

CHAPTER TWO

State and Local Governments

In late 2017, an American city in the mid-Atlantic region was invited to form a sister-city relationship with a town in southern China. The American partner city was home to a large number of national-security professionals and university and government scientists, including many of PRC origin. The partnership was proposed and shepherded by the manager of a for-profit Chinese “exchange” company—a woman of PRC origin. She was assisted by an American citizen of PRC origin who was running for a position on the local school board.

In a briefing, an American China expert told the local sister-city committee that there was no reason not to explore a partnership, provided the American side had defined goals and was aware of Beijing’s increasingly repressive domestic policies, its growing suspicions of US influence, and its well-funded efforts to increase its influence overseas. The man running for the local school board objected to this characterization and pointed out that China’s constitution gives the CCP paramount authority in China.

After a long debate, the new sister-city agreement was signed in the fall of 2018. Some Americans involved objected to China’s insistence that all sister-city activities be carried out “in accordance with the principles on the establishment of diplomatic relations between the United States of America and the People’s Republic of China” (根据中美两国建交原则), because this seemed to be a reference to the One China Principle, which might be invoked to preclude exchanges with Taiwan. Despite these

objections, the phrase appeared in the signed agreement because the Chinese side said that the Chinese People's Association for Friendship with Foreign Countries required that all sister-city agreements include such language, and the US side did not want to derail the agreement by insisting otherwise.

The story of this sister-city agreement illustrates the challenges and opportunities that “subnational entities” (local governments, cities, and states) face in the United States when dealing with a China intent on maximizing its influence in America and across the globe. As this report details in other chapters, the age of innocent engagement is over, and this is now true for American local officials as well as for representatives of the US federal government. Because most PRC attempts to influence American opinion and practices occur at the local level, and because local media, universities, companies, and advocacy agencies are often involved in these efforts, both knowingly and unknowingly, local leaders, just as much as national leaders, need an understanding of PRC goals and strategies.

“We Have Friends All Over the World”

China pursues sister-city relationships under an organization called the Chinese People's Association for Friendship with Foreign Countries, which is part of China's united front bureaucratic structure (see Appendix 1: China's Influence Operations Bureaucracy) that aims to strengthen the rule of the Chinese Communist Party and increase China's influence overseas. With its long-standing Maoist slogan “We Have Friends All Over the World,” the association had its heyday in the 1950s, when China was isolated and the group became a bridge between China and overseas supporters. It was marginalized in the 1980s, as China opened to the West and established diplomatic relations with hundreds of countries. However, under the administration of Communist Party leader Xi Jinping, the association has been revitalized as China seeks to groom local business, political, and media leaders in countries around the world. Its new standing is exemplified by the splendor of its headquarters located in the elegant old Italian embassy compound near Tiananmen Square.

The way the association and other Chinese organizations cultivate relationships with local officials follows a general pattern. First, in the United States, China demands that sister-city relationships and state-to-province sister relations be carried out under the “principles” on which Sino-US relations were established in the 1970s (as interpreted by the Chinese side). This means that China’s representatives will likely protest should local officials seek to maintain ties with representatives of Taiwan or with other individuals, such as the Dalai Lama, whom China regard as hostile forces. Second, it is important to understand why China seeks a relationship with localities, especially during times of tension with the federal government: China seeks to build alternative networks of interaction and support, while using these new relationships to help gain new traction back in Washington. Local American expertise, information, and opinion are also of more than passing political interest to Beijing, even if on paper an exchange relationship is only to “enhance people’s friendship, further international cooperation, safeguard world peace and promote common development,”¹ for Beijing understands clearly that local leaders today become the national leaders of tomorrow. For China, all exchanges have a political character and hopefully a political harvest.

Third, it is important for local officials to understand that local American “exchange” companies that bring Chinese delegations to the United States and promote professional interactions between the United States and China all depend on official PRC sanction and have received approval to receive Chinese delegations. The business model of such companies is, of necessity, as much political as financial. Even if they conduct high-quality programs, they should not be viewed as disinterested actors. They, too, are subject to rules made by the Chinese Communist Party, its united front bureaucracy, and united front strategic imperatives.

Finally, American citizens of PRC origin have played a key role in promoting mutually beneficial engagement over the past forty years. As US-China relations grow more contentious, however, and as Beijing calls more aggressively for diaspora Chinese to serve the “Motherland,” it will be necessary for citizen diplomats (including those who are not of PRC origin) to better educate themselves about American national interests in the US-China competition and the areas in which the nation’s values,

institutional practices, and strategic goals are incompatible. Such awareness is even more vital for Chinese Americans who seek political office and whose abilities to navigate these shoals will depend on their knowledge of this complex system of interaction.

American Communities as Engines of Engagement

The American federal system allows subnational governments considerable leeway to pursue local interests generally regardless of Washington's security concerns. Free from geostrategic worries, state, county, and municipal leaders who have formed commercial and people-to-people relationships with the PRC have been a bulwark of better US-China relations since the early 1970s, and their efforts to build mutual understanding and solve joint problems have formed the bedrock of bilateral relations over four decades. However, as China becomes more reliant on its old Leninist system and "united front" tactics (统战战), Sino-US relations become more contentious, and the CCP seeks to more forcefully build influence in American communities through channels detailed in this study, local leaders will be called upon to give greater weight to national interests when forming exchange relationships with PRC actors. Conversely, as Beijing's relations with Washington worsen, China will likely seek to use tried-and-true "divide and conquer" tactics by cultivating new relations with more state and local-level officials.

Beginning in the early 1970s, China and the United States built trust and common prosperity through cooperation at the local level. The work of two hundred sister-city pairs and more than forty sister state/province partnerships was reinforced by state and city trade and investment promotion offices, chambers of commerce, Chinese American and traditional clan associations, Chinatown cultural centers, and various and sundry activities at US colleges and universities, secondary schools, church groups, and museums. Following the establishment of the pioneering Washington State China Relations Council in 1979,² centers for joint innovation and entrepreneurship, such as the Michigan China Innovation Center³ and the Maryland China Business Council,⁴ were set

up in nearly every state. Twenty-seven states now maintain trade offices in China—more than in any other nation.⁵ Americans of mainland, Taiwanese, and Hong Kong ancestry have founded cultural centers like the Asia Institute–Crane House in Louisville, Kentucky,⁶ and the China Institute in New York.⁷ After forty years of engagement, the US-China-focused foundations, educational and exchange programs, research institutes, and arts and entertainment initiatives throughout the country are too many and various to be cataloged. American mayors, county executives, and governors—many of whom travel to China often and host an unending stream of Chinese visitors—have leveraged the work of these groups to enrich local coffers and local culture.

American Communities as Targets

While American local governments value such “exchanges” for financial and cultural reasons, “exchange” (交流) has always been viewed as a practical political tool by Beijing, and *all* of China’s “exchange” organizations have been assigned political missions.⁸ The US-China People’s Friendship Association (USCPFA), for example, has more than thirty sections across the United States that promote “positive ties.” While its activities are not usually overtly political, the USCPFA Statement of Principles includes the following: “We recognize that friendship between our two peoples must be based on the knowledge of and respect for the sovereignty of each country; therefore, we respect the declaration by the United States of America and the People’s Republic of China that the resolution of the status of Taiwan is the internal affair of the Chinese on both sides of the Taiwan Straits.”⁹ More than 150 Chinese Students and Scholars Associations (CSSAs) at American colleges and universities (see the chapter on “Universities”) also promote local exchanges and, in some cases, political activities,¹⁰ as do the 110 Confucius Institutes in America. The China General Chamber of Commerce–USA was founded in 2005 to build stronger investment environments for Chinese companies through local corporate citizenship programs planned by its six regional offices and municipal affiliates.¹¹ These and other organizations maintain close ties to China’s diplomatic missions in the United States and

are often in contact with training or “cultural exchange” companies that bring delegations of PRC experts and Communist Party members to US cities and states for so-called study tours.

US and Chinese groups promoting exchanges and investment have often been a valuable resource for American local leaders—see, for example, the Virginia Museum of Fine Arts’s annual China Fest¹² or the Chinese investment program in Greenville, South Carolina¹³—but there have been other instances in which American politicians working with Chinese organizations have been drawn into schemes that cost them their jobs.

Perhaps the most telling case is that of four officials in Ypsilanti, Michigan, who, in 2017, accepted a trip to China that they had been told was paid for by the Wayne State CSSA. The trip was eventually revealed as a boondoggle funded by a developer, Amy Xue Foster, who hoped to build a \$300 million “Chinatown” in the area.¹⁴ The four officials, including the mayor, were fired.

This is not to suggest that shady Chinese nationals are always plotting to corrupt otherwise innocent American leaders; US politicians have a long history of willingly accepting free trips, gifts, and other favors from the PRC or its fronts. As other chapters of this study make clear, however, Beijing-directed activities such as the secret purchase of American Chinese-language newspapers and radio stations, harassment of local Chinese American dissidents, and the operation of CCP cells in local American businesses and universities do require heightened vigilance by US subnational authorities, regardless of how much investment, how many tuition-paying students, or how many tourists China is able to produce.

China Exchanges and Chinese Leverage

Engagement with China for over forty years has created for American cities and states, as it has for American corporations and universities, deep interests and traditions with regard to China. However, the local policies that have guided these relationships are sometimes at odds with Washington’s policies, even our larger national interest. Although the

United States has pulled out of the Paris Agreement, the seventeen governors who have joined the United States Climate Alliance,¹⁵ for example, continue to work with Beijing, which many would agree is a very salutary thing. But sometimes subnational solidarity with China can become overexuberant, as it did on a July 2018 trip to Hong Kong by Los Angeles Mayor Eric Garcetti, who declared his city's independence from the looming Sino-US trade war. Garcetti stated that Los Angeles and China "have closely integrated economies, closely integrated cultures and closely integrated geography. . . . We hope to be the leading Chinese city in America for investment, tourism and students."¹⁶

Sometimes federalism, in the form of local leaders' independent China policies, is a good thing and may, during times of upheaval in Washington, DC, help to offset unwise national policies. But if US-China relations continue on their current downward trajectory, there will be an increased danger that independent state and municipal China policies will sometimes conflict with national interest and hinder the United States in its competition with China to shape global norms and practices. As China's wealth and ambition grow and as Beijing is becoming more adept at turning local American "China interests" into Chinese leverage, subnational American governmental entities that formed their China policies in the era of engagement must become mindful that they will be required to develop new strategies for a new era of competition.

Conclusion and Recommendations

The following practices can foster the kind of constructive vigilance that local governments will need to exercise in their continued cooperation with China.

Promote Transparency

- Not have secret agreements with Chinese entities, including foundations, corporations, and individuals. All Memoranda of Understanding and contracts should be transparent and public. All cooperative proposals should be subject to public hearings. All

potential projects should receive the same due diligence that partnerships with American entities would demand. No exceptions to American laws or best practices should be made to placate allegedly “Chinese” customs. And in no way should China be allowed to have a veto over potential exchanges with other countries, entities, or individuals such as Taiwan or the Dalai Lama.

- Share experiences and concerns with peers through the National Conference of Mayors, the National Governors Association, the National Council of County Association Executives, and the National Conference of State Legislatures. Best practices for cooperating with China in ways that do not undermine national interests should be a regular topic at annual meetings.
- Meet with stakeholders across sectors—local leaders of industry, academia, the arts, religious groups, Chinese American organizations, and professional associations—to discuss issues emerging from cooperation with China, because a community-wide approach is required.
- Celebrate successes and share best practices. In the era of US-China competition, there is more reason than ever to publicize cooperative projects that enrich local communities, build understanding, and solve common problems, while always being mindful of the larger framework of China’s goals and American interests.

Promote Integrity

- Educate themselves and other stakeholders on the goals and methods of Chinese influence operations. While Americans are quick to label any wariness of communist parties as McCarthyism, and while the potential for racial stereotyping is real, the Chinese Communist Party’s United Front Work Department and International Liaison Department—two of the main bodies overseeing such exchanges—are in fact active, well-resourced, and determined. No mainland Chinese organization in the United States—corporate, academic, or people-to-people—is free of Beijing’s control, even if it is not formally part of the united front.

- Keep abreast of Washington's China policies and improve political risk analysis capabilities. American China policy is evolving rapidly and cannot be incorporated into local practice without expert counsel and advice. China's responses to US actions are also fast moving, as are Chinese domestic events that have an impact on local American interests. The 2018 sell-off of Chinese-owned properties in the United States was instructive in this regard.¹⁷ State and municipal governments should therefore improve their political-risk-analysis capabilities and continually reassess their cooperative relationships with China. In effect, to successfully play in the China arena, subnationals need to develop their own sources of expertise.
- Communicate regularly with federal agencies like the FBI whenever doubts arise about a cooperative proposal or the Chinese institutions promoting it. Pay attention to who is on Chinese delegations. Get name lists beforehand and do due diligence on them.

Promote Reciprocity

- Follow the money and the power. In any cooperative venture, US local governments should determine exactly where Chinese investments originate and know which Beijing ministry has final decision-making authority related to the project. They should also check lists of funders and organizations against lists of known united front agencies and registered foreign agents.
- Not treat other stakeholders—other countries, Taiwan, or companies—in a prejudiced manner to win favor in Beijing.