

Dictators, Inc.



NOVEMBER 22, 2021

**Briefing of the
Commission on Security and Cooperation in Europe**

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Commission on Security and Cooperation in Europe
234 Ford House Office Building
Washington, DC 20515
202-225-1901
csce@mail.house.gov
http://www.csce.gov
@HelsinkiComm

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ABOUT THE ORGANIZATION FOR SECURITY AND COOPERATION IN EUROPE

The Helsinki process, formally titled the Conference on Security and Cooperation in Europe, traces its origin to the signing of the Helsinki Final Act in Finland on August 1, 1975, by the leaders of 33 European countries, the United States and Canada. As of January 1, 1995, the Helsinki process was renamed the Organization for Security and Cooperation in Europe [OSCE].

The membership of the OSCE has expanded to 57 participating States, reflecting the breakup of the Soviet Union, Czechoslovakia, and Yugoslavia.

The OSCE Secretariat is in Vienna, Austria, where weekly meetings of the participating States' permanent representatives are held. In addition, specialized seminars and meetings are convened in various locations. Periodic consultations are held among Senior Officials, Ministers and Heads of State or Government.

Although the OSCE continues to engage in standard setting in the fields of military security, economic and environmental cooperation, and human rights and humanitarian concerns, the Organization is primarily focused on initiatives designed to prevent, manage and resolve conflict within and among the participating States. The Organization deploys numerous missions and field activities located in Southeastern and Eastern Europe, the Caucasus, and Central Asia. The website of the OSCE is: <www.osce.org>.

ABOUT THE COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The Commission on Security and Cooperation in Europe, also known as the Helsinki Commission, is an independent U.S. Government commission created in 1976 to monitor and encourage compliance by the participating States with their OSCE commitments, with a particular emphasis on human rights.

The Commission consists of nine members from the United States Senate, nine members from the House of Representatives, and one member each from the Departments of State, Defense and Commerce. The positions of Chair and Co-Chair rotate between the Senate and House every two years, when a new Congress convenes. A professional staff assists the Commissioners in their work.

In fulfilling its mandate, the Commission gathers and disseminates relevant information to the U.S. Congress and the public by convening hearings, issuing reports that reflect the views of Members of the Commission and/or its staff, and providing details about the activities of the Helsinki process and developments in OSCE participating States.

The Commission also contributes to the formulation and execution of U.S. policy regarding the OSCE, including through Member and staff participation on U.S. Delegations to OSCE meetings. Members of the Commission have regular contact with parliamentarians, government officials, representatives of non-governmental organizations, and private individuals from participating States. The website of the Commission is: <www.csce.gov>.

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November 22, 2021

Commission on Security and Cooperation in Europe Washington, DC

The briefing was held from 10 a.m. to 11:03 a.m. via videoconference, A. Paul Massaro, Senior Policy Advisor, Commission on Security and Cooperation in Europe, presiding.

Mr. MASSARO: All right. Well, thank you, everyone, for joining us today for this panel on dictators and corporations, named “Dictators, Inc.” It should be a very exciting panel. It is something that I have been thinking a lot about, at least since it sort of came to the forefront when Apple and Google helped to censor the Russian elections just recently. But it is something that is really been in the back of all of our minds for a very long time, the way that corporations have interacted and engaged with authoritarian regimes.

Now, my name is Paul Massaro. I am at the Helsinki Commission, where I advise on counter-kleptocracy issues. The Commission itself is a bipartisan, bicameral body, led by nine Senators and nine Representatives, focused on the promotion of human rights, democracy, and the rule of law around the world. This briefing really comes from sort of a special place in my heart, because to me it is part of the story of what is happened over the last 30 years. That is to say, after the end of the cold war the idea was we were going to economically integrate with everybody, we were going to financialized everything, and we were going to have these free flows of capital and free flows of trade, and so on and so forth.

What would happen is you would have normative spillover. You would start seeing democracy take root in all these areas, you would start to see the rule of law take root. Anyway, this was the theory. But it would appear that in many cases the opposite has happened. That is certainly been the feeling of the last few months. Not just the Russian elections, but indeed just a very recent article, and it just comes to mind again, in a report that the Chinese Communist Party has been able to use—and something, again, we have all suspected and known for a very long time but helpful to bring it out loud—used U.S. corporations and U.S. businesses to lobby for its own interests. Essentially saying that if you want to maintain market access, then you have to do what we say. This sort of thing has become more and more prevalent and come more and more to the fore, but it is not as though it has not been happening, so I think it is about time, as it comes more to the fore, that we investigate it more visibly. That is what we are going to do today.

Therefore, I also want to say that, you know, the great irony of the private sector working for authoritarian regimes in any sort of way or interacting with authoritarian regimes in this sort of manner is that the private sector relies on the rule of law. The private sector, in many ways, is necessary. It is a product of the rule of law. It is one of the great innovations of the last 400–500 or so years—as we have been able to expand the private sector, provide protections for private property, and so on and so forth. It is something that we should want to preserve, and it is an engine of growth and innovation. Really, you know, I guess the great hope would be that we are able to find ways to work with the private sector to protect the rule of law, which is so important to democracy and so important to the continued existence—[LAUGHS]—of the private sector. We want to talk about that too today, and how we are going to be able to do that going forward, as authoritarian regimes creatively find ways to get corporations to do their bidding.

Therefore, we want to look at what tools exist. We want to look at what tools could exist. We want to look at what ideas there are and then, of course, just see how we can work together. We have some great panelists here today to help us to do that. We have Vladimir Milov, a Russian opposition politician and economist. Vladimir, we are so excited to have you here today. You are really a voice of a movement in Russia and, in fact, someone who has thought about these issues quite a lot—both from the perspective of being very much on the ground in the midst of this, as just recently Google and Apple helped to censor the Russian elections, but also as a thinker and someone who is also thought about how these private sector and authoritarian regimes, and democracy, and so on and so forth—how all these things square in the 21st century. We will hear from Vladimir first.

Then we will hear from Matt Schrader, who is the advisor for China at the Center for Global Impact at the International Republican Institute—a lovely title. Matt, in fact, used to work across the hall from me at China—the Congressional-Executive Commission on China. He has done a lot of thinking particularly about how the Chinese Communist Party is able to exert its influence abroad, and particularly this nexus between corporations, the private sector, and the Chinese Communist Party. I think that it is safe to say that despite the fact that Russia does dabble in this area, the country to have perfected this is the People’s Republic of China, with its massive market power and its ability to leverage that in order to get concessions from the private sector.

Therefore, finally, we will hear from Karen Sutter, who is actually at the congressional Research Service, sort of one of our partner congressional agencies. It is such a pleasure to have you here today, Karen. No one knows more about kind of what the United States has at its disposal already to work on some of these issues. I hope we will be able to learn and hear about some of the challenges that the private sector faces, some of the ways that the United States has already tried to go about addressing some of these issues—including problems of dual use technology, and human rights abuse, and so on and so forth. She is a specialist in Asian trade and finance over there.

Therefore, I think that this panel really, we are covering all the bases of, you know, Russia, China, and then, of course, the U.S. policy response. Therefore, really excited to be here with everybody, so the way this is going to run is each of our panelists is going to speak for, you know, five, 10 minutes. Then we are going to go into a question-and-answer phase, just a casual discussion. If you have questions, please share them with me over the chat or text them to me if you have my number. [LAUGHS.] In any case, that will be—that will be a lot of fun. Therefore, with that, I want to hand it off to Vladimir.

Vladimir, please.

Mr. MILOV: I am unmuting myself. I hope you can hear me well. Hello, everybody, and many thanks to the Helsinki Commission for actually bringing attention to this topic. I think there simply was not enough attention paid internationally, and in the United States, through censorship of the opposition by Google and Apple, big tech corporations succumbing actually to Putin's demands. Let me begin by explaining the facts, so what actually happens on the ground. I think it will broaden your understanding of what potential measures might be needed to be taken.

First, I have to say it is not all that bad. Therefore, we really were very much frustrated by censorship of Alexei Navalny's resources in the runup to the Russian elections in September, but generally, I have to say there is a flipside to that coin because particularly Google for a long time has been very resistant against Kremlin's demands to turn down the opposition content. Like, for instance, dozens of opposition channels, including my own a YouTube channel, Vladimir Milov, and Alexei Navalny's channel, Navalny Live, YouTube broadcasting channel—Google had received a notification from the Russian regulatory agency Roskomnadzor already half a year ago that our channels are, as they say, extremist and should be turned down. Google's not caving into these demands. We keep running. This is—this is important to understand. That is a very important channel of communication with the Russian people when censorship is thriving, unfortunately, in modern-day Putin's Russia.

However, that said, I have to say that as we have seen in September with these peak problems emerging with Google and Apple, it is all not very transparent, and all this situation is basically left to the unilateral will of these big tech corporations. Now they actually stand firm and decline the Kremlin's demands to turn down most of the opposition's content. We clearly saw in September that yes, they can do it at certain very important moments. Particularly disturbing was the issue of Google and Apple removing the Navalny application from their stores.

What is important? The application was specifically designed by Navalny's team to actually help people who installed it circumvent all the blocking of websites and resources introduced by the Russian regulators. Now important part, is that Russians would obviously claim that this is all extremists violating the law and so on. This is very important to understand, what this application is about. This application contained the list of officially registered candidates nominally officially approved by the Russian Central Election Commission. However, many of them actually are now being elected members of Parliament. We call to vote for them, they already have the mandates. No one from the government is disputing that. Therefore, this was an application with the list of people who were officially registered as candidates by the Central Election Commission, officially took part on the ballot, and many of them were officially elected.

Therefore, what was this app? This app was simply a list of people, not one of them was declared extremist, nothing illegal. However, these were official candidates in official Russian elections. Therefore, we still—[LAUGHS]—we are still knocking on the doors of this big tech trying to get an explanation. I mean, what on Earth were we violating by doing this? The problem is that the communication with these big companies is—sort of reminds me of, you know, letters—oh, yes.

Mr. MASSARO: I am sorry, I do not mean to interrupt. You have not received an explanation from Google or Apple at all?

Mr. MILOV: No. No. No, no. We are coming to that in a minute. It is outrageous. Therefore, this is—it reminds me, as a former Soviet citizen, like writing letters to the Pravda newspaper. [LAUGHS.] You know, you might get an answer, or you might not—you never know. It is a sort of black box sort of thing, and what happened is that Apple have never restored Navalny app in store. However, Google did, ridiculously, after Navalny's team some weeks after the election had actually prepared and filed a specific legal complaint to Google saying that, listen we did not violate anything, but you took down our content which was extremely harmful.

Then, without responding—so, first, Google never actually provided us with a legal explanation of what did we do wrong? It simply took down the app. After we filed a big legal complaint describing that we were purely right in legal terms and they were flat wrong, they did not respond to that as well. However, what they did is they restored the app in store, quietly, with no explanation. No explanation when taking it down. No explanation when restoring it. However, they did it immediately after we filed a legal complaint.

At the same time, all of this period, we have never, ever received from them any legal file, any sort of legal rationing explaining their actions. Normally—I have to say, it is not just the app. However, during the voting days, September 17 to 19, Google was also taking down some of our videos on YouTube. Essentially doing the same thing, listing the officially registered candidates whom we supported at the elections. Also no explanation, neither before nor after. And we have never received a detailed legal response from them. Therefore, I wanted to draw your attention to this specific problem in communicating with the big tech corporations.

It is a black box, which sometimes a window in it opens, some, you know, communication head appears and said: We have our rules and you are somehow violating it, so we actually take down your content. Normally there is no detailed engagement and discussion of what was specifically wrong, no exchange of legal arguments. It is just a solitary unilateral decision-making on the part of companies that are violating legislation and what is not. Therefore, I think, you know, my best advice to address this situation is, because these companies play such a great market role, and they play a very important role in distributing free information across the world, particularly in dictatorships and autocracies where information flow is restricted.

This legal exchange should be made extremely public. I think it is the only way to—that we actually proceed. We cannot rely on their internal rules, or internal procedures anymore. Therefore, to prevent situations like that from happening, I think it is important—and maybe U.S. legislators should also look at that. There are many tools with which the U.S. government can protect the companies that are being attacked by dictatorships and impose illegal requirements that do not comply with the rule of law, democracy, or freedom of information sort of thing. Therefore, first, you can think about mechanisms. If this pressure is imposed on companies by Moscow or Beijing, you can do a lot to help protect these companies from pressure by external governments.

However, these companies ultimately have to publicize all the exchanges about politically sensitive content. They cannot hide it in a black box format, that we have internal rules, we review it, and we decide what is legal and what is not. No. This cannot work in the case of autocracies. I think—my understanding is I do not see any sort of foul play on the part of Google, for instance, in this regard, because I understand from the setup that they have some personnel in Russia that are mostly working in the advertising block,

not related to what we are discussing. They were threatened with criminal cases—basically taken hostage by the Russian government.

However, point number one, it is actually very stupid to give in to terrorist demands, basically, when they take hostages, without question. Because they—the terrorists are emboldened by that. Okay, next time they will take more hostages and put forward much more dramatic demands. That is point number one. Point number two, which I think is the most important part—and this is actually my recommendation—I think you should press these companies, which are crucial suppliers of technology that allows media freedom, and information freedom, I think you should press them to make their interaction legal exchange with authoritarian governments and with independent civil society and opposition figures as transparent as possible.

We need to know and be able to see what legal arguments the Kremlin is bringing about, what they respond to, and so on. This is not just a matter of corporate rules. They should be transparent. On this, the international reaction should be based, because there is a lot that Western governments and the U.S. government can do to help them withstand the pressure from autocracies, right? However, they really got to explain and disclose all this legal background of the issue. They cannot be transparent like that, discussing something with the Kremlin and not letting us know, you know, anyone, right?

Therefore, that is the major recommendation. I think we need to require them for full legal transparency and exchange with autocracies. If they demonstrate goodwill, they even deserve the support from the U.S. government, because they are really dealing with a very strong adversary here. However, they have to be transparent. Therefore, this is one thing we demand from Google, Apple, and all this big tech. Please explain to us openly the legal side of the issue. Do not hide it in the black box. We need to know. The world and the international community deserve to know. That is not the case.

I will finish by saying that I talked to Ivan Zhdanov, the director of Navalny's Anti-Corruption Foundation, yesterday. He said that his team has almost finished a report - the large public report on these exchanges with Google and other big tech corporations, which they will be releasing soon. Therefore, I suggest that you look forward to it, and I think it will provide a lot of helpful material, but there has got to be transparency in exchange with dictators. I will finish here.

Mr. MASSARO: That is excellent, Vladimir. Thank you for that rundown and that recommendation. I will say that that is good to know that Navalny's team will soon be coming out with this report, and we are going to keep an eye out. That recommendation is very interesting. There have—there has been chatter among staffers like myself and others that—about the potential for a bill or an initiative that, you know, might look at requiring the sharing of this sort of communication with the Federal Communications Commission, or something like that. I mean, you never know, because—I mean, I always think—when I think of corporate—because I am an anticorruption guy.

Whenever I think of corporate compliance, I am always thinking of, like, the way that the Foreign Corrupt Practices Act which at first, you know, corporations do not like, but then once you actually put the requirement on them, you know, it actually protects them too, right? Because then they can say, well, I cannot pay you a bribe because I will be arrested. You know, now they can say: Okay, I have to share it. There is nothing—like because I cannot face the fines or penalties of the U.S. government.

Therefore, there comes a point at which it is actually helpful to require this kind of transparency of corporations or this kind of stuff of corporations because then they can tell the dictators that, you know, I have to do it. My hands are tied. However, if you do not require it, then the dictator can be like, okay, well, now you are making the decision, you know, and then it could be harder. Therefore, just food for thought, but it is a great—it is a great recommendation and there is something that I will say there is been some pre-chatter, which is always nice to hear. It is good that—it is good when some of these things sort of line up. Thank you so much, Vladimir.

Therefore, Now we will move to Matt, so let us hear about how the Chinese Communist Party does this.

Mr. SCHRADER: Hello, Paul. Thank you. It is a genuine privilege to—I guess not the stage—share the screen with folks like Vladimir and Karen and yourself. Really pleased to be coming to you guys from the far-corner of my kitchen, in these very strange times that we are in. Thank you, Paul, for the chance to talk about this a little bit.

I work at the International Republican Institute on issues related to how the PRC and the Chinese Communist Party seek to influence other countries' political systems. Therefore, this has kind of been my area of specialized study, some might say obsession or crank if they were being unkind to me—they probably would be right—for the past three or four years. Given that we have only got about five or 10 minutes, I think I will just sort of kind of drill down to the heart of this.

There is a quote by Deng Xiaoping that is probably apocryphal. I have spent a lot of time trying to find this. I have not found an authoritative source, but some people I respect refer to it is like authoritative, where he says something to the effect of, you know, the moment that we get our hands on money, that we will own them—referring to the rest of the world. I am paraphrasing an apocryphal quote here, so please do not take this too seriously. However-

Mr. MASSARO: However, you know what that reminds me a lot of, Matt?

Mr. SCHRADER: What is that?

Mr. MASSARO: The apocryphal Lenin quote, the—

Mr. SCHRADER: Oh, the selling the rope?

Mr. MASSARO: We will sell them the rope they will hang themselves with. [LAUGHS.]

Mr. SCHRADER: Yes. Yes, yes. Is that one apocryphal? I thought he actually wrote that.

Mr. MASSARO: Did he say it? I do not know. Vladimir would know. Did he really say it Vladimir?

Mr. SCHRADER: Yes, we should—yes. The only reason that I bring up kind of a non-authoritative quote is that I think if you look at the way that the CCP engages with other countries' political systems, that it really—it gives a lot of truth to that statement. In a lot of authoritative statements by Xi Jinping and other senior leaders, you see references to China moving towards the center stage of the world, which is kind of a coded reference for—you know, there's some dispute as to whether that means China's the most powerful country in the world or the most powerful country in the region. However, just to a state where it is now more powerful than it is now, and perhaps more powerful than the United States.

If you are talking about what is the fulcrum upon which they are going to move the world, I would argue that it is the business communities of other countries. You know,

in the work that we do around the world in country after country, what we hear from the people we work with is that the first step by the PRC embassy and by people associated with the party-state structure is to seek out the people with money, seek out the wealthy businesspeople, seek out the monetary, the monied elites of society, and to do their best to form solid relationships with those people.

Because there is a very deep appreciation for the effect that money and companies have on political discourse in countries around the world. This is not just industrialized democracies. I mean, I was—as we were talking about in the pre-meeting, I was in Ghana last week. It is more or less the same story there, that the PRC embassy is sort of coordinating outreach among some of the entities in the region to form those kinds of relationships.

One reason that it is important to do that is that the creation of mutually beneficial relations of trade and business helps to create constituencies within other countries' politics that will—speak for is not the right word. These people are not speaking for the PRC or the CCP. But they are speaking for their own interests in ways that largely or significantly align with the desires or the interests of the party state. Therefore, it would be inaccurate to call these people—you know, all sorts of invective gets thrown at them—to call them puppets or proxies or any of these terms because these are people that are acting of their own initiative in ways that largely smooth the path for the PRC's ascent.

Now, I thought that to sort of, you know, close things out here, that I would—rather than speaking in kind of high-level, vague terms, that I would give three or four kinds of specific examples to see how this kind of stuff plays out. The first is actually the story that you referenced, Paul. There was a Reuters story last week talking about how the PRC embassy in the United States addressed a letter to major U.S. corporates, essentially telling them that the embassy really hoped that they could do their part for the smooth development of U.S.-China—you know, sort of the typical diplomatic-ese, where the essence of the statement is: We need your help to lobby in Congress against these laws that we do not want to see pass.

Therefore, here we are talking about laws like the Uyghur Human Rights Act, which is a law that when I was in CECC we spent a lot of time working on, and a lot about—a lot of time thinking about, that is meant to ban the export of products from Xinjiang on the premise that we cannot reasonably assure ourselves that products manufactured in Xinjiang are not made with forced labor, given the current conditions in that country. We can do a whole thing about why that is the case, but really it comes down to it is not—it is really not possible to do authoritative audits of supply chains reaching back into Xinjiang now.

Therefore, it is not possible to assure ourselves that, you know, cotton, or tomatoes, or auto parts, or any of this other huge panoply of things made in Xinjiang are not being made by people who are being forced to work and not being properly compensated for it, and what in fact we are seeing in Congress is that major U.S. corporations are lobbying against this legislation. It is having a very, very difficult time getting passed. That is only one example of many other laws that have been introduced in the past three or 4 years that have had a hard time moving forward because they face U.S. corporate opposition.

Therefore, that is one example. Another example is the classic example of Hollywood. We hear all the time: Hollywood is kowtowing to Beijing. Hollywood is doing Beijing's bidding. Hollywood will not say anything bad about Beijing. I do not think there is really a lot of appreciation for how this came to be. I like to kind of tell the—you know, to use

a superhero term—I like to tell the origin story of this, because I think it is important for people to understand how we got here.

In 1997 three movies, actually, came out that one might—one might call anti-China or anti-CCP, or that portrayed the regime in a largely negative light. There was “Kundun,” which is a movie by Martin Scorsese about the Dalai Lama. There was a movie called “Red Corner,” which starred Richard Gere and was about an American businessman who had been framed while doing business in Beijing. Then finally there was the most famous one, “Seven Years in Tibet,” which starred Brad Pitt. Therefore, after all these movies came out, all three of the studios involved were basically called to the carpet in Beijing. Distribution, not just of these three movies but all of their movies, was pulled inside of China. They were told on no uncertain terms that if you wish to continue doing business in China, that we cannot see this happen anymore.

Now the time here is key, 1997. This is as the push to get China into the WTO is really, really, really ramping up. The film industry is a big, big part of this. The film industry is really interested in having entry into China’s film market be part of the negotiation—the accession negotiations. Because they can see what is going to happen down the line. True to form, you know, here now 20–25 years later, China is in some cases the largest, in some cases the second-largest, market for Hollywood’s movies. I mean, both of the—both of Avengers Infinity War movies, the ones with Thanos, did about a quarter or about a third of their box office in China. It is not an infrequent occurrence that movies that do badly in the United States still get sequels because they did really well in China. You know, here we would be talking about the transformers franchise as well as the Pacific Rim franchise.

Mr. MASSARO: That is why. [LAUGHS.]

Mr. SCHRADER: Yes. Now you know why—now you know why there was Pacific Rim 2. It is because—[LAUGHTER]—I mean, I went to see the first Pacific Rim at a theater in Beijing and everybody was really into it. It was awesome. It was a lot of fun. Giant robots fighting in Hong Kong.

Mr. MASSARO: Right? What is it not to like? [LAUGHS.]

Mr. SCHRADER: However, sort of the knock-on effect of this is that China has a kind of informational leverage that the USSR never really had at any point during the cold war. I mean, a lot of the movies that were made about the Soviet Union during the cold war were, you know, jingoistic bordering on xenophobic. Some of them were, like, kind of pretty thoughtful examinations of the dilemmas inherent to competing with an authoritarian state, and that just do not happen with China.

I think, rather than doing my two remaining examples, I will just kind of close out my—close out my talk by referring to one additional aspect of this Hollywood dynamic, which is—I want to connect it a little bit to the ongoing controversy that we see with Peng Shuai, who is a tennis player from China who basically spoke out against one of the most powerful men in China accusing him of sexual assault. Then her post was censored, and then she disappeared. She is now reappeared in public, but perhaps still coerced, it is not clear, after a lot of international outcries, including by the World Tennis Association—world tennis, women’s tennis? The WTA. I think it is probably the Women’s Tennis Association.

Mr. MASSARO: I think it is women’s, yes.

Mr. SCHRADER: I think it is women's, yes. Sort of demanding to know where she is, and it got to the point that it was starting to—there was the suggestion that it might endanger the Winter Olympics, which are set to go off in Beijing in February of next year. That basically the disappearing of this one woman was going to lead to the end of Beijing's attempts to host the games. The point that I want to make in that context is that it is very interesting that an incident involving a celebrity would be the precipitating incident for that, where we have what is probably a genocide going on inside of China.

We have an actual attempt to erase the cultural distinctiveness of a group of people. It is called the Uyghurs in the northwest of China. They live in Xinjiang. That is why we are trying to prohibit the export of products from Xinjiang, is because these people are subject to coercive state attempts to erase them. This has been going on for three or four years now, but there are not any movies about it, and there are not any TV shows about it, and there are not any Uyghur celebrities. There is no—there is no focal point that people can coalesce around.

Despite the fact that this has been going on for three or 4 years, the Beijing games were set to go off, you know, as planned. I can—I can bet you there were going to be, like, dancing happy Uyghurs at the opening of the games. Because of this one person who was a celebrity, the games found themselves in jeopardy. I draw that parallel only to point out the power of the creation of this negative space inside of Hollywood where you cannot speak about things related to China, and what a valuable tool this is for the PRC.

I have been talking for a while. Therefore, I think I am going to stop there, and let us go from me talking about doom and gloom into somebody who has done a lot of thinking and hopefully has some good ideas for what we can do about some or all of this. Therefore, thanks, Paul.

Mr. MASSARO: Thank you so much, Matt. You actually cleared up a lot of my—a lot of my questions about how Hollywood got to that State. I got to be honest, that origin story was very helpful. Therefore, normally I try to avoid the origin story superhero movies. You know, it is kind of, like, overdone. However, that was excellent, and also, closing out with Peng Shuai, is that the pronunciation? I mean, that is kind of—you know, anyway, just trying to understand this. However, I think it is an excellent, excellent point as to what we have lost, but then—but then, I guess, also how we do not, in some sense, respect our own power in this relationship a lot of the time. We do not understand the cards we are holding.

We do not understand the power that we still—I mean, especially at this moment in time where it seems we are doing a whole lot of, you know, self-critical analysis and self-reflection—which, in a lot of cases, makes sense. We do not understand that we still have, like, an enormous amount of soft power in the form of our—both our cultural impact—drive, of course, by corporate Hollywood. You know, these are—these are corporations, you know? Then—and then also products and, you know, internet and tech and whatever else. Therefore, I mean, it is pretty—it is a really, really important point that, you know, we can have this sort of impact, but we need to—we need to be able to move past this ability of these—this fear that we will lose market access, or this fear that we will anger the dictator in some way.

Therefore, how do we—I think—I think to me a lot of the questions—and I promise Karen, then I am going to move on to you. I am taking these interventions because to me these—you know, these panels are both useful to hear the stuff, but then to think what is our response? Like, how do we move—how do we stiffen the spine of corporations?

You know, how do we—how do we move past the fear? That is kind of the big question. How do we make it clear that the U.S. Government has your back, or something like that, you know? Therefore, anyway, with that, Karen, please tell us how we do that. [LAUGHS.]

Ms. SUTTER: Well, thank you for the Helsinki Commission inviting CRS to participate today. A lot of what I am going to talk about is—draws for a report that I wrote for CRS back in September, “China’s Recent Trade Measures and Countermeasures.” Therefore, I am just going to highlight a couple of brief things, and I do not want to disappoint. We can talk about tools, but what I would like to do—I would like to layer a little more context, building on what Vladimir and Matt have already said, to give us some framing about how you might want to think about tools. I think the landscape is becoming increasingly sharp and layered. I want to make six points, and I am going to do it pretty quickly—because we just have about, you know, five–10 minutes.

Okay, so number one, China’s a top global trader and a very important market for U.S. companies. They feel like they have to be there. Okay, and so companies are getting squeezed from two sides in this environment, just to state the obvious. As China is strengthening the role of the state in its economy, it is increasing controls over companies operating in China. It is forcing hard choices on commercial requirements, how you structure in China, what technology you bring, access to data. We have seen a lot of those kinds of things, but also more pressure on adherence to Chinese political talking points on issues important to the regime in Beijing—Xinjiang, Hong Kong, Taiwan, and the like.

China has put into motion a growing array of measures and countermeasures that put U.S. companies in the middle, in particular blocking statutes and anti-sanctions measures that force very hard choices for U.S. companies caught between U.S. law and policy and now Chinese law and policy. Within this context, we have some companies pulling back from China. Concerns about dependences, concerns about supply chains. But we have companies also doubling down, increasing their presence in China, particularly in advanced technology and in research.

When we talk about the other squeeze, as the U.S. government, Congress and the executive branch, become increasingly concerned about developments in China, human rights, economic competition, national security—these issues are—I would argue, are increasingly coalescing. As there is concern about these issues, there is growing focus on to what extent are U.S. and foreign commercial ties enabling Chinese capabilities and Chinese behaviors? Therefore, you have seen U.S. policymakers, also European policymakers and others, look to tools that regulate issues like forced labor trade, dual-use exports, investment, and sanctions.

When we talk about corporate actors, I also want to open our aperture a little bit to who it is that foreign entities, U.S. entities that have commercial interest in China. It is not just companies in the sense of who is manufacturing and sourcing from China or providing services or taking services from China. It is also institutional investors, public pensions, Wall Street, universities, and governments themselves, including the U.S. government. I think that is important to keep in mind when you are looking at what is a corporate actor, who has commercial interests, building on what Matt was talking about earlier.

The second point is that the Chinese—the Chinese State is exerting a much stronger role in the Chinese economy and in the Chinese business ecosystem. In doing so, it is increasing its influence and ability to pressure both Chinese firms and foreign firms who operate in China. Therefore, we see a range of trade and economic tools that the govern-

ment is deploying, both to advance economic and national security interests. We see a blurred line between Chinese use of government authorities and its commercial interests. We see this in intellectual property, anti-trust, business licensing, and all kinds of issues there. That we also see both a formal and informal enhancement of the role of the Communist Party in China in companies themselves, and what that forces.

We also see laws, regulations and measures that build out a toolkit for China, a very formal toolkit. They have arguably had these authorities, but now a very formal legal toolkit with regard to national economic security, cyber sovereignty, data sovereignty, and we could talk more about these things. You know, in particular since 2020, we see a new set of measures that enhance the government's control over data, IP, technology, and scientific research. That research question is the growing area where there is a lot of opportunity but also potential risk—both on the commercial side and potentially on the political side.

The third point is that these trends raise questions about China's touchpoints, not only on companies—Chinese companies and foreign companies operating in China, but on these Chinese companies and foreign companies operating outside of China. I think this is a new and growing trend that is worth paying attention to. Therefore, we see, you know, the government exerting more control over national technology champions—Alibaba and ByteDance being some of the research examples. We see more direct shareholding of the government or the party or groups tied to those organizations. Again, I mention—it is a theme, but it is really pronounced the past 2 years—this data sharing with the State, with the government, with the party.

I think this raises questions about Chinese data access, surveillance, censorship, propaganda control, and touchpoints outside of China, not just within China. Even if Chinese companies are saying business operations are separate, we have had instances of reporting that shows that the parent exercises control over the content, or the algorithm, in fact, the inherent underlying software, is developed and controlled and/or has touchpoints within China or among PRC nationals operating offshore of China.

The fourth point I want to make is that China's use of economic coercion for economic and political goals is intensifying. Okay, so what—basically what we have seen—and this is, you know, just to repeat the obvious—to put it out there, we see the Chinese government using economic and trade coercion to pressure countries, organizations, companies, and individuals—all levels—to refrain from actions it opposes, right? Okay, so what do they use? Suspension of trade, suspension of contracts, boycotts, unjustified—to put it mildly—unjustified detention of foreign citizens, and the use of sanctions and countersanctions that I mentioned earlier.

New laws—foreign investment law, export controls, anti-sanctions—institutionalize and legalize these approaches in the Chinese system. Almost every law that has been enacted has a provision on reciprocity and kind of what I would call a tit-for-tat retaliatory provision. If a foreign government or a foreign actor does something, China is obligated to respond and has the authority to respond in this way, and U.S. companies are caught—commercial actors are caught in the middle.

The fifth point I want to make is in your—you know, in your interest Paul in talking about U.S. tools, European tools, is I think it is very important, to build on what Matt was saying earlier, about what are the Chinese government tactics? Where do they tend to get leeway or leverage as far as how to think about how to respond? Therefore, the first thing, going back to what Matt was talking about on the film industry as a really

good example, the Chinese government selectively offers market access. It leverages its control over market access and this selective opportunity to influence specific firms, sectors, and political leaders.

These opportunities are double-edged. Terms can be shifted or taken away for various lengths of time to exert pressure. Pressure can involve one-off requirements that do not seem like a big deal in real-time, and which makes actors—I would—sometimes makes actors more willing to make concessions, because they see it as a one-time event, not appreciating how they might be building precedent or creating broader trendlines. And China also benefits from the continued foreign interest in its market. Because of this, it has been able to play off foreign competitors at all levels in the commercial value chain.

Companies themselves, but also governments, play off who gets the free trade agreement as much as who gets the contract or the licensing deal. The other point I will mention that I think is very important as you consider what tools are available or how tools are used is that China benefits from asymmetrical access to markets like the United States and Europe. It benefits from its ability to control its own internet and use internet and software-tied services, for example, in foreign markets—both joining other platforms and promoting its own platforms, just as one example.

Therefore, the last point I want to make is that China's —and I have highlighted it a little bit earlier—but China's coercion is now affecting actors within other countries' borders. It is affecting actors operating in the United States. It is affecting actors' operations in Europe, not just somewhere else. I think that if you look towards developing a full suite of digital tools that are likely to enhance its propaganda, surveillance, and harassment capabilities, as well as using those of others—like Twitter, China is very active on Twitter.

Also, that I would say that China's coercion may be creating gaps in public awareness in the United States and Europe, and the ability to have informed public policy debates and decision-making because not all of the information is available because it is pressured. Part of the pressure is silence. It is not just to do something. Sometimes the pressure is not to do something, not to say something. That becomes challenging to regulate and/or to even see, you know, what might be happening

The point I would make here in closing is that China, through its actions, may actually be creating de facto rules on the ground that participants may not appreciate in real time. However, if there is acquiescence over a period of time, are you actually changing the rules of the game of how different participants behave or respond to pressures? I would say that, you know, again the other point I will make in closing is just that China's willingness to use not just measures, not just coercive measures, but countermeasures challenge governments like the United States and governments in Europe that this is a full-time job.

This requires agility and resolve on the behalf of governments and actors in the system. It is not a one-off move. You cannot pass a law or, you know, improve a statute, or have a new policy and walk away from it, because China will have a countermove that will seek to undermine or challenge that most recent move. Therefore, I think that is something that, you know, just to raise for the group, is something to think about. It is not just that there is a magic tool, but it is really how do you use that tool, how do you think about the relationship, and how do you use the authorities that you have?

Therefore, in closing, I would just highlight I think the issue of reciprocity, this asymmetric access, and this issue of transparency are very important values in the United States and Europe in the current global trading system. I would argue that I think China is leveraging this—this asymmetric access, asymmetric behavior in ways that are challenging us. Therefore, why I do not stop there, and look forward to the discussion.

Mr. MASSARO: Oh, super, Karen. I have taken so many notes. I mean, I have already learned so much from this discussion. I mean, okay, so we have got just 12 minutes. We do—we do end on time here. That is something that I take a lot of pride in. I lived in Germany for many years, so very punctual. Therefore, I am going to ask a few questions, and if there are questions from the audience I ask now that you either put them in the chat, if you are in the WebEx. I am also monitoring the very active discussion going on on the YouTube page. However, if you have questions and you want to put them there please write them in English and not Russian, because I do not speak or read Russian. [LAUGHS.] No Chinese either, because I do not speak or read that either. [LAUGHS.] German's okay. German's fair game.

Okay, so my first question I actually want to direct to Vladimir because the thing that strikes me now, hearing what you are saying, Karen, and what you said, Matt, is almost the lack of sophistication in the Putin regime in the way that they have gone about kind of, you know, sort of getting Google and Apple to do their bidding. I guess, you know, is that—is that a—is that a sign that if Google and Apple had just stood their ground, could they have—could they have resisted this? Is this—is this something that—you know, compared to the challenge that they are facing in China? Then I guess—I know that I keep—like, I am thinking about the questions, I already asked this question, but, you know, is the fact that they are so used to acquiescing to China now leading them to acquiesce to Putin? Have they just kind of gotten into a mentality of acquiescence?

Mr. MILOV: I think so, Paul. Unfortunately, I think yes, because one big difference between Russia and China is that, yes, China is a huge market, which is very important for everyone. Now Russia is not, at least to that extent. Of course it is a big market, fair enough, but okay, a decision that a company should pull off Russian market under certain pressure, that is never even remotely as catastrophic in economic and financial terms as the relations with China that Matt had been describing, about Hollywood producing companies and the others. Russian choices are easier for corporations because they do not have this much to lose.

I am sure also they have a lot of leverage, for instance, because YouTube, for one thing, is extremely popular among dozens of millions of Russians, apolitical, many of them who have been supporters of Putin. The threats to completely block YouTube for Russian citizens, it is—I mean, most likely they will never materialize because that will be a bomb for Putin that will significantly worsen his approval, because he will get dozens of millions of new disappointed people who actually did not know anything, but tomorrow they cutoff from their favorite channels, cartoons for kids, music videos for teenagers, whatever, right? I did this thing myself when I could not open the door to the bathroom, I googled a video on YouTube on how to open the door without—

Mr. MASSARO: How do you open the bathroom door?

Mr. MILOV: With 22 million views, or something like that. [LAUGHS.] In Russian, right? That is—they have a lot of leverage. They have a lot of power. Therefore, I really believe it is something else. It is that they have this—they have really this self-submission manuals already developed under pressure from the Chinese government. They simply

apply the same approach. I agree with Karen exactly, they treat a lot of this elements of pressure like a one-time event, disregarding the system effects.

Like the thought, well, okay, we shut off the application for several days in connection with the elections. What is the big deal? We have some other stuff, on some YouTube channels running. I mean, so there is not too much damage for the opposition, but we satisfy the government, and we move on. However, obviously, first these moves embolden the autocracy, gives them a lot of tools to proceed with further attempts of pressure. Next time they will be much more sophisticated when approaching them because they really know their weak spots and so on.

Therefore, yes, bottom line is I agree. They are simply replicating the soft approaches they developed with other dictatorships, maybe not exclusively China but in a broader sense. Because Google withdrew from China more than 10 years ago. Therefore, in a broader sense, they have tools of appeasing dictators for their commercial purposes. They are simply replicating their playbook in Russia.

Mr. MASSARO: Hey, sorry, I think I am having some connection difficulties here. Stupid Wi-Fi.

Mr. SCHRADER: No, you are still with us. I can hear you.

Ms. SUTTER: We can hear you.

Mr. MASSARO: I am going to—I am going to ask another question, then. If you can hear me, I am going to go ahead and give one from online and then everybody can take it. Somebody can take it because I am having some troubles—[audio break]—

Mr. SCHRADER: The question is, was it Putin who got him or Xi who got him? You with us, fearless leader?

Mr. MASSARO: Am I back? Yes, I think so.

Mr. SCHRADER: Yes, I think you are back.

Mr. MASSARO: Okay. Are others there? Because I can only see you, Matt.

Ms. SUTTER: I am here.

Mr. SCHRADER: Yep, we are here.

Mr. MILOV: I am here too, yes.

Mr. MASSARO: Okay. [LAUGHS.] Oh my goodness. This situation. Therefore, I do not know if you caught that question. There was a question from online and perhaps it would be for Karen or Matt. The question was: Is there any indication China's influence over U.S. enterprises could be positioning China for a military advantage? Therefore, I think this actually maybe comes to this—comes to some of the BIS-style of commerce, or DOD and the military dimension of this.

Mr. SCHRADER: Do you want to take—do you want to take it, Karen?

Ms. SUTTER: I can respond briefly. I mean, I think, you know, one thing that gets lost in the export control discussion between the U.S. and China is, you know, it is often billed as, you know, can you do business or are you constrained for national security reasons. However, a lot of the commercial activity in China in the dual use space involves technology transfer, joint venture partnerships, including with the Chinese government itself. If you look at the C919 program to build Chinese commercial aircraft, and the upcoming program that also includes the Russians with the C929. Therefore, I think that this—the coercion on the commercial side is very well understood and documented. It is been going on for a very long time. They are now applying that to other issues. However,

I think, you know, it does raise the issue of, you know, how far will China push until it has pushback from others.

Therefore, I think, you know, one thing that we did not talk about, there are two things to think about here and more broadly. You know one is, are there—if certain actors or deals are restricted, are there others in the global economy willing to backfill, you know, this playing off competitors? The second thing is to what extent you can have a concerted and organized response that imposes either constraints or consequences on Chinese behavior of concern? Therefore, I am stretching a little bit from the question, but I think that that is another way to think about some of these issues in a broader sense, potentially, if that is helpful.

Mr. SCHRADER: Yes, and I will—well, I guess before I add onto Karen's point, I actually want to say, Karen, your briefing was—like the word magisterial gets thrown around too much, but that was just, like, the entire waterfront in 10 minutes and was pretty incredible to listen to.

For this question, is engagement with U.S. corporates part of a desire to seek a military advantage, I would actually broaden it out and say that one of the things that really distinguishes the current People's Republic of China from the USSR is the way that embeddedness in globalization is a source of power and the intentional embrace of most aspects of economic globalization as a means to power. So, you know, relationship with U.S. corporates—not just U.S. corporates but, you know, corporates across the developed world—relationships with universities and research institutions, relationships with researchers and scientists, that in most aspects the goal is to intermingle and to interconnect to the greatest degree possible to make—to position China to benefit as much as possible from an ecosystem of technological innovation and scientific innovation.

That is, in large part, because of a realization among senior PRC leadership that hard military power is derived from a powerful technological industrial base. That in that sense it is basically impossible to separate China's embrace of globalization from its embrace of military power, and the desire to create the world's leading high-tech fighting force, which—you know, that is not me making up terms like that. These are terms that appear in Xi Jinping's address to the PLA on many occasions.

Therefore, I think we, as a community of democratic nations, are in a very, very deeply problematic place where the terms of our engagement with this country are such that it will contribute to—you know, it inevitably will contribute to military advancements and military technological advancements. It is very, very difficult to sequester—you know, to say this is the good part of the relationship, and this is the bad part of the relationship, and we are just going to sequester this part—just because of the way that economic globalization works. Therefore, I do not—I am not a very hopeful messenger this morning, but it is just—it is sort of part and parcel of the terms of engagement the PRC has set with the rest of the world economically.

Mr. MASSARO: Therefore, that is a great point, and we have only got, like, 60 seconds left, or less. However, I just wanted to throw a last final idea out there because I wanted you guys on the record on sort of talking about this. However, I mean, a word gets thrown around in this context all the time, and that is decoupling, which, you know, people talk about. I think the most recent, very powerful example of that was LinkedIn, which had been censoring, you know, profiles at the behest of the Communist Party, basically just decided: This is too much. We are done. You know, and left the country.

I mean, you know, to some extent I wonder, like in the Russian context, if Google, for example, were to say: We are done. You know, it is just too much. We cannot deal with Putin. You lose YouTube, and if you lose YouTube, you lose—you lose, I mean, a huge communications platform. YouTube is, like, one of the most important communications platforms for the Russian opposition, for example. Therefore, I guess any final reflections on this concept of decoupling?

Mr. MILOV: Well, first, if I may, Paul, there is no such thing as Google leaving Russia. YouTube can continue operating. The question is how to find technology tools to get access to Russians despite all the attempts by government to block it. It does not need physical presence. Their presence is only advertising. Well, they make money out of it. If they pull out with advertising, it is no big deal. However, on the decoupling question, this is the way things are going, like it or not.

Like I always quote Tolkien, "Open war is upon you whether you would risk it or not." They will be forced to seriously continue decoupling because the dictator's demands and their appetites keep growing. There will be more pressure. All these companies will have to face a breaking point where they can no longer stand it, and would consider, just like you mentioned, LinkedIn. All the others will face the same crucial moment where they will have to consider withdrawal. It is just a matter of time. You cannot prevent it from happening. It is the reality we are rolling towards at full speed. Therefore, they better think about it earlier than later, to be prepared.

Ms. SUTTER: Paul, I would just add I think this trend is asymmetry in their access to global markets and how they protect at home is very important to understanding decoupling. There is a decoupling aspect of all of Chinese industrial policies. It is just a matter of how fast you get to the goal and how much you are able to use foreign expertise, capabilities, and technologies to get there. However, if you look at Chinese industrial policies mapped against what are the U.S. top exports to China—aircraft, semiconductors, medical equipment, and agriculture—there is an industrial policy that aims towards self-sufficiency and leadership in China in all of those areas.

Therefore, the idea of decoupling is not just how everyone else is responding to China. I think this, again, the terms of access in our own markets and the extent to which likeminded countries can act together are very important tools that sometimes—it is not easy to do these things, but I think that is a potential area to explore as to potential U.S. and European leverage. It is something that was discussed—we have not talked a lot about reciprocity in the public domain recently, but this has been a perennial issue that both the United States and Europe have looked at for some time. Therefore, just put that on the table as something to think about.

Mr. MASSARO: Great. Well, with that we are going to go ahead and close. Thank you all so much for joining today. Very interesting conversation. Lots to think about, and certainly something we will be continuing to work on at the Helsinki Commission. Therefore, let us all be in touch. Take it easy. Have a good day. Happy Thanksgiving to those who celebrate. Over in Lithuania, I guess Merry Christmas already. [LAUGHS.] All right. See you around.

[Whereupon, at 11:03 a.m., the briefing ended.]





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