

(DHS) estimated bulk cash smuggling to Mexico at between \$19 billion and \$29 billion annually.<sup>21</sup> Other estimates from the United Nations Office on Drugs and Crime, research organizations, and news media have assessed Mexico's drug export revenues to have been in the range of \$6 billion to \$21 billion a year between 2010 and 2018.<sup>22</sup>

Although it is not clear what percentage of the cartels' illicit profits is laundered through Chinese money transfer networks, U.S. officials fear that the effectiveness of the Chinese networks' money laundering is such that it is even displacing established Mexican and Colombian money launderers and putting the flows of cartel money even more out of reach of U.S. law enforcement.<sup>23</sup> Chinese operators heavily tax Chinese citizens eager to get money out of China, and are thus able to tax the drug cartels lightly and undercut other money launderers.<sup>24</sup> In some cases, a particular Chinese money laundering network managed to get itself hired by both the Sinaloa Cartel and the CJNG; in other cases, they worked exclusively with just one of them.<sup>25</sup>

As described in detail in Drazen Jorgic's Reuters special report,<sup>26</sup> ***the Chinese brokers mostly manage to bypass the U.S. and Mexican formal banking systems***, thus evading anti-money laundering measures and simplifying one of the biggest challenges for the cartels, namely moving large amount of bulk money subject to law enforcement detection. The only interface with the formal banking system takes place in China, into which U.S. law enforcement agencies have little-to-no visibility. Using encrypted platforms, burner phones, and codes, cartel representatives hand over bulk cash to Chinese contacts. The contact brings the money to U.S.-based Chinese businesses with bank accounts in China, and via a phone app from that account transfer the yuan equivalent to other accounts in China, bypassing U.S. bank fees and scrutiny. Chinese money launderers then perform similar "mirror transactions" to convert the money into pesos, utilizing Chinese businesses with Mexican bank accounts.

U.S. investigations and court cases revealed that the Bank of China was among the Chinese financial firms utilized by Chinese operators to launder the money of Mexican cartels.<sup>27</sup> In the investigations of the role of Chinese money laundering networks for Mexican cartels, U.S. officials have often been frustrated with the lack of cooperation from Chinese officials. Chinese officials have, however, emphasized that China is ready and willing to "destroy drug cartels and drug-related money laundering

networks" and cooperate with the U.S. on the "principle of respecting each other's laws, equality, and mutual benefit," adding that the U.S. anti-money laundering requests focused on "legitimate enterprises and individuals" in China without the United States providing evidence of their criminal and drug involvement.<sup>28</sup> **Other money laundering and value transfers between Mexican and Chinese criminal networks include trade-based laundering, value transfer utilizing wildlife products,** such as protected and unprotected marine products and timber, real estate, cryptocurrencies, casinos, and bulk cash — though it is not clear what percentage of laundering any of these methods account for.<sup>29</sup> An example of trade-based laundering includes Chinese launderers for CJNG buying shoes in China and reselling them in Mexico to give the cartel the necessary cash.<sup>30</sup> The casino laundering takes place in ways similar to the informal money transfers: Bulk cash is brought to a casino in Vancouver, for example, where the cartel-linked individual loses it while his money laundering associate in Macau wins and pays the Chinese precursor smuggling networks.<sup>31</sup> **The increasing payments for drug precursors in wildlife products coveted in China** — for Traditional Chinese Medicine, aphrodisiacs, other forms of consumption, or as a tool of speculation, such as in the case of the highly prized swim bladder of the endemic and protected Mexican totoaba fish poached for Chinese markets — constitute yet other method of illicit value transfer.<sup>32</sup> Other wildlife commodities used for money laundering, tax evasion, and as barter payments between Mexican cartels and Chinese precursor networks include abalone, jellyfish, and lobster.<sup>33</sup> Instead of paying in cash, Chinese traffickers are paid in commodities. The amount of value generated by wildlife commodity payments, likely in the tens of millions of dollars, may not cover all of the precursor payment totals, though the latter likely also amount to tens of millions of dollars.<sup>34</sup> Wildlife barter may not displace other methods of money laundering and value transfer. But **the increasing role of this method can devastate natural ecosystems and biodiversity in Mexico** as the cartels steadily seek to legally and illegally harvest more and more of a wider range of animal and plant species to pay for drug precursors.

The connections between the illegal drug trade and the timber and wildlife trade and trafficking from Mexico to China are all the more significant as poaching and wildlife trafficking in Mexico is increasing and **Mexican drug cartels are expanding their role in crimes against nature.**

**They are also increasingly taking over legal economies in Mexico,** including logging, fisheries, and various agricultural products such as avocados, citrus, and corn in parts

of Mexico.

Wildlife trafficking from Mexico to China receives little international attention, but it is growing, compounding the threats to Mexican biodiversity posed by preexisting poaching for other markets, including the United States. Since ***Mexican criminal groups often control extensive territories in Mexico which become no-go-zones for government officials and environmental defenders***, visibility into the extent of poaching, illegal logging, and wildlife trafficking in Mexico is limited. It is likely, however, that the extent of poaching and trafficking, including to China, is more pervasive and widespread than commonly understood or even considered. Poaching and wildlife trafficking can rapidly deplete this biodiversity.

Terrestrial and marine species, as well as timber, illegally harvested in Mexico for Chinese markets increasingly threaten Mexico's biodiversity, that accounts for some 12 percent of the world's biodiversity. Among the species poached in Mexico and smuggled to China, sometimes via the United States, are reptiles, sea cucumbers, totoaba, abalone, sharks, and increasingly also likely jaguars as well as various species of rosewood.

Legal wildlife trade from Mexico to China, such as in sea cucumbers and crocodilian skins, provides cover for laundering poached animals. Illegal fishing accounts for a staggering proportion of Mexico's fish production, but even the legitimate fishing and export industry provides a means to channel illegally-caught marine products to China.

***In Mexico, far more so than in other parts of the world, poaching and wildlife trafficking for Chinese markets is increasingly thickly intermeshed with drug trafficking, money laundering, and value transfer in illicit economies.***

***Organized crime groups across Mexico, especially the Sinaloa Cartel, seek to monopolize both legal and illegal fisheries along the entire vertical supply chain.***

Beyond merely demanding a part of the profits, they dictate to legal and illegal fishers how much the fishers can fish, insisting that the fishers sell the harvest only to the criminal groups, and that restaurants, including those catering to international tourists, buy fish only from the criminal groups. Mexican organized crime groups set the prices at which fishers can be compensated and restaurants paid for the cartels' marine

products. The criminal groups also force processing plants to process the fish brought in by the criminal groups and issue it with fake certificates of legal provenance for export into the United States and China. And they charge extortion fees to seafood exporters.

This takeover of the fisheries by Mexican criminal groups puts Chinese traders further into direct contact with them and alters the relationship patterns. Whereas 10 to 15 years half ago, Chinese traders in legal wildlife commodities and illegal wildlife products dealt directly with local hunters, poachers, and fishermen, increasingly Mexican organized crime groups forcibly inserted themselves as middlemen, dictating that producers need to sell to them and that they themselves will sell to the Chinese traders and traffickers who move the product from Mexico's borders to China.

***Mexican criminal groups are also expanding into illegal fishing outside of Mexico.***

For example, when the overharvesting of sea cucumber in Yucatán, Mexico for markets in China tapered off as a result of the sea cucumber population crash, Mexican organized crime groups that operate in Yucatán started bringing to their seafood collection hubs fish illegally caught in Costa Rica and elsewhere in Latin America.<sup>35</sup> Yucatán is also an important hub for cocaine trafficking.

There have long been suspicions about the ***extent to which Latin American fishing fleets are also engaged in the smuggling of drugs*** such as cocaine to the United States.<sup>36</sup> The penetration of legal fisheries by Mexican cartels further facilitates their drug smuggling enterprise.

Similarly, massive Chinese fishing fleets have long engaged in illegal fishing, sometimes devastating marine resources in other countries' exclusive economic zones. However, there also ***appears to be a growing involvement of Chinese fishing ships in drug trafficking***, compounding the extensive problem of Chinese cargo vessels carrying contraband such as drugs and their precursors as well as wildlife.<sup>37</sup>

And there is the possibility that Chinese fishing flotillas or individual vessels operating around the Americas and elsewhere in the world may carry spy equipment collection intelligence for China.

As in illegal logging in Mexico, ***the interest of Chinese traders in an animal or plant species and efforts to source them in Mexico on a substantial scale for Chinese markets attract the attention of Mexican criminal groups. The Chinese Government, for the most part, rejects China's responsibility for poaching and wildlife trafficking in Mexico and insists that these problems are rather for the Mexican Government to solve.*** Prevention and enforcement cooperation has been minimal and sporadic. The Chinese Government has not been keen to formalize either China-Mexico or China-Mexico-United States cooperation against wildlife trafficking, preferring informal case-by-case cooperation.

Nonetheless, under intense international pressure, the Chinese Government moved beyond seizures of the totoaba swim bladder smuggled to China from Mexico and in 2018 mounted several interdiction raids against retail markets. These raids ended the openly-visible and blatant sales of illegal wildlife commodities. Such retail sales moved behind closed doors and onto private online platforms. But it does not appear that China has sustained efforts to counter the now-more hidden illegal retail and has mounted raids against clandestine sales.

***Mexican environmental protection regulations and enforcement agencies have been weakened by actions of the Andrés Manuel López Obrador administration,*** even as Mexican natural resources are increasingly under threat from organized crime and wildlife traffickers. Mexican environmental agencies lack mandates, personnel, and equipment to prevent and stop environmental crime. Government officials, legal traders in wildlife commodities, and even law enforcement agencies in Mexico are systematically corrupted and intimidated by organized crime and the poor rule of law environment facilitates poaching, illegal logging, and wildlife trafficking to China.

***Preventing far greater damage to Mexico's biodiversity from illegal harvesting and poaching and wildlife and timber trafficking requires urgent attention in Mexico with far more dedicated and potent resources, as well as meaningful international cooperation,*** to identify and dismantle smuggling networks and retail markets.

***Importantly, countering poaching and wildlife trafficking from Mexico and acting against illegal fishing off Mexico and around Latin America is increasingly an important element in countering Mexican drug-trafficking cartels.*** They have diversified their business portfolios into various other forms of illegal trade beyond as

well as into legal economies. ***Primarily focusing on drug seizures close to their source is no longer sufficient to effectively counter their networks or finances.***

## **The Collapse of China's and Mexico's Cooperation with U.S. Counternarcotics Efforts**

Even for U.S. and international law enforcement and drug policy officials, let alone drug policy experts, there is limited visibility into China's internal law enforcement actions. This lack of visibility has only intensified since January 2020 when China became the focus of a negative international spotlight due to the outbreak of the COVID-19 pandemic. As a result, China reduced and even stopped sharing information about how many inspections of pharmaceutical companies it undertook, how many anti-fentanyl and anti-precursor raids it conducted within China, and how many Chinese nationals authorities apprehended or indicted on fentanyl or precursor trafficking charges.<sup>38</sup>

The most prominent case of prosecution and sentencing of fentanyl traffickers in China resulted in the conviction of nine Chinese nationals for drug trafficking in Hebei province. In 2017, the U.S. Drug Enforcement Administration (DEA) provided their Chinese counterparts with its intelligence that led to the arrests.<sup>39</sup> U.S. officials were invited to the sentencing. The case remains perhaps the high mark of U.S.-China counternarcotics cooperation. But it took place when Beijing was still hoping that an improvement in U.S.-China relations was possible and saw counternarcotics cooperation as a mechanism to obtain it. As Beijing's perception of the likelihood of any improvement in relations has eroded, so too has its willingness to explore coordination on counternarcotics issues.

It does not appear that other high-profile prosecutions have taken place in China since. There also do not appear to be cases of Chinese law enforcement officials prosecuting other individual companies or traders for violations of the May 2019 regulation. However, it is difficult to make assessments of China's internal law enforcement actions as China has become a black hole for visibility into its internal law enforcement actions.<sup>40</sup> That said, after years of U.S. requests, China finally agreed to allow the DEA to open an office in Shanghai, somewhat expanding access for U.S. law enforcement agents in the country.<sup>41</sup> ***Worrisomely, since the 2017 collaboration,***

**Beijing has not followed up on other major U.S. indictments of Chinese nationals on drug trafficking charges.** Consequently, in August 2019, the U.S. Treasury Department designated the Zheng Cartel, its leader Fujing Zheng, and his father Guanghua Zheng as violators of the Kingpin Act. In July 2020, Treasury added four other cartel operatives and the Global United Biotechnology Inc. (a storefront for the Cartel) to the designation.<sup>42</sup> With operations in Mexico and cover companies including veterinary care, computer and other retail, and chemical companies, the cartel has been manufacturing and selling fentanyl and other drugs to the United States and 24 other countries. But Chinese authorities have not moved against the indicted individuals who remain at large.

After the visit of then House Speaker Nancy Pelosi to Taiwan in August 2022, *China officially announced that it suspended all of its counternarcotics and law enforcement cooperation with the United States.*<sup>43</sup>

**Just like with China, Mexico's cooperation with U.S. counternarcotics efforts is profoundly hollowed out.** In recent weeks, Mexican President Andrés Manuel López Obrador has taken to falsely denying that fentanyl is produced in Mexico, deceptive statements echoed at his behest by other high-level Mexican officials and agencies.<sup>44</sup> Blaming fentanyl use in the United States on U.S. moral and social decay, including American families not hugging their children enough (the statement an apparent nod to his strategy of confronting Mexican criminals with "hugs and not bullets"), the Mexican President also proceeded to deny that fentanyl is increasingly consumed in Mexico.<sup>45</sup> With his statements, President López Obrador is not just unwittingly (or knowingly) echoing China's rhetoric, but also publicly dismissing two decades of a policy of shared responsibility for drug production, trafficking, and consumption between United States and Mexico.

But this **latest crisis is merely the visible tip of the iceberg of how Mexico has eviscerated counternarcotics and law enforcement cooperation with the United States during the López Obrador administration.** When President López Obrador assumed office in December 2018, he started systematically weakening that collaboration. From the beginning of his administration, he has sought to withdraw from the Merida Initiative, the U.S.-Mexico security collaboration framework signed during the Felipe Calderón administration. And he sought to redefine the collaboration extremely narrowly as merely U.S. assistance to Mexico in reducing demand for drugs

in Mexico while the United States focused on stopping the flow of drug proceeds and weapons to Mexico and reducing demand at home. Previous Mexican governments also certainly sought a significant increase in U.S. law enforcement focus on those two types of illicit flows, but were willing to collaborate also inside Mexico.

After the United States arrested former Mexican Secretary of Defense Gen. Salvador Cienfuegos in October 2020 for cooperation with a vicious Mexican drug cartel, President López Obrador threatened to end all cooperation and expel from Mexico all U.S. law enforcement personnel.<sup>46</sup> To avoid that outcome, the Trump administration handed Gen. Cienfuegos over to Mexico where he was rapidly acquitted.

But despite this significant U.S. concession, Mexico's counternarcotics cooperation remained limited. Meanwhile, ***U.S. law enforcement activities in Mexico became shackled and undermined*** by a December 2021 Mexican national security law on foreign agents.<sup>47</sup> As a former high-level Drug Enforcement Administration (DEA) official Matthew Donahue stated, since then and because of the continually immense level of corruption and cartel infiltration in Mexican security agencies, Mexican law enforcement spends more time surveilling DEA agents than it does cartel members.<sup>48</sup>

With the threat of Mexico's unilateral withdrawal from the Merida Initiative, the United States government worked hard to negotiate a new security framework with Mexico — The U.S.-Mexico Bicentennial Framework for Security, Public Health, and Safe Communities<sup>49</sup> — in the fall of 2021. The United States emphasized the public health and anti-money-laundering elements of the agreement, as the Mexican government sought. The Framework reiterates multiple dimensions of counternarcotics cooperation, including law enforcement.

In practice, however, the Mexican government actions and cooperations on its side of the U.S.-Mexico border remain profoundly inadequate, including and particularly in law enforcement actions to counter the Mexican criminal groups and their production and trafficking of fentanyl.

***The U.S.-Mexico law enforcement cooperation has thus been only limping.*** The Mexican government has conducted some interdiction operations based on U.S. intelligence, and some collaboration has persisted at the sub-federal level in Mexico.



While the DEA operations in Mexico remain hampered and limited, other U.S. law enforcement actors in Mexico have been able to induce some cooperation, with some Mexican government agencies even sharing some intelligence with the United States.

Crucially, as DEA Administrator Anne Milgram stated in her recent Senate testimony,<sup>50</sup> the Mexican government continues to be unwilling to share samples and information from its claimed lab busts and fentanyl and fentanyl precursor seizures. It is still not allowing the participation of DEA agents, even in only an observer role, in the interdiction operations it claims it has conducted. Extraditions of indicted drug traffickers to the United States from Mexico also remain limited.

***There is no doubt that Mexico's law enforcement cooperation with the United States has dramatically weakened and is troublingly inadequate.***

## **Conclusions and Policy Implications and Recommendations**

As vast numbers of Americans are dying of fentanyl overdose and Chinese and Mexican criminal groups expand their operations around the world and into a vast array of illegal and legal economies, the United States finds itself hollowed out and weak cooperation with both China and Mexico. Below I offer some policy implications and recommendations on how the United States can attempt to induce China and Mexico to better cooperate with U.S. counternarcotics and law enforcement objectives. I also provide suggestions for what law enforcement and policy measures the United States can undertake independently, and even if Mexico and China continue to reject robust cooperation.

***Structural characteristics of synthetic drugs***, including the ease of developing similar, but not scheduled synthetic drugs and their new precursors — increasingly a wide array of dual-use chemicals — ***pose immense structural obstacles to controlling supply***, irrespective of political will to prohibit and regulate their use and enforce the regulations. These structural characteristics impose large limitations on supply-side control effectiveness even if China were to radically alter its posture toward counternarcotics cooperation against Chinese drug trafficking networks and start robustly engaging in supply control measures toward synthetic opioids,

methamphetamine, and their precursors originating in China with the United States and other countries.

***U.S. domestic prevention, treatment, harm reduction, and law enforcement measures remain indispensable and fundamental*** for countering the devastating fentanyl crisis. It is likely that the most powerful measures to address the opioid crisis are internal policies such as expanded treatment and supervised use.

However, given the extent and lethality of the synthetic opioid epidemic in North America and its likely spread in time to other parts of the world, ***even supply control measures with partial and limited effectiveness can save lives***. That is a worthwhile objective. The Commission on Combatting Illicit Opioid Trafficking stressed that targeted supply reduction and the enforcement of current laws and regulations are essential to disrupting the availability of chemicals needed to manufacture synthetic opioids.<sup>51</sup> The Commission also highlighted how improved oversight of large chemical and pharmaceutical sectors and enhanced investigations of vendors or importers in key foreign countries can help disrupt the flow.<sup>52</sup> The Report's supply-side control recommendations include reducing online advertising; encouraging enhanced anti-money laundering efforts in China and Mexico; enhanced interdiction efforts; increased international scheduling of at least synthetic drug precursors that are only used for illicit purposes and enhanced control of precursor flows through collaboration with China and international counternarcotics organizations.<sup>53</sup>

My recommendations below focus on how to get China to accept such enhanced controls as well as highlight the difficult constraints on shaping China's behavior toward such desired outcomes.

Yet the effectiveness of all U.S. policy actions vis-à-vis China will be limited by the fact that China subordinates its counternarcotics cooperation with the United States to the overall geopolitical relationships between the two countries and, unlike the United States, refuses to delink it: Without a significant improvement in the geopolitical relationship, there is little prospect of China's increasing its law enforcement actions against fentanyl and cooperating more robustly with the United States. The greater the rivalry and tensions, the less cooperation China will deliver.

Even so and beyond the direct goal of preventing drug misuse and overdose in the United States and around the world, the United States also has broad global order objectives in its attempt to motivate China to share responsibility for illicit economies in which Chinese actors play a prominent role and for reducing the impunity of Chinese criminal networks, meaningfully sharing intelligence, acting on international indictments, and fostering rule of law at home and abroad.

My recommendations below also analyze and recommend tools to induce Mexico to cooperate more robustly with U.S. law enforcement measures.

U.S. counternarcotics and law enforcement **bargaining with Mexico is also constrained by the U.S. reliance on Mexico to stop migrant flows to the United States**. If the United States were able to conduct a comprehensive immigration reform that would provide legal work opportunities to those currently seeking protection and opportunities in the United States through unauthorized migration, it would have far better leverage to induce meaningful and robust counternarcotics and law enforcement cooperation with Mexico and would be better able to save U.S. lives. Nonetheless, even absent such reform, the United States can take impactful measures that I discuss below.

### ***Inducing Cooperation from China***

*With the Chinese government, Washington can continue to emphasize Beijing's interests in China's reputation as a global counternarcotics policy leader and leverage multilateral fora such the United Nations Office on Drugs and Crime and the International Narcotics Control Board. The United States should also continue to emphasize China's self-interest in preventing the emergence of a devastating synthetic opioid epidemic in the country as the prescription of opioids in China grows, even though Beijing has thus far been dismissive of these concerns. And Washington should continue requesting that China take down websites that sell synthetic opioids illegally to Americans or to Mexican criminal groups.*

*The United States should also strengthen its cooperation with allies and partners, such as Australia and Europe, to send coordinated messages to push Beijing in preferred directions of law enforcement efforts, including greater monitoring and*

enforcement against sales of precursors chemicals to criminal groups and more robust and broadly-cast anti-money laundering efforts. Such coordinated messages will *raise reputation costs for China of its law enforcement inactions*. There is reason to believe that such coordination among the U.S. and allies as well as regional partners in Asia-Pacific could result in greater Chinese willingness for and diligence in law enforcement collaboration. In other cases where China came to be faced with sustained criticism from countries with which it sought to cultivate influence, such as in Southeast Asian regarding meth precursors or globally regarding ivory trafficking, Beijing has over time altered its stance and adopted more cooperative and accommodating policies.

*The United States should continue to engage China bilaterally and multilaterally to adopt more robust anti-money laundering standards* in its banking and financial systems and trading practices. Getting China to adopt such more stringent regulatory measures will take considerable time. Meanwhile, China may occasionally be incentivized by the United States to use anti-money laundering measures against particular trafficking networks or chemical companies who are clearly selling precursors to drug traffickers, such as in Mexico. But beyond sporadic actions, there is little likelihood that China will rapidly alter its anti-money laundering stance away from selective focus on Chinese capital flight and toward broader counternarcotics measures. Nor is there high likelihood that any time soon China would allow the U.S. or other countries greater visibility into its banking and financial systems, since it will continue to seek to obfuscate the many problems of both. However, in time, U.S. and multilateral support for China's implementation of more robust anti-money laundering measures could produce *some* positive counternarcotics outcomes. There is no evidence to suggest that even stringent anti-money laundering measures would end or significantly reduce the supply of fentanyl to the United States. However, anti-money laundering cooperation could at least help dismantle smuggling networks and perhaps also deter some, thus making it more difficult for the networks to operate. At minimum, it would reduce their ability to operate with wide impunity and to strengthen the enforcement of the rule of law.

*With the Chinese government and Chinese pharmaceutical companies*, the United States could encourage the spread of best practices developed in the pharmaceutical sector. Over time, Chinese pharmaceutical companies should be encouraged to adopt the full array of global control standards, including the development of better training, certification, and inspection.

Even so, the shift toward precursors and pre-precursors with widespread dual use poses massive structural obstacles to control. The United States should remain deeply engaged in a global discussion on how to develop enhanced special surveillance lists and monitoring and enforcement mechanisms for dual-use chemicals, as those that are not scheduled do not have to be declared in exports.

With no global industry and countries' willingness to move toward scheduling many dual-use chemicals, the United States should be *encouraging the industry to adopt self-regulation systems to detect and police suspicious activities, by adopting know-your-customers policies*, not selling precursors to likely drug traffickers, and alerting law enforcement authorities about such buyers.

But even in the banking sector, such post-September 11 know-your-customer, due-diligence policies, and reams of reports of suspicious activities, had limited impact while generating problematic side-effects.<sup>54</sup> In comparison with banking, the global chemical industry is far larger and more fragmented, comprised of hundreds of thousands of firms and millions of facilities, including not merely producers but also many brokers. So achieving widespread and diligent adoption of self-regulation and incentivizing it through the punishment of violators is highly challenging. Moreover, in various parts of the world, including China and India, criminal groups have deeply infiltrated the chemical industry,<sup>55</sup> making it easy for them to falsify and subvert such self-regulation measures. Reducing criminal infiltration into and corruption within the pharmaceutical sectors in both countries would be necessary to make such measures more effective.

Moreover, these types of public-private partnerships are not common in China and could pose difficulties both for the government and industries. China's operating practices have largely been that the government writes regulations and the industries implements them (and often seeks to subvert them). And to the extent that many of the unscrupulous sellers of nonscheduled precursors are medium and small firms with smaller legal global market access and thus fewer incentives for compliance, the monitoring and enforcement challenge remains large and resource-intensive.

*Firms that violate agreed-upon standards* should be put on probation and, if no significant improvement and compliance takes place, *should be cut out of the U.S.*

*market and/or indicted by the U.S. government.* Washington can insist that Beijing shut down the worst offenders.

Of course, there is a risk that U.S. indictments, or any new U.S. laws mandating that only chemical firms with certain standards can sell to the U.S. market, might stimulate China to retaliate against U.S. businesses seeking access to China's market — whether by finding reasons to bring criminal investigations against U.S. companies or by organizing social media-led boycotts. China has previously resorted to both.<sup>56</sup> Moreover, many unscrupulous sellers are likely to sell their precursors or finished synthetic drugs to drug traffickers abroad, such as the Mexican groups, instead of directly into the United States.

*With respect to prominent Chinese pharmaceutical and chemical industry officials,* the United States can develop packages of leverage, such as denying them visas if their companies fail to adopt global standards of preventing diversion. Powerful Chinese industry actors may thus be incentivized to promote stricter regulatory standards and their enforcement within China.

But as in the case of U.S. actions against Chinese companies, the Chinese government might retaliate against U.S. individuals and look for ways to charge them with criminal conduct or espionage and arrest them.<sup>57</sup> Thus, the implementation of such a sanctioning mechanism would need to be judged very carefully within the broad context of U.S.-China relations.

*With respect to Chinese traffickers,* the United States should of course continue to develop legal indictment portfolios against them and their companies, even if China will not arrest, prosecute, and extradite them. Because of the poor state of human rights in China, the U.S. should continue to refuse to sign an extradition treaty with China. But Washington can and should deploy other punitive measures, such as *limiting traffickers' access to the international financial system, preventing their international travel, or attempting to have third countries arrest them and extradite them to the United States.* Nonetheless, such indictments, particularly if the indicted individuals are linked to the Chinese government or the CCP, may not stimulate China to engage in more extensive counternarcotics cooperation with the United States.

*Working with other international partners, the United States could encourage China to start moving more seriously against Chinese drug trafficking networks in Southeast Asia and the Pacific. But as long as these criminal groups also serve China's economic and internal control interests, such as against Chinese diasporas, Beijing's willingness to move against them will remain small. Thus, the United States will need to rely on and incentivize other regional partners to vigorously undermine those networks, even as new will emerge in their wake. However, particularly if in the future the replacement networks were not Chinese, the U.S. law enforcement challenges could diminish.*

### ***Inducing Cooperation from Mexico***

Various U.S. lawmakers have proposed designating Mexican criminal groups as Foreign Terrorist Organizations (FTO).

An FTO designation would enable intelligence gathering and strike options of the United States military, such as against some fentanyl labs in Mexico or visible formations of large Mexican cartels — principally CJNG.

However, such unilateral U.S. military actions in Mexico would severely jeopardize relations with our vital trading partner and neighbor whose society is deeply intertwined with ours through familial connections. Calls for U.S. military strikes against fentanyl-linked targets in Mexico has already been condemned by Mexican government officials, politicians, and commentators.

Meanwhile, the number of available targets in Mexico would be limited. Most Mexican criminal groups do not gather in military-like visible formations. Many fentanyl labs already operate in buildings in populated neighborhoods of towns and cities where strikes would not be possible due to risks to Mexican civilians. Moreover, fentanyl labs would easily be recreated.

Nor would the FTO designation add authorities to the economic sanctions and anti-money laundering and financial intelligence tools that the already-in-place designation of Transnational Criminal Organization (TCO) carries. The latter designation also carries extensive prohibitions against material support.

But an FTO designation could significantly limit and outright hamper U.S. foreign policy options and measures. Clauses against material support for designated terrorist organizations have made it difficult for the United States to implement non-military and non-law-enforcement policy measures in a wide range of countries, such as to provide assistance for legal job creation or reintegration support for even populations that had to endure the rule of brutal terrorist groups. To be in compliance with the material support laws, the United States and other entities must guarantee that none of their financial or material assistance is leaking out, including through coerced extortion, to those designated as FTOs.

Yet such controls would be a significant challenge in Mexico where many people and businesses in legal economies, such as agriculture, fisheries, logging, mining, and retail, have to pay extortion fees to Mexican criminal groups. The attempted controls could undermine the ability to trade with Mexico as many U.S. businesses would not be able to determine whether their Mexican trading or production partner was paying extortion fees to Mexican cartels, and thus guarantee that they were not indirectly in violation of material support clauses.

The FTO designation could hamper the delivery of U.S. training, such as to local police forces or Mexican federal law enforcement agencies, if guarantees could not be established that such counterparts had no infiltration by criminal actors.

Instead, if the López Obrador administration continues to deny meaningful law enforcement cooperation, *the United States may have to resort to significantly intensified border inspections*, even if they significantly slow down the legal trade and cause substantial damage to Mexican goods, such as agricultural products. Under optimal circumstances, U.S.-Mexico law enforcement cooperation would be robust enough to make legal border crossings fast and efficient. Joint fentanyl and precursor busts and seizures could take place near production labs and at warehouses. The inspections of legal cargo heading to the United States could take place close to production and loading site in Mexico. Under the Merida Initiative, the Obama administration, in fact, sought to develop with Mexico such systems of legal cargo inspection inside Mexico and away from the border. But if Mexico refuses to act as a reliable law enforcement partner to counter the greatest drug epidemic in North America, which is also decimating lives in Mexico, the United States may have to focus much intensified inspections at the border, despite the economic pains.



*Packages of leverage, including indictment portfolios, could also be developed against Mexican national security and law enforcement officials and politicians who undermine and sabotage rule of law cooperation with the United States.*

### ***Expanding and Smartening Up U.S. Measures against Criminal Actors***

Importantly, the United States has significant opportunities rapidly to strengthen and smarten up its own measures against Chinese and Mexican criminal actors participating in fentanyl and other drug trafficking while simultaneously also enhancing U.S. measures to counter wildlife trafficking and protect public health and global biodiversity.

Mexican drug cartels have diversified their activities into a wide array of illicit and licit commodities. Similarly, some Chinese actors smuggling fentanyl are also involved in wildlife trade and trafficking. Some are connecting to the CCP and Chinese government officials. Corruption networks permeate all levels of the Mexican government.

***Primarily focusing on drug seizures close to source is no longer sufficient for effectively disrupting fentanyl smuggling and criminal networks implicated in it.***

***Rather, countering poaching and wildlife trafficking from Mexico and illegal logging and mining in places where the Mexican cartels have a reach, acting against illegal fishing off Mexico and around Latin America and elsewhere, and shutting down wildlife trafficking networks into China are increasingly an important element of countering Mexican and Chinese drug-trafficking groups and reducing the flow of fentanyl to the United States.***

To effectively counter fentanyl-smuggling actors requires a whole-of-government approach — not simply on paper, but truly in implementation. ***A wide range of U.S. government agencies should be authorized to support U.S. law enforcement against Mexican and Chinese criminal actors, fentanyl trafficking, and crimes against nature. These include U.S. intelligence agencies, the Department of State, the Department of Defense, and U.S. Fish and Wildlife Service (USFWS).***

Moreover, the focused collection, analysis, and reporting of ***intelligence by a variety of U.S. government actors against wildlife trafficking, illegal fishing, and illegal mining could beget new opportunities to understand the criminal linkages to foreign governments, including China's, to confirm or dismiss concerns as to whether Chinese fishing vessels carry spy equipment, and to identify the crucial vulnerabilities of Mexican and other dangerous cartels.***

To such end, ***crimes against nature should be elevated as a Collection and Reporting priority of the U.S. Intelligence Community, and within the U.S. National Priorities Framework.***

Stove-piping in information and intelligence gathering across a wide set of illicit economies should be ended. Gathered information and intelligence should be shared with interagency analysis groups intent upon interdicting the illicit international flow of scheduled drugs and endangered species. Such efforts could be enabled by increasing the number of USFWS special agents and by augmenting their respective participation in interagency Organized Crime Drug Enforcement Task Forces (OCDETF) investigations.

The relevant intelligence on crimes against nature to understand and dismantle criminal networks could include names, phone number, license plates, courier accounts, bank accounts, and wiretapped conversations. Conversely, countering groups perpetrating crimes against nature could be productive in terms of freezing accounts and visas to interdict the smuggling of drugs, guns, and humans that they're conducting.

Enhancing intelligence collection and law enforcement action opportunities stemming from such an expanded lens to cover ***all*** of the activities, including crimes against nature, of dangerous and nefarious actors, such as Mexican cartels and Chinese criminal groups, ***requires enlarging the pool of USFWS special agents and uniformed wildlife inspectors*** at the U.S.-Mexico border and at transportation hubs within the United States. The DEA appropriately enjoys strong capacities, currently maintaining a force of 4000 agents.<sup>58</sup> In contrast, the number of USFWS special agents has for years hovered at a mere and insufficient 220.<sup>59</sup> For years, this inadequate number has not increased even though poaching, illegal logging, and mining, and trafficking in natural resource commodities have grown enormously over the past three decades,

continue expanding, and increasingly involve Mexican drug cartels as well as Chinese criminal networks.

As a corollary and imperative effort, U.S. law enforcement agencies' legal authorities to counter wildlife trafficking should be expanded. Importantly, **wildlife trafficking should be designated as a predicate offense for wiretap authorizations.**<sup>60</sup> Such expanded authority would bring about multiple benefits: including the enabling, understanding, and demonstration of the connections between wildlife and transnational organized crime networks and foreign bad actors, enhancing the ability to disrupt fentanyl trafficking, and allowing for more expeditious and pointed prosecution of wildlife trafficking crimes. Currently, federal legislation at the foundation of wildlife crime prosecution, at the core of which is the Lacey Act, often entails proof of knowledge on the part of the defendant, a requirement that wiretap authorization would greatly facilitate, in the interest of prosecuting transnational wildlife trafficking and convicting criminal syndicates.

Many fentanyl-trafficking networks are not narrowly specialized in fentanyl or drugs only. Many Mexican cartels and criminal groups no longer solely focus on drug smuggling. Fentanyl smuggling networks have powerful protectors among corrupt government officials worldwide. Incentivizing better cooperation from the Chinese and Mexican criminal governments is important. But particularly given the challenges in inducing such cooperation in the current geopolitical environment and given the policy orientation of the current Mexican government, it is equally crucial to enhance the United States' own policy tools to counter fentanyl-trafficking networks. Expanding the intelligence-gathering aperture and mandating and resourcing a whole-of-government approach in support of U.S. law enforcement will save U.S. lives currently decimated by fentanyl overdoses. ([#\\_ednref1](#))

# **EXHIBIT 24**

United States Senate  
WASHINGTON, DC 20510-3203

September 12, 2024

The Honorable Anthony J. Blinken  
Secretary of State  
U.S. Department of State  
2201 C St., NW  
Washington, D.C. 20520

Dear Secretary Blinken:

I am writing to express my strong support for continued diplomatic efforts to urge the People's Republic of China's cooperation on efforts to crack down on the flow of illicit fentanyl to the U.S. and elsewhere in the world. Fentanyl has wreaked havoc in New York and across America, and despite our ongoing efforts, companies in China continue to fuel this crisis by illicitly selling precursor chemicals to buyers in places like Mexico, where it is manufactured and illegally shipped to our most vulnerable communities.

Nearly a year ago I led a bipartisan Senate delegation to China and met with President Xi and several other high-ranking PRC officials to candidly discuss, among other priorities, the need for China to take much more aggressive action to stop fentanyl precursor chemicals from fueling the fentanyl crisis in America. I am pleased that following our Senate delegation, and thanks to the Biden-Harris Administration's continued constructive engagement, the PRC has taken some initial steps to address our concerns.

For example, soon after our Congressional Delegation, President Biden, citing the delegation's efforts, announced a new deal on U.S.-China fentanyl cooperation. This progress included launching the U.S.-PRC Counternarcotics Working Group to bolster law enforcement and information sharing, something our Congressional Delegation had specifically called for. Additionally, the PRC issued a notice to its chemical companies against illicit trade in precursor chemicals and pill press equipment, a key action to enforce its own regulation against illegal trade of these products. In June 2024, the PRC also took a joint law enforcement action with the U.S. and arrested fugitives named in the U.S. Justice Department "Operation Fortune Runner" indictment. Finally, the PRC has also taken three actions to bring under regulatory and legal control some fentanyl precursor chemicals, along with synthetic drugs harming Americans.

While these initial steps are welcomed, they fall short of meeting the request of our Congressional Delegation to President Xi that the PRC take responsibility for cutting off the flow of deadly chemicals that are poisoning and killing Americans every day. It is clear that sustained diplomatic and economic pressure and communication with the PRC remains an utmost necessity to hold the PRC further accountable in addressing this crisis.

**Therefore, I strongly urge you to work across the interagency to push the PRC to take the following additional steps:**

1. Take additional law enforcement actions to exert sustained pressure that cracks down on Chinese companies, online marketplaces, and individuals who are involved in illicit

precursor chemical and fentanyl trade and publicly announce the results of these actions. Such action is critical to deterring this type of activity that is already deemed illegal by the PRC. I have no doubt that the PRC can act swiftly to enforce its own law if there is a real commitment to addressing this crisis.

2. Take additional steps domestically to schedule the main precursor chemicals involved in the production of illicit fentanyl. While the PRC has taken some positive steps as previously mentioned, there are significant gaps in the scheduling of precursor chemicals that have been scheduled at the international level.
3. Crack down on money laundering and underground banks used to move illicit profits as part of the illicit fentanyl trade. Recent action by the U.S Department of Justice against underground banking networks in China, and operating globally, demonstrates the need for increased efforts from the PRC to restrict these illicit financial networks and banks that seek to evade PRC laws.

Absent progress with the PRC on these steps, I urge you to maintain the designation of the PRC as a Major Drug Transit or Major Illicit Drug Producing country for Fiscal year 2025.

Once again, I strongly urge you to continue to work with urgency and commitment to push the PRC to take these decisive and meaningful steps to curb the fentanyl crisis as Congress simultaneously continue to assess our legislative options. I look forward to continuing to work together to disrupt the supply of illicit fentanyl, tackle the broader synthetic drug crisis, and save lives in the United States.

Sincerely,



Charles E. Schumer  
United States Senator

CC:

Merrick B. Garland  
Attorney General  
U.S. Department of Justice

Dr. Rahul Gupta  
Director of the Office of National Drug Control Policy  
Executive Office of the President of the United States

## SCHUMER: NEW AGREEMENT WITH CHINA ON FENTANYL COULD BE MAJOR STEP FORWARD TO CURB OPIOID CRISIS IN NEW YORK, BUT NOW WE NEED TO HOLD CHINA ACCOUNTABLE AND MAKE SURE THERE IS COMPLIANCE; SENATOR DETAILS NEW DEAL WITH CHINA TO CRACK DOWN ON ILLICIT FENTANYL AND VOWS TO WATCH LIKE A HAWK FOR PROGRESS

*Schumer Led Bipartisan Delegation And Personally Met With China's President Xi Last Month To Demand Immediate Action To Stop Fentanyl Coming To America*

*Yesterday, President Biden — Citing Schumer's Diplomacy — Announced New Deal To Crack Down On Chinese Companies Selling Fentanyl Precursor Chemicals, Increase Law Enforcement Cooperation With U.S., And Work At Senior Level To Directly Address Crisis*

*Schumer: We Still Have To Watch China Like A Hawk As Part Of New Deal To Cut Flow Of Deadly Fentanyl In NY And Nation*

[Following his personal meeting in China with President Xi Jinping last month](#), U.S. Senate Majority Leader Charles E. Schumer today detailed how the new deal President Biden has struck with China to crack down on the scourge of fentanyl could be a major **step forward** to curb the opioid crisis in New York, but said now more than ever it is imperative to hold China accountable and ensure there is compliance with their commitments.

"The agreement President Biden has announced with China is a long overdue step which has the potential to help cut off the supply of fentanyl at its source and stop this drug before it ever enters our country and hits the streets of New York, but now it is more vital than ever to hold China accountable for the commitments they have made," **said Senator Schumer**. "Fentanyl has wreaked havoc in New York and across America, with this crisis stemming in large part in China, where large chemical companies openly and illicitly sell precursor chemicals to buyers in places like Mexico, where it is manufactured and illegally shipped to our most vulnerable communities here in NY. During my visit to China last month we were pointed and direct with President Xi, I told him the devastating impact I have seen the opioid crisis have on New York families. I am pleased to see China take what could be a major **step forward** to cut off the flow of fentanyl and I am going to be watching like a hawk for progress."

Specifically, Schumer explained China's has said it will take new action to enforce its own regulations against the companies which make precursor drugs in a major step to potentially cut off the flow of this deadly drug. A similar notice to industry in 2019 led to a drastic reduction in seizures of fentanyl shipments to the United States from China. Schumer said the U.S. also has information that that PRC police have taken law enforcement action against Chinese synthetic drug and chemical precursor suppliers. As a result, certain China-based pharmaceutical companies ceased operations and have had some international payment accounts blocked. This probably represents the first law enforcement action against synthetic drug-related chemical sellers by Chinese authorities since 2017.

In addition, China and the United States will be launching a counter narcotics working group to bolster law enforcement and information sharing to cut off the flow of precursor drugs and illicit fentanyl. The U.S. and China have both said they will also start working and on an ongoing basis at the senior level to directly address this crisis and start working closely together to carry this initiative forward. In conjunction, Schumer said these long overdue steps have real potential to reduce the flow of these drugs into the United States and places like New York, and ultimately save lives.

**Schumer added**, "Too many lives have been lost, and too many others are at stake, especially here in New York. Today is a pivotal step forwards in a decades long battle and I will be fighting to hold China's feet to the fire and keep them accountable for their commitments to cut off the flow of fentanyl to America. I told President Xi that China taking steps to crack down on the sale of precursor chemicals would be a long overdue step to strengthening the relationship between our two nations and hope to see continued results from China in the near future."

Illicit fentanyl is trafficked into the United States [primarily from China and Mexico](#), and is responsible for the ongoing fentanyl epidemic in New York and across the country. China is the world's largest producer of illicit fentanyl, fentanyl analogues, and their immediate precursors. Some [officials estimate](#) that China is responsible for over 90 percent of the illicit fentanyl found in the U.S. From China, those substances are shipped primarily through express consignment carriers or international mail directly to the United States, or, alternatively, shipped directly to transnational criminal organizations in other countries like Mexico, Canada, and the Caribbean where the drug is then manufactured.

In New York in 2020, [87.9 percent of all overdose deaths involving any opioid involved synthetic opioids, predominantly illicitly manufactured fentanyl](#) like described above. In 2022, New York City saw overdose deaths reach record numbers at over 3,000, [predominantly driven by illicit fentanyl](#). Most recent county by county data on the impact of the opioid crisis in New York can be found [here](#). The additional enforcement and actions announced today will help tackle the spread of fentanyl directly by ensuring the chemicals used to make the illicit drug never reaches its targets, cutting off the manufacturing of the drug before it can reach streets in communities across America.

# **EXHIBIT 25**





FREEDOM IN THE WORLD 2023

# China

NOT FREE

**9**  
/100

<u>Political Rights</u>	<b>-2</b> /40
<u>Civil Liberties</u>	<b>11</b> /60

### LAST YEAR'S SCORE & STATUS

**9/100**    **Not Free**

Global freedom statuses are calculated on a weighted scale. See the methodology.



## Note

The numerical scores and status listed above do not reflect conditions in Hong Kong or Tibet, which are examined in separate reports. *Freedom in the World* reports assess the level of political rights and civil liberties in a given geographical area, regardless of whether they are affected by the state, nonstate actors, or foreign powers. Territories are sometimes assessed separately if they meet certain criteria, including boundaries that are sufficiently stable to allow year-on-year comparisons. For more information, see the report **methodology** and **FAQ**.

## Overview

China's authoritarian regime has become increasingly repressive in recent years. The ruling Chinese Communist Party (CCP) continues to tighten control over all aspects of life and governance, including the state bureaucracy, the media, online speech, religious practice, universities, businesses, and civil society associations. The CCP leader and state president, Xi Jinping, secured a third term as party leader in October 2022, further consolidating personal power to a degree not seen in China for decades. Following a multiyear crackdown on political dissent, independent nongovernmental organizations (NGOs), and human rights defenders, China's civil society has been largely decimated.

## Key Developments in 2022

- Xi Jinping was appointed to a third five-year term as the CCP's general secretary at the 20th Party Congress in October. The designation, awarded four years after Xi had orchestrated a change in China's constitution to abolish presidential term limits, cleared the way for him to secure a third term as state president in 2023. The CCP also announced the new membership of the Politburo Standing Committee (PSC), which sets government and party policy; all of those on the revamped committee were Xi loyalists and allies.

- In late November the largest protests since 1989 erupted across the nation, triggered by news of an apartment fire that killed 10 people in Xinjiang’s regional capital, Urumqi. Strict COVID-19 lockdown rules were widely thought to have prevented the victims from escaping. Protesters criticized Xi’s “zero-COVID” policy, which had also caused food shortages and other extreme hardships, and some called for Xi’s resignation and democratic reforms. Law enforcement authorities moved quickly, and in some cases violently, to quash the protests.
- The government abruptly abandoned key components of its zero-COVID policy in December, in what was seen as a major concession to demonstrators. Official statements and the state-controlled media sector downplayed the consequences of the policies’ cancellation, and sought to portray the move as a well-organized process backed by science. Bloomberg News and the *Financial Times* reported on leaked documents from top Chinese health officials in which it was estimated that almost 250 million people in China had contracted COVID-19 in the first 20 days of December.
- Authorities continued to develop intense surveillance and mass data-collection systems capable of monitoring individuals’ movements, social contacts, online activity, and other behavior, and to draw on these tools to crush dissent.

## Political Rights

### A. Electoral Process

**A1** 0-4 pts

**Was the current head of government or other chief national authority elected through free and fair elections?**

**0/4**

There are no direct or competitive elections for national executive leaders. The National People’s Congress (NPC) formally elects the state president for five-year terms and confirms the premier after he is nominated by the president, but both positions are determined in advance by the top CCP leadership and announced at the

relevant party congress. The CCP's seven-member PSC, headed by Xi Jinping in his role as the party's general secretary, sets government and party policy in practice. Xi also holds the position of state president and serves as chairman of the state and party military commissions.

Xi was appointed for a third five-year term as CCP general secretary at the 20th Party Congress in October 2022, paving the way for him to remain in power indefinitely. This marked a sharp break from the post-Cultural Revolution practice of maintaining a two-term limit for the country's highest leadership position.

**A2** 0-4 pts

**Were the current national legislative representatives elected through free and fair elections?**

0/4

The 3,000 NPC members are formally elected for five-year terms by subnational congresses, but in practice all candidates are vetted by the CCP. Only the NPC's standing committee meets regularly, with the full congress convening for just two weeks a year to approve proposed legislation; party organs and the State Council, or cabinet, effectively control lawmaking decisions. The current NPC was seated in March 2022.

**A3** 0-4 pts

**Are the electoral laws and framework fair, and are they implemented impartially by the relevant election management bodies?**

0/4

Political positions are directly elected only at the lowest levels. Independent candidates who obtain the signatures of 10 supporters are by law allowed to run for seats in the county-level people's congresses, and elections for village committees are also supposed to give residents the chance to choose their representatives. In practice, however, independent candidates for these posts are often kept off the ballot or out of office through intimidation, harassment, fraud, and in some cases detention.

Elections are not administered by an independent body. The indirect elections that populate people's congresses at various levels are conducted by those congresses' standing committees, while village-level elections are conducted by a village electoral committee that answers to the local party committee.

## B. Political Pluralism and Participation

**B1** 0-4 pts

<p><b>Do the people have the right to organize in different political parties or other competitive political groupings of their choice, and is the system free of undue obstacles to the rise and fall of these competing parties or groupings?</b></p>	<p><b>0/4</b></p>
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The CCP effectively monopolizes all political activity and does not permit meaningful political competition. Eight small noncommunist parties are represented in the Chinese People's Political Consultative Conference (CPPCC), an official advisory body, but their activities are tightly circumscribed, and they must accept the CCP's leadership as a condition for their existence.

Citizens who have sought to establish genuinely independent political parties or prodemocracy movements are nearly all in prison, under house arrest, or in exile. The authorities continue to hold prodemocracy activists and lawyers in various forms of detention and prison. New Citizens' Movement founder and legal activist Xu Zhiyong, in detention since February 2020, was reportedly tried in secret for "subversion" in June 2022.

**B2** 0-4 pts

<p><b>Is there a realistic opportunity for the opposition to increase its support or gain power through elections?</b></p>	<p><b>0/4</b></p>
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China's one-party system provides no institutional mechanism for organized political opposition, and the CCP has ruled without interruption since winning a civil war against the Nationalist Party (Kuomintang) in 1949. While factions within the CCP have always existed, they do not compete openly or democratically, and they remain unaccountable to the public. Xi Jinping has steadily increased his personal power and authority within the party since 2012, notably by purging rivals and challengers as part of an anticorruption campaign.

**B3** 0-4 pts

<p><b>Are the people's political choices free from domination by forces that are external to the political sphere, or by political forces that employ extrapolitical means?</b></p>	<p><b>0 / 4</b></p>
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The authoritarian CCP is not accountable to voters and denies the public any meaningful participation in political affairs. The party uses a broad array of coercive tools and methods to suppress independent political engagement.

**B4** 0-4 pts

<p><b>Do various segments of the population (including ethnic, racial, religious, gender, LGBT+, and other relevant groups) have full political rights and electoral opportunities?</b></p>	<p><b>0 / 4</b></p>
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The political system is dominated in practice by ethnic Han Chinese men. Societal groups such as women, ethnic and religious minorities, and LGBT+ people have no opportunity to gain meaningful political representation. Nominal representatives of ethnic minority groups such as Tibetans, Uyghurs, and Mongolians hold administrative offices and participate in party and state bodies like the NPC, but their role is largely symbolic. Women are severely underrepresented in top CCP and government positions. For the first time in 25 years no women will sit on China's Politburo, after the 20th Party Congress failed to name any in 2022. No woman has ever sat on the PSC.

# C. Functioning of Government

**C1** 0-4 pts

Do the freely elected head of government and national legislative representatives determine the policies of the government?	0/4
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None of China's national leaders are freely elected, and the legislature plays a rubber-stamp role in policymaking and the development of new laws. The continuing concentration of power in Xi Jinping's hands, an expanding cult of personality centered on Xi, and his regular calls for greater ideological conformity and party supremacy have further reduced the limited space for policy debate, even within the CCP.

**C2** 0-4 pts

Are safeguards against official corruption strong and effective?	1/4
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Since becoming CCP leader in 2012, Xi has pursued an extensive anticorruption campaign. Well over a million officials have been investigated and punished, according to official figures, including senior state, party, and military officials. Anticorruption functions are currently managed by the National Supervisory Commission (NSC), which was established through a 2018 merger of existing state and party entities and is tasked with enforcing political and ideological discipline in addition to compliance with the law. In 2022, anticorruption efforts focused heavily on law enforcement agencies, reflecting both endemic corruption within the police as well as the leadership's effort to secure loyalty within law enforcement.

Nevertheless, corruption remains rooted in the one-party system, which does not tolerate the institutions necessary for effectively addressing graft—such as a free press, independent civil society groups, and impartial courts.

**C3** 0-4 pts

**Does the government operate with openness and transparency?**

**0/4**

The Chinese government and the CCP are notoriously opaque. Regulations on “open government” do not effectively compel local party and state organs to share critical data or respond to citizen requests. Under Xi Jinping’s leadership, the government has developed increasingly sophisticated methods for controlling the diffusion of information and shaping public discourse. In 2022, authorities continued to suppress information about their management of COVID-19, spread disinformation about the pandemic, and punish those who sought to report truthfully about the situation.

### **Add Q**

**Is the government or occupying power deliberately changing the ethnic composition of a country or territory so as to destroy a culture or tip the political balance in favor of another group?**

**-3**

Chinese authorities have aggressively pursued policies to deliberately alter the demographics of ethnic minority regions, particularly in Xinjiang, Tibet, and Inner Mongolia. Authorities in Xinjiang have interned more than a million Uyghurs and other members of Turkic ethnic minority groups in so-called Vocational Skills Education and Training Centers (VSETCs), as well as in prisons and other detention facilities. While the government claims that VSETCs are educational centers that Uyghurs and others participate in voluntarily, a cache of internal government documents, including speeches and photographs, obtained by the International Consortium of Investigative Journalists (ICIJ) and published in 2022 provided further evidence of their coercive and abusive nature. The documents, which date back to 2017, describe facilities secured by armed guards who have been issued shoot-to-kill orders against anyone attempting to escape. Inside, detainees are subject to aggressive forms of indoctrination and political reeducation that aim to undermine their ethnic identities and religious beliefs.



Uyghur and other Muslim women in Xinjiang, particularly those with two or more children, are subject to a program of forced sterilization. Previous investigations and witness testimony have revealed that Xinjiang authorities have coerced women to accept surgical sterilization, forcibly implanted intrauterine contraceptive devices prior to internment, administered unknown drugs and injections to women in detention, and used fines and internment as punishment for birth-control violations.

In 2022, poverty alleviation measures included the coercion of hundreds of thousands of Uyghurs and other ethnic minority members, mostly farmers and other residents authorities refer to as “surplus rural laborers,” to leave their hometowns and take low-wage jobs elsewhere, largely in state-owned factories. Participants have described prison-like environments where individuals are subjected to political indoctrination. Despite the government’s claim that the relocations are voluntary and to the financial benefit of participants, a UN special rapporteur in a 2022 report cited evidence that the programs involve forced labor, heavy surveillance, violence, and degrading treatment, and that “some instances may amount to enslavement as a crime against humanity.

Increasing numbers of ethnic minority children in Xinjiang and Tibet have been separated from their parents and forced to attend state-run boarding schools, where Mandarin is the sole language of instruction and where students are subject to intense political indoctrination. Those who protest are subject to detention and other forms of punishment. In recent years the Ministry of Education has required preschools across China to make Mandarin Chinese the language of instruction, reflecting an ongoing push to impose Mandarin as the dominant language at all educational levels and further weaken the cultural identities of ethnic minority groups and individuals. A multiyear campaign of detaining ethnic minority writers, scholars, musicians, and religious figures, often meting out long prison terms, continues to damage the cultural, religious, social and economic leadership of these communities.

The government has also continued to promote policies that have attracted hundreds of thousands of Han Chinese to relocate to ethnic minority regions. Programs that encourage marriages between Han Chinese and members of ethnic

minorities through financial and other incentives further aim to dilute minority identities.

## Civil Liberties

# D. Freedom of Expression and Belief

**D1** 0-4 pts

Are there free and independent media?	0/4
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China is home to one of the world's most restrictive media environments and its most sophisticated system of censorship, particularly online. The CCP maintains control over news reporting via direct ownership, accreditation of journalists, harsh penalties for comments that are critical of party leaders or the CCP, and daily directives to media outlets and websites that guide coverage of breaking news stories. State management of the telecommunications infrastructure enables the blocking of websites, removal of smartphone applications from the domestic market, and mass deletion of social media posts and user accounts that address banned political, social, economic, and religious topics. Thousands of websites have been blocked, many for years, including major news and social media hubs like the *New York Times*, the British Broadcasting Corporation (BBC), YouTube, Twitter, and Facebook.

Rules and regulations governing the media and internet usage include measures that restrict news dissemination and contribute to the banning of mobile apps focused on minority languages, Bible content, and foreign-language learning, among other topics. Censors have also removed large numbers of social media groups, accounts, or posts that dealt with LGBT+ issues, financial advice, critical views of CCP history, and celebrities. The country's network of some 20 million pro-CCP volunteer internet

commentators and more than 2 million paid employees continued to aggressively monitor and censor online communications.

According to the Committee to Protect Journalists (CPJ), 43 journalists were imprisoned in China in 2022, though the number of people held for uncovering or sharing newsworthy information is far greater. Numerous citizen journalists and bloggers were detained, disappeared, or criminally charged during 2022 for their reporting and online posts. Zhang Zhan, a citizen journalist and former human rights lawyer, continued to serve a 4-year prison sentence for “picking quarrels and provoking trouble” for her reporting on the COVID-19 pandemic. The whereabouts of many others detained for reporting on the pandemic remain unknown.

**D2** 0-4 pts

**Are individuals free to practice and express their religious faith or nonbelief in public and private?**

**0/4**

The CCP regime operates a multifaceted apparatus to control all aspects of religious activity, including by vetting religious leaders for political reliability, placing limits on the number of religious authorities such as priests and imams, requiring ideological conformity within religious doctrine, and installing security cameras inside religious establishments. All religious groups must go through a rigorous process of certification to be officially recognized by the authorities, with those that refuse to do so being labeled illegal and persecuted. Certain religions and religious groups, including Tibetan Buddhists, Uyghur Muslims, Falun Gong practitioners, and Christian “house churches,” are persecuted harshly. In Xinjiang, peaceful religious practices are routinely punished under charges of “religious extremism,” resulting in detention, prison sentences, and indoctrination for many Uyghur, Kazakh, and Hui Muslims.

Thousands of Buddhist, Taoist, and folk-religion temples and house churches across China were completely or partially demolished by authorities in recent years. Authorities were reported to have used COVID-19 restrictions and inspections to justify the closure of churches and other religious venues, even as nearby venues like restaurants remained open.

The government continued to operate mobile “transformation” units, which subject members of “illegal” religious groups to severe psychological and physical torture intended to force them to “transform” by renouncing their religious beliefs. Thousands of members of such illegal groups are also sentenced to long prison terms and illegal forms of detention, in which torture and ill-treatment are routine. Children under the age of 18 are prohibited by law from attending church or engaging in religious activities. Dozens of Falun Gong practitioners were reported to have died in custody, or shortly after their release, in recent years.

**D3** 0-4 pts

<p><b>Is there academic freedom, and is the educational system free from extensive political indoctrination?</b></p>	<p><b>0/4</b></p>
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Academic freedom is heavily restricted. Efforts to police classroom discussions are present at all levels of education, including via installation of surveillance cameras in some classrooms, large-scale recruitment of student informants, and the creation of special departments to supervise the political thinking of teaching staff. The CCP controls the appointment of top university officials, and CCP committees and party branches have significant formal authority over university administration. Many scholars practice self-censorship to protect their careers and personal safety.

Political indoctrination, including the study of “Xi Jinping Thought,” is a required component of the curriculum at all levels of education. A number of universities have removed references to “freedom of thought” from their charters, replacing them with pledges of loyalty to the CCP. Professors and students face reprisals—ranging from censored writings, travel restrictions, and demotions to arrest and imprisonment—for expressing views that are deemed critical of the CCP’s governance or Xi’s leadership. Authorities have continued to shut down or nationalize private schools across the country, in an effort to bring all education under state control.

**D4** 0-4 pts

**Are individuals free to express their personal views on political or other sensitive topics without fear of surveillance or retribution?****1/4**

Citizens continue to be charged and sentenced to sometimes long prison terms for critical or satirical social media posts on a variety of subjects, notably the government's response to the COVID-19 pandemic, and criticism or perceived criticism of Xi or the CCP. In addition to criminal punishment, internet users face account deletions, job dismissals, arbitrary detention, and police interrogation over such posts.

The government's vast ability to monitor citizens' lives and communications inhibits online and offline conversations. Administrators of social media applications like WeChat closely monitor user discussions to ensure conformity with government content restrictions. Surveillance cameras, now frequently augmented with facial-recognition software, cover many urban areas and public transportation, and these networks are expanding into rural regions. Devices used by police to quickly extract and scan data from smartphones, initially deployed in Xinjiang, have spread nationwide.

Police have access to the personal details of broad categories of individuals. China's Cybersecurity Law obliges companies to store Chinese users' data within the country and submit to often intrusive security reviews. Telecommunications companies are required to obtain facial scans of new internet or mobile phone users as part of the real-name registration process, which is combined with mass surveillance tools to closely monitor all residents. Electronic surveillance is supplemented with offline monitoring by neighborhood party committees and "public security volunteers" who are visible during large events.

There is an especially heavy police presence in ethnic minority regions, particularly Xinjiang. The ability of Uyghurs and members of other Muslim minority groups in Xinjiang to express themselves freely, even in private, has been further undermined in recent years by a policy of having Chinese officials live in their homes to monitor and indoctrinate them.

# E. Associational and Organizational Rights

**E1** 0-4 pts

Is there freedom of assembly?	<b>1</b> /4
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The constitution protects the right of citizens to demonstrate, but in practice protesters seldom obtain approval and risk punishment for assembling without permission. Spontaneous demonstrations have provided some outlet for local grievances, though they are frequently met with police violence and criminal prosecution. Solitary protests—in which an individual holds a placard in public, for example—can be criminally punished. Armed police have been accused of opening fire during past protests, particularly in Xinjiang.

Following widespread spontaneous protests at the end of 2022 against the country's zero-OVID policy—dubbed the “white paper” movement because many participants held up blank pieces of paper, a tactic meant to both evade arrest and implicitly criticize censorship—dozens of protesters were detained, with many reporting abusive interrogation procedures.

**E2** 0-4 pts

Is there freedom for nongovernmental organizations, particularly those that are engaged in human rights– and governance-related work?	<b>0</b> /4
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Both Chinese and foreign nongovernmental organizations (NGOs) lack meaningful autonomy. While hundreds of thousands of NGOs are formally registered, many effectively operate as government-sponsored entities and focus primarily on service delivery. Nearly all prominent NGOs that focused on policy advocacy, including in previously less politically sensitive areas, have been shuttered under government pressure in recent years.

Engaging in NGO work unsanctioned by the state is risky, and many NGO workers have been detained and jailed. In 2022, it was reported that Cheng Yuan, the founder of an NGO that advocated for the rights of migrant workers and people with chronic health issues and disabilities, had been tortured in prison while serving a multiyear sentence imposed after a secret trial.

The law requires foreign NGOs to find a Chinese sponsor and register with the Ministry of Public Security, and police have the authority to search NGOs' premises without a warrant, seize property, detain personnel, and initiate criminal procedures.

**E3** 0-4 pts

<b>Is there freedom for trade unions and similar professional or labor organizations?</b>	<b>1/4</b>
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The only legal labor union organization is the government-controlled All-China Federation of Trade Unions (ACFTU), which has long been criticized for failing to defend workers' rights. Efforts to organize independent trade unions are swiftly shut down by authorities, and the activists involved face harsh penalties. Despite the risks, workers engaged in a number of largely spontaneous strikes, with over 800 recorded during 2022.

## F. Rule of Law

**F1** 0-4 pts

<b>Is there an independent judiciary?</b>	<b>1/4</b>
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The CCP dominates the judicial system, with courts at all levels supervised by party political-legal committees that have influence over the appointment of judges, court operations, and verdicts and sentences. CCP oversight is evident in politically sensitive cases, and most judges are CCP members. Judges are expected to conform to CCP ideology and uphold the principle of party supremacy over the judiciary. Many

judges complain about local officials interfering in cases to protect powerful litigants, support important industries, or avoid their own potential liability.

**F2** 0-4 pts

<b>Does due process prevail in civil and criminal matters?</b>	<b>1</b> /4
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Violations of due process are widespread in practice. Trials of human rights activists, religious dissidents, and other human rights defenders are routinely held in secret, with even family members being denied information or entry. While adjudication of routine civil and administrative disputes is considered more fair, cases that touch on politically sensitive issues or the interests of powerful groups are subject to decisive “guidance” from party political-legal committees.

Prosecutions rely heavily on confessions, many of which are obtained through torture, despite laws prohibiting such practices. Forced confessions are often televised. An ongoing crackdown on human rights lawyers has left many defendants without effective or independent legal counsel.

Extrajudicial forms of detention remain widespread. The practice of “residential surveillance in a designated location” allows the police to hold individuals in secret detention for up to six months and has been deployed against human rights defenders and lawyers, and government critics.

**F3** 0-4 pts

<b>Is there protection from the illegitimate use of physical force and freedom from war and insurgencies?</b>	<b>0</b> /4
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Conditions in places of detention are harsh, with reports of inadequate food, regular beatings, and deprivation of medical care. In addition to their use to extract confessions, torture and other forms of coercion are widely employed in efforts to force political and religious dissidents to recant their beliefs. Impunity is the norm for police brutality and suspicious deaths in custody. Citizens and lawyers who seek redress for such abuse are often meet with reprisals or imprisonment. Many political



and religious dissidents have died in prison or shortly after release due to ill-treatment or denial of medical care. Peaceful protesters are regularly beaten by police or hired aggressors.

The government has gradually reduced the number of crimes that carry the death penalty, though the total was still more than 40 as of 2022. It is estimated that thousands of people are executed each year; the actual figure is considered a state secret. Despite the government's claim that it has ended the transplantation of organs from executed prisoners, the scale and speed of the transplantation industry far exceed what is feasible via the country's nascent voluntary donation system. In June 2021, a group of UN human rights experts expressed alarm over ongoing reports of organs being procured from "minorities, including Falun Gong practitioners, Uyghurs, Tibetans, Muslims, and Christians, in detention in China."

**F4** 0-4 pts

**Do laws, policies, and practices guarantee equal treatment of various segments of the population?**

**0/4**

Chinese laws formally prohibit discrimination based on nationality, ethnicity, race, gender, religion, or health condition, but these protections are often violated in practice. Several laws bar gender discrimination in the workplace, and some indicators of gender equality have reportedly improved over the past decade. Nevertheless, bias remains endemic, including in job recruitment and college admissions. Women's rights activists and individuals who campaign against sexual harassment and assault have themselves faced harassment, detention, and in some cases criminal prosecution. In August 2022, Zhou Xiaoxuan lost her landmark case against CCTV host Zhu Jun, whom she had accused of sexual harassment, on the grounds of "insufficient evidence." She had come forward with the allegations in 2018, helping to galvanize the #MeToo movement in China.

Members of ethnic and religious minority groups, LGBT+ people, people with disabilities, and people with illnesses such as HIV/AIDS and hepatitis B also face discrimination in employment and access to education. Members of religious and ethnic minorities are disproportionately targeted and abused by security forces and

in the criminal justice system. In addition to being held in extrajudicial detention in larger numbers, members of these groups tend to be sentenced to longer prison terms than Han Chinese convicts. Data has shown showing higher-than-normal unemployment rates for former COVID-19 patients. Propaganda under Xi’s leadership has sought to negatively associate LGBT+ individuals with liberal “Western” culture, exacerbating discrimination against them.

Despite China’s international obligation to protect the rights of asylum seekers and refugees, law enforcement agencies continue to repatriate North Korean defectors, who face imprisonment or execution upon return.

## G. Personal Autonomy and Individual Rights

**G1** 0-4 pts

**Do individuals enjoy freedom of movement, including the ability to change their place of residence, employment, or education?**

**1/4**

Prior to the sudden abandonment of the strict zero-COVID policies in late November 2022, following widespread protests, lockdowns in dozens of cities across the country restricted people’s movement, and in some cases confining them to their homes or to quarantine centers. The COVID-19 “health code” app, which was in use until late 2022, was reportedly used to restrict peoples’ access to air and train travel, medical facilities, and a range of public services and spaces based on arbitrary or opaque criteria. Some individuals reported that they were prevented from attending protests after their health code app suddenly turned from green to red while they were en route to the event, pointing to the government’s use of the app to restrict the movements of specific individuals.

While China’s constitution gives individuals the right to petition the government concerning a grievance or injustice, in practice petitioners are routinely intercepted

in their efforts to travel to government centers, forcibly returned to their hometowns, or extralegally detained.

Despite the government's stated commitment to reforming the *hukou* (household registration) system, it continues to prevent close to 300 million internal migrants from enjoying full legal rights as residents in the cities where they work.

Police checkpoints throughout Xinjiang limit residents' ability to travel or even leave their hometowns.

Millions of people are affected by government restrictions on their access to foreign travel and passports, with Uyghurs and Tibetans experiencing the greatest difficulty. The authorities continued to use COVID-19 as a justification to restrict overseas travel. Many overseas Chinese nationals who engage in politically sensitive activities abroad are prevented from returning to China, while those who seek refuge abroad often face forced repatriation and arrest.

**G2** 0-4 pts

<p><b>Are individuals able to exercise the right to own property and establish private businesses without undue interference from state or nonstate actors?</b></p>	<p><b>1/4</b></p>
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The authorities dominate the economy through state-owned enterprises in key sectors such as banking and energy, through state ownership of land, and through political and regulatory control. Chinese citizens are legally permitted to establish and operate private businesses. However, all enterprises are vulnerable to political interference, arbitrary regulatory obstacles, debilitating censorship, negative media campaigns, demands for bribes, and other forms of corruption.

An ongoing government crackdown on private businesses, particularly large technology and social media firms, has ostensibly been aimed at curbing monopolistic practices, uncontrolled growth, and other economic ills, but has also brought the private sector more firmly under CCP control. Running a business continues to expose individuals to prosecution and long prison terms. Chinese-Canadian Xiao Jianhua, one of China's richest businessmen, was sentenced to 13 years

in prison on bribery and other charges in August 2022, five years after his abduction from a Four Seasons hotel in Hong Kong. Tomorrow Holdings, the investment group he had founded, had been linked to family members of prominent former officials.

Property rights protection remains weak. Urban land is owned by the state, with only the buildings themselves in private hands. Rural land is collectively owned by villages. Farmers enjoy long-term lease rights to the land they work, but they have been restricted in their ability to transfer, sell, or develop it. Low compensation and weak legal protections have facilitated land seizures by local officials, who often evict residents and transfer the land rights to developers. Corruption is endemic in such projects, and local governments rely on land development as a crucial source of revenue.

**G3** 0-4 pts

<p><b>Do individuals enjoy personal social freedoms, including choice of marriage partner and size of family, protection from domestic violence, and control over appearance?</b></p>	<p><b>2/4</b></p>
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Following regulatory changes in 2021 allowing couples to have up to three children, out of concern over falling fertility rates, the government in 2022 launched a new campaign instructing local family planning officials to limit the number of abortions, including by discouraging abortions for “nonmedical” reasons. The move was interpreted as a further effort to boost the country’s declining fertility rate. While ethnic minority couples were already permitted to have up to three children prior to 2021, in practice ethnic Tibetans as well as Uyghurs and other Muslims in Xinjiang are subject to abusive policies aimed at limiting their reproduction.

Domestic violence continues to affect one-quarter of Chinese women, according to official figures, despite laws criminalizing the behavior. The law does not criminalize spousal rape.

Chinese law defines marriage as the union between a man and a woman, denying marriage rights to same-sex couples. Muslims in Xinjiang face restrictions and

penalties related to aspects of their appearance with religious connotations, such as headscarves on women or beards on men.

**G4** 0-4 pts

**Do individuals enjoy equality of opportunity and freedom from economic exploitation?**

**2/4**

While workers in China are afforded important protections under existing laws, violations of labor and employment regulations are widespread. Exploitative employment practices such as wage theft, excessive overtime, student labor, and unsafe working conditions are pervasive in many industries. Forced labor and human trafficking are common, affecting internal migrants as well as Chinese nationals who are trafficked abroad. Forced labor is the norm in prisons and other detention facilities.



### On China

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### Country Facts

#### Population

**1,412,175,000**

#### Global Freedom Score

**9/100** Not Free

#### Internet Freedom Score

**9/100** Not Free

# **EXHIBIT 26**

## Globalization

# What the West Gets Wrong About China

by Rana Mitter and Elsbeth Johnson

From the Magazine (May–June 2021)



Yukai Du

**Summary.** Many people have wrongly assumed that political freedom would follow new economic freedoms in China and that its economic growth would have to be built on the same foundations as in the West. The authors suggest that those... [more](#)


**When we first traveled to China**, in the early 1990s, it was very different from what we see today. Even in Beijing many people wore Mao suits and cycled everywhere; only senior Chinese Communist Party (CCP) officials used cars. In the countryside life retained many of its traditional elements. But over the next 30 years, thanks to policies aimed at developing the economy and increasing capital investment, China emerged as a global power, with the second-largest economy in the world and a burgeoning middle class eager to spend.

One thing hasn't changed, though: Many Western politicians and business executives still don't get China. Believing, for example, that political freedom would follow the new economic freedoms, they wrongly assumed that China's internet would be similar to the freewheeling and often politically disruptive version developed in the West. And believing that China's economic growth would have to be built on the same foundations as those in the West, many failed to envisage the Chinese state's continuing role as investor, regulator, and intellectual property owner.

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Why do leaders in the West persist in getting China so wrong? In our work we have come to see that people in both business and politics often cling to three widely shared but essentially false assumptions about [modern China](#). As we'll argue in the following pages, these assumptions reflect gaps in their knowledge about China's history, culture, and language that encourage them to draw persuasive but deeply flawed analogies between China and other countries.

[ **Myth 1** ]

### **Economics and Democracy Are Two Sides of the Same Coin**

Many Westerners assume that China is on the same development trajectory that Japan, Britain, Germany, and France embarked on



in the immediate aftermath of World War II—the only difference being that the Chinese started much later than other Asian economies, such as South Korea and Malaysia, after a 40-year Maoist detour. According to this view, economic growth and increasing prosperity will cause China to move toward a more liberal model for both its economy and its politics, as did those countries.

It's a plausible narrative. As the author Yuval Noah Harari has pointed out, liberalism has had few competitors since the end of the Cold War, when both fascism and communism appeared defeated. And the narrative has had some powerful supporters. In a speech in 2000 former U.S. President Bill Clinton declared, "By joining the WTO, China is not simply agreeing to import more of our products, it is agreeing to import one of democracy's most cherished values: economic freedom. When individuals have the power...to realize their dreams, they will demand a greater say."

But this argument overlooks some fundamental differences between China and the United States, Japan, Britain, Germany, and France. Those countries have since 1945 been pluralist democracies with independent judiciaries. As a result, economic growth came in tandem with social progress (through, for example, legislation protecting individual choice and minority rights), which made it easy to imagine that they were two sides of a coin. The collapse of the USSR appeared to validate that belief, given that the Soviet regime's inability to deliver meaningful economic growth for its citizens contributed to its collapse: Russia's eventual integration into the global economy (perestroika) *followed* Mikhail Gorbachev's political reforms (glasnost).

## **Many Chinese believe that the country's recent economic achievements have actually come about because of, not despite, China's authoritarian form of government.**

In China, however, growth has come in the context of stable communist rule, suggesting that democracy and growth are not inevitably mutually dependent. In fact, many Chinese believe that the country's recent economic achievements—large-scale poverty reduction, huge infrastructure investment, and development as a world-class tech innovator—have come about because of, not despite, China's authoritarian form of government. Its aggressive handling of Covid-19—in sharp contrast to that of many Western countries with higher death rates and later, less-stringent lockdowns—has, if anything, reinforced that view.

China has also defied predictions that its authoritarianism would inhibit its capacity to innovate. It is a global leader in AI, biotech, and space exploration. Some of its technological successes have been driven by market forces: People wanted to buy goods or communicate more easily, and the likes of Alibaba and Tencent have helped them do just that. But much of the technological progress has come from a highly innovative and well-funded military that has invested heavily in China's burgeoning new industries. This, of course, mirrors the role of U.S. defense and intelligence spending in the development of Silicon Valley. But in China the consumer applications have come faster, making more obvious the link between government investment and products and services that benefit individuals. That's why ordinary Chinese people see Chinese companies such as Alibaba, Huawei,

and TikTok as sources of national pride—international vanguards of Chinese success—rather than simply sources of jobs or GDP, as they might be viewed in the West.

Thus July 2020 polling data from the Ash Center at Harvard's Kennedy School of Government revealed 95% satisfaction with the Beijing government among Chinese citizens. Our own experiences on the ground in China confirm this. Most ordinary people we meet don't feel that the authoritarian state is solely oppressive, although it can be that; for them it also provides opportunity. A cleaner in Chongqing now owns several apartments because the CCP reformed property laws. A Shanghai journalist is paid by her state-controlled magazine to fly around the world for stories on global lifestyle trends. A young student in Nanjing can study propulsion physics at Beijing's Tsinghua University thanks to social mobility and the party's significant investment in scientific research.

**Many Chinese believe that the country's recent economic achievements have actually come about because of, not despite, China's authoritarian form of government.**

The past decade has, if anything, strengthened Chinese leaders' view that economic reform is possible without liberalizing politics. A major turning point was the financial crisis of 2008, which in Chinese eyes revealed the hollowness of the "Washington consensus" that democratization and economic success were linked. In the years since, China has become an economic titan, a global leader in technology innovation, and a military superpower, all while tightening its authoritarian system

of government—and reinforcing a belief that the liberal narrative does not apply to China. That, perhaps, is why its current president and (more crucially) party general secretary, Xi Jinping, has let it be known that he considers Gorbachev a traitor to the cause for liberalizing as he did, thereby destroying the Communist Party's hold on the USSR. And when Xi announced, in 2017, that the “three critical battles” for China's development would fall in the areas of reducing financial risk, addressing pollution, and alleviating poverty, he also made it clear that the objective of these reforms was to solidify the system rather than to change it. The truth, then, is that China is not an authoritarian state seeking to become more liberal but an authoritarian state seeking to become more *successful*—politically as well as economically.

In much Western analysis the verb most commonly attached to China's reforms is “stalled.” The truth is that political reform in China hasn't stalled. It continues apace. It's just not *liberal* reform. One example is the reinvention in the late 2010s of the Central Commission for Discipline Inspection. Empowered by Xi to deal with the corruption that had become so prevalent early in that decade, the commission can arrest and hold suspects for several months; its decisions cannot be overturned by any other entity in China, not even the supreme court. The commission has succeeded in reducing corruption in large part because it is essentially above the law—something unimaginable in a liberal democracy. *These* are the reforms China is making—and they need to be understood on their own terms, not simply as a distorted or deficient version of a liberal model.

One reason that many people misread China's trajectory may be that—particularly in the English-language promotional materials the Chinese use overseas—the country tends to portray itself as a variation on a liberal state, and therefore more trustworthy. It

often compares itself to brands with which Westerners are familiar. For example, in making the case for why it should be involved in the UK's 5G infrastructure rollout, Huawei styled itself the "John Lewis of China," in reference to the well-known British department store that is regularly ranked as one of the UK's most trusted brands. China is also often at pains to suggest to foreign governments or investors that it is similar to the West in many aspects—consumer lifestyles, leisure travel, and a high demand for tertiary education. These similarities are real, but they are manifestations of the wealth and personal aspirations of China's newly affluent middle class, and they in no way negate the very real differences between the political systems of China and the West.

Which brings us to the next myth.

### [ Myth 2 ]

## **Authoritarian Political Systems Can't Be Legitimate**

Many Chinese not only don't believe that democracy is necessary for economic success but do believe that their form of government is legitimate and effective. Westerners' failure to appreciate this explains why many still expect China to reduce its role as investor, regulator, and, especially, intellectual property owner when that role is in fact seen as essential by the Chinese government.

Part of the system's legitimacy in the eyes of the Chinese is, again, rooted in history: China has often had to fight off invaders and, as is rarely acknowledged in the West, fought essentially alone against Japan from 1937 until 1941, when the U.S. entered World War II. The resulting victory, which for decades the CCP spun as

its solo vanquishing of an external enemy, was reinforced by defeat of an internal one (Chiang Kai-shek in 1949), establishing the legitimacy of the party and its authoritarian system.

Seventy years on, many Chinese believe that their political system is now actually more legitimate and effective than the West's. This is a belief alien to many Western business executives, especially if they've had experience with other authoritarian regimes. The critical distinction is that the Chinese system is not only Marxist, it's Marxist-*Leninist*. In our experience, many Westerners don't understand what that means or why it matters. A Marxist system is concerned primarily with economic outcomes. That has political implications, of course—for example, that the public ownership of assets is necessary to ensure an equal distribution of wealth—but the economic outcomes are the focus. Leninism, however, is essentially a political doctrine; its primary aim is control. So a Marxist-Leninist system is concerned not only with economic outcomes but also with gaining and maintaining control over the system itself.

That has huge implications for people seeking to do business in China. If China were concerned only with economic outcomes, it would welcome foreign businesses and investors and, provided they helped deliver economic growth, would treat them as equal partners, agnostic as to who owned the IP or the majority stake in a joint venture. But because this is also a Leninist system, those issues are of critical importance to Chinese leaders, who won't change their minds about them, however effective or helpful their foreign partners are economically.

This plays out every time a Western company negotiates access to the Chinese market. We have both sat in meetings where business executives, particularly in the technology and pharmaceutical sectors, expressed surprise at China's insistence that they transfer

ownership of their IP to a Chinese company. Some have expressed optimism that China's need for control will lessen after they've proved their worth as partners. Our response? That's not likely, precisely because in China's particular brand of authoritarianism, control is key.



Yukai Du

A Leninist approach to selecting future leaders is also a way the CCP has maintained its legitimacy, because to many ordinary Chinese, this approach produces relatively competent leaders: