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CHINA INSIDER

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**US Targets Chinese
Political Interference
Ahead of 2020 Elections 2**

A woman walks on an almost empty road in Wuhan, China, on Jan. 27, 2020. As the "official" death toll from the coronavirus reaches 80 in China with over 2700 confirmed cases, the city has been on transportation lockdown since Jan. 22.

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CORONAVIRUS THREAT?

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CHINESE INFLUENCE

US Targets Chinese Political Interference Ahead of 2020 Elections

CATHY HE

As the United States heads toward election season later this year, the threat of Russian interference isn't the only concern that looms large.

The Chinese regime's political interference operations are increasingly drawing scrutiny from the U.S. government.

With federal authorities on high alert after the much-publicized Russian disinformation campaign during the 2016 elections, they have also expanded their dragnet to target other malign actors, including the Chinese regime.

Seven federal agencies dealing with homeland security last November warned that "our adversaries want to undermine our democratic institutions, influence public sentiment, and affect government policies."

"Russia, China, Iran, and other foreign malicious actors all will seek to interfere in the voting process or influence voter perceptions," they said in a joint statement in November last year.

While Russian interference has largely taken place in the cyber arena, such as social media campaigns and email hacking, Chinese activities take on a different color.

U.S. Assistant Attorney General for National Security John Demers said at a homeland security event in Washington last week that "on the Chinese side ... we haven't seen that kind of activity [email hacking]. "But we are worried about what I'd call more foreign influence activities," he said.

Foreign Influence

The Chinese regime's foreign influence activities were described by former Australian Prime Minister Malcolm Turnbull as "covert, coercive, and corrupting."

Unlike Russian objectives focused on inflicting immediate harm to U.S. democratic institutions, such as by sowing chaos and discord, Beijing "has very specific policy objectives that they are after," Demers said.

For instance, "Stop talking about Hong Kong. Stop talking about the Uyghurs. Stop interfering with our desire one day to control Taiwan," he said. China considers Taiwan part of its territory despite it being a self-ruled democracy with its own currency and military.

Jeff Nyquist, an author and researcher of Chinese and Russian strategy, however, told The Epoch Times that the Chinese regime's ultimate goal is far more expansive. "The Chinese objective is to embed themselves ... inside the West. And it becomes so powerful in their position there, that nobody can say no to them when they want something," he said.

Beijing seeks to infiltrate the U.S. political and business system, Nyquist said, primarily through wielding economic influence.

Demers cited public examples of Beijing using its economic clout to pressure U.S. companies or people to take stances that don't offend the regime. This includes the National Basketball Association (NBA) controversy last year over a tweet by Houston Rockets general manager Daryl Morey in support of protesters in Hong Kong, which later led to almost all Chinese sponsors cutting ties with the NBA. For months, Hongkongers have expressed anger at Beijing's increasing encroachment on the city's autonomy.

"That [pressure] can also be done much more quietly," Demers noted. "Folks who have business in China, or in areas [industries] that are controlled by China, are vulnerable to economic pressure. And those are the same people who may be involved in a variety of ways in election campaigns here



ETHAN MILLER/GETTY IMAGES

in the U.S."

Follow the Money

Influencing elections is about "influencing the money that goes in behind the election," Nyquist said. "A lot of politicians know if they go against Chinese interests or American companies that are involved in China, they're not going to get funded ... The other guy's going to get funded."

This, he said, was exemplified during the 2016 U.S. presidential race when almost no candidate—Democratic or Republican—with the exception of Donald Trump, spoke about getting tough on Beijing over its unfair trade practices. Trump was in a position to take such a stance because, unlike his rivals, he partially self-funded his presidential campaign, Nyquist noted.

He said the Chinese regime's *modus operandi* can be gleaned from the findings of a secret intelligence report prepared in 1997 by analysts in Canada's law enforcement and intelligence agencies, known as "Project Sidewinder."

That study, which was leaked to media and ultimately shelved by the Canadian Security Intelligence Service, found that the Chinese regime sought to gain control of key industries in the country, particularly real estate, through organized crime networks, and, in

turn, leverage that economic clout to influence the political system. "You have natural systems of lobbyists within countries [such as] Canada [and] ... the United States," Nyquist said.

"If you can become part of that lobby, gain a voice within that lobby, and send agents of influence into it, you can then use that powerful lobby" to influence politicians and political parties, he said. This influence extends to having a say on which candidates are selected to run for election, he said.

Two decades after the Sidewinder report, the issue of Chinese political influence burst into the spotlight in another commonwealth country: Australia. Following news reports in 2017 of wealthy Chinese businessmen with alleged links to the regime donating millions of dollars to Australia's two major political parties, the country enacted anti-foreign interference laws—similar to those in the United States—barring foreign donations.

Comprehensive Campaign

A 2018 Hoover Institution report, written with the input of prominent China experts, comprehensively examined the Chinese regime's influence activities throughout sectors of U.S. society—from companies, think tanks, and universities, to state, local, and na-

tional government bodies.

"The ambition of Chinese activity, in terms of the breadth, depth of investment of financial resources, and intensity, requires far greater scrutiny than it has been getting, because China is intervening more resourcefully and forcefully across a wider range of sectors than Russia," the report found.

The Chinese objective is to embed themselves ... inside the West. And it becomes so powerful in their position there, that nobody can say no to them when they want something.

Jeff Nyquist, author and researcher on Chinese strategy

"In American federal and state politics, China seeks to identify and cultivate rising politicians."

Beijing's approach focuses on cultivating relationships with individuals, and this is often combined with espionage operations. "It is person-to-person relationships that carry the weight of Chinese information operations. Working on these personal ties, the Chinese authorities focus on facilitating meetings and contacts that may or may not result in opportunities to influence foreign targets," the report stated.

In some instances, the regime has also "used private citizens and/or companies to exploit loopholes in U.S. regulations that prohibit direct foreign contributions to elections," it said.

In November 2019, the Federal Election Commission issued almost \$1 million in fines over illegal foreign donations to Jeb Bush's 2016 presidential campaign. American Pacific International Capital, a U.S. subsidiary of a corporation owned by a Chinese national, had contributed \$1.3 million to Bush's super political action committee, Right to Rise.

In response to Chinese influence attempts across society, the report advocates a policy of "constructive vigilance."

"Sunshine is the best disinfectant against any manipulation of American entities by outside actors and we should shine as much light as possible on Chinese influence seeking over organizations and individuals," it said.



John Demers, assistant attorney general for national security, testifies at a Senate committee hearing on Chinese espionage in Washington on Dec. 12, 2018.



JOSHUA LOTT/GETTY IMAGES

Voters fill out their ballot as others wait for an open space at a booth in Des Moines, Iowa, on Nov. 6, 2018.

OPINION

Global Banks' Potential Faustian Pact for Chinese Market Access

FAN YU

With the phase one trade deal with the United States signed and filed, China's banking regulators have begun to ease restrictions on foreign banks to enter the Chinese market. Starting this year, foreign investment banks can take full ownership stakes in Chinese securities firms.

And that's music to the ears of banking executives who have long salivated for a slice of China's financial markets.

But how good of a deal is it? If global banks aren't careful, they can undo a decade of investor goodwill and prudent risk management following the last financial crisis.

Foreign Ownership Allowance

Starting on April 1, foreign ownership caps for Chinese securities firms will be lifted as part of the phase one trade deal. That date has been accelerated from the December 2020 target date previously floated by Chinese securities regulators.

Foreign banks can now compete to be lead underwriters of debt and equity offerings, own asset management firms, and broker deals.

It's been a slow build-up to this point. In 2014, Beijing set up the Shanghai-Hong Kong Stock Connect, allowing investors in each market to trade shares on the other using their local brokers. Two years later, a similar arrangement between Hong Kong and Shenzhen was established. Last year, a connection between London and Shanghai was launched.

Who's jumping in so far? Swiss bank UBS in December 2018 became the first foreign bank to gain a 51 percent majority ownership stake in its local securities venture. In 2018, Japanese investment bank Nomura Holdings received approval for a 51-percent-owned Chinese venture. JPMorgan Chase also launched a majority-owned business in December 2019. Others, including Morgan Stanley and Goldman Sachs, are in the process of establishing similar footholds. The new rules clear the way for 100 percent ownership going forward.

What's the benefit? A slice of China's \$45 trillion financial services sector, and the fees associated with arranging debt and equity raises, investment management, and mergers and acquisitions advisory.

Today, domestic banks dominate local Chinese investment banking league tables. The top of most lists for

Beijing bureaucrats, through the party cells, can compel banks to lend to China's state-owned or private enterprises regardless of their economic merit.

IPOs, debt, and equity capital markets are all state-owned entities, such as CITIC, China Investment Corp., China Securities Co., and Guotai Junan Securities Co.

At the minimum, a majority or full ownership would allow global banks to consolidate their Chinese revenues and profits into group earnings to appease investors.

A Fraught Path Forward

For global banks, the first challenge is a lack of competent staff inside China. Top bankers in New York and London, or even Singapore, aren't going to suddenly pack up and move to China—and the ongoing outbreak of the novel coronavirus isn't increasing China's appeal.

Banks can poach talent from Chinese competitors. But there are a ton of landmines there. Wall Street tends to have a very short memory, so let's take a walk down memory lane.

In 2018, UBS received a fast introduction to how Beijing conducts business. A UBS banker on a business trip to China was barred by authorities from leaving the country. The staffer was confined and interrogated for about 24 hours.

In 2016, JPMorgan Chase paid almost \$300 million to settle a U.S. Securities and Exchange Commission probe into its hiring of children of well-connected Chinese officials and executives. The "princelings" scandal, as it was referred to, was a black eye for JPMorgan and other global banks that ran similar schemes in hopes of currying favor with local officials.

As international banks prepare to expand their presence in China, they must also be prepared to potentially compromise existing business policies. Let's examine a few examples.

Chinese Communist Party (CCP) leader Xi Jinping has increasingly promoted the so-called "civil-military fusion" strategy. Essentially, it's a strategy to accelerate China into a global superpower by merging civilian industrial innovation with China's military. In practice, it means that any Chinese-domiciled company could be called upon to hand over information or otherwise assist the People's Liberation Army.

"China has explicitly strengthened the corporate boards' linkages to the Chinese Communist Party," said Nazak Nikakhtar, assistant secretary for industry and analysis, U.S. Department of Commerce, International Trade Administration, during testimony on Jan. 23 in front of the U.S.-China Economic

and Security Review Commission in Washington. Nikakhtar was referring to the CCP increasingly calling on companies—including foreign-owned companies—to support the creation of CCP party committees or cells within their offices.

China's Company Law, which applies to both state-owned and foreign-owned Chinese companies, refers to party organizations but doesn't define their roles. But such cells can influence corporate decision-making and could indirectly grant the CCP de facto "oversight" of the company.

For example, Beijing bureaucrats, through the party cells, can compel banks to lend to China's state-owned or private enterprises regardless of their economic merit.

Such activities would surely be antithetical to U.S. (and European) national security or political interests, and let's not get into the myriad corporate governance violations. How can investors of international banks square that?

Lastly, let's circle back to Goldman Sachs, the investment banking giant whose most notable recent exploit in Asia was the 1Malaysia Development Berhad (1MDB) debacle in Malaysia, where the bank was accused of misleading potential investors in bond issuances designed to raise cash for 1MDB, the state development company.

On Jan. 23, Goldman CEO David Solomon told CNBC that the bank would no longer take companies public (through an IPO) unless the company's board of directors has at least one "diverse" member.

Promoting a diversity of opinions within corporate governance is a noble goal, and it should be about more than just one's skin color or gender. And Goldman could force some changes among U.S. companies looking to go public.

But will the bank promote the same diversity policy when it comes to its Chinese clients? What about boards entirely made up of CCP members whose only role is to rubber-stamp Party-sanctioned decisions? And what if those decisions hurt the bank's U.S. shareholders or clients?

For global investment banks looking to make a quick buck in China, they should be careful what they wish for.

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STR/AFP VIA GETTY IMAGES

The office of the locally incorporated JPMorgan Chase Bank in Beijing, in this file photo.

OPINION

Is Beijing Hiding the Severity of the Coronavirus Threat?

The Chinese Communist Party (CCP) is withholding the truth about the coronavirus outbreak

JAMES GORRIE



According to official statistics, which are being updated several times per day, 41 people have died and over 800 are under observation or have fallen ill from the Wuhan coronavirus. That's more than double the number of fatalities and three times the number of infected people reported from the day before.

As it stands, these figures would put the fatality rate at two-to-three percent. Compared to the nearly 10 percent overall fatality rate of the SARS (Severe Acute Respiratory Syndrome) outbreak in 2002-2003, the lethality level of this new virus looks relatively tame. That's the story out of Beijing's official news outlets.

But are those really the facts? Are Beijing's numbers truthful? Probably not.

Math Doesn't Add Up

The math just doesn't add up. It's not reasonable to think that in a city of 11 million people, where at least tens of thousands of people—and perhaps even hundreds of thousands—were exposed to the virus every day for weeks. Nor is it believable that only 900 cases of infected individuals have turned up since the beginning of the outbreak in mid-December.

That's over a month of people traveling both into and out of Wuhan without any precautions put in place by Chinese authorities. It was only on Jan. 20 that China conceded that the virus is easily spread by human-to-human contact.

But at the same time, Chinese medical authorities such as Wang Guangfa, a Beijing respiratory specialist, insist that even though the virus can infect a person through unprotected eyes, the contagion effort in Wuhan was performed "swiftly and effectively."

That's simply not credible. Such a blatantly politically correct statement contradicts the reality that the virus is now essentially global.

Other Nations Knew Weeks Ago

Meanwhile, in the same period of time, other nations were busy preparing precautions for the outbreak that they knew was coming.

Did those nations have different information than the Chinese authorities? Was any information withheld from Beijing? The answer, of course, is "No."

Probably much more realistic is an article in the Daily Beast that contends the number of infected people runs into the thousands. That makes much more sense

Contrary to the official narrative made by the CCP official news organs, the contagion is nowhere near under control.

from a statistical perspective. What we already know about the incubation time—about two weeks—would seem to show the CCP's numbers to be the lies that they most certainly are.

On Jan. 21, the Atlanta-based Center for Disease Control and Prevention (CDC) announced that, "It's unclear how easily this virus is spreading between people." That's a very moderate statement. The CDC, however, also said that "this is a rapidly evolving situation."

"Totally Under Control?"

President Trump's assertion that the United States has the virus "totally under control" is at best ill-advised. In the real world, how many other "rapidly evolving" situations are actually "under control?" Not many.

Uncontained forest fires, for example, are "rapidly evolving situations," as are political revolutions like the one happening in Hong Kong. Going further, neither those events nor the unpredictable actions that occur in the heat of battle, nor the early and unchecked spread of a new strain of a highly contagious virus can be described as, "under control."

In fact, contrary to the official narrative made by the CCP official news organs, the contagion is nowhere near under control. The fact that it's quickly spreading to more parts of the world is demonstrable proof of that.

One-Man Rule Is the Worst Contagion

By why, then, did the CCP wait five weeks before taking precautionary actions?

Everyone knows the answer. The Chinese regime has been downplaying the threat and lying about the number of people affected by illness or death to preserve the illusion that it is in control of the situation. Given the past year of failures, it can't afford to look worse than it already does.

The lesson of this unnecessary and potential global epidemic is political and ideological in nature. One-party rule, with the inherent need to always be seen as the wise, guiding force of the country, is bad enough. Horrendous mistakes are made, and yet Communist Party members are rarely held accountable. But if someone is blamed, they're used as scapegoats to bring the public satisfaction that justice has been done, while at the same time, exonerating the Party from guilt.

But when just one man rules a nation, it makes every decision personal, and therefore, reflects directly—and often poorly—on him. This makes telling the truth risky. Which advisor wants to suffer the consequences of telling the all-powerful leader the very bad news of a new virus outbreak

with the economy crashing?

Such incompetence and fear of being seen as incompetent isn't new; it's actually standard operating procedure for the CCP since its founding.

African Swine Fever Showed the Future

Take the African Swine Fever (ASF) epidemic of 2019, for example. Chinese authorities knew that, with pork being a staple in China, such a highly contagious disease could and would spread and threaten the nation's food supply if it wasn't contained quickly and thoroughly. Yet Beijing didn't act to stop the spread of the disease.

Just the opposite occurred. Lip-service was paid up the Party food chain, but for too long, very little actual preparations and protections were put in place by the Chinese regime. As the situation grew worse, it merely censored what was happening. The result is the food shortage and price inflation that China's people are enduring today. And yet the whole time, the official Party line was that it had the ASF outbreak under control.

Some Better News?

But the good news is that the Chinese regime is now finally acting. Starting on Jan. 23, the city of Wuhan was put under quarantine. All public transportation traveling into and out of the city has been stopped. Even more drastic, Chinese authorities have widened their quarantine to at least twelve additional cities.

What's more, Chinese Lunar New Year celebrations, the biggest holiday and shopping season of the year, have been cancelled. It won't stop all travel in and out of China, which may be the wisest course of action at this point, but at least it's something.

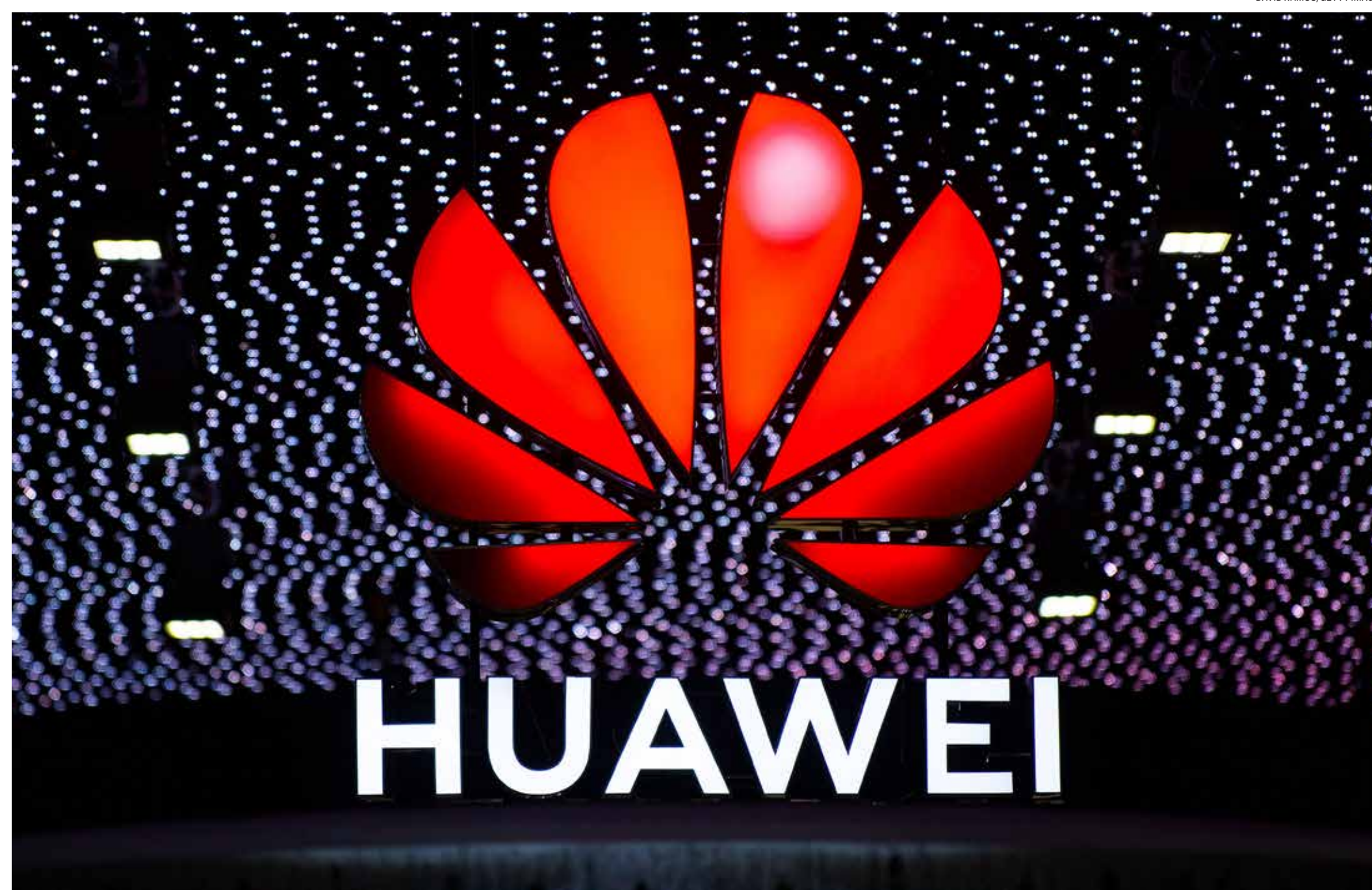
Of course, these actions should have been taken much earlier. Unfortunately, the proverbial infected cow left the coronavirus barn weeks ago, with predictable results. The disease has spread well beyond China to Singapore, Thailand, Japan, South Korea, Vietnam, Saudi Arabia, India, and of late, as the BBC reports, Scotland.

The coronavirus infection is risky; but clearly the risks that come with the political virus of one-man rule of a nation are much worse.

James Gorrie is a writer and speaker based in Southern California. He is the author of "The China Crisis."

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DAVID RAMOS/GETTY IMAGES



A Huawei logo displayed at the GSMA Mobile World Congress in Barcelona on Feb. 26, 2019.

OPINION

Can the US Stop Huawei From Enveloping the Globe?

JAMES GORRIE



The deadly virus originating out of the central Chinese city of Wuhan is making headlines. But there's another high-risk contagion that has spread much further and deeper into many nations of the world, with very serious consequences as well.

I'm talking about Huawei, of course, and its drive to be the main source of 5G telecommunication equipment for the world.

As I've written before, the China-based company is the biggest network equipment and telephone infrastructure provider on earth. Its equipment is at the very heart of communications systems in countries across Europe and Asia, as well as in several Western states in the United States.

Unfortunately, as many are aware, Huawei gear itself is the infection, compromising networks and phone systems with built-in spyware. This enables the company to record, gather, and alter data of all stripes, from the mundane to the top secret, and send it home to Beijing.

The global equipment provider's violations range far and wide in their damage to the national security, as well as economic viability, of every nation in which their network equipment operates. In medical terms, the "Huawei virus" undermines nations' immune system, lowering its ability to defend itself in a variety of critical areas, including trade and foreign policy.

In fact, Huawei was the catalyst of the U.S.-China trade war and the threat it poses to U.S. sovereignty is reflected in Trump's very hard line against it. That also explains why Washington identified Huawei as a national security threat in November 2019.

There Are No Coincidences

Of course, Huawei's behavior isn't breaking news. Meng Wanzhou, the CFO and daughter of the company's founder Ren Zhengfei, has been under house arrest in Canada since late 2018. She was taken

into custody for allegedly violating U.S. trade sanctions against Iran through a shell company based in Hong Kong.

Coincidentally, Meng's arrest in Canada at the request of the U.S. government was the same day that President Donald Trump was in talks with Chinese leader Xi Jinping.

Was the timing of Meng's arrest a coincidence? Perhaps, but probably not. "In politics," as the saying goes, "there are no coincidences."

It's much more likely, therefore, that Trump wanted to let Beijing know just how serious the United States is about stopping its predatory practices.

Imagine the words that must have passed between them as Beijing learned of the arrest of one of the top officers of its flagship company. The conversation must have been quite animated, to say the least. It's also probable that in that moment, the Chinese Communist Party (CCP) leadership realized that it wasn't dealing with President Barack Obama anymore.

That's also why Beijing's detention of two Canadians shortly thereafter can only be seen in the context of retaliation against Canada for their arrest of Meng.

Blacklisting Huawei

Although Meng, her father, and even the Chinese regime continue to deny the charge of Iran sanction violations, investigations from both the legislative and executive branches of the U.S. government have found, without doubt, that such is the case. Those investigations, which confirmed that Huawei acts as an agent of the CCP, resulted in the U.S. Commerce Department blacklisting Huawei from buying parts from U.S. companies without special permission.

That's the context behind Meng's trial for extradition to the United States, which began this month. If China was expecting the United States to drop the charges against Huawei if Beijing signed the phase one trade deal, they're likely to be disappointed.

Leveraging such quid pro quos is business as usual for Beijing. However, as China is finding out, that's

not how the Trump administration works. The United States is determined to rollback Huawei's—that is, China's—penetration and influence in the world, and especially with regard to U.S. allies.

More to the point of the matter, Meng's extradition to the United States would almost certainly result in a conviction. It would have to. If she were to be acquitted, it would discredit the global campaign against Huawei and Beijing's predatory trade practices that the United States is so ardently pursuing.

The Cost of Banning Huawei

If a conviction occurs, how serious will Beijing be about fulfilling its side of the phase one agreement? It wouldn't be a surprise if China were to back out; doubts about its ability to meet the terms already exist.

If that happened, the United States could ban Huawei from the U.S. banking system, severely hindering its ability to do business. That option reportedly has already been considered and remains on the table.

China, on the other hand, may be engaged in bit of messaging as well. Huawei's legal department issued what looks like a thinly veiled threat, when Chief Legal Officer Song Liuping stated that, "Banning a company like Huawei, just because we started in China—this does not solve cybersecurity challenges."

The meaning of that statement seems rather clear: Beijing is threatening cyberattacks against the United States if the case against Meng goes forward and results in a conviction and further actions against Huawei.

The cost of containing Huawei may well be the unwinding of the phase one agreement, which may have been Beijing's plan all along.

James Gorrie is a writer and speaker based in Southern California. He is the author of "The China Crisis."

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NATIONAL SECURITY

A Breakdown of China's 'Total Competition' Strategy

BONNIE EVANS

News Analysis

WASHINGTON—Although China is undeniably and universally acknowledged by U.S. policymakers as America's biggest strategic threat, the United States cannot say it wants to "contain" that threat.

That was one of the messages from Patrick Cronin, who holds the Asia-Pacific Security chair at the Hudson Institute in Washington, at the Westminster Institute on Jan. 18.

Cronin explained the rationale for this seeming paradox.

Suggesting that America wants to "contain" China is a term used by America's enemies, such as Russia.

Therefore, the argument goes, the United States doesn't want to play into the language of our adversaries.

Thus, despite defining a litany of Chinese aggressive abuses against the United States, its allies, and Chinese neighbors in the South China Sea, rhetoric wins the day in defining what the U.S. strategy should be to counter the Chinese threat.

Total Competition

Cronin said the threat is a "whole of society" effort on China's part to achieve dominance over the United States.

The military threat focuses on the South China Sea, Cronin explained, "because that's where China has the most running room."

The difference with the East China Sea is that there, "Japan stands in their way." Cronin suggested a nuanced approach by the Chinese. They want "to change the status quo without triggering a major response."

That's no different from the other revisionist states on the National Defense Strategy list, which, in addition, to China, are Iran, North Korea, and Russia.

But all want several of the same outcomes. Each wishes to eclipse U.S. power.

China's total competition strategy includes several dimensions, as Cronin and other analysts in Washington's policy world identify, although not all agree which areas are the most important to China in the long run.

Cronin says that competition encompasses, in order of importance,

the economic, legal, psychological, military, and information spheres.

Listing the military as fourth in importance is intentional. "It's not how they want to win," Cronin said.

Total competition doesn't equate to total warfare, Cronin said.

But China's military posture still remains a major dimension of its outward-facing posture.

That's because the United States isn't China's only roadblock to its ambitions.

"Every neighbor wants independence from China. None want to be China's stooge. They all want autonomy," Cronin said.

Key Chinese Military Capabilities

Apart from the general threats that China poses, which now form a common currency of thought among policymakers and influencers in the United States and beyond, Cronin also outlined a number of specific military tools that China uses to create an advantage.

First, in its efforts to "push us out of Southeast Asia altogether," China uses anti-access/area denial (A2/AD) technology.

A2/AD is "a series of interrelated missile, sensor, guidance, and other technologies designed to deny freedom of movement" to the United States or any potential adversary from "intervening in a conflict off of China's coast or from attacking the Chinese mainland," according to international security scholars Stephen Biddle and Ivan Oelrich.

DF-26

Second, it also has the DF-26, which is meant to strike hard targets such as Guam, Cronin says. The DF-26 (Dong Feng-26) is a Chinese intermediate-range ballistic missile, according to the Center for Strategic and International Studies (CSIS) Missile Defense Project.

Not only is Guam in the DF-26's sights, with a range of 3,000–4,000 kilometers (1,875–2,500 miles), the DF-26 is also "capable of ranging most U.S. military bases in the eastern Pacific Ocean."

"The missile can be armed with a conventional or nuclear warhead, and an anti-ship variant may also be in development," CSIS adds.

Cabbage Strategy

Third, China's coast guard is the "biggest and best-armed coast guard in the world," Cronin said.

Combined with the armed fishing boats that make up China's maritime militia, and the relative might of the People's Liberation Army Navy (PLAN), China's coast guard makes up the middle layer of what is known as "cabbage strategy." Like the overlapping leaves of the cabbage plant, so common in Chinese households, the naval tactic encloses islands within successive layers of concentric circles, eventually compromising and essentially capturing them completely.

The Reed Bank incident in the Philippines in June 2019 is an example of the Chinese use of the maneuver.

A Chinese boat rammed a Philippine fishing vessel anchored at Reed Bank in the South China Sea. Left in the water by the Chinese, the 22 crew members were ultimately rescued by a Vietnamese vessel.

It was later proven that the Philippine boat was within the Exclusive Economic Zone of the Philippines, according to the official report of the incident.

Cyber and Space

Finally, of even greater concern are the new domains of cyber and space, Cronin said. To that end, at the end of 2015, China created a Strategic Support Force (SSF) as part of its overall military reforms.

RAND, a nonprofit global policy think tank, describes the main function of the SSF's space component as "the launch and operation of satellites to provide the PLA with command and control, communications, computers, intelligence, surveillance, and reconnaissance capabilities."

"They are tools of strategic deterrence, critical to enabling the PLA to fight informatized local wars and counter U.S. military intervention in the region and essential for supporting operations aimed at protecting China's emerging interests in more-distant parts of the world," RAND states.

These systems are designed to employ cutting-edge technologies of artificial intelligence and secure space-based quantum communications, in which China is already a leader, and they plan to do it by 2025.

ANTHONY WALLACE/AFP VIA GETTY IMAGES



China's first aircraft carrier, the Liaoning, arrives in Hong Kong on July 7, 2017.

TR/AFP VIA GETTY IMAGES



Employees work in a workshop of wire harness assemblies at a factory in Huaibei, China, on March 11, 2019. S

NATIONAL SECURITY

US Works to Defeat China's Spying and Theft

BONNIE EVANS

WASHINGTON—China is America's top adversary, and its ability to steal American intellectual property is an important part of that threat, but the Trump administration is developing the tools to fight back.

This was the message of two administration officials at a forum of the Homeland Security Experts Group, hosted by the Wilson Center on Jan. 17.

Acting Secretary of Homeland Security Chad Wolf said that China "remains our most significant and persistent strategic adversary."

Echoing what is now becoming a mantra in policy and government circles, the secretary said that China "is pursuing a long-term, whole-of-nation effort to threaten and undermine the United States."

Wolf made a concession to the economic relationship between the United States and China, however, saying, "We value our partnership with Beijing to promote global prosperity," tacitly acknowledging the U.S.-China "phase one" trade deal that was signed at the White House just two days prior to his remarks.

But he pulled no punches in describing the threat from China.

"Using covert and overt means," he said, "China works to threaten the U.S.'s power and dominance from within the system."

The secretary cited Chinese efforts within academia, scientific communities, and Silicon Valley as examples in

I found each component addressing the Chinese threat in their own silo ... perhaps not coordinating as much as they could across the department.

Acting Secretary of Homeland Security Chad Wolf

which Chinese "bad actors" must be held accountable.

The Executive Branch Strikes Back

Wolf described in general terms actions that the executive branch of the United States government is taking to counter Chinese influence.

The Department of Homeland Security (DHS) itself is using its regulatory tools and its "unique authorities, data, and missions" to block China's efforts.

The Committee on Foreign Investment in the United States, known as CFIUS, plays a role as well.

CFIUS reviews deals involving foreign investment in the United States, including real estate deals involving foreigners, specifically for the purpose of determining what impact the investment may have on the national security of the United States.

It's an interagency committee that includes the heads of the Department of the Treasury and the Departments of Homeland Security, Commerce, Defense, State, and Energy, as well as the offices of the U.S. Trade Representative and of Science and Technology Policy, among others.

Wolf and his CFIUS colleagues will soon have additional tools at their disposal.

Significant reforms to CFIUS are coming into effect in 2020 as a result of the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA). The provisions of FIRRMA not only "codify certain CFIUS regulations and practices," but the act also "expands

CFIUS jurisdiction to cover several previously uncovered transactions," according to a bulletin provided by international law firm Skadden.

Wolf described DHS operational inefficiencies he discovered when he took over the top job.

"I found each component addressing the Chinese threat in their own silo ... perhaps not coordinating as much as they could across the department," he said.

"A siloed approach is not efficient."

Since then, new planning protocols and priorities are helping the department to identify and address threats from China "to make sure that we are positioned to respond to any threat quickly."

Insider Threats From China

Assistant Attorney General John Demers also weighed in on the Chinese threat.

Demers is in charge of the national security division of the Justice Department and leads the department's China Initiative.

The Justice Department's China Initiative was established in 2018 "against the background of previous findings by the Administration concerning China's practices," according to a department fact sheet.

The Department of Justice's initiative reflects the Department's strategic priority of countering national security threats from China and reinforces the president's overall national security strategy.

Importantly, the China Initiative is a key plank supporting President Donald Trump's overall national security strategy.

"It is focused on various aspects of Chinese malign behavior, but the big thing has been economic espionage," Demers said of the initiative.

China is "stealing everything from corn and rice technology to the BPA-free lining of your water bottle, to commercial jet airplane technology," he said.

These days, however, although the theft of intellectual property through cyber activity is still occurring, it's insider threats from Chinese intelligence services that are contributing to most of the cases the Justice Department has been handling over the past year and a half.

What Chinese intelligence services "do really well," Demers said, "is get information out of people."

"They have the tools, skills, experi-

secret out of you, that is what they will use to try to do that. If they want to get an economic secret out of you, they will use those same tools and threats," he said.

He held up the Micron case as an example of the benefits to a company of contacting and cooperating with the U.S. government early on in a case of suspected insider theft of intellectual property.

Micron Technology is a leading semiconductor company that specializes in memory-storage technology.

Included in its suite of products are components for Dynamic Random-Access Memory, known as DRAM. At the time of charging the case, Micron was the only American company manufacturing DRAM.

China didn't have DRAM, and according to the Justice Department's announcement of the indictment on Nov. 1, 2018, the Chinese government had already identified the development of DRAM as "a national economic priority."

If we catch them early enough, we can prevent the harm from occurring.

John Demers, assistant attorney general for national security

The case ended up charging a Chinese state-owned company, a Taiwanese company, and three individuals with conspiracy to "steal, convey, and possess" trade secrets, and conspiracy to commit economic espionage, among other crimes.

In a nice twist for the prosecutors, the U.S. Commerce Department was then able to put the Chinese company that had stolen the technology on a Denied Entry list, Demers said.

That meant the offending Chinese company couldn't import the tooling it needed from the United States to give them the ability to make the parts for which they stole the technology, he said.

"We are not just trying to put the thief in jail ... which may not help you as a company if, in the meantime, that other company has stolen your technology and are making a product to replace it on the market," he said.

"If we catch them early enough, we can prevent the harm from occurring."

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