Russian residents of Crimea, hoping to polarize the population by spreading rumors of Crimeans facing vicious attacks from Ukrainian supporters. Many such stories went viral on social media.

Unique to authoritarian regimes is the ability not just to leverage a whole-of-government approach but whole-of-society, with government, private sector, and even academia walking in lockstep on regime messaging. During Russia's incursions into Ukraine, one Russian commentator explained, "It became clear very quickly that Russian politicians, journalists,

20 Michael Kofman et al., *Lessons from Russia's Operations in Crimea and Eastern Ukraine* (Santa Monica, CA: RAND Corporation, 2017), pp. 79–80.

21 Michael Holloway, "How Russia Weaponized Social Media in Crimea," *The Strategy Bridge*, May 10, 2017, available at <https://thestrategybridge.org/the-bridge/2017/5/10/how-russia-weaponized-social-media-in-crimea>.

purportedly non-governmental organizations, state companies, think tanks, the military, the courts, government agencies and the Duma were all working from the same instructions for the same goals.”<sup>22</sup> These organizations worked in concert to reinforce the same narrative and underscore the same themes.

Despite relying heavily on non-lethal means of influence and coercion, the threat of military force gives Russian intimidation credibility. Moscow regularly uses aggressive rhetoric toward NATO and the West, threatening military action or intervention, the deployment of key military platforms to Kaliningrad, and the provocation of incidents with Western forces while referencing its nuclear weapons arsenal, all the while portraying the allies as antagonistic. Large-scale military exercises—both announced and unannounced—also play a role in threatening those who would challenge Moscow. These exercises are ostensibly for defensive purposes, though they clearly illustrate not only Russia’s maturing military capabilities but also the increasing integration and cooperation of conventional forces with Special Forces and intelligence entities. Baltic officials have stated that they perceived the Zapad 2013 military exercise, for example, as an act of intimidation. These military exercises can also be used as a cover for surprise military activities, as was the case in Crimea when large-scale snap exercises disguised troop movements toward the peninsula.

Ultimately, the annexation demonstrated a skillfully coordinated operation in which political warfare operations allowed Russia to invade Crimea with an economy of force—using minimal special forces to secure key security infrastructure and political institutions—while maintaining the appearance of non-aggressors. Once the parliament building had been secured by Special Forces, the Crimean parliament allegedly voted to secede from Ukraine and join Russia. The likely involuntary vote and subsequent “referendum” in the peninsula bestowed a mantle of political legitimacy and gave credibility to Russia’s propaganda that Crimean independence from Ukraine accorded with the will of the people.

The success of these influence operations made it appear that the annexation of Crimea was more of an intrusion than a forceful and violent invasion that Russia has been known for in the past. Ultimately, Moscow was able to take over Crimea, secure basing rights for its fleet, and create a frozen conflict in Ukraine—making it a challenge for Ukraine to integrate with Western institutions such as NATO or the EU—without the burden for Moscow of having to expend significant military resources to occupy and run the entire country.

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22 Robert Coalson, “Top Russian General Lays Bare Putin’s Plan for Ukraine,” *Huffington Post*, September 2, 2014.

## Lessons

What does the Crimean annexation tell us about Russian political warfare operations? First, it is important to note that Moscow benefited from a multitude of advantages. Geographically, Crimea was easy to seal off from the mainland, and the relative political autonomy of the peninsula allowed it to be neatly separated from Ukraine.<sup>23</sup> Moreover, the proximity of the peninsula to Russia's mainland and existing transit agreements between Ukraine and Russia allowed Moscow to deploy forces and materials to Crimea before and during the operation, leaving the Ukrainian interim government with little legal basis for preventing the deployment of reinforcements. Lastly, the nascent Ukrainian government was still in transition following the ousting of the president, leaving the body untested and unprepared to react to a Russian operation. It was also unclear whether the Ukrainian security and armed forces were fully supportive of the interim government and would be loyal to the new Kiev government if sent to fight the Russians.

Since Russia's Black Sea Fleet has been historically based in Crimea, the local population not only viewed the force as legitimate and friendly but also associated it with an integral part of the local economy, reducing the likelihood of resistance from the Crimean population. Since Russian troops shared their language, culture, and ethnicity, they were able to blend in readily and leverage sympathetic parts of the population.

Russian advantages were compounded by Ukrainian missteps in the early days of the operation. The interim government immediately pursued nationalistic policies, alarming the ethnic Russian population. Moreover, the government disbanded the Crimean riot police after they were told to suppress protests in Kyiv, humiliating the forces who thought they were carrying out their orders. Unemployed and demoralized, they returned to Sevastopol where they defected to Russia.<sup>24</sup> This combination of circumstances created a strategic opportunity for Russia. Although Russia's operation to annex Crimea illustrated a proficient use of influence and coercion backed by military power, it was conducted in a relatively benign environment. The unique vulnerability of Crimea to Russian takeover suggests that Moscow may have difficulty repeating it elsewhere. Although Crimea doesn't provide a precise roadmap for how Russia might operate in the future, there are still insights to be drawn.

First, these political warfare operations are hallmarks of Russia's Soviet past, and its strategic culture is deeply rooted in these doctrines of denial, deception, and coercion. This means that, for the foreseeable future, they will continue to play a key role in Moscow's statecraft. Second, it is clear that Russia has invested significant resources and efforts in developing a diverse set of information tools to achieve these aims. It is likely that coordinated efforts to use the internet, social media, and cyber and electronic warfare will be a central feature in future political warfare operations. Lastly, Russian forces were restrained in the Crimean operation,

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23 Kofman et al., *Lessons from Russia's Operations*, p. 17.

24 *Ibid.*, p. 21.

relying heavily on shaping measures and controlling the information space to achieve the regime's goals. This heavier reliance on non-kinetics over indiscriminate force that characterized previous Russia interventions suggests that it may use similar ambiguous forms of warfare to achieve its objectives in the future.



### CASE STUDY #3

# China's Operations in U.S. Island Territories in the Western Pacific

*by Grant Newsham*

Although little attention is paid to the U.S. island territories and Compact states in the Western Pacific, they are of increasing strategic importance, playing key roles in the strategic jockeying between Beijing and Washington in the theater. These islands include three U.S. territories—Guam, the Commonwealth of Northern Marianas (CNMI), and American Samoa—and three Freely Associated States—Palau, the Federation of Micronesia (FSM), and the Republic of the Marshall Islands (RMI). While the latter three are independent nations, they are tied to the United States under respective Compacts of Free Association (COFA). These arrangements authorize the United States to handle each nation's national defense, preventing foreign militaries from having access to their territories. The agreements also oblige the United States to provide financial assistance to these territories in addition to visa-free travel and the right to reside in America.

These territories have limited commercial prospects and few natural resources other than the rich fisheries of Micronesia. Nevertheless, they do have considerable strategic importance for the continued U.S. presence in the Western Pacific. Indeed, if an adversary established a military foothold or economic dominance with de facto veto power in these territories, it could effectively split U.S. and allied defenses along the so-called Second Island Chain stretching from Japan southward to Australia.

The regime in Beijing fully appreciates the strategic importance of this region and is working actively to undermine the U.S. presence there. This case study examines the different methods used in the three territories where Chinese efforts are most extensive—CNMI, the Federated States of Micronesia, and Palau. Although this case study focuses on these three nations, it is

worth noting that Chinese interests have quietly established a strong commercial presence and dominate the fishing industry in the Marshall Islands. The PRC is also rumored to be behind the recent vote of no confidence against the RMI president, with the ultimate aim, according to some observers, of peeling the country away from Taiwan.<sup>25</sup>

## Commonwealth of Northern Marianas (CNMI): Invasion of the Casinos

In 2014, Chinese-owned casino company Best Sunshine opened in Saipan, a small island with a population of 50,000, promising multi-billion-dollar investments.<sup>26</sup> For the island, the timing was seemingly fortuitous. Its economy was in the doldrums, and its government finances were on the verge of collapse. Amidst rumors of bribes, Best Sunshine was approved for business. Along with this company came a timely contribution to the public pension fund and to Saipan's utilities company. In addition, Chinese nationals migrated to the island, began leasing and buying property, and started other businesses. This, combined with visa-free entry for Chinese tourists, created a rapid growth Chinese presence that didn't exist a few years prior. This surge has generated a segment of the local population and political class that views the People's Republic of China (PRC) presence as a strong positive. As a result, anything that threatens to upset that relationship, such as U.S. military bases, is viewed as a problem.

The casino is rapidly becoming a tool of political influence, with reports that the casino developers have funded several candidates in the 2018 elections.<sup>27</sup> Saipan's governor also announced a \$20.8 million special funding measure described as being generated by casino tax payments. The money appeared right before the election and included \$3.5 million for CNMI retiree fund member bonuses and a \$150,000 grant for the Marianas Political Status Commission, a body created solely to decide how to become independent from the United States.<sup>28</sup>

Tinian, a smaller island near Saipan with a population of around 3,500 people, is China's next target for casino building. Chinese-owned or controlled casino and resort companies are planning to build large resorts with over \$1 billion of investment planned—although they've had a

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25 Scott Morgan, "Marshall Islands President Survives No Confidence Vote amid Alleged Chinese Conspiracy," *Taiwan News*, November 13, 2018, available at <https://www.taiwannews.com.tw/en/news/3574488>; and Alan Boyd, "Chinese Money Unsettles Marshallese Politics," *Asia Times*, November 14, 2018, available at <https://www.asiatimes.com/2018/11/article/chinese-money-unsettles-marshallese-politics/>.

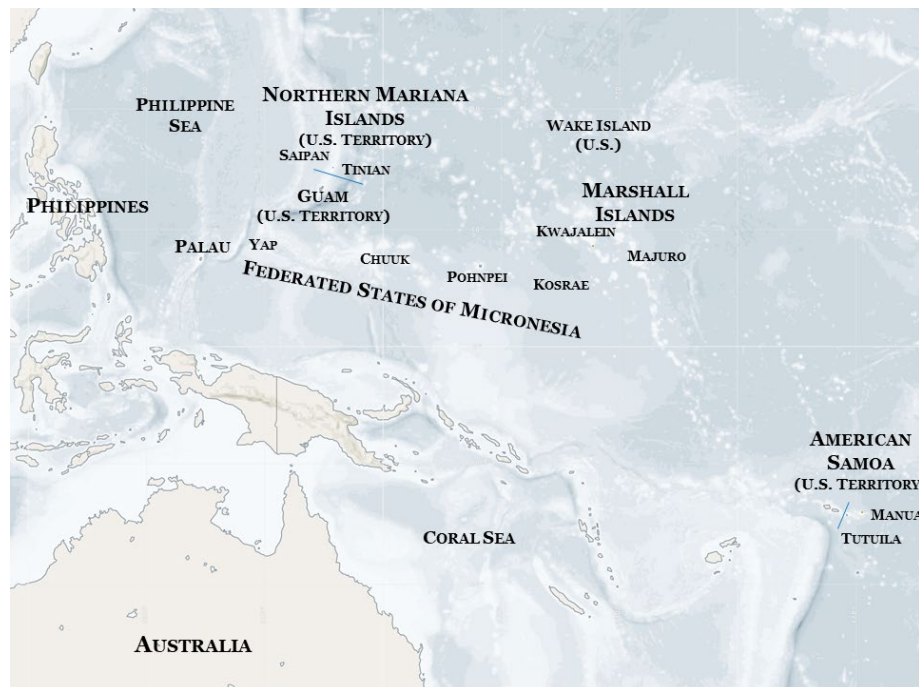
26 Best Sunshine is a subsidiary of the Imperial Pacific Group from Macau. This Bloomberg article provides a useful overview of the Best Sunshine casino issue: Matthew Campbell, "A Chinese Casino Has Conquered a Piece of America," *Bloomberg Businessweek*, February 15, 2018, available at <https://www.bloomberg.com/news/features/2018-02-15/a-chinese-company-has-conquered-a-piece-of-america>.

27 According to a local politician who wishes to remain anonymous and observers of local politics with whom the author spoke.

28 Erwin Encinares, "Senate Approves \$20.88M Supplemental Budget," *Saipan Tribune*, October 1, 2018, available at <https://www.saipantribune.com/index.php/senate-approves-20-88m-supplemental-budget/>.

bumpy ride of late.<sup>29</sup> The choice is not a coincidence: about two-thirds of the island is leased to the U.S. military.

**FIGURE 3: AMERICAN ISLAND TERRITORIES IN THE WESTERN PACIFIC**



Maps generated using Mapbox Studio. Sites and locations data derived from Google Maps.

One of the Chinese developers, Alter City Group, has called for limits to be placed on U.S. military activities on both Saipan and Tinian, claiming that they were bad for tourism and suggesting that without the limitations, the company might withdraw its business. Not surprisingly, a degree of local opposition to the U.S. military has emerged. Recently this opposition has been extended to several of Washington's new plans in the region, including the U.S. proposal to develop an amphibious training area on Pagan Island at the northern end of the Mariana Island chain.

Although it is hard to say with certainty that the Chinese Government is directly behind the casino surge in this area, there is clearly a very strong convergence of interests. A common feature of Chinese political warfare operations globally is the mutually supportive—and not coincidental—linking of Chinese commercial activities with PRC government operations and interests.

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29 Steven Stradbroke, "Tinian Regulators Suspend Alter City Group's Casino License," *Calvin Ayre.com*, August 23, 2018, available at <https://calvinayre.com/2018/08/23/casino/tinian-suspend-alter-city-group-gaming-license/>.

Of relevance to assessments of the CNMI case are Beijing’s recent efforts to rein in Macau casinos to prevent capital outflows from China. The Chinese Government has made no such moves against Best Sunshine, despite extremely large sums of money moving from China through the Saipan casino. For Beijing, this is perhaps a small price to pay for the strategic benefit of handcuffing the U.S. military on Pagan, interfering with it elsewhere in CNMI, and creating a politically influential Chinese presence in an American territory.

## **Federated States of Micronesia (FSM): A Full Court Press**

The FSM comprises four island states: Pohnpei, Kosrae, Yap, and Chuuk (previously known as Truk). Unlike the other Compact states of Palau and the Marshall Islands that have diplomatic relations with Taiwan, the FSM has recognized the Peoples’ Republic of China since 1989 and maintains an embassy in Beijing.

China has taken a steady, systematic approach to political warfare during the last 30 years in the FSM. Its agencies have insinuated themselves into its political and commercial worlds through grants, loans, donations, gifts, scholarships, educational opportunities, and China-sponsored regional forums offering investment and aid.

A particularly effective approach has been “visit diplomacy”—hosting FSM leadership and delegation visits to China and rolling out a sometimes-literal red carpet. The then-FSM president, Peter Christian, visited China in 2017 and met with President Xi Jinping. Besides meeting senior Chinese officials, visitors on these all-expenses-paid trips are well-treated—reportedly to include cash payments for “expenses” that are sometimes a source of controversy back in the FSM.<sup>30</sup>

China also provides scholarships for students from the FSM, including children of prominent politicians, to attend college in China. In addition, the PRC provides technical training programs for Yapese and occasionally dispatches medical experts to the FSM.

### **Construction and Infrastructure Projects**

China built the Pohnpei State Administrative Building, the largest structure in the FSM, as well as a major sports center. A Chinese construction company also built and provided personal residences for the FSM president, vice president, speaker, and chief justice. And the PRC reportedly funds the lease for the FSM Embassy in Beijing. In addition, China has donated the construction of a new state house in Chuuk worth an estimated \$10 million. Chinese companies have also bid on major U.S. “Compact-funded” infrastructure projects—sometimes as the sole or most competitive bidder, drawing on Chinese workers already in the country. Other notable infrastructure projects include building a fish processing facility, refurbishing generators in Pohnpei, upgrading and maintaining outer island airfields, and

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30 “A Civil Discussion: President Mori, The China Trip, and Possible Ramifications,” *Micronesia Forum*, February 2008, available at [www.micronesiaforum.org/index.php?p=/discussion/comment/39541/](http://www.micronesiaforum.org/index.php?p=/discussion/comment/39541/).

undertaking extensive road construction. Finally, Beijing has donated inter-island shipping vessels to improve local transport.<sup>31</sup>

## Investment

Through its Embassy in Ponhpei, China also provides financial assistance directly to the FSM. These grants include multiple contributions to the FSM Trust Fund, to which both the FSM and U.S. Governments contribute.<sup>32</sup> These contributions are intended to support the nation when COFA funding terminates in 2023—and there is little if any optimism funding will be reinstated. Few observers believe the Trust Fund will be adequate to replace current levels of COFA funding. Uncertainty over whether the U.S. Government will offer some amount of financial aid to compensate is immensely worrisome to FSM leaders—and to leaders in the other Compact states as well. The PRC has also provided money to bail out the Chuuk State Government on at least one occasion and periodically donates money to assist recovery from natural disasters.<sup>33</sup> Additionally, the PRC has made regular loans to the FSM national and state governments, which FSM governments have limited capacity to repay.

Creating dependency and inserting itself in irremediable ways appears to be a central theme of Chinese support to the FSM. In one notable case, Luen Thai, a quasi-state Chinese company, has managed to dominate the FSM fishing industry, reportedly exerts considerable political influence, and provokes a degree of public resentment.<sup>34</sup>

The FSM Yap state is a small island group with a population of 11,000 and few economic prospects beyond a tiny number of tourists and modest fishing license revenue. Yap's experience

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31 “FSM Vice President Participates at Chuuk Turnover Ceremony,” *Marianas Variety*, February 5, 2019, available at [www.mvariety.com/regional-news/110446-fsm-vice-president-participates-at-chuuk-turnover-ceremony](http://www.mvariety.com/regional-news/110446-fsm-vice-president-participates-at-chuuk-turnover-ceremony); Fergus Hanson and Mary Fifita, *China in the Pacific: The New Banker in Town* (Sydney: Lowy Institute for International Policy, April 2011), available at [https://www.files.ethz.ch/isn/129898/Hanson%20and%20Fifita,%20China%20in%20the%20Pacific\\_web.pdf](https://www.files.ethz.ch/isn/129898/Hanson%20and%20Fifita,%20China%20in%20the%20Pacific_web.pdf); and Bill Wilson, “China’s Startling Strategic Play in Micronesia,” *Hawaii Free Press*, December 10, 2011, available at [www.hawaii-freepress.com/ArticlesMain/tabid/56/ID/5634/Chinas-Startling-Strategic-Play-in-Micronesia.aspx](http://www.hawaii-freepress.com/ArticlesMain/tabid/56/ID/5634/Chinas-Startling-Strategic-Play-in-Micronesia.aspx).

32 “FSM President Asks China for Trust Fund Payments,” *Radio New Zealand*, June 13, 2019, available at <https://www.rnz.co.nz/international/pacific-news/391927/fsm-president-asks-china-for-trust-fund-payments>; and Scott Leis, “Micronesia’s Future between China and the US,” *East Asia Forum*, June 16, 2012, available at <https://www.eastasiaforum.org/2012/06/16/micronesia-s-future-between-china-and-the-us/>.

33 “Chuuk State Employees Will Benefit from China Grant Funds,” *Micronesia Forum*, March 2008, available at [www.micronesiaforum.org/index.php?p=/discussion/2150/chuuk-state-employees-will-benefit-from-china-grant-funds](http://www.micronesiaforum.org/index.php?p=/discussion/2150/chuuk-state-employees-will-benefit-from-china-grant-funds); A. Dreher et al., *Aid, China, and Growth: Evidence from a New Global Development Finance Dataset*, Working Paper #46 (Williamsburg, VA: AidData, College of William and Mary, 2017), available at <https://china.aiddata.org/projects/41928>; and “China Provides the Micronesian Government with US\$500,000 Emergency Humanitarian Assistance in Cash,” Ministry of Commerce, People’s Republic of China, April 21, 2015, available at [english.mofcom.gov.cn/article/newsrelease/significantnews/201504/20150400947528.shtml](http://english.mofcom.gov.cn/article/newsrelease/significantnews/201504/20150400947528.shtml).

34 For more on Luen Thai, see [www.ltfv.com](http://www.ltfv.com). See also “Luen Thai - Under the Table Business,” *Micronesia Forum*, July 2011, available at [www.micronesiaforum.org/index.php?p=/discussion/8993/luen-thai-under-the-table-business](http://www.micronesiaforum.org/index.php?p=/discussion/8993/luen-thai-under-the-table-business); and “Luen Tai Group and Its Businesses in the FSM,” *Micronesia Forum*, April 2008, available at [micronesiaforum.org/index.php?p=/discussion/comment/45464/](http://micronesiaforum.org/index.php?p=/discussion/comment/45464/).

with a Chinese resort developer shows how commercial activities and political warfare combine in a quietly coordinated effort reminiscent of the casino business in CNMI.<sup>35</sup>

In 2011 a Chinese development group, ETG, appeared on the scene proposing to build large resorts, a casino, and golf courses to make Yap a major tourist destination. It promised to invest hundreds of millions of dollars, improve infrastructure, and help with Yap's education and health needs. It also sought to address the island's high unemployment problem. ETG bought a number of 99-year leases on properties from Yapese citizens.<sup>36</sup>

Despite these lofty promises, opposition materialized, with concerns expressed about the project's scale, effects on local culture and lifestyle, and a lack of transparency in the deals between Yap officials and ETG.<sup>37</sup> As a result, the Yap governor and ETG were forced to pull back. However, ETG is persistent and currently biding its time. The company still has its leased properties, and a local ETG representative continues to work to build support for its offer.

In 2013, the FSM president expressed his support for the ETG proposals, and two years later the Yap governor and a delegation including the local ETG representative visited China.<sup>38</sup> During their trip they met with ETG's chairman and an official of Lieu Thai fishing company. At the delegation's last stop in Beijing, the group met with the CEO of China Civil Engineering Construction Corporation (CCECC) to discuss a potential loan for the FSM.

In 2017 another group of Yap government officials, traditional leaders, and dancers took a PRC-sponsored trip to several Chinese cities as part of cultural exchange tour.<sup>39</sup> In other parts of the FSM, casinos are still viewed as lifesavers—with Pohnpei government officials speaking out in favor of casino development.<sup>40</sup>

### **How effective are the PRC's political warfare efforts in FSM?**

The dependency that the FSM now has on China and the goodwill that the PRC has fostered there is striking considering the FSM's longstanding relationship with the United States and

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35 Daniel Lin, "This Pacific Island Is Caught in a Global Power Struggle (And It's Not Guam)," *National Geographic*, August 15, 2017 available at <https://news.nationalgeographic.com/2017/08/yap-pacific-island-tourism-development-conservation-china-us-cofa/>.

36 Joyce McClure, "The Pacific Yap Is Having Serious Second Thoughts about Chinese Tourism [Updated]," *Pacific Island Times*, January 26, 2018, available at <https://www.pacificislandtimes.com/single-post/2018/01/26/Yap-is-having-serious-second-thoughts-about-Chinese-tourism>.

37 Bill Jaynes, "Yap Legislature Calls for Cancellation of ETG Foreign Investment Permit," *The Kaselehlie Press*, June 3, 2013, available at [http://www.fm/news/kp/2013/jun03\\_5.htm](http://www.fm/news/kp/2013/jun03_5.htm).

38 "Yap Governor, Delegation Return from Week-Long China Visit," *Pacific Islands Report*, November 24, 2015, available at <http://www.pireport.org/articles/2015/11/24/yap-governor-delegation-return-week-long-china-visit>.

39 "Yap Cultural Delegation, Headed by Governor Ganngiyan, Performs in China," *Pacific Islands Report*, July 11, 2017, available at <http://www.pireport.org/articles/2017/07/10/yap-cultural-delegation-headed-governor-ganngiyan-performs-china>.

40 Bill Jaynes, "Pohnpei Legislature Passes Casino Bill," *The Kaselehlie Press*, May 2, 2011, available at [http://www.fm/news/kp/2011/may11\\_3.htm](http://www.fm/news/kp/2011/may11_3.htm).

how U.S. financial contributions dwarf those made by Beijing.<sup>41</sup> It seems the United States is paying the overhead and is taken for granted while China is getting outsized credit for what it does, especially because of the professional promotion of its efforts.

Parts of the FSM government support Chinese resort development and are happy to acquiesce to the Chinese takeover of the local fishing industry, their only economically valuable resource. There is also growing willingness to accept Chinese aid and accumulate debt. The FSM's political class has tilted increasingly toward China over the years. In Kosrae, employees of Luen Thai fishing company were once living in a house owned by the FSM vice president, who publicly supported China's repression of the Uighurs. In 2016 a legislative proposal was tabled in the FSM to end the COFA in 2018—five years ahead of schedule. In Chuuk a secession movement is active. Some regional observers claim a degree of Chinese involvement in both developments.<sup>42</sup> One notes, however, the extent to which FSM leadership leans toward the PRC, owing to a sense there are few other available options.<sup>43</sup>

Importantly, there is no sign that the FSM is eager to disassociate itself completely from the United States. In fact, it has limited options for allowing a Chinese defense presence because of the Compact Agreement with the United States.<sup>44</sup> However, if that funding were to disappear or was greatly reduced, Beijing may be able to rapidly increase its influence in the FSM.<sup>45</sup>

## Palau: Political Warfare via Tourism

Palau has only 20,000 citizens, maintains diplomatic relations with Taiwan, and is traditionally well-disposed toward the United States and Japan. Its location east of the Philippines is particularly useful from a military perspective. The U.S. government agreed to a revised Compact Agreement with Palau in 2010, but there was a six-year delay in getting the economic assistance part of the agreement passed by Congress.

Around 2014, Beijing placed Palau on its approved list for overseas tourism. Chinese tourists poured into the island and constituted about half of the country's tourists in 2015. This led to a Chinese-funded hotel construction boom, the buying up of buildings and apartments, and the driving up of rents that forced many locals to relocate. Chinese-owned restaurants and small

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41 According to Lowy Institute estimates, from 2006–2016 the PRC provided around \$40 million in aid to FSM, while the United States provided around \$870 million.

42 The COFA "early termination" resolution would have required U.S. agreement—which was unlikely. But both efforts tended to "roil the waters" for the U.S. Government.

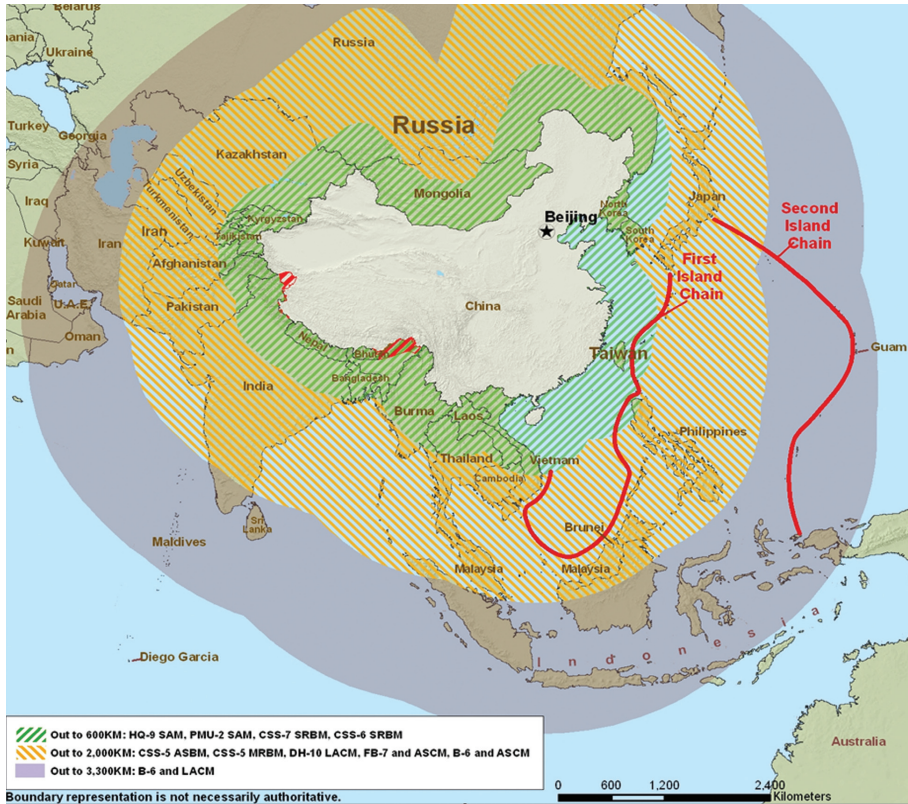
43 "Yap, Chinese Investor Sign Agreement," Yap government press release, *Marianas Variety*, August 15, 2012, available at <http://www.mvariety.com/regional-news/palauapacific-news/48847-yap-chinese-investor-sign-agreement.php>

44 Although the Compact gives the United States the right to restrict foreign military access, one notes the potential difficulties of dealing with, for example, a local attempt to allow PRC monitoring facilities for "civilian" or "environmental" purposes, not to mention the headache of dealing with a recalcitrant government and population.

45 A similar dynamic exists with the Marshall Islands whose Compact funding also ends in 2023.

businesses also sprang up, displacing local enterprises, and many long-term land leases were sold to Chinese buyers.

**FIGURE 4: FIRST AND SECOND ISLAND CHAINS IN THE WESTERN PACIFIC**



Department of Defense, 2009.

Chinese tour groups were typically self-contained, staying in Chinese-owned hotels and bringing in their own tour guides. This froze out the locally owned tourism businesses. As a result, Palau’s governor ordered a reduction in the number of charter flights from China, hoping to attract a higher class of tourists. The influx of Chinese tourism split the Palauan community between those benefiting or depending on Chinese money and those troubled by the threat to lifestyles, living costs, and the local environment.

In late 2017 Beijing placed Palau off-limits for package tours. As a result, the number of Chinese tourists plunged. The off-limits order—that remains in place—reportedly seeks to apply pressure on Taiwan via the Palauan economy.<sup>46</sup>

46 Lauren Beldi, “China’s ‘Tourist Ban’ Leaves Palau Struggling to Fill Hotels and an Airline in Limbo,” *ABC News*, updated August 27, 2018, available at <https://www.abc.net.au/news/2018-08-26/china-tourist-ban-leaves-palau-tourism-in-peril/10160020>.



China has gotten a foothold on this island that it did not have a few years ago. While local opposition to Chinese encroachment exists, there is now also a pro-Chinese segment in the society. Over time, Palau could increasingly drift away from the United States and switch diplomatic recognition from Taiwan to the PRC in efforts to reap more economic benefits.

### **The Effectiveness of Beijing's Political Warfare**

China has insinuated itself into the heart of the Western Pacific, leapfrogging the first island chain and burrowing into and beyond the second island chain. And it now has a presence in the center of a north-south axis between Japan and Australia. This is a strategic accomplishment, and it has been able to do this without applying military force.

These developments represent significant challenges to the local U.S. military presence. China's CNMI investments are adjacent to key U.S. military bases and training areas that are essential infrastructure for repositioning U.S. forces in Asia and countering the PRC's strategic expansion. The conflict between these interests and those of the local government has already stymied the U.S. development of a needed amphibious training area in Pagan.

Meanwhile, China has made solid inroads into all levels of the FSM, which represent key terrain to the south of CNMI. Chinese entities have co-opted key leaders and established a restricting commercial presence. They have also laid the groundwork for springing a debt trap on the FSM and local state governments.

While COFA agreements provide legal grounds for keeping the Chinese military out of FSM, Palau, and the Marshall Islands, there is a risk of a local government becoming unduly sympathetic to Beijing. And reminiscent of Puerto Rico in past years, local opposition can prevent the U.S. military from using facilities to which it is legally entitled.

Much of this problem has to do with perceptions. If the United States is seen to be less active in the Western Pacific, the governments of these territories may feel that Chinese dominance in the region is inevitable and negotiate favorable terms with Beijing.



## CASE STUDY #4

# China's Activities in the Island States of the South Pacific

*by Anne-Marie Brady*

### **Strategic Situation**

The island nations of the Southwest Pacific are of interest to China for a number of economic, political, and security reasons. Chinese Communist Party (CCP) interference activities aim to gain support for China's political and economic agendas by co-opting Oceanian political and economic elites. They also seek to access strategic information in the Southwest Pacific, a strategically important zone where the United States, France, Australia, and New Zealand have significant military assets. Establishing PLA military installations in Oceania has the potential to substantially alter the balance of power in the Indo-Pacific. Over time, it could cut off Australia and New Zealand from the United States and other partners, as well as undermine the U.S. government's long-term "strategic denial" policy by turning the South Pacific into a China-dominated zone.

The People's Republic of China now has diplomatic relations with 10 of the 16 states in Oceania: Australia, the Cook Islands, the Federated States of Micronesia, Fiji, New Zealand, Niue, Papua New Guinea (PNG), Tonga, Samoa, and Vanuatu. It is also working to build closer relations with two of the French territories in the Pacific, New Caledonia and French Polynesia. Meanwhile, the Republic of China (hereafter Taiwan and ROC) maintains diplomatic links with Kiribati, the Marshall Islands, Nauru, Palau, Tuvalu, and the Solomon Islands. Taiwan's Pacific partners make up one third of the ROC's remaining 17 diplomatic partners.

For most of the Cold War, the PRC was excluded from the South Pacific region. However, from 1972–1989, the United States and its allies encouraged China to participate in this theater as a “balance” to the USSR. Although the PRC established diplomatic relations with a number of Pacific states during the 1970s, including New Zealand and Australia, the PRC did not make meaningful diplomatic progress with the smaller South Pacific island states until the late 1990s.

**FIGURE 5: THE ISLAND STATES OF THE SOUTHWEST PACIFIC**



Maps generated using Mapbox Studio. Sites and locations data derived from Google Maps.

Diplomatic rivalry between the PRC and ROC has long been a destabilizing factor in Pacific politics. Since the early 2000s, large loans from Chinese banks have created debt dependency in the Cook Islands, Tonga, Fiji, and Vanuatu. The most serious case is Tonga, where debt has reached levels that are unserviceable with local resources. Beijing’s efforts in this region have intensified under Xi Jinping’s administration. As elsewhere, CCP political interference activities are running in parallel with China’s expansionist foreign policy and exacerbating many local problems, including corruption and political instability.

## The Goals and Interests of China's Political Interference Activities in Oceania

The eight Pacific island governments that recognize the PRC (not counting Australia and New Zealand) receive aid and loans from China. Despite this, they also continue to receive aid from Taiwan, with \$20 million distributed between 2011 and 2016.<sup>47</sup> In contrast, the PRC excludes the six Pacific island states that recognize the ROC from their generous aid programs and other forms of assistance.

China is the second largest donor in the Pacific, after Australia. But unlike other donors, the majority—65 percent—of Chinese aid comes in the form of concessional loans, creating fears of debt dependency.<sup>48</sup> Since 2017, with the election of DPP President Tsai Ying-wen in the ROC, Beijing has resumed a more aggressive approach to Taiwan's diplomatic partners. Most notably, the PRC has offered new economic opportunities to politicians in the Solomons and dramatically reduced Palau's lucrative China tourism market.<sup>49</sup>

Since the late 1990s Beijing's interests in the South Pacific have extended well beyond its rivalry with Taiwan. For example, China views access to this region as being key to the support of its growing network of surveillance satellites. The PRC launched 18 BeiDou-3 satellites into space in 2018.<sup>50</sup> BeiDou-3 is China's equivalent of GPS that is used for both military and civilian purposes. BeiDou-3 now provides missile positioning and timing as well as enhanced Command, Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR) capabilities for the PLA. It also provides navigation services to more than 60 countries along the BRI, including to participating countries in Oceania. Vanuatu, French Polynesia, and Fiji are also potential sites for the PLA Navy's Southern Hemisphere naval facilities and BeiDou-3 ground stations. China's ship-borne satellite station, Yuan Wang 6, regularly docks in Tahiti and Fiji, as do China's other quasi-military ships, such as the Peace Ark hospital vessel and polar research ships.

In addition, China has strong economic interests in the Pacific. Several nations in the region have strategic minerals that are important for China's development, such as the cobalt and nickel of New Caledonia and the nickel and copper of PNG. Chinese companies have invested in Oceanian deep seabed mining as well as fishing, logging, and tourism.

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47 Alexandre Dayant and Jonathan Pryke, "How Taiwan Competes with China in the Pacific," *The Diplomat*, August 9, 2018, available at <https://thediplomat.com/2018/08/how-taiwan-competes-with-china-in-the-pacific/>.

48 Philippa Brant, "The Geopolitics of Chinese Aid: Mapping Beijing's Funding in the Pacific," *Foreign Affairs*, March 4, 2015, available at <https://www.foreignaffairs.com/articles/china/2015-03-04/geopolitics-chinese-aid>.

49 Damien Cave, "A New Battle for Guadalcanal, This Time with China," *The New York Times*, July 21, 2018, available at <https://www.nytimes.com/2018/07/21/world/asia/china-australia-guadalcanal-solomon-islands.html>; and "China-Taiwan Pacific Rivalry Resumes Fiercely: Academic," *Radio New Zealand*, July 24, 2018, available at <https://www.radionz.co.nz/international/pacific-news/362503/china-taiwan-pacific-rivalry-resumes-fiercely-academic>.

50 "China Focus: Technological Advancement in China Creates More Opportunities for the World," *Xinhua*, March 10, 2018, available at [http://www.xinhuanet.com/english/2018-03/10/c\\_137030029.htm](http://www.xinhuanet.com/english/2018-03/10/c_137030029.htm).

China is also looking for diplomatic partners to support its more assertive foreign policy. Beijing's eight Pacific island partners are a significant voting bloc that usually votes in support of China's policies in United Nations and other forums in return for aid and development assistance.

China is also very active in inserting itself into regional institutions. China helps fund the Melanesian Spearhead Group and the Pacific Islands Development Forum, rival groupings to the long-established Pacific Islands Forum. Beijing provided substantial resources to support the APEC meeting held in PNG in November 2018 and hosted a pre-APEC summit for its Pacific partners to discuss future aid and collaboration.<sup>51</sup> China also signed Comprehensive Strategic Partnership agreements with Fiji (2014), Tonga (2018), and PNG (2018).

In addition, the Chinese government is working to curb the influence of "anti-China" elements in the Chinese diaspora resident in the Pacific islands. It now dominates long-established Chinese Oceanian community organizations and has established new pro-PRC ones. It has also sought to quell the large illegal population of mainland and Taiwanese Chinese living in Oceania by arranging mass public extraditions, as seen in Fiji in 2017.

All of these factors make the island states of Oceania of increasing interest to Xi's China and explains the surge of CCP political interference activities there.

## China's Political Interference Activities in Oceania

Primary goals of China's political activities including in Oceania, include the following:

- Manage and guide overseas Chinese communities and utilize them as agents of Chinese foreign policy;
- Strengthen people-to-people, party-to-party, PRC enterprise-to-foreign enterprise relations so as to co-opt foreigners to support and promote the CCP's foreign policy goals;
- Participate in Beijing's global multi-platform strategic communications strategy; and
- Facilitate the rollout of a China-centered economic and strategic bloc, enabled in part by the BRI.<sup>52</sup>

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51 Primrose Riordan, "China to Host Pacific Islands Meeting Ahead of APEC," *The Weekend Australian*, July 10, 2018, available at <https://www.theaustralian.com.au/nation/foreign-affairs/china-to-host-pacific-islands-meeting-ahead-of-apec/news-story/961c0cb7fe2abo7e5fdf7166eb7fa005>.

52 See Anne-Marie Brady, "Magic Weapons: China's Political Influence Activities under Xi Jinping," conference paper from "The Corrosion of Democracy under China's Global Influence," Arlington, VA, September 16–17, 2017, available at <https://www.wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping>.

## **Managing the Overseas Chinese Community in Oceania**

There are currently more than 130,000 ethnic Chinese residents in the small island nations and territories of Oceania as well as many more undocumented Chinese citizens inhabiting or transiting the region. These figures do not include those of mixed ethnic Chinese background in the region. Fiji, Samoa, and French Polynesia have the largest ethnic Chinese populations in the region, each with around 30,000 Chinese nationals. Oceanic Chinese populations comprise the bulk of the local business elites, and they also play strong roles in Oceanic politics.

Chinese settlers have been living and working in Oceania for more than 150 years, and all the Oceanian states with significant Chinese populations have longstanding local Chinese associations. However, during recent years the ethnic Chinese organization most closely connected with the PRC authorities in Oceania is the Oceanic Alliance of the Promotion of Peaceful Reunification of China Inc. This is headed by Australian-Chinese businessman Huang Xiangmo, well known for his large campaign donations to political parties in Australia. The Oceania Alliance unites the Peaceful Reunification Associations of Australia, New Zealand, Fiji, Papua New Guinea, Vanuatu, Tonga, the Solomon Islands, French Polynesia, and New Caledonia. It is managed by the United Front Work Department of the CCP Central Committee. The membership of the individual Peaceful Reunification Associations in the Pacific may not be large, but their key members are some of the wealthiest and best-connected business people in the region.

There are relatively few Chinese students studying in Oceania, but, as elsewhere, they are managed by the CCP proxy organization, the Chinese Student and Scholars Association. The University of South Pacific in Fiji has a branch of this organization. Confucius Institutes have been established in the University of the South Pacific, the University of New Caledonia, and the University of French Polynesia.

Many of the Oceanic island nations have ethnic Chinese politicians or those who are of mixed Chinese and island backgrounds. The United Front organization, the Office for Overseas Chinese Affairs, liaises with these politicians and other political and economic elites in Oceania to help them connect with their Chinese roots.

The expansion of Overseas Chinese communities has played a role in exacerbating tensions in East Timor, Tonga, Fiji, Samoa, PNG, the Marshall Islands, and the Solomon Islands in recent years. In each conflict China has offered “repatriation”—including to those whose families that have been living in the Pacific for more than a century. As elsewhere, there are typically divisions between the Chinese whose families have resided in the Pacific for generations and the more recent arrivals from the PRC.

### Co-opting Foreigners to Support and Promote CCP Foreign Policy Goals

China has worked hard to woo Pacific island elites through diplomacy, scholarships, financial assistance, showcase projects, and gifts. Beijing has become the first port of call for many new Pacific leaders. Chinese companies working in the Pacific make campaign donations to Oceanian politicians known to be friendly to China and offer them lucrative board memberships and other honors. For example, Tongan Princess Pilolevu Tuita was a director on the board of the Tongan-Chinese-owned Pacific International Commercial Bank until it was closed down by the Tongan Reserve Bank for not submitting an audit report.<sup>53</sup> The largest shareholder of Pacific International Commercial Bank was Hu Jianhua, Executive Director of CCP United Front organization the Chinese Peoples Association for Friendship with Foreign Countries.<sup>54</sup>

Princess Pilolevu is the 60 percent owner of Friendly Islands Satellite Communications Ltd., or Tongasat, which controls six equatorial satellite slots and a single satellite. In 2006, China negotiated with Tongasat for ownership of one of these slots, offering payment in grant aid to the Tonga government to help rebuild Nuku'alofa, which was ransacked during riots that targeted Chinese-owned businesses. Tongasat took the funds for itself, which led to a lengthy court case. The Tonga government won the case, but Tongasat funds are held in Bermuda, and an appeal against the ruling has been launched. Several Chinese government corporations are using Tongasat's slots. Tongasat is 20 percent owned by Wang Chengyue, a Hong Kong film producer turned finance broker who is very active in CCP proxy organizations.

In addition to her Tongasat business interests, Princess Pilolevu has a prominent role in Tonga-China relations. She is the honorary president of the Pacific-China Friendship Association, whose parent organization in China is the Chinese Peoples Association for Friendship with Foreign Countries. The chair of the Pacific-China Friendship Association is Hiria Ottino, who has served for the last ten years as a China adviser to successive French Polynesian presidents.<sup>55</sup> The Pacific-China Friendship Association links Pacific business and political leaders with relevant Chinese organizations, administers China's thousands of scholarships in the Pacific, and runs cultural exchange and journalist training programs.

The Pacific-China Friendship Association is also used to promote the BRI in Oceania. In 2018, members of several China Friendship Associations traveled to China and took part in a four-day seminar with over 100 participants, on the subject of rolling out the BRI in Oceania.<sup>56</sup> The main theme was "Building Maritime Silk Road and Promoting Common Development."

53 Kalino Latu, "The New Commercial Bank in Tonga Owned by Jinhua Hu," *KanivaTonga News*, July 18, 2013, available at <http://kanivatonga.nz/2013/07/the-new-commercial-bank-in-tonga-owned-by-jinhua-hu/>.

54 See biographical information on Hu Jianhua at <http://www.cnbrother.com.cn/About/index/id/5>; and <http://michaeljfield.tumblr.com/post/148267962413/tonga-the-princess-and-scams-again>.

55 See more on the Pacific-China Friendship association at <http://www.pacificchina.org/>.

56 Ma Zhiping, "2018 Friendship Forum Convenes in Haikou," *China Daily*, November 23, 2018, available at <http://www.chinadaily.com.cn/a/201811/23/WS5bf7fe0aa310eff30328ac2d.html>.



Leaders of the independence movements in New Caledonia and French Polynesia supposedly have developed close business and political relationships with China, and in 2017 a prominent Kanak leader allegedly traveled to China to discuss the potential of using the renminbi (RMB) as the currency for an independent Kanaky (the planned name for an independent New Caledonia).

China's involvement in policing and military activities in the Pacific is also growing. From 2006, China has offered scholarships to Oceanian students, focusing on training government personnel such as police and military.<sup>57</sup> China is providing military assistance to Fiji, Tonga, and PNG; constructing new military headquarters for Tonga; and providing military training and equipment to Fijian, Tongan, and PNG forces.<sup>58</sup> Chinese companies are also negotiating to invest in dual-use deep water port facilities in Vanuatu and Samoa and have access to a former military airfield on Hao Island in French Polynesia.<sup>59</sup>

### **China's Global Multi-Platform Strategic Communication Strategy**

The CCP is rolling out a multi-platform communication strategy in Oceania, as it is elsewhere. The limited resources of Oceanian public broadcasting, dwindling footprint of other international players, and weak Fourth Estate in Oceania have boosted the success of China's efforts.

The Chinese government has funded an extensive bilateral program of journalist exchanges and media training and provided advice on Internet management to several Oceanian governments. In 2018, plans for the large-scale training of Oceanian journalists on year-long courses was announced, following on from the success of efforts to train African and South East Asian journalists in China.<sup>60</sup>

The Chinese Government's international television station, CGTV, provides free-to-air programming in English throughout the Pacific. In 2018, China Radio International (CRI) took over Radio Australia's shortwave broadcasting frequencies in Oceania, and CRI's subsidiary radio stations also broadcast in some Pacific nations. China controls the only Chinese language broadcasting in the Pacific: China Oceania Television Station, launched in 2016. Its

57 Philippa Brant, "Chinese Aid in the Pacific," *Lowy Institute for International Policy*, February 2015, available at <https://www.chineseaidmap.lowyinstitute.org/>.

58 Primrose Riordan, "Australia Beats China to Funding Fiji Base," *The Weekend Australian*, September 7, 2018; "China to Provide Military Hardware to Tonga," *Radio New Zealand*, May 10, 2011, available at <https://www.radionz.co.nz/international/pacific-news/197059/china-to-provide-military-hardware-to-tonga>; and "China Gives Military Vehicles to Papua New Guinea Army," *Papua New Guinea Today*, November 3, 2017, available at <https://news.pngfacts.com/2017/11/china-gives-military-vehicles-to-papua.html>.

59 David Wroe, "China Eyes Vanuatu Military Base in Plan with Global Ramifications," *Sydney Morning Herald*, April 9, 2018, available at <https://www.smh.com.au/politics/federal/china-eyes-vanuatu-military-base-in-plan-with-global-ramifications-20180409-p4z8j9.html>; Rory Callinan, "China's Samoa Plan a Concern," *The Weekend Australian*, November 26, 2018; and Sébastien Goulard, "French Polynesia at the Chinese Crossroads," *The Diplomat*, September 7, 2017, available at <https://thediplomat.com/2017/09/french-polynesia-at-the-chinese-crossroads/>.

60 Melisha Yafoi, "Journo in China for Media Exchange Program," *Papua New Guinea Post-Courier*, March 5, 2018, available at <https://postcourier.com.pg/journos-china-media-exchange-program/>.

headquarters are in Wellington, New Zealand, and it has branch offices in major Australian cities, the Fijian capital Suva, Shanghai and Beijing. The television station broadcasts in Chinese on multiple platforms to the Pacific, working closely with the Xinhua News Service.<sup>61</sup>

### **The Formation of a China-Centered Economic and Strategic Bloc**

Oceania and the South Pacific have been included in the BRI. The Oceania Silk Road Network was established in 2014 to look for opportunities for New Zealand companies on Oceania BRI projects.<sup>62</sup> There are concerns in the region that the BRI will be used as a bridgehead to foster acceptance of a regular PLA presence in Oceania through the construction of ports, airports, the “digital Silk Road,” and the Beidou-3 satellite system. In the last two years, delegations from the Pacific-China Friendship Association and Oceanian Peaceful Reunification Associations have been invited to China to attend conferences on plans for BRI to expand into their nations. The main BRI areas of focus in Oceania are the “blue economy”—aquaculture and fisheries, plans for a cross-Pacific internet cable, and constructing satellite receiving stations for Beidou-3.<sup>63</sup>

### **How and Why CCP Political Interference Activities Became So Extensive in Oceania**

During the last fifteen years, the traditional Western partners of the Pacific reduced their focus on this region, closing down some embassies and constraining aid budgets. Following the 2006 coup in Fiji, New Zealand and Australia put pressure on the Bainimarama regime to restore full democratic processes, with ripple effects on relations with some other the Pacific Island Forum (PIF) states. China was waiting in the wings and has taken advantage of this situation by offering funding for infrastructure and “vanity projects” that would have been unfunded under existing schemes. Many Pacific leaders have wanted to adopt more independent foreign policies, and they have rejected any perceived colonial behavior by traditional partners.<sup>64</sup> The “China card” has been one of their few forms of leverage. Western donors typically demand good governance as a condition for aid. For Pacific leaders, working with China is an appealing means of balancing the West.

### **Effectiveness of CCP Political Interference Activities in Oceania**

The Chinese government’s strategic and military interests in the South Pacific have expanded significantly. They have moved to fill the vacuum left by the receding U.S., French, and British

61 “大洋洲电视台助力 中国文化’走出去’ [Oceania TV Helps Chinese Culture ‘Go Out’],” *Sina News*, April 10, 2016, available at [news.sina.com.cn/o/2016-04-15/doc-ifyxriqri6338926.shtml](http://news.sina.com.cn/o/2016-04-15/doc-ifyxriqri6338926.shtml).

62 “Seminar Sees Belt and Road Initiative Opportunity for New Zealand, Oceania,” *Xinhua*, April 21, 2018, available at [www.chinadaily.com.cn/a/201804/21/WS5adb3072a3105cdf6519b41.html](http://www.chinadaily.com.cn/a/201804/21/WS5adb3072a3105cdf6519b41.html).

63 Liang Jiarui, “China-Oceania-South Pacific Blue Economic Channel Construction: Foundation, Dilemma and Conception,” *China Soft Science*, no. 3, 2018, available at [www.cqvip.com/qk/91678a/201803/674862107.html](http://www.cqvip.com/qk/91678a/201803/674862107.html).

64 See Greg Fry and Sandra Tarte, *The New Pacific Diplomacy* (Canberra: Australian National University Press, 2015), available at <http://press-files.anu.edu.au/downloads/press/p328371/pdf/book.pdf?referer=1810>.

presence, as well as Australia's and New Zealand's neglect of key relationships. China is now acknowledged by many Pacific leaders as the dominant power in the Western Pacific.

There have been many consequences. They include a curtailing of freedom of speech, religion, and association for the Oceanian Chinese community; a muzzling of debates on China in the media and academia; and a corrupting interference on many Pacific political systems through the blurring of personal, political and economic interests.

## Counterstrategies of Oceanian Government and Allies

There has so far been limited international attention and publicity given to the CCP's political interference activities in Oceania, though the subject of Oceanian states' debt dependency to China has been widely reported.

In July 2018 the New Zealand-Australia-Pacific strategic partnership was announced, which will coordinate defense cooperation among Pacific Island Forum states. In August 2018 South Pacific foreign ministers met in Samoa to discuss collective security and diplomacy.<sup>65</sup> Then in September 2018, members of the Pacific Islands Forum signed a new security agreement, the Boe Declaration, a major initiative launched by Australia.<sup>66</sup> This declaration commits Pacific Islands Forum members to closer cooperation on a wide range of security issues including transnational crime, cybersecurity, resource security, national security, and adherence to rules-based international order and international law. Oceanian leaders are now involved in detailed discussions with Australia, France, and New Zealand on the issue of CCP political interference activities in the region. In addition, Australia has announced new agreements with both Fiji and PNG to fund major redevelopments of regional military facilities, including a naval base on Manus Island.<sup>67</sup> An agreement has also been reached with PNG for Australia, the United States, Japan, and New Zealand to fund the rollout of extensive electricity and internet infrastructure.<sup>68</sup>

France is also increasing its attention on the Pacific territories, working closely with New Zealand and Australia.<sup>69</sup> Oceanian leaders stated in meetings in Tokyo in 2018 that they were willing to

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65 "Pacific Foreign Ministers Discuss Collective Security and Diplomacy," *Radio New Zealand*, August 10, 2018, available at <https://www.rnz.co.nz/international/pacific-news/363805/pacific-foreign-ministers-discuss-collective-security-and-diplomacy>.

66 "Boe Declaration on Regional Security," Pacific Islands Forum Secretariat, available at <https://www.forumsec.org/boe-declaration-on-regional-security/>.

67 Chris Uhlman, "Manus Island to be Transformed into Australia-PNG Naval Base," *9News*, November 1, 2018, available at <https://www.9news.com.au/2018/11/01/18/02/manus-island-scott-morrison-joint-naval-base-papua-new-guinea>.

68 Ben Packham, "Australia to Fund Major Electricity and Internet Rollout Here," *Papua New Guinea Post-Courier*, November 19, 2018, available at <https://postcourier.com.pg/australia-fund-major-electricity-internet-rollout/>.

69 "Macron Arrives in Australia to Discuss Pacific Cooperation," *RFI*, May 1, 2018, available at <http://en.rfi.fr/asia-pacific/20180501-macron-arrives-australia-discuss-pacific-cooperation>.

partner with Japan on an Indo-Pacific “rules-based order.”<sup>70</sup> New Zealand has increased aid to the Pacific, launched a “Pacific reset” of its foreign policy, and endorsed the Indo-Pacific concept.<sup>71</sup>

It is too soon to tell how effective these counterstrategies will be. Although Pacific leaders will be open to working with traditional partners, it is unlikely they will do so in lieu of their relations with China. China has offered them what the United States and its allies cannot: large sums of money (albeit mostly loans) for development projects with few accounting or transparency conditions. As a result, any response to the impact of CCP interference activities in Oceania must involve an economic component, as well as a military one.

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70 “The Eighth Pacific Islands Leaders Meeting(PALM8)(Overview of Results),” Japan Ministry of Foreign Affairs, May 19, 2018, available at [https://www.mofa.go.jp/a\\_o/ocn/page3e\\_000900.html](https://www.mofa.go.jp/a_o/ocn/page3e_000900.html).

71 Chris Bramwell, “NZ to Increase Aid to the Pacific—Peters,” *Radio New Zealand*, March 1, 2018, available at <https://www.radionz.co.nz/news/political/351594/nz-to-increase-aid-to-the-pacific-peters>.

## CASE STUDY #5

# China's Political Warfare Operations in New Zealand

*by Anne-Marie Brady*

New Zealand is one of the many countries being targeted by a concerted political interference campaign by the PRC. The CCP's political interference strategy aims to gain support for Beijing's political and economic agendas and to access strategic information and resources. China's efforts have undermined the integrity of the New Zealand political system, threatened New Zealand's sovereignty, and weakened the rights of Chinese New Zealanders to freedom of speech, association, and religion. The New Zealand Government's apparent reluctance to publicly address the problem is having a negative impact on New Zealand's international reputation.

## Goals of CCP Political Interference in New Zealand

New Zealand is of interest to Beijing for a number of reasons. First, the New Zealand Government is responsible for the defense and foreign affairs of three other territories in the South Pacific: The Cook Islands, Niue, and Tokelau. This means that New Zealand effectively controls four votes at the United Nations and in other international forums. Second, New Zealand is a claimant state in Antarctica and also has one of the closest access points there. China, for its part, has a long-term strategic agenda in Antarctica that will require the cooperation of established Antarctic states such as New Zealand. Third, New Zealand has cheap arable land and a modestly sized population. China is seeking to access foreign arable land to improve its food security. New Zealand currently supplies 24 percent of China's foreign milk, and China is the biggest foreign investor in New Zealand's dairy sector. Fourth, New Zealand is useful for near-space research, which is important for the PLA as it expands its space and long-range missile systems. Fifth, New Zealand has unexplored oil and gas resources that have attracted Chinese interest. Finally, New Zealand is a close ally of Australia, a member of the

UKUSA intelligence agreement, the Five Power Defence Arrangement, and the ABCA grouping of allied armies, as well as a NATO partner state. Extricating New Zealand from these military groupings and away from its traditional partners would be a major victory for the Xi government.

**FIGURE 6: NEW ZEALAND, AUSTRALIA, AND INDONESIA**



Maps generated using Mapbox Studio. Sites and locations data derived from Google Maps.

### Managing the Overseas Chinese Community in New Zealand

There are 200,000 ethnic Chinese residents in New Zealand out of a total New Zealand population of 4.5 million. Chinese consular authorities keep a close eye on all Chinese community activities. They have achieved this through close links with pro-Beijing Chinese community organizations and by maintaining oversight of other Chinese community groups, ethnic Chinese political figures, and Chinese language media and schools. The PRC embassy has supported the establishment of proxy organizations that report back to China. It has also placed informers in those New Zealand Chinese organizations that are more independently minded and pose a potential threat to Beijing's interests.<sup>72</sup>

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72 "Sunday Star Times (New Zealand): Foreign Affairs Minister Cites Investigation of Chinese Communist Regime Spy," *Minghui.org*, July 14, 2005, available at <http://en.minghui.org/html/articles/2005/7/14/62895.html>; and Kelly Smith, "Dissident Slams NZ Govt's Relationship with China," *Scoop Independent News*, July 18, 2007, available at <http://www.scoop.co.nz/stories/HLO707/S00256/dissident-slams-nz-govts-relationship-with-china.htm?from-mobile=bottom-link-01>.

The organization most closely connected with the PRC authorities in New Zealand is the Peaceful Reunification of China Association of New Zealand (PRCANZ). It is managed by the United Front Work Department of the CCP Central Committee. This organization engages in a wide range of activities to further the CCP's foreign policy goals. They include organizing fundraising and block-voting for ethnic Chinese political candidates who agree to support their organization's agenda. When senior Chinese leaders visit New Zealand, it is PRCANZ that organizes counterprotest groups to shout down pro-Falun Gong groups, pro-Tibet groups, or anyone critical of China who tries to organize protests.

Each university campus in New Zealand now has a Chinese Student and Scholars Association. This is one of the organizations the CCP uses to guide Chinese students and scholars on short-term study abroad. The New Zealand Chinese Student and Scholars Association is "under the correct guidance" of the PRC representatives in New Zealand.<sup>73</sup>

An important element of CCP policy is to encourage the Chinese diaspora to become more active in the politics of their host countries.<sup>74</sup> The New Zealand National Party's ethnic Chinese Member Yang Jian, Labour's Raymond Huo, and ACT party member Kenneth Wang have all had varying degrees of relations with CCP proxy organizations. Kenneth Wang was a member of parliament from 2004–2005 as a list MP for the ACT Party and deputy leader of the party until 2014. Wang is the grandson of the first CCP governor of Shanxi Province, Wang Shiyang. PRCANZ organized many fundraising events for Wang and encouraged the ethnic Chinese community to vote for him as a block. Since 2005 Wang has been honorary president of the New Zealand-Beijing Chamber of Commerce. He also has leadership roles in a number of other United Front-linked organizations.

Dr. Yang Jian entered parliament in 2011. He was chosen by National Party President Peter Goodfellow to become the party's second ethnic Chinese MP because, he was told, "National needs the Chinese vote."<sup>75</sup> Dr. Yang had a profile in the ethnic Chinese community because of his involvement in CCP-connected community groups as well as his status as an academic at the University of Auckland.

What was not well known about Yang Jian is that before he migrated to New Zealand, he worked for fifteen years in China's military intelligence sector. Moreover, following his arrival he continued—and continues—to be a member of the CCP.<sup>76</sup> Yang has admitted that

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73 "New Zealand Auckland China Federation of Students Held the First Cadre Election Meeting," *China News*, March 30, 2012, available at <http://www.chinanews.com/lxsh/2012/03-30/3787099.shtml>.

74 "Meiguo Daxun Huaren Canzheng Liliangzhanlou [Chinese participatory strength in American elections revealed]," *Qiaqing*, no. 51, December 1, 2004.

75 "Xinxilan Huaren Yiyuan Yang Jian: 'Zuo Hao Mei Yi Jian Shi, Jihui Jiu Lai Zhao Ni [New Zealand Chinese MP Yang Jian: If you do everything well, opportunity will come to you]," *Gongren Ribao*, August 29, 2013, available at <http://character.workercn.cn/c/2013/08/29/130829075919750972761.html>.

76 "National MP Confirms He Taught 'Spies,' Denies He Is One," Radio New Zealand, September 13, 2017, available at <https://www.rnz.co.nz/news/political/339335/national-mp-confirms-he-taught-spies-denies-he-is-one>.

he deliberately concealed this history and gave a false name when applying to study in New Zealand and submitting applications for permanent residency, citizenship, and jobs in New Zealand.<sup>77</sup> He also failed to mention this background in his written public profile, at least as it appears in English sources.<sup>78</sup>

However, in an article in the *People's Daily (Renmin Ribao)* magazine (Global People or *Huanqiu Renwu* in 2013), Yang Jian gave an extensive interview detailing his years in China and subsequent activities in Australia and New Zealand. Yang Jian entered the PLA Air Force Engineering College to study English in 1978. He taught at the same college for five years after graduation, trained at the People's Liberation Army Luoyang Foreign Languages Institute for his first Masters degree, studied for a year at the Hopkins-Nanjing Center for U.S.-China Studies at Nanjing University, and from 1990 to 1993 taught English to students at the Luoyang Foreign Languages Institute who were studying to intercept and decipher English language communications.

The PLA Air Force Engineering College is the PLAAF's elite training institution, one of the top ten military colleges in China. Yang's second place of study in China, the PLA Foreign Language Institute at Luoyang, is part of the Third Department of the Joint Staff Headquarters of the PLA, one of the PLA's two military intelligence agencies. The Third Department is the equivalent of the Soviet GRU or the United States National Security Agency. The Third Department is in charge of China's signals intelligence operations and provides intelligence assessments. Linguists assigned to the PLA Third Department are sent to the Luoyang Foreign Languages School for language training, then assigned to a Third Department bureau for technical training.

The PLA would not have allowed anyone with Yang Jian's military intelligence background to travel overseas to study without official permission. Even if he had left the PLA, he would have had to wait at least two years before he would have been allowed to go abroad, and he would have needed to obtain official permission from his former employer to obtain a Chinese passport. But Yang Jian moved directly from his job at the Luoyang Foreign Languages Institute in December 1993 to take up an AusAid scholarship in Canberra in February 1994. He then enrolled in a second Masters in International Relations and followed that by studying for his PhD at the Australian National University. He quickly became involved in CCP overseas Chinese management activities. He was appointed chairman of the Chinese Student and Scholars Association in Canberra from 1997–1998. From September to November 1994, he

77 Nicholas Jones, "National MP Didn't Name Chinese Military Institutes in Citizenship Application," *New Zealand Herald*, September 14, 2017, available at [https://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=11922025](https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11922025).

78 "Newsroom Investigation: National MP Trained by Chinese Spies," *Newsroom*, September 13, 2017, available at <https://www.newsroom.co.nz/2017/09/13/46657/national-mp-trained-by-chinese-spies>; Jamil Anderlini, "China-born New Zealand MP Probed by Spy Agency," *Financial Times*, September 13, 2017, available at <https://www.ft.com/content/64991ca6-9796-11e7-a652-cde3f882dd7b>; and Sam Sachdeva, "Questions Hang over National MP's Vetting," *Newsroom*, September 15, 2017, available at <https://www.newsroom.co.nz/2017/09/14/48025/questions-hang-over-national-mps-vetting>.



was an intern in the Senate Standing Committee on Foreign Affairs, Defence, and Trade in the Australian Parliament. While in this role he wrote a report for the Committee on “the extension of social and cultural ties between Australia and China.”<sup>79</sup> Yang told the New Zealand Immigration Service that this report received a “high distinction.”<sup>80</sup>

Following his election as a New Zealand Member of Parliament (MP), Yang became a central figure helping to shape the China strategy of the New Zealand National Party government. He was responsible for the Party’s engagement with the New Zealand Chinese community and remains the National Party’s main organizer and fundraiser in the Chinese community. From 2014 to 2016, Yang Jian was a member of the Parliamentary Select Committee for Foreign Affairs, Defence, and Trade. He accompanied New Zealand Prime Minister John Key and his successor Prime Minister Bill English on trips to China and in meetings with senior Chinese leaders when they visited New Zealand. This role gave him privileged access to New Zealand’s China policy briefing notes and positions. Under normal circumstances, someone with Dr. Yang’s military intelligence background in China would not have been given a New Zealand security clearance to work on foreign affairs. However, elected MPs are not required to apply for a security clearance in New Zealand.

Despite the furor caused by the public revelations about his background, Dr. Yang was re-elected to the New Zealand parliament in the 2017 election. He has taken on the portfolios of shadow minister for statistics and associate minister for ethnic affairs. Though he no longer accepts interview requests from New Zealand’s English language media, he is more active than ever in New Zealand’s Chinese language media and continues to play a strong role in the CCP’s management of ethnic Chinese activities in New Zealand. As previous governments in New Zealand have found, once elected, it is often difficult to remove an MP from office.

The Labour Party’s ethnic Chinese MP, Raymond Huo, also works very publicly with the CCP’s proxy groups in New Zealand and promotes their policies in English and Chinese. Huo was a Member of Parliament from 2008 to 2014, then returned to Parliament again in 2017 when a list position became vacant. Huo works closely with the PRC’s representatives in New Zealand and has close contacts with the Zhi Gong Party.<sup>81</sup> This is one of the eight minor parties under the control of the CCP’s United Front Work Department, which is tasked with liaising with overseas Chinese communities.

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79 Fergus Hunter, “New Zealand MP Embroiled in Chinese Influence Controversy Worked in Australian Parliament,” *The Sydney Morning Herald*, updated October 20, 2017, available at <https://www.smh.com.au/politics/federal/new-zealand-mp-embroiled-in-chinese-influence-controversy-worked-in-australian-parliament-20171020-gz4ncl.html>.

80 Andrew Greene, “FOI Documents Uncover Australian Link to NZ MP Jian Yang Embroiled in Chinese Spy Scandal,” *ABC News*, October 19, 2017, available at <https://www.abc.net.au/news/2017-10-20/nz-mp-linked-to-chinese-spy-school-also-worked-for-dfat/9069602>.

81 For more examples, see the following Chinese language sites: <http://wcm.fmprc.gov.cn/preview/chn/slgkg/t1000609.htm>; <http://www.aqtz.gov.cn/index.php/News/show/id/2162.html>; <http://www.ahql.org.cn/DocHtml/1/2016/3/1/00002207.html>; and [http://www.fmprc.gov.cn/web/ziliao\\_674904/zt\\_674979/dnzt\\_674981/qtzt/ydy1\\_675049/zwbdd\\_675055/t1447741.shtml](http://www.fmprc.gov.cn/web/ziliao_674904/zt_674979/dnzt_674981/qtzt/ydy1_675049/zwbdd_675055/t1447741.shtml).

In 2017 Raymond Huo made the decision to translate Labour’s election campaign slogan “Let’s do it” into a quote from Xi Jinping, which literally means “roll up your sleeves and work hard.” Huo told journalists at the Labour campaign launch that the Chinese translation “auspiciously equates to a New Year’s message from President Xi Jinping encouraging China to ‘roll its sleeves up’.”<sup>82</sup> In 2014, when asked about the issue of Chinese political interference in New Zealand, Huo told RNZ National, “Generally the Chinese community is excited about the prospect of China having more interference in New Zealand,” and added, “Many Chinese community members told him a powerful China meant a backer, either psychologically or in the real sense.”<sup>83</sup>

### Co-Opting Foreigners to Support and Promote CCP Foreign Policy Goals

The CCP has a long-standing policy of working to develop close relationships with key foreign personalities.<sup>84</sup> However, today the focus is on using current and retired political leaders to achieve both economic and political objectives.

In New Zealand’s case, several senior retired political leaders have been partnered with Chinese State-Owned Enterprises. For instance, former New Zealand National Party leader, Dr. Don Brash, chairs the Industrial and Commercial Bank of China in New Zealand; former National MPs Ruth Richardson and Chris Tremain are directors on the board of the Bank of China in New Zealand; and until recently former Prime Minister Dame Jenny Shipley was chair of the China Construction Bank (New Zealand), and she was on the board of the China Construction Bank for six years.<sup>85</sup> She is also chair of the Oravida board, which is owned by a prominent Chinese donor to the National Party with strong United Front links.<sup>86</sup> Former National MP and Minister of Finance, Ruth Richardson, was a director of Synlait Farms and is now a director of Synlait Milk.<sup>87</sup> Shanghai Pengxin, which is noted for its interest in New Zealand’s farms as well as near-space, owns 74 percent of Purata, formerly Synlait Farms.<sup>88</sup> National MP Judith Collins’ husband, David Wong-Tung, was a member of the Oravida board

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82 Tim Murphy, “Labour’s Roll Runs into National’s Rock,” *Newsroom*, August 7, 2017, available at <https://www.newsroom.co.nz/2017/08/06/41393/a-rockstar-and-a-rock-woo-aucklanders>.

83 Henry Acland, “Chinese President Xi Jinping Visits NZ,” *Radio New Zealand*, November 19, 2014, available at <https://www.radionz.co.nz/news/national/259686/chinese-president-xi-jinping-visits-nz>.

84 Pitaoh Zhao, *Wàishì gài shuō* [Foreign Affairs] (Shanghai: Shanghai Academy of Social Sciences Press, 1995), p. 167.

85 “Company Overview of Industrial and Commercial Bank of China (New Zealand) Limited,” as of January 25, 2019, available at <https://www.bloomberg.com/research/stocks/private/board.asp?privcapId=241771058>; Disclosure Statement for the year ended 31 December 2017, Bank of China (New Zealand) Limited, p. 3, available at <http://pic.bankofchina.com/bocappd/NewZealand/201803/PO20180328615759239477.pdf>; and “Company Overview of China Construction Bank (New Zealand) Limited,” as of January 25, 2019, available at <https://www.bloomberg.com/research/stocks/private/board.asp?privcapId=261954110>.

86 “Leadership Team,” Oravida, as of January 25, 2019, available at <http://www.oravida.com/ourteam.aspx>.

87 “Our leadership,” Synlait, as of January 25, 2019, available at <https://www.synlait.com/people/>.

88 “Purata: Making History,” Purata, as of January 25, 2019, available at <http://www.puratafarming.nz/about-purata/history/>.

for five years.<sup>89</sup> Sammy Wong, husband of former National MP Pansy Wong, allegedly assisted Pacific Power Development to win a contract for the Chinese company China North Rail (CNR) to supply 20 locomotives to KiwiRail. CNR also won a \$29 million contract to supply 300 flat-deck wagons to KiwiRail.<sup>90</sup>

Local government politicians are also useful to the CCP because they are able to make planning decisions on the kinds of infrastructure projects China wants to establish in the BRI. The Chinese People's Association for Friendship with Foreign Countries (CPAFFC)—a CCP United Front organization—manages sister city relations for the Chinese regime. The CPAFFC has organized an annual China-New Zealand mayoral forum since 2015.<sup>91</sup>

Campaign financing is also an obvious method through which to influence a government. However, due to exemptions for reporting on the sources of so-called “charity” donations, more than 80 percent of source funding for New Zealand's two main political parties is unknown. Of publicly listed donations between 2007 and 2017, the National Party received nearly a million dollars from Chinese entrepreneurs with close political connections to the CCP or its proxy organizations. In contrast, the New Zealand Labour Party received a mere \$56,000 from such individuals, and only in 2007 when they were still in government.<sup>92</sup>

### **China's Global Multi-Platform Strategic Communication Strategy**

In just a few years, New Zealand's Chinese language mass media has gone from being an independent, localized, ethnic language medium to an outlet for China's official messaging. New Zealand's local Chinese language media platforms (with the exception of the pro-Falun Gong paper *The Epoch Times*) now have content cooperation agreements with Xinhua News Service, get their China-related news from Xinhua, and participate in annual media training conferences in China.<sup>93</sup> Some New Zealand Chinese media outlets have also employed senior staff members who are closely connected to the CCP.<sup>94</sup> The expansion of Chinese language

89 Michael Fox and Vernon Small, “Minister Has Links to Big Money,” *Nelson Mail*, March 15, 2014, available at <https://www.pressreader.com/>.

90 “Decision on Request to Inquire into Purchases of Rolling Stock by KiwiRail,” New Zealand Controller and Auditor-General, February 8, 2013, available at <https://www.oag.govt.nz/media/2013/kiwi-rail>.

91 Chinese language CPAFFC newsletter from December, 2015 available at <http://www.cpaffc.org.cn/Upload/File/201512/314c49815cf34dfaa94f37e72264c7a5.pdf>.

92 “Party Donations and Loans,” New Zealand Electoral Commission, as of January 25, 2019, available at <https://www.elections.org.nz/parties-candidates/registered-political-parties/party-donations-and-loans>.

93 Colin Peacock, “Media Deals to Boost China's Voice,” *Mediawatch*, June 5, 2016, available at <https://www.radionz.co.nz/national/programmes/mediawatch/audio/201802964/media-deals-to-boost-china's-voice>; and Henry Cooke and Laura Walters, “Chinese Version of NZ Herald Edited Translated Stories to be More China-friendly,” *Stuff*, January 14, 2019, available at <https://www.stuff.co.nz/national/politics/109908932/chinese-version-of-nz-herald-edited-translated-stories-to-be-more-chinafriendly>.

94 For example, see Kelly Dennett, “Name Suppression Lapses for TV Boss Who Smashed Colleague's Desk with Hammer,” *Stuff*, January 21, 2016, available at <https://www.stuff.co.nz/business/75860815/null>.

media services in New Zealand, disproportionate to the size of the community, has raised questions about how it is funded.<sup>95</sup>

In June 2017, at the Langham Hotel in Auckland, the State Council Overseas Chinese Affairs Office hosted a very unusual briefing. Chinese officials had come to instruct the New Zealand Chinese media on how they were to report China-related stories, and that they would now be taking instructions from Beijing on editorial guidance.<sup>96</sup> In attendance was Li Guohong, Vice Director of the Propaganda Department of the State Council Overseas Chinese Affairs Office, and other senior CCP media management officials; representatives of the ethnic Chinese media in New Zealand and ethnic Chinese community groups; and Labour MP Raymond Huo.<sup>97</sup> Verbal briefing meetings such as this are one of the main ways the CCP relays instructions to the domestic Chinese media, in order to avoid a paper trail. CCP directives such as those relayed at an update meeting are accorded a higher status than national law.<sup>98</sup>

The leading Auckland Chinese language paper, the *Chinese NZ Herald*, has close personnel links with the PRC consulate and works with the All-China Federation of Overseas Chinese. In 2011, Auckland's only Chinese language 24-hour radio station FM 90.6 was taken over by Global CAMG, a subsidiary of the CCP's external broadcast network China Radio International (CRI). FM 90.6 now sources all its news from CRI and its Australian subsidiary.<sup>99</sup> Global CAMG also runs Panda TV, Channel 37, the *Chinese Times*, and Kiwi Style.

In 2014, Xinhua set up an extensive cooperation agreement with Skykiwi, New Zealand's leading Chinese language, multi-platform website which has since become a two-way channel for PRC-New Zealand communication. In 2015, the Deputy Head of the CCP Central Propaganda Department, Sun Zhijun visited Skykiwi, and instructed the media group to “tell China's story.”<sup>100</sup> This phrase is the key term used to symbolize the CCP's external propaganda message in the Xi era.

In 2015, World TV, an Auckland-based Chinese language television network with over seven channels and three radio stations that was founded by Hong Kong and Taiwanese New Zealanders in 1998, made a controversial decision to take its Taiwan programming off

95 Merja Myllylahti, *New Zealand Media Ownership 2018* (Auckland: AUT Research Center for Journalism, Media and Democracy, December 2018), available at [https://www.aut.ac.nz/\\_\\_data/assets/pdf\\_file/0013/231511/JMAD-2018-Report.pdf](https://www.aut.ac.nz/__data/assets/pdf_file/0013/231511/JMAD-2018-Report.pdf).

96 “第二届海外华文新媒体高峰论坛，9月，成都，不见不散！ [The 2<sup>nd</sup> Overseas Chinese New Media Summit Forum, Chengdu, September, Will Not Be Seen!],” *Sina*, August 30, 2017, Chinese language article available at <http://news.sina.com.cn/o/2017-08-30/doc-ifykpuuh9583106.shtml>.

97 See the following Chinese language sites which cover this event: <http://politics.skykiwi.com/consulate/2014-09-15/185823.shtml>; and <http://www.toutiaoabc.com/index.php?act=view&mid=335062>.

98 Anne-Marie Brady, *Marketing Dictatorship: Propaganda and Thought Work in Contemporary China* (Lanham, MD: Rowman and Littlefield, 2008), pp. 19, 42, 95, 136, 168.

99 For more on FM90.6 New Zealand Chinese Radio, see [http://fm906.co.nz/public\\_html\\_en/index.html](http://fm906.co.nz/public_html_en/index.html).

100 For their coverage of this event in Chinese, see <http://radio.skykiwi.com/report/2015-09-09/204419.shtml>.

air.<sup>101</sup> In 2016, China Xinhua News Network TV launched its own television station in New Zealand, TV33.<sup>102</sup> In 2017, two Chinese entrepreneurs founded the television channel NCTV, which relays news from Xinhua and programs from Chinese state broadcasting. It also makes programs for the China market.<sup>103</sup>

### **The Formation of a China-Centered Economic and Strategic Bloc**

The New Zealand National Party Government, in power from 2008 to 2017, was quick to sign up to China's new policy on One Belt One Road (OBOR, also referred to as the BRI).<sup>104</sup> The Council for the Promotion of OBOR in New Zealand was launched in 2015. New Zealand was the first Western country to establish a body to promote OBOR (BRI). The New Zealand OBOR Council is led by former Mayor of Waitakere City, Sir Bob Harvey. The other members of the Council are national and local politicians from both main political parties.

In March 2017, when Chinese Premier Li Keqiang visited New Zealand, the two countries signed a non-binding "Memorandum of Arrangement" on the BRI. During Li Keqiang's visit, the Oceania Silk Road Network (OSRN), the New Zealand OBOR Foundation, and the New Zealand OBOR Think Tank were launched. The New Zealand OBOR Foundation and New Zealand OBOR Think Tank are co-headed by public relations specialist Johanna Coughlan (sister-in-law of former New Zealand Prime Minister Bill English) and Labour Party MP Raymond Huo.<sup>105</sup> The New Zealand OBOR Foundation has established links with China's National Development and Reform Commission (lead agency on OBOR and the PRC super ministry with a special focus on strategic resources), construction companies, private equity firms, and, importantly, with Māori tribes (iwi). Iwi control significant parts of the agriculture, fisheries, forestry, and telecommunications markets in New Zealand.

### **How and Why CCP Political Interference Activities Became So Extensive in New Zealand**

Beijing has not had to pressure New Zealand to accept China's political interference activities because the New Zealand government has actively courted it. Ever since New Zealand-PRC diplomatic relations were established in 1972, successive New Zealand governments have adopted a strategy of attracting Beijing's attention and favor through high profile support for

101 Hamish Fletcher, "World TV Co-founder Gary Chang Unfairly Sacked, Awarded \$469K," *NZ Herald*, July 12, 2017, available at [https://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=11889565](https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11889565).

102 "Consul General Xu Erwen Attended the Launching Ceremony of Xinhua Chinese TV, New Zealand, Taiwan," Consulate-General of the People's Republic of China in Auckland, May 6, 2016, available at <http://www.chinaconsulate.org.nz/chn/gdxw/t361136.htm>.

103 Colin Peacock, "New Chinese Channel with Bold Goals," *Mediawatch*, March 19, 2017, available at <https://www.radionz.co.nz/national/programmes/mediawatch/audio/201836854/new-chinese-channel-with-bold-goals>.

104 For more on Fuwah International Group, visit [http://www.fuwahgroup.com/index.php?option=com\\_content&view=article&id=195:&lang=en](http://www.fuwahgroup.com/index.php?option=com_content&view=article&id=195:&lang=en).

105 Ge Anna, "New Zealand Is Set for Further Cooperation with China," *China Plus*, May 19, 2017, available at <http://chinaplus.cri.cn/news/china/9/20170519/4895.html>.

China's economic agendas. New Zealand has striven to always be the first Western country to sign up to China's new external economic policies, from the AIIB to the BRI. New Zealand governments have also encouraged China to be active in New Zealand's region—from the South Pacific to Antarctica—initially as a balance to Soviet interference, as an aid donor and scientific partner, and, under the National Party Government, as part of diversification of New Zealand's military links in order to convey the impression of pursuing an independent foreign policy.

As a small state which relies on international trade for economic prosperity and the protection of great powers for its security, New Zealand is very vulnerable to shifts in the global balance of economic and political power. In the early 1970s the New Zealand economy was rocked by the UK's entry into the Common Market and the global oil crisis. Since the mid-1980s, successive New Zealand governments have looked to China as the solution to the loss of access to the UK market. New Zealand retains strong military relations with Australia, the UK, the United States, and other traditional partners, and, when it comes to trade, close to three quarters is now with the broader Asia-Pacific. China is New Zealand's largest overall trading partner, its largest market for milk products, and its second largest market for tourism (New Zealand's top two economic sectors).<sup>106</sup> New Zealand signed a Comprehensive Cooperative Relationship Agreement with China in 2003 and a Comprehensive Strategic Partnership Agreement with China in 2014.<sup>107</sup> New Zealand has expanded relations with China beyond trade to finance, telecommunications, forestry, food safety, education, science and technology, tourism, climate change, and Antarctic cooperation, as well as military cooperation.

In contrast, the Trump presidency has not ratified the Trans-Pacific Partnership Agreement or its replacement, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), both of which New Zealand helped to set up. Successive U.S. administrations have refused to sign an FTA with New Zealand, perhaps in punishment for New Zealand's 1987 anti-nuclear legislation. New Zealand is also being hit by the Trump administration's tariffs on steel and aluminum exports, despite repeatedly requesting an exemption.

## Counterstrategies of New Zealand Government and Allies

The international attention and publicity concerning the extent of the CCP's political interference activities in New Zealand has caused some embarrassment to New Zealand's major political parties and helped contribute to a recalibration of New Zealand's China policy. The New Zealand Coalition government have announced a new foreign policy direction, which they call the "Pacific reset," and Foreign Minister Winston Peters speaks of New Zealand

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<sup>106</sup> "China," New Zealand Ministry of Foreign Affairs and Trade, as of January 2019, available at <https://www.mfat.govt.nz/en/countries-and-regions/north-asia/china/>.

<sup>107</sup> John Key, "Joint Statement between New Zealand and the People's Republic of China on the Establishment of a Comprehensive Strategic Partnership," press release, *Beehive.govt.nz*, November 21, 2014, available at <https://www.beehive.govt.nz/release/joint-statement-between-new-zealand-and-people's-republic-china-establishment-comprehensive>.

being at an “inflection point.”<sup>108</sup> The New Zealand government is encouraging public debate on the issue of CCP interference activities. In February 2019 the NZ Parliament invited public submissions for an Inquiry into Foreign Interference activities in New Zealand. The focus of the Inquiry is obviously on China, but government agencies and political leaders still avoid mentioning this. New Zealand is in discussion with other like-minded states on CCP interference activities and how to deal with them. But the government’s reticence to discuss the problem publicly has created a common perception among partner governments that New Zealand may be too timid to deal with the issue, including making needed legislative changes.

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108 Winston Peters, “Shifting the Dial,” speech, *Beehive.govt.nz*, March 1, 2018, available at <https://www.beehive.govt.nz/speech/shifting-dial>.





## CASE STUDY #6

# China's Political Warfare Operations in Australia

by Ross Babbage

The Chinese regime's political warfare operations in Australia have grown substantially during the last decade. They are now being conducted on a scale and at an intensity that exceeds any similar operations launched against the country during the Cold War or in any other period.<sup>109</sup> They have progressed from standard diplomatic and cultural activities supported by modest intelligence, espionage, and cyber activities to involve widespread multi-domain operations conducted on a much larger scale to influence, enlist, coerce, divide, and subvert Australians and, indirectly, undermine Australia's allies and partners.<sup>110</sup>

## The Origins of the Chinese Campaign

At around of the time of the 2000 Olympic Games in Sydney, it appears that influential members of the Chinese Communist Party undertook a review of their relations with Australia.<sup>111</sup> They could see that Australia was of comparable geographic size to China and very resource rich, but with a population of 23 million—only 2 percent that of China. They would also have appreciated that Australia occupies a key geostrategic location between the Pacific and Indian Oceans and in close proximity to the strategically important Indonesian straits.

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109 Tom McIlroy, "Espionage Threat to Australia Worse than During the Cold War: ASIO," *Australian Financial Review*, January 31, 2018, available at <http://www.afr.com/news/espionage-threat-to-australia-worse-than-during-the-cold-war-asio-20180130->.

110 See this discussed at length in Thomas G. Mahnken, Ross Babbage, and Toshi Yoshihara, *Countering Comprehensive Coercion: Competitive Strategies Against Authoritarian Political Warfare* (Washington, DC: Center for Strategic and Budgetary Assessments, 2018), pp. 35–51.

111 This case is made on the testimony of Chen Yonglin, former First Secretary, Political Affairs in the Chinese Consulate in Sydney. Relevant facts are described in Clive Hamilton, *Silent Invasion: China's Influence in Australia* (Melbourne: Hardie Grant Books, 2018), p.2.

While its people were wealthy, they were mostly parochial, inwardly focused, and poorly informed about Asia. They may, therefore, have judged that Australia could be vulnerable to political persuasion, intimidation, and coercion and be a weak link in the United States alliance network in the Pacific.

Reliable reporting indicates that in August 2004, the Communist Party Secretary, Hu Jintao, informed China's ambassadors and foreign policy staff that the Central Committee of the Party had decided that Australia would be included within China's "overall periphery."<sup>112</sup> Countries accorded that status were given priority attention in Beijing's political warfare and broader security planning.<sup>113</sup>

The implications of this decision became much clearer following Xi Jinping's election as Secretary General of the Chinese Communist Party and president of China in 2012. He moved rapidly to tighten Party control over almost every aspect of Chinese life. Speeches proclaiming China's peaceful rise disappeared, concepts of collective leadership evaporated, and Western expectations that China would emerge as a "responsible international citizen" proved false. Propagation of Xi's form of strict Marxist-Leninist ideology became a core driver of the regime. An important consequence was that most of the agencies responsible for conducting political warfare at home and abroad were brought to the heart of the regime. The United Front Work Department, the Propaganda Department, the Ministry of State Security, and the political warfare and propaganda divisions of the Peoples' Liberation Army all became directly controlled by the Politburo Standing Committee, chaired by Xi Jinping.<sup>114</sup>

## Beijing's Political Warfare Accelerates

One consequence of these developments was that China's operations against Australia accelerated rapidly. At the core of this campaign was a powerful narrative that stressed the growth of China's economic, technological, military, and political power, as well as the inevitability of Beijing's dominance of the Indo-Pacific. Because China had become Australia's largest trading partner (though only its seventh largest source of foreign investment), and because of the perceived weakening of U.S. power and influence, Chinese commentators argued that

112 Ibid.

113 Around this time, representatives of the Chinese Communist Party started to make strange and clearly inaccurate references to China's historical involvement in Australia. When President Hu Jintao addressed the Australian Parliament on October 2003 he said, "The Chinese people have all along cherished amicable feelings about the Australian people. Back in the 1420s, the expeditionary fleets of China's Ming Dynasty reached Australian shores. For centuries, the Chinese sailed across vast seas and settled down in what they called Southern Land, or today's Australia. They brought Chinese culture to this land and lived harmoniously with the local people, contributing their proud share to Australia's economy, society and thriving pluralistic culture." There is, in fact, no evidence for this claim. Then a Chinese-sponsored book about Chinese-Australian military history asserted erroneously that "Chinese were among the first settlers as members of the first fleet (i.e., the first European permanent settlers) in 1788." In fact, the first confirmed Chinese settler in Australia arrived in 1818. This myth-making raised questions about whether it might foreshadow an eventual claim by Beijing for special territorial rights over Australia.

114 See this detailed in Peter Mattis, "Form and Function of the Chinese Communist Party," *LinkedIn Pulse*, September 28, 2017, available at <https://www.linkedin.com/pulse/form-function-chinese-communist-party-peter-mattis>.

it was only a matter of time before Australians acknowledged China as their primary international partner.<sup>115</sup> Some Australian media organizations and a scattering of academic and other commentators started to accept the thrust of Beijing's narrative.

An important initial target of this messaging was the ethnic Chinese diaspora within Australia. Many ethnic Chinese Australians can trace their origins to the arrival of Chinese workers during the gold rushes of the 1850s, but the majority of ethnic Chinese now in Australia were actually born in China. From 1981, when the number of people in Australia who were born in China numbered only 25,883, this figure grew to 526,000 by 2016.<sup>116</sup> In consequence, more than a million people in Australia now claim Chinese descent, or some 4.4 percent of the total population. By 2018 there were also 184,000 Chinese students in Australia and 1.39 million Chinese visitors each year.<sup>117</sup>

A primary role of the Chinese Communist Party's United Front Work Department has been to appeal to the nationalism of these people and encourage their loyalty to the Party's vision for the future. Numerous student, professional, cultural and other front organizations have been established to rally the diaspora, and many people have been recruited as agents to report disloyalty and other deviant behavior.<sup>118</sup> Those who transgress are commonly advised that, should they persist, there will be consequences for their families in China or for their own careers upon their return to China.<sup>119</sup>

The Chinese Communist Party's front organizations are routinely mobilized to conduct pro-Beijing demonstrations, to overwhelm any deviant social media site, and to shout down and lodge formal complaints against any expressions of view that don't accord with the Party line.<sup>120</sup>

The Chinese Education Department has also been very active in funding, either directly or indirectly, pro-Beijing educational institutions, including Confucius Institutes in 14 Australian universities and 67 schools.<sup>121</sup> Representatives of some of these institutions are active in pushing Beijing's views in the Australian media.

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115 See John Fitzgerald, "No, China is Not Being Demonised," *The Interpreter*, October 6, 2017.

116 "Estimated Resident Population, Australia – Top Ten Countries of Birth," Australian Bureau of Statistics, as of June 30, 2016, available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/mf/3412.0>.

117 "More Chinese Tourists to Australia," media release, Australian Minister for Trade, Tourism and Investment, April 18, 2018, available at [http://trademinister.gov.au/releases/Pages/2018/sc\\_mr\\_180418.aspx](http://trademinister.gov.au/releases/Pages/2018/sc_mr_180418.aspx).

118 Rowan Callick, "Chinese Students Taught to 'Snitch' on Politically Incorrect Lecturers," *The Australian*, September 1, 2017.

119 Xiuzhong Xu, "Chinese Nationalism Jostles with Academic Freedom in Australia," *The New York Times*, November 15, 2017, available at <https://www.nytimes.com/2017/11/15/world/australia/china-students-censorship.html>; and Hamilton, *Silent Invasion*, pp. 25–36.

120 Joanna Mather, "Beijing Is Stirring Up 'Red Hot Patriotism' among Chinese Students on Australian Campuses," *Australian Financial Review*, August 29, 2017.

121 Hamilton, *Silent Invasion*, pp. 215–220.

Reinforcing this outreach to ethnic Chinese has been the purchase of almost all Chinese language newspapers in Australia by pro-Beijing companies, and the monthly placement of unedited supplements from the *China Daily* in capital city newspapers. Chinese media organizations have also established generously funded television, radio, print, and social media operations.

Many people of Chinese descent are loyal to Australia, but almost all are subjected to pressure to strengthen their allegiance to Beijing.

A second target for Chinese political warfare has been Australian leaders and other people of influence who are encouraged, bribed, and sometimes coerced to support Beijing's cause either actively or passively. There have been notable cases of Beijing-connected businessmen funding Australian political parties and individual politicians.<sup>122</sup> Several leading politicians have taken up exceptionally well-paid positions with Chinese corporations on retirement.<sup>123</sup> Many members of the media and academic communities have accepted all-expenses-paid visits to China, and several have since argued the Party's position on China's militarization of the South China Sea and other issues. Some prominent academics have suggested that it is in the national interest for Australia to compromise its foundational freedoms and its traditional alliances in order to make room for the ascendancy of China.<sup>124</sup>

Chinese agencies have worked hard to leverage the dependence of some sectors of Australian industry on the Chinese market. Several Australian business leaders, whose companies are heavily exposed to the Chinese economy, have argued repeatedly for Canberra to compromise with Beijing and reduce the scope for confrontation.<sup>125</sup> Other business people have proposed that Australia should be an active member of the BRI and have worked to downplay the geostrategic and security implications of doing so.<sup>126</sup>

While the number of CCP supporters has increased during the last decade, it still constitutes a small proportion of the total population. Moreover, public opinion polling and other evidence suggests that the overwhelming majority of Australians are suspicious of the Chinese regime. In the 2018 Lowy Institute poll, 63 percent said that they were concerned about Chinese influence in Australian politics and 72 percent indicated that it was likely that China would become a military threat to Australia within 20 years.<sup>127</sup> In the 2019 Lowy Institute poll, the percentage of Australians who indicated that they trusted China a great deal or somewhat plummeted

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122 See some of these cases summarized in *Ibid.*, pp. 55–86.

123 *Ibid.*, 116–118.

124 See, for example, Hugh White, "Power Shift: Australia's Future Between Washington and Beijing," *Quarterly Essay*, no. 38, 2010.

125 Hamilton, *Silent Invasion*, pp. 271–273.

126 *Ibid.*

127 Alex Oliver, *2018 Lowy Institute Poll* (Sydney: Lowy Institute, 2018), available at <https://www.lowyinstitute.org/publications/2018-lowy-institute-poll#sec35131>.

from 52 percent in 2018 to 32 percent in 2019. In this same poll, 77 percent supported the proposition that Australia should do more to resist China's activities in Australia's region, even if that affected the country's economic relations with Beijing.<sup>128</sup>

Reinforcing Beijing's influence operations in Australia, Chinese agencies have launched very active cyber campaigns against government agencies, corporations, influential community organizations, and some prominent individuals.<sup>129</sup> As in the United States and other allied countries, many cyber attacks have been designed to steal national security or commercial information. Other cyber operations have probed for system weaknesses, possibly in advance of other operations. Some have been intended to bully or coerce, and a few have been designed to damage or destroy system elements, sometimes to communicate a sharp political message. In recent years this activity has been intense and grown to a level that imposes significant costs on the Australian community.<sup>130</sup>

A final element of Chinese political warfare operations in Australia has been aggressive attempts to recruit agents to conduct espionage and other operations, damage key institutions, and undermine Australia's sovereignty. The Director General of the Australian Security Intelligence Organization (ASIO) has stated publicly that the scale and intensity of intelligence and espionage operations currently being conducted against Australia is higher than the country experienced at the height of the Cold War.<sup>131</sup>

In January 2018, the Deputy Director General of ASIO told a Parliamentary Committee in Canberra that "we have examples of Australian nationals who have worked as conscious facilitators for foreign intelligence services, they assist those foreign intelligence services to undertake intelligence activities here in Australia."<sup>132</sup> He tabled written material indicating that Australian citizens had obtained classified data sought by overseas nations in areas ranging from mining and banking to politics and defense.<sup>133</sup>

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128 Natasha Kassam, *Lowy Institute Poll 2019* (Sydney: Lowy Institute, 2019), available at: <https://www.lowyinstitute.org/publications/lowy-institute-poll-2019>.

129 Tom McIllroy, "Espionage Threat to Australia Worse Than during the Cold War: ASIO," *Australian Financial Review*, January 31, 2018, available at <http://www.afr.com/news/espionage-threat-to-australia-worse-than-during-the-cold-war-asio-20180130->; and Fergus Hunter, "ASIO Warns of Overwhelming Level of 'Harmful' Foreign Spying Threats," *Sydney Morning Herald*, October 18, 2017.

130 Charles Wallace, "The Art of Influence: How China's Spies Operate in Australia," *The Canberra Times*, December 5, 2017.

131 McIllroy, "Espionage Threat to Australia."

132 Ibid.

133 Rob Taylor, "Cold War II: Spy Agency Sounds Alarm at Foreign-Interference Levels," *Wall Street Journal*, January 31, 2018.

## Beijing's Scorecard

How effective have Beijing's political warfare operations against Australia been so far?

All indications are that the Chinese Communist Party has tightened its grip on the Chinese diaspora in Australia. Xi Jinping's calls for all ethnic Chinese to become part of "the great rejuvenation of the Chinese race," no matter where they are located, has resonated with many.<sup>134</sup> However, this concept of gathering a nation across international boundaries has also stirred strong resistance from some ethnic Chinese who deeply resent the Communist Party's interference in their lives as Australian residents and citizens. The number of ethnic Chinese who actively support Beijing is almost certainly still a minority, with the remainder either actively resisting or keeping their heads down.<sup>135</sup>

Second, Beijing's sustained propaganda, especially concerning the inevitable rise of China to global dominance, has had several effects. It has certainly stimulated public debate and won over some members of the media, business, and academic communities. Successive Australian governments have acknowledged Beijing's rising power and even welcomed it. However, at the same time, Australian governments have been deterred from confronting Chinese agencies directly and have, for instance, avoided provoking the PLA in the South China Sea.<sup>136</sup> So while, on the one hand, Australian governments have been firm on the need to prevent foreign interference in the country's internal affairs, they have gone out of their way to avoid discussing China's actual operations in Australia, frequently turning a blind eye to the aggressive activities of some Chinese agencies. Rather, they have given a higher priority to maintaining business as usual.

A third effect of Beijing's political warfare operations against Australia has been to corrupt some individuals and organizations and create new divisions in business, trade unions, the media, academia, and other parts of Australian society. Some of these cleavages are weakening the cohesion of the Australian population and generating scope for further foreign exploitation, including during future crises.

Finally, the Chinese regime has succeeded in recruiting a number of Australians and others resident in Australia to actively support Beijing's strategic operations, with a small number becoming spies and engaging in serious acts of espionage.<sup>137</sup>

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134 Hamilton, *Silent Invasion*, pp. 29–47.

135 This issue is debated explicitly in Hamilton, *Silent Invasion*, pp. 280–281.

136 See this discussed in Ross Babbage, *Countering China's Adventurism in the South China Sea: Strategic Options for the Trump Administration* (Washington, DC: Center for Strategic and Budgetary Assessments, 2016), pp. 27–39.

137 Hunter, "ASIO Warns of OverwhelmingLevel."

## Australia's Counters So Far

A series of events during 2017 had a substantial effect on the Australian public's level of concern about the Chinese regime's operations in Australia. They included revelations of Chinese-associated entities funding Australian political parties and clear evidence of a senior opposition politician speaking publicly in support of Chinese policies while being funded by a Chinese businessman with close links to Beijing. Numerous media reports and some notable television programs exposed Chinese coercion, propaganda, and other operations. Additional reports highlighted the significance of China's militarization of the South China Sea and its lavish wooing of some small island states in the South Pacific. Some leading journalists grew acutely concerned about the threat to Australia's sovereignty and started to accord priority to reporting Chinese operational developments in some detail.

While nearly all senior members of Australia's national security agencies had been aware of the Chinese regime's operations for some time, the rise in public concern encouraged the national government to take more active defensive measures. The immediate steps included the following:

The Australian government completed a classified review of covert foreign operations in Australia.<sup>138</sup> It then moved rapidly to introduce four pieces of legislation that required people operating in Australia for any political or influence purpose to disclose their foreign partners and sources of funding.

The federal government ordered the largest re-organization of the national bureaucracy in a generation to better focus the operations of relevant agencies to counter the new types of foreign threats. A new Department of Home Affairs "super department" was created to oversee, manage, and coordinate the operations of relevant intelligence, immigration, customs, police, and related functions.<sup>139</sup>

Within the new Home Office, a Counter-Espionage Unit led by a new Deputy Secretary was established.<sup>140</sup> This is expected to grow to be a substantial organization.

A Critical Infrastructure Center was also established in the new Home Office to provide advice on those elements of national infrastructure that require special protection, including from foreign ownership.<sup>141</sup>

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138 Chris Uhlmann, "Top-secret Report Uncovers High-level Chinese Interference in Australian Politics," *NineNews.com*, May 28, 2018, available at <https://amp.9news.com.au/article/a6e8e4e0-28f6-4b7a-a94c-ba4b98ea8aa1>.

139 Peter Dutton, "Joint Media Release with the Prime Minister, Attorney-General and Minister for Justice - A Strong and Secure Australia," press release, Minister for Home Affairs, July 18, 2017, available at <http://minister.homeaffairs.gov.au/peterdutton/2017/Pages/a-strong-and-secure-australia.aspx>.

140 Simon Benson, "Crack Unit to Ward Off Threats from Espionage," *The Australian*, April 25, 2018.

141 Corinne Reichert, "Government Passes Critical Infrastructure National Security Bill," *ZDNet*, March 29, 2018, available at <https://www.zdnet.com/article/government-passes-critical-infrastructure-national-security-bill/>.

The Foreign Investment Review Board, which advises the Australian Government on the security and strategic dimensions of proposed foreign investments, was strengthened, including by the appointment of a new Chairman with extensive national security experience.<sup>142</sup>

Further steps were taken to strengthen Australia's cyber defenses as well.<sup>143</sup>

During the same period, officials from the United States and other close allies came to appreciate the scale and intensity of Chinese operations against Australia, and consultation between relevant allied personnel increased. Some allied personnel started to see Australia as a front-line state in combatting Chinese political warfare.

### **How Effective Has Australia's Response Been?**

Australia's governments and communities were slow to appreciate the nature and scale of Chinese political warfare operations being conducted against the country. However, during the last three years the government, the media, and the general public have started to focus on these issues, improve their understanding of Chinese operations, and mobilize to meet the challenge. The progress in tightening relevant legislation, refocusing key parts of the national bureaucracy, and strengthening control mechanisms for foreign investment are particularly notable.

There is, however, a long way to go in informing the Australian public about the challenge posed by foreign political warfare. Members of the community need to be better informed and advised of the practical steps they can take to help strengthen national resilience.

There are indications that some parts of the Australian business community now realize that their assessments have been seriously deficient when considering the risks of developing relationships with companies or agencies from authoritarian countries. The managements of some companies and academic institutions that have become over-dependent on the Chinese market now have a new appreciation of their vulnerability. In the future, corporate leaders are likely to be questioned periodically by shareholders, governments, and the media about the quality of their judgements in this field.

Perhaps the most exposed and vulnerable members of the Australian community are the many ethnic Chinese residents and citizens who are loyal to Australia and want nothing to do with the Chinese Communist Party and its many front organizations. A key area requiring early attention is the provision of effective support and protection to these people from foreign harassment and coercion.

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142 See this discussed in Peter Jennings, "Some Foreign Investors are More Worrying Than Others," *The Australian*, April 8, 2017.

143 David Wroe, "Australia Strengthening Cyber Defences as Hacker Threats Grow," *Sydney Morning Herald*, April 5, 2016.



## CASE STUDY #7

# China's Political Warfare Operations in Indonesia

by Bob Lowry

The PRC and Indonesia established diplomatic relations in 1950. This relationship peaked under President Sukarno's Guided Democracy, but the failed communist coup in 1965 brought the deeply anti-communist Army to power, and connections with the PRC were frozen until 1990. Thereafter, relations started to thaw and began to accelerate following the signing of a strategic partnership agreement in April 2005 covering politics, security, trade, investment, and social affairs.<sup>144</sup>

This improved atmosphere provided an opportunity for Beijing. Since the early 2000s, China has launched a mix of political warfare operations in Indonesia as part of a broader strategy to influence Southeast Asia. While Indonesian media coverage has focused on the South China Sea dispute, China has ramped up its influence operations across almost every sector of Indonesian society.

## Chinese Strategy

China's strategy has been to increase engagement across all sectors in Indonesia to promote its image as a regional superpower and draw the country into its sphere of influence. There are no indications that it has been able, at this early stage, to subvert Indonesia's fundamental foreign and defense policy positions. Nevertheless, relevant Chinese agencies continue to be very active in pursuit of these goals.

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144 Hadi Soesastro, "Hakikat 'Kemitraan Strategis' Antara Indonesia Dan China [The essence of the Strategic Partnership between Indonesia and China]," *Kompas*, August 1, 2005.

Indonesia has the largest population and easily the largest economy in Southeast Asia. Moreover, the Indonesian economy is performing well, growing at about 5.2 percent annually and with a government debt to GDP ratio of around 30 percent.<sup>145</sup> China is Indonesia's largest trading partner accounting for 13.7 percent of total trade.<sup>146</sup> China also became the second biggest foreign investor in Indonesia in 2017, providing some 20 percent of the annual total.<sup>147</sup> It is estimated that China invested \$41 billion in Indonesia over the period 2005–2018, with much of this being spent on energy, mining, transport, and real estate projects.<sup>148</sup> Over half of that investment has arrived during the last five years.

The PRC does not release details of its aid program, which mainly comprises concessional loans. Nevertheless, it has been estimated that Beijing provided Indonesia with an average of \$2.5 billion per annum during the period 2010–2014, or about 2.4 percent of China's total aid budget.<sup>149</sup>

Indonesia's aid inflow is restricted by law to 3 percent of the annual national budget, but the PRC has worked around this limitation by investing in infrastructure, which complements Indonesia's own priorities for development and is highly prized by the Indonesian Government.

China's initial signature investment was Indonesia's longest bridge, connecting the country's second largest city, Surabaya, to the island of Madura, which opened in 2009. Planned Chinese investments include highways, railroads, ports, and power plants, but Beijing has been frustrated by the slow pace at which these projects have progressed.<sup>150</sup> There is also some concern in Jakarta that growing dependence on one major foreign investor might leave Indonesia vulnerable to political leverage. There is, however, no evidence of this being attempted by Chinese entities yet.

Areas of Chinese assistance that have grown strongly in recent years have included projects to improve maritime passage through the archipelago. In this field, Beijing has helped

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145 "List of Countries by Projected GDP," *Statistics Times*, April 2018, available at <http://statisticstimes.com/economy/countries-by-projected-gdp.php>.

146 Daniel Workman, "Indonesia's Top Trading Partners," *Worlds To Exports*, April 23, 2018, available at <http://www.worldstopexports.com/indonesias-top-15-import-partners/>.

147 Erwida Maulia, "China Becomes Indonesia's No. 2 Investor with Infrastructure Drive," *Nikkei Asia Review*, February 1, 2018, available at <https://asia.nikkei.com/Politics/International-Relations/China-becomes-Indonesia-s-No.-2-investor-with-infrastructure-drive>. The United States ranks fifth.

148 See the China Global Investment Tracker at <http://www.aei.org/china-global-investment-tracker/>. This does not include Chinese sourced investment via investment havens.

149 Pierre van der Eng, "Why Does Indonesia Seem to Prefer Foreign Aid from China?" *East Asia Forum*, December 2, 2017, available at <http://www.eastasiaforum.org/2017/12/02/why-does-indonesia-seem-to-prefer-foreign-aid-from-china/>.

150 Cai Penghong, "China-ASEAN Maritime Cooperation: Process, Motivation, and Prospects," *China International Studies*, July/August 2015, available at [http://www.ciis.org.cn/english/2015-09/25/content\\_8265850.htm](http://www.ciis.org.cn/english/2015-09/25/content_8265850.htm). President Jokowi and Chinese Premier Li Keqiang also discussed the issue in 2018. "China, Indonesia Pledge to Promote Comprehensive Strategic Partnership at New Level," *Xinhua*, May 8, 2018, available at [http://www.xinhuanet.com/english/2018-05/08/c\\_137163662.htm](http://www.xinhuanet.com/english/2018-05/08/c_137163662.htm).

to fund satellite surveillance, navigation aids, and the training of traffic separation staff to control shipping movements through the strategically important Sunda and Lombok straits.<sup>151</sup> These initiatives accord with the historical pattern where Indonesia, Malaysia, and Singapore have rejected offers from foreign governments to undertake law enforcement activities in their waters but accepted assistance with oceanographic research, surveillance information exchanges, coastal surveillance radar, navigations aids, and training. However, in his May 2018 visit to Jakarta, Chinese Premier Li Keqiang left little doubt that he believed that current programs were only the beginning.<sup>152</sup>

## The Diaspora

The ethnic Chinese population in Indonesia is primarily a product of Dutch colonial policy. They represent only 2 percent of the population and carry limited direct political sway.<sup>153</sup> Indonesia generally does not accept migrants and is not a signatory of the 1951 Refugee Convention. Although the political opponents of the current president assert that a flood of Chinese workers is being employed in the country on Chinese projects, there are currently only about 23,000 Chinese nationals in Indonesia, and, with few exceptions, they will not be granted permanent residence.<sup>154</sup>

About 50 percent of Indonesian-Chinese are Buddhists, 35 percent are Christians, 11 percent are Confucianists, and only 4 percent are Muslims. While many may take pride in China's rise, they cannot be considered pawns of the CCP because their ideological orientation is mostly far removed from that of the regime in Beijing.<sup>155</sup>

Despite their modest numbers, Indonesian-Chinese command about 70 percent of the private sector economy in Indonesia, and this remains the case despite the 1998 Asian Financial Crisis.<sup>156</sup> There is certainly scope for PRC and Indonesian-Chinese investors to form new partnerships to further their business interests. But while these relationships might cause some concern, most major infrastructure projects in Indonesia will continue to be undertaken through partnerships with local state-owned enterprises. In order to dilute foreign economic

151 "MOU Kerjasama Pemerintah Indonesia Dengan Tiongkok [MOU on Cooperation between Indonesia and China]," *Jakarta Greater*, March 30, 2015, available at <https://jakartagreater.com/mou-kerjasama-antara-pemerintah-republik-indonesia-ri-dengan-republik-rakyat-tiongkok-rrt/>.

152 "China, Indonesia Pledge to Promote," *Xinhua*.

153 Richard Kilis, "What Percentage of the Indonesian Population is Chinese-Indonesian?" *Quora*, January 15, 2015, available at <https://www.quora.com/What-percentage-of-the-Indonesian-population-is-Chinese-Indonesian>.

154 "There are Only 23,000 Chinese Workers in Indonesia, President Jokowi Says," *Sekretariat Kabinet Republik Indonesia*, August 8, 2018, available at <http://setkab.go.id/en/there-are-only-23000-chinese-workers-in-indonesia-president-jokowi-says/>.

155 Fajar Riza Ul Haq, "Jokowi Dan Anti-Tionghoa [Jokowi and the Anti-Chinese]," *Kompas*, July 7, 2018, available at <https://kompas.id/baca/opini/2018/07/07/jokowi-dan-anti-tionghoa/>.

156 Christian Chua, *Chinese Big Business in Indonesia: The State of Capital* (Singapore: National University of Singapore, 2006), pp. 4–5.

influences and also to protect and encourage indigenous entrepreneurs, Indonesia has retained a large state sector.

Although the CCP will try to gain influence in the diaspora through organizations like the Chinese-Indonesian Youth Association (IPTI) and the Chinese-Indonesian Natives Association (ASPERTINA), such operations are unlikely to be effective in advancing Beijing's broader interests. For that, the Chinese regime has set its eyes on the broader Indonesian community.

## Students

There are 15,000 Indonesian students in China, but, despite some claims to the contrary, there is little evidence that they are subjected to overt indoctrination.<sup>157</sup> Indonesian student associations, with links to their embassy, also try to ensure that students are not socially isolated in China. Nine Chinese universities now include courses on Indonesia, and four Indonesian language centers have been established to enhance China's capacity to understand and influence Indonesian policy.

## Confucius Institutes

There are seven Confucius Institutes operating in Indonesia under the Indonesian name of Pusat Bahasa Mandarin (Mandarin Language Centers). They are affiliated with either state or private universities and teach Mandarin to both indigenous Indonesians and those with Chinese heritage. Confucius Institute activities are also being extended to high schools in some locations.

The establishment of these organizations was controversial.<sup>158</sup> Some Indonesian officials and tertiary institutions feared that they might serve to increase Chinese economic dominance, intensify antipathy toward Indonesian-Chinese, or cause tensions within the Indonesian-Chinese community. First rejected in 2005, the first Confucius Institute was only opened in 2010.

## Religion

The PRC tries to mitigate the impact of its mistreatment of its own Muslim minorities when dealing with Muslim countries. It does this by influencing local Muslim leaderships through international and national fora, media management, financial incentives, and pressure, as well

157 "Dubes RRC Sebut Hubungan RI-China Semakin Meningkat [China's ambassador says RI-China relations are improving exponentially]," *Antara News*, November 27, 2018, available at [www.antaraneews.com/berita/772067/dubes-rrc-sebut-hubungan-ri-china-semakin-meningkat](http://www.antaraneews.com/berita/772067/dubes-rrc-sebut-hubungan-ri-china-semakin-meningkat).

158 Rika Theo and Maggi W.H. Leung, "China's Confucius Institute in Indonesia: Mobility, Frictions and Local Surprises," *Sustainability*, February 16, 2018. This article describes the machinations involved in establishing the CI in various locations and the role of Indonesian-Chinese intermediaries in finding the necessary compromises. See also "Delegation Led by Deputy Director General of Hanban Wang Yongli Visits Confucius Institute at National University of Surabaya, Indonesia," *Hanban*, June 25, 2014, available at [http://english.hanban.org/article/2014-06/25/content\\_542501.htm](http://english.hanban.org/article/2014-06/25/content_542501.htm). This briefly describes the activities of the Institutes.

as by embracing local governments.<sup>159</sup> In 2013, for example, Suryadarma Ali, the Indonesian Minister for Religion, said that the two governments had agreed to discuss national relationships with Islam to strengthen social and cultural relations, no doubt with a view to curb possible tensions like those related to the Uighur problem.<sup>160</sup>

The result is that, despite some recent protests by Islamic groups, little has been said about the mistreatment of the Muslim Uighur because of the PRC line that it is a purely radical separatist movement unrelated to ethnicity or religion. This has some resonance in Indonesia because of its own problems with radical Islam and the involvement of a few Uighur in the Poso conflict in Central Sulawesi in recent years.<sup>161</sup>

On the international front, China participates in and has hosted several meetings and activities of the Asian Conference of Religions for Peace (ACRP), an organization that is currently moderated by Din Syamsuddin, a leading Indonesian Islamic scholar and politician. Din attributes the world's woes to the lack of ethics, immorality, and American hegemony, and he promotes Indonesia's "middle way," warning China not to follow in America's footsteps and encouraging them to adopt dialogue and consultation in solving the world's problems.<sup>162</sup>

At the national level, Indonesian-Chinese Muslims provide a link to the broader Muslim community in Indonesia (78 percent of the population), in particular, but not solely, through the Beijing-funded Cheng Ho Institute. The Cheng Ho mosques are portrayed as the "new silk road" to foster "harmonious relations between the Indonesian government and China."<sup>163</sup>

The first Cheng Ho Mosque was established in Surabaya in 2002, and there are now more than ten scattered across Indonesia. They might have begun as a way of harmonizing relations between Indonesian-Chinese and their local communities through religious affinity, but they now provide an avenue for the CCP to promote and exaggerate the residual influence of the 15<sup>th</sup> century journeys of Chinese Muslim Admiral Zheng Ho to the region and to ingratiate Indonesia's Muslim leadership through exchange visits and other programs.

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159 See, for example, the role of the Chinese Committee on Religion and Peace on their website: <http://www.cppcc.gov.cn/ccrp/2012/05/07/ARTI1336375240381859.shtml>.

160 Choirul Mahfid Marsahid, "The Role of the Cheng Ho Mosque: The New Silk Road Indonesia-China Relations in Islamic Cultural Identity," *Journal of Indonesian Islam* 8, no. 1, June 2014, p. 31, available at <http://jiis.uinsby.ac.id/index.php/JIIs/article/view/141>.

161 Yenni Kwok, "Is There a Uighur Terrorist Buildup Taking Place in Southeast Asia?" *Time*, December 28, 2015, available at <https://time.com/4161906/uighur-terrorism-indonesia-thailand-islam-isis/>

162 "Din Syamsuddin: Peradaban Dunia Sudah Rusak [Din Syamsuddin: Global Civilization has been Destroyed]," *Gatra*, November 13, 2018, available at [www.gatra.com/rubrik/internasional/asia-oseania/294681-din-syamsuddin-peradaban-dunia-sudah-rusak](http://www.gatra.com/rubrik/internasional/asia-oseania/294681-din-syamsuddin-peradaban-dunia-sudah-rusak).

163 Marsahid, "The Role of the Cheng Ho Mosque."

## Elites

Despite occasional tensions, China has also been fostering relationships with the national leadership, parliament, political parties, senior officials, and senior military officers. While there have been many reciprocal visits, there is little evidence that Chinese activities have driven significant policy changes in a way that would be contrary to Indonesia's interests so far.

Nevertheless, some Indonesian government agencies have demonstrated sensitivity to Chinese interests. Cases include the closing down of the Falun Gong radio station in Batam, a reluctance to sink a Chinese fishing vessel seized in Indonesian waters, the last-minute cancellation of a proposed agreement on coast guard cooperation between the United States and Indonesia in 2015, and ambivalence about renaming the North Natuna Sea at the southern end of the South China Sea.<sup>164</sup>

The 2005 Strategic Partnership Agreement included cooperation in counterterrorism; transnational crime; defense and military matters, particularly in defense industry; and the establishment of a consultative mechanism. Subsequently, in June 2007, a defense cooperation agreement was signed covering training, finance, and defense industry.<sup>165</sup> Other activities have included special forces training in counterterrorism; joint naval patrols in the South China Sea; the acquisition of some material, principally anti-ship and anti-aircraft missiles; mutual attendance at defense colleges; and ministerial and military chiefs meetings. However, strategic realities and widespread concerns about a potential Chinese threat to Indonesian waters north of Natuna Island, encompassed by China's Nine-Dash Line territorial claim in the South China Sea, ensure that the Indonesian military is proceeding cautiously with this relationship.<sup>166</sup>

Think tanks like the Habibie Center, the Center for Strategic and International Studies (CSIS), the Indonesian Institute of Sciences (LIPI), and the Foreign Policy Community of Indonesia (FPCI) are also avenues to promote China's interests. The FPCI, led by Dino Pati Djalal, a former presidential adviser and ambassador to the United States, has been particularly active in this field, and CSIS hosted a seminar-style five-year review of the 2013 Comprehensive

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164 Prashanth Parameswaran, "What's Behind the Missing US-Indonesia Maritime Security Pact?" *The Diplomat*, November 11, 2015; Leo Suryadinata, "What Does Indonesia's Renaming of Part of the South China Sea Signify?" *Perspective*, no. 64, August 18, 2017, available at [https://iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2017\\_64.pdf](https://iseas.edu.sg/images/pdf/ISEAS_Perspective_2017_64.pdf); and Aisyah Llewellyn, "Indonesia's Fishy Furor," *The Lowy Interpreter*, April 6, 2018, available at <https://www.lowyinstitute.org/the-interpreter/indonesia-s-fishy-furor>.

165 "Full Text of China-Indonesia Joint Statement," *People.com.cn*, July 30, 2018, available at [http://en.people.cn/200507/30/eng20050730\\_199170.html](http://en.people.cn/200507/30/eng20050730_199170.html).

166 Only 171 Indonesian military personnel have studied in China and 15 PLA members in Indonesia from 2007 to 2018. "Sekjen Kemhan RI Hadir Peringatan HUT Angkatan Bersenjata Tiongkok [Secretary General Indonesian Department of Defence Attends Birthday of PLA]," *Kementerian Pertahanan Republik Indonesia*, July 25, 2018, available at <https://www.kemhan.go.id/2018/07/25/sekjen-kemhan-ri-hadiri-peringatan-hut-angkatan-bersenjata-tiongkok.html>.

Strategic Partnership in November 2018.<sup>167</sup> Nevertheless, a review of relevant media and published books and papers shows that there continues to be a vibrant discussion of the pros and cons of China's growing power and influence.

The English language *Jakarta Post* incorporates a full-page *China Weekly* insert, and *The Chinese Weekly* is available globally online. In addition, the PRC's own media is readily available online across the archipelago. Indonesian-Chinese are prominent owners of Indonesian media organizations, but there are few indications of PRC influence or apparent bias. Nevertheless, Chinese media organizations have reportedly negotiated six media content partnerships with Indonesian companies, and this type of interaction will probably grow.<sup>168</sup>

### Extra-territorial Legal Jurisdiction

In July 2018, a Jiangsu provincial police officer tried to establish extra-territorial legal jurisdiction in North Kalimantan over Chinese citizens working for a Chinese company engaged in forestry and the manufacture of wood products. He arrived in this part of Indonesia replete with a sign for a joint police post. Although this attempt to exercise extra-territorial rights was rebuffed, he was still able to visit the company. The social media response resulted in the reassignment of the Indonesian district police chief.<sup>169</sup>

### Cyber Security

There have been no reports of state-sponsored cyber interventions in Indonesian elections to date. While it might be tempting to meddle in the April 2019 parliamentary and presidential election, the cost of exposure could far outweigh the possible benefits. To counter the possibility, Indonesia has been slowly upgrading its cyber warfare forces.<sup>170</sup>

There have been indications of some foreign cyber intrusions into Indonesian companies and other organizations, but these operations have not been reported widely.

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167 Aria Cindiyara, "Panjaitan Urges to Halt Bad Practices in Investment Sector," *Antara News*, November 27, 2018; and Elisa Valenta, "Indonesia Is Increasingly Open to China," *Beritagar*, November 28, 2018, available at <https://beritagar.id/artikel/berita/indonesia-semakin-terbuka-ke-tiongkok>.

168 "China and the World: How Beijing Spreads the Message," *Financial Times*, July 12, 2018, available at <https://www.ft.com/content/f5d00a86-3296-11e8-b5bf-23cb17fd1498>.

169 "Kapolda Kalbar: Tidak Ada Kerja Sama Polres Ketapang Dengan China [West Kalimantan Police Chief: no cooperation between the Ketapang police and China]," *Antara News*, July 16, 2018, available at [www.antaranews.com/berita/727200/kapolda-kalbar-tidak-ada-kerja-sama-polres-ketapang-dengan-china](http://www.antaranews.com/berita/727200/kapolda-kalbar-tidak-ada-kerja-sama-polres-ketapang-dengan-china).

170 Bart Hogeveen, "Is Indonesia Catching Up in Cyberspace?" *The Strategist*, February 14, 2018, available at <https://www.aspistrategist.org.au/indonesia-catching-cyberspace/>.

## Conclusion

Overall, Indonesians currently have a favorable attitude toward China.<sup>171</sup> Nevertheless, there can be no doubt that the PRC is conducting carefully crafted political warfare operations in the country. While many senior Indonesians are aware of several of these activities, few members of the governing and community elite have yet demonstrated an appreciation of the Chinese regime's overall objectives and the breadth of its efforts.

Some of what the PRC is doing in the economic sphere will prove useful so long as proper cost-benefit analyses are undertaken and quality assurance is ensured. However, some of Beijing's activities could have long term implications for Indonesia's sovereignty and its international relations by, for example, undermining democracy or further weakening ASEAN's integrity. There is considerable scope for Indonesian government agencies and other organizations to conduct deeper research into the Chinese regime's operations within their society, highlight the strategic nature of much of this activity, and assess options for further protecting Indonesian sovereignty.

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171 Johannes Herliyanto, "Public Perceptions of China in Indonesia: The Indonesian National Survey," *Perspectives*, no. 89, 2017, available at [https://www.iseas.edu.sg/images/pdf/ISEAS\\_Perspective\\_2017\\_89.pdf](https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2017_89.pdf); and Johannes Herliyanto, "Search for Knowledge as Far as China!" in Pál Nyíri and Danielle Tan, eds., *Chinese Encounters in South East Asia: How People, Money, and Ideas from China are Changing a Region* (Seattle, WA: University of Washington Press, 2017), pp. 209–228, available at <https://play.google.com/books/reader?id=vpwhDQAAQBAJ&pg=GBS.PA197.w.3.o.213>.



## CASE STUDY #8

# China's Belt and Road Initiative

*by Nadège Rolland*

The BRI was launched in 2013, almost a year after Xi Jinping was appointed as Secretary General of the CCP and set the course for the country to realize the “China Dream of the great rejuvenation of the Chinese nation.” To this day, BRI’s evasive nature, numerous complex layers, and ever-expanding scope still leave most outside observers perplexed and unable to fully grasp its real purpose and objectives.

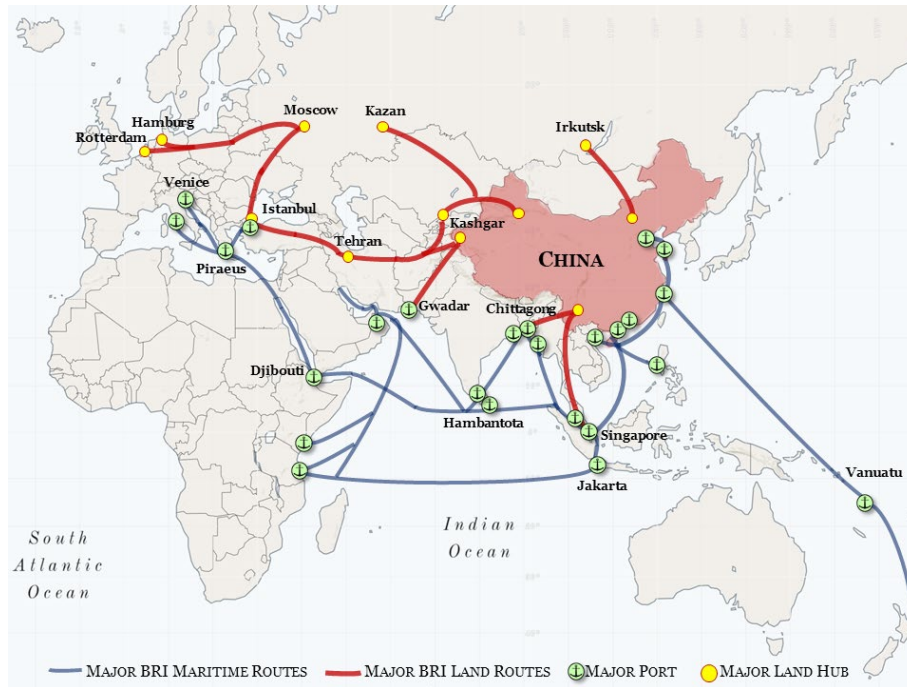
Such mystification is partly the result of the political warfare campaign China has unleashed to influence foreign perceptions and decision-making regarding the project, increase international support for the BRI agenda, and dampen potential criticism or attempts to counter it. In order to get foreign governments and organizations to endorse and join its initiative, Beijing has mobilized a wide range of domestic resources and resorted to a mix of overt and covert instruments to persuade, induce, and possibly coerce potential candidates to participate. The scope and scale of these efforts, highly coordinated at the top level of the Party apparatus, are astounding.

BRI is not only heavily supported by a forceful political warfare campaign but it is also itself a tool of political warfare. Contrary to official claims, BRI’s purpose is not just to build infrastructure and promote better connectivity across Eurasia and beyond. Its ultimate goals are to expand China’s political, military, and strategic influence on the international stage, to (re-) establish itself as the preponderant regional power at the expense of the United States and the leader of a Sinocentric regional order, and, in the process, reshape the international system to better serve the interests of the CCP regime. BRI is thus both an end in itself and a means for achieving Xi’s China Dream.

## The Political Warfare Campaign Advancing the Cause of the BRI

China's BRI-related political warfare efforts are highly coordinated at the top of the CCP. The Party has vast experience in information warfare and can rely on several sprawling organizations, under the purview of the CCP Central Committee, specifically structured for the purpose of mobilization, control, and persuasion of domestic and foreign audiences.<sup>172</sup> Three central departments are key actors in the overseas dissemination of BRI's munificent narrative: the Central Office of Foreign Propaganda (aka, State Council Information Office, SCIO); the International Liaison Department; and the United Front Work Department. Most of the time, these three central departments operate transparently, but they also hide behind a complex web of front organizations that are richly endowed with cash and human resources. These proxies operate in the gray zone between legitimate inter-societal engagements and murky transactions that can lead to the cooption of foreign elites by the Chinese state.

FIGURE 7: THE PRIMARY AXES OF CHINA'S BRI



The BRI is meant to develop cross-border connections and infrastructure projects through the entire Eurasian continent and beyond. For BRI to succeed, China needs other countries to accept it, officially endorse it, and, at a minimum, cooperate and participate in it. In order to influence outside perceptions and the decisions of foreign governments in a way favorable to BRI, China uses two main tools in the open: persuasion and inducement. Covert and illegal

172 For a detailed account, see “The Chinese Approach to Political Warfare,” in Mahnken, Babbage, and Yoshihara, *Countering Comprehensive Coercion*.

operations can be difficult to expose through scholarly research, although corruption practices can be inferred from a few stories that have been reported in the press. Between overt and covert operations lies a gray zone that includes coercive methods that will also be discussed below.

## Persuasion

The Chinese propaganda apparatus has worked overtime to design a narrative that emphasizes the benevolent, cooperative nature of the initiative and its objective of shared “win-win” outcomes. The open nature of BRI is even emphasized in the name it has been officially given since 2015. This was a result of an internal guideline specifically demanding that, in its English translation, “initiative” should henceforth be used while avoiding words such as “strategy,” “project,” “program,” and “agenda.”<sup>173</sup> The BRI public messaging presents the initiative as a generous contribution to global public goods, which will help reduce the infrastructure gap, tackle poverty alleviation, promote green development, and “reinforce the undertakings of the United Nations.”<sup>174</sup> In addition, the official narrative focuses heavily on the economic benefits for the partners (government and business alike) that choose to get onboard and presents BRI as a unique opportunity not to be missed.

Between 2013 and 2019, Xi Jinping and Prime Minister Li Keqiang have introduced the BRI concept and framework to over a hundred countries they have visited across Europe, Asia, Latin America, Oceania, and Africa. The May 2017 Belt and Road Forum organized in Beijing provided a platform to showcase BRI’s projects to representatives from more than 130 countries and 70 international organizations. Chinese embassies over four continents have relayed the BRI vision to their local counterparts. Chinese ambassadors have taken the stage in local events to publicly highlight the benefits and opportunities offered by BRI and written columns in the local press to extoll the “huge potential” of the initiative.<sup>175</sup> Countless Silk Road-themed international events, usually sponsored by Chinese entities, have been organized around the

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173 “‘一带一路’ 倡议英文译法有了规范 [‘One Belt One Road’ Initiative English Translation Standardized],” China Development Network, September 25, 2015, available at <http://news.chinadevelopment.com.cn/zj/2015/09/963154.shtml>.

174 Remarks by Ambassador Liu Jieyi at the Opening of the Exhibition on the Belt and Road Initiative, Permanent Mission of the PRC to the UN, May 8, 2017, available at <http://www.china-un.org/eng/czthd/t1459848.htm>.

175 For example, “Belt & Road Is Opportunity for Cooperation, Says China’s Ambassador to UK,” *CEIBS*, July 19, 2017, available at <http://www.ceibs.edu/new-papers-columns/belt-road-opportunity-cooperation-says-china-s-ambassador-uk>; “Chinese Ambassador Calls for Australia to Join Belt and Road Initiative,” *Xinhua*, July 11, 2018, available at <http://www.ecns.cn/news/politics/2018-07-11/detail-ifyvzyvz7260366.shtml>; and “Belt and Road Initiative to Bring Development in Africa: Ambassador,” *Xinhua*, February 27, 2018, available at [http://english.gov.cn/news/international\\_exchanges/2018/02/27/content\\_281476060129834.htm](http://english.gov.cn/news/international_exchanges/2018/02/27/content_281476060129834.htm). See also Zhang Ming, “China and Europe Can Work Together on the Belt and Road Initiative,” *Euractiv*, March 15, 2018, available at <https://www.euractiv.com/section/economy-jobs/opinion/china-and-europe-can-work-together-on-the-belt-and-road-initiative/>; and Yang Wanming, “Una Iniciativa Que Abre Oportunidades de Cooperación Entre China y Argentina [An initiative that opens opportunities for cooperation between China and Argentina],” *Clarín*, May 7, 2017, available at [https://www.clarin.com/politica/iniciativa-abre-oportunidades-cooperacion-china-argentina\\_o\\_ry\\_OHV6Jb.html](https://www.clarin.com/politica/iniciativa-abre-oportunidades-cooperacion-china-argentina_o_ry_OHV6Jb.html).

world, bringing together businessmen, government officials, scholars, and Chinese spokesmen who have delivered the same positive message over and over again.<sup>176</sup>

This heavy-handed public diplomacy and propaganda campaign has borne fruit. China's BRI messaging is now being relayed by dozens of foreign voices outside of China: the UN Secretary General believes BRI "will bring the best interest for the international community," CEOs have praised BRI as a "wise and powerful force," former and sitting officials have urged their governments to support it, and think tanks and business-oriented organizations have published reports pressing their governments to join it.<sup>177</sup>

## Inducement

BRI's attractiveness rests mainly on the tangible delivery of economic benefits to those who have chosen to join. For governments, this can take the form of Chinese investments in sectors such as transport, construction, manufacturing, and energy, as well as "soft" sectors such as banking, culture, and tourism. Belt and Road countries can be attracted by the idea that such investments will help to generate local jobs and tax revenues, boost trade, and promote overall economic growth.<sup>178</sup> In countries that lack financial means, the prospect of borrowing a skilled workforce with technological know-how, receiving serviceable transport infrastructure, or

176 For example, "Madagascar-Chine: 1,2 Milliard USD d'Échanges Commerciaux Par An [Madagascar-China: \$1.2 bn of Annual Trade]," *Midi Madagasikara*, April 20, 2018, available at <http://www.midi-madagasikara.mg/economie/2018/04/20/madagascar-chine-12-milliard-usd-dechanges-commerciaux-par-an/>; "China's One Belt One Road Initiative and the Nordic Opportunities," background on an event held at the Danish Institute for International Studies, May 18, 2017, available at <https://www.diiis.dk/en/event/chinas-one-belt-one-road-initiative-and-the-nordic-opportunities>; "The Belt and Road: Initiated by China, Constructed by All," background on an event held at UC Davis, April 2, 2018, available at <https://globalaffairs.ucdavis.edu/events/belt-road-initiated-china-constructed-all>; and "Embracing Business Opportunities in London Through China's Belt & Road Initiative," background on an event held at Asia House, June 28, 2017, available at <https://asiahouse.org/events/embracing-business-opportunities-in-london-through-chinas-belt-road-initiative/>.

177 "Xi Jinping Meets with UN Secretary-General António Guterres," Ministry of Foreign Affairs of the PRC, April 8, 2018, available at [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1549347.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1549347.shtml); "Siemens Embraces Belt and Road Initiative," Siemens AG Press Release, June 6, 2018, available at <https://www.siemens.com/press/pool/de/pressemitteilungen/2018/corporate/PR2018060214COEN.pdf>; Chas W. Freeman Jr., "The United States and China: Game of Superpowers," Remarks to the National War College Student Body, February 8, 2018, available at <https://chasfreeman.net/the-united-states-and-china-game-of-superpowers/>; Zhang Pinghui, Wendy Wu, and Kristin Huang, "US Opposition to AIIB 'Strategic Mistake', Says Senior Trump Adviser," *South China Morning Post*, November 10, 2016, available at <https://www.scmp.com/news/china/diplomacy-defence/article/2044829/us-opposition-aiib-strategic-mistake-says-senior-trump>; Caleb Darger, "China's Belt and Road Initiative: An Opportunity for the United States," blog, Atlantic Council, October 4, 2017, available at <http://www.atlanticcouncil.org/blogs/new-atlanticist/china-s-belt-and-road-initiative-an-opportunity-for-the-united-states>; "Australia Should Embrace China's Belt and Road Initiative: Senator," *Xinhua*, May 2, 2017, available at [http://www.xinhuanet.com/english/2017-05/02/c\\_136250541.htm](http://www.xinhuanet.com/english/2017-05/02/c_136250541.htm); Gal Luft, *Silk Road 2.0: US Strategy Toward China's Belt and Road Initiative* (Washington, DC: Atlantic Council, October 2017), available at <http://www.atlanticcouncil.org/publications/reports/us-strategy-toward-china-s-belt-and-road-initiative>; "New Zealand Releases Report on Belt and Road Opportunities," *Xinhua*, May 1, 2018, available at <http://usa.chinadaily.com.cn/a/201805/01/WS5ae83d9aa3105cdf651b5f3.html>; and Eva Busza and Iris Jin, "Canada Cannot Afford to Miss the Boat on the Belt and Road," Asia-Pacific Foundation of Canada, May 31, 2017, available at <https://www.asiapacific.ca/op-eds/canada-cannot-afford-miss-boat-belt-and-road>.

178 "Embracing the BRI Ecosystem in 2018," Deloitte Insights, February 12, 2018, available at <https://www2.deloitte.com/insights/us/en/economy/asia-pacific/china-belt-and-road-initiative.html>.

receiving operative ICT networks can also act as compelling incentives to participate in the BRI.

Many of the countries targeted by the BRI are part of the developing world that has often failed to attract international attention and investment. In addition to the promise of Chinese capital, local leaders may also relish the prestige offered by participation in BRI, displaying their special relationship with China as they host high-level delegations or getting the red carpet treatment when invited to meet the top Chinese leadership in Beijing.<sup>179</sup> Playing the China card through engagement with BRI can also help to balance the influence of a big neighbor or provide leverage to induce more support from others.<sup>180</sup>

Finally, individuals can also view BRI as an opportunity to benefit personally from Beijing's largesse without being accused of outright corruption. Beijing can offer grants, for example, "to be utilized for any project of [the leader's] wish," as was the case with the president of Sri Lanka.<sup>181</sup> Likewise, being made the head of a \$1 billion China-UK fund supporting BRI does not constitute anything illegal, but undoubtedly increases the chances that former UK Prime Minister David Cameron will not find anything critical to say about BRI.<sup>182</sup>

## Coercion

The flipside of China's economic incentives is that their actual or even implicitly threatened withdrawal can be used as leverage to force political decisions that are favorable to China's interests. Countries that support China will receive benefits; countries that oppose China will be denied access to these rewards and might be actively punished. For example, in an attempt to pressure Palau to cut its diplomatic links with Taiwan, Beijing issued a notice in November 2017 barring group tours to the Pacific island (Chinese tourists accounted for 47 percent of the island's international visitors in 2016).<sup>183</sup> Meanwhile, tourism has become one of the areas of

179 "PNG PM O'Neill and Delegates Receive Ceremonial Honours in China Upon Arrival," *The Fiji Times*, June 22, 2018, available at <http://www.fijitimes.com/png-pm-oneill-and-delegates-receive-ceremonial-honours-in-china-upon-arrival/>.

180 Central Asian countries, for example, play a balancing act between Russia and China. See *Central Asia's Silk Road Rivalries* (Brussels: International Crisis Group, July 2017), available at <https://www.crisisgroup.org/europe-central-asia/central-asia/245-central-asias-silk-road-rivalries>. After rumors of an upcoming Chinese naval base in Vanuatu, Australia offered a security package to the island state and vowed to build a new undersea cable to PNG and the Solomon Islands to block Huawei from the project. See Andrew Tillett, "Malcolm Turnbull Pledges Security Boost for Vanuatu to Counter Chinese Influence," *AFR*, June 25, 2018, available at <https://www.afr.com/news/malcolm-turnbull-pledges-security-boost-for-vanuatu-to-counter-chinese-influence-20180624-h11t6h>.

181 Xi Jinping sent Maithripala Sirisena a \$295 million "gift." See "Xi Jinping Offers Fresh \$295 Million Grant to Sri Lanka in Push for Dominance," *The Times of India*, July 22, 2018, available at <https://timesofindia.indiatimes.com/world/south-asia/xi-jinping-offers-fresh-295-million-grant-to-sri-lanka-in-push-for-dominance/articleshow/65090567.cms>.

182 Alan Crawford and Patricia Suzara, "Riding China's Rise: The European Politicians in Beijing's Orbit," *Bloomberg*, July 3, 2018, available at <https://www.bloomberg.com/news/articles/2018-07-03/riding-china-s-rise-the-european-politicians-in-beijing-s-orbit>.

183 Edward White and Nicole Liu, "Palau Holds Out as China Squeezes Taiwan's Allies," *Financial Times*, December 29, 2017, available at <https://www.ft.com/content/d153df12-df02-11e7-8f9f-de1c2175f5ce>.

cooperation that Beijing has included in its BRI package to other nations in the South Pacific and the Indian Ocean, and it could serve as political leverage in the future.<sup>184</sup>

In a similar fashion, Chinese loans can also become an instrument of coercion. In December 2017, when it had become impossible for Sri Lanka to pay its debt to Chinese firms, the government had to hand over the Hambantota port to China on a 99-year lease. The Maldives, Tonga, and other countries now find themselves in similar quagmires and fear they will need to pass portions of their sovereignty to Beijing in order to secure debt relief.<sup>185</sup>

### Gray Zones and Covert Operations

Some activities sit at the borderline of overt and covert operations. Infrastructure itself can become a tool through which the Chinese state can gain undue access and engage in espionage activities. Elite cooption and corruption are also a concern.

BRI invests not only in transport infrastructure but also in fiber optic and telecommunication networks. Chinese ICT companies with strong ties to the central government provide inexpensive equipment and attractive financing. They actually run the systems of an increasing number of Belt and Road countries that would otherwise not be able to afford to operate such systems. As illustrated recently by the case of the hacking of the African Union headquarters, whose servers and electronic systems were installed by Huawei and ZTE, the Chinese state may exploit such direct access to the system's architecture to engage in electronic surveillance.<sup>186</sup> It is entirely possible that China will use the same methods to collect sensitive data from Belt and Road countries.

Although difficult to ascertain, due to its opaque nature, elite capture (intellectual, political, and business) is also part of the BRI toolkit. Journalists and scholars are frequently offered fully paid trips to China, new electronic and video equipment, or grants for BRI-related research projects in exchange for the publication of reports favorable to BRI. Entrepreneurs and former government officials can be lured by profit-making deals or a position as a senior adviser or board member of a Chinese firm. Several corruption cases involving Chinese entities have targeted former UN General Assembly Presidents John Ashe and Sam Kutesa (Ashe died awaiting his trial); President Idriss Déby of Chad; and a shady former Hong Kong home

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184 "PNG Prime Minister Peter O'Neill Meets with Xi Jinping; Signs Up to China's BRI," *ABC News*, June 22, 2018, available at <http://www.abc.net.au/news/2018-06-22/png-prime-minister-peter-oneill-meets-with-xi-jinping-in-beijing/9897248>; and Kate Hannan and Stewart Firth, "One Belt One Road: China's Trade and Investment in Pacific Island States," paper presented at the ISA Asia-Pacific Conference 2016, City University of Hong Kong, June 2016, available at <http://web.isanet.org/Web/Conferences/AP%20Hong%20Kong%202016/Archive/72aa134d-b73e-4a8d-9dcf-d9fc8adf9f96.pdf>.

185 Tonga's Prime Minister recently declared, "If we fail to pay, the Chinese may come and take our assets, which are our buildings." See "Tonga PM Calls on China to Write-off Pacific Debt," *VOA News*, August 14, 2018, available at <https://www.voanews.com/a/tonga-china-debt/4529121.html>.

186 Joan Tilouine and Ghalia Kadiri, "A Addis-Abeba, le Siège de l'Union Africaine Espionné par Pékin [In Addis-Ababa, the African Union Headquarters Spied by Beijing]," *Le Monde*, January 26, 2018, available at [https://www.lemonde.fr/afrique/article/2018/01/26/a-addis-abeba-le-siege-de-l-union-africaine-espionne-par-les-chinois\\_5247521\\_3212.html](https://www.lemonde.fr/afrique/article/2018/01/26/a-addis-abeba-le-siege-de-l-union-africaine-espionne-par-les-chinois_5247521_3212.html).

secretary and deputy chairman of the China Energy Fund Committee, Patrick Ho, who offered large sums of money in exchange for securing China Energy Company business advantages.<sup>187</sup> Since BRI deals are mostly decided behind the scenes, corrupt schemes involving local officials and Chinese companies are probably common practice.<sup>188</sup>

### **BRI as a Tool of Political Warfare**

The BRI is supported by a forceful political warfare campaign. But it is also, in itself, an instrument of political warfare. The official narrative portrays BRI as an economic project aimed at enhancing regional connectivity and fostering economic growth. In reality, BRI is designed to serve broader geostrategic purposes. Beijing intentionally conceals part of its real intentions because, as explained by a PLA general, “If you tell people, ‘I come with political and ideological intentions,’ who will accept you?”<sup>189</sup>

The BRI serves China’s long-term strategic interests: the achievement of China’s unimpeded economic and geopolitical rise. Indeed, the BRI should be viewed as one of Beijing’s principal instruments to expand its political influence outward, to (re-)establish itself as the preponderant power across a region where U.S. influence has considerably receded, and to reclaim China’s historical position as the leader of a Sinocentric order.<sup>190</sup> As it needs to better protect the security of its overseas citizens, infrastructure investments, and other assets, China will also expand its security and military presence, including through naval bases in commercial ports that are being acquired today as part of BRI’s shopping spree.<sup>191</sup>

In the process of consolidating the BRI, Beijing has also set about reshaping portions of the international system in accordance with its own views and creating an alternative model to the liberal international order. Through BRI, China is establishing its own institutions and mechanisms such as the Asia Infrastructure Investment Bank, China-based arbitration tribunals to rule on commercial disputes, and international payment systems tailored specifically to the needs of BRI transactions. It is also using this program to develop a multi-layered

187 Marc Santora, Somini Sengupta, and Benjamin Weiser, “Former U.N. President and Chinese Billionaire Are Accused in Graft Scheme,” *New York Times*, October 6, 2015, available at <https://www.nytimes.com/2015/10/07/nyregion/john-ashe-top-united-nations-official-is-accused-in-bribery-scheme.html>; and Sewell Chan, “Former Hong Kong Official Pleads Not Guilty in Africa Bribery Case,” *New York Times*, January 8, 2018, available at <https://www.nytimes.com/2018/01/08/world/asia/hong-kong-patrick-ho-bribery-chad-senegal.html>.

188 Ryskeldi Satke and Nicolás de Pedro, “China Must Avoid Associating with Corrupt Nations in Belt and Road Plan,” *South China Morning Post*, May 14, 2017, available at <https://www.scmp.com/news/china/diplomacy-defence/article/2094017/comment-china-must-avoid-associating-corrupt-nations>.

189 Peter Hartcher, “Beijing Uses Infrastructure as Friendly Forerunner of Political Power,” *Sydney Morning Herald*, June 18, 2018, available at <https://www.smh.com.au/national/beijing-uses-infrastructure-as-friendly-forerunner-of-political-power-20180618-p4zm7t.html>.

190 See Nadège Rolland, *China’s Eurasian Century: Political and Strategic Implications of China’s Belt and Road Initiative* (Seattle, WA: National Bureau of Asian Research, 2017).

191 Devin Thorne and Ben Spevack, *Harbored Ambitions: How China’s Port Investments are Strategically Reshaping the Indo-Pacific* (Washington, DC: C4ADS, 2017).

web of political, economic, educational, industrial, and security ties with two-thirds of the world's population, extending scholarships and training programs to rising generations of leaders in Belt and Road countries so that they “better understand” China. Beijing is offering economic assistance to regions where democratic governance is weak; without the political conditionality that usually is attached to Western-led international finance institution grants; and thereby reinforces the local regimes’ authoritarian practices, lack of transparency, accountability, and rule of law. This also weakens young democracies’ inclination to further liberalize.<sup>192</sup> Beijing is, finally, pushing new concepts and promoting its own governance vision, slowly replacing or modifying UN-endorsed core values and principles such as democracy and fundamental freedoms and rights. In their place Chinese entities are championing BRI-associated concepts such as “community of shared future,” “development rights,” and “respect for each country’s independent choice of social system and development path” (i.e., the rejection of democratization). More importantly than roads and railways, BRI is weaving intangible threads that are reinforcing a vision of a world where liberal democracies are weakened and marginalized.

## Success and Pushbacks

It is difficult to measure the effectiveness of China’s BRI political warfare campaign. Beijing believes that BRI has “received support from around the globe and produced fruitful early harvests. So far nearly 90 countries and international organizations have signed BRI cooperation agreements with China.”<sup>193</sup> Over the last year, however, an increasing number of problems related to BRI projects have come to the surface. Stories about BRI’s “debt trap diplomacy” and its failure to abide by international standards have stimulated tougher attitudes and growing skepticism about its purported “win-win” outcomes.<sup>194</sup> Some prominent Western officials have also addressed Beijing’s unspoken ambitions and accused the BRI of being “not a sentimental nod to Marco Polo but rather . . . an attempt to establish a comprehensive system to shape the world according to China’s interests.”<sup>195</sup>

192 Not all Belt and Road countries are ruled by neo-authoritarian regimes. Some in Asia and Europe (including within the European Union) have engaged several years ago in political and economic liberalization but are now struggling to stay on a democratic path.

193 “Stronger Legal Cooperation for Sound and Steady Development of the BRI,” speech by State Councilor and Foreign Minister Wang Yi, July 3, 2018, available at [http://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/t1573636.shtml](http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1573636.shtml).

194 Speech by Jyrki Katainen, Vice-President of the European Commission at the Leaders’ Roundtable of the Belt and Road Forum for International Cooperation, May 15, 2017, available at [http://europa.eu/rapid/press-release\\_SPEECH-17-1332\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-17-1332_en.htm).

195 Speech by Foreign Minister Sigmar Gabriel at the Munich Security Conference, February 17, 2018, available at <https://www.auswaertiges-amt.de/en/newsroom/news/rede-muenchner-sicherheitskonferenz/1602662>. U.S. Defense Secretary Mattis and State Secretary Tillerson both declared in 2017 that “the U.S. and the rest of the world has many belts and many roads, and no one country gets to decide what they are.” U.S. Department of State, transcript of Secretary of State Rex Tillerson on “Meeting the Foreign Policy Challenges of 2017 and Beyond,” at the 2017 Atlantic Council-Korea Foundation Forum, December 12, 2017, available at <https://translations.state.gov/2017/12/12/secretary-of-state-rex-tillerson-on-meeting-the-foreign-policy-challenges-of-2017-and-beyond-the-2017-atlantic-council-korea-foundation-forum/>.



Overall however, attempts to counter the BRI have so far been feeble. Opposing China's political warfare steamroller is an enormous task, which should start with the collective acknowledgement that the Chinese state purposely manipulates external perceptions through propaganda, monetary inducement, and coercive actions. Countering its efforts is essential for the ultimate viability and sustainability of the international system that has prevailed since 1945 and rests on shared standards, norms, and values such as individual freedom, political equality, democratic self-government, and the rule of law.



# Annex B: Key Indicators of Foreign Political Warfare Operations

There is no rigid pattern or sequence in the development of Russian and Chinese political warfare campaigns. Every situation is different, and the modes and mechanisms employed are always tailored to the specific circumstances. Nevertheless, the case studies in this report suggest that Russian and Chinese political warfare campaigns often progress through three phases: a commencement state, a contested state, and finally a client state.

Many of the characteristics of these three phases are readily identifiable and could provide a starting point for generating a robust set of indicators to assist intelligence analysts and policy planners. The primary indicators at each phase of an authoritarian state political warfare campaign appear to be as follows.

## **Phase # 1: Commencement State**

- A significant growth in the official, quasi-official, and commercial presence of authoritarian state entities.
- Sustained efforts to develop personal relationships with political, economic, and other leaders of influence and generate a sense of obligation in them.
- A rise in visit diplomacy with many political, media, business, trade union, and other leaders given fully paid visits to the authoritarian state.
- Giving national leaders red carpet treatment on state visits and publishing much rhetoric about the economic and development potential of the relationship.
- Significantly expanded intelligence operations.

- A rise in the number of authoritarian state citizens seeking to visit targeted states as business people, students, tourists, and also as permanent immigrants.
- A steep rise in business investment, often to facilitate further waves of Chinese tourists as in the case of China, and sometimes to secure control of elements of national infrastructure.
- Offers of carefully targeted aid. Most Chinese financial support does, however, take the form of loans, many of which feature unfavorable terms and mandate construction or the provision of services by Chinese companies.
- Establishing several front organizations, including Russian and Chinese media offices in the case of those two states.
- Encouraging local leaders to express public support for the relationship and for the policies and actions of the authoritarian state.

## **Phase #2: Contested State**

- More intense operations by front organizations.
- New pro-authoritarian state political parties are founded or elements of existing political parties are co-opted to the authoritarian state's cause.
- A substantial rise of authoritarian state media activity with a focus on dominating information flows to the diaspora and other local communities.
- Further development of relationships with political, business, media, and academic leaders. Some evidence of direct and indirect bribery or coercion of some local leaders through their making public statements in support of authoritarian state policies.
- Pressure to expand and formalize political, economic, infrastructure, education, foreign policy, defense, and other links, such as through the BRI.
- Pressure to liberalize immigration and other people movements to favor authoritarian state citizens.
- Further expansion of intelligence operations and cyber intrusions.
- Expansion of trade accompanied by a substantial rise in visit diplomacy.
- The importation of authoritarian state telecommunication and surveillance technologies and systems.
- Periodic "friendly" visits by authoritarian state military units and increased military-to-military contacts.

- Recruitment of ethnic, language, and cultural sub-groups in targeted countries to travel beyond their national borders to be trained and equipped for a range of roles, including intelligence and subversion.
- Additional pressure applied to targeted state leaders, members of media organizations, and prominent commentators to support the international positions of the authoritarian state.
- Public opinion in the targeted country shifts to be more favorable to authoritarian state interests.

### **Phase #3: Client State**

- The expression by the national leadership of the targeted state of a strong commitment to the relationship with the relevant authoritarian state(s), routine deference to its policy positions and interests, and criticism of those who remain committed to liberal democratic principles and systems.
- The distancing of government and opposition leaders from long-standing foreign, security, and economic relationships with democratic states.
- The championing of authoritarian state interests and censoring of alternative views by the target state mass media, business community, and academia.
- Privileged immigration, investment, and other access accorded to authoritarian state citizens, and large numbers move into the target country.
- Close intelligence and security relationships established with the authoritarian state(s).
- The marked growth of the operations of authoritarian state front organizations, in both scale and operational intensity.
- Foreign-trained militia serving as paramilitary forces within the targeted state protecting the interests of the local political regime but also providing security for authoritarian state agents of influence and front organizations.
- The targeted state hosting routine visits and some permanent deployments by the military forces of the authoritarian state.
- The installation of comprehensive electronic and other surveillance systems by authoritarian state companies and commence operations to monitor and apprehend dissenters from the ruling regime.
- Clear indications that the independence of the criminal justice system is being undermined, such as politically inconvenient legal conventions being overturned and many judges being corrupted or replaced.

## LIST OF ACRONYMS

<b>ACRP</b>	Asian Conference of Religions for Peace
<b>ASEAN</b>	Association of Southeast Asian Nations
<b>ASIO</b>	Australian Security Intelligence Organization
<b>ASPERTINA</b>	Chinese-Indonesian Natives Association
<b>BRI</b>	Belt and Road Initiative
<b>C4ISR</b>	Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
<b>CCECC</b>	China Civil Engineering Construction Corporation
<b>CCP</b>	Chinese Communist Party
<b>CNMI</b>	Commonwealth of Northern Marianas
<b>COFA</b>	Compacts of Free Association
<b>CPAFFC</b>	Chinese People's Association for Friendship with Foreign Countries
<b>CPSU</b>	Communist Part of the Soviet Union
<b>CPTPP</b>	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
<b>CRI</b>	China Radio International
<b>DPP</b>	Democratic Progressive Party
<b>ETG</b>	Exhibition and Travel Group
<b>ETV+</b>	Estonian Television
<b>FPCI</b>	Foreign Policy Community of Indonesia
<b>FSM</b>	Federation of Micronesia
<b>IPTI</b>	Chinese-Indonesian Youth Association
<b>IXP</b>	Internet Exchange Point
<b>LIPI</b>	Indonesian Institute of Sciences
<b>MP</b>	Member of Parliament
<b>NSDD</b>	National Security Decision Directive
<b>OBOR</b>	One Belt One Road
<b>OSRN</b>	Oceania Silk Road Network
<b>PIF</b>	Pacific Island Forum
<b>PNG</b>	Papa New Guinea
<b>PRCANZ</b>	Peaceful Reunification of China Association of New Zealand
<b>RAPI</b>	Russian Association for Baltic Studies
<b>RMI</b>	Republic of Marshall Islands
<b>RT</b>	Russian Television
<b>SHAPE</b>	Supreme Headquarters Allied Powers Europe
<b>USIA</b>	United States Information Agency





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