



# CHINA'S

## STEALTH POWER PLAY IN THE UNITED STATES

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# CHINA'S STEALTH POWER PLAY IN THE UNITED STATES

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## ABSTRACT

Would China's Communist Party allow a U.S. company to buy Chinese radio stations—thereby allowing it to control content on the airwaves? Would it allow a U.S. company to acquire Chinese movie theater chains and film studios—allowing it to then promote American values instead of China's? Could an American filmmaker show a documentary in China explaining what really happened in Tiananmen Square in 1989? Any objective understanding of the Chinese government—and the rigid censorship carried out by its governing Communist Party—suggests not. But that is not stopping China from acquiring the means to promote its agenda overseas, especially in the United States. Even worse is that the naked propaganda play goes on while the U.S. government sits on the sidelines with the conceit that this is not a problem.

## EXECUTIVE SUMMARY

From the South China Sea to the West, China is expanding its influence in the international arena. That process can be broken down into two elements: “hard power” and “soft power.” The former involves the accumulation of military and economic assets to strengthen China’s industrial-military complex. The country’s ongoing efforts to develop and weaponize man-made islands in the South China Sea represent one example of “hard” asset accumulation.<sup>1,2</sup> Another is the country’s use of cyber espionage against foreign governments and private companies, aimed at the “theft of intellectual property and trade secrets,” according to one report.<sup>3,4</sup> Both are meant to enhance China’s military capabilities. “China continues to invest in military programs and weapons designed to improve power projection,” explains Abraham Denmark, deputy assistant secretary of defense for East Asia.<sup>5</sup>

But the latter—projection of soft power, or *liaison work*, as the Chinese call it—is also a significant component of China’s pursuit of global influence.<sup>6</sup> In a 2014 address to China’s ruling Politburo—the principal policymaking committee of the Communist Party—President Xi Jinping claimed “[m]ass media, groups, and individuals should play their roles in displaying [Chinese] charm to the world.”<sup>7</sup> In Xi’s words, the country’s goal is to “raise China’s overall cultural strength and competitiveness.”<sup>8</sup> His predecessor, Hu Jintao, first identified soft power as a key feature of Chinese foreign policy in 2007, when he called for “promoting [the] vigorous development and prosperity of socialist culture” to “hold high the great banner of socialism” in a speech to state officials.<sup>9</sup>

What exactly does this entail? As the Strategic Studies Institute explains, soft power involves “the ability to achieve influence by means other than military and economic”—in other words, promoting a certain ideology to sway public opinion and/or policymaking in a foreign market.<sup>10</sup> China is currently doing so in the realm of communications—cinema, radio, and other public channels—to promote “Chinese values.”<sup>11</sup> “Beijing has mounted a major public relations offensive in recent years, investing billions of dollars around the world in a variety of efforts,” writes David Shambaugh, Director of the China Policy Program at George Washington University.<sup>12</sup>

And the United States is its primary target. America’s free-market system allows Chinese companies to turn commerce into “soft power” by capitalizing on the Communist Party’s extensive financial resources. Through acquisitions and mergers, Chinese companies supported by Communist Party money can influence public opinion with exclusively Chinese interests in mind. Dean Cheng of the Heritage Foundation calls it the “exploitation of economic ties to further other interests”—or “employ[ing] soft power in hard ways.”<sup>13</sup> This approach is upstream from directly influencing U.S. policymaking via lobbying and other political channels (perhaps the reason for its minimal mainstream media coverage). However, it still enables China to influence the prevailing narrative on the Communist Party and the merits of the Chinese way of life. While these asset acquisitions may be contrary to America’s own long-term policy interests, as Karl Marx observed, “The last capitalist we hang shall be the one who sold us the rope.”<sup>14</sup>

<sup>1</sup><http://www.foxnews.com/politics/2016/05/14/pentagon-report-says-china-weaponizing-man-made-islands-in-south-china-sea.html>

<sup>2</sup><http://www.nytimes.com/2016/03/31/world/asia/south-china-sea-us-navy.html>

<sup>3</sup><http://thediplomat.com/2016/02/top-us-spy-chief-china-still-successful-in-cyber-espionage-against-us/>

<sup>4</sup><http://www.cnbc.com/2015/10/19/china-hacking-us-companies-for-secrets-despite-cyber-pact-.html>

<sup>5</sup><http://www.cnn.com/2016/05/13/politics/china-military-south-china-sea-report/index.html>

<sup>6</sup>[http://www.project2049.net/documents/PLA\\_General\\_Political\\_Department\\_Liaison\\_Stokes\\_Hsiao.pdf](http://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf)

<sup>7</sup>[http://news.xinhuanet.com/english/china/2014-01/01/c\\_125941955.htm](http://news.xinhuanet.com/english/china/2014-01/01/c_125941955.htm)

<sup>8</sup>*ibid.*

<sup>9</sup><http://www.china.org.cn/english/congress/229611.htm#7>

<sup>10</sup><http://www.strategicstudiesinstitute.army.mil/pdf/files/pub1059.pdf>

<sup>11</sup>[https://rusi.org/sites/default/files/201603\\_op\\_chinas\\_soft\\_power.pdf](https://rusi.org/sites/default/files/201603_op_chinas_soft_power.pdf)

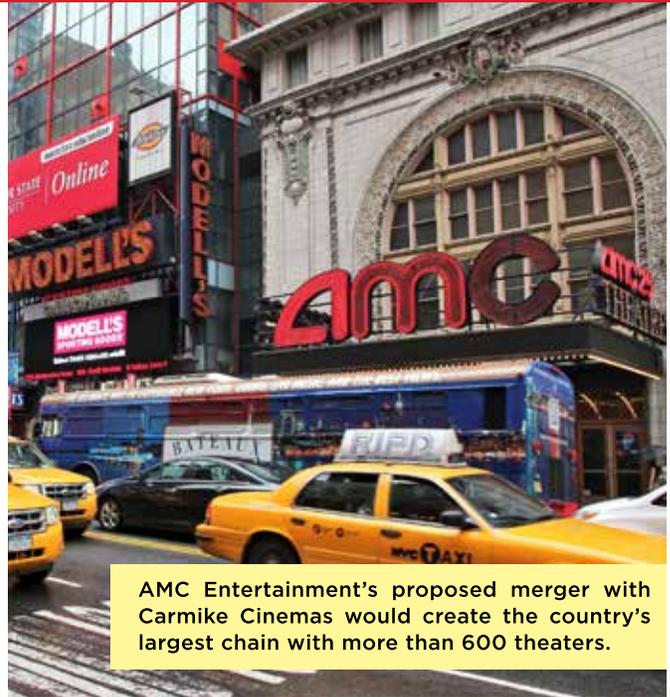
<sup>12</sup><https://www.foreignaffairs.com/articles/china/2015-06-16/china-s-soft-power-push>

<sup>13</sup><http://www.heritage.org/research/reports/2015/04/america-needs-a-comprehensive-strategy-for-counter-acting-chinas-expanding-perimeter-of-national-interests>

<sup>14</sup><http://www.marketwatch.com/story/grantham-wonders-if-marx-was-right-after-all-2012-02-29>

## TAKEOVER OF U.S. CINEMA

China—in particular, the Chinese firm Dalian Wanda—is being sold that rope in the American film industry. In 2012, Dalian Wanda bought AMC Entertainment—the second largest movie theater chain in the country—for about \$2.6 billion.<sup>15</sup> AMC in turn reached a purchase agreement with Carmike Cinemas in March 2016 for about \$737 million. If allowed to go through, this asset deal would form the country’s largest chain with 8,380 screens in more than 600 theaters (the deal is expected to close in late 2016).<sup>16</sup> Dalian Wanda also agreed to purchase Legendary Entertainment, the film production company behind *The Dark Knight Trilogy* among others, in January 2016 for about \$3.5 billion.<sup>17,18</sup> And the Chinese firm is reportedly interested in acquiring at least a portion of Lionsgate, a \$4.7 billion film studio and the producer of *The Hunger Games*, sometime in the near future.<sup>19</sup> The recent flurry of activity opens up new production and distribution channels for the company, as it gains control of both film studios and movie theater chains. By Dalian Wanda’s own account, controlling both production and distribution channels “will help [it] set a global strategy in consolidating film assets at home and abroad.”<sup>20</sup> And the firm has admitted transactions like these are “cross-border cultural acquisition[s],” signifying something more unusual than standard economic motivations.<sup>21</sup> In short, the Chinese company will control what messages are shown to moviegoers.



AMC Entertainment’s proposed merger with Carmike Cinemas would create the country’s largest chain with more than 600 theaters.

## TIES TO THE COMMUNIST PARTY

Dalian Wanda is no ordinary private company. It has strong ties to the Chinese government’s ruling Communist Party. The firm’s founder and chairman, Wang Jianlin, served in the People’s Liberation Army between 1970 and 1986, at which time he was appointed Office Director of the Xigang District Government in Dalian, China.<sup>22</sup> (Wang’s father was a Communist military hero who fought alongside Mao Zedong, Chinese communism’s founding father. That connection reportedly helped Wang join the military at age 15.)<sup>23</sup> Wang also served as a deputy to the 17th National Congress of the Communist Party, revealing a direct link to Chinese policymaking.<sup>24</sup> CCTV, China’s state-run television network, has twice named Wang its “Economic Person of the Year.”<sup>25</sup>

<sup>15</sup><http://www.nytimes.com/2016/03/04/business/dealbook/amc-deal-for-carmike-would-create-biggest-us-theater-chain.html>

<sup>16</sup>Ibid.

<sup>17</sup><http://www.reuters.com/article/us-wanda-cinema-acquisition-idUSKCN0Y323B>

<sup>18</sup><http://www.bloomberg.com/news/articles/2016-01-12/china-s-richest-man-to-buy-godzilla-producer-for-3-5-billion>

<sup>19</sup><http://www.hollywoodreporter.com/news/hollywood-feeding-frenzy-how-dreamworks-888597>

<sup>20</sup><http://in.reuters.com/article/us-wanda-cinema-acquisition-idINKCNOY323B>

<sup>21</sup><http://www.bbc.com/news/business-35289428>

<sup>22</sup><http://www.economist.com/news/business/21643123-chinas-biggest-property-tycoon-wants-become-entertainment-colossus-its-wanda-ful-life>

<sup>23</sup>Ibid.

<sup>24</sup><http://www.wanda-group.com/chairman/>

<sup>25</sup><http://www.economist.com/news/business/21643123-chinas-biggest-property-tycoon-wants-become-entertainment-colossus-its-wanda-ful-life>

Dalian Wanda received at least \$1.1 billion in government subsidies between the start of 2011 and mid-2014.<sup>26</sup> It has also sold stakes in the company to various family members of elected officials. Qi Qiaoqiao, the elder sister of President Xi Jinping, bought an early stake in the firm.<sup>27</sup> Other early investors included a business partner of the daughter of Wen Jiabao, the former prime minister of China, and relatives of two members of the ruling Politburo, the Communist Party's policymaking arm.<sup>28</sup> Jia Qinglin, who ranked fourth in party leadership in Dalian Wanda's early days, and Wang Zhaoguo, a senior Communist Party legislator, were both responsible for providing seed money to the firm.<sup>29</sup> Wang has even admitted that China's "soft power" play overseas has been "very beneficial" to Dalian Wanda's bottom line.<sup>30</sup> It points to a strong incentive for the company to do the bidding of the Communist Party.

**As *The New York Times* reports, "[E]ven the most successful businessmen [in China] must still reach some accommodation with the party, which only a generation ago operated a socialist planned economy."<sup>31</sup>**

## CHINA'S IMPACT ON THE FILM INDUSTRY

China's—and, by extension, the Communist Party's—influence on American movies is multidimen-

sional. While the country does not have a movie-rating system, it relies on a censorship agency called the State Administration of Press, Publication, Radio, Film, and Television of the People's Republic of China (SAPPRFT)—which forces U.S. filmmakers to adjust their screenplays if they want to penetrate China's lucrative market of moviegoers.<sup>32</sup> The country only allows 34 non-Chinese films into its market every year—all of which are heavily edited—but its 1.3 billion people have China projected to become the largest movie market in the world as early as 2017, meaning SAPPRFT is a force to be reckoned with for American filmmakers promoting their movies in China.<sup>33,34</sup>

If simple editing was the only expense for U.S. moviemakers, it would probably be an acceptable cost of doing business. But in practice, moviemakers must commit to much more, including downplaying perceived critiques of the Chinese government or way of life. The 2014 film *Transformers: Age of Extinction* creates a clear political dichotomy, portraying the U.S. government as "either ridiculous or diabolical, [while] China's is assured and effective."<sup>35</sup> After "meet[ing] all sorts of censorship rules," the movie elevates China's image at the expense of America's.<sup>36,37</sup> Similarly, the 2012 remake of the Cold War action movie *Red Dawn* originally featured Chinese soldiers invading an American town; but moviemakers changed the attacking army into North Koreans. "[Chinese diplomats] were not interested in their country being perceived as a violent military threat to the lives of the average American," film producer Peter Shiao ex-

<sup>26</sup><http://www.economist.com/news/business/21643123-chinas-biggest-property-tycoon-wants-become-entertainment-colossus-its-wanda-ful-life>

<sup>27</sup><http://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-abillionaire-at-the-intersection-of-business-and-power-in-china.html>

<sup>28</sup>Ibid.

<sup>29</sup>Ibid.

<sup>30</sup><http://www.economist.com/news/business/21643123-chinas-biggest-property-tycoon-wants-become-entertainment-colossus-its-wanda-ful-life>

<sup>31</sup><http://www.nytimes.com/2015/04/29/world/asia/wang-jianlin-abillionaire-at-the-intersection-of-business-and-power-in-china.html>

<sup>32</sup><http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>

<sup>33</sup><http://www.hollywoodreporter.com/news/china-film-quota-full-2015-832925>

<sup>34</sup><http://www.cbsnews.com/news/60-minutes-china-film-industry-booming/>

<sup>35</sup><http://variety.com/2014/film/columns/transformers-age-of-extinction-patriotic-for-china-1201257030/>

<sup>36</sup><http://www.npr.org/sections/parallels/2014/08/11/339485807/autobot-rule-why-transformers-4-is-chinas-box-office-champ>

<sup>37</sup><http://www.vanityfair.com/hollywood/2014/07/transformers-4-china>

<sup>38</sup><http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>

plained.<sup>38</sup> (Producers of the video game *Homefront* similarly swapped out Chinese antagonists for North Koreans, claiming that failing to do so “would hurt [their] prospects for business in China.”)<sup>39,40</sup> In an earlier case, the 2006 release of *Mission: Impossible III*—partially shot in Shanghai—excluded a scene of the city featuring underwear hanging from a clothesline. The scene was removed by censors because it portrayed China “[as] a developing country.”<sup>41</sup> The Chinese government is committed to portraying China in a “positive light...by Communist Party fiat,” according to the magazine *Foreign Policy*. State authorities “even massage coverage of natural disasters to prevent criticism of authorities.”<sup>42</sup>



The 2012 remake of *Red Dawn* replaced Chinese invaders with North Koreans due to pressure from the Chinese government.

These below-the-radar shifts in tone or substance range from promoting Chinese intellect to China’s foreign policy. Leading up to the Chinese release of *Iron Man 3*, moviemakers inserted a scene of doctors discussing surgery on the superhero, in which all of the doctors were played by major Chinese movie stars.<sup>43</sup> In March 2016, CNN confirmed that China’s influence on Hollywood has “played a role in the casting of some Chinese actors in American blockbusters.”<sup>44</sup>

The 2016 release of *Doctor Strange*, the popular comic book adaptation, presents even deeper consequences. Moviemakers cast British actress Tilda Swinton as “the Ancient One”—originally a Tibetan character in the comic books—instead of a Tibetan actor or actress. According to the *Associated Press*, the move was “partly done to avoid potentially offending China’s government and moviegoers”—effectively adopting the Communist Party’s position on Tibet to appease the Chinese audience.<sup>45</sup> As screenwriter C. Robert Cargill explained, “[I]f you acknowledge that Tibet is a place and that he’s Tibetan, you risk alienating 1 billion people,” specifically citing China’s threat of censorship as a concern.<sup>46</sup>

“The Chinese censors can act as world film police on how China can be depicted, how China’s government can be depicted, in Hollywood films,” claims Ying Zhu, professor of media culture at the College of Staten Island at the City University of New York. “Therefore, films critical of the Chinese government will be absolutely taboo.”<sup>47</sup> Film producer Rob Cain admitted something similar in a *Financial Times* interview: “China is going to be...the arbiter of what can get made and will get made.”<sup>48</sup>

Dalian Wanda’s increasing control of production and distribution channels only makes Chinese censorship more likely. Wang Jianlin has adopted an aggressive tone in his quest to grow the Chinese firm, likening Dalian Wanda to a “pack of wolves” compared to Disney’s “one tiger” after the U.S. company committed to opening a theme park in Shanghai.<sup>49</sup> “Wanda will win out,” Wang boasted.<sup>50</sup> And when his company pur-

<sup>39</sup><https://www.vg247.com/2012/07/06/kaos-basically-forced-to-use-north-korea-as-antagonist-in-homefront/>  
<sup>40</sup>[http://www.gamasutra.com/view/news/173704/How\\_Homefronts\\_development\\_was\\_BilsOwned\\_by\\_THQs\\_EVP.php?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+GamasutraNews+%28Gamasutra+News%29](http://www.gamasutra.com/view/news/173704/How_Homefronts_development_was_BilsOwned_by_THQs_EVP.php?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+GamasutraNews+%28Gamasutra+News%29)  
<sup>41</sup><http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>  
<sup>42</sup><http://foreignpolicy.com/2016/03/04/china-won-war-western-media-censorship-propaganda-communist-party/>  
<sup>43</sup><http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>  
<sup>44</sup><http://time.com/money/4242737/china-box-office-north-america/>  
<sup>45</sup><http://bigstory.ap.org/article/83eafc7c8c5740289f9ab0f0c610b5f3/movie-doctor-strange-turns-tibetan-man-european-woman>  
<sup>46</sup>Ibid.  
<sup>47</sup><http://www.npr.org/sections/parallels/2015/05/18/407619652/how-chinas-censors-influence-hollywood>  
<sup>48</sup><http://www.ft.com/intl/cms/s/2/60338b6c-1263-11e4-93a5-00144feabdc0.html>  
<sup>49</sup><http://www.bloomberg.com/news/articles/2016-05-24/billionaire-wang-says-disney-no-match-for-wanda-s-wolf-pack>  
<sup>50</sup>Ibid.



中国  
国际  
广播  
电台  
CHINA RADIO INTERNATIONAL

Through a subsidiary, state-run China Radio International controls airtime on at least 15 U.S. radio stations.

chased Legendary Entertainment, Wang proclaimed, “[U.S. companies] should do something to cater to Chinese audiences’ interests.”<sup>51</sup> *NPR* reports that “movies Wanda produces through Legendary will likely have to go through Chinese censors,” leading to heavy editing.<sup>52</sup>

But the control of distribution flow is even more consequential. If AMC Entertainment and Carmike Cinemas were to merge (as expected), Dalian Wanda would assume control of the largest movie theater chain in the country—totaling more than 600 movie theaters. This would then entrust Wang with the unilateral power to censor certain movies as he deems fit. As *The Los Angeles Times* reports, the merger would “[further] Wang’s ambition to be a power player in the global entertainment industry.”<sup>53</sup> Media analyst Eric Handler agreed: “Wanda’s influence over the market increases with this deal.”<sup>54</sup> So does the likelihood of Wang—a proxy of the Communist Party—directing movie theaters under his control to give preference to pro-China movies and, by extension, refrain from showing movies unapproved by the Communist Party. Wang could even refuse to show Disney movies at his movie theaters as a retaliation against the company. Assuming that Wang’s aggressive firm wouldn’t conduct business in this way would simply be a failure to imagine.

## TAKEOVER OF U.S. RADIO

Hollywood isn’t China’s only target. China Radio International (CRI), the state-owned radio broadcaster, has indirectly obtained control of several American radio stations and their airtime. While the Federal Communications Commission (FCC) prohibits foreign governments or their representatives from holding a radio license for a U.S. broadcast station, CRI has exploited a loophole allowing its subsidiary companies to hold ownership stakes in U.S. stations.<sup>55</sup> The subsidiary in question is the California-based G&E Studio Inc., which is 60 percent owned by a Beijing-based group called Guoguang Century Media Consultancy.<sup>56,57</sup> Guoguang, in turn, is wholly owned by a subsidiary of CRI, according to a Reuters review of Chinese company filings.<sup>58</sup> G&E Studio now broadcasts content on at least 15 radio stations in major U.S. cities, including Boston, Los Angeles, and Washington, D.C.<sup>59</sup>

In the Washington, D.C. area, G&E Studio approached Loudon County radio station WCRW-AM 1190 in 2009 to lease almost all of the station’s airtime. The company did so through a process called “time-brokering,” paying tens of thousands of dollars a month to gain control of the station’s airwaves. G&E Studio now pays WCRW more than \$720,000 a year to secure virtually all of its air-

<sup>51</sup><http://www.bbc.com/news/business-35289428>

<sup>52</sup><http://www.npr.org/2016/01/12/462821807/chinese-company-dalian-wanda-buys-legendary-entertainment>

<sup>53</sup><http://www.latimes.com/entertainment/envelope/cotown/la-et-ct-amc-carmike-deal-wang-jianlin-20160305-story.html>

<sup>54</sup>*Ibid.*

<sup>55</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>56</sup><http://www.latimes.com/business/la-fi-fcc-china-radio-20151103-story.html>

<sup>57</sup><http://www.foxnews.com/politics/2015/11/04/feds-investigate-if-china-gov-linked-to-us-radio-network-pro-china-programming.html>

<sup>58</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>59</sup>*Ibid.*

time.<sup>60</sup> (This is an alternative to purchasing a studio outright.) The company also built three 195-foot towers carrying a 50,000 watt signal to encompass all of Washington, D.C. and outlying suburbs. The towers went live in 2011, and now extend the station's signal past the U.S. Capitol. (Prior to G&E Studio's involvement, the radio station was known as WAGE and boasted 5,000-watt towers which couldn't reach Washington, D.C.)

G&E Studio uses "time-brokering" in other U.S. cities. In Philadelphia, for instance, the company leases almost all of the airtime on WNWR-AM 1540 for at least \$600,000 a year.<sup>61,62</sup> That allows it to reach all of Philadelphia's metropolitan area.<sup>63</sup>

## TIES TO THE COMMUNIST PARTY

As a subsidiary firm, G&E Studio is directly connected to China Radio International (CRI), "China's only state-level radio and television media organization specializing in international communications."<sup>64,65</sup> According to Reuters, the state-run radio broadcaster "sticks close to the Chinese government line."<sup>66</sup> Wang Geng Nian, CRI's International Director General, has been a Communist Party member of the Chinese censorship bureau SAPPRFT since 2004.<sup>67,68</sup> In his role, Wang often appears publicly with Chinese diplomats to promote CRI's mission and Chinese foreign policy writ large.<sup>69</sup> He has even led delegations to foreign countries on behalf of the Communist Party.<sup>70</sup>

The president and CEO of G&E Studio, James Su, saw his fortunes rise after he reached a deal with Guoguang Century Media Consultancy—the Chi-

nese state-owned subsidiary—to create the company in 2009. (Su's assets are now valued at more than \$15 million.)<sup>71</sup> As such, his personal connection to CRI and the Communist Party is extensive. G&E Studio's website dedicated a page showcasing CRI as a "close" partner, which it later deleted.<sup>72</sup> Another company of Su's, EDI Media Inc., claims to have become "China's outward media and advertising proxy" in the United States.<sup>73</sup> Before its website went "under construction," EDI Media posted a picture of Su at a social function with CRI chief Wang Geng Nian.<sup>74,75</sup>

In 2003, Su gave a speech laying out a vision for a company that could help China project its message in the United States. He was quoted as saying the business would have to comply with U.S. law but "endorse China's ideology."<sup>76</sup> In 2008, Su criticized the American media's coverage of alleged human rights violations in China, claiming the media was misleading "the American masses' objective understanding of China, even engendering hostile emotions."<sup>77</sup> He founded G&E Studio the following year.

## CHINA'S IMPACT ON THE RADIO INDUSTRY

Content at WCRW, WNWR, and other Chinese-owned stations is produced either by CRI from Beijing or Su's company from California.<sup>78</sup> And it is decidedly pro-China, "delivering a China-focused digest with its own slant," according to a Fox News report.<sup>79</sup>

<sup>60</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>61</sup>[http://articles.philly.com/2015-11-27/news/68607418\\_1\\_u-s-justice-department-sally-starr-city-news](http://articles.philly.com/2015-11-27/news/68607418_1_u-s-justice-department-sally-starr-city-news)

<sup>62</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>63</sup>Ibid.

<sup>64</sup>[http://gb.cri.cn/news/other/2011mforum\\_en/](http://gb.cri.cn/news/other/2011mforum_en/)

<sup>65</sup><http://www.cri.com.cn/>

<sup>66</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>67</sup>[https://twitter.com/rach\\_leeB/status/661542034105200640](https://twitter.com/rach_leeB/status/661542034105200640)

<sup>68</sup><http://archives.dailynews.lk/2010/07/03/pol02.asp>

<sup>69</sup><http://archives.dailynews.lk/2010/07/03/pol02.asp>

<sup>70</sup><http://www.dawn.com/news/758203/look-east-policy-being-pursued-says-official>

<sup>71</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>72</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>73</sup>Ibid.

<sup>74</sup><http://www.edimediainc.com/en/>

<sup>75</sup><http://www.reuters.com/investigates/special-report/china-radio/>

One November 2015 segment highlighted a story explaining the Communist Party’s concern about Defense Secretary Ash Carter’s recent visit to the Asia-Pacific region. An October 2015 broadcast on the Washington-based WCRW featured Chinese and American naval commanders preparing to hold talks after a U.S. Navy ship passed close by one of China’s new artificial islands in the South China Sea. The American military, which sees the island-building program as a “hard power” ploy to seize control of strategic waterways, ordered the Navy sail-by to confirm that assessment; yet WCRW omitted that side of the story, claiming the talks were being held “amid the tension the U.S. created this week.”<sup>80,81</sup> The station effectively churned out one-sided news coverage disregarding American objectives in the region. An August 2015 broadcast similarly claimed that tensions in the South China Sea were due to unnamed “external forces” attempting “to insert themselves into this part of the world using false claims.”<sup>82</sup> In all of these cases, Chinese-controlled broadcasts cast U.S. foreign policy objectives in a less favorable light, while portraying China’s actions in the South China Sea as defensive or retaliatory—generally seen as more permissible in the public eye.

Philadelphia-based WNWR is no different. The station regularly broadcasts Chinese-language pop or hip-hop music, as well as “erratic blasts of outdated or China-centric news.”<sup>83</sup> One November 2015 segment included an announcement by the Chinese government of a 15-billion-yuan spending program aimed at “[setting] a unified benchmark for public funding between

students in rural and urban areas”—presumably to portray the Communist Party as an effective governing body.<sup>84</sup>

**As *Foreign Policy* notes, “Chinese news is characterized by intrusive, state-mandated ideological and political bias.”<sup>85</sup>**

State-run media regularly accuses U.S. media of “smearing” China, including “exaggerating” Chinese involvement in the South China Sea and circulating “misconceptions” about the country’s military objectives.<sup>86</sup> One headline from the *Global Times*—a tabloid published by the Communist Party—read “U.S. Media Again Hypes South China Sea Facilities.”<sup>87</sup> Chinese foreign ministry spokeswoman Hua Chunying is one of many Chinese officials to criticize the “Western media,” a common refrain in Communist Party circles.<sup>88</sup> “It is hoped that friends from the press would stay sensible and cool-headed and write objective and impartial reports,” Hua announced in a 2016 address.<sup>89</sup>

In response to a Reuters report chronicling Chinese investments in U.S. radio, the same *Global Times* defended China’s attempt to counter the influence of “Western media moguls.”<sup>90</sup> “Non-Western countries are trying to make their voices heard due to their disadvantageous position in the public opinion sphere of the international community,” the newspaper claimed.<sup>91</sup> As *Foreign Policy* explains, it represents a “fight for control of the...narrative.”<sup>92</sup>

<sup>76</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>77</sup>Ibid.

<sup>78</sup>Ibid.

<sup>79</sup><http://www.foxnews.com/politics/2015/11/04/feds-investigate-if-china-gov-linked-to-us-radio-network-pro-china-programming.html>

<sup>80</sup><http://www.dailymail.co.uk/news/article-3583640/US-Navy-destroyer-illegally-sails-near-disputed-Chinese-island-damaging-regional-peace-stability.html>

<sup>81</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>82</sup>Ibid.

<sup>83</sup>[http://articles.philly.com/2015-11-27/news/68607418\\_1\\_u-s-justice-department-sally-starr-city-news](http://articles.philly.com/2015-11-27/news/68607418_1_u-s-justice-department-sally-starr-city-news)

<sup>84</sup>Ibid.

<sup>85</sup><http://foreignpolicy.com/2016/03/04/china-won-war-western-media-censorship-propaganda-communist-party/>

<sup>86</sup>[http://www.fmprc.gov.cn/mfa\\_eng/xwfw\\_665399/s2510\\_665401/2511\\_665403/t1342927.shtml](http://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1342927.shtml)

<sup>87</sup><http://foreignpolicy.com/2016/03/04/china-won-war-western-media-censorship-propaganda-communist-party/>

<sup>88</sup>Ibid.

<sup>89</sup><http://foreignpolicy.com/2016/03/04/china-won-war-western-media-censorship-propaganda-communist-party/>

<sup>90</sup><http://uk.reuters.com/article/uk-china-radio-idUKKCN0SU0GH20151105>

## OTHER EXAMPLES OF CHINESE TAKEOVER

The Chinese—from the Communist Party to its private proxies—are also active on other fronts. Several examples of China’s U.S. inroads suggest—as the Heritage Foundation’s Dean Cheng put it—a scheme to “further other interests” beside monetary gain:

- In February 2016, the Chongqing Casin Enterprise Group agreed to purchase the Chicago Stock Exchange, a \$22 trillion U.S. equities marketplace (the deal will close in late 2016).<sup>93</sup> The so-called “Casin Group” reportedly made the deal to “bring more Chinese firms into the U.S. market” and “develop financial markets in China over the long term.”<sup>94,95</sup> Yet a closer look reveals the Casin Group was created by the Chinese government in 1997 to absorb state-controlled assets—all of the firm’s assets were thus owned by the Communist Party.<sup>96</sup> The firm’s current chairman, Shengju Lu, is also believed to have direct ties to the government of Chongqing, a city in southwestern China.<sup>97</sup> This prompted 45 members of Congress to sign a letter alleging the Casin Group has “close ties to the state” and its purchase of the Chicago Stock Exchange “impl[ies] a direct political connection” to the Communist Party.<sup>98</sup> The signers also called for a “full and rigorous investigation” into the acquisition.<sup>99</sup>
- In 2013, Chinese firm Shuanghui International Holdings purchased Virginia-based Smithfield Foods—the world’s largest pork

producer—for about \$4.7 billion (30 percent more than the food producer’s market value).<sup>100</sup> After the purchase, Zhang Taixi, the government-appointed president of Shuanghui, admitted the state-run Bank of China was “very supportive” of the deal, “supporting [Shuanghui] with preferential policy, as well as investment”—in other words, “both financially and politically.”<sup>101</sup> Shuanghui, in turn, has vowed to adopt the Chinese government’s five-year plan.<sup>102</sup> It effectively enables the government to exercise management control over the company—and, by extension, the largest pork producer in the world. “[Chinese politicians] have told their domestic industries, like Shuanghui, go out and find these companies and acquire them,” explains Daniel Slane, a member of the U.S.-China Economic and Security Review Commission.<sup>103</sup> “And, in effect, American companies are not competing with a Chinese company, but with the Chinese government.”<sup>104</sup>

- According to multiple reports, Dalian Wanda—the same firm with extensive Communist Party ties—is the frontrunner to purchase the Ultimate Fighting Championship for more than \$4 billion.<sup>105,106</sup> The company is planning three “substantial” overseas acquisitions in 2016, excluding movie theaters, as a way to expand its global operations.<sup>107,108</sup> This would complement the firm’s aggressive “pack of wolves” campaign against Disney.<sup>109</sup>

Examples of China’s takeovers are not limited to those listed above. According to *Business In-*

<sup>91</sup><http://uk.reuters.com/article/uk-china-radio-idUKKCNOSU0GH20151105>

<sup>92</sup><http://foreignpolicy.com/2016/03/04/china-won-war-western-media-censorship-propaganda-communist-party/>

<sup>93</sup><http://www.businessinsider.com/chinese-outbound-acquisitions-concerns-2016-2>

<sup>94</sup>[http://www.chinadaily.com.cn/business/2016-02/08/content\\_23431456.htm](http://www.chinadaily.com.cn/business/2016-02/08/content_23431456.htm)

<sup>95</sup><http://www.ft.com/fastft/2016/02/05/china-led-investor-group-to-buy-chicago-stock-exchange/>

<sup>96</sup><https://www.bloomberg.com/view/articles/2016-02-17/congress-is-wary-of-chinese-deal-for-chicago-stock-exchange>

<sup>97</sup>Ibid.

<sup>98</sup>[https://pittenger.house.gov/sites/pittenger.house.gov/files/CFIUS\\_ChicagoStockExchange\\_Feb2016.pdf](https://pittenger.house.gov/sites/pittenger.house.gov/files/CFIUS_ChicagoStockExchange_Feb2016.pdf)

<sup>99</sup>Ibid.

<sup>100</sup><http://www.nbcnews.com/business/chinese-get-ok-buy-american-pork-producer-4b11243408>

<sup>101</sup><http://www.pbs.org/newshour/bb/whos-behind-chinese-takeover-worlds-biggest-pork-producer/>

<sup>102</sup><http://www.bbc.com/news/world-asia-china-35818730>

<sup>103</sup><http://www.uscc.gov/commission-members>

sider, there have been more than 102 Chinese mergers-and-acquisitions deals announced in 2016, totaling over \$81 billion in value—a significant increase from years past.<sup>110</sup>

## RAMIFICATIONS

The underlying concern is that China’s investments in the United States coincide with the promotion of pro-China propaganda at America’s expense. Chinese control of movie production, radio station broadcasts, and other public channels provides the Communist Party with a platform to promote its own ideological message in the place of competing ideologies—often in an unassuming manner. A Congressional Research Service (CRS) report commissioned by then-Senator Joe Biden in 2008 “found that China’s soft power achievements are built on a very narrow base, confined to non-controversial issues where all sides are most likely to agree.”<sup>111,112</sup> A naïve observer would suggest cinema and radio acquisitions would harmlessly fall under this umbrella.

While they are typically carried out stealthily, Chinese activities nonetheless remain part of a concerted propaganda effort. “The stories of China should be well told, voices of China well spread, and characteristics of China well explained,” Chinese President Xi Jinping said in a 2014 address.<sup>113</sup> CRI head Wang Geng Nian has echoed that sentiment, describing China’s “soft power” projection as a “borrowed boat” strategy—in other words, using existing foreign media outlets to China’s benefit.<sup>114</sup> A report from the Project

2049 Institute concluded as much: “Political warfare is a critical component of Chinese security strategy and foreign policy.”<sup>115</sup> And this form of warfare—although not as overt as a ground invasion—“seeks to influence emotions, motives, objective reasoning, and behavior” of foreign entities.<sup>116</sup> Along those lines, China spends an estimated \$10 billion annually on “political warfare,” according to the Council on Foreign Relations; by contrast, the U.S. State Department spends less than \$700 million on public diplomacy in any given year.<sup>117</sup> [“There’s a concerted effort in China to move into the global entertainment and media industry to build China’s soft power,” claims Z. John Zhang, a professor of marketing at the University of Pennsylvania’s Wharton School. “Aside from being good business, it is a way to protect China’s influence in the world.”<sup>118</sup>] David Shambaugh echoes that sentiment: “China’s diplomatic and development schemes form just one part of a much broader agenda aimed at enhancing its soft power in media, publishing, education, the arts, sports, and other domains.”<sup>119</sup>

Political scientist Joseph Nye, the Harvard University professor who coined the phrase “soft power,” predicted this agenda in a 2006 *Wall Street Journal* op-ed column: “[A]lthough China is far from America’s equal in soft power, it would be foolish to ignore the gains it is making. It is time for the U.S. to pay more attention to the balance of soft power in Asia.”<sup>120</sup> Almost a decade later, in July 2015, Nye wrote the following: “China has been making major efforts to increase its ability to influence other countries without force or coercion.”<sup>121</sup>

<sup>104</sup><http://www.pbs.org/newshour/bb/whos-behind-chinese-takeover-worlds-biggest-pork-producer/>

<sup>105</sup>[http://espn.go.com/mma/story/\\_/id/15503004/ufc-owners-advanced-talks-sell-promotion](http://espn.go.com/mma/story/_/id/15503004/ufc-owners-advanced-talks-sell-promotion)

<sup>106</sup><http://www.ibtimes.com/how-chinas-dalian-wanda-group-buying-ufc-could-put-even-more-pressure-espn-2367674>

<sup>107</sup><http://www.ibtimes.com/chinas-dalian-wanda-plans-5-substantial-acquisitions-year-projects-real-estate-slump-2269112>

<sup>108</sup>[http://www.wanda-group.com/2016/latest\\_0116/1106.html](http://www.wanda-group.com/2016/latest_0116/1106.html)

<sup>109</sup><http://www.bloomberg.com/news/articles/2016-05-24/billionaire-wang-says-disney-no-match-for-wanda-s-wolf-pack>

<sup>110</sup><http://www.businessinsider.com/chinese-outbound-acquisitions-concerns-2016-2>

<sup>111</sup>[https://fas.org/irp/congress/2008\\_rpt/crs-china.pdf](https://fas.org/irp/congress/2008_rpt/crs-china.pdf)

<sup>112</sup><http://www.atimes.com/atimes/China/JE16Ad02.html>

<sup>113</sup>[http://news.xinhuanet.com/english/china/2014-01/01/c\\_125941955.htm](http://news.xinhuanet.com/english/china/2014-01/01/c_125941955.htm)

<sup>114</sup><http://www.reuters.com/investigates/special-report/china-radio/>

<sup>115</sup>[http://www.project2049.net/documents/PLA\\_General\\_Political\\_Department\\_Liaison\\_Stokes\\_Hsiao.pdf](http://www.project2049.net/documents/PLA_General_Political_Department_Liaison_Stokes_Hsiao.pdf)

<sup>116</sup>ibid.

<sup>117</sup><https://www.foreignaffairs.com/articles/china/2015-06-16/china-s-soft-power-push>

<sup>118</sup><http://knowledge.wharton.upenn.edu/article/lights-china-action-how-china-is-getting-into-the-global-entertainment-business/>



The Committee on Foreign Investment in the United States (CFIUS), located in the U.S. Treasury Department, has the power to block a foreign acquisition or merger.

## RECOMMENDATION

How do American policymakers counteract these efforts? The Committee on Foreign Investment in the United States (CFIUS) is one option. CFIUS is an inter-agency committee “authorized to review, investigate, and block any transaction” carried out by a foreign entity that could raise national security concerns.<sup>122,123</sup> Chaired by the U.S. Treasury Department, CFIUS has the capacity to advise the president to take action if a CFIUS investigation determines that a foreign acquisition or merger may pose a national security threat. The president then has final authority under the Exon-Florio Amendment to block an acquisition or merger via executive order by implementing CFIUS’ suggested course of action.<sup>124,125</sup> Presidents have done so on only two occasions—President George W. Bush in 1990 and President Barack Obama in 2012—and this executive authority is especially relevant in light of China’s flurry of communications takeovers. CFIUS has the authority to advise President Obama to oppose the Chinese acquisitions and mergers of film studios, movie theater chains, or radio stations. He can then declare an executive order to block the deal(s), including AMC’s proposed merger with Carmike.

As a concerned party, the Center for American Security urges President Obama to use CFIUS as an instrument to counter China’s takeover of U.S. communications assets—and the country’s “soft

power” projection writ large. The Center for American Security also challenges members of Congress to pass legislation which would expand the investigatory capacity of CFIUS and increase the number of cases eligible for final review by the president. This would enable the committee to more effectively address controversial foreign investments in the U.S. moving forward—whether carried out by China or another foreign entity.

## CONCLUSION

By granting Chinese companies—and the Communist Party—relatively unfettered access to America’s free-market economy, U.S. policymakers are allowing China to project its “soft power” on the American people. Foreign entities closely aligned with China’s Communist Party are currently carrying out a takeover of American industries—*liaison work*, in Chinese terms—as a way to “raise China’s overall cultural strength and competitiveness,” in Xi Jinping’s words.<sup>126</sup> This implies not only greater “cultural strength and competitiveness” in an absolute sense, but also in relation to the United States. And it aims to influence public opinion and policymaking—thereby posing a direct threat to U.S. national security. While execution by hanging is largely a metaphorical observation, Karl Marx may have been prophetic when he observed that an open capitalistic system could plant the seeds of its own destruction.<sup>127</sup>

<sup>119</sup><https://www.foreignaffairs.com/articles/china/2015-06-16/china-s-soft-power-push>

<sup>120</sup>[http://belfercenter.hks.harvard.edu/publication/1499/rise\\_of\\_chinas\\_soft\\_power.html](http://belfercenter.hks.harvard.edu/publication/1499/rise_of_chinas_soft_power.html)

<sup>121</sup><https://www.project-syndicate.org/commentary/china-civil-society-nationalism-soft-power-by-joseph-s--nye-2015-07?barrier=true>

<sup>122</sup>[http://files.bakerbotts.com/file\\_upload/documents/CFIUSBooklet-EnglishVersion.pdf](http://files.bakerbotts.com/file_upload/documents/CFIUSBooklet-EnglishVersion.pdf)

<sup>123</sup><https://www.treasury.gov/resource-center/international/Pages/Committee-on-Foreign-Investment-in-US.aspx>

<sup>124</sup>[http://files.bakerbotts.com/file\\_upload/documents/CFIUSBooklet-EnglishVersion.pdf](http://files.bakerbotts.com/file_upload/documents/CFIUSBooklet-EnglishVersion.pdf)

<sup>125</sup>[https://www.law.cornell.edu/uscode/search/display.html?terms=2170&url=/uscode/html/uscode50a/usc\\_sec\\_50a\\_00002170----000-.html](https://www.law.cornell.edu/uscode/search/display.html?terms=2170&url=/uscode/html/uscode50a/usc_sec_50a_00002170----000-.html)

<sup>126</sup>[http://news.xinhuanet.com/english/china/2014-01/01/c\\_125941955.htm](http://news.xinhuanet.com/english/china/2014-01/01/c_125941955.htm)

<sup>127</sup>Op. cit., <http://www.marketwatch.com/story/grantham-wonders-if-marx-was-right-after-all-2012-02-29>

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