



A WORLD SAFE FOR THE PARTY

CHINA'S AUTHORITARIAN INFLUENCE AND THE DEMOCRATIC RESPONSE

Country Case Studies from Nepal, Kenya,
Montenegro, Panama, Georgia and Greece

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Cover photo: Indian school students wear masks of China's President Xi Jinping in Chennai on October 10, 2019, ahead of a summit with his Indian counterpart Narendra Modi. Image credit: Arun Sakar/AFP via Getty Images.

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About the BRIDGE Initiative

Over the past three years, IRI has developed and implemented a framework to build resiliency against growing foreign authoritarian influence and interference through its Building Resiliency for Interconnected Democracies in Global Environments (BRIDGE) initiative, funded by the National Endowment for Democracy (NED). The BRIDGE framework takes a three-pronged approach to mitigating the impact of authoritarian influence on developing democracies: 1) Researching malign Chinese Communist Party (CCP) influence and its impact on vulnerable democracies; 2) Sharing that research through tailored engagements with IRI's global network of partners on the ground; and 3) Equipping these stakeholders with tools and resources to bolster democratic resilience and counter foreign authoritarian influence. By engaging stakeholders across sectors — including government officials, political parties, media, private enterprise, and civil society activists — IRI's work promotes broad awareness of authoritarian tactics and the keys to shoring up vulnerable democratic institutions. The research presented in this report is part of a growing compendium of case studies documenting the CCP's varied authoritarian influence tactics across countries and the elements of effective democratic resilience, which directly informs BRIDGE programming.

Glossary: Key Terms and Abbreviations

Belt and Road Initiative: A global development strategy adopted by the Chinese government involving infrastructure development and investments across Asia, Europe, Africa, the Middle East and the Americas. The projects and methods of investment could serve to strengthen China's strategic economic and security interests.

Chinese Communist Party: The founding and ruling political party of the People's Republic of China.

Disinformation: False or misleading information deliberately spread to influence opinion, deceive or obscure the truth.

Economic Influence: The use of economic assets to shape incentive structures and the behavior of foreign governments.

Elite Capture: A form of corruption in which public officials and national elites manage or direct government projects in a manner that enables them to misdirect resources for their own personal financial gain to the detriment of the public.

Foreign Direct Investment: An investment made by a firm or individual in one country in business interests located in another country; this sometimes refers to the aggregation of all foreign investments into or from a particular country.

Information Operation: The planned use or manipulation of information to influence the emotions, motives, objective reasoning and ultimately the behavior of foreign governments, organizations, groups of people and individuals.

Malign foreign authoritarian influence: The combined effect of an authoritarian government's efforts to shape another country's internal disputation in ways in which are covert, coercive and corrupt, which makes them malign, illegitimate and distinguished from legitimate public diplomacy and engagement. To these ends, authoritarian actors and state-linked entities employ tactics such as information operations, graft, economic coercion or the subversion of civil society.

Sharp Power: The means by which authoritarian actors manipulate their target influence audience by distorting the information that reaches them. 'Sharp power' pierces the information environment of target countries, weakening them by deterring legitimate debate in civil society and academia with implied threats of economic or political retribution.

Sovereign Debt: The amount of money that a government has borrowed, typically issued as bonds denominated in a reserve currency.

State-owned Enterprise: A legal entity that is created by a government in order to partake in commercial activities on the government's behalf. China's SOEs, among the largest and most powerful in the world, are responsible for a large portion of BRI activity.

The United Front System: The grouping of agencies, social organisations, businesses, universities, research institutes and individuals carrying out united front work.

The United Front Work Department: A CCP Central Committee department that coordinates and carries out united front work.

United Front: A coalition of groups and individuals working towards the CCP's goals.

United Front Work: Refers to the CCP's efforts to strengthen and expand the United Front by influencing and co-opting targets.

International Liaison Department (ILD): A vestige of the CCP's liaisons with the Communist International (Comintern) and fellow communist parties that has been repurposed to develop relations with political parties across the ideological spectrum.¹ The ILD allows the party to develop relationships with influential and elite individuals in foreign governments while bypassing conventional channels of diplomacy. Under Xi's leadership and the reassertion of the power of the CCP, the ILD has taken on renewed importance in China's foreign policy.²

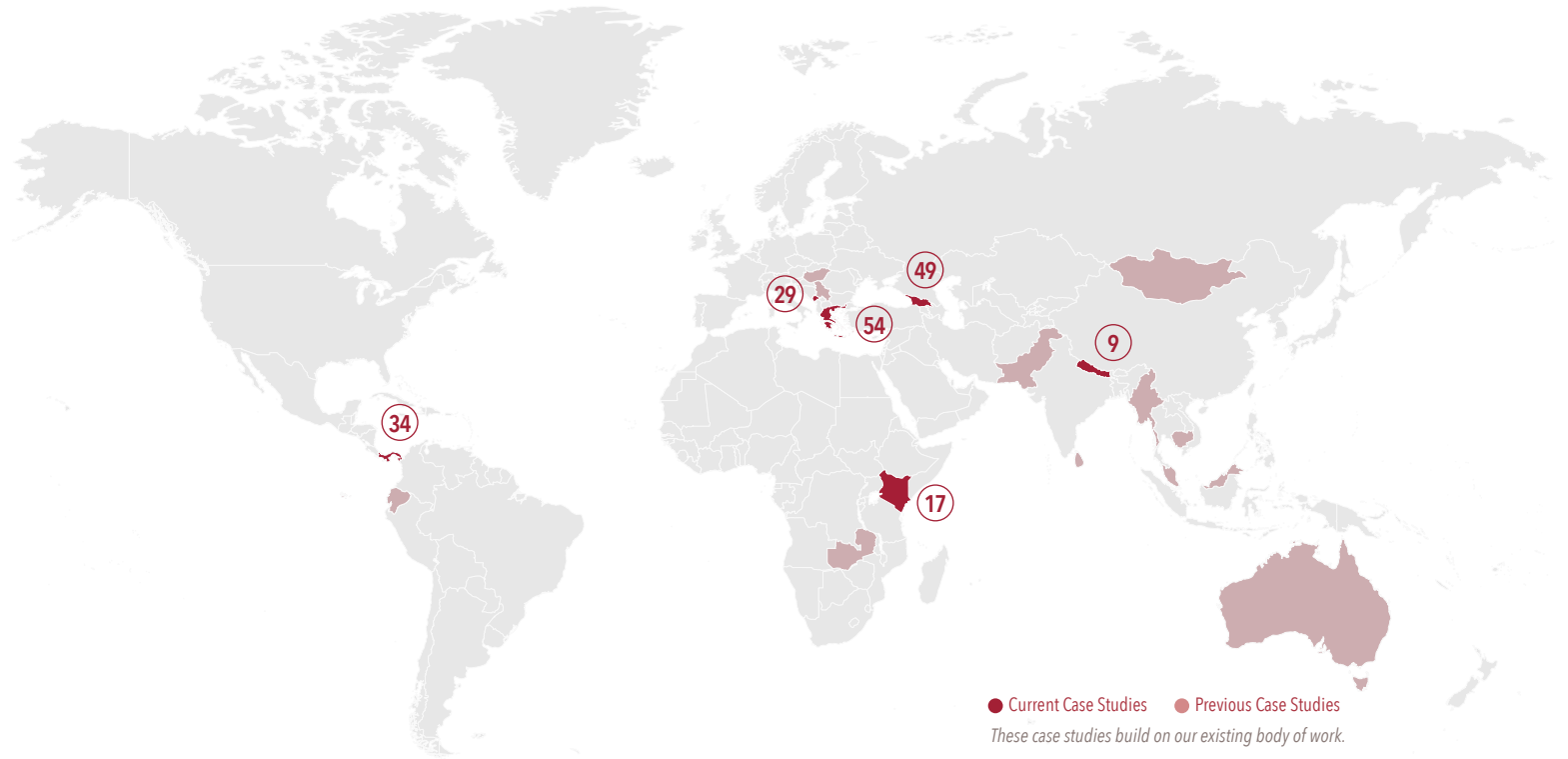
¹ Shambaugh, David. "China's 'Quiet Diplomacy': The International Department of the Chinese Communist Party." *Critical Readings on the Communist Party of China* (4 Vols. Set), 2017, 336-362, doi.org/10.1163/9789004302488_013.

² "Xi Jinping Stressed that the Party's Foreign Affairs Work Must Restore the Historical Splendor Through the Past [习近平强调党的对外工作要继往开来再创辉煌]." *The Central People's Government of the People's Republic of China*, 15 Apr 2011, gov.cn/lhdh/2011-01/17/content_1786513.htm.

Common Acronyms

ANA-MPA: Greek Athens-Macedonian News Agency	HHA: Huadu Hometown Association
AA: Association Agreement	ICBC: Industrial and Commercial Bank of China
AIIB: Asia Infrastructure and Investment Bank	ICT: Information and communications technology
ALF: Alkaterni Laskaridis Foundation	IEVC: Independent Electoral and Boundaries Commission
AP: Associated Press	ILD: International Liaison Department
AVIC: Aviation Industry Corporation of China	IMF: International Monetary Fund
BRI: Belt and Road Initiative	IRI: International Republican Institute
CASS: Chinese Academy of Social Sciences	KBC: Kenya Broadcasting Corporation
CATTf: China-Africa Think Tank Forum	KCCC: Kenya Chinese Chamber of Commerce
CBRC: China Road and Bridge Corporation	KCCPPR: Kenya China Council for the Promotion of Peaceful Reunification
CCCC: China Communications Construction Company	KOCA: Kenya Overseas Chinese Association
CCP: Chinese Communist Party	MANS: Network for Affirmation of the NGO Sector
CCTV: China Central Television	MFA: Ministry of Foreign Affairs
CEPET: China Electric Power Equipment and Technology	MoU: Memorandum of Understanding
CFTZ: Colon Free Trade Zone	MW: Megawatt
CGGC: Chinese Gezhouba Group Corporation	NATO: North Atlantic Treaty Organization
CGTN: China Global Television Network	NCIA: Nairobi Center for International Arbitration
CHEC: China Harbour Engineering Company	NCP: Nepal Communist Party
CI: Confucius Institute	OCAO: Overseas Chinese Affairs Office
CIAA: Commission for Investigations of Abuse of Authority	PCCC: Panama China Chamber of Commerce
CIETAC: China's International Economic and Trade Arbitration Commission	PCCPPR: Panama-China Council for the Promotion of Peaceful Reunification
CLACPC: China-Latin America and Caribbean Press Center	PLA: People's Liberation Army
Commintern: Communist International	PM: Prime Minister
COSCO: China Ocean Shipping Company	PPA: Pireaus Port Authority
CPN (UML): Communist Party of Nepal (United Marxist Leninists)	PRC: People's Republic of China
CRBC: China Road and Bridge Corporation	RMB: Renminbi
CRI: China Radio International	ROC: Republic of China
CSACCPPR: Central and South America-China Council for the Promotion of Peaceful Reunification	PRD: Party of Democratic Revolution
CSO: Civil Society Organization	RSS: Rastriya Samachar Samiti
DCFTA: Deep and Comprehensive Free Trade Area	SCS: South China Sea
FDI: Foreign Direct Investment	SGR: Standard Gauge Railway
FOCAC: Forum on China-Africa Cooperation	SOE: State-owned enterprise
FTA: Free Trade Agreement	SOEA: Shenzhen Overseas Exchange Association
FY: Fiscal year	UFWD: United Front Work Department
GDP: Gross Domestic Product	USD: US Dollar
GOEA: Guangdong Overseas Exchange Association	ZTE: Zhongxing Telecommunication Equipment Corporation
GTU: Georgian Technical University	
Hanban: Office of Chinese Language Council International	

CONTENTS



Introduction.....	1
Executive Summary of Key Findings	3
Nepal.....	9
Kenya.....	17
Montenegro	29
Panama	34
Georgia.....	49
Greece	54
Conclusion.....	61

INTRODUCTION

In 2020, the Chinese Communist Party (CCP) demonstrated a more aggressive approach to using its tools of influence to protect its expanding global interests and promote its authoritarian model, particularly to shape narratives around the emergence of the coronavirus pandemic in China and mounting concerns about China's human-rights abuses at home. In addition to continuing to leverage opaque economic deals, as outlined in the International Republican Institute's (IRI's) 2019 report, "[Chinese Malign Influence and the Corrosion of Democracy](#)," the CCP demonstrated a willingness to more readily employ economic coercion and more aggressively manipulate the information space.

These tactics were employed with vigor across the developing world. The CCP has expanded its influence in vulnerable countries, weakening democratic institutions while supporting illiberal actors and ideals. Indeed, China's actions in the past year demonstrate that Beijing views mounting influence in developing countries as central to its competition with the United States and its democratic allies to determine the future of international institutions, global discourse, and the norms and technological standards that will determine the course of the next century. The popularization of authoritarianism in developing countries helps to realize the CCP's vision of a revised global order in which a plurality of governance models — democratic and authoritarian — can exist, legitimizing its bid to establish a CCP-led China as the central node of globalization and global governance in decades to come.

In the COVID era, the party's campaign for influence in the developing world is manifested in donations of personal protective equipment (PPE) and promises to deliver vaccines, cultivating an image of a benevolent global power while eroding confidence in the ability of liberal democracies to provide public goods. The CCP has used its COVID-19 response to accelerate outreach to political parties in the developing world, using such party consultations to popularize and legitimize its methods of authoritarian governance and development. These engagements complement a global propaganda campaign to selectively highlight the shortcomings of democracies relative to China's own whitewashed pandemic response, as well as to aggressively silence critics of the official CCP narrative.

This report consists of condensed versions of research findings on Nepal, Georgia, Greece, and Montenegro. It also includes deep-dive studies on two countries, Kenya and Panama, which document in detail the CCP's efforts to shape views and policy toward China, and the impact of these efforts on each country's governance and relationship with Beijing. The country studies are ordered starting with those most susceptible to Chinese influence efforts. The findings underscore the pernicious effects of simultaneous unchecked CCP influence in democracies' economies and their internal discourse on China. Together with studies provided on Cambodia, Pakistan, Sri Lanka, Serbia, Ecuador, Zambia, Mongolia, Hungary, the Gambia, Myanmar, Malaysia, the Maldives, and Australia in IRI's 2019 report, this research highlights the varied nature of CCP influence on individual democracies and the commonalities across countries.

Economic influence remains the foundation for China's growing leverage, with the corrosion of democratic institutions a frequent byproduct of Chinese-government-linked entities' non-transparent business practices, but the studies in this report further underscore how China is using opacity and corruption in economic dealings. Even as Beijing has pulled back from lending to support foreign infrastructure investment due to economic factors, domestic pressures and foreign scrutiny, numerous countries' debt burdens are mounting as a result of deals struck with Chinese entities.

However, it is in the information domain where the CCP is significantly ramping up its drive for influence by manipulating narratives through traditional and digital media, United Front work and investment in telecommunications infrastructure. The CCP capitalizes on control over the Chinese-language news space in developing countries and the growing reach of People's Republic of China (PRC) state media with nearly



A CCP official joins President Kenyatta at the launch of Kenya's Jubilee Party, September 8, 2016.

exclusive control of news on China routed to prominent newspapers, government agencies and community networks. This effect is most pronounced where Chinese-government-linked enterprises have established dominant control over telecommunications infrastructure such as digital television, effectively becoming information gatekeepers by providing preferential broadcasting access to state media and friendly news sources while obstructing Western portals and critical voices.

These efforts are compounded as Chinese government representatives in countries take more proactive, "wolf warrior" postures in their local engagement, taking to social media and, in some cases, threatening local media to retaliate against negative coverage of China. This behavior has incentivized some governments to distance themselves from media outlets critical of China and silence efforts to expose malign behavior. Conversely, it has also sparked solidarity movements across civil society and prompted united condemnation of China's efforts to undermine liberal institutions.

In spite of the CCP's expanding influence efforts over the past year, the case studies in this report demonstrate momentum toward greater democratic resilience across the developing world. In support of these trends, IRI is engaging the growing number of partners around the world taking action to expose the CCP's malign influence efforts, bolstering their capacity to mobilize for official change and to protect their countries' democracy and independence.

EXECUTIVE SUMMARY OF KEY FINDINGS

Instrumentalizing Economic Influence

China's mounting economic engagement with countries across the developing world remains the foundation of its leverage and influence. Chinese investment and trade are critical for many developing economies, but Chinese entities' business and negotiating practices frequently produce negative consequences for recipient countries' finances and democracy. China is also instrumentalizing the opacity and corruption that define many asymmetric deals with willing local governments to achieve strategic advantages in key countries.

- **Opacity continues to shroud lopsided agreements brokered between governments with lax transparency standards and Chinese banks and state-owned enterprises (SOEs), exacerbating debt burdens and creating dependencies.** In nearly all cases included in this report, negotiations with Chinese SOEs have bypassed procurement processes entirely and were conducted behind closed doors.
 - » In Kenya, major infrastructure projects implemented by Chinese SOEs, such as the Standard Gauge Railway (SGR) linking Mombasa to Nairobi, were negotiated behind closed doors and their terms remain unavailable to the public. There are currently more than 400 registered Chinese companies in Kenya that win more than half of federal construction contracts.
 - » Even where transparency and public procurement processes are improving, details on tenders awarded to Chinese enterprises are kept from public scrutiny, as demonstrated by regularly closed tenders in Panama. This lack of transparency has allowed governments to continue to award construction contracts to Chinese SOEs despite their shoddy completion record and reputation for environmental degradation and corruption, as in the case of SinoHydro's projects in Georgia.
- **Terms of Chinese investment deals often reduce broader benefits for local economies.** Chinese lenders often require that projects be awarded to Chinese enterprises with a preference to conceal contractual terms. As a result, local Kenyan enterprises and workers are excluded from the monetary benefits of Chinese investment and opportunities are lost to build human capital. Montenegro is similarly unlikely to reap broader benefits from Chinese infrastructure investment as the China Road and Bridge Corporation's (CRBC) terms ensure the use of Chinese labor and materials in Montenegro.
- **Despite a significant slowdown in Belt and Road Initiative (BRI)-related lending, countries continue to suffer the effects of signing up to poor terms for Chinese infrastructure deals.** Nowhere is this clearer than in Montenegro, where a loan from the Export-Import Bank of China ballooned national debt to 82 percent of gross domestic product (GDP) to fund the first phase of construction for a project that failed to pass two feasibility studies. The full terms of the contract, including potential collateral of Montenegro's national assets, have been kept from the public, and the government has nearly ceded all leverage in future negotiations by deferring arbitration to China.
- **Corruption is inherent to deals with Chinese-government-linked entities, leading to elite capture and ensuring favorable political outcomes for the CCP.** To facilitate a favorable environment for Chinese enterprises and encourage pro-China foreign policy decisions, the Chinese government has lavished foreign leaders and their coterie with personal "donations" and market access for their privately owned companies. In the case of Panama, the shift in recognition from Taiwan to the PRC appears to have been driven by payoffs to leadership.



Policemen stand guard in front of a banner welcoming Chinese President Xi Jinping ahead of his state visit, in Kathmandu on October 11, 2019.

Intensifying Focus on Information Manipulation

The CCP is increasingly complementing its economic leverage with efforts to shape the information space to protect its strategic interests in individual countries and advance its preferred narratives globally.

The CCP has expanded its use of tactics detailed in the first report to shape the media environment: **content-sharing arrangements** that allow for official propaganda to be printed in local media as authoritative news on China, **all-expenses-paid training tours for journalists**, and **Chinese investment in local radio and television stations** to cultivate a global media network of pro-China voices.

- » In Panama, Xinhua has successfully become embedded in domestic outlets' coverage on China with regular appearances of Xinhua newswire articles in major daily newspapers El Siglo and La Estrella de Panamá.
 - » The CCP has courted journalists from nearly all of the countries cited in this report, sponsoring lavish "media tours" of China to cultivate and co-opt friendly voices in the press. Implicit in these trips is the expectation that foreign journalists will advance a positive narrative about China in future coverage.
 - » A Georgian multimedia site was quietly part of a network majority owned through a subsidiary by China Radio International, China's state-owned international broadcaster, until it withdrew its holdings amid a tax-fraud investigation.²³
- **United Front work is increasingly a key element of the CCP's expanded information operations, particularly in countries with sizable diaspora populations.** The breadth and degree of coordination between the central government and United Front organizations abroad permits the CCP to reduce the

space for independent and pluralistic voices in Chinese-diaspora communities and to insert itself to speak on behalf of those communities.

» In Panama, where there is a Chinese diaspora community of more than 200,000 people, United Front organizations have successfully positioned themselves in leadership roles, acting as interlocutors between the community and the Panamanian government. United Front-linked media organizations have also been building out a parallel Chinese-language information space, providing translations of local news to the diaspora community while delivering content on China that is heavily reliant on Chinese state media and closely aligned with the party's perspectives and sanctioned narratives.

- **China's significant investments in communications infrastructure have facilitated efforts to push pro-CCP narratives.** For example, the Chinese-government-linked company StarTimes was selected as the exclusive contractor for upgrading Kenya's telecommunications infrastructure from analog to digital. StarTimes has provided preferential treatment to state-run media outlets that push pro-CCP narratives while simultaneously limiting access to more critical Western media outlets through outright prohibitions or placement behind a steep paywall.
- **China's expanding digital influence operations, including on global social media, are a growing factor in enabling the CCP to shape perceptions of China and its policies in individual countries, which has been especially prevalent during the COVID pandemic.** The CCP has expanded its drive to shape the narrative on sensitive topics for China, utilizing propaganda and disinformation to manipulate information regarding its handling of COVID-19, repression in Hong Kong and detention of more than one million Uyghur Muslims in Xinjiang.

China's business practices and corruption can ensure decisions critical to countries' prosperity and independence are made based upon elites' private interests – and those of China – rather than in the public interest.

Mounting Risks for Democracies

- **China's business practices and corruption can ensure decisions critical to countries' prosperity and independence are made based upon elites' private interests – and those of China – rather than in the public interest. Greater CCP influence over civil society and the information environment inhibits exposure of these dynamics and prevents accountability.** Elite capture has been used to great effect to help Chinese companies like Huawei enter new markets, benefiting few with financial kickbacks while potentially exposing key infrastructure and private data to a company that is ultimately accountable to the CCP's National Intelligence Law.
 - » In Nepal, Huawei paid kickbacks to political advisers of the Nepali prime minister for their support securing a contract to build out the "digital action room" and cut out domestic competitors. These advisers had significant contact with Huawei leading up to the deal.
- **Corrosion of citizen trust in the democratic process.** When they do come to light, opaque deals with Chinese SOEs and subsequent allegations of corruption and democratically elected but increasingly unaccountable leaders exacerbate the fragility of democratic institutions of many countries and erode



Chinese President Xi Jinping meets Panama's then President Varela on first official visit to Panama in December 2018 following the country's establishment of diplomatic ties with the PRC the year prior.

confidence in democratic leaders and institutions. This dynamic is a buoy for China's effort to cast doubt on the efficacy of democracy and legitimize its illiberal governance model.

- **Greater Chinese influence over internal political decisions and dynamics.** For example, Nepal, once a stalwart supporter of Tibet in the face of CCP repression and a haven for Tibetan refugees, has acquiesced to the Chinese government's demands as it becomes increasingly reliant on China economically and wary of punitive action, particularly under the CCP-friendly Nepal Communist Party. The Nepalese government now regularly revokes the legal status of refugees who flee Tibet. Nepalese political parties have preemptively disciplined members who support Tibetan autonomy. The CCP's intervention to settle factional rifts in the Nepal Communist Party to ensure its hold on power shows how Beijing is taking a more active approach to supporting political allies in key countries.
 - » Panama's decision to switch diplomatic recognition to the PRC from Taiwan was shaped to a significant degree through CCP influence with the ruling Juan Carlos Varela government, including a \$143-million donation to the country, Chinese market access for Varela's alcohol company, and leveraging the Chinese diaspora in Panama. In a government-appointed body representing the Chinese community in Panama as the country debated the switch away from Taiwan, four out of six had strong links to United Front organizations.
- **Popularization of China's authoritarian governance model.** Over the last year, China has devoted greater energy to pushing authoritarian solutions to the mounting challenges facing developing democracies under COVID-19, even as it denigrated democracy's ability to deliver for citizens through propaganda and disinformation on global social media.

- » The International Liaison Department (ILD) of the CCP has taken the lead in these efforts, organizing workshops and party-to-party trainings to impart its expertise on issues ranging from poverty alleviation to economic-recovery strategies amid the global downturn. Chief among these topics has been “party management.” The CCP has embarked on a sweeping campaign across the Global South; undeterred by travel restrictions during COVID-19, the ILD has been able to engage political parties en masse through virtual formats.
- » In countries such as Kenya, the CCP has built on a longstanding relationship with the ruling Jubilee Party, a regular host of CCP training sessions. The Jubilee Party, from the top down, lavished praise on the CCP’s development and governance strategy and ability to “unify” China. Jubilee’s gung-ho China policy has granted the CCP extensive access beyond the central elite to local party officials, holding workshops at every county level in Kenya.
- » Ideology has become a growing component of the CCP’s international outreach to likeminded political parties. Workshops on “Xi Jinping Thought” organized by the ruling Nepal Communist Party and the ILD ahead of a state visit by the Chinese leader in 2019 are one of many examples of the externalization of China’s ideological work.

Encouraging Signs of Democratic Resilience

- **Elections and effective democratic processes are the most decisive means to uproot elite capture, mitigate malign influence and correct course on engagement with China.**
 - » The Laurentino Cortizo government in Panama, elected in 2019, approaches Beijing on a much more cautious footing than that of former President Varela, and has pumped the brakes on trade agreements and infrastructure projects that would exponentially increase the access of Chinese enterprises.
 - » New leadership following the October parliamentary elections in Montenegro offers an opportunity to pursue more feasible paths toward the completion of expensive, China-financed infrastructure that was arguably a vanity project of the previous leadership with limited economic utility.
- **Independent media continue to expose CCP political and economic influence efforts, promoting transparency and accountability in dealings with China.**
 - » For example, CCP threats lobbied against independent media in Nepal triggered united and strong pushback. After running an op-ed penned by the former US ambassador to the North Atlantic Treaty Organization (NATO), the Chinese embassy issued threats against the chief editor of the Kathmandu Post. Seventeen editors of different publications issued a joint statement condemning the embassy’s statement.
 - » Though the Kenyan media environment is increasingly compromised by the outsized role of Chinese state media outlets, investigative journalism has persisted and with great effect. Independent investigative journalists have exposed corruption stemming from deals between the Kenyan government and Chinese SOEs, contractual obligations to Chinese lenders and the impact of debt on the Kenyan taxpayer. These pieces were the basis of the National Assembly’s calls for accountability in the executive branch.
- **“Resilience fundamentals” — democratic institutions, good governance and an understanding of the CCP playbook — are critical to countering CCP influence operations.**
 - » Civil society is key to holding government officials accountable. For example, think tanks in Georgia continue to pressure the government to correct the lack of transparency surrounding public tenders awarded to Chinese SOEs and bring them in line with the standards clearly detailed in procurement law.

- » CCP investments no longer buy it the right to behave with impunity in many countries and unilaterally set terms of agreement with assured protection by host governments. Local businesses and workers unions are beginning to push back against China's mercantilist behavior in Greece, for example. China's first investment in Greece's strategic infrastructure has become a point of contention as China's shipping company COSCO seeks to displace local business and expand control over operation of the Port of Piraeus, sparking protests and demonstrations.
 - » National legislatures also play a key role in checking executive actors, including through investigations by the national assemblies and parliaments to address opacity and unveil and deter foul play. Though the National Assembly lost its case in Kenya's High Court regarding alleged corruption surrounding the government's decision to provide a single-source tender to China Communications Construction Company and China Road and Bridge Corporation, it regularly holds public debate on the government's use of federal monies through tenders, including those awarded to Chinese SOEs. This legislative function helps to mitigate the efforts of China's state-run media outlets to push propaganda and critical voices critical of China.
- **There is mounting awareness of the CCP's strategic intent and tactics among democratic actors and willingness to openly discuss mitigating negative effects on democracy.**
 - » There is growing, if not widespread, understanding of the risks of engagement with China and Chinese-government-linked entities in all countries addressed in this report. Also, discussion of China's malign behavior has expanded exponentially at the international level, triggered by China's repression and human-rights abuses, as well as an increasingly aggressive "wolf warrior" approach to foreign engagement and free speech that has ruffled feathers from Europe to the Pacific Islands. There is increased public discussion of the risks posed by China's global ambitions to open societies and the liberal values that underpin the current international order, and new momentum to turn this rhetoric into policies that will inoculate democratic societies against both CCP influence operations and more overt coercive pressure.

NEPAL

The ruling Nepal Communist Party's (NCP) sharp departure from the previous administration's prioritization of ties with India and the West since 2017 has opened the door to Chinese influence over Nepal's internal politics and foreign policy calculus. Increased economic and security cooperation between Beijing and Kathmandu has been warmly welcomed in Nepal, as have stronger party-party ties between the NCP and CCP. While this growing relationship with China gives the Nepali government greater strategic latitude by reducing its structural dependence on India, it has come at a cost to its democratic institutions.¹ Growing Chinese influence in the country has put pressure on the government and political parties to pay homage to China's political priorities on the issues of Tibet and Taiwan, and to silence critics of the Chinese government in Nepal.

Driving China's intensified engagement with Nepal are concerns regarding instability across the border in Tibet, perceptions of Nepal as a hotbed for anti-China activism, and an interest in contesting Indian influence on its periphery.² Economically, Nepal presents an opportunity to offload excess capacity in infrastructure construction and gain access to new energy resources.

China's sizable role in Nepal's economy affords it significant leverage over the country's foreign policy and internal discourse. In recent years, the CCP has expanded engagement comprehensively, making new inroads into academia, the media, security services and political parties, which strengthen the Chinese government's hand in influencing both Nepal's internal disposition and the perception of China among Nepali citizens.

Economic Influence

China's mounting economic engagement with Nepal has conditioned the country's policies to align more with PRC interests. Though it has fallen short of initial expectations as a source of infrastructure investment, China has embedded its influence among Nepal's political elite with favors and financial kickbacks in exchange for deeper access and contracts for China's state-owned enterprises (SOEs) in strategic sectors.

China was Nepal's top investor in fiscal year (FY) 2015/2016 and the source of 79.9 percent of foreign direct investment (FDI) from 2018 to 2019.³ Bilateral trade volume more than tripled between the two countries, from US\$414 million in 2009 to US\$1.52 billion in 2019.⁴ An agreement signed between Nepal and China in October 2015 broke India's exclusive control over Nepal's oil supplies, and a transit and transport agreement signed during Prime Minister K.P. Sharma Oli's trip to Beijing helped to diversify Nepal's access to seaports and international commerce.⁵ A new cross-border fiberoptic cable between Nepal and China was completed in March 2018, ending India's stranglehold on Nepal's telecommunications connectivity.⁶

¹ Nepal's excessive structural reliance on India was most clearly exposed by the de facto blockade on energy imports during a diplomatic spat over Nepal's constitutional reforms. See: "Nepal PM KP Sharma Oli Wants India to 'Immediately Lift Undeclared Blockade.'" *The Economic Times*, 15 Nov. 2015, economictimes.indiatimes.com/news/politics-and-nation/nepal-pm-kp-sharma-oli-wants-india-to-immediately-lift-undeclared-blockade/articleshow/49793060.cms.

² Dahal, Dev Raj. "Geopolitics of Nepal: Survival Strategies of a Small State" in Aditya, Anand. *The Political Economy of Small States*, Nepal Foundation, 1997, 25-53.

³ For FY2015/16, see: "Industry Statistics." *Nepal Department of Industry*, table 14, doind.gov.np/images/industry-static/Industrial_statistics_7273.pdf; for FY2018/19 (latest available data), see: "Industry Statistics." *Nepal Department of Industry*, Table 14, drive.google.com/file/d/12qWtJWscgFyB38nejCX100j2n3Y9NvKV/view.

⁴ "UN Comtrade Database." *UN Department of Economic and Social Affairs*, comtrade.un.org/data/.

⁵ Xi Jinping declares that China will help to remold Nepal from a landlocked country to a land-linked country. "China Will Help Nepal Realise Its Dream to Become Land-Linked Country: President Xi." *The Rising Nepal*, 12 Oct. 2019, risingnepaldaily.com/main-news/china-will-help-nepal-realise-its-dream-to-become-land-linked-country-president-xi; Giri, Anil. "Nepal Signs Deal With China to Access Seven Chinese Sea and Land Ports." *The Kathmandu Post*, 30 Apr. 2018, kathmandupost.com/national/2019/04/30/nepal-signs-deal-with-china-to-access-seven-chinese-sea-and-land-ports.

⁶ Giri, Anil. "Nepal Ends India's Monopoly on Internet Access with New Chinese Link." *Hindustan Times*, 13 Jan. 2018, hindustantimes.com/world-news/nepal-ends-india-s-monopoly-on-internet-access-with-new-chinese-link/story-lxcEzrufnTLM7Pv8WxhXCN.html.

The Nepali government has pegged its hopes on China as a source of much-needed infrastructure investment. Though it has been a signatory of the Belt and Road Initiative (BRI) framework since 2017, investment from China in Nepal is scant compared to Chinese investment in Pakistan and Sri Lanka.⁷ The Nepali government initially listed 35 projects to develop under the BRI framework, which were reduced to nine in January 2019.⁸ This can be attributed to China insisting that Nepal prioritize areas of investment and disagreements on funding for the projects. A sign of the Nepali government's resilience to pressure from China has been its refusal to accept all loans, and its choice to instead hold out for grants.

Despite disappointment with the sum of Chinese investments and downsizing of several infrastructure projects, the Nepali government has been averse to upsetting the limited inflow of investment and aid from China.⁹ A stark example of Nepal's accommodation of China's political agenda was its voluntary rejection of Taiwanese relief aid in the aftermath of the 2015 earthquake. This reflected a desire to demonstrate steadfast support for the "One China" principle and an unwillingness to disturb China's interests in an environment where vast amounts of aid from the Chinese government were critical to Nepal's post-quake recovery.¹⁰

Corruption and Foul Play

Anecdotal evidence strongly suggests corruption and foul play have influenced the Nepali government's decisions to award contracts to Chinese firms despite obvious risks and Chinese SOEs' lack of qualifications. Several contracts have been awarded to Chinese firms under suspicious circumstances and non-competitive processes. China's success can be attributed to a concerted campaign to develop personal relationships with Nepali political elites with all-expenses-paid junkets, while businessmen with connections to Chinese SOEs and Nepal's political elite have received financial kickbacks in exchange for awarding government contracts to Chinese firms.¹¹

Meanwhile, individuals with close links to Chinese SOEs have been assigned to key positions inside the Nepali government responsible for awarding future contracts.¹² Both China's SOEs and government officials have facilitated favors that have implicated Prime Minister Oli and his advisers with allegations of corruption and foul play.

In 2017, the Pushpa Kamal Dahal government awarded a US\$2.42-billion contract for a 1,200-megawatt (MW) Budhigandaki Hydropower Project to the Chinese Gezhouba Group Corporation (CGGC), a company with a scant record of project completion that is blacklisted in many countries. The deal was later reversed by the Sher Bahadur Deuba government in November 2017, claiming that the Dahal government had flouted the Public Procurement Act when it first awarded the contract to the Chinese firm in 2017.¹³ In September 2018, the Oli government overturned the decision and re-awarded the contract agreement to

⁷ "Nepal, China Sign Bilateral Cooperation Agreement under Belt and Road Initiative." *Xinhua*, 12 May 2017, xinhuanet.com/english/2017-05/12/c_136276949.htm.

⁸ The reduction in the number of projects was mainly due to China's insistence that the Nepalese government define priority sectors and limit the number of projects to a single digit. Giri, Anil. "Nepal Trims Projects under BRI from 35 to 9 at Chinese Call." *The Kathmandu Post*, 18 Jan. 2019, kathmandupost.com/national/2019/01/18/nepal-trims-projects-under-bri-from-35-to-9-at-chinese-call.

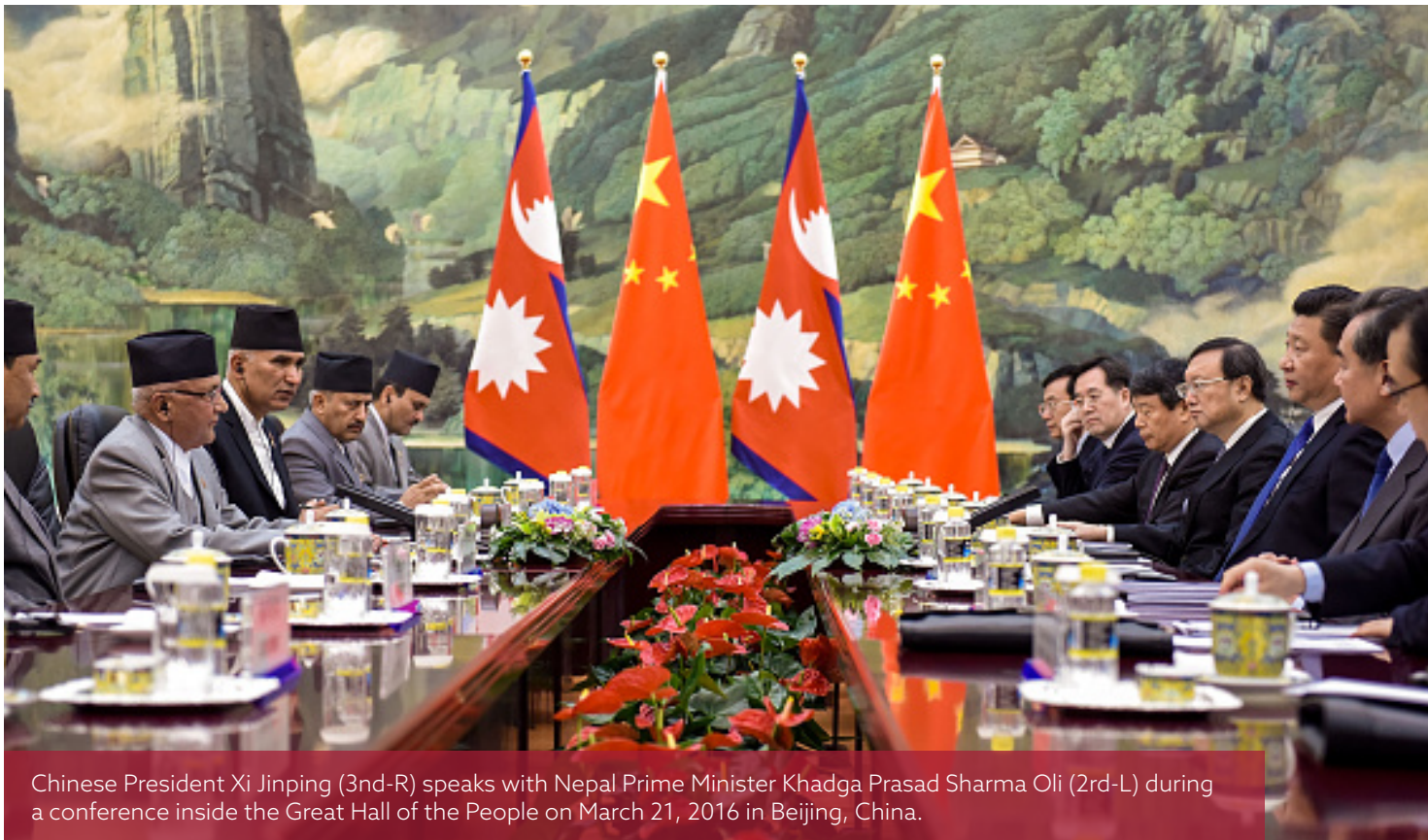
⁹ Shakya, Tsering and Ashok Gurung. "Was Nepal a Soft Power Victory for China?" *Foreign Policy*, 1 May 2015, foreignpolicy.com/2015/05/01/nepal-china-earthquake-aid-taiwan-power/.

¹⁰ Interview with former ambassador. China's relief delegation was the second largest to land in Nepal and consisted of 40 rescuers, 10 medics, 12 seismic experts, 55 soldiers and 186 tons of emergency supplies. It also committed US\$483 million for post-earthquake reconstruction. Within two weeks, official assistance from China reached 60 million renminbi (RMB), together with 546 tons of daily-use materials, including 1,600 tents, 10,000 blankets and 327 electric generators. The emergency aid of US\$3.3 million was three times the amount announced by the United States. Tiezzi, Shannon. "After Devastating Earthquake, China Rushes Aid to Nepal." *The Diplomat*, 28 Apr. 2015, thediplomat.com/2015/04/after-devastating-earthquake-china-rushes-aid-to-nepal/.

¹¹ According to a senior journalist who covers Nepali foreign policy, in 2017, at least 100 Nepali government officials were thought to be on all-expenses-paid China junkets at any given time. Baral, Biswas. "After the 'Blockade': China's Push into Nepal." *The Diplomat*, 1 Feb. 2017, thediplomat.com/2017/02/after-the-blockade-chinas-push-into-nepal/.

¹² The government potentially exposed itself to further undue influence by Chinese construction firms by appointing Shushil Bhatta as the head of Investment Board Nepal (IBN), the office responsible for attracting FDI to Nepal. The appointment of Shushil Bhatta has been controversial because of potential conflicts of interest. Before his appointment, Bhatta and his brother, Deepak Bhatta, reportedly acted as political intermediaries for foreign corporations, including CGGC, providing them access to political leadership to secure contracts for large development projects, most of which resulted in incomplete projects. Giri, Anil. "Bhatta's Appointment Despite Criticism Puts Spotlight on Problems Inherent in the System." *The Kathmandu Post*, 5 Aug. 2020, kathmandupost.com/national/2020/08/05/bhatta-s-appointment-despite-criticism-puts-a-spotlight-on-problem-inherent-in-the-system/; Acharya, Krishna. "Responsibility of the Board to the Intermediary of the Project." *Ekantipur*, 4 Aug. 2020, ekantipur.com/news/2020/08/04/159650591337457421.html.

¹³ For other examples, see: Poudel, Arjun. "Health Ministry Cancels Tender to Purchase Medical Equipment from China over Controversy." *The Kathmandu Post*, 1 Apr. 2020, kathmandupost.com/national/2020/04/01/health-ministry-cancels-tender-to-purchase-medical-equipment-from-china-over-controversy.



Chinese President Xi Jinping (3rd-R) speaks with Nepal Prime Minister Khadga Prasad Sharma Oli (2nd-L) during a conference inside the Great Hall of the People on March 21, 2016 in Beijing, China.

CGGC without subjecting the project to public-procurement processes, after a businessman with close ties to the prime minister received a kickback from the company.¹⁴

Favors and kickbacks to Nepali political elites have encouraged them to ignore potential national security risks. In December 2018, the Oli government awarded a contract to build a “Digital Action Room” in the prime minister’s office to a subsidiary of Huawei without subjecting the project to a competitive bidding process. The contract was awarded to Huawei despite the government-owned Nepal Telecom having the expertise and capacity to build the video-conference facility, and the government ignored the clear security implications of embedding Huawei technology into core government communications platforms.¹⁵ Reportedly, the son of political adviser Bishnu Rimal had pushed for the contract to be awarded to the Huawei subsidiary in return for financial compensation from the Chinese company.¹⁶ The agreement was later scrapped after it came under scrutiny from the Commission for Investigations of Abuse of Authority (CIAA), Nepal’s anti-graft body.¹⁷

¹⁴ “Budhi Gandaki Again Awarded to China Gezhouba without Free Competition.” *Nepal Energy Forum*, 23 Sept. 2018, nepalenergyforum.com/budhi-gandaki-again-awarded-to-china-gezhouba-without-free-competition; Jacquard, Roland. “Nepal: The Sulfurous Chinese Connections of Prime Minister KP Sharma Oli.” *Global Watch Analysis*, Aug. 2020, global-watch-analysis.com/nepal-les-sulfureuses-accountances-chinoises-du-premier-ministre-kp-sharma-oli/?lang=en.

¹⁵ “China Uses Corrupt Leaders to Make Inroads into Economically Weaker Countries Like Nepal: Report.” *The Economic Times*, 13 July 2020, economictimes.indiatimes.com/news/defence/china-uses-corrupt-leaders-to-make-inroads-into-economically-weaker-countries-like-nepal-report/articleshow/76932453.cms.

¹⁶ Jacquard, “Nepal: The Sulfurous Chinese Connections of Prime Minister KP Sharma Oli.”

¹⁷ Sapkota, Sunil. “Govt Calls Bids to Set Up Digital Action Room at PMO.” *myRepublica*, 25 Jan. 2019, myrepublica.nagariknetwork.com/news/govt-calls-bids-to-set-up-digital-action-room-at-pmo/.

Other Forms of Chinese Influence

China's economic influence with Nepal's political elite has engendered an environment in which the Nepali government seeks to silence critics of the Chinese government to maintain an amenable ecosystem for more cooperation and deals in the future. It has had a growing reach and presence in Nepali academia and domestic media. Together, this helps to protect China's interests and positive perceptions of China in Nepal by drawing scrutiny away from allegations of corruption and reducing coverage of the Chinese government's oppressive policies in Tibet.

Academia

The Chinese government is increasing its reach to all aspects of Nepali academia that are related to China. Confucius Institutes (CI) have wide reach through Nepal's higher-education system and throughout the Nepali government.

Nepal is host to two CIs at Kathmandu University and Tribhuvan University. By 2019, the CIs had also established four Confucius Classrooms and 14 teaching sites and had reached 20,000 students.¹⁸ More than 6,400 Nepali students have received scholarships from the Chinese government to study at universities in China.¹⁹ The CI at Tribhuvan University is slated to be a research center for language and culture, and the Chinese government will have a heavy hand in its operation.²⁰

The Nepali government has granted CIs access to political elites and Nepal's institutional infrastructure. CIs in Nepal provide language training to officials in the Ministry of Foreign Affairs, the Ministry of Education, the Nepali Army and the Department of Tourism.²¹ The Ministry of Education signed a memorandum of understanding (MoU) with the Chinese Embassy for a Volunteer Chinese Teacher Program to teach Mandarin in public schools, with volunteer instructors provided by the Chinese government.²² Extending influence beyond language instruction at CIs, Beijing offered to pay the salaries of instructors at private institutions offering Mandarin instruction, which would potentially increase their leverage over staffing and give them greater latitude to shape views of China.

Under the guise of academic exchange and outreach, China is also increasing its connections and influence in the Nepali military.²³ The aim of this is to increase its influence in the armed services as a hedge against future instability and the potential of Nepal as a hotbed for anti-Chinese Tibetan separatism. In addition to expanding cooperation with Nepal's security services through joint exercises and provision of non-lethal supplies, China allocates seats to Nepali officers to study at China's National Defense University (NDU). Within the Nepali Army, officers graduating from China's NDU outnumber those graduating from other countries' military educational institutions by a 4-to-1 ratio, giving China significant influence among future Nepali Army leadership.

Media

China has established a strategic foothold to shape perspectives of China in Nepal's information space. As of 2014, China Radio International was the first foreign radio station to be granted permission to broadcast

¹⁸ "How China is Getting Nepal into Its Orbit." *NewsInAsia*, 26 Mar. 2019, newsin.asia/how-china-is-getting-nepal-into-its-orbit/.

¹⁹ "China Provides Scholarship to over 100 Nepali Students for 2018." *The Rising Nepal*, therisingnepal.org.np/news/25509.

²⁰ According to the prime minister, "the Chinese government will bear the entire cost for the establishment and operation of the institute in the initial phase," but he added the caveat that future funding and operational responsibility would be under negotiation after the institute comes online. See: Ghimire, Binod. "Government Has Agreed to Promote Mandarin in Nepali Schools and Not Everyone Seems Pleased." *The Kathmandu Post*, 19 Oct. 2019, kathmandupost.com/national/2019/10/15/government-has-agreed-to-promote-mandarin-in-nepali-schools-and-not-everyone-seems-pleased.

²¹ "Nepal's Foreign Ministry Officials Learn Chinese Language." *myRepublica*, 1 Nov. 2017, myrepublica.nagariknetwork.com/amp/nepals-foreign-ministry-officials-learn-chinese-language/.

²² Ghimire, Binod. "Government Has Agreed to Promote Mandarin in Nepali Schools and Not Everyone Seems Pleased."

²³ According to an interview conducted by a researcher with a retired general.

in the country.²⁴ In recent years, China has sought to cultivate goodwill in the journalist community by organizing regular free trips to China for Nepali journalists and, according to at least one Nepali media professional, by providing unofficial financial support to China-friendly outlets.²⁵

China's growing economic role in Nepal and the clear red lines around "sensitive issues" have prompted the Nepali government to pressure local media to deter critical reporting on China.²⁶ Not only do government officials refrain from engaging with reporters seeking comments on China-related stories, to avoid association with reports critical of China and its policies on Tibet, but the government has also launched politically motivated investigations against journalists from the state-run news agency Rastriya Samachar Samiti (RSS) who provided coverage of the Dalai Lama.²⁷ The investigations, ordered by Nepal's Minister of Communications and Information Technology Gokul Baskota, have had a chilling effect on reporting on China and enforced greater adherence among Nepali state media to China's preferred narratives and policy priorities. The government has made it clear that when it comes to China, objective and critical reporting is not Nepali state media's goal. The "investigation [against the three journalists at RSS who wrote about the Dalai Lama] will be guided by Nepal's relationship with China, by the One-China policy, and by Nepal's foreign policy," said Dilliram Batarai, one of the members of the committee assigned to conduct the inquiry.

Nepal's media environment is a stark example of how China's sharp power in a country is facilitated by increased economic influence. Implied in Nepal's new friendship and economic links with China is an understanding that the government should take measures to prevent anything that reflects poorly on China, including reminders in Nepal's public media of the Chinese government's repressive policies in Tibet. Government officials shy away from reporters seeking comments on Tibet to avoid association with critical news on China, and Nepali journalists report that they have been pressured by government officials to mollify their counterparts in Beijing by avoiding critical reporting on China.²⁸

Party Influence

The International Liaison Department (ILD), the CCP's primary vehicle for cultivating influence with political parties — and, more recently, the means to popularize the CCP's governance and party management practices — engages with all political parties in Nepal.²⁹ According to one foreign policy journalist, at least 100 Nepali government officials were on all-expenses-paid China junkets at any given time in 2017.³⁰ The ILD and the Chinese government have shown a particular affinity for the NCP, and the feeling is mutual.

The NCP pays deference to the CCP's desire to act as a model of governance and party management. Ahead of Xi Jinping's state visit in 2019, the chief of the NCP's foreign affairs department, Madhav Kumar, and head of the ILD, Song Tao, signed an MoU that institutionalized their fraternal relationship.³¹ This MoU has become a platform for the CCP to impart its philosophy and practices through exchanges on communist ideology, experiences and training, and economic-development models. Starting with a study session on "Xi Jinping Thought" in 2019, attended and praised by Prime Minister Oli, party exchanges have accelerated

²⁴ Singh, Bawa and Shabaz Hussain Shah. "Nepal's Equidistance Policy Towards India and China: Exploring the Shifting Paradigm in the Post-Monarchical Era" in Jaiswal, Pramod and Geeta Kochhar. *Nepal's Foreign Policy and Her Neighbours*, New Delhi: G.B. Books, 2016, 49–66; "About Us." *Capital FM 92.4*, cfmonair.com/about/about-us; Qing, Koh Gui and John Shiffman. "Beijing's Covert Radio Network Airs China-Friendly News Across Washington, and the World." *Reuters*, 2 Nov. 2015, reuters.com/investigates/special-report/china-radio/.

²⁵ Dorje, Yeshe and Rajani Tamang. "Nepalese Journalists Pushed to Avoid Reporting on China, Tibet." *Voice of America*, 29 June 2019, voanews.com/south-central-asia/nepalese-journalists-pushed-avoid-reporting-china-tibet.

²⁶ According to personal interviews by the author with in-country media professionals.

²⁷ "Nepal Orders 'Investigation' of Reporters Who Wrote About the Dalai Lama." *Radio Free Asia*, 14 May 2019, rfa.org/english/news/tibet/reporters-05142019151851.html.

²⁸ Dorje and Tamang. "Nepalese Journalists Pushed to Avoid Reporting on China, Tibet."

²⁹ See glossary of terms for a more robust description on the activities of the International Liaison Department.

³⁰ Baral. "After the 'Blockade': China's Push into Nepal."

³¹ "Ruling Communist Parties of Nepal and China Sign MoU to Strengthen Fraternal Ties." *Press Trust of India*, 24 Sept. 2019, business-standard.com/article/pti-stories/ruling-communist-parties-of-nepal-and-chinese-sign-mou-to-strengthen-fraternal-ties-119092401328_1.html. This move unified the Communist Party of Nepal, Unified Marxist-Leninists and the Communist Party of Nepal-Maoists.

at a rapid pace, and ties between the CCP and NCP have become stronger and more institutionalized.³²

The NCP has been accused of going to great lengths to avoid criticizing China, including dismissing concerns about Chinese encroachment on Nepali territory without sufficient evidence. In September 2020, the Ministry of Foreign Affairs dismissed local district reports that China had built nine buildings one kilometer into Nepali territory even before the chief district officer visiting the site completed a field report on the situation.³³ The leader of the opposition Nepali Congress, Jeevan Bahadur Shahi, accuses the NCP of amplifying propaganda regarding India's occupation of Nepali land in October 2020 in order to divert attention away from the dispute with China as the issue gained more attention and sparked protests.³⁴

Pressure to maintain amicable relations with the CCP trickles down into internal party politics. Political parties have taken sharp measures to ensure that their membership adheres to China's perspective on issues deemed "sensitive" by the Chinese government. For example, the Samajbadi Party suspended lawmaker Pradip Yadav for six months for attending a "Free Tibet" conference in Riga, Latvia.³⁵

Such party attentiveness to China's sensitivities and interests has the potential to impact Nepal's ties to the United States. For example, a faction in the NCP, including former Prime Minister Dahal, argued in 2019 that Prime Minister Oli should reject the terms of an agreement signed with the United States' Millennium Challenge Corporation to avoid harming ties with Beijing. Dahal claimed that the proposed US\$500 million in U.S. contributions for a power-transmission line and upgrading of transport infrastructure are part of the U.S. Indo-Pacific Strategy to contain China and would damage Sino-Nepal relations.³⁶

China played a key mediating role when interparty conflict among the various factions of the ruling NCP climaxed in May 2020, furthering its influence. The Chinese ambassador to Nepal met with NCP leaders to help settle the factional disputes that have plagued the unification process of Oli's Communist Party of

The importance of maintaining amicable relations with China has led Nepal's political elites to limit the space for free speech and forgo Nepal's longtime commitment to providing a haven for political refugees from Tibet.

³² "Xi Jinping New Era Socialism Thought with Chinese Characteristics Promotion Conference and Theoretical Seminar of the Communist Party of China and the Communist Party of Nepal was held in Kathmandu." *International Department of the CPC*, 23 Sept. 2019, idcpc.gov.cn/ztwy/zytz/tyn2019_1/txwl/201912/t20191224_123103.html; Kaphle, Anup. "A Blueprint for Consolidating Power: China Exports Xi Jinping Thought to Nepal." *The Kathmandu Post*, 24 Sept. 2019, kathmandupost.com/national/2019/09/24/a-blueprint-for-consolidating-power-china-exports-xi-jinping-thought-to-nepal. Prime Minister Oli also praised the CCP's governance model of socialism and development, see: "Communists Say Socialism Better than Capitalism." *The Himalayan Times*, 24 Sept. 2019, thehimalayantimes.com/nepal/communists-say-socialism-better-than-capitalism/; "The Communist Party of China and the Political Parties in Nepal Hold the First Meeting of the China-Nepal Trans-Himalayan Three-Dimensional Interconnection Network Political Party Discussion Mechanism." *International Liaison Department of the CPC*, 20 Oct. 2020, idcpc.gov.cn/bzhd/wshd/202010/t20201020_140474.html. For more examples of party-party exchanges see: "The Communist Parties of China and Nepal Hold Advanced Seminars on Party and Country Experience." *International Department of the CPC*, 19 June 2020, idcpc.gov.cn/bzhd/wshd/202006/t20200620_138901.html.

³³ "Government's Comment over Land Encroachment by China Came Before Field Report: Nepali Congress." *WION*, 25 Sept. 2020, wionews.com/south-asia/governments-comment-over-land-encroachment-by-china-came-before-field-report-nepali-congress-330164; "China Using Infrastructure Construction to Lure Border Nepalis, Kathmandu Using Indian Occupation to Divert Public Attention." *Tibetan Review*, 19 Oct. 2020, tibetanreview.net/china-using-infrastructure-construction-to-lure-border-nepalis-kathmandu-using-indian-occupation-to-divert-public-attention/.

³⁴ Chaudhury, Dipanjan Roy. "Students Join Protests Against China's Encroachment in Nepal." *The Economic Times*, 29 Sept. 2020, economicetimes.indiatimes.com/news/international/world-news/students-join-protests-against-chinas-encroachment-in-nepal/articleshow/78376995.cms.

³⁵ "Nepal Party Suspends MP for Attending Global Lawmakers' Tibet Support Meet." *The Tibetan Review*, 27 June 2019, tibetanreview.net/nepal-party-suspends-mp-for-attending-global-lawmakers-tibet-support-meet/.

³⁶ Adhikari, Deepak. "Nepal Ruling Party Split over US Aid Threat to China Relations." *Nikkei Asia*, 11 June 2020, asia.nikkei.com/Politics/International-relations/Nepal-ruling-party-split-over-US-aid-threat-to-China-relations.

Nepal (United Marxist Leninists) (CPN-UML) and Dahal's Communist Party of Nepal (Maoist Center).³⁷ The CCP again dispatched Guo Yezhou, vice -minister of the ILD, to Nepal in December 2020 to settle further interparty NCP strife. At the direction of Xi Jinping, Guo and a team of top delegates from the ILD met with Oli to persuade him to reverse his decision to dissolve parliament and offered to use its influence to broker an agreement with the rival faction led by Dahal.³⁸ Guo reportedly is well known in NCP political circles and is believed to have played a role in facilitating the party's consolidation. Neither the Oli nor Dahal faction in the NCP holds a majority in parliament independently; and either would need to solicit support from the relatively pro-India Nepali Congress party to form a government. China's attentiveness to factional infighting in the NCP demonstrates its clear preference for a consolidated and powerful communist party with which it can maintain strong ties.

Nepal's Response

Nepal's lack of resilience to China's economic and political leverage is most clearly demonstrated by its compliance with China's demands on issues relating to Tibetan exiles seeking refuge in Nepal. Nepal has not acquiesced on all issues deemed a priority by the CCP, particularly regarding the roughly 20,000 Tibetan refugees already residing in Nepal.³⁹ However, this is changing with the growing importance of China in Nepal's foreign policy.

Ahead of Xi Jinping's state visit in October 2019, the Nepali government began making significant concessions to China's demands that it curb the flow of refugees and dissidents across their shared border into Nepal. In September 2019, Nepal's police arrested and deported six Tibetan asylum seekers who had crossed the border into Nepal in the northwestern Humla District.⁴⁰ During Xi's visit, the Nepali government struck a deal with China to deport asylum seekers who crossed the border without sufficient documentation. As confiscation of international travel documents is commonplace in areas of political repression in China, this is a significant concession to China's interest in preventing the outflow of Tibetan political dissidents.

Civil society in Nepal is nevertheless a beacon of resilience to China's pressure. Despite stricter government control of state-funded media on issues critical of China, private media in Nepal continue to deliver robust criticism of the Chinese government. The privately owned Kathmandu Post recently published a scathing criticism of China's failed initial response to the outbreak of the coronavirus from the former US ambassador to the North Atlantic Treaty Organization (NATO).⁴¹ In an unprecedented move, the Chinese embassy issued a statement rebuking the publication and went as far as issuing a threat of further action by the embassy against its chief editor, Anup Kaphle.⁴² Member of Parliament Pradeep Yadav, the aforementioned party member previously suspended for attending a Free Tibet conference in Latvia, pressured the government to denounce the threats as an attack on the freedom of press guaranteed by the constitution of Nepal.⁴³ He

³⁷ Budhathoki, Arun. "China's Engagement with Nepal's Ruling Party Troubles India." *The Diplomat*, 14 July 2020, thediplomat.com/2020/07/chinas-engagement-with-nepals-ruling-party-troubles-india/; "Chinese Envoy Meets Senior NCP Leaders Amid Growing Rift within Nepal's Ruling Party." *The Indian Express*, 7 July 2020, indianexpress.com/article/world/chinese-envoy-meets-senior-ncp-leaders-amid-growing-rift-within-nepals-ruling-party-6494499/; Shahi, Dipesh. "Is China Now Micro-Managing Nepal Politics?" *Nepal Times*, 5 May 2020, nepalitimes.com/latest/is-china-now-micro-managing-nepal-politics/.

³⁸ "Chinese Delegation Meets with Madhav Nepal, Hours After Holding Talks with Dahal." *The Kathmandu Post*, 29 Dec. 2020, kathmandupost.com/national/2020/12/28/chinese-delegation-meets-with-madhav-nepal-hours-after-holding-talks-with-dahal/; "Chinese Team in Nepal Makes a Peace Offering to PM Oli. He Doesn't Bite." *Hindustan Times*, 29 Dec. 2020, [hindustantimes.com/world-news/xi-jinping-s-china-is-playing-political-broker-in-nepal-it-is-not-working/story-9qnlCuYr7MEDzhSqHietRM.html/](https://www.hindustantimes.com/world-news/xi-jinping-s-china-is-playing-political-broker-in-nepal-it-is-not-working/story-9qnlCuYr7MEDzhSqHietRM.html/).

³⁹ China had been seeking to sign an extradition treaty with Nepal with the aim of curbing anti-China activities by Tibetan exiles and to restrict the outflow of dissidents to political havens on its borders. Nepal successfully deflected the issue for a long time, abiding by an "unspoken gentleman's agreement" with the United States. "TLHRC Co-Chairs Lead Letter on Human Rights of Tibetans in Nepal." *Tom Lantos Human Rights Commission*, 20 Nov. 2019, humanrightscscommission.house.gov/news/press-releases/tlhc-co-chairs-lead-letter-human-rights-tibetans-nepal.

⁴⁰ Basnet, Gajendra. "A Revelation of Nepal-China Agreement: Nepal Gets Tougher on Tibetans." *Khabarhub*, 22 Jan. 2020, english.khabarhub.com/2020/22/70364/.

⁴¹ Giri, Anil and Tika R Pradhan. "Journalists and Diplomats Seriously Concerned over Chinese Embassy Statement." *The Kathmandu Post*, 19 Feb. 2020, kathmandupost.com/national/2020/02/19/journalists-and-diplomats-seriously-concerned-over-chinese-embassy-statement.

⁴² "Statement of the Embassy of the People's Republic of China in Nepal." *Embassy of the People's Republic of China*, 18 Feb. 2020, np.chineseembassy.org/eng/News/t1746464.htm.

⁴³ "Parliamentarian Asks Foreign Minister to Clarify Government's Position on Chinese Embassy's Statement Regarding the Post." *The Kathmandu Post*, 2 Mar. 2020, kathmandupost.com/national/2020/03/02/parliamentarian-asks-foreign-minister-to-clarify-government-s-position-on-chinese-embassy-s-statement-regarding-the-post.

was joined by 17 editors who issued a joint statement condemning the embassy's statement and reiterated the Nepali constitution's guarantee of full press freedom.⁴⁴

Conclusion

China's influence in Nepal has grown rapidly since 2015. However, the deference paid by Nepal's ruling NCP to the CCP has yielded limited benefits for the Nepali people. Growth in trade volume has been lopsided in favor of China and investment only trickles into the country compared to Chinese investment in Pakistan and Sri Lanka. Meanwhile, strategic corruption helps China cultivate Nepal's political elite and maintain influence in the country without expending significant resources. The importance of maintaining amicable relations with China has led Nepal's political elites to limit the space for free speech and forgo Nepal's longtime commitment to providing a haven for political refugees from Tibet. The CCP is personally invested in maintaining this status quo and has tasked the ILD with mediating the NCP's interparty strife to maintain its hold on power and pro-China policies in place. By opening its doors to the CCP to counterbalance India's leverage, the NCP has unwittingly subjected Nepal's democratic institutions to an onerous stress test. Nepal's civil society has proven to be a staunch defender of the liberal freedoms embedded in Nepal's constitution and will remain central to keeping China's illiberal impulses in the country in check.

⁴⁴ "Nepali Editors Condemn Chinese Embassy's Statement Regarding the Post." *The Kathmandu Post*, 19 Feb. 2020, kathmandupost.com/national/2020/02/19/nepali-editors-condemn-chinese-embassy-s-statement-regarding-the-post.

KENYA

Over the last 20 years, China has made Kenya the center of its bid for growing influence in East Africa as it seeks to further its strategic economic goals and establish broader political leverage in the region. China has pursued these goals through incremental expansion into key sectors of Kenya's economic and political landscape, employing four overarching and reinforcing modes of influence: economic investment and leverage; information operations; relationships between ruling parties; and United Front operations.

The Uhuru Kenyatta administration's welcoming of increased engagement with China and CCP-linked entities has contributed to the weakening of Kenya's democratic institutions. Large infusions of much-needed — but opaquely contracted — investment and a declining interest from Western governments in the region have resulted in increased dependence on the CCP and its associated entities for funding streams. These developments are underreported in Kenya's media environment, which has been inundated with Chinese propaganda, often placed in major local outlets and offered by co-opted local journalists as independent views on China and Kenya's engagement with the country.

Consequently, local voices and perspectives are frequently excluded from the national dialogue on China's role in the country's affairs and how Kenyan officials ought to manage that relationship. China's ability to operate in these spaces is aided by a strong relationship between the CCP and the ruling Jubilee Party in Kenya, which has been cultivated through party-to-party training initiatives. These sessions serve as an opportunity for CCP officials to popularize China's model of governance with Jubilee members, resulting in many Jubilee members, including President Kenyatta, praising the CCP party model and China's development path. Undergirding China's influence in Kenya is the instrumentalization of the Chinese diaspora community in Kenya, which mobilizes to protect China's economic leverage in Kenya.

Efforts at democratic resilience against such malign influence — both successful and unsuccessful — are nevertheless increasingly evident. An important source of successful pushback is the role of investigative journalism in pushing for transparency in projects, as well as online youth activism, both of which have exposed the impact of China's influence in Kenya and highlighted the disconnect between the preference of the Kenyan people and the actions of elected officials.

Economic Influence

The foundation of China's mounting influence in Kenya and across Africa is strategic economic engagement. The party-state and its associated entities are leveraging the country's growing economic heft to provide an alternative to traditional Western funding sources for large-scale infrastructure projects.⁴⁵ Investment through the BRI, financed principally by Chinese policy banks, often involves disadvantageous and opaque lending conditions that leave developing Sub-Saharan African countries with enormous financial burdens. Many agreements contain clauses that reduce, if not eliminate, the economic gains host countries seek from such large infusions of capital.

Kenya is a key hub of BRI-related projects in East Africa and Africa writ large. It is a recipient of a number of high-dollar infrastructure loans, most with details not disclosed to the public and shrouded in allegations of lopsided terms. Chinese companies prefer to limit public oversight and involvement in financial arrangements and have the local political and financial backing to effectively dampen or block attempts to

⁴⁵ Oftentimes those projects are deemed unviable by other funders. Dezenski, Elaine K. "Below the Belt and Road: Corruption and Illicit Dealings in China's Global Infrastructure." *Foundation for Defense of Democracies*, 6 May 2020, fd.org/analysis/2020/05/04/below-the-belt-and-road/.

ensure such oversight. The Kenyan government's willingness to accept these loans has culminated in an outsized role for China and government-linked entities in the country's finances.

State-Owned Enterprises

Central to China's economic engagement with Kenya is the growing role of Chinese SOEs in Kenya and their domination of local markets. Beginning in the early 2010s, China deployed its approach of aggressive lobbying, unmatched pricing, and optimistic timelines to monopolize Kenyan infrastructure and telecommunications markets, and it maintains that grasp today. There are currently more than 400 Chinese companies operating in Kenya that win nearly half of the federally tendered construction contracts, according to the National Construction Authority's list of contractors and federal tender opportunities.⁴⁶

The rapid market control of Chinese SOEs has raised concerns among the Kenyan public regarding allegations of corruption, resulting from opaque negotiations and procurement processes led by the federal government. One high-profile instance is the \$3.6-billion SGR linking Mombasa with Nairobi.⁴⁷ The winner of this federal tender was China's Communications Construction Company (CCCC) and its subsidiary China Road and Bridge Corporation (CRBC), which are involved in numerous infrastructure projects in Kenya.

The opacity surrounding CCCC's bid and the Kenyan government's decision to provide a single-source contract cast doubt on the legitimacy of the process. Public outcry and multiple petitions resulted in a parliamentary hearing to investigate if undue influence was targeted at Kenyan decision-makers. Lawmakers determined that irregularities had occurred, but could not pursue further legal redress as Kenya's High Court ruled that "a constitutional petition cannot be founded on documents whose source and origin has not been disclosed and whose authenticity therefore cannot be vouched for."⁴⁸

Nominally private Chinese companies have also worked in tandem with state-backed banks to manipulate bidding processes and win government tenders. Leading Chinese information and communications technology (ICT) firm Huawei secured high-level digital infrastructure contracts with the Kenyan government, including a \$60.1-million project awarded in 2012 as an exclusive tender. Funding for the project was provided through the Export-Import (Exim) Bank of China on the condition that the contract be awarded to its choice contractor.⁴⁹ Similarly, Huawei is working with the Kenyan government to build the \$665.4-million Konza Technopolis project, which will house Kenya's national cloud data center, a smart ICT network, smart traffic solutions and a government cloud and enterprise service.⁵⁰ Together, Huawei and CRBC are to serve as the only contractors on the project, encompassing both the onsite ICT infrastructure and the connecting road from Konza to Nairobi. Again, it appears that funding for this project was conditioned on the use of Chinese companies and SOEs.⁵¹

Debt

As a result of these lopsided deals in favor of Chinese government-backed interests, Kenya's bilateral and external debt to China has soared. In 2019, Kenya's debt servicing to the Exim Bank of China skyrocketed from \$300 million to \$700 million, reflecting a 130-percent increase due to a combination of loans for the

⁴⁶ "Chinese Firms in Kenya Grow Employment Opportunities," *CGTN*, 28 Aug. 2019, africa.cgtn.com/2019/08/28/chinese-firms-in-kenya-grow-employment-opportunities/; Nyaundi, Lewis. "Kenyan Contractors Cry Foul over Chinese Grip on Tenders." *The Star*, 18 Dec. 2018, "How China Contractors Drove Kenya Firms Out of Mega Projects;" *Business Daily*, 26 Jan. 2017, <https://www.businessdailyafrica.com/bd/economy/how-china-contractors-drove-kenyan-firms-out-of-mega-projects-2137652>, "Kenyan Contractors Cry Foul Over Chinese Grip on Tenders," *The Star*, 18 Dec. 2018, the-star.co.ke/news/2018-12-18-kenyan-contractors-cry-foul-over-chinese-grip-on-tenders/;

⁴⁷ Wissenbach, Uwe and Yuan Wang. 2017. "African Politics Meets Chinese Engineers: The Chinese-Built Standard Gauge Railway Project in Kenya and East Africa." *China Africa Research Initiative* 13, 2017, static1.squarespace.com/static/5652847de4b033f56d2bdc29/t/594d739f3e00bed37482d4fe/1498248096443/SGR+v4.pdf.

⁴⁸ "Petition 58 of 2014." *Kenya Law*, clause 126 subsection III, part b, kenyalaw.org/caselaw/cases/view/103808/.

⁴⁹ Itosno, Semaj. "Huawei Clinches USD71m Kenya Fibre Deal." *Biztech Africa*, 11 July 2012, biztechfrica.com/article/huawei-clinches-usd71m-kenya-fibre-deal/3508/.

⁵⁰ Ibid; Wangui, Miriam. "Huawei to Develop Konza Data Centre and Smart City." *Kenyan Wall Street*, 29 Apr. 2019, kenyanwallstreet.com/huawei-to-develop-konza-data-centre-%EF%BB%BF-and-smart-city/.

⁵¹ "Kenyan Secures \$666 Million from China for Tech City, Highway." *Reuters*, 26 Apr. 2019, reuters.com/article/us-kenya-china/kenya-secures-666-million-from-china-for-tech-city-highway-idUSKCN1S21KG.



A protester carries a placard on Uhuru Highway Nairobi during a demonstration against the construction of second phase of the standard gauge railway through the Nairobi National Park.

SGR and other infrastructural projects.⁵² Kenyan Treasury data show that loan payments to the Exim Bank of China are expected to increase to \$840 million for the 2020–2021 and \$1.1 billion for the 2021–2022 fiscal years.⁵³ In 2019, Beijing received 87 percent of Kenya's total interest payments to its bilateral lenders, compared with 81 percent a year earlier, accounting for 66 percent of Kenya's bilateral debt.⁵⁴

The ability to unilaterally dictate and extract concessions has permitted China significant leverage over Kenyan decisions regarding the country's finances. For instance, as part of the terms of the SGR construction contract awarded to CRBC in 2014, the Kenyan government is contractually bound to keep details of the agreement private, while all dispute settlement is delegated to the jurisdiction of China's International Economic and Trade Arbitration Commission (CIETAC).⁵⁵ Based on an allegedly leaked report from Kenya's Office of the Auditor General that partially revealed terms of the agreement, the Kenyan government has been accused of linking the Mombasa Port as collateral to the Exim Bank's financing for the SGR should Kenya default on the \$3.6-billion loan.⁵⁶ These claims have been denied by China's Foreign Ministry but have been neither confirmed nor denied by Kenya's Office of the Auditor General.

⁵² Okoth, Edwin. "Burden on Taxpayers as Treasury Starts Repayment of SGR Loan." *Business Daily*, 2 Jan. 2020, businessdailyafrica.com/economy/Burden-on-taxpayers-as-Treasury-starts-repayment-of-SGR-loan/3946234-5404862-gncuxy/index.html.

⁵³ Okoth, Edwin. "SGR Pact With China A Risk To Kenyan Sovereignty, Assets." *Nation Africa*, 12 Jan. 2019, nation.africa/kenya/news/sgr-pact-with-china-a-risk-to-kenyan-sovereignty-assets-127328.

⁵⁴ *Ibid.*

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

Public Relations

To mitigate emerging negative perceptions around the expansion and influence of Chinese businesses over Kenya's economy, many Chinese entities undertake comprehensive public-relations campaigns to legitimize their companies' presence, practices, and long-term interests. Amid a flurry of negative coverage, including allegations of bribery, racism, and labor-law violations, CCCC and CRBC unveiled sweeping corporate social-responsibility plans that included full scholarships for a four-year degree at Beijing Jiaotong University for 100 Kenyan students who plan to study aspects relating to the railroad industry.⁵⁷

The Aviation Industry Corporation of China (AVIC), also mired in corruption allegations, jointly funds the program "Africa Tech Challenge" along with the Kenyan government. It awards the winners scholarships to study in China and manufacturing contracts to work with AVIC.⁵⁸ Huawei, despite maintaining a more positive image than CCCC and CRBC, deploys significant public-relations campaigns in Kenya.⁵⁹ In its "Seeds for the Future" project, Huawei partners with Kenya's Ministry of ICT to train the next generation of ICT talent. As of 2018, 130 students had participated in a two-month internship at Huawei's office in Nairobi, and 46 students had been sent to China for additional training.⁶⁰ The impact of these public-relations initiatives and campaigns on Kenyan public opinion toward Chinese firms is not clear, but news coverage of these initiatives is increasingly positive.

Influence in Kenya's Information Space

China's increased activity in Kenya's information space corresponds with its growing presence in other key Kenyan sectors. China has stepped up efforts to manipulate Kenya's media environment to protect its mounting economic interests in Kenya from emergent accountability and transparency efforts and place a positive spin on China's actions in Kenya. The following section outlines the approach that China has used to promote its preferred narratives and the impact that has had on media freedom and open debate in Kenya's democracy.

Amplification and Broadcast of State-Controlled/State-Friendly Media

Through flagship initiatives and robust placement of state-controlled media outlets, Nairobi has become the center of China's growing media influence in East Africa. With an aim of broadening its base of support beyond elites to the wider populace, the PRC has dedicated political capital and marshaled significant resources to advance its preferred narratives.⁶¹ Across Africa, China aims to use pervasive propaganda to shape positive perceptions of China's presence on the continent and reinforce its curated image as leader of the developing world and Global South, particularly with the next generation and the previously unengaged. While there are many media entities connected to the CCP and Chinese government that operate in Kenya's media environment, three are particularly active and adept at spreading state narratives.

Xinhua is the primary vehicle for delivery of the PRC's official news and propaganda. It established its first African bureau in Nairobi in 1986 and now includes reporting in 46 African countries. Xinhua exerts influence over Kenya's information space through direct control over content delivery, offering free or ultra-low-priced

⁵⁷ Ambassador Liu Xianfa Attended and Spoke at the Farewell Ceremony for China Road and Bridge Scholarship Students to China [中国路桥奖学金赴华留学生欢送仪式举行 刘显法大使出席并讲话]. *China Daily* [中国日报], 21 Apr. 2018, cn.chinadaily.com.cn/2018-04/21/content_36068547.htm.

⁵⁸ "Sixth African Vocational Skills Challenge Concludes in Kenya [第六届非洲职业技能挑战赛在肯尼亚闭幕]." *Xinhua Wang* [新华网], 6 Sept. 2019, m.xinhuanet.com/2019-09/06/c_1124970073.htm.

⁵⁹ Analysis of news coverage from Kenyan media outlets indicates that Huawei receives more positive news coverage than other Chinese entities such as CCCC and CRBC – for instance, "5G Mobile Network Boosts Kenya's Opportunities." *Daily Nation*, 17 Feb. 2020, nation.co.ke/news/5g-mobile-network-boosts-kenya-opportunities/1056-5458122-30iju4z/index.html; "Huawei Launches New 5G Products and Solutions." *The Star*, 29 Feb. 2020, the-star.co.ke/business/2020-02-29-huawei-launches-new-5g-products-and-solutions/?utm_source=dlvr.it&utm_medium=twitter.

⁶⁰ Mutethya, Edith. "Huawei Sends Tech Students to China for Training as It Celebrates Nurturing ICT Skills." *China Daily* [中国日报], 28 Sept. 2018, chinadaily.com.cn/a/201809/28/WS5bad255aa310eff30327fdd9.html.

⁶¹ Nantulya, Paul. "Grand Strategy and China's Soft Power Push in Africa." *Africa Center for Strategic Studies*, 30 Aug. 2018, africacenter.org/spotlight/grand-strategy-and-chinas-soft-power-push-in-africa/.

distribution of newswire services and images to local outlets.⁶² Free or cheap content-delivery services have been effective in advancing Xinhua's reach, particularly in cash-strapped media environments where outlets are more likely to subscribe to Xinhua's services or allocate space for paid content. Xinhua's Africa bureau, in fact, frequently pays for sponsored content in Kenyan domestic media outlets. Although sponsored content is usually labeled, in at least one instance Kenya's national broadcaster, the Kenya Broadcasting Corporation (KBC), republished Xinhua content as a KBC-produced report without any attribution to Xinhua.⁶³ Its content also reaches readers through a mobile news service made available via a 2011 agreement with Safaricom, a mobile-network operator.⁶⁴

China Radio International (CRI), the PRC's official propaganda radio outlet, began its Kenya operations in 2002 with an hour of English and Swahili-language programming per day, following a 2001 agreement with the KBC.⁶⁵ In 2006, the KBC officially provided CRI its own frequency (91.9 FM), which Chinese government officials recognize as a useful means to reach and influence listeners in Kenya.⁶⁶ Following the frequency transfer, CRI increased station broadcasting to 19 hours of English, Swahili, and Chinese-language programming per day, and reached approximately 2 million people.⁶⁷ The transfer was not without controversy, as Kenya's National Assembly argued in a 2006 meeting that Kenya's granting of airtime to China was not matched with reciprocal access for Kenyan companies in China.⁶⁸ The National Assembly further raised concerns that the KBC gave Chinese programs primetime slots on its channels after the 7 p.m. news and argued that Kenya was surrendering its sovereignty.⁶⁹

China Global Television Network (CGTN) originally launched in 2012 as China Central Television (CCTV), with its first overseas broadcast and production center located in Nairobi.⁷⁰ According to the outlet, CGTN was strategically deployed in the African media market as an alternative to American media outlets, trading on local consumers' negative perceptions of American news coverage of the continent.⁷¹ CGTN has been particularly successful in Kenya because of its explicit efforts to align itself and China as allies of Kenya, noting that both countries have been misrepresented by Western media and subject to undue criticism.

In a 2017 interview, Pang Xinhua, then CGTN Africa's bureau chief, outlined CGTN's charm offensive, stating that the station aimed to show the world that Africa is "more than a land of disease and conflict, insecurity and explosions" and that there are positive elements to highlight. CGTN Africa also sought to show Africa what it calls the "true" China.⁷² CGTN, more than other Chinese media entities in the country, appears to have won the support of key Kenyan elites and media influencers by appealing to their desire to portray Africa in a more positive and nuanced manner.⁷³ CGTN's success is further evidenced by its ability to persuade Kenyan journalists to leave domestic outlets and join CGTN. Mark Masai, a journalist who left Kenyan entertainment

⁶² "Xinhua Africa Head Office [新华非洲总分社]." *Xinhua* [新华社], accessed 27 Feb. 2020, xinhuanet.com/newmedia/xhs80/photo_zxsj.html. This is compared to Western newswire services such as Reuters, the Associated Press (AP) and Agence France-Presse (AFP).

⁶³ Olander, Eric. "The Growing Number of Ways Chinese Propaganda Filters into Mainstream African Media." *China Africa Project*, 2 Dec. 2019, chinaafricaproject.com/analysis/the-growing-number-of-ways-chinese-propaganda-filters-into-mainstream-african-media/.

⁶⁴ Shek, Colin. "Chinese Media Expands Africa Presence." *Al Jazeera*, 24 Jan. 2013, aljazeera.com/indepth/features/2013/01/201312071929822435.html.

⁶⁵ "China Radio International Audience Meeting in Kenya (Photo) [中国国际广播电台听众见面会 在肯尼亚举行(图)]." *Sina* [新浪], 25 Sept. 2005, news.sina.com.cn/w/2005-09-25/20447031674s.shtml. As part of the agreement, China donated 15 million Kenyan shillings worth of equipment to the KBC. It also trained two KBC technicians. See: "National Assembly Official Report for Wednesday, 12th July, 2006." *Kenya National Assembly Official Record*, accessed 27 Feb. 2020, books.google.com/books?id=ObDo2APCHXsC&pg=PT2&lpg=PT2&dq=china+radio+international+kbc+fm&source=bl&ots=Nhd86tL7G2&sig=ACfU3U1IMNdeRMqinOCL_dDQDgR_JwN5Q&hl=en&sa=X&ved=2ahUKewjM14Cg4f7nAhUOUKOKHYxuBA8Q6AEwA3oECAKQAQ#v=onepage&q=china%20radio%20international%20kbc%20fm&f=false.

⁶⁶ Guo Chongli, then the Chinese ambassador to Kenya, described the KBC's decision to provide CRI with its own frequency an achievement of then-Kenyan President Mwai Kibaki's 2005 state visit to China.

⁶⁷ "Ambassador to Kenya Guo Chongli Attended the Acceptance Ceremony of China Radio International Nairobi FM Station [驻肯尼亚大使郭崇立出席中国国际广播电台内罗毕调频台验收仪式]." *PRC Embassy in Kenya* [中华人民共和国驻肯尼亚共和国大使馆]. *Chinese Embassy*, accessed 27 Feb. 2020, ke.china-embassy.org/chn/old/greetings/dshdbd/t264177.htm.

⁶⁸ "National Assembly Official Report." *National Assembly of Kenya*, 12 July 2016, protect-us.mimecast.com/s/W2RHcKwlpTnoX3Lh2sRZc?domain=info.mzalendo.com.

⁶⁹ *Ibid.*

⁷⁰ CCTV rebranded to CGTN on December 31, 2016. See "About Us – China Global Television Network." *CGTN*, accessed 27 Feb. 2020, cgtn.com/about-us.

⁷¹ "An Introduction to CCTV Africa [央视非洲分台简论]." *Renmin Wang* [人民网], 12 Aug. 2014, media.people.com.cn/n/2014/0812/c387572-25451908.html; "[Homeland Dreamland] 2017-615." *CCTV YouTube Channel*, 15 June 2017, youtube.com/watch?v=Uzfv17ljGE.

⁷² *Ibid.*

⁷³ Figures from 2017 indicated that the station's programs were available in 35 African countries and reached an audience of approximately 4.5 million people.

channel NTV for CGTN Africa said, “Western channels tend to show negative news on Africa, specifically chasing stories on unrest, famine, and poverty.”⁷⁴

That both CGTN and Xinhua began their African operations in Nairobi further demonstrates the centrality of Kenya to Beijing’s continental media-influence strategy. Furthermore, the continued expansion of these companies into Kenya’s media market and the associated state-controlled narratives will result in more Kenyans consuming propaganda that promotes only the positives of China’s engagement with Kenya and squelches more critical narratives — including those with evidentiary support. In a pluralistic media environment, the impact of a robust state-sponsored propaganda machine could be mitigated. But as this report details in the following sections, China’s state-curated narrative is increasingly the only option for Kenyans outside of populous cities.

Co-opting Local Media

Beyond devoting significant resources to pushing China’s propaganda line through official media outlets, the CCP is increasingly looking to cultivate and co-opt local media in Kenya. In 2014, the Chinese government began offering state-sponsored trips to Kenyan journalists.⁷⁵ The trips are part of a broader effort to reshape the global media environment and control discourse over China’s increasingly active global presence.⁷⁶ According to former attendees, these trips are opportunities for the Chinese government to inculcate journalists with state-curated narratives and a controlled, manufactured experience of China. Additionally, implicit in these trips is the expectation that foreign journalists will propagate this government-approved perspective of China in their coverage upon their return; foreign journalists who have participated in the trips described an unspoken quid pro quo.⁷⁷ The China Public Diplomacy Association sponsors the “China-Africa Press Center,” which is a critical interlocutor for Kenyan journalists traveling to China.

The impact of the Chinese government’s charm offensive on journalists in Kenya is mixed. Anecdotally, Bonface Otieno, a reporter for the Business Daily who participated in a 2017 program, later stated in an interview, “If the Chinese brought me to Beijing to influence my journalism, they failed.”⁷⁸ Conversely, Eric Biegon, a reporter for the KBC who also participated in the 2017 program, echoed a common CCP talking point in an interview upon his return, saying, “China must follow its own development path in line with its national conditions.” This was followed by two articles that offered overwhelmingly positive reflections of China and its government (“China’s Remarkable Reconstruction After Devastating Earthquake” and “China Reiterates the Important Role of Media to Belt and Road Initiative”), in addition to numerous articles in Swahili for CRI.⁷⁹

TV packages prioritize access to China’s approved propaganda, with Western outlets behind sizeable paywalls, resulting in a large swath of Kenyans consuming state-controlled narratives that “tell the China story well.”

⁷⁴ Ibid.

⁷⁵ “The 4th Forum on China-Africa Media Cooperation: African Journalists are Looking Forward to Receiving Training in China [第四届中非媒体合作论坛|非洲记者对来华接受培训充满期待]” *Phoenix Net*, 28 June 2018, [inews.ifeng.com/58923660/news.shtml?&back](https://news.ifeng.com/58923660/news.shtml?&back).

⁷⁶ “The China Story: Reshaping the World’s Media.” *International Federation of Journalists*, 2020, ifj.org/fileadmin/user_upload/IFJ_Report_2020_-_The_China_Story.pdf.

⁷⁷ McCormick, Andrew. “Even if You Don’t Think You Have a relationship with China, China Has a Big Relationship With You.” *Columbia Journalism Review*, 20 June 2019, [cjr.org/special_report/china-foreign-journalists-oral-history.php](https://www.cjr.org/special_report/china-foreign-journalists-oral-history.php).

⁷⁸ Ibid.

⁷⁹ “On His First Visit to China, This Kenyan Journalist Gives Three Praises in a Row [第一次来中国，这位肯尼亚记者连说三个赞]” *Remin Wang* [人民网], 17 Sept. 2017, media.people.com.cn/n1/2017/0917/c14677-29540385.html. Biegon began writing for CRI in March 2017, has authored more than 50 articles for CRI and appears to still contribute to it. He authored a positive piece on Huawei and his most recent article was published on December 23, 2019.

Developing Kenya's Digital Television Infrastructure

China has also been able to influence Kenya's media market through investing directly in the development of digital television infrastructure. In 2015, Kenya undertook the transformation to digital television operations — a process in which broadcasting services offered on analog technology were converted and replaced with digital networks. This shift placed the burden of purchasing new digital equipment on consumers, often resulting in cost-prohibitive barriers for those of lower socioeconomic status. This transformation coincided with the 2015 Forum on China-Africa Cooperation (FOCAC) at which President Xi Jinping unveiled China's "10,000 Villages Project" — a development project to deliver digital television services and equipment to rural villages throughout Sub-Saharan Africa.⁸⁰ As of 2019, it was reported that in 47 Kenyan counties, more than 16,000 rural households and 2,400 public institutions were provided equipment and access to digital satellite TV networks.⁸¹ In an opaque procurement process, China and African governments selected the Chinese-owned StarTimes to fulfill this mandate and serve as the sole contractor. The recipients of services from the project now have access to StarTimes services, which offer free or inexpensive streaming packages skewed toward pro-China content. The TV packages prioritize access to China's approved propaganda, with Western outlets behind sizeable paywalls, resulting in a large swath of Kenyans consuming state-controlled narratives that "tell the China story well."⁸² In 2019, StarTimes had acquired 1.5 million subscribers — making it the third-largest broadcaster in Kenya just behind South Africa's MultiChoice.

Academic Exchange

The Chinese government also seeks to influence knowledge production and shape the intellectual discourse on its role in the country and broader region through the expansion of CIs in academic institutions. CIs serve as government-funded liaisons within Kenyan academic institutions to advance CCP interests and narratives through the seemingly innocuous dissemination of Chinese history and culture, in addition to funding scholarship opportunities for Kenyan students.⁸³ The expansion of CIs into multiple universities, as well as the large number of unrivaled CI-funded scholarships provided to Kenyan students, indicate that CIs in Kenya are an effective tool for shaping a favorable opinion of China among the next generation.

The CI at the University of Nairobi holds the dual distinctions of being the first CI established in Kenya and the first CI established in Africa, further highlighting Kenya's importance to China's strategic objectives on the continent.⁸⁴ The CI's official website boasts that it "has a very close connection with the Chinese government, organizations, and companies" and that it "always acts as a link for schools, institutes, and establishments between Kenya and China."⁸⁵

A 2010 document outlining the CI at the University of Nairobi's curriculum, faculty-building efforts and major cultural activities in 2009 notes that CI alumni are integral to the CI's plan for faculty building and for placing Chinese teachers in local Kenyan schools. According to the document, the CI has sent high-performing Kenyan students to China on scholarships since 2007, with the expectation that the students will return to the CI as teachers after obtaining a master's degree or Ph.D in Chinese. The exact number of Kenyans who benefit from these scholarships is unknown, as the Chinese Ministry of Education does

⁸⁰ FOCAC is the Forum on China Africa Cooperation. It is China's flagship development initiative in Africa; Schluntz, Katharine. "The Chinese Government's '10,000 African Villages' Project in Two Mozambican Villages: Kung Fu, Confusion and Flags." *China Africa Project*, 22 May 2020, chinaafricaproject.com/analysis/the-chinese-governments-10000-african-villages-project-in-two-mozambican-villages-kung-fu-confusion-and-flags/.

⁸¹ Mutethya, Edith. "China Hands Over \$80 Million Digital TV Project to Kenyan Government." *China Daily*, 21 Dec. 2019, global.chinadaily.com.cn/a/201912/21/WS5dfdc825a310cf3e3557fbee_2.html.

⁸² "To tell the China story well" refers to a statement made by Xi Jinping in 2016 regarding China's forthcoming initiatives to counter misperceptions of China and its global activities in the media.

⁸³ Confucius Institutes are typically framed as being language- and culture-exchange focused, similar to German Goethe Institutes or the French Alliance Française.

⁸⁴ There are four main CIs in Kenya at the University of Nairobi, Kenyatta University, Egerton University and Moi University. The most relevant examples of influence occur at the University of Nairobi, which is the reason for its centrality to IRI's overview.

⁸⁵ "About Confucius Institute." *Nairobi University-Confucius Institute*, 23 Sept. 2050, confucius.uonbi.ac.ke/basic-page/about-confucius-institute.

not disaggregate by country. A 2015 report, however, noted that the number of Africans studying in China increased from 2,000 in 2003 to 50,000 in 2015.⁸⁶

ICs are not the only approach used by China to shape knowledge production and influence the elite intelligentsia in Kenya. The new, but rapidly expanding, China-Africa Think Tank Forum (CATTFF) seeks to shape African elites' perceptions and understanding of China, consistent with the CCP's stated approach to using think tanks to achieve its strategic objectives.⁸⁷ The CATTFF weaves together the abstract concept of development in Africa with the CCP's ideological aims and tangible pro-China trade and investment policies. The stated goal of the CATTFF is to establish "a community of common knowledge and philosophy" that operates without the ideological roots of Western ideology (and interference).⁸⁸ An example of this nexus was the 2015 CATTFF with a theme "Africa's Agenda 2063," which also promoted the advantages of the BRI and Chinese enterprises as they related to achieving the aforementioned goals.⁸⁹ The annual forums have increased in popularity, drawing some of the largest names in Africa's think-tank landscape, such as the Nairobi-based Africa Policy Institute, which increasingly echoes CCP talking points on China's key role in bolstering "South-to-South" cooperation.

Influence with the Ruling Party

China's ability to exercise influence and achieve its political goals in Kenya stems, in part, from its success in cultivating a relationship between the CCP and the ruling Jubilee Party (and former Jubilee coalition). Under the leadership of Xi Jinping, CCP-orchestrated party-to-party diplomacy initiatives have significantly increased globally. This uptick is acutely present in Kenya, where party excursions have become more frequent and have a particular emphasis on reforming the Jubilee Party and training it to serve as a "strong" party like the CCP.⁹⁰

Expanding party ties have accompanied China's growing economic leverage in Kenya. The relationship materially deepened following the signature of landmark investment deals in 2013 during President Kenyatta's state trip to Beijing.⁹¹ At a joint press conference with CCP officials in October 2016, Jubilee Party leader and Senator Kiraitu Murungi, said, "China is Kenya's leading trade and development partner. We are happy that we are going to sign a new chapter of political co-operation."⁹²

Top officials in the Jubilee Party frequently praise the CCP's achievements and model of governance, attend party-building trainings by the CCP in China and host party-building trainings led by the CCP in all of Kenya's counties. The CCP's intensive diplomacy with the Jubilee Party has contributed to the latter's vocal support

⁸⁶ Breeze, Victoria and Nathan Moore. "China Has Overtaken the US and UK as the Top Destination for Anglophone African Students." *Quartz Africa*, 30 June 2017, qz.com/africa/1017926/china-has-overtaken-the-us-and-uk-as-the-top-destination-for-anglophone-african-students/.

⁸⁷ According to the Brookings Institute, the CATTFF is "a more recent attempt by China's soft power efforts to influence the views of Africa's academic elite and opinion leaders" and "launched in 2011 by China to create a platform for dialogue and exchange between Chinese and African leaders." Sun, Yun. "China-Africa Think Tanks Forum: China Broadens Soft Power Campaigns in Africa." *Brookings*, 1 Oct. 2015, brookings.edu/blog/africa-in-focus/2015/10/01/china-africa-think-tanks-forum-china-broadens-soft-power-campaigns-in-africa/ Also, see: Rolland, Nadège. "Commanding Ideas: Think Tanks as Platforms for Authoritarian Influence." *Sharp Power and Democratic Resilience Series*, Dec. 2020, ned.org/wp-content/uploads/2020/12/Commanding-Ideas-Think-Tanks-as-Platforms-for-Authoritarian-Influence-Rolland-Dec-2020.pdf.

⁸⁸ Ni Tao, Li Zhiwei and Wang Yuran. "Consensus Reached at the Fourth Session of the China-Africa Think Tank Forum" [中非智库论坛第四届会议凝聚共识.] *People's Daily Online* [人民网], 11 Sept. 2015, world.people.com.cn/n/2015/0911/c1002-27569988.html.

⁸⁹ Boyco, Daniel. "The China-Africa Think Tank Forum and the Negotiation of Soft Power." *On Think Tanks*, 12 Dec. 2015, onthinktanks.org/articles/the-china-africa-think-tank-forum-and-the-negotiation-of-soft-power/.

⁹⁰ "Ambassador to Kenya Sun Baohung meets with a working group from the International Liaison Department [驻肯尼亚大使孙保红会见中联部交流小组]." *PRC Embassy in Kenya* [中华人民共和国驻肯尼亚共和国大使馆], 16 July 2018, ke.chineseembassy.org/chn/dsxx/dshd/t1577630.htm; Wafula, Benjamin. "Chinese Party Officials Grace Jubilee Party Launch." *Citizen Digital*, 10 Sept. 2016, citizentv.co.ke/news/chinese-party-officials-grace-jubilee-party-launch-140785/.

⁹¹ "President Xi Jinping Holds Talks with President Uhuru Kenyatta of Kenya Announcing Establishment of China-Kenya Comprehensive Cooperative Partnership of Equality, Mutual Trust, Mutual Benefit, and Win-Win Outcome." *PRC Embassy in Kenya*, 19 Aug. 2013, ke.china-embassy.org/eng/ztbd/knyztfh/t1067910.htm.

⁹² Wanga, Justus. "Jubilee Looks to the Communist Party for Lessons." *Nation*, 17 Sept. 2016, nation.africa/kenya/news/politics/jubilee-looks-to-the-communist-party-for-lessons-1239712.

for China's interests and political positions in international forums (e.g., with regard to the South China Sea and Taiwan).⁹³

Learning to Rule, CCP-Style

Leading this influence effort is the ILD, which is the CCP's primary vehicle for cultivating influence with political parties and, more recently, the means to popularize the CCP's governance and party-management practices.⁹⁴ While there is no explicit desire on the part of the Jubilee Party to recreate a Leninist party-state in Kenya, elite officials in Kenya's ruling coalition openly embrace the CCP and China's authoritarian system of government as a model from which the Jubilee Party and Kenya can derive many lessons.⁹⁵ In its party-to-party exchanges with the CCP, the Jubilee Party leadership has adopted CCP rhetoric on international development, praising the Chinese government's capacity to follow its "own development path" independent of the West's conditional support.⁹⁶

CCP — Jubilee History

The CCP's relationship with Kenyan political elites intensified after Kenya's general elections in 2007 and expanded in 2013. In Kenya, the ILD has capitalized on Western governments' reticence to engage with presumed Kenyan electoral victors following allegations of fomenting violence and election fraud. In doing so, the ILD lent political support and legitimacy while establishing strategic inroads with major political parties in the country. Similarly, following the contested elections in 2013 and prolonged recognition of election results by Western governments, the ILD saw an opportunity to strengthen these party ties and support its embattled leaders. The foreign ministry and the Chinese ambassador to Kenya pledged to "expand and enrich the scope and forms of party-to-party exchanges, deepen political dialogue, consolidate political mutual trust, and broaden exchanges in governance and development."

President Kenyatta himself has been a central figure in the deepening China-Kenya relationship and is frequently the source of direct requests for CCP support. During a 2014 meeting between Party Secretary Guo Jinlong and President Kenyatta, the latter said that the Jubilee Alliance and the CCP faced common missions and pledged that the Jubilee Alliance would strengthen its exchanges and cooperation with the CCP and learn from China's experiences in governance.⁹⁷ This commitment was realized in 2016, during an exchange between the Jubilee Party and a CCP delegation at which President Kenyatta lauded the CCP as a "great" ruling party that followed its own development path. He underscored that Kenya had learned from China the necessity of establishing a united, stable and powerful ruling party to achieve development and social stability, further pledging that Jubilee would continue exchanges with the CCP to learn from its governance experience.⁹⁸ Kenyan media outlet *The Star* claimed that sources had characterized this exchange as a training on "how to run and manage a party for 100 years without collapsing."⁹⁹ Following that meeting, the Jubilee Party officially announced it had entered into a formal working relationship with the CCP.¹⁰⁰

Following the establishment of a formal working relationship, CCP training sessions for Jubilee became more frequent and focused on expanding the latter's political reach and strength. For example, the Jubilee

⁹³ "Li Yuanhao met with the Kenyan Vice President Ruto [李源潮会见肯尼亚副总统鲁托]" *Xinhua Wang* [新华网], 6 July 2016, xinhuanet.com/politics/2016-07/06/c_1119176448.htm.

⁹⁴ Beach, Sophie. "Jichang Lulu, Martin Hala: New Comintern for New Era." *China Digital Times*, 16 Aug. 2018, chinadigitaltimes.net/2018/08/jichang-lulu-and-martin-hala-a-new-comintern-for-the-new-era/.

⁹⁵ "Guo Jinlong meets with Kenyan President Kenyatta [郭金龙会见肯尼亚总统肯雅塔]" *Xinhua Wang* [新华网], 15 July 2014, xinhuanet.com/world/2014-07/15/c_1111628599.htm.

⁹⁶ "Peng Qinghua leads Chinese Communist Party delegation to Kenya [彭清华率中国共产党代表团访问肯尼亚]" *Renmin Wang* [人民网] (attributed to *Guangxi Daily* [广西日报]), 22 Aug. 2016, cpc.people.com.cn/n1/2016/0822/c117005-28655689.html.

⁹⁷ "Guo Jinlong meets with Kenyan President Kenyatta [郭金龙会见肯尼亚总统肯雅塔]"

⁹⁸ "Peng Qinghua leads Chinese Communist Party delegation to Kenya [彭清华率中国共产党代表团访问肯尼亚]"

⁹⁹ "Jubilee Officials Head to China for Training by Communist Party." *The Star*, 7 Oct. 2016, the-star.co.ke/news/2016-10-07-jubilee-officials-head-to-china-for-training-by-communist-party/.

¹⁰⁰ Psirmoi, Daniel. "Uhuru Party to Work with Chinese Communist Party." *The Standard*, 21 Aug. 2016, standardmedia.co.ke/article/2000212764/uhuru-party-to-work-with-chinese-communist-party.

Party in January 2018 invited the deputy of the CCP's Propaganda Department, Wang Xiaohui, to an exchange in Kenya. During this exchange, Wang characterized it as an opportunity to express Xi's thoughts on "socialism in the new era" and CCP methods for party building and strengthening.¹⁰¹ President Kenyatta, also an attendee, announced the outputs of the exchange were 20 annual scholarships to the Jubilee Party for its members to learn "grassroots mobilization, democracy, and party management" skills.¹⁰² Later that year, in a regional ILD exchange delegation to Zambia, Malawi and Kenya, the CCP promoted its local recruitment strategy to improve Jubilee's organizing at the grassroots level.¹⁰³ The CCP shared tips on improving the management of party members and cadres. Jubilee Party Secretary-General Raphael Tuju noted at the training that when the ruling political party is strong, the country becomes stable.¹⁰⁴ The same ILD exchange delegation also held a workshop for County Assembly members and local Jubilee Party leaders in Nakuru — initiating a CCP effort to train Jubilee Party leaders across all of Kenya's 47 counties.¹⁰⁵

United Front Work

Another means by which the CCP exerts its influence to achieve strategic objectives in Kenya is through the United Front Work Department (UFWD), which — among other things — seeks to instrumentalize and manipulate ethnic Chinese communities abroad to advance Beijing's in-country goals.¹⁰⁶ These efforts have been given greater importance under Xi, who refers to united front work as a "magic weapon" for cultivating influence around the world.¹⁰⁷ Through its ties with those in strategic leadership positions in the Chinese diaspora community, Beijing serves as an interlocutor between a target country's government and the ethnic Chinese citizens of that country. Increasingly, the CCP takes advantage of this leverage point to co-opt democratic institutions, processes and actors to further its interests.¹⁰⁸

With a comparatively low number of ethnic Chinese in Kenya — 40,000 to 60,000 — united front work is not the primary vehicle for China's influence in Kenya.¹⁰⁹ The United Front-linked organizations are nevertheless very active in fostering a hospitable environment in Kenya for Chinese businesses and SOEs. While limited in reach and impact, these groups are central to China's growing economic influence in Kenya. There are at least 20 diaspora community groups in Kenya with either indirect or direct affiliation with the UFWD.

The Kenya Overseas Chinese Association (KOCA) and Kenya-China Council for the Promotion of Peaceful Reunification (KCCPPR) is a dual-headed entity with direct links to the UFWD. It acts both to provide community and assistance for overseas Chinese in Kenya and in service of CCP objectives (primarily under the KCCPPR). In addition to serving as a true community organization for overseas Chinese, it operates as a vehicle for external engagement with the Kenyan community. The KOCA, in particular, engages in a number of community-outreach activities, including making charitable donations to Kenyan schools and organizations in need.¹¹⁰ By contrast, the KCCPPR, as the Kenyan chapter of the China Council for the Promotion of Peaceful National Reunification — a governing entity of the United Front system — only

¹⁰¹ "Foreign Delegation of the Spirit of the 19th National Congress Visits Kenya [十九大精神对外宣介团访问肯尼亚]" *PRC Embassy in Kenya* [中华人民共和国驻肯尼亚共和国大使馆], 29 Jan. 2018, ke.china-embassy.org/chn/sbgx/t1529845.htm.

¹⁰² "Chinese Communist Party to Deepen Cooperation with Jubilee." *President of Kenya*, 25 Jan. 2018, president.go.ke/2018/01/25/chinese-communist-party-to-deepen-cooperation-with-jubilee/.

¹⁰³ "Associate Professor Yuan Wei went to Zambia, Malawi and Kenya to conduct exchange and lecture activities in Africa [袁威副教授赴非洲赞比亚、马拉维、肯尼亚开展交流讲学活动]" *Sichuan Party School* [中共四川省委党校], 5 Sept. 2018, scge.gov.cn/Item/42474.aspx.

¹⁰⁴ "Communist Party of China Shares Tips with Kenya's Jubilee Party." *China Daily* [中国日报], 15 July 2018, chinadaily.com.cn/a/201807/15/WS5b4af4caa310796df4df67fe.html.

¹⁰⁵ Mkwale, Stephen. "China Now Trains Jubilee Officials in Counties on Leadership, Strengthening its Party." *The Standard*, 18 July 2018, standardmedia.co.ke/article/2001288474/china-jubilee-discuss-control-of-counties.

¹⁰⁶ Joske, Alex. "Reorganizing the United Front Work Department: New Structures for a New Era of Diaspora and Religious Affairs Work." *The Jamestown Foundation*, 9 May 2019, jamestown.org/program/reorganizing-the-united-front-work-department-new-structures-for-a-new-era-of-diaspora-and-religious-affairs-work/.

¹⁰⁷ For more information on the United Front's activities undermining civil society and political representation, see Joske, Alex. "The Party Speaks for You." *ASPI*, 9 June 2020, aspi.org.au/report/party-speaks-you.

¹⁰⁸ See the Panama section of this report.

¹⁰⁹ Makichuk, Dave. "Bringing Christmas to the Children of Mathare." *Asia Times*, 12 Dec. 2019, asiatimes.com/2019/12/article/china-brings-christmas-to-children-of-mathare/.

¹¹⁰ See "Chinese in Kenya Lend Hand to Local Children with Special Needs." *PRC Ministry of Foreign Affairs* [外交部], 4 June 2015, fmprc.gov.cn/zft/eng/jlydh/dfwl/t1270088.htm

interfaces internally with CCP entities and Chinese state-run organizations.¹¹¹

The Kenya Chinese Chamber of Commerce (KCCC), established in 2017, was ushered into Kenyan society by Han Jun (see box), who called on the KCCC “to unite and empower members to form a cohesive force among domestic and overseas Chinese” — an often-uttered CCP talking point to call for service on China’s behalf by citizens of other countries. While performing many functions of a traditional chamber of commerce that lobbies on behalf of Chinese companies, KCCC links to the CCP via the UFWD make it significantly more influential. The KCCC is able to leverage the weight of the party-state in a manner that is dissimilar to its counterparts from other countries. As such, it has succeeded in achieving unique advantages for Chinese businesses in Kenya. For example, the KCCC used its political ties to conclude a notable deal with the Nairobi Centre for International Arbitration (NCIA) to establish a joint resolution-dispute process outside of Kenyan courts, which was clearly a boon for Chinese companies facing controversies over projects and business practices in country.¹¹⁵ Three months after this deal, the KCCC organized a forum on Kenya-China cooperation in partnership with the Kenya Private Sector Alliance to lobby for the participation of Chinese companies in the implementation of President Kenyatta’s economic agenda. KCCC’s 2018 certification as a non-governmental organization, presented by Kenyan Deputy President William Ruto, further demonstrated its political connections.

Han Jun is a venerated member of the overseas Chinese community in Kenya with numerous links to United Front individuals and entities.¹¹² In Kenya, Han serves as the key facilitator for the establishment of United Front-linked entities and execution of their activities, while also ensuring alignment with UFWD priorities in the country. He has been recognized and awarded as an influential figure in the overseas Chinese community in Kenya, with invitations to exclusive high-profile CCP events.¹¹³ He regularly meets with United Front organizations and briefs them on united front work in Kenya. His first reported leadership position in the overseas Chinese community in Kenya was leader of the dual entity — KOCA/KCCPPR — and he is the organization’s lifelong honorary chairman. Han serves as a key facilitator to new Chinese organizations starting in Kenya and is often credited as the reason they were cleared to operate in the country. He also ensures CCP propaganda is spread throughout the Chinese diaspora in Kenya through his role as the editor in chief for the Voice of Africa, a daily Chinese-language online newspaper targeted at the overseas Chinese community.¹¹⁴

Kenya’s Response

Despite the developments covered in this report, democratic actors in Kenya have increasingly raised the alarm about the risks to the country’s democracy from unimpeded engagement with the CCP. Discontented citizens and activists have taken to social and traditional media to express their grievances with Kenya’s current political trajectory, potentially outlining one avenue for resilience to the negative consequences of

¹¹¹ Interestingly, this dual-headed organization does not appear to attempt to conceal its KCCPPR “arm” from the Kenyan community. The organization has held or been party to several events in which the full name of the organization is shown on stage or visible on event signage despite the attendance of Kenyans with Chinese-language abilities: “Inauguration of the 5th Council of the Kenya Chinese and Overseas Chinese Federation and the Unification Promotion Council [肯尼亚华人华侨联合会暨统促会第五届理事会就职.]” *FMPRC*, accessed 22 Dec. 2020, <https://www.fmprc.gov.cn/zflit/chn/zfgx/t1531837.htm>.

¹¹² “The Kenya Overseas Chinese Federation Held Its First Anniversary Celebration [肯尼亚华人华侨联合会举行成立一周年庆典大会]” *PRC Ministry of Foreign Affairs [外交部]*, 12 May 2006, <https://www.fmprc.gov.cn/zflit/chn/zfyhj/t252624.htm>.

¹¹³ “The Leaders of the Anhui Overseas Chinese Federation Met With The Korean Army Delegation and Leader Han Jun in Kenya [安徽省侨联领导会见肯尼亚皖籍侨领韩军]” *Anhui Qiaolian [安徽侨联]*, 6 June 2019, <http://www.ahql.org.cn/DocHtml/1/19/06/00006160.html>.

¹¹⁴ “Han Jun Sends a Message to the 19th National Congress [肯尼亚籍华人韩军寄语十九大]” *China News Service [中国新闻网]*, 11 Oct. 2017, <http://www.chinanews.com/hr/shipin/cns-d/2017/10-11/news736344.shtml>.

¹¹⁵ Tubei, George. “Kenya Wants to Set Up a Dispute Resolution Center for Only Chinese Companies.” *Business Insider Pulse Live*, 12 Feb. 2018, [pulselive.co.ke/bi/finance/trade-kenya-wants-to-set-up-a-dispute-resolution-center-for-only-chinese-companies/bcyz9sw](https://www.businessinsider.com/kenya-wants-to-set-up-a-dispute-resolution-center-for-only-chinese-companies/bcyz9sw). Three months after this deal, the KCCC organized a forum on Kenya-China cooperation in partnership with the Kenya Private Sector Alliance to lobby for the participation of Chinese companies in the implementation of President Kenyatta’s Big Four Agenda. Further evidence of its political connection was its 2018 certification as a non-governmental organization, at which Kenyan Deputy President Ruto spoke and presented the certificate.

China's influence in Kenya. For instance, China's slow and piecemeal debt-relief efforts on the continent in response to impact of COVID-19 on Kenya's economy raised concerns among Kenyan stakeholders about the viability of relying on China as a primary source of funding for critical development needs.¹¹⁶ Prior to the onset of the global pandemic, an additional source of resilience was emerging – the exploited, abused and neglected workers of the Kenyan economy. Testimonies from workers who were beaten or fired from their employment with Chinese contractors have gained national news coverage, prompting unions in Kenya to call for stricter regulations and more worker protections. Lastly, through groundbreaking reports from independent investigative journalists, key terms and clauses from major contracts with Chinese enterprises were leaked. Major Kenyan media outlets may continue to increase their interactions with China's propaganda entities, but the storied tradition and passion for independent reporting in Kenya remain active and impactful.

Such exemplars of resilience against foreign authoritarian influence will grow in scale and impact if more knowledgeable actors emerge. Core to future Kenyan resilience efforts is a civil society sector informed about CCP tactics that erode democratic institutions and processes. This awareness must also become more widespread among activists and organizations across Kenya, as China's influence efforts are increasingly aimed at local communities and actors outside of the capital. A large, diverse class of actors mobilizing to highlight instances of authoritarian influence and its impact has the potential to culminate in political momentum in Kenya, creating bottom-up pressure on the government to address threats to democracy posed by the CCP's growing leverage and co-optation of willing elected Kenyan officials.

Conclusion

Despite the emerging resilience of democratic actors in Kenya, the net impact of pervasive CCP influence outlined in this report has been the gradual degradation of democratic institutions and norms in the country. In particular, institutions' ability to exercise their oversight functions has been hampered through corruption and lack of transparency, exacerbating political and economic mismanagement. As a result of China's near monopoly over federal construction tenders and the related rise in debt, Kenya has grown more dependent on Chinese government-linked entities for investment and financing. Kenyan decision-makers, lacking attractive investment alternatives and influenced by political and personal incentives, sign up to lopsided terms included in opaque deals that they are often contractually bound not to reveal.¹¹⁷

Meanwhile, Kenya's historically pluralistic and independent media environment faces increasingly potent challenges from state-subsidized Chinese media entities tasked with advancing messaging that protects and advances these economic interests, bringing with them attractive financial incentives and larger audiences. Content that propagates curated Chinese state narratives appears more frequently in both Chinese outlets and Kenyan outlets through content-sharing deals. Increasingly, Kenya's telecommunications upgrades – especially outside of populous cities – are linked to funding from China and conditioned on the use of a Chinese contractor for implementation, resulting in China's direct control over the content streamed through such services. As a result, many Kenyans only have access to materials and outlets acceptable to Beijing.

China's inroads in Kenya have been significantly expanded through political ties and charm offensives initiated by the CCP's ILD. As a result of expanding party-to-party exchanges, Kenya's ruling Jubilee Party increasingly echoes CCP talking points, initiates countrywide CCP trainings for party members and actively praises the efficacy of the CCP party model and China's system of governance.

¹¹⁶ Franceschi, Luis. "The Cause of Africa's Debt-Development Problem." *Nation*, 9 Nov. 2020, nation.africa/kenya/blogs-opinion/opinion/the-cause-of-africa-s-debt-development-problem-3015958.

¹¹⁷ Okoth. "SGR Pact With China A Risk to Kenyan Sovereignty, Assets."

MONTENEGRO

A small country with a population smaller than Las Vegas, Montenegro has sought to carve out a unique position in the Balkans and bolster its economic security through foreign investment, trade and tourism. As part of this strategy, Montenegro has become increasingly integrated with Western institutions, beginning with European Union (EU) accession negotiations in 2012 and joining NATO in 2017. However, Montenegro's laissez-faire approach to the influx of foreign capital and commerce, coupled with the lack of adequate regulatory guardrails, has opened the door to malign foreign influence, especially from China.

Because of Montenegro's lack of public infrastructure, its political leaders believe the Bar-Boljare highway connecting the country's Adriatic coast with its northern region will be a panacea to its economic woes — a position they have used to justify massive over-investment in this singular infrastructure project.¹¹⁸ Persistent corruption, a shortage of civil society organizations and the lack of a credible opposition party have allowed construction of this commercially dubious mega-highway to threaten the country's financial stability.

Economic Influence

As an emerging market economy, Montenegro relies on trade and FDI to increase its standard of living and gross domestic product (GDP). Facilitated by its participation in China's BRI, Montenegro's trade dependency on China has swelled in recent years, with imports from China rising from \$177 million in 2014 to \$303 million in 2018.¹¹⁹ China's share of total imports to Montenegro rose from 7.5 percent in 2014 to 10.1 percent in 2018, making it the second-largest source of imports after Serbia.¹²⁰

Although Chinese investment in the Balkans has gained prominence as part of the BRI, China is not a dominant source of FDI in Montenegro; Montenegro's largest source of foreign direct investment in 2018 was Italy, at 13.7 percent, followed by Russia and Serbia.¹²¹ China's economic leverage in Montenegro derives primarily from a singular high-profile (and highly controversial) investment: the Bar-Boljare highway.

The Bar-Boljare Highway Project

Perhaps unwittingly, the Montenegrin government opened the country to Chinese economic leverage when it approved a Chinese loan to construct the Bar-Boljare highway, a 169-kilometer project that will connect the Adriatic port of Bar with Boljare, a city on the Montenegrin-Serbian border.¹²² While a modern motorway will certainly improve commerce by shortening travel times, the cost of the project could bankrupt Montenegro. The International Monetary Fund (IMF) estimated that instead of contracting to a sustainable level of debt at 59 percent of GDP, construction of the highway would lead Montenegro's government debt (including guarantees) to balloon above 82 percent of GDP in 2020.¹²³

¹¹⁸ See statement by Finance Minister Darko Radunovic in Savic, Misha. "Montenegro Looks to Move on From China Debt Shock with Eurobond." *Bloomberg*, 6 June 2019, bloomberg.com/news/articles/2019-06-06/montenegro-returns-from-brink-of-debt-abyss-to-refinance-bond.

¹¹⁹ Imports of goods from China, including Hong Kong. No data available for services trade between Montenegro and China. "UN Comtrade Database." *United Nations*, comtrade.un.org.

¹²⁰ Calculations based on data from UN Comtrade Database. One reason that China has become a larger source of Montenegro's imports is the amount of equipment and machinery products used to construct the Bar-Boljare highway. In 2018, Serbia formed Montenegro's largest source of imports, at 19.3 percent. Germany was the third-largest source of imports, at 9.2 percent. For rankings, see: "Montenegro: Economic and Political Overview." *Lloyds Bank*, lloydsbanktrade.com/en/market-potential/montenegro/trade-profile.

¹²¹ FDI statistics and rankings come from: "FDI Statistics." *Montenegrin Investment Promotion Agency, Government of Montenegro*, mipa.co.me/en/sdi-statistika/.

¹²² The Bar-Boljare highway will ultimately link Bar with Serbia's capital, Belgrade.

¹²³ "Montenegro: 2019 Article IV Consultation." *International Monetary Fund Country Report* 19/293, Sept. 2019, imf.org/~media/Files/Publications/CR/2019/1MNEEA2019003.ashx; "Montenegro: Request for Purchase under the Rapid Financing Instrument; Press Release, Staff Report, and Statement by the Executive Director for Montenegro." *International Monetary Fund*, 25 June 2020, imf.org/en/Publications/CR/Issues/2020/06/25/Montenegro-Request-for-Purchase-under-the-Rapid-Financing-Instrument-Press-Release-Staff-49535/.

Unsurprisingly, international analysts and institutions alike have identified the Bar-Boljare highway as a major risk to Montenegro's national finances. Just the first phase (41 kilometers) of the four-stage project, now scheduled to be completed June 2021, will cost \$1.1 billion — approximately 21 percent of national GDP.¹²⁴ To cover the costs, the Montenegrin government secured a loan from the only funder willing to support the project: the Exim Bank of China.¹²⁵ The dollar-denominated loan covers 85 percent of the total cost (\$944 million), with a 2-percent interest rate and 20-year repayment period.¹²⁶ Though the expected September 2020 completion of the first phase of the project has been delayed due to disruptions in construction during the outbreak of COVID-19, the first annual payment of \$67.5 million is due in 2021.¹²⁷

President Milo Djukanovic's handling of the deal was marred by opacity — with documents casting doubt on the highway's commercial viability withheld from the Montenegrin parliament prior to the December 2014 vote to approve the loan from the Exim Bank of China.¹²⁸ The

government of Montenegro signed the contract with the primary Chinese contractor — CRBC — without an open tender process, affording it unique and unusual privileges. Not only did the Montenegrin government allow CRBC — a firm debarred by the World Bank because of fraudulent practices — to construct the highway, but it also exempted CRBC from a host of taxes and duties on imported equipment.¹²⁹ The granting of such privileges is estimated to have cost Montenegro approximately \$109 million.¹³⁰

Other concessions are even more stunning and ironic, given President Djukanovic's admonition to the European Union that Chinese and Russian influence are on the rise in the Balkans.¹³¹ The agreement between Podgorica and Beijing stipulates that potential disputes are subject to arbitration in Beijing — an unusual choice given that Montenegro would have little chance of winning such arbitration.¹³² The contract also stated that the Exim Bank of China would hold Montenegrin territory as collateral, which it could potentially seize if Montenegro is unable to service its debt in the given timeframe.¹³³

Montenegro's laissez-faire approach to the influx of foreign capital and commerce, coupled with the lack of adequate regulatory guardrails, has opened the door to malign foreign influence, especially from China.

¹²⁴ The cost for Phase 1 of the project was initially set at 810 million euros (in 2014 figures). The IMF estimated a cost of 1 billion euros (2019), approximately \$1.1 billion at 2019 exchange rates. Phase 1 of the project, at 41 kilometers in length, is the costliest due to difficult terrain. Ibid. The share of GDP is based on the IMF's 2019 projected GDP figure of 4.8 billion euros.

¹²⁵ Montenegro had approached traditional multilateral agencies such as the European Bank for Reconstruction and Development, but was turned down as potential funders did not see it as commercially viable. See: Mardell, Jacob. "A Road that Divides as Much as It Connects." *Berlin Policy Journal*, 27 June 2019, berlinpolicyjournal.com/a-road-that-divides-as-much-as-it-connects/.

¹²⁶ "Montenegro: 2019 Article IV Consultation."

¹²⁷ Kajosevic, Samir. "Company Linked to DPS Profits from Montenegro Highway Contract." *BalkanInsight*, 14 Oct. 2020, balkaninsight.com/2020/10/14/company-linked-to-dps-profits-from-montenegro-highway-contract.

¹²⁸ French company Louis Berger conducted a feasibility study for the Montenegrin government in 2006 and URS, a U.S. company, conducted a feasibility study for the European Investment Bank in 2012. Both studies noted the highway's traffic would not be enough to justify its costs. See Hopkins, Valerie and James Kyngge. "Montenegro Fears China-Backed Highway Will Put it on Road to Ruin." *Financial Times*, 10 Apr. 2019, ft.com/content/d3d56d20-5a8d-11e9-9dde-7aedca0a081a.

¹²⁹ "World Bank Applies 2009 Debarment to China Communications Construction Company Limited in Philippines Roads Project." *The World Bank*, press release, 29 July 2011, worldbank.org/en/news/press-release/2011/07/29/world-bank-applies-2009-debarment-to-china-communications-construction-company-limited-for-fraud-in-philippines-roads-project.

¹³⁰ The cited figure is 100 million euros. Kapor, G. and Mirjačić, M. "Ko je i za šta dobio novac od gradnje prve dionice Smokovac – Mateševo." *Vijesti*, 5 Nov. 2019, vijesti.me/vijesti/ekonomija/ko-je-i-za-sta-dobio-novac-od-gradnje-prve-dionice-smokovac-matesevo.

¹³¹ Djukanovic's warning to the EU is likely an effort to push Montenegro's application to be an EU member state across the finish line. See: Zuvella, Maja. "EU Must Embrace Balkans or Lose Them to Russia and China – Montenegro President." *Reuters*, 8 May 2019, reuters.com/article/eu-balkans-montenegro/eu-must-embrace-balkans-or-lose-them-to-russia-and-china-montenegro-president-idUSL5N22K6EY.

¹³² Grgić, M. "Chinese Infrastructural Investments in the Balkans: Political Implications of the Highway Project in Montenegro." 2017.

¹³³ Hopkins and Kyngge. "Montenegro Fears China-Backed Highway Will Put it on Road to Ruin."



Photo taken on September 2nd, 2018, of the Bar-Boljare motorway in Montenegro. Built by the China Road and Bridge Corporation (CRBC), it represents the Montenegrin portion of the Bar-Belgrade motorway which stretches along the pan-European Corridor, a transport route linking Italy through Romania and into Serbia.

Although there are no official reports of corrupt practices involving Chinese officials or entities associated with the Bar-Boljare highway project, media sources and civil society organizations (CSOs) have raised concerns about the lack of transparency in planning and contracting, as well as the fact that figures with close ties to President Djukanovic appear to have been awarded contracts related to the project.¹³⁴ For example, the large Montenegrin contractor Bemax, controlled by close associates of Djukanovic, has been paid \$105 million for work on the highway.¹³⁵ Since the government designated most of the documents associated with the highway's design as secret, the public has been unable to subject these dealings to proper scrutiny.¹³⁶

Other Forms of Chinese Influence

Chinese officials and businesses have cultivated strong ties with Montenegrin media and cultural organizations, leading to mostly positive coverage of China in the press. The Montenegrin media's reliance on advertising from Chinese companies and Montenegrin entities involved in building the Bar-

¹³⁴ Koprivica, Dragan. Unpublished paper. *Center for Democratic Transition*.

¹³⁵ Milan Rocen, Djukanovic's chief advisor, has close ties with those managing Bemax. The amount paid of 96 million euros is converted to U.S. dollars. Kapor and Mirjačić. "Ko je i za šta dobio novac od gradnje prve dionice Smokovac – Mateševo." Cited in Koprivica. Unpublished paper.

¹³⁶ "Zašto se i dalje kriju ključne informacije o izgradnji autoputa?" *MANS*, 26 Oct. 2018, mans.co.me/zasto-se-i-dalje-kriju-kljucne-informacije-o-izgradnji-autoputa/; "Netransparentnost projekta Bar-Boljare zabrinjavajuća, što prije formirati Odbor za praćenje." *MANS*, 27 July 2015, mans.co.me/netransparentnost-projekta-bar-boljare-zabrinjavajuća-sto-prije-formirati-odbor-za-pracenje.

Boljare highway has contributed to positive coverage of China and Chinese activities.¹³⁷ For example, 67.1 percent of articles analyzed from December 2018 through early 2020 had a pro-China orientation, while 25.8 percent had negative views of China.¹³⁸ In coverage of China, the media emphasized the country's economic and political success while neglecting the shortcomings of the CCP on human rights and welfare. Local journalists also attribute this trend to the overflow of Serbian media into Montenegro's information space because of the shared language.¹³⁹

Montenegro has opened other doors for China to exert influence. Seventeen cooperation agreements signed with China since Montenegro's independence in 2006 have sustained robust social and professional exchanges between Podgorica and Beijing.¹⁴⁰ Consequently, representatives from all sectors of Montenegrin society – including scientists, artists and journalists – have visited China in recent years.¹⁴¹ China established a Confucius Institute at the University of Montenegro, Podgorica, in 2015, and the institute holds more than 2,000 classes every semester in classrooms across the country.¹⁴² Additionally, Montenegro's Ministry of Education has played an important role in supporting Chinese government-backed cultural influence initiatives. For example, it facilitated cooperation with China's Ministry of Education, which sends volunteer teachers from China to teach Chinese-language and culture courses in Montenegro.¹⁴³ Montenegro's Ministry of Education also awards scholarships for study in China, while the Chinese government has awarded more than 100 scholarships to Montenegrin students since 2015.¹⁴⁴

Montenegro's Response

The Montenegrin government recognizes the importance of foreign investment in generating economic growth, and therefore has not imposed many barriers to FDI. While this liberal policy has meant that Montenegro's foreign investment per capita is among the highest in Europe, that statistic is less an indicator of a carefully designed economic growth strategy than a sign of weak state capacity in many domains.¹⁴⁵

The lack of adequate guardrails and foreign-investment oversight has fueled suspicions of corruption and collusion centering around the Bar-Boljare highway project. Montenegro's weak media institutions rely on free content (often from Serbia) and a judiciary prone to political influence. A culture of systemic corruption also made it easy for President Djukanovic's government to shield key documents challenging the commercial viability of the Bar-Boljare highway project from public view.¹⁴⁶

Despite these deficiencies, CSOs in Montenegro have exposed corruption, weaknesses in government oversight of foreign investment, and environmental degradation stemming from the Bar-Boljare highway project. In particular, the Network for Affirmation of the NGO Sector (MANS) has been active in pushing for

¹³⁷ This is because newspapers and other media organizations in Montenegro tend to operate with low budgets, and therefore depend on advertising to survive. Additionally, given the shared language between Montenegro and Serbia, most foreign policy coverage in Montenegro comes through news agencies in Serbia – where coverage of China and Russia tends to be overwhelmingly positive. Koprivica based this analysis on interviews conducted with 10 journalists from various media outlets in Montenegro between March 2 and March 10, 2020.

¹³⁸ "Pro-China articles" denotes those that have published key messages or articles that had positive views of Chinese authorities or companies. This media analysis included more than 250 articles about foreign affairs from the most influential, mainstream print and electronic media in Montenegro. Positive coverage of China composed 9.6 percent of total articles analyzed, while negative and neutral coverage composed 3.7 and 1 percent, respectively. This analysis was conducted by the Center for Democratic Transition.

¹³⁹ Serbian media coverage of China is predominantly positive. This is due to the degree of control of the Serbian state over independent media and the projection of its own perspectives of cooperation with China throughout the information space. See: Vuksanovic, Vuk. "Light Touch, Tight Grip: China's Influence and the Corrosion of Serbian Democracy." *War on the Rocks*, 24 Sept. 2019, warontherocks.com/2019/09/light-touch-tight-grip-chinas-influence-and-the-corrosion-of-serbian-democracy.

¹⁴⁰ Data obtained from Ministry of Foreign Affairs, Montenegro. Koprivica. Unpublished paper.

¹⁴¹ "Ima značajnu ulogu u jačanju saradnje." *RTCG*, accessed 18 Dec. 2019, rtcg.me/vijesti/drustvo/217350/rtcg-ima-znacajnu-ulogu-u-jacanju-saradnje.html.

¹⁴² "Intervju Ambasadora Liu Jin." *Chinese Embassy*, 17 July 2019, me.chineseembassy.org/mon/sghd_1/t1681727.htm.

¹⁴³ "Director of Confucius Institute at UM Milena Đukanović: We are Planning to Introduce Chinese Language as Elective at Some Faculties," *MNE Magazin*, 15 Oct. 2018, mnemagazin.me/2018/10/15/director-of-confucius-institute-at-um-milena-djukanovic-we-are-planning-to-introduce-chinese-language-as-elective-at-some-faculties/.

¹⁴⁴ Communication with Ministry of Education, Montenegro. Koprivica. Unpublished paper; "The Chinese Embassy in Montenegro Issues Admission Notices to Montenegrin Students Who Have Received Chinese Government Scholarships." *Chinese Embassy*, 3 Sept. 2020, me.chineseembassy.org/chn/sghd/t1812270.htm.

¹⁴⁵ "Montenegro." *The World Factbook*, Central Intelligence Agency, cia.gov/library/publications/the-world-factbook/geos/mj.html.

¹⁴⁶ Koprivica. Unpublished paper. Regarding corruption, one study notes that 20 percent of Montenegrins surveyed have given a bribe and 22 percent have been pressured to give a bribe. See: "SELDI: Monitoring Corruption on Southeast Europe." *Southeastern European Leadership for Development and Integrity*, slide 5, unodc.org/documents/NGO/SEE_Workshop_2017/Presentations/Day4/Monitoring_Corruption_in_Southeast_Europe_SELDI.pdf.

greater transparency on the terms of agreement for the construction of the highway since most documents required for public accountability have been classified and contained to a small group within the Montenegrin government. The organization has also been drawing awareness to the reckless behavior of Chinese SOEs and the project's environmental impact on the Tara River.¹⁴⁷

Despite the efforts of organizations such as MANS, Montenegrin CSOs face an uphill battle in exposing and countering Chinese influence in the information, culture and media domains. Journalists and CSOs often rely on the research of academics as a first line of understanding, but very few Montenegrin academics understand or even research the CCP.¹⁴⁸

However, China's influence over Montenegrin politics is beginning to be challenged. The government is intent on avoiding a debt spiral that would give China undue influence over the country's prospects and is soberly aware of the importance of the EU as its primary economic and political partner. The government has looked to the EU for new sources of funding for the highway and an economic bailout as pressure mounts to meet the China Exim Bank's debt-repayment schedule.¹⁴⁹ Montenegro continues to make progress on adopting the EU Acquis — 35 chapters of law that will bring Montenegro's domestic law in line with EU standards, close holes in its public-procurement processes and reduce avenues for economic influence by strengthening anti-corruption measures. The new ruling coalition has also promised to reenergize accession negotiations and investigate controversies surrounding the Bar-Boljare highway.

Conclusion

As a small country with weak institutions, Montenegro serves as an ideal entry point for foreign authoritarian governments to develop influence in NATO and, potentially, EU policy processes. Lack of oversight capacity and weak transparency standards have allowed China to develop significant leverage over Montenegro's financial future and opened the doors to an influx of pro-China media content that redirects attention from China's malign behavior and safeguards its long-term interests in the country. The new administration has an opportunity to correct course and reenergize accession negotiations with the EU that will strengthen transparency standards and reduce reliance on Chinese finance, but ultimately it will be up to in-country CSOs to keep local officials' feet to the fire and malign foreign authoritarian influence at bay.

¹⁴⁷ "Response: Government to Immediately Publish All Details Regarding the Request for Extension of the Deadline for Completion of the Highway." *Mreža za afirmaciju nevladinog sektora (MANS)*, press release, 6 May 2020, mans.co.me/en/response-government-to-immediately-publish-all-details-regarding-the-request-for-extension-of-the-deadline-for-completion-of-the-highway/. For video of destruction, see: "Kompletan snimak devastacije rijeke Tare – gradilište autoputa Bar – Boljare." *MANS*, 24 Oct. 2018, youtube.com/watch?v=MfAwRSCjaQI&feature=youtu.be. Six non-governmental organizations filed a criminal complaint with Montenegro's supreme state prosecutor regarding devastation of the Tara River. See: "Šest nevladinih organizacija podnijelo krivičnu prijavu zbog devastacije rijeke Tare." *MANS*, 24 Oct. 2018, mans.co.me/mans-u-saradnji-sa-ekoloskim-organizacijama-podnio-krivicnu-prijavu-zbog-devastacije-rijeke-tare/.

¹⁴⁸ For example, only one paper related to the Chinese Communist Party found on the site academia.edu was authored by a Montenegrin academic. Koprivica. Unpublished paper.

¹⁴⁹ The government has applied for co-financing for subsequent phases of the Bar-Boljare Highway from the Western Balkans Investment Framework. However, the application is on hold until a new cost-benefit analysis of the entire proposed Bar-Boljare highway is complete. See: "Montenegro 2020 Report." *European Commission*, Oct. 2020, ec.europa.eu/neighbourhood-enlargement/sites/near/files/montenegro_report_2020.pdf. The minister of finance has suggested that Montenegro was looking to secure 300–500 million euro by issuing a Eurobond financed by the European Central Bank. See: Savic, Misha. "Montenegro Looks to More on From China Debt with Eurobond." *Bloomberg*, 6 June 2019, bloomberg.com/news/articles/2019-06-06/montenegro-returns-from-brink-of-debt-abyss-to-refinance-bond?ref=0jJnKHvd.

PANAMA

Long wary of drawing the ire of the United States for playing in its “backyard,” Beijing has swapped caution in Latin America for aggressive engagement with the region under the leadership of Xi Jinping. A diplomatic blitz in 2017 prompted three governments in the region, including Panama’s, to shift official recognition from the Republic of China (ROC) to the PRC in quick succession. Through well-connected Panamanian government advisers with close ties to the Chinese government and direct payoffs to then-President Juan Carlos Varela, China had laid the groundwork for relations between China and Panama to rapidly advance after the establishment of formal ties.

In 2017, Panama became the first country in Latin America to endorse the BRI, which led to a surge in Chinese financing of infrastructure and four rounds of negotiations on a free-trade zone. However, Panama’s gung-ho China policy was reduced to a slow crawl after the change of administration in 2019 and perceived pushback from the United States.

China views the development of influence in Panama as paramount to its growing interests in Latin America. China sees Panama as a gateway to new export markets and energy resources, an opportunity to offload excess capacity with new infrastructure products, and a partner to consolidate support in the Global South for China’s policy agenda on the international stage.¹⁵⁰ Since 2017, China has become an increasingly important economic partner to Panama as an export market and financier of large infrastructure projects.

The CCP’s influence operations in Panama have been three-pronged: deepening economic dependencies and creating political inroads by granting market access to elite and connected individuals; developing footholds in Panama’s information space through direct content delivery, such as Xinhua’s newswire services and content-exchange agreements; and strengthening its control over perceptions of China among the Chinese diaspora and instrumentalizing it toward political ends.

Economic Influence

The normalization of relations with the PRC in 2017 yielded immediate results in accelerating economic engagement between China and Panama. Private companies closely affiliated with the Chinese government set the foundation early on for economic engagement between China and Panama, smoothing the way for China’s SOEs to hit the ground running after Panama’s shift in diplomatic recognition. Hutchinson Whampoa, a Hong Kong-based shipping conglomerate with strong connections to the government on the Chinese mainland, formally entered Panama in 1997 when it invested in container docks on both ends of the Panama Canal.¹⁵¹ Its early investment in Panama can be seen as both good business and a hedge by the PRC to ensure safe transit through the canal.

Since the shift in recognition in 2017, China has made significant inroads into Panama’s economy through trade and investment. As noted, Panama was the first country in Latin America to endorse China’s BRI in 2017. Between 2017 and 2019, Chinese FDI in Panama more than doubled, growing to a sum total of \$3.02 billion, while trade volume between the two countries grew by more than 25 percent over the same period.¹⁵² The trade balance has remained heavily asymmetric after China opened its market to more Panamanian products after 2017. Normalization of relations has not heralded the level of new greenfield

¹⁵⁰ Mendez, Alvaro and Chris Alden. “China in Panama: From Peripheral Diplomacy to Grand Strategy.” *Geopolitics*, 2019, 1–23, doi.org/10.1080/14650045.2019.1657413.

¹⁵¹ Sutter, Robert G. in *Foreign Relations of the PRC: the Legacies and Constraints of China’s International Politics since 1949*, Lanham: Rowman & Littlefield, 2019. Acting to defend the interests of Beijing before formal turnover of Hong Kong in 1997, Hutchinson Whampoa outbid Bechtel for the concessions to operate the ports of Cristóbal and Balboa, the Panama Canal’s Atlantic and Pacific terminals, see: “Panama (3rd Quarter) Country Reports.” *Economist Intelligence Unit, Costa Rica*, Aug. 1996.

¹⁵² “China Global Investment Tracker.” *American Enterprise Institute*, aei.org/china-global-investment-tracker/.

investment from China that Panama anticipated; China has focused on securing construction tenders for critical infrastructure and financing those projects with loans from Chinese policy banks.

Trade

Formal diplomatic ties have led to increased institutionalization of the China-Panama trade relationship. Though imports from China to Panama are still roughly 17 times larger than exports, the value of Panamanian exports to China expanded by 445 percent in 2019 on top of two consecutive years of double-digit growth.¹⁵³ Over the last three years, China became the second-largest user of the Panama Canal after the United States, with at least 1,000 Chinese ships passing through the canal every year.¹⁵⁴ It was also the top exporter to the Colon Free Trade Zone (CFTZ) with about 35 percent of all goods originating from China.¹⁵⁵

Negotiations over a China-Panama Free-Trade Area advanced rapidly with four rounds of discussions in 2018, only slowing in 2019 after perceived pushback by the United States and a new administration in Panama City.¹⁵⁶ The free-trade agreement now remains in limbo with no timeline for continued negotiations.¹⁵⁷

Infrastructure Investment

Large and costly infrastructure projects are at the core of China's "strategic development" of Panama, where Chinese companies primarily aim to acquire high-dollar value construction contracts. Many of these projects involve maritime ports as part of the BRI and are undertaken by Chinese companies with close ties to the government.¹⁵⁸ Chinese state-backed entities have won tenders for major projects such as a nearly \$1-billion expansion of Panama's Margarita Port, a \$165-million cruise-port project on the Amador Causeway, and a \$1.42-billion mega contract to build a fourth bridge over the Panama Canal.¹⁵⁹ The Inter-American Dialogue estimates that Chinese companies are involved in at least 15 major infrastructure projects.¹⁶⁰ Huawei will begin offering fifth-generation (5G) services in Panama in 2021, though the company already began working toward this goal as early as 2018.¹⁶¹

Chinese companies have aggressively competed and leveraged their connections for new lucrative contracts, presenting feasibility studies directly to the office of the presidency. Several projects awarded to Chinese contractors have been mired in controversy and have drawn the scrutiny of the National Assembly. The former Varela administration kept some negotiations with his Chinese counterparts contained to the office of the presidency, fueling speculation over the circumstances in which infrastructure contracts have been awarded.¹⁶²

¹⁵³ "China's Customs Statistics: Monthly Exports and Imports (January 2020)." *Hong Kong: Economic Information Agency*, Jan. 2020.

¹⁵⁴ "Chinese Firm Begins Panama Port Project after Diplomatic Ties Restored." *South China Morning Post*, 19 Oct. 2017, scmp.com/news/china/diplomacy-defence/article/2116082/chinese-firm-begins-panama-port-project-after.

¹⁵⁵ Hincapie, Luis Miguel. "Entre el Aguila y el Dragon." *Wilson Center for International Scholars*, 17 Dec. 2019, wilsoncenter.org/article/entre-el-aguila-y-el-dragon.

¹⁵⁶ "The 4th Round Negotiation of China-Panama FTA Held." *China FTA Network*, 30 Nov. 2018, fta.mofcom.gov.cn/enarticle/chinapanamaen/chinapanamaennews/201812/39498_1.html; Youkee, Mat. "The Panama Canal Could Become the Center of the U.S.-China Trade War." *Foreign Policy*, 7 May 2019, foreignpolicy.com/2019/05/07/the-panama-canal-could-become-the-center-of-the-u-s-china-trade-war/.

¹⁵⁷ Castellón, Teiga. "Por Instrucciones de Cortizo el TLC con China Está en Revaluación." *Telemetro*, 9 Dec. 2019, telemetro.com/nacionales/2019/12/10/instrucciones-cortizo-tratado-libre-comercio/2342195.html.

¹⁵⁸ Miller, Ben. "China's Economic Footprint." *Americas Quarterly*, americasquarterly.org/content/chinas-economic-footprint.

¹⁵⁹ "Chinese Firm Starts Work on \$1bn Panamanian Megaport." *Global Construction Review*, 12 June 2017, globalconstructionreview.com/news/chinese-firm-starts-w7rk-1bn-panama7nian-meg7aport/; "CHEC Starts Construction on Panama City Cruise Terminal." *Maritime Executive*, 19 Oct. 2017, maritime-executive.com/article/chec-starts-construction-on-panama-city-cruise-terminal/; "China Communications Construction-China Harbor Joint Venture Won the Panama Canal Fourth Bridge Project [中国交建-中国港湾联营体中标巴拿马运河四桥项目]." *China Communications Construction Company* [中国交建] (attributed to *China Harbour Engineering Company* [中国港湾]), 30 July 2018, ccccltd.cn/news/gsyw/201807/t20180730_93661.html.

¹⁶⁰ "Are China and Panama Getting it Right?" *The Inter-American Dialogue*, 5 Aug. 2019, hedialogue.org/analysis/are-china-and-panama-getting-it-right/.

¹⁶¹ Chaniramani, Rekha. "Internet 5G se Propagará en 2021 para Consolidarse Hacia 2028." *La Estrella de Panama*, 11 June 2019, laestrella.com.pa/economia/190611/5g-2021-internet-propagaria-consolidarse.

¹⁶² Ellis, Evan. "The Evolution of Panama-PRC Relations Since Recognition." *Global Americans*, 21 Sept. 2018, heglobalamericans.org/2018/09/the-evolution-of-panama-prc-relations-since-recognition-and-their-strategic-implications-for-the-u-s-and-the-region/; "The Infrastructure Legacy of Panama's Varela Administration." *BNamericas*, 19 Apr. 2019, bnamericas.com/en/features/the-infrastructure-legacy-of-panamas-varela-administration.

Since 2017, China has opened branches of three banks in Panama: the Bank of China, the International Bank of China, and the Industrial and Commercial Bank of China. According to sources interviewed in the banking sector, three other Chinese banks have already signed agreements with Panama's Banking Agency to begin operations in the future. The Chinese banks in Panama are heavily involved in financing commercial operations in the CFTZ and have generally played a central role in financing infrastructure projects.

There is a dearth of open-source information on the bulk of China's infrastructure projects. The government's public transparency site *Panama Compra* (Panama Buys) offers basic information on bids that are awarded — although the awards process is not transparent, according to contractors who have worked with the government.¹⁶³ A new platform called *Panama en Obra* (Panama Under Construction), which is hosted by Panama's General Directorate for Public Contracts, may become an additional resource for private contracts' transparency.¹⁶⁴

Opacity and Elite Capture

Consistent opacity and irregularities surround infrastructure bids involving Chinese companies. The depth of China's connections to Panama's political elites, detailed below, suggests that negotiations through the office of the presidency and corruption permitted Chinese entities to bypass competitive practices to win infrastructure tenders. Furthermore, leaked communications between Varela and senior officials reveal that personal business dealings with the PRC were a key factor in facilitating Panama's shift in recognition.

There have been multiple instances of infrastructure tenders awarded to Chinese companies under suspicious circumstances. In 2018, a \$1.42-billion proposal by the CCCC — a company blacklisted by the World Bank — and China Harbour Engineering Company (CHEC) — a company accused of bribery in Bangladesh — won a contested tender to design and build the fourth bridge over the canal. The highest score had actually gone to a Spanish company that inexplicably withdrew from the competition, and all other competitors were disqualified.¹⁶⁵ The Chinese companies were also awarded the contract despite having initially being disqualified for submitting a design that did not meet the technical requirements according to the Ministry of Public Works.¹⁶⁶ The design was later resubmitted and closely resembled the design of the former competitor.¹⁶⁷

In the electricity sector, China Electric Power Equipment and Technology (CEPET) was disqualified from the tender process to construct a fourth power-transmission line across the country because its design again failed to meet the tender requirements. However, the company then inexplicably re-qualified following an appeal of the decision, without any public record of redoing its bid.¹⁶⁸ The decision raises questions given that one of the agreements signed between the Varela government and China involves PRC financing through the Bank of China for Panama's public electricity-utility company, ETESA.¹⁶⁹ The unusual circumstances of CEPET's eligibility and direct PRC financing of ETESA have cast doubt on the country's ability to conduct fair and impartial tenders.

Despite negative reporting on the fourth bridge project and the multiple controversies and delays that beset large Chinese construction contracts, public ire directed at the former Varela government far outweighed the discontent toward Chinese counterparts or construction firms.¹⁷⁰

¹⁶³ "PanamaCompra," *Republica de Panama Gobierno Nacional*, accessed 2 Oct. 2020, panamacompra.gob.pa/Inicio/.

¹⁶⁴ "Panamaenobras," *Republica de Panama Gobierno Nacional*, accessed 2 Oct. 2020, panamaenobras.gob.pa/inicio/proyectos.; At the time of this report's drafting, the platform only hosted seven tenders, none of them ostensibly related to projects undertaken by Chinese contractors.

¹⁶⁵ "Chinese Consortium Wins \$1.42 Billion Bid for Canal Bridge." *Newsroom Panama*, 2018, newsroompanama.com/news/chinese-consortium-wins-1-42-billion-bid-for-canal-bridge.

¹⁶⁶ Ibid. The contract was awarded to the Fourth Bridge Consortium (Panama Cuarto Puenta), a consortium formed by CCCC and CHEC.

¹⁶⁷ "Fourth Canal Bridge Shrouded in Uncertainty." *BNamericas*, 30 Aug. 2019, namericas.com/en/news/spotlight-fourth-panama-canal-bridge-shrouded-in-uncertainty; Ellis. "The Evolution of Panama-PRC Relations Since Recognition."

¹⁶⁸ "Connect Four: Focus on Fourth Transmission Line." *The Business Year Panama*, Dec. 2019, thebusinessyear.com/panama-2019/connect-four/focus.

¹⁶⁹ Ellis. "The Evolution of Panama-PRC Relations Since Recognition."

¹⁷⁰ According to a review of comments left in response to articles on the fourth bridge project on *La Estrella de Panama's* webpage, see: "Cuarto Puente Sobre el Canal Queda en Suspense por Este Año." *La Estrella de Panamá*, 15 Aug. 2019, laestrella.com.pa/economia/190815/canal-queda-cuarto-puente-suspense.

These sentiments were recently reinforced by the release of a WhatsApp conversation between former President Varela and former Director of the Panamanian Maritime Authority Jorge Barakat on the portal VarelaLeaks.com. In the messages, Varela was strongly cautioned not to mention the “donation of the billion yuan (143 million dollars)” from the Chinese government “because it can give the impression that the money was for the break in relations with Taiwan.”¹⁷¹

The messages also strongly suggest that the PRC government facilitated a \$38-million deal for President Varela’s personal liquor company and gave it special permissions to sell products in the Chinese market.¹⁷² This is widely viewed as the explanation for why Varela did not give advance notice to the U.S. embassy of the switch in diplomatic recognition, which came as a shock to the US administration, as well as a clear sign of the PRC’s willingness to “pay to play” in Panama.

United Front Work

Panama has been a focal point of the CCP’s so-called “united front work” in the region, with those efforts primarily targeting for influence the country’s population of more than 200,000 ethnic Chinese, the largest in Central America. Most ethnic Chinese in Panama can trace their roots back to the Huadu District of Guangzhou, a major city in southeast China. The CCP targets and seeks to instrumentalize the diaspora community to serve Beijing’s interests. These efforts have been given greater importance under the leadership of Xi Jinping, who refers to united front work as a “magic weapon” for cultivating influence around the world.¹⁷³

More than 50 diaspora community groups with either direct or indirect affiliation with the UFWD exist in Panama. Leaders of United Front-linked groups in Panama maintain high-level contacts with both the United Front bureaucracy in Beijing and local politicians. Through its ties with those in strategic leadership roles in the Chinese diaspora community, Beijing has inserted itself as the intermediary between the Panamanian government and the ethnic Chinese citizens of Panama.¹⁷⁴

The CCP has used this role to co-opt democratic institutions, processes and representation to serve

Huadu Hometown Association (HHA)

is likely the most powerful hometown association, a United Front organization unit that caters to the hometowns of the diaspora community, due to the sheer number of Panamanian citizens with roots in Guangdong’s Huadu District. HHA’s leadership has developed close ties with high-level Panamanian officials, including the former mayor of Panama City, José Blandon. Leadership maintains ties with regular delegations in Guangdong’s Overseas Chinese Affairs Office.

Panama-China Council for the Promotion of Peaceful Reunification (PCCPPR)

is the Panama chapter of the China Council for the Promotion of Peaceful Reunification, a group that lobbies globally for support of the PRC’s “reunification” with Taiwan under the UFWD. It is at the nexus of United Front activity in Panama. Mai Qijia, profiled here, retains a board-member seat on all of the most active United Front groups in Panama, allowing oversight and coordination throughout.

¹⁷¹ Chacón, José. “VarelaLeaks’: Juan Carlos Varela Recibió \$143 Millones de China Cuando Panamá Rompía Relaciones con Taiwán.” *Panamá América*, 26 Nov. 2019, m.panamaamerica.com.pa/politica/varela-leaks-juan-carlos-varela-recibio-143-millones-de-china-cuandopanama-rompia; “VarelaLeaks: Expresidente Varela Recibió \$143 Millones de China por Nuevos Vínculos.” *En Segundos Panamá* (blog), 27 Nov. 2019, ensegundos.com.pa/2019/11/27/expresidente-varela-recibio-143-millones-de-china-por-nuevos-vinculos/.

¹⁷² Bruyas, Dimitri. “Ex-Panama President Received US\$143 Million from China over New Ties: VarelaLeaks.” *China Post*, 27 Nov. 2019, chinapost.nownews.com/20191127-874886. The anonymous publishers of VarelaLeaks.com claimed they came into possession of the telephone when Varela left it in a vehicle. Varela, while not denying the authenticity of the information and communications, says his phone was illegally hacked.

¹⁷³ Brady, Anne Marie. “Magic Weapons: China’s Political Influence Activities under Xi Jinping.” *Wilson Center*, 18 Sept. 2017, wilsoncenter.org/article/magic-weapons-chinas-political-influence-activities-under-xi-jinping. The budget for united front work is larger than that for the Ministry of Foreign Affairs, and few diaspora community groups, apart from those associated with Falun Gong, Taiwan and Tibet, are able to avoid interaction with United Front-linked actors; see: “Putting Money in the Party’s Mouth.” *The Jamestown Foundation*, Sept. 2020, jamestown.org/program/putting-money-in-the-partys-mouth-how-china-mobilizes-funding-for-united-front-work/.

¹⁷⁴ For more information on the United Front’s activities undermining civil society and political representation, see: Joske, Alex. “The Party Speaks for You.” *ASPI*, 9 June 2020, aspi.org.au/report/party-speaks-you.



Children wave flags of China and Panama as they wait for the arrival of China's President Xi Jinping, at the airport in Panama City, on December 2, 2018.

Beijing's interests. Influential individuals with direct connections to Beijing have been appointed to key advisory positions in the Panamanian government. The former Varela administration established the National Council of Ethnic Chinese in 2015 and appointed community leaders to advisory roles to improve the government's responsiveness to the diaspora community. Four of six individuals appointed had ties to the UFWD.¹⁷⁵ In an open acknowledgement of the political utility of united front work in Panama, these individuals were awarded the highest honor by the UFWD for their role in facilitating Panama's shift in diplomatic recognition.¹⁷⁶

Groups

United Front-linked groups have amassed significant influence with high-level Panamanian government and law-enforcement officials at all levels. In most cases, these organizations have genuinely and effectively advanced the interests of the Chinese community. They maintain regular contact with the Chinese embassy in Panama and Chinese government officials in the state ministry through the Overseas Chinese Affairs Office (OCAO), the office primarily responsible for maintaining communications with United Front-linked groups in Chinese diaspora communities around the world. The groups' activities have attracted the participation of elite Panamanian government officials and members of the National Assembly.

In their organization of public events and demonstrations, United Front-linked groups in Panama have demonstrated an explicit pro-Beijing political inclination and actively propagate the official CCP line on

¹⁷⁵ See profile below.

¹⁷⁶ "Panamanian Presidential Adviser Chen Guoji: Promoting Chinese Status and Participating in Politics is the Best Choice [2017 全球华侨华人新闻人物|巴拿马总统顾问陈国基：提升华人地位 参政是最好选择]." *Sina* [新浪], 14 Jan. 2018, news.sina.com.cn/o/2018-01-14/doc-ifyqptqv9353365.shtml.

political affairs. For example, at the height of tension during pro-democracy protests and police violence in Hong Kong in 2019, the PCCPPR was active in raising support for Beijing in the diaspora community by organizing rallies in support of Beijing's position on Hong Kong. At these rallies, PCCPPR leadership encouraged participants to chant the party's slogans, while stoking animosity toward the United States for its alleged "interference" as the root cause of the protests.¹⁷⁷

Apart from organizing support for Beijing in Panama among the diaspora community, United Front-linked groups act as formal business lobbies. The PCCC is a Chinese business lobby operating in Panama and plays a valuable role in the mission of various United Front entities. The organization appears to have cultivated broad relationships with high-ranking officials in law enforcement and the Panamanian government.¹⁷⁸ The OCAO openly acknowledges the political value of the PCCC to its work. At a conference organized by the OCAO in May 2019 in Beijing, the PCCC received an award for "safeguarding the rights of overseas Chinese, integrating into mainstream society, promoting Chinese culture, and promoting Chinese foreign relations."¹⁷⁹ Further underscoring the organization's United Front ties, in October 2019, PCCC hosted a business event sponsored by the China Overseas Friendship Association, an organization lead by You Quan, the head of the UFWD. Several OCAO officials traveled to Panama for the forum, which was also attended by the heads of UFWD-linked groups in Panama, including PCCPPR head Mai Qijia, CSACPPR head Tang Jinshui, Panama Overseas Chinese Service Center (POCSC) head Luo Deshuang and former PCCPPR head Wen Guowei.¹⁸⁰

Working with the POCSC, the PCCC undertakes youth outreach by ensuring that young Chinese Panamanians "know their roots," which underscores the *modus operandi* of united front work that sees

Panama Chinese Chamber of Commerce (PCCC) has operated in Panama since 1999, established with direct support of the Panama-China Trade Development Office (China's highest representative office in the country at the time). The group operates similarly to U.S. Chambers of Commerce, in that it organizes events in the business community. However, it is distinct in its degree of connection to the UFWD and its willingness to take the direction from, and lobby on behalf of, the CCP. Now led by Luo Bingnian, the organization operates as a true business lobby, facilitating connections between Chinese businesses and government officials. Conferences organized by the PCCC attract high-level officials from the UFWD.

¹⁷⁷ Common slogans seen in most pro-Beijing rallies framed Hong Kong democracy activists as separatists or asserted Beijing's rights to exert unilateral control over Hong Kong despite the "one country, two systems" framework in place since the official turnover in 1997: "Anti-Hong Kong independence [反港独], Anti-separatism [反分裂], Anti-violence [反暴力]" or "Hong Kong is China's Hong Kong! [香港是中国的香港!]; "The Chinese Community in Panama and Hong Kong Compatriots Sign Together! [巴拿马侨胞与香港同胞同唱一首歌] La Comunidad de China en Panamá Apoyo a Gobierno de Hongkong." *El Diario Chino Latinoamericano*, 19 Aug. 2019, diariochino.net/2019/08/19/%e5%b7%b4%e6%8b%bf%e9%a9%ac%e4%be%a8%e8%83%9e%e4%b8%8e%e9%a6%99%e6%b8%af%e5%90%8c%e8%83%9e%e5%90%8c%e5%94%b1%e4%b8%80%e9%a6%96%e6%ad.%8c-la-comunidad-de-china-en-panama-apoyo-a-gobierno-de-hongkong/.

¹⁷⁸ For example, in the space of just a few weeks, in September 2019 the PCCC engaged top officials in the director and assistant director of Panama's National Police, Jorge Miranda and Alexis Munoz, Vice Minister of Culture Gabriel Gonzales, future Minister of Government Sheyla Grajales and then-Mayor of San Miguelito Héctor Valdés Carrasquilla. See: *El Diario Chino Latinoamericano*. 8 Mar. 2019, paper.br-cn.com/#/issue/185111; "Chinese-Panamanian Chamber of Commerce and Industry Dinner with Director of National Police [Cámara Chino-Panameño de Comercio e Industria Cenar con Director de Policía Nacional]." *El Diario Chino Latinoamericano*, 21 Sept. 2019, diariochino.net/2019/09/21/%e5%8d%8e%4%ba%ba%e5%b7%a5%e5%95%86%e6%80%bb%e4%bc%9a%e4%b8%8e%e8%ad%a6%e5%b1%80%e9%ab%98%e5%b1%82%e8%bf%9b%e8%a1%8c%e5%ba%a7%e8%b0%88%e5%ae%b4%e4%bc%9a-camara-chino-panameño-de-comercio-e-industria/; "Celebrating the 70th Anniversary of the Founding of the People's Republic of China [Celebran el 70 Aniversario de la Fundación de la República Popular de China]." *El Diario Chino Latinoamericano*, 19 Sept. 2019, diariochino.net/2019/09/19/%e5%b7%b4%e6%8b%bf%e9%a9%ac%e4%bd%8e%4%ba%ba%e5%b7%a5%e5%95%86%e6%80%bb%e4%bc%9a%e8%81%94%e5%90%88%e5%85%a8%e4%be%a8%e7%b3%ad%e7%83%88%e5%ba%86%e7%a5%9d%e4%b8%ad%e5%8d%8e%4%ba%ba%e6%b0%91%e5%85%b1/.

¹⁷⁹ "The 'Light of the Chinese Community' Panama Chinese Chamber of Commerce and Industry has a Great Reputation [华社之光] 巴拿马华人工商总会实至名归" [Camara China Panameña de Comercio e Industria]." *El Diario Chino Latinoamericano*, 16 June 2019, diariochino.net/2019/06/16/%e5%8d%8e%e7%a4%be%e4%b9%8b%e5%85%89%e5%b7%b4%e6%8b%bf%e9%a9%ac%e5%8d%8e%e4%ba%ba%e5%b7%a5%e5%95%86%e6%80%bb%e4%bc%9a%e8%87%b3%e5%90%8d%e9%a8%8f-camara-china-panameña-de-comercio/.

¹⁸⁰ "Delegation from the Overseas Chinese Affairs Bureau of the State Council Visited Panama and Held a Symposium on Overseas Chinese Affairs Work [国务院侨务办公室事务局代表团访巴并举办侨务工作座谈会 | Delegación de Oficina de Asuntos Chinos en el Extranjero del Consejo de Estado Visitar a Panamá]." *El Diario Chino Latinoamericano*, 25 Oct. 2019, diariochino.net/2019/10/25/%e5%9b%bd%e5%8a%a1%e9%99%a2%e4%be%a8%e5%8a%a1%e5%8a%9e%e5%85%ac%e5%ae%a4%e4%ba%8b%e5%8a%a1%e5%b1%80%e4%bb%4%e8%a1%a8%e5%9b%a2%e8%ae%bf%e5%b7%b4%e5%b9%b6%e4%b8%be%e5%8a%9e%e4%be%a8%e5%8a%a1%e5%b7%a5/.

all ethnic Chinese as ultimately answerable to China and the CCP, regardless of citizenship or individual choice of nationality. The POCSC almost exclusively focuses on building support among overseas youth, which now composes more than 90 percent of its membership. The PCCC organizes annual trips of young Chinese Panamanians to visit China to connect ethnic Chinese youth in Panama with senior officials in the United Front bureaucracy. In December 2018, former PCCC head Zhang Dequan led the trip and paid a visit to the Guangdong OCAO, where trip leaders met with Lin Lin, Guangdong OCAO deputy party secretary and Guangdong UFWD inspector.¹⁸¹

While united front work emphasizes loyalty to the party and sympathy for Beijing's interests, United Front groups also genuinely encourage participation in local government to strengthen the voice of the diaspora community and feed those interests into democratic processes. PCCC head Lou Bingnian has been a vocal supporter of young second- and third-generation Chinese in Panama participating in politics, encouraging them to "let [their] voices be heard in mainstream society."¹⁸² The degree of connections with Beijing and cultivation of pro-Beijing sympathies among the diaspora suggest that this encouragement of political participation is meant to insert Beijing's interests into Panama's political process on matters significant to the CCP.

Individuals

UFWD-linked individuals maintain regular correspondence with their counterparts in embassies and participate in training trips to mainland China at the invitation of the UFWD. Some of these United Front-linked individuals occupy key positions in the Panamanian government on the National Council of Ethnic Chinese (profiled in the box). The ability of these individuals to exert influence is most concretely demonstrated by the honors awarded to them by the United Front bureaucracy, specifically for their role in facilitating Panama's shift in diplomatic recognition from the ROC to the PRC.

The National Council of Ethnic Chinese (Consejo Nacional de la Etnia Chin/巴拿马中华民族委员会)

Established in 2015 by former President Varela to communicate the concerns of the overseas Chinese community, the National Council of Ethnic Chinese is an official entity of Panama's government and is led by Panama's minister of social development.¹⁸³ The president appointed six members of the Panamanian Chinese community to the council, four of whom had direct ties to United Front groups, providing access for the United Front to elite policymakers in the Panamanian government.

The concentration of United Front-linked individuals in key positions as interlocutors between the government and the Chinese diaspora indicates the success of Beijing's strategy to co-opt the political power of ethnic Chinese abroad and direct it to conform to Beijing's political priorities. The council included Juan Tam (also known as Tan Jian), former PCCPPR head Wen Guowei, Chen Fachang, Chen Guoji, current China Association of Panama (CAP) head Feng Yadi and former CAP head Li Huanxin. Juan Tam was also appointed as the council's secretary. As the council is an official government entity, it provides its CCP-supported members frequent access to high-ranking Panamanian government officials.¹⁸⁴

¹⁸¹ "Panama Chinese Chamber of Commerce and Industry Winter Camp Leader and His Party Visited the Provincial Overseas Chinese Office [巴拿马华人工商总会冬令营领队一行到访省侨办]." *El Diario Chino Latinoamericano*, 28 Dec. 2018, epaper.br-cn.com/#/issue/1691/5.

¹⁸² "Showing the Image of China Overseas Chinese Groups Polish the Sign of 'Great Nation Overseas Chinese' [展现中国形象 海外侨团擦亮 "大国侨民" 招牌]." *Zhongguo Qiaowang* [中国侨网] 3 June 2019, chinaqw.com/hqhr/2019/06-03/223994.shtml.

¹⁸³ "Representative Wang Weihua of the Panama Trade Representative Office of China Received the Chinese Member of the Panama Chinese National Committee [中国巴拿马贸易代表王卫华代表接见巴拿马中华民族委员会华人委员]." Embassy of the Republic of China in Panama, 14 July 2015, pa.chineseembassy.org/chn/dbcxx/dbcxw/t1281020.htm.

¹⁸⁴ "Panamanian government officials": "National Council of Ethnic China Lunch with Director of Ministry of Development [中华民族委员会宴请社会发展部女部长 | Social Consejo Nacional de la Etnia China Almuerzo con Director de Ministerio de Desarrollo]." *El Diario Chino Latinoamericano*, 24 Sept. 2019, diariochino.net/2019/09/24/%e4%b8%ad%e5%8d%8e%e6%b0%91%e6%97%8f%e5%a7%94%e5%91%98%e4%bc%9a%e5%ae%b4%e8%af%b7%e7%a4%be%e4%bc%9a%e5%8f%91%e5%b1%95%e9%83%a8%e5%a5%b3%e9%83%a8%e9%95%bf-consejo-nacional-de-la-etnia-china-almuerzo/.

Mai Qijia, head of the PCCPPR, began united front work in Panama 2003. Mai has been elected as a standing council member in major overseas Chinese groups in Panama, giving him extensive oversight of united front work conducted in Panama.¹⁸⁵ As the head of PCCPPR, Mai is credited with expanding the organization and attracting large numbers of young people to join. Underscoring his importance to the CCP's overseas united front work and direct cooperation with the Chinese government, in 2012 Mai served as a non-voting delegate to the 11th National People's Congress, China's rubber-stamp legislature, and the CPPCC National Committee, a political advisory board and a central part of the CCP's United Front system.¹⁸⁶ Demonstrating his importance as an intermediary for the Panamanian government to reach the Chinese diaspora, Mai has received recognition from the Panamanian government for his work in the Chinese diaspora community.¹⁸⁷

Chen Guoji is one of the most prominent United Front-linked individuals with high-level access to officials in the Chinese and Panamanian governments, suggesting a strong role in influencing the Varela government's approach to the PRC.¹⁸⁸ Though his association with overseas Chinese groups operating in Panama is unclear, Chen is a presumed Panamanian citizen with clear United Front links. In 2017, in an event hosted by Xinhua, Chen received the "Person of the Year" award for facilitating the establishment of diplomatic relations between China and Panama and met with then-OCAO Director Qiu Yuanping at the award ceremony.¹⁸⁹ Chen met with Qiu again when he traveled to China with then-President Varela during the latter's first state visit to China.¹⁹⁰

Chen has been a member of the Panameñista Party since 2005, and he became close with Varela prior to the latter's election in 2014.¹⁹¹ When Varela became president, he made Chen a presidential adviser. And in 2015, when the National Council of Ethnic Chinese was established, Varela appointed Chen as one of the council's first members. Chen previously worked at the former Panama-China Trade Development Office (the PRC's highest official presence in Panama before the shift in recognition), where he worked to establish relations between the two countries.¹⁹²

Influence with the Ruling Party

The shift in diplomatic recognition has paved the way for the CCP to establish formal party-to-party ties and strengthen its relationships and influence among high-level officials in Panama's ruling party. The CCP and the Panameñista Party were particularly close during the Varela administration with multiple overtures by high officials in the ILD — which is the CCP's primary vehicle for cultivating influence in political parties and, more recently, the means to popularize the CCP's governance and party-management practices — to senior members of the Panameñista Party.

¹⁸⁵ Mai Qijia is additionally the executive vice president of the Huadu Hometown Association; a standing council member of the Guangdong Hometown Association, the Panama Chinese Chamber of Commerce, the Sichuan Overseas Friendship Association and the Hebei branch of the China Council for the Promotion of Peaceful National Reunification; an adviser to the China-Panama Cultural Exchange Association [中巴文化交流协会], the Panama Huaxing Performance Group, the Chinese Association of Panamá Oeste and the Huadu District Overseas Friendship Association [花都区海外联谊会]; and, finally, an honorary head of the Chinese Association of Panama.

¹⁸⁶ "Carrying on the Past and Opening Up the Future – Remembering Mai Qijia, President of the Association for the Promotion of Peaceful Reunification of Chinese Overseas in Panama [承前启后继往开来——记巴拿马华侨华人中国和平统一促进会会长麦杞佳]." *China Council for the Promotion of Peaceful National Reunification* [中国统促会] (Attributed to *Tong Yi Lun Tan Magazine* [《统一论坛》杂志]), 12 Sept. 2018, zhongguotongcuhui.org.cn/zl/tch/rwft/201810/t20181022_12103914.html.

¹⁸⁷ "Government Awards Victoriano Lorenzo Medal of Merit to Distinguished Members of the Chinese Community in Panama [巴拿马省长授Victoriano Lorenzo 杰出人士勋章及证书给侨界精英] Gobernación otorga Medalla al Mérito Victoriano Lorenzo a Miembros Distinguido de la Comunidad China en Panamá." *El Diario Chino Latinoamericano*, 23 June 2019, diariochino.net/2019/06/23/%e5%b7%b4%e6%8b%bf%e9%a9%ac%e7%9c%81%e9%95%bf%e6%8e%88vi%ctoriano-Lorenzo%e6%9d%b0%e5%87%ba%e4%ba%ba%e5%a3%ab%e5%8b%8b%e7%ab%a0%e5%8f%8a%e8%af%81%e4%b9%a6%e7%bb%99%e4%be%a8%e7%95%8c%e7%b2%be%e8%8b%b1/.

¹⁸⁸ Varela and Chen's relationship is close enough that Varela reportedly saw Chen's mother as another mother figure. When she passed, Varela attended her memorial service. See "The President of the Country that Helped the Mainland Crack Down on 'Taiwan Independence' Has a Chinese Godmother [这个帮大陆狠狠打击“台独”的国家，总统有个华人干妈，当地都管华人叫“老乡”!]" *Observer* [观察者], 2 Dec. 2018, guancha.cn/international/2018_12_02_481853_s.shtml.

¹⁸⁹ "2017 Global Chinese Newsmaker | Panama's presidential adviser Chen Guoji: Elevating the status of Chinese people and participating in politics is the best choice [2017 全球华侨华人新闻人物|巴拿马总统顾问陈国基：提升华人地位参政是最好选择]"

¹⁹⁰ "Qiu Yuanping Met with Chinese Members of the Panamanian Presidential Delegation to China [袁援平会见巴拿马总统访华团华人成员]." *Zhongguo Qiaowang* [中国侨网], 20 Nov. 2017, chinaqw.com/sqjg/2017/11-20/169205.shtml.

¹⁹¹ "The President of the Country that Helped the Mainland Crack Down on 'Taiwan Independence' Has a Chinese Godmother [这个帮大陆狠狠打击“台独”的国家，总统有个华人干妈，当地都管华人叫“老乡”!]"

¹⁹² "2017 Global Chinese Newsmaker | Panama's presidential adviser Chen Guoji: Elevating the status of Chinese people and participating in politics is the best choice [2017 全球华侨华人新闻人物|巴拿马总统顾问陈国基：提升华人地位参政是最好选择]"

The ILD was granted access to high-level members of the Panameñista Party, for example arranging meetings between the All-China Woman's Federation with President Varela, and the president and general secretaries of the Panameñista Party.¹⁹³ In July 2018, the ILD organized meetings between Politburo member Li Qiang, a close ally of Xi and secretary of the Shanghai Municipal Committee, with both the president of the Panameñista Party, Jose Luis Varela, and mayor of Panama City and future presidential candidate Jose Blandon.¹⁹⁴

With the change in Panama's leadership, the ILD has shifted the focus of its outreach in Panama to the new ruling party, the Democratic Revolutionary Party of Panama (PRD). While the pageantry of high-level summits between Panama and China has subsided after an initial honeymoon period during the Varela administration, exchanges at the party level appear to have continued at a regular pace. Party diplomacy between the CCP and PRD has taken a turn toward more so-called "study groups" with senior party cadres, in which the ILD claims to impart its wisdom to participants on the management of ruling parties.¹⁹⁵

United Front-linked groups in Panama have demonstrated an explicit pro-Beijing political inclination and actively propagate the official CCP line on political affairs.

Influence in Panama's Information Space

China's growing presence in Panama's information space has accompanied the intensification of its economic engagement. CCP actions have helped to amplify positive coverage of China and divert attention away from rumors of corruption and foul play. There has been little pushback on China's state-controlled media by Spanish-language readers in Panama, who generally view the portals positively and as reputable sources of information, engaging with Xinhua Español and CGTN en Español across a wide range of content.¹⁹⁶ Xinhua, in particular, has made deep inroads into Panama's information space, delivering content directly to Panama's Ministry of Foreign Affairs. Pro-Beijing narratives dominate Chinese-language news portals in Panama, manipulating perspectives and rallying support among the diaspora community in defense of all Beijing's interests. Meanwhile, CIs have become embedded in the fabric of Panama's academic institutions, giving the Chinese government potential leverage over the production of critical research on China in Panama.¹⁹⁷

Amplification and Broadcast of State-Controlled/State-Friendly Media

State-run media sources Xinhua and CGTN both have a physical footprint in Panama, while multiple online Chinese-language news outlets and radio programs, such as Pueblo en Línea and CRI Español, are available

¹⁹³ "Song Xiuyan Visits Panama to Promote the Spirit of the 19th CPC National Congress." *International Department Central Committee of CPC*, 14 Feb. 2017, idcpc.org.cn/english/news/201712/t20171218_94511.html.

¹⁹⁴ Secretary of the Shanghai Municipal Committee is a position earmarked for promotion to a top leadership position in the Politburo Standing Committee. "President of Panama Meets with Li Qiang." *International Department Central Committee of CPC*, 18 July 2018, idcpc.org.cn/english/news/201807/t20180720_97325.html.

¹⁹⁵ "Li Jun Meets with PRD Cadre Study Group of Panama." *International Department Central Committee of CPC*, accessed 2 Oct. 2020, idcpc.org.cn/english/news/201912/t20191218_121209.html; "Ruling Parties of China and Panama Hold Webinar for Cadres." *International Department Central Committee of CPC*, accessed 2 Oct. 2020, idcpc.org.cn/english/news/202008/t20200827_139616.html.

¹⁹⁶ IRI-commissioned research concluded after analysis of all four Facebook accounts that there were high levels of engagement with *Xinhua Español*, *CGTN en Español* and *CRI Español* across a wide range of content. Translations of comments on posts indicate that the target audience of Spanish speakers generally views the three platforms as trustworthy news sources.

¹⁹⁷ According to Li Changchun, China's former top propaganda official, Confucius Institutes are an important part of China's external propaganda work and funding to Confucius Institutes is sourced from the Propaganda Department and laundered through the Ministry of Education. See: "A Message from Confucius." *The Economist*, 22 Oct. 2009; Shambaugh, David. "China's Propaganda System: Institutions, Processes and Efficacy." *China Quarterly* 57, Jan. 2007.

as well.¹⁹⁸ Xinhua Español and CGTN en Español boast massive followings on social media, attracting genuine engagement across a wide range of content.¹⁹⁹ Xinhua en Español is directly supervised and supported by the Chinese embassy in Panama and has embedded itself in local coverage on China through content-sharing agreements with Panama's largest daily newspapers.

Xinhua has successfully become embedded in domestic outlets' coverage on China with regular appearances of Xinhua newswire articles in major daily newspapers. Xinhua offers free subscriptions to its newswire service, relieving financial pressure on domestic news outlets and undercutting paid services like the Associated Press (United States) and Reuters (United Kingdom). Stories from Xinhua's newswire service regularly appear in *El Siglo* and *La Estrella de Panamá*; in some outlets, Xinhua constitutes the majority of foreign news that is made available to readers.²⁰⁰ Working through friendly news services such as *Prensa Latina* (Cuba) and *Telesur* (Venezuela) and their network of thousands of interconnected websites and news portals, China's state-controlled Spanish-language media are able to project information and reports favorable to its image into the region.

According to sources interviewed, Xinhua works with the aid and direction of the Chinese embassy to curate content and expand its reach across Latin America from its base there. All Xinhua news reports generated in Panama or with Panamanian Xinhua customers are supervised directly by the Chinese embassy.²⁰¹ The Chinese ambassador plays a direct role in extending the reach of Xinhua, using his connections with senior Panamanian government officials to help broker content-sharing agreements and grant newswire services to Panamanian government agencies, including the foreign ministry.²⁰²

A review of Xinhua en Español and CGTN en Español's social media pages indicate that there is genuine engagement across a wide range of issues and these platforms are regarded as trustworthy sources.²⁰³ Reactions to posts by these outlets on social media have also been mostly positive. Even more nationalistic and China-focused news sources such as *Pueblo en Línea*, the Spanish-language version of *China Daily*, have been received positively by Spanish-language speakers.

During the initial outbreak of COVID-19, China's Spanish-language media outlets frequently published material portraying China as a responsible global power and savior. Demonstrating its impact in Panama more specifically, narratives prominent in China's Spanish-language media outlets have been picked up by several local and influential voices. Among many others, Juan Carlos Navarro, a former mayor of Panama City, was quick to praise China's capacity to respond to the coronavirus outbreak, with no mention of its botched initial reaction and crackdown on whistleblowers.²⁰⁴

Diaspora News Outlets

The main target of the Chinese government's attempts to shape perspectives and control information in Panama has been the diaspora community that relies on Chinese-language news coverage as its main

¹⁹⁸ Xinhua and CGTN operate in the Spanish-language information space as *Xinhua Español* and *CGTN en Español*, while *Pueblo en Línea* is the Spanish online edition of *People's Daily*; *CRI Español* is the Spanish-language website of *China Radio International* and its programs are also broadcasted in Panama via *Radio Chinavisión* [巴拿马中文广播电台] or 1180 AM, Panama's sole Chinese-language radio station. See: "Radio Chinavisión 1180 AM." *Hawaii Mobile News Network* [海州移动新闻网], accessed 11 March 2020, chinavisión1180am.com; "Overseas Zhongshan People's Film Crew Visited Panama's Chinese Radio [《海外中山人》摄制组采访巴拿马中文电台]." *China News Service* [中国新闻网], 28 Dec. 2010, chinanews.com/zgqj/2010/1228/2750989.shtml.

¹⁹⁹ *Xinhua Español*, in particular, claims a massive following of 74 million, while *CGTN en Español*, *Pueblo en Línea* and *CRI Español* have 16 million, 900,000 and 2.9 million followers, respectively. It is also difficult to make this assessment via a review of these platforms' Facebook and Twitter accounts, as the accounts seem to be engaged by Spanish speakers everywhere, not just those in Panama. Recent reports have made clear that Chinese government agencies have sought to boost the followings of state-run outlets artificially by paying to acquire more followers. See: "How China Uses Twitter And Facebook To Share Disinformation About Hong Kong." *NPR*, 20 Aug. 2019, npr.org/2019/08/20/752668835/how-china-uses-twitter-and-facebook-to-share-disinformation-about-hong-kong.

²⁰⁰ According to anecdotal observations by IRI-commissioned researchers with long experience working and researching in Panama.

²⁰¹ *Xinhua's* day-to-day operations are supervised by a Panamanian reporter who coordinates his reporting with the political office in the Chinese embassy.

²⁰² Information corroborated by interviews with multiple sources with credible access to the information.

²⁰³ According to a review of comments left on posts on the social media pages of Chinese state media outlets by users in Latin America.

²⁰⁴ The former mayor also retweeted a propaganda video by *China Daily* featuring the construction of China's Huoshenshan emergency field hospital. See: Navarro, Juan Carlos. *Twitter*, accessed 4 Feb. 2020, twitter.com/juancanavarro/status/1221847109227483137?s=20; Tapia, Juan Carlos. *Twitter*, accessed 7 Feb. 2020, twitter.com/jctapiamb/status/1224280717187846145.

source of information. Panama's Chinese-language news is saturated by organizations with direct or indirect United Front links. Popular outlets such as Diario China, China 507 and China TV are Panama's main domestic sources of Chinese-language news and also provide local coverage with translations of articles from Panama's major daily papers. In their coverage of China, they have followed a strictly pro-Beijing narrative, reflecting the increasingly narrow range of opinions in diaspora Chinese-language news as more outlets fall under the influence of the CCP. These media outlets, especially during the time of the COVID-19 outbreak, explicitly promote Beijing's policy lines among the diaspora community.

Diario Chino is Panama's primary local Chinese newspaper. Its current Chairman Zhou Jian has said that he runs the paper with the explicit aim of "promoting Chinese culture and *telling China's story well*," (emphasis added) reiterating slogans from Xi Jinping to encourage China's media outlets to increase positive news coverage of China and drown out critical voices.²⁰⁵ To this end, Diario Chino makes liberal use of Xinhua, China News Service and Global Times material; it came to the aggressive defense of Beijing in its handling of the coronavirus. The paper explicitly also advocates for mainland China's "reunification" with Taiwan — having published more than 70 articles on the issue.²⁰⁶ Recent coverage of these groups in Diario Chino highlights their rush to donate personal protective equipment to Panama's National Police, hospitals and the greater overseas Chinese community.²⁰⁷

Aside from serving as a local mouthpiece for the Chinese government in the diaspora community, Diario Chino facilitates united front work by providing extensive coverage of the United Front-linked organizations and serves as a bulletin board for the activities of these groups. In a sign of its centrality to facilitating united front work in Panama, former Director of the OCAO Qiu Yuanping visited the paper's headquarters during a state visit in 2018.²⁰⁸

In recent years, Diario Chino has increased its regional broadcast power and coordination with other United Front-linked news media outlets, particularly when it formed a partnership with Nanmei Qiaobao, a larger and more influential sister paper based in Brazil.²⁰⁹ As a result of this partnership, Diario Chino is now published and distributed in both Panama and neighboring Costa Rica. Since February 2018, the partnership has also allowed for the distribution of a weekly Central America edition of Nanmei Qiaobao in Panama.²¹⁰

Independent diaspora news platforms such as China 507, which nominally covers food and entertainment news, have increasingly facilitated the broadcast of the PRC's preferred narratives. Analysis of the creator of the website, Estaban Cheung, reveals that there is at least a professional relationship between the

²⁰⁵ Zhou is seen as a leader in the overseas Chinese community in Panama and frequently attends events held by United Front-linked groups profiled earlier in this report. He is a former deputy head of PCCPPR. See: "Ambassador Wei Attended the Symposium in Panama to Commemorate the 40th Anniversary of the Publication of the Letter to Taiwan Compatriots and the 18th Anniversary of the Founding of the Panama Association for the Promotion of Peaceful Reunification of China [魏强大使出席巴拿马全侨纪念《告台湾同胞书》发表40周年暨巴拿马中国和平统一促进会成立18周年座谈会]" *El Diario Chino Latinoamericano*, 8 Jan. 2019, epaper.br-cn.com/#/issue/1705/3; "Tell the China Story Well, Let the World Come to Know China [讲好中国故事 让世界更好了解中]" *Xinhua*, 2 Sept. 2018, xinhuanet.com/politics/2018-09/02/c_1123367300.htm.

²⁰⁶ *Diario Chino* Chairman Zhou Jian noted in an October 2019 interview that the paper has published 73 special issues dedicated to "peaceful reunification" and four issues dedicated to the cross-strait issue. See: "Chairman of the Newspaper 'Voice of Overseas Chinese in Latin America': Exploring the Development Path of Chinese Media and Holding Fast to the Overseas Positions [《拉美侨声》报董事长：探索华媒发展路径 坚守海外阵地]" *Huanqiu Wang* [环球网], 8 Oct. 2019, oversea.huanqiu.com/article/9CaKrnKn9UQ.

²⁰⁷ "Chinese Association of Panama Donates Masks and Other Items to National Police [警民携手抗疫 中华总会再向警局捐赠防疫物资 | Asociacion China de Panama Dona Mascarillas y Otros Articulos a Policia Nacional]." *El Diario Chino Latinoamericano*, 24 Mar. 2020, diariochino.net/2020/03/24/%e8%ad%a6%e6%b0%91%e6%90%ba%e6%89%8b%e6%8a%97%e7%96%ab%e4%b8%ad%e5%8d%8e%e6%80%bb%e4%bc%9a%e5%86%8d%e5%90%91%e8%ad%a6%e5%b1%80%e6%8d%90%e8%b5%a0%e9%98%b2%e7%96%ab%e7%89%a9%e8%b5%84-asociacion-chin; "Chinese Embassy Donates 20 Thousand Masks and Cleaning Utensils to CSS [驻巴拿马大使馆支持侨胞捐赠口罩 给防疫抗疫前线医护人员 | Embajada de China Dona 20 Mil Mascarillas y Utensilios de Limpieza a la CSS]." *El Diario Chino Latinoamericano*, 24 Mar. 2020, diariochino.net/2020/03/24/%e9%a9%bb%e5%b7%b4%e6%8b%bf%e9%a9%ac%e8%8a%b1%e5%8e%bf%e5%90%8c%e4%b9%a1%e4%bc%9a%e5%90%91%e4%b8%e8%83%9e%e5%85%8d%e8%b4%b9%e5%88%86%e5%8f%91%e5%8c%bb%e7%94%a8%e5%8f%ca3%e7%bd%a9-sociedad-de-beneduccion-fil.

²⁰⁸ "Qiu Visits Panama, Hopes Overseas Leaders Will Be 'Leaders' in Four Areas [袁援平访巴拿马 希望侨领袖做四方面 "带头人"]" *China News Service* [中国新闻网], 20 Feb. 2018, m.chinanews.com/wap/detail/zwsp/hr/2018/02-20/8450929.shtml.

²⁰⁹ *Nanmei Qiaobao* can be translated as *South America Overseas Chinese Newspaper*. It is also known as *Diario Chines Para A America Do Sul*.

²¹⁰ "Chairman of the Newspaper 'Voice of Overseas Chinese in Latin America': Exploring the Development Path of Chinese Media and Holding Fast to the Overseas Positions [《拉美侨声》报董事长：探索华媒发展路径 坚守海外阵地]"

organization, other prominent United Front-linked groups and the Chinese ambassador to Panama.²¹¹ The outlet has waded into local politics: China 507 demonstrated a bias in volume and an implicit endorsement for Jose Blandon, the former mayor of Panama City, who maintained contact with the diaspora community through United Front intermediaries.²¹²

Co-opting Local Media

China's media-training initiatives around the world are less attempts to train new journalistic skillsets and build the capacity of the fourth estate than they are state-sponsored trips in which the Chinese state targets persuadable individuals with curated experiences of China and its geopolitical goals like the BRI.²¹³ In Latin America, as elsewhere, the goal of these activities is to cultivate influential reporters who report positively on China and its impact in regional countries, particularly through BRI investments. Interviews with participants on such trips indicate that they yield mixed results. However, the Chinese government views these as effective measures to win over influential voices, as demonstrated by the ramped-up frequency of these trips under Xi's tenure.²¹⁴

As it did in both the Dominican Republic and El Salvador immediately after diplomatic ties were established, the PRC hosted a group of 10 influential Panamanian journalists on a trip to China.²¹⁵ These trips included business-class tickets, stays in luxury hotels, free high-speed train passes for five days to visit the country and other perks not usually available to journalists. This led to an ongoing stream of positive stories about China in Panamanian media just as formal relations began.

"What they wanted, and what they got, was for all of us to write about how great China is, how clean, how everything works, how the trains are fantastic," one participant said. "I think they really wanted to say, 'Don't be afraid of the Chinese, we will bring you great new things.' And we all wrote stories about how great the Chinese are."²¹⁶

An indirect goal of China's outreach to foreign journalists and media enterprises is to normalize and popularize its own conceptions of the role of media, including through platforms like the China-Latin America and Caribbean Press Center (CLACPC, also called the China-Latin America Media Exchange Center).²¹⁷ The program kicked off in May 2017 with a cohort of 11 reporters from nine Latin American countries. The six-month program includes discussions of China's approach to the role of media to serve the government and exchanges between China's official media outlets and local journalists.²¹⁸

Academic Exchange

The Chinese government has grown its thought leadership influence in Panama through the institutional expansion of the country's CIs. While Panama is host to only one proper CI at the University of Panama as

²¹¹ Cheung, Esteban. *Facebook*, accessed 11 Mar. 2020, facebook.com/esteban.cheung.

²¹² According to an exhaustive analysis of content on *China 507* during the 2019 presidential race, the website demonstrated an initial bias in volume for Oscar Blandon and posted an endorsement of Blandon by Itzel China, a Chinese Panamanian lawyer. The reporting accompanying the post was neutral; however, the post was unusual in that it was the only public endorsement made on *China 507* during the presidential campaign. See: Presencia China en Panamá, *Facebook*, accessed 12 Mar. 2020, facebook.com/Presencia-China-en-Panam%C3%A1-518020904997282/ccxvi; "PRD Presidential Candidate Nito Uses Chinese Festival to Build Momentum (photo) [PRD 总统候选人 Nito 籍华人节造势 (图)]" *China 507* [巴拿马中讯网], 1 Apr. 2019, china507.com/2019/04/01/noticia-2075/.

²¹³ Cook, Sarah. "Beijing's Global Megaphone." *Freedom House*, Jan. 2020, freedomhouse.org/report/special-report/2020/beijings-global-megaphone.

²¹⁴ Hamilton, Clive and Mareike Ohlberg. "Media: 'Our Surname Is Party'" in *Hidden Hand: Exposing How the Chinese Communist Party Is Reshaping the World*, London: Oneworld Publications, 2020.

²¹⁵ "Periodistas Panameños Realizan Gira por China." *LatinOL*, 22 July 2017, latinol.com/vidasocial/periodistas-panamenos-realizan-gira-por-china/58129.html.

²¹⁶ According to an interview conducted with a Panamanian participant on a media trip to China.

²¹⁷ The Chinese Communist Party sees the media as subservient to state interests, utilizing it to build support for government policies, not as a balancing force against it to keep it accountable. See: Garnaut, John. "Engineers of the Soul: Ideology in Xi Jinping's China by John Garnaut." *Sinocism*, 17 Jan. 2019, sinocism.com/p/engineers-of-the-soul-ideology-in-

²¹⁸ "China Public Diplomacy Association Organises Opening Ceremony for the First Phase of the China-Latin America Journalism Exchange Centre Programme [中国公共外交协会举办中拉新闻交流中心第一期项目开班仪式]." *China Public Diplomacy Association* [中国公共外交协会], 10 May 2017, chinapda.org.cn/chn/zt/zfxwjlx/t1460267.htm; "Zhu Qingqiao, Director General of the Department of Latin America of the Ministry of Foreign Affairs, Met with Journalists of the First Phase of the 'China-Latin America Journalism Exchange Centre' Project [外交部拉美司司长祝青桥同“中拉新闻交流中心”首期项目记者座谈]" *China-CELAC Forum* [中国-拉供体论坛], 23 May 2017, chinacelacforum.org/chn/zgltgtgx/t1464296.htm.

of March 2019, the CI had expanded its reach by establishing extension sites in all public universities in the country.²¹⁹ As of December 2018, it boasted more than 400 students enrolled and six additional Confucius Classrooms, and was unable to accommodate the total number of applicants at its current capacity.²²⁰

The process by which a CI was established in Panama demonstrates the reach and influence of groups associated with the United Front system to liaise between the Chinese government and members of civil society to advance Beijing's interests. The CI at the University of Panama was established in January 2016 in partnership with the Beijing International Studies University.²²¹ The Panamanian director of the CI is Wu Junhui, a presumed Panamanian citizen and an overseas member of the Shenzhen Overseas Exchange Association (SOEA) and the Guangdong Overseas Exchange Association (GOAE), two United Front bodies.²²² Wu reportedly had lobbied for the establishment of a CI in Panama since 2006, leveraging his status as an overseas member of the SOEA and GOEA to facilitate coordination between the Panama-China Trade Development Office and the University of Panama. He credited the then-permanent resident of the PRC's Trade Office as an ally in the effort.

Chinese government scholarships awarded for study in China appear to be directed at the Panamanian elite. Panama's Ministry of Foreign Affairs announced the availability of Chinese government scholarships for students to earn bachelor's degrees, master's degrees and doctorates in China. However, prerequisites of English and Mandarin elicited anger on social media, where comments expressed doubt that the scholarships were intended for ordinary Panamanians.²²³

Panama's Response

The change in administration in Panama has heralded a new approach to China, in part because of a more cautious approach by the Laurentino Cortizo government and perceived pushback by the United States. The indefinite pause in trade talks with China, new transparency measures in public tenders and stricter scrutiny of economic activity of Chinese state-backed entities indicates that China's economic influence is bounded by Panama's democratic institutions.

Several new steps taken by the country's National Assembly are reducing the space for political and business elite co-optation by Chinese enterprises or by the Chinese government itself. In July 2019, Panama's National Assembly began debating a public-contracts legal reform that would make companies that had been tried or sentenced for any crime related to their contract ineligible from obtaining future contracts.²²⁴ The reform is undergoing further debate within the National Assembly and is not yet approved.

In August 2019, Panama's National Assembly Public Infrastructure and Canal Affairs Commission created a subcommittee to investigate the tender through which the Chinese consortium was awarded the fourth canal-bridge contract and the Chinese companies themselves. Members of the committee raised the issue of these Chinese contractors' international reputation and questioned the awarding of the contract itself, insinuating that the contract had been awarded too quickly in a government that worked slowly, a jab at the Varela administration.²²⁵ Though the subcommittee ultimately found no irregularities with the tender and

²¹⁹ *Confucius Institute at University of Panama*, zhuanti.hanban.org/videolist/?cat=424&tag=en.

²²⁰ "China Craze on the Rise in Panama." *CRI*, 4 Dec. 2018, chinaplus.cri.cn/news/politics/11/20181204/218705.html.

²²¹ "Confucius Institute, University of Panama [巴拿马大学孔子学院]." *Hanban* [汉办], accessed 9 March 2020, zhuanti.hanban.org/videolist/?cat=424&tag=cn.

²²² Likely fulfilling his duties as an overseas member of the Shenzhen Overseas Exchange Association, Wu gave a report on his work to the organization during an April 2016 business trip to China with the University of Panama leadership. See: "First Director of the Confucius Institute in Panama: Promoting Chinese Culture with a Dedicated Career [巴拿马孔院首任院长：以执着事业心弘扬中华文化]." *Zhongguo Qiaowang* [中国侨网], 5 May 2016, chinaqw.com/hwjy/2016/05-05/87496.shtml.

²²³ Cancillería de Panamá. *Twitter*, 10 Jan. 2020, twitter.com/cancilleriapma/status/1215735703243558913.

²²⁴ Arcia, José. "Contrataciones Públicas: las Dudas de Unas Reformas." *La Estrella de Panama*, 10 Mar. 2020, laestrella.com.pa/nacional/politica/200310/contrataciones-publicas-dudas-reformas.

²²⁵ "Diputados 'Investigarán' Licitación del Cuarto Puente Sobre el Canal." *La Prensa*, 23 Aug. 2019, prensa.com/economia/Diputados-investigaran-licitacion-empresa-construye_0_5379961966.html.

cleared the way for work to resume, the project has continued to be beset by obstacles.²²⁶ Still, stronger procurement processes and more financing options are needed to curb China's ability to corner Panama's infrastructure tenders and saddle the country with financial deals that ultimately serve to benefit Chinese SOEs and select elite politicians.

This research yielded no indication of pushback against China's attempts to expand its influence in Panama's information space, nor any public recognition of the attempted instrumentalization of the diaspora community. Lack of pushback in these realms demonstrates a severe need for diversified sources of information on China and local capacity to provide critical coverage.

Chinese-language media that is independent from United Front influence (either through pressure on advertisers or the relatives of reporters located in mainland China) will inoculate the Chinese community from Beijing's monopolization of the Chinese-language information space and produce more pushback against its state-curated narratives. Independent outlets can give greater coverage to truly independent non-state guided groups in the diaspora community and provide more channels for communication with the Panamanian government. Greater research on United Front work in Panama will reduce opportunities for the CCP to position itself as the intermediary and leader of the Chinese diaspora in the country.

Conclusion

China has built significant influence in Panama's economy, information space and political structures with an adept ability to influence procurement processes to its advantage, distort the media landscape to give preference to its sanctioned narratives, and capture politicians who will advance its interests. It has also ensured the Panamanian government's outreach to the Chinese diaspora community takes place through CCP-controlled conduits.

China's rapidly expanding role as an economic partner of Panama and continued asymmetry in the trade relationship promises Panama gains from amicable relations and rewards of market access. Infrastructure tenders have been awarded to Chinese SOEs under unusual circumstances, suggesting the exploitation of non-transparent processes to tip decision-making in their favor. Corruption at the highest levels of the Panamanian government, through undisclosed grants and lucrative market access, facilitated Panama's shift in recognition from the Republic of China to the People's Republic of China.

China's state media reaches a large audience in Panama with broad appeal and little pushback. An assessment of its activity on social media indicates that readers in Panama view Xinhua and CGTN — and even nationalistic news sources such as Pueblo en Línea — positively and as trustworthy news sources. Similarly, Chinese-language outlets heavily reliant on China for content and with leadership connected to the United Front bureaucracy dominate the Chinese-language information space, collapsing a diversity of views and critical thought into one heavily influenced by Beijing.

United Front-linked community groups with CCP-connected leadership have positioned themselves as the interlocutors between the Panamanian government and Panamanian citizens of Chinese descent, manipulating their representation in democratic processes and inserting Beijing's priorities into Panama's politics. United Front-linked individuals maintain regular contact with officials in Beijing and the Chinese embassy and have amassed significant influence with elite government officials and law enforcement in Panama.

²²⁶ "Comisión no Encuentra Irregularidades en Adjudicación del Cuarto Puente Sobre el Canal." *T/N*, 8 Oct. 2019, tvn-2.com/nacionales/Comision-Infraestructura-Asamblea-Nacional-no-encuentrairregularidades-adjudicacion-cuarto-puente-Canal_0_5414458534.html.

Though the change of administration appears to have put Panama-China relations on a different path, key vulnerabilities to undue influence in Panama's foreign policy decision-making vis-à-vis China persist. Continued scrutiny of investment and tendering processes, additional resources to develop indigenous capacity to report on China in Spanish and Chinese, and further investigations into the activity of pro-Beijing United Front actors are needed to inoculate Panama's democratic institutions from undue influence and interference from Beijing.

GEORGIA

Georgia occupies a strategic sliver of land dividing Russia from Turkey and forms part of the “Silk Road Economic Belt” in China’s BRI. Great-power competition has long factored into Georgia’s strategic calculus and foreign relations, driving the government to build closer relations with the United States and Europe to offset Russia’s coercive leverage and support to independence movements in South Ossetia and Abkhazia. The prospect of economic opportunities and political support has motivated Tbilisi to embrace Beijing as an additional counterweight to Moscow.

Georgia has realized some gains from economic engagement with Beijing, but Chinese investment has not lived up to expectations. Economic transactions laden with opacity and corruption, and Chinese state-linked entities growing ties with Georgia’s elites, have become key features of the relationship, exposing the country’s democracy to mounting risks.²²⁷ Georgia is also grappling with attempts by the CCP to increase its influence over perceptions of China in the Georgian media. Even so, Georgia’s vibrant independent media and civil society show promise in mitigating the negative consequences of Chinese influence.

Economic Influence

In its quest to counterbalance Russia’s strategic threat, Georgia has opened its doors to Chinese economic influence by marketing itself as an important junction in the China-Europe trade corridor, playing up its historic position at the crossroads of the Silk Road.²²⁸ Georgia was the first Eurasian country to sign a free-trade agreement (FTA) with China in 2017, is a founding member of the Asia Infrastructure and Investment Bank (AIIB), and has organized the Tbilisi Silk Road Forum since 2015.²²⁹

Georgia’s attempt to position itself as China’s strategic economic partner in Eurasia has yielded mixed results. Trade and investment with China have helped stimulate growth through the exchange of goods and ideas. In recent years, Georgia’s trade dependency on China has ticked upward, rising from 7.9 percent in 2014 to 9.2 percent in 2018 as a share of total trade.²³⁰ In 2017, China was Georgia’s third-largest source of imports and fifth-largest destination for exports.²³¹ However, China has maintained a significant trade imbalance with Georgia that could harm Georgia’s economic development in the long term. Georgia’s exports to China are primarily focused on low-value-added goods while China exports capital-intensive, higher-value-added manufacturing products. This threatens to undermine Georgia’s attempts to move up the value chain.²³²

BRI-related investments by Chinese state-owned or government-linked companies in Georgia have spurred infrastructure developments while fueling corruption and rent-seeking behavior among Georgian politicians. Many large projects undertaken by Chinese companies are left unfinished or are beset by financial and logistical problems. Georgian authorities nevertheless continue to try to facilitate for more investment from

²²⁷ Russia extended military and political support to independence movements in two Georgian regions – Abkhazia and South Ossetia – in 2008. China does not recognize the independence of these two regions and supports Georgia’s territorial integrity.

²²⁸ Smolnik, Franziska. “Georgia Positions Itself on China’s New Silk Road – Relations between Tbilisi and Beijing in the Light of the Belt-and-Road Initiative.” *German Institute for International and Security Affairs*, 2018; Andrea, A. J. “The Silk Road in World History: A Review Essay.” *Asian Review of World Histories*, Jan. 2014, 2 (1), 106–107.

²²⁹ In 2017, Georgia co-organized the Tbilisi Silk Road Forum with the Chinese government; the 2017 forum was entitled the “Tbilisi Belt and Road Forum.” See: Karelidze, Tamara. “China-Georgia FTA Takes Effect.” *Emerging Europe*, 3 Jan. 2018, emerging-europe.com/news/china-georgia-fta-takes-effect/; Smolnik. “Georgia Positions Itself on China’s New Silk Road- Relations between Tbilisi and Beijing in the Light of the Belt-and-Road Initiative.”

²³⁰ See: “UN Comtrade Database.” Trade with China includes Hong Kong. Re-imports and re-exports have not been included. Services trade data for Georgia with China or Hong Kong are not available.

²³¹ “Georgia (GEO) Exports, Imports, and Trade Partners.” *Observatory of Economic Complexity*, accessed 9 Dec. 2020, oec.world/en/profile/country/geo.

²³² Rolland, Nadège. “China’s Ambitions in Eastern Europe and the South Caucasus.” *Institut Français des Relations Internationales* 112, Dec. 2018. For additional information regarding Georgia’s trade with China, see: Smolnik. “Georgia Positions Itself on China’s New Silk Road- Relations between Tbilisi and Beijing in the Light of the Belt-and-Road Initiative. Berlin: German Institute for International and Security Affairs.”

China by offering incentives such as tax breaks.²³³ Several business transactions illustrate the opacity that prominently features in Sino-Georgian deals.

The China Energy Fund Committee (CEFC), a Chinese conglomerate whose leaders have been arrested for corruption, has been actively involved in Georgian economic and business affairs and has developed relationships with key individuals in Georgia's government. The current minister of defense and former prime minister of Georgia was appointed as an adviser on CEFC's supervisory board in February 2018.²³⁴ Ye Jianming, then head of CEFC, was arrested on corruption charges in March of that year. The Partnership Fund, a state-owned Georgian investment platform, played a central role in facilitating CEFC's entry into Georgia.²³⁵ The Partnership Fund's leadership and the personal relationships it maintained with Chinese enterprises while acting as representatives of the Georgian government have not been entirely disclosed, violating basic principles of conflict of interest. David Saganelidze, head of the Partnership Fund, brokered a cooperation agreement between the fund and Huahe International, an ostensibly private Chinese enterprise headed by a former government official, while also serving as an adviser to Huahe.²³⁶

Several ventures involving the CEFC launched with great fanfare only to fade into oblivion. One instance involved the Partnership Fund's effort to join with CEFC to create a National Fund for the Revival of Georgia, also known as the Georgian-Chinese National Reconstruction Fund. Under terms of the agreement signed in 2017, the Partnership Fund would hold a \$24-million stake in the \$50-million venture, with CEFC holding the remaining shares.²³⁷ However, the CEFC share of the National Reconstruction Fund was never delivered and the fate of the \$26 million in public funds authorized by the government remains unknown.²³⁸ The same day that the partnership agreement was signed at the 2017 Belt and Road Forum in Beijing, CEFC signed another agreement that committed US\$1 billion in funds toward a new commercial Chinese bank in Georgia.²³⁹ It is also yet to materialize.

While the Georgian government's business dealings with Hualing Group, a private Chinese enterprise specializing in commodity wholesale trade, have not resulted in documented instances of corruption, available information points to questionable aspects of the relationship. Hualing Group is China's largest investor in Georgia with more than \$500 million in accumulated assets since 2007. The Hualing Tbilisi Sea New City, its largest investment, remains unfinished after more than seven years under construction, much like several of its other investment projects in the country. The Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia signed an agreement with Hualing Group in 2014 to build five buildings — a total of 298 apartments — to house persons displaced from Abkhazia and South Ossetia. The bulk of the apartments were unoccupied as of July 2020.²⁴⁰

In one notable example of preferential treatment given to Chinese enterprises, the Georgian government declined to apply transparent procurement procedures to construction contracts awarded to SinoHydro, a Chinese SOE with a long record of corruption and environmental degradation, which had been blacklisted by the African Development Bank.²⁴¹ There is no record on the government's transparency portal of efforts during the procurement process to assess SinoHydro's qualifications, subject the projects to competitive

²³³ Lomsadze, Giorgi. "Undeterred by Slow Start, Georgia Woos Chinese Investors." *Eurasianet*, 3 Oct. 2019, eurasianet.org/undeterred-by-slow-start-georgia-woos-chinese-investors.

²³⁴ Gomarteli, Ninna. "Irakli Gharibashvili Appointed as an Advisor to the Chinese CEFC Supervisory Board." *CBW.Ge*, 13 Feb. 2018, old.cbw.ge/economy/irakli-gharibashvili-appointed-as-an-advisor-to-the-chinese-cefc-supervisory-board.

²³⁵ *Pirveli Information Agency*, 29 Nov. 2017, old.pia.ge/post/168738-sapartniore-fondis-direqtoris-tqmit-saqartvelos-sainvesticio-centris-ambicia-aqvs.

²³⁶ Khidasheli, Tinatin. "Georgia's China Dream: CEFC's Last Stand in the Caucasus." *Sinopsis*, 12 July 2019, sinopsis.cz/en/georgias-china-dream-cefcs-last-stand-in-the-caucasus.

²³⁷ "Partnership Fund to Hold 24 million USD Stake in National Fund of Revival of Georgia." *Caucus Business Week*, 15 May 2017, old.cbw.ge/business/national-fund-revival-georgia-established-beijing/.

²³⁸ Khidasheli. "Georgia's China Dream: CEFC's Last Stand in the Caucasus."

²³⁹ "Chinese Bank with \$ 1 Billion Capital Will Start Operating in Georgia in 2018." *Tabula*, 24 July 2017, tabula.ge/ge/story/122280-1-miliardiani-kapitalis-chinuri-banki-saqartveloshi-2018-tslidan-daitskebs-saqmianobas

²⁴⁰ Khidasheli, Tinatin. Unpublished paper. 2020.

²⁴¹ "AfDB Blacklists SinoHydro." *The Herald*, 20 June 2017, herald.co.zw/afdb-blacklists-sinohydro/; Khidasheli. Unpublished paper.



Signing ceremony at the Georgia - China Business Forum in Shanghai, July 2016, including CEFC Executive Director Zang Jianjun.

bidding or publish the contract to complete several road-construction and repair projects.²⁴² This stands in stark contrast to procurement processes for almost every other announced tender for similar projects, where relevant materials have been made public. Such standards of transparency apparently do not apply to SinoHydro.²⁴³

Other Forms of Chinese Influence

Although China is primarily perceived as an economic partner, the growth of Sino-Georgian ties has been comprehensive across other domains. Over the past decade, Chinese organizations and institutions have deepened their engagement in Georgia's media, culture and educational spheres to paint a positive picture of China in Georgia and the broader Caucasus region. Positive portrayals of China and the Chinese government are common across a variety of Georgia's media platforms. Media outlets such as Imedi TV, the country's largest pro-ruling-party national media outlet, mostly portray China as a reliable partner and BRI investment as wholly positive, while neglecting the risks of engagement.²⁴⁴

However, the Chinese government has also used opaque methods to influence Georgian public opinion by leveraging intermediaries — which are not easily traced back to China — to establish media platforms in Georgia. For example, Georgian multimedia site 4U.ge is part of the GBTimes network, a Chinese multimedia

²⁴² "Civic IDEA's Third China Watch Report Covers the Controversies over SinoHydro & China Railway 23rd Bureau Group Co." *Civic Idea*, 16 Oct. 2020, civicidea.ge/en/civic-ideas-third-china-watch-report-covers-the-controversies-over-sinohydro-china-railway-23rd-bureau-group-co.

²⁴³ *Ibid.* Note, however, that the highway is funded by the European Investment Bank.

²⁴⁴ "Financial Priorities and Main Projects." (transl.) *IMEDI*, 16 Dec. 2017, imedinews.ge/ge/interview/113/momavali-tslis-pinansuri-prioritetebi-da-mtavari-proeqtebi.

company headquartered and registered in Finland. GBTimes' CEO Zhao Yinong has mischaracterized his company's ownership by describing its former major owner, CRI, as a "client."²⁴⁵ In fact, CRI is China's state-owned international broadcaster and held 60 percent of GBTimes' shares through a subsidiary until it withdrew its holdings amid a tax-fraud investigation covering the company's business activity from 2013–2018.²⁴⁶

Despite its tarnished reputation, GBTimes has attempted to reach a wide audience in Georgia through partnerships and sponsoring journalist trips to China.²⁴⁷ Its 4U.ge site is a platform for a multimedia group that combines JAKO FM, LIFE FM and Shokoladi, and offers news coverage in four languages including Chinese. The pro-China platform significantly raises the profile and reach of CCP propaganda. JAKO FM is directly owned by GBTimes and offers extensive Georgian-language coverage of China's international accomplishments, along with notable adulation of Xi Jinping.

China's media have also played a role in more traditional outreach to influence Georgian officials. For example, the Chinese news agency Home and Abroad News Press awarded former Georgian Ambassador to China David Aptsiauri its "Man of the Year in News" designation. Ambassador Aptsiauri, who currently works as a researcher at the Levan Mikeladze Diplomatic Training and Research Institute within Georgia's Ministry of Foreign Affairs, frequently travels to China and has delivered a number of lectures at China's Shandong University of Finance and Economics.²⁴⁸

Chinese authorities have also worked with Georgian institutions to deepen bilateral engagement in the academic and cultural domains. Each year, Beijing sponsors scholarships for 20 Georgian students to study at universities in China.²⁴⁹ Georgian universities also cooperate individually with Chinese government entities. For example, Georgian Technical University (GTU) has opened a Chinese-language research center, and its dean has worked closely with Chinese officials to deepen the relationship.²⁵⁰ Tbilisi and Beijing have also instituted a "Science-Talent-Future" action plan between their respective national science foundations to promote cooperation in scientific research.²⁵¹

Georgia's Response

Consideration of the risks of engagement with China has been left to Georgia's civil society. Independent think tanks are working to assess and expose the nature of China's engagement in the country and overcome the opacity surrounding agreements brokered between the government with Chinese entities.

²⁴⁵ Gui Qing, Koh and Jane Wardell. "Chinese Radio Broadcaster Taps Front Men in Finland and Australia." *Reuters*, 2 Nov. 2015, reuters.com/article/us-china-radio-partners/chinese-radio-broadcaster-taps-front-men-in-finland-and-australia-idUSKCN0SR1KS20151102. See also "GB Times." *Media Bias/Fact Check*, mediabiasfactcheck.com/gbtimes/. The GBTimes website, under the "about" section, does not present ownership information. "About Us." *GB Times*, gbtimes.com/page/about-us.

²⁴⁶ "Police Suspect Tax Fraud by China-Linked Tampere Media Firm." *Yle Uutiset*, 28 Oct. 2019, yle.fi/uutiset/osasto/news/police_suspect_tax_fraud_by_china-linked_tampere_media_firm/11040415.

²⁴⁷ The GBTimes CEO had been suspected of engaging in fraudulent activities between 2012 and 2016. See: "Police Suspect Tax Fraud by China-Linked Tampere Media Firm." *Yle Uutiset*, 28 Oct. 2019, yle.fi/uutiset/osasto/news/police_suspect_tax_fraud_by_china-linked_tampere_media_firm/11040415.

²⁴⁸ Regarding the award, see: "Chinese Media Agency Awarded Georgian Ambassador [ჩინურმა მედია სააგენტომ საქართველოს ელჩი დააჯილდოვა]." *Mfa.Gov.Ge*, 16 Mar. 2018, mfa.gov.ge/News/chinurma-media-saagentom-saqartvelos-elchi-dajild.aspx?CattID=5. Regarding trips to China, see: "Facebook – Meld Je Aan of Registreer Je." *Facebook*, 5 July 2019, facebook.com/DTRIGeorgia/posts/1601815673289279.

²⁴⁹ Georgia's Ministry of Education, Science, Culture and Sport signed an agreement with China in which the latter provides scholarships for 20 Georgians (per year) to study at Chinese universities. "Chinese Government Scholarships." *Ministry of Education, Science, Culture and Sport of Georgia*, 14 Jan. 2016, mes.gov.ge/content.php?id=6155&lang=geo. These scholarships are generous and cover tuition and fees, accommodation, living expenses and some business travel. "სწავლა ჩინეთში 2020/ Study in China 2020." *World Scholarship Forum*, worldscholarshipforum.com/ka/category/study-abroad/study-in-china/page/5/.

²⁵⁰ Webviz.eu Georgij Alanija. "A Chinese Language Research Center has Opened at the Technical University [ტექნიკურ უნივერსიტეტში ჩინური ენის კვლევითი ცენტრი გაიხსნა]." *timer.ge*, 7 Dec. 2017, timer.ge/teqnikur-universitetshi-chinuri-enis-kvlevithi-centri-gaikhsna. Such exchanges are illustrative of the cooperation between Georgian higher-educational institutions and Chinese entities.

²⁵¹ The Chinese National Natural Science Foundation and Georgia's Shota Rustaveli National Science Foundation instituted the "Science-Talent-Future" action plan to evaluate and select Georgian research groups for future academic advancement, in which Chinese entities will work with Georgian students and teachers to strengthen their scientific knowledge and skills. See: "China Will Fund Georgian Research [ჩინეთი კარგელებს მცენებებს კვლევებს დააფინანსებს]." *Sputnik Georgian*, 24 Apr. 2017, sputnik-georgia.com/georgia/20170424/235721361/chineti-qartveli-mecnierebis-kvlebs-daafinansebs.html; "The Ministries of Education of Georgia and China Will Cooperate in the Field of Vocational Education [საქართველოს და ჩინეთის განათლების სამინისტროები პროფესიული განათლების სფეროში ითანამშრომლებენ]." *HR Hub*, 9 Feb. 2018, hrhub.ge/%E1%83%A1%E1%83%90%E1%83%A5%E1%83%90%E1%83%A0%E1%83%97%E1%83%95%E1%83%94%E1%83%9A%E1%83%9D%E1%83%A1-%E1%83%93%E1%83%90-%E1%83%A9%E1%83%98%E1%83%9C%E1%83%94%E1%83%97%E1%83%98%E1%83%A1-%E1%83%92.

Their work toward this end to expose corruption reduces opportunities for actors like Chinese SOEs to gain a foothold among Georgia's political and economic elite.²⁵² However, objective discussion of China in Georgian media is still underdeveloped, and the media ecosystem is subject to the Chinese government's efforts to shape and control both perceptions about China and the narrative around Sino-Georgian relations. Not only are the risks of engagement with China not mentioned by media outlets aligned with the ruling party, such as Imedi TV, but media outlets associated with the opposition are too preoccupied with the threats to national security emanating from Russia to focus on the implications of China's growing power and influence.

The lack of strategic considerations is even more alarming given that Georgia's growing engagement with China — and acceptance of risks involved — has occurred despite opportunities to align itself more closely with the EU. Georgia has already signed an Association Agreement (AA) and the Deep and Comprehensive Free Trade Area Agreement (DCFTA) with the EU to enhance mutual market accessibility.²⁵³ Georgia's decision to prioritize relations with China has been shaped by the perception that China is uniquely positioned to help upgrade the country's economy before Tbilisi has taken full advantage of the support offered by the EU. For example, only 6 percent of Georgian companies made use of the DCFTA.²⁵⁴ Georgian leaders had high hopes that engaging China would spur the economic growth that its embrace of Europe initially promised. In fact, Georgia's lack of governance standards, which inhibited it from capitalizing on economic gains from engagement with the EU, have enabled the negative consequences stemming from economic ties with China. As it becomes increasingly clear that the promises of economic benefits from stronger relations with China are not being realized, democratic actors in Georgia have an opportunity to bolster the country's resilience to the negative aspects of the Sino-Georgian partnership.

The burden has been placed on Georgia's vibrant civil society to foster discussion and demand government accountability to ensure that the interests of the Georgian people are not subordinated to those of the CCP.

Conclusion

Georgian leaders' welcoming of deeper economic, political and social ties with China to dampen Russian influence has traded one form of risk for another. The economic benefits of mounting trade and needed investment from China are offset by indications of resultant rent-seeking behavior among government officials, corruption and reduced confidence in public-procurement processes. Georgia has deepened engagement with China without conducting thorough threat assessments and despite ample support from the United States and the EU. The burden has been placed on Georgia's vibrant civil society to foster discussion and demand government accountability to ensure that the interests of the Georgian people are not subordinated to those of the CCP and a select few.

²⁵² See: "From Concentrated Power to State Capture: Georgia's Backsliding Anti-Corruption Reforms." *Transparency International*, 14 Feb. 2019, [voices.transparency.org/from-concentrated-power-to-state-capture-georgias-backsliding-anti-corruption-reforms-c94d76bb2b21/](https://www.transparency.org/from-concentrated-power-to-state-capture-georgias-backsliding-anti-corruption-reforms-c94d76bb2b21/). Research conducted by Civic IDEA examines the activity and implications of Chinese SOEs' activity in Georgia and larger Eurasia. See: "Report #4 China Watch." *Civic IDEA*, 17 Nov. 2020, [civicidea.ge/en/civic-ideas-4th-china-watch-report/](https://www.civicidea.ge/en/civic-ideas-4th-china-watch-report/).

²⁵³ Regarding the AA and DCFTA, see "Countries and Regions: Georgia." *European Commission*, ec.europa.eu/trade/policy/countries-and-regions/countries/georgia/.

²⁵⁴ Sasse, Gwendolyn. "Lessons Learnt from the Eastern Partnership." *New Eastern Europe*, 2 May 2019, [neweasterneurope.eu/2019/05/02/lessons-learnt-from-the-eastern-partnership](https://www.neweasterneurope.eu/2019/05/02/lessons-learnt-from-the-eastern-partnership). For the disappointing results of the DCFTA, see: Daghelishvili, Natia. "Why Can't Georgia Take Full Advantage of Opportunities Provided by the Deep and Comprehensive Free Trade Area (DCFTA)?" *GIP*, 29 Aug. 2019, [gip.ge/why-cant-georgia-take-full-advantage-of-opportunities-provided-by-the-deep-and-comprehensive-free-trade-area-dcfta](https://www.gip.ge/why-cant-georgia-take-full-advantage-of-opportunities-provided-by-the-deep-and-comprehensive-free-trade-area-dcfta).

GREECE

China's growing influence in Greece is uniquely tied to the 2008 global financial crisis, which intensified Athens' precarious fiscal situation and plunged the country into the longest recession of any advanced market economy.²⁵⁵ Successive rounds of financial bailouts orchestrated by the International Monetary Fund, European Central Bank and European Commission stretched well into 2018, and came with privatization requirements for parts of the state-owned Greek economy. In exchange for economic assistance, Greece's EU peers imposed austerity measures that worsened its recession-induced humanitarian crisis of chronic unemployment and shrinking incomes, which threw its very membership in the EU into doubt.²⁵⁶

In contrast, China offered infrastructure investments that Greek leaders saw as a salve for their economic woes, injecting \$9.75 billion in greenfield investment and \$790 million in loans into the Greek economy over an 11-year period (2008–2019).²⁵⁷ Greece has subsequently aligned its foreign policies to support those of China, demonstrating Beijing's success in translating economic partnership into political influence. The CCP's inroads into Greece's media and cultural spaces have capitalized on Greece's perceived abandonment by the EU, leading to positive impressions of China among many Greeks and divergence with Brussels on foreign policy with regard to China.²⁵⁸ Yet, in this Greek tragedy, there is mounting awareness that China may not be the panacea to its economic challenges that Athens imagined, especially as the downsides of engagement become more apparent.

Economic Influence

China has significantly expanded trade and investment relations with Greece since 2008, which it has leveraged to influence economic and political decision-making in Athens. While significant Chinese investments in Greece's transport-infrastructure, energy and telecommunications sectors have benefitted the Greek economy, evidence suggests that in certain cases Beijing has benefitted at the expense of Athens. Greece is not heavily dependent on trade with China, with exports and imports accounting for just 5.7 percent of total trade in 2019.²⁵⁹ However, Greece's imports from China have consistently exceeded its exports to China.²⁶⁰ Imports of goods from China between 2013 and 2018 grew by 60.9 percent; by 2018, China was Greece's fourth-largest source of imports.²⁶¹

Beijing's influence over government discourse and decision-making in Athens is disproportionate to its level of investment and economic importance in absolute terms. Promises of future investment by Beijing have proven to be a potent tool of political influence by playing into Athens' economic insecurities.²⁶² For example, although Beijing was not even in the top 10 sources of FDI to Greece by the end of 2015, Athens

²⁵⁵ In 2009, Greece stated that it had been underreporting its deficit figure for years. "Explaining Greece's Debt Crisis." *The New York Times*, 17 June 2018, [nytimes.com/interactive/2016/business/international/greece-debt-crisis-euro.html](https://www.nytimes.com/interactive/2016/business/international/greece-debt-crisis-euro.html); Chrysogelos, Angelos. "Greek Bailout: IMF and Europeans Diverge on Lessons Learnt." *Chatham House*, 16 Aug. 2018, [chathamhouse.org/expert/comment/greek-bailout-imf-and-europeans-diverge-lessons-learnt#](https://www.chathamhouse.org/expert/comment/greek-bailout-imf-and-europeans-diverge-lessons-learnt#).

²⁵⁶ Politaki, Alex. "Greece is Facing a Humanitarian Crisis." *The Guardian*, 11 Feb. 2013, [theguardian.com/commentisfree/2013/feb/11/greece-humanitarian-crisis-eu](https://www.theguardian.com/commentisfree/2013/feb/11/greece-humanitarian-crisis-eu). See also "BBC: Η Ελλάδα βιώνει Ανθρωπιστική Κρίση — Εννέα Αποκαλυπτικά Γραφήματα [Εικόνες]: ΚΟΣΜΟΣ [BBC: Greece Is Experiencing a Humanitarian Crisis – Nine Revealing Charts]." *iefimerida*, 7 Apr. 2019, [iefimerida.gr/news/218032/bbc-i-ellada-vionei-anthropistiki-krisi-ennea-apokalyptika-grafimata-eikones](https://www.iefimerida.gr/news/218032/bbc-i-ellada-vionei-anthropistiki-krisi-ennea-apokalyptika-grafimata-eikones).

²⁵⁷ Horowitz, Jason and Liz Alderman. "Chastised by E.U., a Resentful Greece Embraces China's Cash and Interests." *The New York Times*, 26 Aug. 2017, [nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html](https://www.nytimes.com/2017/08/26/world/europe/greece-china-piraeus-alexis-tsipras.html). For investment data see: "China Global Investment Tracker." *American Enterprise Institute*, Spring 2020, [aei.org/china-global-investment-tracker/](https://www.aei.org/china-global-investment-tracker/).

²⁵⁸ Pew Research Center survey, 2017, cited in Le Corre, Philippe. "China's Rise as a Geoeconomic Influencer: Four European Case Studies." *Carnegie Endowment for International Peace*, Oct. 2018.

²⁵⁹ Calculations based on UN Comtrade data, trade in goods only, total of all Harmonized System (HS) commodities, as reported. Trade with China includes Hong Kong. Re-imports and re-exports have not been included. "UN Comtrade Database."

²⁶⁰ *Ibid.*

²⁶¹ "Greece – Country Profile." *Observatory of Economic Complexity*, pro.oec.world/en/profile/country/grc.

²⁶² Tonchev, Plamen. "China's Growing Economic and Political Clout through Investment in Greece" in Seaman, John, et al., eds., "Chinese Investment in Europe: A Country-Level Approach." *French Institute of International Relations (Ifri), Elcano Royal Institute and Mercator Institute for China Studies*, Dec. 2017.

risked the ire of fellow EU member states to maintain an amicable relationship with Beijing, by obstructing the EU's response to China's assertive action in defense of its excessive territorial claims in the South China Sea in 2016.²⁶³

While some Chinese investments predate Greece's sovereign debt crisis, the scope and scale of Chinese engagement have steadily increased over the past decade, as illustrated by the following three examples.

China Ocean Shipping Company (COSCO) Shipping and Piraeus Port

Investments by COSCO, one of China's "big three" SOEs, in the Port of Piraeus constitute China's largest project in Greece and exemplify Beijing's deployment of financial incentives to exert influence, as well as its capacity to exploit areas of mutual interest with Greece's political and business leaders.²⁶⁴ Greek business interests played an instrumental role in orchestrating then-Prime Minister Costas Karamanlis' overture to Beijing in 2006, laying the foundation for COSCO's initial 490-million-euro, 30-year concession to manage two terminals in the Port of Piraeus, signed in 2008.²⁶⁵ COSCO's enmeshment in Piraeus supports both China's global maritime ambitions and Greece's interest in expanding bilateral maritime-transport cooperation.²⁶⁶

As Greece's sovereign debt crisis threatened to hollow out the nation's economy, government authorities sought to raise revenue while improving infrastructure through a wave of privatizations. COSCO seized this opportunity, investing to modernize the Port of Piraeus and transform it into one of Europe's leading ports.²⁶⁷ In 2016, COSCO took a 51-percent stake in the Piraeus Port Authority (PPA) for 280.5 million euros, with plans to increase its stake to 67 percent by August 2021.²⁶⁸

Greece's initial courting of Chinese investment in 2006 and COSCO's subsequent Piraeus Port investments led to increased dividends for the Greek economy.²⁶⁹ Payments from the PPA to the Greek state broke records in 2019, dwarfing the payments when it was under Greek state control. (Athens received a dividend of just 185,344 euros in 2011, rising to 3.2 million euros in 2019).²⁷⁰ COSCO's investments in the Port of Piraeus have transformed what was once a bit-player facility into the biggest container port in the Mediterranean.²⁷¹

These financial benefits have been offset by allegations of contract violations by COSCO, as well as unsavory and illegal business practices. Leaders of Greek shipping-service providers in the Piraeus Port's Independent Ship Repair Zone note that the PPA has been invoking rights that were not included in the terms of the concessional contract signed in 2008. These leaders accuse the PPA of pushing for approval to build a

²⁶³ Emmot, Robin. "EU's Statement on the South China Sea Reflects Divisions." *Reuters*, Jul. 2016, reuters.com/article/southchinasea-ruling-eu-idUSL8N1A130Y.

²⁶⁴ COSCO was formerly controlled directly by the Ministry of Transport. China COSCO Shipping was formed in 2016, the result of a merger between COSCO and China Shipping (Group). China's overseas commercial logistics infrastructure is likely to be used to support the People's Liberation Army Navy's extraterritorial operations. See: Peltier, Chad. "China's Logistics Capabilities for Expeditionary Operations." *Janes*, Dec. 2020, uscc.gov/sites/default/files/2020-04/China%20Expeditionary%20Logistics%20Capabilities%20Report.pdf. Issac Kardon argues that COSCO is "a most-likely candidate for facilitating military utilization of its port facilities (and its shipping, container, and general logistics capacity)" because of its lack of transparency and heavy government subsidization. See: Kardon, Issac. "China's Development of Expeditionary Capabilities: Bases and Access Points." *US-China Economic Security Review Commission*, Feb. 2020, uscc.gov/sites/default/files/Kardon_Revised%20Written%20Testimony_Feb2020.pdf.

²⁶⁵ Le Corre. "China's Rise as a Geoeconomic Influencer: Four European Case Studies."; Tonchev, "China's Growing Economic and Political Clout through Investment in Greece." Note that Tonchev's study cites a 831.2-million-euro figure for the concession agreement. There is an option to extend the 30-year concession by five years. See: Krinis, Nikos. "Piraeus Port Authority Signs Concession Agreement." *Greek Travel Pages*, 1 Jan. 2019, news.gtp.gr/2009/01/01/piraeus-port-authority-signs-concession-agreement/; "About Us." *PCT*, www.pct.com.gr/content.php?id=1.

²⁶⁶ Le Corre. "China's Rise as a Geoeconomic Influencer: Four European Case Studies."

²⁶⁷ In 2013, COSCO announced a 230-million-euro deal to modernize Piers 2 and 3. COSCO also improved transit capacity. Under COSCO's management, Piraeus became a revitalized port and ranked first in terms of increased traffic among the world's largest ports in 2011, 2012 and 2013. In 2014, it ranked first in Europe. Meunier, Sophie. "A Tale of Two Ports: The Epic Story of Chinese Direct Investment in the Greek Port of Piraeus." *Council for European Studies*, 14 Dec. 2015, critcom.councilforeuropeanstudies.org/a-tale-of-two-ports-the-epic-story-of-chinese-direct-investment-in-the-greek-port-of-piraeus/.

²⁶⁸ Koutantou, Angeliki. "Workers Protest as Greece Sells Piraeus Port to China COSCO." *Reuters*, 8 Apr. 2016, reuters.com/article/us-eurozone-greece-privatisation-china-c-idUSKCN0X50ZE.

²⁶⁹ Greek ship owners had approached Greek government officials to encourage a deal between Greece and COSCO. Based on Bentis, Angelos. Unpublished paper. 2020, citing "The Strategic Implications of the Chinese Investments in Piraeus." *Institute of International Economic Affairs & Konrad-Adenauer-Stiftung*, 2020, idos.gr/strategic-implications-of-chinese-investments-in-piraeus/?lang=en.

²⁷⁰ In 2011, PPA received a total dividend of 250,000 euros from operations and paid the Greek state 185,344 euros based on the government's share. In 2019, the total PPA dividend was 13.7 million euros, and the government received 3.2 million euros based on its 23-percent share. Figures from Bentis. Unpublished paper.

²⁷¹ Before COSCO took over, Piraeus Port could handle only 700,000 20-foot container equivalent units (TEU) per year. At the end of 2019, it processed 5.6 million TEU per year. Source: "The Strategic Implications of the Chinese Investments in Piraeus."



Photo taken on March 16, 2020 shows boxes of masks to be donated to the Greek government at the Greek Overseas Chinese General Chamber of Commerce in Athens.

COSCO-owned shipyard that would supplant local businesses, and claim that COSCO has intentionally neglected to maintain the Independent Ship Repair Zone's infrastructure.²⁷² The evidence suggests that COSCO is not interested in developing areas beyond the container terminals, skewing the terms of the COSCO-PPA arrangement in favor of Chinese interests. (For example, the Ship Repair Zone's employment potential is constrained by the fact that it does not service COSCO container ships.)²⁷³ If COSCO is able to successfully supplant the Independent Ship Repair Zone, it will improve its ability to service its own ships and potentially enhance the port's dual-use capabilities.

The actions of the PPA and COSCO have exposed the strained relations between Greece's ship owners – who had encouraged Athens' overtures to China, as well as COSCO's investments in the Piraeus Port – and ship-maintenance/service providers such as dockworkers.²⁷⁴ China appears to be exploiting this divide by working within the Greek policymaking system to take advantage of loopholes in the existing agreement. For example, COSCO has neglected maintenance of the Ship Repair Zone and announced plans to invest \$1 billion in the port, which may strengthen leverage to create a COSCO-controlled maintenance

²⁷² Based on interviews conducted by Angelos Bentis, research fellow at the Institute of International Economic Relations, 22 Feb. 2020. Interviews were conducted with: Dr. Rousetos Leivadarios, mining engineer and technical consultant of the Independent Ship Repair Zone of Piraeus and Perama; Vasilis Kanafvakis, president of the Association of Shipbuilding Enterprises; Theologos Katsoulakis, president of the Perama Shipyard Owners Association; and Fotis Prasinos, president of the Piraeus Employers-Craftsmen Union of Machinists. While Athens' Council of State recently supported COSCO's case by issuing a non-binding ruling in favor COSCO's shipyard permit, the Shipbuilding Enterprises Association has promised to push for the ruling's retraction. See: "PPA: 'Green Light' for the Conversion of Perama's SRZ into a Shipyard." (transl.) *Naftemporiki*, 5 May 2020, naftemporiki.gr/finance/story/1595812/olp-prasino-fos-gia-ti-metatropi-se-naupigeio-tis-nez-peramatos.

²⁷³ Source only notes that the zone does not service COSCO container ships. Employment potential is a logical deduction. See: "The Strategic Implications of the Chinese Investments in Piraeus."

²⁷⁴ Piraeus Port's dockworkers have consistently opposed the port's privatization efforts. Presumably, privatization would benefit Greek ship owners, who would benefit from lower costs and faster service, while punishing unionized dockworkers and other maritime-vessel service providers. For an example of protests, see: Koutantou. "Workers Protest as Greece Sells Piraeus Port to China COSCO."

facility, supplant Greek local business, and give the SOE greater control over the shipyard and maintenance facilities.²⁷⁵

China State Grid and ADMIE

China's second-largest investment in Greece was the 24-percent stake that the SOE China State Grid International Development (State Grid) took in Greece's independent electricity-transmission system operator — ADMIE.²⁷⁶ State Grid's 2016 investment, which was finalized in the form of a shareholder agreement between the Greek government and State Grid in 2017, includes a provision that gives the Chinese SOE a right of first offer should additional shares of ADMIE become available.²⁷⁷ The Greek government is willing to allow further privatization of ADMIE but appears skeptical of State Grid's desire to increase its stake because of the strategic significance of selling the remaining 25 percent of the shares, which would increase State Grid's stake to 49 percent and grant it significant control over Greece's core infrastructure.²⁷⁸

Huawei, ZTE and the Telecommunications Sector

Chinese firms Huawei and ZTE, already key players in Greece's telecommunications infrastructure, are actively seeking to invest in the future of Greece's telecommunications sector. As Greece considers constructing its 5G network, Huawei looms large as the most competitive contractor, offering high data-transfer speeds at a low price.²⁷⁹ Whether Huawei succeeds remains to be seen; the European Commission has indicated that its members should exclude "high-risk" suppliers, while the United States has noted that its ally Greece should not use Chinese equipment in its 5G infrastructure.²⁸⁰ Nevertheless, the Chinese firms' established relationships and role in Greece's non-5G infrastructure give them an advantage. Greek telecommunications company Wind uses Huawei's network equipment, while Vodafone Hellas cooperates with ZTE. The city of Kalamata established a pilot 5G network with Wind before Huawei's links to the CCP became a critical issue in transatlantic relations.²⁸¹

Other Forms of Chinese Influence

To enhance the impact of its economic investment in Greece, the CCP has sought to cultivate a positive narrative about China, using the Xinhua News Agency, Confucius Institutes and other vehicles to influence public opinion in Greece. While Chinese media groups have not invested in Greek media, Xinhua and its subsidiaries have signed cooperation agreements, such as with the Greek state news agency, Greek Athens-Macedonian News Agency (ANA-MPA) in 2016, that established direct links and content exchanges between the two news agencies.²⁸² Xinhua places articles and inserts in various Greek media outlets, including both

²⁷⁵ Bentis. Unpublished paper; Paris, Costas. "China's Cosco Pours More Money into Greek Port." *The Wall Street Journal*, 12 Nov. 2019, [wsj.com/articles/chinas-cosco-pours-more-money-into-greek-port-11573581625](https://www.wsj.com/articles/chinas-cosco-pours-more-money-into-greek-port-11573581625).

²⁷⁶ ADMIE's privatization formed part of Athens' 2015 IMF bailout program. Panagoulis, Thodoris. "Chinese State Grid Takes over 24% of ADMIE at a Price of €320 Million – What are the Next Moves?" *Energypress*, 26 Oct. 2016, energypress.gr/news/i-kineziki-state-grid-pairnei-24-toy-admie-me-timima-320-ekat-eyro-pois-einai-oi-epomenes.

²⁷⁷ Liaggou, Chrysa. "The Riddle of the Further Privatization of ADMIE." (transl.) *Kathimerini*, 12 Nov. 2019, [kathimerini.gr/1055648/article/oikonomia/epixeirhseis/grifos-me-thn-peraitenw-idiwtikopoihsh-toy-admhe](https://www.kathimerini.gr/1055648/article/oikonomia/epixeirhseis/grifos-me-thn-peraitenw-idiwtikopoihsh-toy-admhe).

²⁷⁸ Bentis. Unpublished paper.

²⁷⁹ Michalis, Babis. "Europe Insists on Huawei for 5G." (transl.) *Efimerida ton Syntakton*, 30 Jan. 2020, [efsyn.gr/node/229181](https://www.efsyn.gr/node/229181).

²⁸⁰ Huawei has been identified as a "high-risk" supplier by several European governments because of its ownership structure, a legal requirement to comply with Beijing's National Intelligence Law of 2017, and heavy subsidies granted to it by the state. See: "The Security of 5G." *House of Commons Defense Committee*, Oct. 2020, committees.parliament.uk/publications/2877/documents/27899/default/. The European Commission has stated that some suppliers should be subject to "strict rules." Risk assessments were based on possible connections to state-backed actors and risks of compromised confidentiality, availability and integrity. See: "EU-Wide Coordinated Risk Assessment of 5G Networks Security." European Commission, Jan. 2020, ec.europa.eu/digital-single-market/en/news/eu-wide-coordinated-risk-assessment-5g-networks-security. See: Bentis. Unpublished paper. U.S. Secretary of State Mike Pompeo has pressured Greece to exclude Huawei. See: "5G Global 'War' Arrives in Greece: Mitsotakis' Statement and the Unbearable Pressure from the US." (transl.) *Fortune Greece*, 8 Jan. 2020, fortunegreece.com/article/o-pagkosmios-polemos-tou-5g-efthase-stin-ellada-i-dilos-i-mitsotaki-ke-i-aforites-piesis-apo-tis-ipal.

²⁸¹ Bentis. Unpublished paper; "5G Industry Summit." *ZTE*, 28 June 2017, [zte.com.cn/china/topics/zte-5g-en/hot.html](https://www.zte.com.cn/china/topics/zte-5g-en/hot.html); Mallas, Dimitris. "Wind and Huawei Try the 5G Network in Kalamata." (transl.) *CNN Greece*, 15 July 2019, [cnn.gr/tech/story/184494/stin-kalamata-wind-kai-huawei-dokimazoy-n-5g](https://www.cnn.gr/tech/story/184494/stin-kalamata-wind-kai-huawei-dokimazoy-n-5g).

²⁸² "Cooperation Agreement between the National Agencies of Greece and China, ANA-MPA and Xinhua, Signed Today at GSIC." (transl.), *General Secretariat for Information and Communication*, 19 May 2016, media.gov.gr/symfonia-synergias-metaksy-ton-ethnikon-praktoreion-elladas-kai-kinas-ape-mpe-kai-xinhua-ypegrafi-simera-sti-ngee/. ANA-MPA, along with other European news agencies and think tanks, also signed a memorandum of understanding with a subsidiary of Xinhua – China Economic Information Service – regarding cooperation in the financial-news sector. Bentis. Unpublished paper.

Greek- and Chinese-language platforms targeted at the Chinese diaspora community like China Greece Times, which also cooperates with the Chinese embassy in Athens and CRI, the Chinese government's international broadcaster.²⁸³ Independent media and online platforms like ChinaandGreece.com have also established institutional partnerships with CRI. ChinaandGreece.com hosts news and information that portray Greek cooperation with China in an exclusively positive light.²⁸⁴

At the center of China's charm offensive to Greece is an appeal to their mutual identity as ancient civilizations that are distinct from and transcend geopolitical tension.²⁸⁵ This approach to Greece was particularly effective in the aftermath of the financial crisis and collapse in national confidence by pushing a narrative of natural kinship and cultural parity, while also projecting a façade of a benevolent economic power to protect its lucrative investments in the country. This narrative strengthened a sense of standing beside an economically powerful China as cultural equals, thereby somewhat weakening its sense of solidarity with the West. The effectiveness of this narrative is diminishing, however, as more grow skeptical of China.²⁸⁶

The CCP also engages with academic and cultural institutions to promote positive perceptions and cultivate friendly relationships. China's state-run Office of Chinese Language Council International (Hanban) has established three Confucius Institutes in Greece: at the Athens University of Economics and Business, Aristotle University and University of Thessaly.²⁸⁷ These institutes promote Chinese-language instruction and enhance Greece-China relations through scholarships that build person-to-person relationships, while painting China and its policies in a positive light.²⁸⁸

Other Chinese government-linked organizations have partnered with Greek educational institutions to promote study of Chinese culture and history, opening the door to potential influence over research and instruction on China's government, politics and policies. For example, the Alkaterni Laskaridis Foundation (ALF) partnered with the Chinese Academy of Social Sciences (CASS) to establish the CASS-ALF Centre for China Studies, housed at the ALF's headquarters in Piraeus.²⁸⁹ In light of the fact that the Laskaridis family is one of the most prominent shipowners in Greece, there are concerns about potential vested interests in

There is mounting awareness that China may not be the panacea to its economic challenges that Athens imagined, especially as the downsides of engagement become more apparent.

²⁸³ For example, the Greek newspaper *Kathimerini* hosts a number of *Xinhua* articles on its English-language platform, ekathimerini.com. See Bentis. Unpublished paper. For more regarding *Kathimerini*'s cooperation with *Xinhua*, see Pournara, Margarita. "Greece-China Journalistic Cooperation." (transl.) *Kathimerini*, 22 Apr. 2017, kathimerini.gr/906384/article/epikairothta/ellada/dhmosiografikh-synergasia-elladas--kinas; "China's Xinhua News Service Eyes Ties with Greece's Kathimerini." *The National Herald*, 24 Apr. 2017, thenationalherald.com/159302/chinas-xinhua-news-service-eyes-ties-greeces-kathimerini. The Chinese-language newspaper *China Greece Times* is primarily targeted toward ethnic Chinese living in Greece. See: Kakaounaki, Marianna. "The Vigorous Community of the Greek Chinatown." (transl.) *Kathimerini*, 2014, kathimerini.gr/773828/gallery/epikairothta/ereynes/h-dynamikh-koinothta-ths-ellhnikhs-chinatown. *China Greece Times* cooperates with Chinese government entities, such as the Chinese embassy in Athens, and *China Radio International*. Bentis. Unpublished paper. See also: "China Greece Times." *Facebook*, Apr. 2020, m.facebook.com/China-Greece-Times-1480319618714126/posts/?ref=page_internal&mt_nav=0.

²⁸⁴ Bentis. Unpublished paper.

²⁸⁵ The GC-10 (Great Civilizations) includes Greece, China, Bolivia, Egypt, India, Iraq, Iran, Italy, Mexico and Peru. "Athens to Host 1st Ministerial Conference of 'Ancient Civilizations Forum.'" *Greek Travel Pages*, news.gtp.gr/2017/04/18/athens-1st-ministerial-conference-ancient-civilizations-forum/.

²⁸⁶ Bentis, A., Carulas, C., Mihalaris, C. and Papoutsas, G. "China's Image in Greece 2008-2018." *Institute of International Economic Relations*, 9 Oct. 2018, 23-24, idos.gr/wp-content/uploads/2018/10/China-Image-in-Greece_9-10-2018.pdf/.

²⁸⁷ "Business Confucius Institute." *Athens University of Economics & Business*, confucius.aueb.gr/index.php/el/; "The First Open Chinese Language Course at the Confucius Institute of Aristotle University of Thessaloniki." (transl.) *Aristotle University of Thessaloniki*, 2020, auth.gr/en/node/27537; Triantaphillos Gavriniotis, "Foundation of the Confucius Institute at the University of Thessaly." (transl.) *Pagaitikos News*, 2019, pagaitikosnews.com/featured/idrysi-institoytoy-komfoykios-sto-panepistimio-thessalias/.

²⁸⁸ Pelevani, Marianthi. "Confucius Institutes: China's 'Wise Attack.'" (transl.) *TVXS*, tvxs.gr, 28 Dec. 2017, tvxs.gr/news/kosmos/institoyta-komfoykios-i-sofi-epithesis-tis-kinas. For more general information about how Confucius Institutes influence the cultural and educational narrative on China, see: Sahlins, Marshall. "Confucius Institutes: Academic Malware and Cold Warfare." *Inside Higher Ed*, 26 July 2018, www.insidehighered.com/views/2018/07/26/confucius-institutes-function-propaganda-arms-chinese-government-opinion.

²⁸⁹ "The CASS-ALF Centre for China Studies." *Aikaterini Laskaridis Foundation*, laskaridisfoundation.org/en/the-cass-alf-centre-for-china-studies-caccs/; "The 15 Greeks Who Determine Global Shipping [Οι 15 Έλληνες που ΚΑΘΟΡΙΖΟΥΝ ΤΗΝ παγκόσμια ναυτιλία]." *Capital.gr* 6 January 2019 capital.gr/epixeiriseis/3336574/oi-15-ellines-pou-kathorizou-tin-pagkosmia-nautilia.

using the CASS-ALF Centre as a vehicle to highlight only the positive aspects of Greece's engagement with China.²⁹⁰

Greece's Response

The Greek government has allowed Beijing's economic influence to translate into political influence, particularly in the realm of foreign policy. As Greece sank deeper into its sovereign debt crisis, it was shunned by its northern EU member peers, particularly Germany. China took advantage of growing divisions within the EU and Greece's desperate need for capital, viewing Greece as an entry point into the rest of Europe for the BRI.²⁹¹ As Chinese economic engagement with Greece increased, Athens' foreign policy toward China began to diverge from those of its EU peers.

Several examples illustrate Beijing's sway over Athens' approach to China-related policies. In 2016, as previously noted, Greece backed China by blocking an EU statement affirming an International Arbitration Court ruling against China's excessive claims to features and territorial waters in the South China Sea.²⁹² In 2017, Athens blocked an EU statement criticizing China's human-rights record at the United Nations.²⁹³ Additionally, Greece signaled support for the BRI through signing a memorandum of understanding in 2018, at a time when the EU was becoming more critical of China.²⁹⁴

Successive Greek governments have welcomed greater Chinese economic investment with little or no acknowledgment of the risks of China's mounting leverage in Greece. Former Prime Minister Alexis Tsipras' support for Chinese investment to deal with Greece's debt crisis, somewhat surprising given his SYRIZA party's vehement opposition to privatization of state-owned assets, resulted in COSCO making the sole bid for the Port of Piraeus.²⁹⁵ Greece's commercial alignment with China continued under Prime Minister Kyriakos Mitsotakis, who assumed office in 2019, despite the fact that Mitsotakis once called the Port of Piraeus "the head of the dragon" for Chinese investment in Greece.²⁹⁶ During Xi Jinping's 2019 visit, Athens also signed 16 agreements with Beijing to attract additional Chinese investments.²⁹⁷

Greece currently does not have a coherent strategy to manage Chinese investments. Adopting the EU framework for investment screening might help curb downside risks stemming from Chinese investments and ownership of critical infrastructure.²⁹⁸ The EU framework is voluntary, however, and does little to prevent potential political influence, indicating Greece's future resilience to Chinese influence is more likely to be determined by political will than adherence to EU regulations. This also makes greater fragmentation in Europe's response to China's growing assertiveness and influence more likely.

²⁹⁰ Bentis. Unpublished paper. The Laskaridis family owns the Laskaridis Shipping Company, a prominent ship owner in Greece. See: Floudopoulos, Harris. "15 Greeks that Determine the Course of Global Shipping." (transl.) *Capital.gr*, 6 Jan. 2019.

²⁹¹ Tonchev, Plamen, et al. "China's Image in Greece 2008-2018," *IJER*, Oct. 2018, 22, [idos.gr/wp-content/uploads/2018/10/China-Image-in-Greece_9-10-2018.pdf](https://www.idos.gr/wp-content/uploads/2018/10/China-Image-in-Greece_9-10-2018.pdf).

²⁹² The court had ruled in favor of the Philippines in regard to the dispute with China over the Philippines' exclusive economic zone (EEZ) in the South China Sea. The EU had intended to issue a strong statement supporting the court's ruling. However, because of Greece, Hungary and Croatia, the EU had to water down its statement. See Le Corre. "China's Rise as a Geoeconomic Influencer: Four European Case Studies."

²⁹³ Emmott, Robin and Angeliki Koutantou. "Greece Blocks EU Statement on China Human Rights at U.N." *Reuters*, 18 June 2017, [reuters.com/article/us-eu-un-rights/greece-blocks-eu-statement-on-china-human-rights-at-u-n-idUSKBN1990FP](https://www.reuters.com/article/us-eu-un-rights/greece-blocks-eu-statement-on-china-human-rights-at-u-n-idUSKBN1990FP).

²⁹⁴ On the 2018 memorandum of understanding, see "China-Greece Ties Eye Great Potential under BRI Framework: Greek Ambassador." *Belt & Road News*, 17 Feb. 2019, [beltandroadnews.com/2019/02/17/china-greece-ties-eye-great-potential-under-bri-framework-greek-ambassador/](https://www.beltandroadnews.com/2019/02/17/china-greece-ties-eye-great-potential-under-bri-framework-greek-ambassador/). Regarding EU views of China, the European Commission's 2019 report notes that China is simultaneously a cooperating and negotiating partner, but also an economic competitor and systemic rival "promoting alternative models of governance." See: "EU-China – A Strategic Outlook." *European Commission and HR/VP Contribution to the European Council*, 12 Mar. 2019, 1, ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf.

²⁹⁵ Inman, Phillip and Jennifer Rankin. "Tsipras Faces Clash with Syriza Radicals Opposed to Eurozone Bailout for Greece." *The Guardian*, 13 July 2015, [theguardian.com/business/2015/jul/13/athens-and-eurozone-agree-bailout-deal-for-greece](https://www.theguardian.com/business/2015/jul/13/athens-and-eurozone-agree-bailout-deal-for-greece); Rankin, Jennifer and Helena Smith. "The Great Greece Fire Sale." *The Guardian*, 24 July 2015, [theguardian.com/business/2015/jul/24/greek-debt-crisis-great-greece-fire-sale](https://www.theguardian.com/business/2015/jul/24/greek-debt-crisis-great-greece-fire-sale); Paris, Costas. "China Cosco Makes Sole Bid for Greek Port of Piraeus." *The Wall Street Journal*, 12 Jan. 2016, [wsj.com/articles/china-cosco-makes-sole-bid-for-greek-port-of-piraeus-1452619800](https://www.wsj.com/articles/china-cosco-makes-sole-bid-for-greek-port-of-piraeus-1452619800).

²⁹⁶ Mitsotakis stated this during Xi Jinping's visit to Greece in 2019. Paris. "China's Cosco Pours More Money into Greek Port."

²⁹⁷ "Greece, China to Sign Another 16 Bilateral Agreements to Boost Investment, Trade; Xi Jinping in Athens." *Naftemporiki*, 11 Nov. 2019, [naftemporiki.gr/story/1531812/greece-china-to-sign-another-16-bilateral-agreements-to-boost-investment-trade-xi-jinping-in-athens](https://www.naftemporiki.gr/story/1531812/greece-china-to-sign-another-16-bilateral-agreements-to-boost-investment-trade-xi-jinping-in-athens).

²⁹⁸ "Screening of Foreign Direct Investment." *European Commission*, 10 Apr. 2019, trade.ec.europa.eu/doclib/press/index.cfm?id=2006; "Regulation 2019/452 of the European Parliament and of the Council." *Official Journal of the European Union*, 19 Mar. 2019, eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R0452&from=EN.

Amidst mounting CCP engagement with Greek academic and cultural institutions, there is a greater need for China expertise that is independent of the CCP, in order to support a robust national debate on the risks that accompany China's investment and the challenge it poses to a common European approach to democratic values. While China's appeals to Athens as a fellow ancient civilization have weakened, vestiges of this sentiment remain.

There are, nevertheless, small pockets of resilience in the country. Small businesses and the Piraeus City Council have been among the first to recognize the acute downsides of deep economic engagement with Chinese SOEs. There is increasing dissatisfaction toward COSCO's methods and strategies that led the Piraeus City Council to petition Greece's state-asset privatization agency to overturn a decision that permits COSCO to expand its ownership in the Port of Piraeus to 67 percent.²⁹⁹ Local authorities claim that Piraeus and adjacent municipalities have drawn no benefit from COSCO's investments so far, as the throughput in the port is mostly transshipment that is also conducted and controlled by COSCO.

Conclusion

China's influence in Greece is facing mounting headwinds. Investment in the Port of Piraeus allowed China to establish a beachhead for greater economic influence in Europe and factored significantly in Greece's foreign policy decision-making, to the detriment of EU solidarity. The current Greek government is more critical of the risks of engagement but undeterred from courting more investment from China. However, pushback by small business and local governments threatens to derail China's ambitious plans for the Port of Piraeus and Europe more broadly as opposition grows against COSCO's methods and strategy. Beyond the government, China's influence over perceptions in Greece has not taken a strong hold. Despite an aggressive charm offensive and comprehensive engagement across education, culture and media, the positive image of China in Greece does not extend beyond its perceived importance as an economic partner. So long as the Brussels does not offer Beijing more opportunities by antagonizing Athens, intentionally or otherwise, the relative weight of China over decision-making in Greece is waning. Greater attention to the risks of economic engagement with China on the part of Greek CSOs and media will bolster Greece's resilience to ongoing CCP efforts to cultivate elites and shape narratives about China and its policies toward Greece.

²⁹⁹ "COSCO Faces Backlash as it Moves to Tighten Grip on Greek Port." *Nikkei Asian Review*, 29 Dec. 2020, asia.nikkei.com/Business/Transportation/COSCO-faces-backlash-as-it-moves-to-tighten-grip-on-Greek-port.

CONCLUSION

China's influence efforts across the developing world pose a direct challenge to the future of democracy. Chinese government-linked entities are exploiting and exacerbating governance gaps in vulnerable countries to further Beijing's interests, weakening democratic institutions in the process. At the same time, the CCP is promoting its authoritarian governance and development model as superior to democracy by expanding trainings and information-influence operations. Lastly, the CCP is bolstering the fortunes of illiberal actors through the provision of technology and guidance on the surveillance and monitoring of their own citizens, as well as increased direct political and financial support to China-friendly autocrats.

Beyond simply expanding strategic interests in developing countries, Chinese leaders recognize the Global South as the central arena for competition with the United States and its democratic allies, which will revolve more around politics, economics, technology and information than the quest for military advantage. The CCP, while not pursuing an ideological crusade to destroy democracy, nevertheless believes it must undermine norms around universal values and democratic processes in order to legitimize China's authoritarian system, thereby smoothing the path for a CCP-led China to take its place as a great power at the center of global governance.

Chinese leaders understand those gains can only be made in the developing world, where most of humanity lives and where China is amassing economic and political leverage, increasing control over information and discourse, and cementing its role as the provider of the technologies that will undergird economic and societal development for decades. Using these advantages, China can establish itself as the central player in global connectivity, set the technological standards that cement that role and eviscerate the norms that have underpinned the liberal order.

The cases in this report catalogue an evolving toolkit with deep impact on open societies and democratic discourse. Economic power remains the cornerstone of China's influence and is set to grow even more potent as Chinese demand drives global economic recovery from the pandemic despite China's pullback from foreign lending. Meanwhile, Beijing is stepping up its global propaganda and disinformation campaign to advocate for its governance model and its supposed success in battling COVID-19. Less well understood is the party's use of strategic corruption, united front work, party diplomacy and digital operations to influence countries from the inside out, starting at the subnational level. In such an environment, vulnerable democracies will become more dependent on China, more reticent to cross China's redlines on an expanding list of political topics, and more likely to demonstrate receptivity to China's authoritarian methods.

There is, unfortunately, every indication that Xi Jinping's rule of China will become even more repressive. As China opens more, leaders will stress the need for control over ideology and a narrative conducive to maintaining the CCP's grip on power. As this happens, the party is likely to grow even more aggressive in defense of its interests and messaging abroad. China will look to capitalize on its leverage with developing countries to help fend off any united pushback from developed democracies against its interests and narrative-shaping efforts in global institutions. Beijing will likely step up financial support and advocacy throughout the Global South for its vision of governance and development, where central government control is prioritized over accountability to citizens and independent civil society voices are absent.

China's aggressive actions over the last year have awakened democratic actors around the world to the threats posed by unchecked CCP influence in open societies. New optimism for cooperation among developed democracies, whether through a global summit or interparliamentary alliance, underscores the commitment to democracy remains strong and the potential for a more unified response to China's efforts to supplant democratic norms, interfere in political processes and shape global governance to suit CCP aims.

The United States and its allies should center their efforts to bolster democracy's prospects on the developing world. Beijing seeks to prevent and slow collective pushback against China's rise from developed democracies — hoping to create a wedge especially between Washington and European capitals — but it is China's success in undermining democracy's appeal across the Global South that has the potential to erase the liberal underpinnings of the current global order. Even a moderate increase in U.S. and allied support for good governance, rule of law and the growing number of committed activists working to protect their democracies in the face of CCP influence would significantly bolster resilience against authoritarian trends.

Recognition of the centrality of the developing world to the strategic — and fundamentally systemic — competition in which the U.S. and its democratic allies are engaged with China is critical to setting priorities and resource commitments that will preserve U.S. interests and values over the coming decades.

Recommendations

- Develop China literacy. Governments need to **develop the analytical capacity for understanding CCP influence** and how it is wielded in their countries. More resources are needed for advanced China studies that are independent of the Chinese government's funding and for initiatives to expose and counter malign influence.
- **Raise awareness and improve public discourse** to avoid hyperbolic and uninformed discussions that ultimately undermine efforts to shine a light on China's malign behavior. Parliaments and legislatures can play a central role by holding more public hearings on China's influence in order to **engage untapped resources to develop policy responses**.
- Public organizations should develop basic guidelines for conducting due diligence and adopt a **code of conduct with strong transparency standards for engagement with entities with close ties to the CCP**, such as People's Liberation Army-associated universities, think tanks, SOEs and private enterprises with a strong party presence.
- Democracies need to **reduce their exposure to politically motivated economic coercion** by adjusting supply lines for strategic goods and diversifying export markets to reduce the political importance of Chinese demand. Governments must also adjust their perceptions of China as an important export market and apply only proportionate weight to it in their foreign policy calculus.
- Counter efforts to instrumentalize the diaspora community by **creating space and support for pluralism**. First, by increasing government funding to Chinese language news sources in countries with large diaspora communities, and second, by drawing attention to united front work and raising the political costs for close association with the CCP.
- **Strengthen the network of organizations with a mission to roll back or build resilience against China's malign influence** in order to reduce redundancy and pool resources.
- **Improve solidarity among democracies** in response to China's coercive tactics by developing mechanisms to shift the brunt of the economic and political impact in order to weaken the CCP's ability to bilaterally intimidate and deter criticism.

About the BRIDGE Initiative

Over the past three years, IRI has developed and implemented a framework to build resiliency against growing foreign authoritarian influence and interference through its Building Resiliency for Interconnected Democracies in Global Environments (BRIDGE) initiative, funded by the National Endowment for Democracy (NED). The BRIDGE framework takes a three-pronged approach to mitigating the impact of authoritarian influence on developing democracies: 1) Researching malign Chinese Communist Party (CCP) influence and its impact on vulnerable democracies; 2) Sharing that research through tailored engagements with IRI's global network of partners on the ground; and 3) Equipping these stakeholders with tools and resources to bolster democratic resilience and counter foreign authoritarian influence. By engaging stakeholders across sectors — including government officials, political parties, media, private enterprise, and civil society activists — IRI's work promotes broad awareness of authoritarian tactics and the keys to shoring up vulnerable democratic institutions. The research presented in this report is part of a growing compendium of case studies documenting the CCP's varied authoritarian influence tactics across countries and the elements of effective democratic resilience, which directly informs BRIDGE programming.

