

House Permanent Select Committee on Intelligence
Republican Investigation of China's Malign Influence Activities
Against Corporate America
Talking Points

Introduction

Chinese President Xi Jinping has stated that Beijing's strategic goal—becoming the dominant world economic and military leader by 2049—broadly depends on acquiring national power across multiple domains: military, technology, diplomacy, and information. In 2013, Xi declared that China must address deficiencies in sciences, technological innovation, and critical industries that underpin these domains. He further warned that China must prepare for a long period of international cooperation followed by conflict.

To strengthen China's position in these domains, Beijing issued the strategic plan "Made in China 2025." The Chinese Communist Party (CCP) has issued further guidance toward these goals via its Five-Year Plans. This guidance is closely followed by entities across the Chinese economic and technological spectrum. The Fourteenth Five-Year Plan (2021-25) focuses on acquiring and advancing scientific and technological innovation (e.g., artificial intelligence and autonomous vehicles), and on the health, education, and financial services sectors.

Chinese entities are required to follow the government's directives, including the CCP's Five-Year Plans. Robert Wan—son of a prominent and influential CCP Member and business executive—disclosed that "*[d]espite its public listing in Hong Kong, [his firm] answers to the Chinese government—going beyond regulatory compliance. It receives directives from Beijing, and it follows them. . . . The Chinese government acts like a de facto board of directors for the country's domestic industries—even for publicly traded companies.*"

The Chinese government's grip on business is a powerful platform for malign influence. Beijing's control over Chinese industry and investment enables the acquisition, transfer, and theft of U.S. innovation, technology, and intellectual property. Moreover, China employs a wide range of initiatives to influence and shape events and public opinion to undermine U.S. national and economic security.

American business *writ large* is entangled in this effort, wittingly and unwittingly. The CCP seeks to manipulate American business and financial leaders to facilitate its strategic objectives. Specifically, it entices or coerces collaboration with U.S. entities to acquire intellectual property, technology, and assistance for China-based entities.

HPSCI Republican Investigation Aims

House Intelligence Committee Republicans are investigating China's campaign of malign influence across a wide range of U.S. economic sectors, including pharmaceuticals, manufacturing, agriculture, entertainment, media, finance, sports, and technology. Our investigation is examining:

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- How are critical U.S. companies vulnerable to Chinese theft or the compromise of technology, intellectual property, sensitive business practices, and R&D initiatives?
- What are U.S. firms doing to protect the technology, intellectual property, sensitive business practices, and R&D initiatives of their U.S. clients from being stolen or otherwise compromised by China?
- How does China influence U.S. businesses and to what end?
- What role does China play in the U.S. supply chain and what vulnerabilities does this create?

Interim Findings

Although the Committee's investigation is ongoing, we have developed preliminary conclusions that we'll seek to confirm and enhance. These include the following:

China is manipulating and coercing U.S. businesses

- U.S. businesses are being manipulated and/or coerced into sharing key technologies with China and helping Beijing acquire sensitive intellectual property, which benefits China-based firms at the expense of U.S. industry.
- U.S. businesses are receiving guidance and direction from Chinese officials to influence business operations, investment strategy, and strategic directions.
- CCP members who serve as board members and senior executives in U.S. firms are advancing China's initiatives in acquiring technology and penetrating U.S. markets.
- U.S. businesses have halted or changed business initiatives and strategy due to concerns of Chinese opposition, resulting in self-censorship by employees and executives.

China is exploiting U.S. financial services

- U.S. banks are placing billions of investment dollars in China, which is opening its \$50 trillion financial market to foreign firms.
 - China uses American investment managers and banks to gain opportunities for strategic investments in U.S. startups, innovative technologies, biosciences, and manufacturing.
 - Chinese firms are exploiting U.S. financial markets to raise funds and enhance their international credibility.
 - American financial firms are executing investments of Chinese-state originated funds based on CCP guidance on which business sectors, R&D, or specific businesses to target.
 - Chinese firms use complex structures that obscure risks, state ties, and other corporate details, hindering U.S. government oversight and U.S. investors' legal recourse in the event of fraud.
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- Using “passive” investments in U.S. hedge funds and big banks, China hides some of its activities on U.S. markets from the U.S. government.

China is using U.S. business to shape perceptions of China and to influence U.S. government decisions

- The CCP influences U.S. industry and financial leaders to pressure local, state, and federal executives and legislatures to take actions that benefit Beijing.
- Beijing funds Confucius Centers, think tanks, universities, and other institutions in the United States to spread its cultural influence, increase positive coverage of China, and suppress negative coverage.
- China threatens to cancel contracts with U.S. firms and withdraw their access to Chinese markets to suppress negative comments about China by employees or executives.
- Similarly, Beijing threatens to block access to Chinese markets in order to influence coverage of China by U.S. media organizations and to shape the portrayal of China in U.S. motion pictures. In some cases these efforts are coordinated with Beijing’s propaganda office, the Chinese State Council Information Office.

China’s role in the U.S. supply chain gives it leverage over U.S. national security

- Dependence on single-source supply from China by many U.S. firms creates vulnerabilities in the overall U.S. supply chain.
 - These vulnerabilities are particularly critical in supply chains for key commercial products, medical supplies, pharmaceuticals, and rare earth minerals.
 - China has articulated its understanding that its position in the U.S. supply chain could be exploited to jeopardize U.S. national security.
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