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When the Iron is Hot

The Chinese Communist Party's Subversion of US Recovery Investment

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by

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Horizon Advisory

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Recent Commentary: Tech Crunch, 11 April 2020

EXECUTIVE SUMMARY

The Chinese Communist Party (CCP) sees the COVID-19 global crisis as an opportunity; a chance to expand its position in US markets, supply chains, and critical infrastructure. Beijing uses industrial planning for geopolitical ends. In times of crisis, slowdown, and depreciation, Beijing targets vulnerable market share and assets. China also positions its State-owned and State-supported companies to benefit from US government spending and integrate into US infrastructure. The goals are to foster dependence, to siphon US research and development, and to co-opt markets. Throughout, the CCP relies on non-market measures, as well as close monitoring of US spending, regulations, and loopholes. China acts according to an established playbook for circumventing US investment review and Buy America provisions.

Beijing used the 2008 financial crisis and corresponding stimulus efforts to accelerate its "Go Out" industrial offensive in the US. Ten years later, when the Trump Administration announced intentions to launch a major US infrastructure plan, Beijing prepared to turn that investment to its own advantage. Now, COVID-19 has created a new crisis environment to which Beijing can apply its 2008 playbook. And government relief efforts may prompt a spending plan akin to that proposed in 2018 – and for which Beijing has already begun to position. Present efforts to heal and revive the US risk fueling China's ambitions.

The United States has already poured 2.4 trillion USD into COVID-19 relief – far more than the 2009 recovery. To that, the Federal Reserve is adding over 2.3 trillion USD more of liquidity and lending. Both the Executive and Legislative Branches are deliberating additional spending, much of it on infrastructure. Beijing is positioned to benefit.

China's threat has become readily apparent over the past decade. Policymakers are increasingly wary of Beijing's coercive industrial and security ambitions. China sees the current moment as a determinative one; an opportunity to accelerate efforts to realize both industrial and security ambitions vis-à-vis the United States and to overcome the trends of "anti-globalization." US COVID-19 recovery efforts ought to recognize the acute risks posed by Beijing at this time.

This report uses authoritative Chinese strategic discourse to document Beijing's manipulation of US stimulus measures in the wake of the financial crisis of 2008 and 2009, Beijing's explicit intentions to co-opt the Trump Administration's earlier proposed infrastructure spending, and the playbook with which the Chinese Communist Party circumvents US regulations, oversight, and investment review.

This report seeks to inform policy discourse on US-China relations moving forward. Policymakers should know what China is saying about them. Beijing ranks US governors by their friendliness to the CCP. Beijing tells its companies that Midwest policymakers are impressionable targets who can readily be co-opted. Beijing writes that all US politics are local and therefore that the US cannot defend itself from Chinese incursions.

COVID-19 is a global crisis. Beijing intends to turn it into a strategic watershed as well. US relief efforts risk being manipulated to fuel that ambition. This report documents, in primary source detail, China's strategic orientation toward moments of global dislocation. The analysis advanced draws on credible Chinese sources covering the financial crisis of 2008, Beijing's "Go Out" offensive over the past decade, and the specific means by which the CCP evades US oversight and regulatory mechanisms meant to monitor foreign industrial subversion.

Representative Primary Source Chinese Quotations

"The financial crisis is a rare opportunity for Chinese enterprises lacking resources and advanced technology to go abroad and acquire foreign companies at low cost."

- Wang Liwu and Wang Jianzhong, Ministerial Fund for "Research on Legal Issues of Internationalization of Enterprises in the Financial Crisis"

"Trump's infrastructure investment plan is an opportunity for China."

- *Chen Wenling, Chief Economist, China International Economic Exchange Center and Director, State Council Research Office*

"In some strategic markets, market share is more important than short term profit."

- Chen Jinming, Economic Development Institute of the National Development and Reform Commission

"To enter the US government procurement market, Chinese products need to be shipped to US trade agreement partner countries to achieve roundabout entry into the United States."

- *Meng Ye, University of International Relations*

"The core goal of Chinese overseas M&A is to enhance core competitiveness, expand technological advantages, and strengthen market positioning, while setting long-term goals in the global layout and market expansion"

- *Ke Yanqing, Chinese Academy of Sciences*

"Enterprises are required to work with professional law firms to strengthen research on the host country's security review system. They should find ways to circumvent the review reasonably."

- *Wang Yupeng, Foreign Economic and Trade University*

"There is a saying in American politics, all politics are local…the degree of dependence on China will largely determine a state's attitude: States that have more exports to China and rely more on Chinese investment are more pro-China."

- *Jia Zhongzheng, Chinese Academy of Social Sciences*

INTRODUCTION

"Seize the opportunity," directs China's national-level policy response to COVID-19. "Take advantage of the crisis."[1] The world reels from pandemic. The Chinese Communist Party (CCP) sees opportunity. Through control over domestic information and markets, Beijing projects stability to attract foreign investment. Beijing deploys its plan fueled by that investment and benefiting from international paralysis: With strategic exports, acquisition, and investment, the CCP accelerates a long-standing global offensive built on manipulating economic interdependence and commercial footholds for strategic ends.[2]

Beijing benefits from centralization, targeted strategic ambition, and control over ostensibly private actors. Beijing also benefits from its first mover status: As the source of COVID-19, China is poised to be the first to recover. The CCP is, already, using these advantages to establish footholds in once-sensitive, now poorly policed areas and seize market share where other supply has stalled. Beijing is capturing strategic oil reserves, France's 5G networks, and global systems for health monitoring and communication.[3] Beijing is cementing its hold over pharmaceutical and microelectronics supply chains, e-commerce and fintech platforms, and multilateral standards.[4] **Beijing is also targeting US infrastructure and manufacturing.**

The CCP pursues those by targeting US stimulus efforts and government procurement. At a first order, paralysis of American production allows the CCP to more aggressively co-opt US production. One beat farther, Beijing also intends to use US stimulus measures to capture a *new* US market. Beijing wants to outmaneuver US companies and become the beneficiary of COVID-19 relief – to ensure that Chinese enterprises, State-owned and ostensibly private, are the ones to build the new wave of US infrastructure and manufacture the new wave of materials that COVID-19 stimulus will fund.[5] Doing so promises economic returns. It also promises strategic ones. Beijing's industrial offensive rests first on co-opting real infrastructure systems (e.g., transportation, manufacturing supply chains), second on capturing foundational new ones (e.g.,

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[1] Emily de La Bruyère and Nathan Picarsic, *Viral Moment: China's Post-COVID Planning*, Horizon Advisory, March 15, 2020, https://www.horizonadvisory.org/news/coronavirus-series-report-launch-viral-moment-chinas-post-covid-planning.

[2] Ibid.

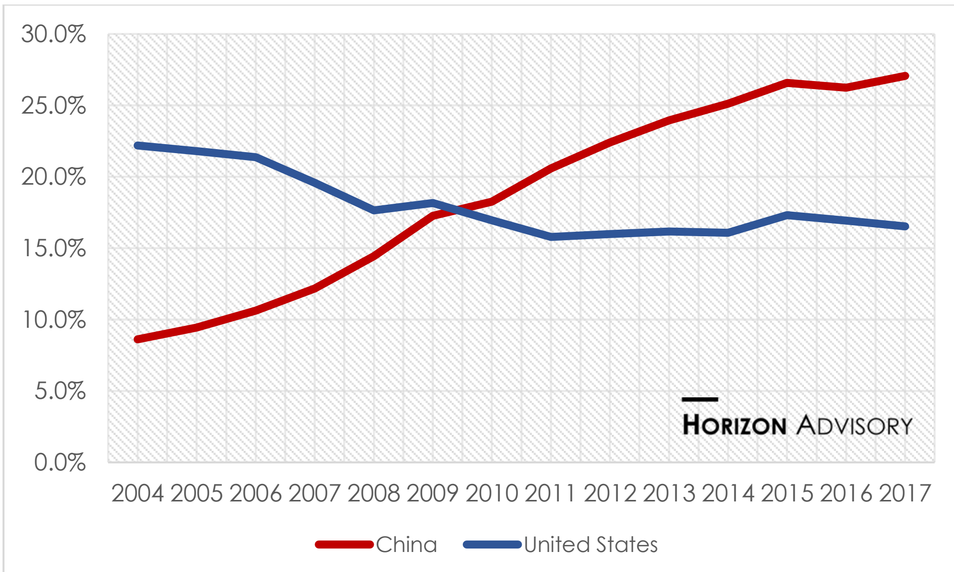
[3] Joe McDonald, "China Buys Crude as Oil Prices Collapse, Adding to Stockpiles," *Newsweek, April 22, 2020,* https://www.usnews.com/news/business/articles/2020-04-22/china-buys-crude-as-prices-collapse-adding-to-stockpiles; Lauly Li and Cheng'Ting Fang, "Coronavirus Helps China Pull Ahead in the 5G Race," *Nikkei*, May 6, 2020, https://asia.nikkei.com/Spotlight/5G-networks/Coronavirus-helps-China-pull-ahead-in-the-5G-race; Juro Osawa, "Why Alibaba Holds the Key to a Global Recovery," *The Information*, March 26, 2020, https://www.theinformation.com/articles/why-alibaba-holds-the-key-to-a-global-recovery.

[4] Emily de La Bruyère and Nathan Picarsic, *China Standards 2035: Beijing's Platform Geopolitics and 'Standardization Work in 2020,'* Horizon Advisory, April 14, 2020, https://www.horizonadvisory.org/china-standards-2035-first-report..

[5] See, for example, 投资者提问：美国推出大规模基础设施建设，是否会利好公司对美国的产品销售？[Investors ask: Will the introduction of large-scale infrastructure construction in the United States benefit the company 's sales to the United States?], April 16, 2020.

new energy vehicles, smart city IT platforms). Beijing combines those, creating an interconnected, real and virtual, CCP-governed, global infrastructure system. COVID-19 has hit just as these emerging infrastructures, and their connections to the legacy ones, are being defined; just as, for example, 5G systems are taking root and are shaping future transportation. China was already positioning to capture this infrastructure revolution. With COVID-19, it accelerates its bid. It anticipates little resistance.

Share of Global Value-Added Manufacturing, 2004-2017

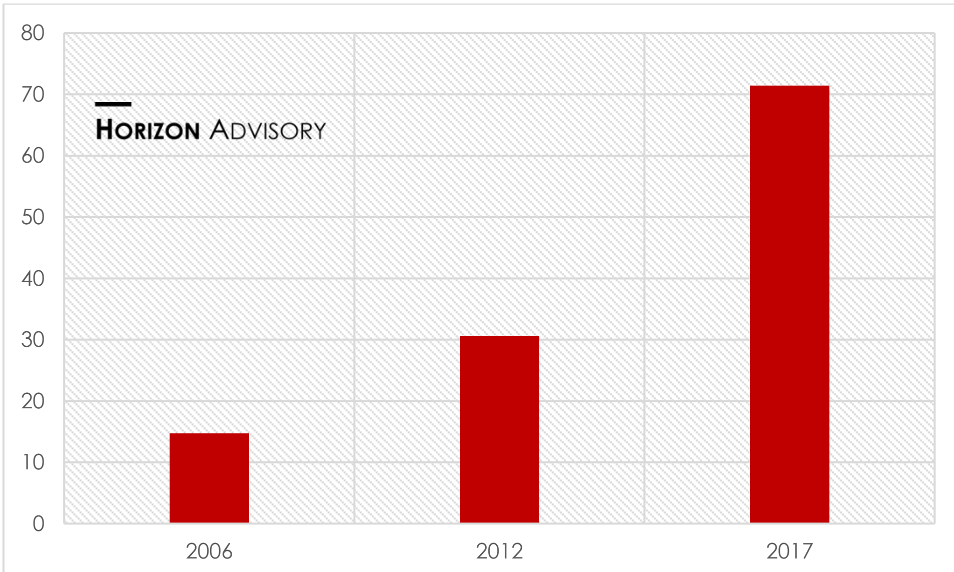


Beijing's ambition is neither new nor untested. The CCP explicitly refers in its COVID-19 response to a playbook honed during the 2008 financial crisis.[6] Beijing used that crisis, and corresponding stimulus measures, to extend its presence in US supply chains, infrastructure, and manufacturing. Before 2008, an American worker could buy a GE refrigerator manufactured by an American firm whose profits were reinvested into the American economy. Today, just about any appliance on the market bankrolls a Chinese conglomerate, whether the product's label indicates as much or not.[7] This omnipresence of State-backed Chinese firms – and their sharp 2008 rise– applies in everything from heavy construction to unmanned aerial systems (UASs)[8] to solar panels and lithium ion batteries. Representative trends lines are reflected in the charts that follow;

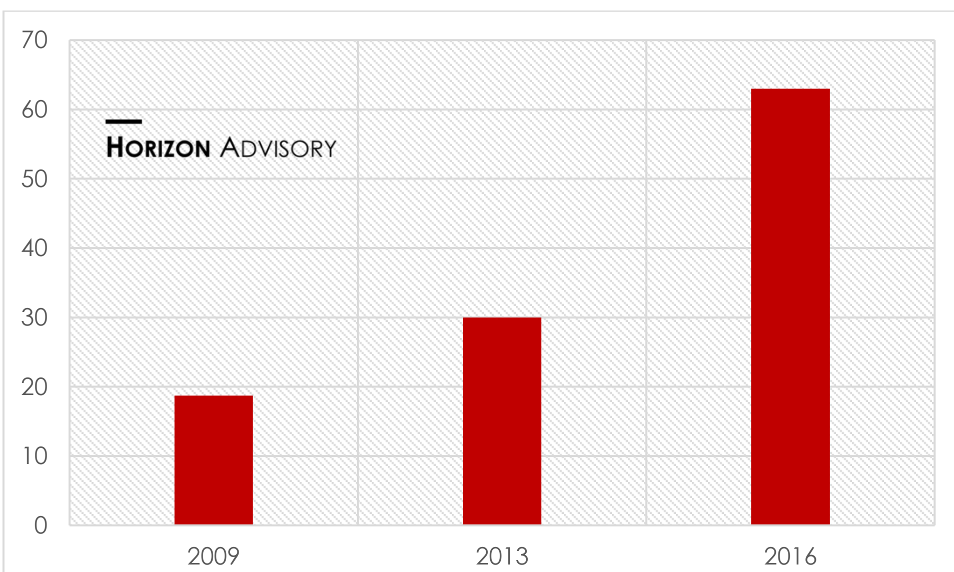
[6] Emily de La Bruyère and Nathan Picarsic, *Viral Moment: China's Post-COVID Planning*, Horizon Advisory, March 15, 2020, https://www.horizonadvisory.org/news/coronavirus-series-report-launch-viral-moment-chinas-post-covid-planning.
[7] In one landmark deal, Haier acquired GE Appliance in 2016. That sizeable investment in the US built on a steady stream of appliance transactions that started with Chinese firm TCL's acquisition of the French television business unit of Thomson in 2004 and Haier deals for Sanyo's appliance business in 2011.
[8] Lukas Schroth, "Drone Manufacturer Market Shares: DJI Leads the Way in the US." *Drone Industry Insights*, September 26, 2019, https://www.droneii.com/drone-manufacturer-market-shares-dji-leads-the-way-in-the-us.

the growth in Chinese market dominance over the past decade is replicated across these domains and others.

Global Share of Chinese Solar Panel Production (%)



Global Share of Chinese Lithium Ion Battery Production (%)



Since 2018, Beijing has been preparing a second wave of its industrial strategy. This wave is to take advantage of promised increases in US infrastructure investment – both the Trump

Administration's proposal package and the Green New Deal. "The demand in the US infrastructure sector creates new opportunities for Chinese investors," writes the Go Out Think Tank – a think tank founded by State-owned CITIC Securities and dedicated to expanding Chinese market share overseas.[9] Beijing's preparations are now being accelerated as part of COVID-19 response planning.

Chinese discourse acknowledges that its strategic intentions run contrary to US policy, especially foreign investment review protections and Buy America clauses. But Chinese discourse also outlines an arsenal of "countermeasures,"[10] including government subsidies designed to de-risk foreign activity, investments in US factories and multinational companies, and relationships with US state and local governments.

This report draws on an extensive coverage of Chinese primary sources and official industrial policy documents. The sections that follow present a chronology of Beijing's competitive industrial ambitions starting in 2008. The discussion focuses on Chinese primary source views on circumventing US regulations and oversight mechanisms as a part of a competitive industrial ambition.

[9] 走出去智库 [Go Out Think Tank]. 美国基建合作丨美国能源/基础设施建设领域投资机遇分析 [US Infrastructure Cooperation: Analysis of Investment Opportunities in the US Energy / Infrastructure Construction Field]. 走出去智库 [Go Out Think Tank], April 17, 2017.
[10] 张佰英 [Zhang Baiying], 王丽娜 [Wang Lina]. 后危机时代美国贸易保护主义的应对之策 [Countermeasures of American trade protectionism in the post-crisis era]. 党政干部学刊 [Journal of Party and Government Cadres], July 16, 2011.

THE BIG SHORT: 2008 AS OPPORTUNITY

> "The sub-prime mortgage crisis in the United States in 2008 brought great shock to the world economy. But it provided opportunities for China. It provided momentum for Chinese companies' overseas direct investment, especially cross-border mergers and acquisitions, trends that are inseparable from China's policy support."
>
> *-Ke Yanqing, Chinese Academy of Sciences, 2019*

The 2008 financial crisis put global operations on hold and global liquidity in short supply. It also prompted a series of US government relief measures.[11] Beijing saw both crisis and policy response as opportunities. It seized on them. The global slowdown and capital shortage allowed Beijing-backed players to capture depreciated assets and market share in critical supply chains, infrastructures, and resources. This was true of appliance markets, as evident in Haier and Hisense's streak of acquisitions. It was also true of telecommunications equipment, with Huawei and ZTE increasing their overseas profiles during the window of opportunity. And US government intervention provided Beijing's champions with capital and market positioning intended for US actors.

After the 2008 crisis, Beijing accelerated – first steadily and then exponentially – direct investment in the US, especially mergers and acquisitions and infrastructure investment. Beijing did so through Chinese commercial entities, both State-owned and State-backed but ostensibly private, fueled by government funds and directed by government strategy. The broad strategic goal was three-fold.

First, Beijing sought footholds in the US market that would allow Chinese players, through local presence and local influence, consistently to evade US tariff and non-tariff barriers for the long-term.

Second, the CCP positioned to acquire technological and material resources at low cost.

Third, Beijing targeted strategic footholds in US infrastructure and supply chains that promised long-term access to American resources and leverage over American systems.

[11] Including the 2008 Troubled Asset Relief Program (TARP); 2009 American Recovery and Reinvestment Act (ARRA) – with it some 800 billion USD for infrastructure, education, health, and renewable energy between 2009 and 2019 – the 2010 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act.

The CCP's Hidden Hand

Much of Beijing's post 2008 investment and positioning in the US was implemented by private actors. But it was also State directed. Chinese foreign investment is subject to government approval.[12] The CCP guides overseas bets through a complex apparatus that is referred to as a "State led, enterprise driven" model.[13] The State – through its banks, formal SOE firms, and a lattice system of national, provincial, and local subsidies – constructs an incentive structure that directs firm-level behaviors. The preferences of individual firms involved in "Go Out" investments are further framed and directly supported by the State through direct investment support and financing, captured in prominent industrial planning and market development banners including Made in China 2025 and the Belt and Road Initiative. The Chinese state also engages directly in target markets to help its SOE and private champions on the ground: Beijing coordinates trade financing, aid, and industrial cooperation through State-to-State and public-private mechanisms across the major developed economies that it targets.

"In some strategic markets, market share is more important than short term profit."

This was true in 2008. It is all the more so today. Foreign infrastructure investment is described as a national-level Chinese strategy.[14] The "Several Opinions on Regulating Enterprises' Overseas Operations" (关于规范企业海外经营行为的若干意见), published by the Central Leading Group for Comprehensive Deepening and Reform" in 2017, clarify that China's "official foreign investment policy is to support enterprises to participate in international economic competition and cooperation and integration into the global industry chain."[15] Similarly, a 2016 State Council and Central Party Committee policy guideline (中共中央国务院关于深化投融资体制改革的意见) clarifies that Beijing's investment and financing system responds to a "top-level design:" Chinese investment and financing, at home and abroad, is "State-led, enterprise driven."[16]

[12] See, for example, State Council, 国务院办公厅转发国家发展改革委商务部人民银行外交部关于进一步引导和规范境外投资方向指导意见的通知 [Notice of the General Office of the State Council on Forwarding the Guiding Opinions of the Ministry of Foreign Affairs of the Ministry of Commerce of the National Development and Reform Commission on Further Guiding and Regulating the Direction of Overseas Investment], August 2017.
[13] State Council, 中共中央国务院关于深化投融资体制改革的意见 [Opinions of the CPC Central Committee and the State Council on Deepening the Reform of the Investment and Financing System], 2016.
[14] 金中夏 [Jin Zhongxia]. 中国的"马歇尔计划"——探讨中国对外基础设施投资战略 [China's "Marshall Plan"-Exploring China's Foreign Infrastructure Investment Strategy]. International Economic Review [国际经济评论], 2012.
[15] Central Leading Group for Comprehensive Deepening and Reform. 关于规范企业海外经营行为的若干意见 [Several Opinions on Regulating Enterprises' Overseas Operations], 2017.
[16] State Council, 中共中央国务院关于深化投融资体制改革的意见 [Opinions of the CPC Central Committee and the State Council on Deepening the Reform of the Investment and Financing System], 2016.

The CCP ambition directing Chinese foreign investment is about strategic positioning more than economic return. Beijing deploys its companies abroad in order, as Cao Xiaolei of Jiangsu Province's Academy of Social Sciences' Institute of World Economy puts it, to "**circumvent trade barriers**" and to **acquire overseas R&D and manufacturing capabilities**.[17] Beijing also targets **access to and leverage over strategic assets – ranging from scarce resources to key civilian and military infrastructure**.[18] In short, per the China Development Bank, investment in overseas infrastructure "helps to realize the long-term strategic interests of the country."[19] It allows, as *China Finance* puts it, Beijing to "control and use" foreign projects; to "strengthen economic ties," therefore dependence;[20] to expand not just its material but also its labor exports while importing advanced technology; also to leverage its foreign exchange reserves.[21] And it allows China to "cross trade barriers, conduct overseas distribution, and quickly occupy foreign markets."[22] **Per Chen Jinming of the National Development and Reform Commission, "in some strategic markets, market share is more important than short term profit."[23]**

Investing for Strategic Ends

Beijing's mechanisms, the government support for them, and their strategic intent are explicit in Chinese strategic discourse and policy. The effect is evident in data. In the first two months of 2009 alone, China's M&A funds in the United States totaled 21.8 billion USD – a year-on-year increase of 40 percent. That figure continued quickly to rise as Beijing adjusted for the new global reality. Chinese discourse explains that increased investment activity stemmed directly from the wealth of opportunities afforded by the financial crisis. The financial crisis "provided momentum for Chinese companies' overseas direct investment, especially cross-border mergers and

[17] 曹晓蕾 [Cao Xiaolei]. 基于脱钩视角的中美经贸关系研究 [Research on Sino-US Economic and Trade Relations from the Perspective of Decoupling], 世界经济与政治论坛 [World Economic and Political Forum], 2013. "Although the US government has repeatedly prevented and regulated Chinese Companies, the sophisticated technology and mature experience of the US are still tempting for Chinese companies," write scholars from the Chinese Ministry of Finance's International Research Institute. They cite the examples of Huawei, Lenovo, and Sanya Heavy Industry. (胡振虎 [Hu Zhenhu] 于晓 [Yu Xiao]. 特朗普政府加大中企赴美投资审查力度:原因、趋势与对策 [The Trump administration intensifies the review of Chinese companies 'investment in the United States: causes, trends and countermeasures]. 财政科学 [Fiscal Science], 2018.)

[18] 胡振虎 [Hu Zhenhu] 于晓 [Yu Xiao]. 特朗普政府加大中企赴美投资审查力度:原因、趋势与对策 [The Trump administration intensifies the review of Chinese companies 'investment in the United States: causes, trends and countermeasures]. 财政科学 [Fiscal Science], 2018.

[19] 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US infrastructure cooperation: a new growth point for Sino-US economic and trade], 人民论坛·学术前沿 [People's Forum Academic Frontier], 2018.

[20] 王军 [Wang Jun]. 对美国债变投资是双赢之举 [Investing in the U.S. debt to change is a win-win move]. 中国金融 [China Finance], 2011.

[21] Ibid.

[22] 雷光宇 [Lei Guangyu]. 金融危机背景下中国应对美国贸易保护主义的对策 [China's countermeasures against US trade protectionism in the context of financial crisis]. 中国商贸 [China Business], 2012.

[23] 陈金明 [Chen Jinming], 汪平 [Wang Ping]. 借鉴国际经验 完善我国企业"走出去"政策. [Drawing lessons from international experience, perfecting the "going out" policy of Chinese enterprises]. 全球化 [Globaization], 2013.

acquisitions," writes Ke Yanqing of the Chinese Academy of Sciences in a 2019.[24] Wang Xiaoyue of Southwest Jiaotong University describes these "favorable conditions" in State-owned *Market Weekly* and in the middle of the crisis: May, 2008.[25] He points to low capital supply. European and American companies were struggling with liquidity challenges; Chinese companies were cash rich. "A considerable number of Chinese companies have very strong capital strength, especially State-owned enterprises and government-led private enterprises,"[26] writes Wang. Wang projects lower restrictions on Chinese money as a result. He explains that faced with liquidity crunch at home, Beijing expected European and American governments to reduce their "political constraints on overseas M&A by Chinese companies."[27]

Beijing moved in accordingly. Fan Zhigang of the Industrial and Commercial Bank of China (ICBC) notes that Beijing's post 2008 activity outmaneuvered US investment review: "No shortage of the investments were in 'critical infrastructure.' But they succeeded." He proves his point with the 2013 acquisition of Massachusetts-based lithium ion battery company A123 Systems by China's largest automaker, Wanxiang Group.[28] Between 2008 and 2013, A123 was awarded over 200 million USD in research and development (R&D) funding from the US government.[29] It filed for bankruptcy in 2012 before being sold off in parts.

As that example suggests, Beijing's investment – and especially M&A – focused on acquiring resources and advanced R&D, especially of the sensitive or government-funded variety. A 2010, CCP-backed research project[30] is explicit: "The financial crisis is a rare opportunity for Chinese enterprises lacking resources and advanced technology to go abroad and acquire foreign companies at low cost."[31] The report cites Lenovo's 2009 acquisition of Switchbox Labs, a start-up launched by former Microsoft executives. The report also cites a larger-scale example: State-owned and military-controlled Aviation Industry Corporation of China's (AVIC's) 2011 acquisition of Cirrus.[32]

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[24] 柯燕青 [Ke Yanqing]. 新经济形势下的中国企业海外并购分析 [Analysis of Chinese enterprises' overseas mergers and acquisitions under the new economic situation]. 经济研究导刊 [*Economic Research Guide*], 2019.
[25] 王潇月 [Wang Xiaoyue]. 美国次贷危机对中国"走出去"战略实施的启示 [The Enlightenment of the US Subprime Mortgage Crisis on the Implementation of China's "Going Global" Strategy]. 市场周刊 [*Market Weekly*], 2008.
[26] Ibid.
[27] 王潇月 [Wang Xiaoyue]. 美国次贷危机对中国"走出去"战略实施的启示 [The Enlightenment of the US Subprime Mortgage Crisis on the Implementation of China's "Going Global" Strategy]. 市场周刊 [*Market Weekly*], 2008.
[28] 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [The Enlightenment of the US National Security Review System on the Expansion of the US Market by Chinese Enterprises——Based on Huawei and ZTE 's Investigation into the US]. 国际经济评论 [International Economic Review], 2013.
[29] Horizon Advisory Military-Civil Fusion Indicator Database.
[30] Called *Legal Issues of Enterprise Internationalization under Financial Crisis*.
[31] 王立武 [Wang Liwu], 王健忠 [Wang Jianzhong]. 我国企业境外并购的法律风险及防范 [Legal risks and prevention of overseas mergers and acquisitions of Chinese enterprises]. 北华大学学报 [Beihua University Journal], February 10, 2010.
[32] Ibid.

Local Footholds and the Haier Model

Beijing and its commercial champions invested in US production facilities to cement such access – to US R&D and to the US market. China calls such investment "localization." The *Journal of Party and Government Cadres* explains that Chinese companies invest overseas in order to "bypass tariff and non-tariff barriers of importing countries" while increasing material and technological resources.[33] The journal proves the point with Haier's example: Haier constructed an industrial park in South Carolina and an R&D center in Indiana in order to access US technological resources and used US production plants, sales operations, and financing "effectively to solve the problems of consumer resistance to foreign brands and of non-tariff barriers in the target market."[34] The *Journal of Party and Government Cadres* calls for "this Haier model to be promoted."[35]

Chinese companies invest overseas to "bypass tariff and non-tariff barriers of importing countries"

If M&A activities manipulated the welcoming environment of the financial crisis, infrastructure investments directly targeted US relief. A 2012 article on investing in US infrastructure by three authors from the Ministry of Commerce focuses on the opportunities provided by the US Recovery and Reinvestment Act: "the US government plans to invest 787.2 billion USD from 2009 to 2019…But external capital is needed…Chinese companies are encouraged to invest in US infrastructure projects."[36] Yin Zhongxia of the People's Bank of China echoes the point: "The US infrastructure upgrade plan provides a good opportunity for Chinese companies to enter the US market." He points in particular to railway vehicles, construction machinery, and ordinary machine tools.[37] Yin explains that in the short term, doing so promises to divert China's "excess capacity"[38] in those areas, as well as their inputs (e.g., steel, glass, and

[33] Ibid.

[34] 张佰英 [Zhang Baiying], 王丽娜 [Wang Lina]. 后危机时代美国贸易保护主义的应对之策 [Countermeasures of American trade protectionism in the post-crisis era]. 党政干部学刊 [Journal of Party and Government Cadres], July 16, 2011.

[35] Ibid.

[36] 金锐 [Jin Rui], 何明明 [He Mingming], 辛灵 [Xin Ling]. 投资欧美基建 实践转型升级——中国企业参与合作的模式探索 [Investing in European and American Infrastructures, Practicing Transformation and Upgrading——Exploring the Mode of Chinese Enterprises Participating in Cooperation]. 国际经济合作 [Economic Cooperation], 2012.

[37] 金中夏 [Jin Zhongxia]. 中国的"马歇尔计划"——探讨中国对外基础设施投资战略 [China's "Marshall Plan"-Exploring China's Foreign Infrastructure Investment Strategy]. International Economic Review [国际经济评论], 2012.

[38] This point about overcapacity resolution is common. For example, Liu Jianjiang et al of Changsha University of science and Technology explain that: "From 2013 to 2014, China's high-speed rail "going out" strategy...promoted the development of Chinese companies' overseas investment and at the same time eased the pressure on the domestic steel industry's excess capacity." (刘建江 [Liu Jianjiang], 罗双成 [Luo Shuangcheng], 凌四立 [Ling Sili].

cement).[39] Beijing is well aware that this diversion of capacity comes at the expense of US industry. "There is no doubt that the industries of developed countries will be greatly affected," writes Zhong Chunping of the Chinese Academy of Social Sciences. "In the traditional manufacturing industry, factories in developed countries may suffer bankruptcy due to the impact. In order to protect their own interests, they may raise trade disputes. Developed countries, under pressure from trade unions, may initiate anti-dumping investigations and impose higher tariffs on Chinese products. In this regard, we should have our own position and should not ignore our own interests."[40]

Then there are the longer-term ambitions. Yin argues that "in the medium and long term, [entering the US market] can open up new international markets, accumulate more funds for China's industrial upgrading, create more buffer time, and open up market space for subsequent development."[41] In other words, the goal was first to sell basic equipment in order to enter the market, second to use market access in order to acquire technology and R&D, and third to leverage both market footholds and advanced capabilities to capture the next step in the value chain – out-competing US players thanks to the low costs of siphoned technologies and regulatory arbitrage.

The Chinese Ministry of Commerce reports that, between 2007 and 2011, Chinese investments in US infrastructure construction revolved around electronic communications, transportation, petrochemicals, and power – as well, if to a lesser extent, as water supply and mine construction. Infrastructure investment in the US was largely spearheaded by a discrete set of Chinese champions, most of them State-owned, the others tightly connected to, and subsidized by, the Chinese government. State-owned China State Construction Engineering Corporation, China Railway Engineering Corporation, Beijing Construction Engineering Group, and CRRC led the field in transportation infrastructure: China State Construction Engineering Corporation (CSCEC) won the bid for New York City's Alexander Hamilton Bridge rehabilitation in 2009, New York City's Staten Island Expressway in 2011, and the San Francisco-Oakland Bay Bridge in 2011. In energy, State-owned China State Grid Corporation and Shanghai Electric Group championed Beijing's approach, in maritime and aerospace production State-owned AVIC and China Shipbuilding did, and in telecommunications Shanghai Bell Co., Ltd and Huawei.[42]

Huawei became the omnipresent force in the US that it is today during the financial crisis and its immediate wake. Huawei had begun developing its US presence, and technological connections, in 2001 with a series of R&D centers. Those early seeds paved the way for joint ventures over the

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化解产能过剩的国际经验及启示 [International Experience and Enlightenment of Eliminating Overcapacity]. 经济纵横 [Economic Aspect], 2015.)

[39] 李辽 [Li Liao]. "中国制造"将被"美国制造"取代? [Will "Made in China" be replaced by "Made in America"?]. 今日工程机械. [Construction Machinery Today], 2017.

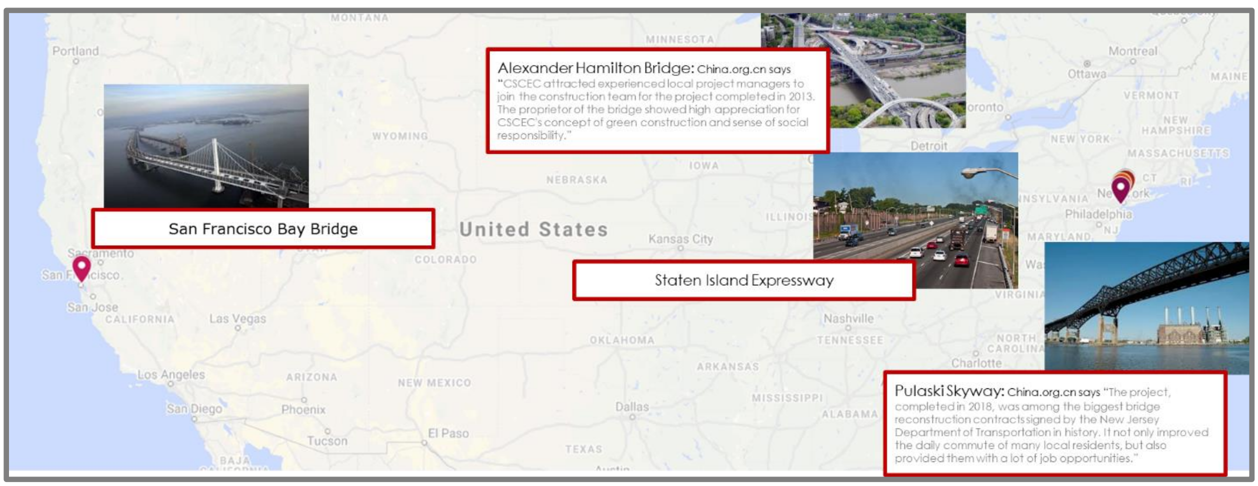
[40] 钟春平 [Zhong Chunping]. "去产能"与"产能过剩"辨析 [Discrimination of "Capacity Reduction" and "Overcapacity"]. 征信 [Credit Information], 2019.

[41] Ibid.

[42] 金锐 [Jin Rui], 何明明 [He Mingming], 辛灵 [Xin Ling]. 投资欧美基建 实践转型升级——中国企业参与合作的模式探索 [Invest in European and American infrastructure and practice transformation and upgrading, Exploration of the model of Chinese enterprises participating in cooperation]. 国际经济合作 [International Economic Cooperation], 2013.

years that followed – including prominent deals with 3Com in 2003 and Symantec in 2007, as well as later production latch-ups through which Huawei-produced equipment was sold in the West under Verizon and Motorola brands. That diverse presence in the US, and those connections to US players, provided Huawei with a foundation on which to build during and after the crisis, even in the face of US government scrutiny. After 2008, rural operators began upgrading their equipment to 3G, spurred by both technological advances and post-crisis government measures to expand national telecommunications networks. The USDA Rural Utilities Service program, for example, provided 2.5 billion USD in funding to expand rural broadband; the National Telecommunications and Information Administration's Broadband Technology Opportunities Program (BTOP) oversaw another 4.7 billion USD in funding. As that funding made its way to states, localities, and telecommunications operators, no requirements dictated preference or oversight for subsequent vendor selections. As cost-conscious operators, many smaller operators turned to Huawei's inexpensive offerings to support their modernization efforts fueled by and following these ARRA-era investments. Sagebrush Cellular did so as it upgraded to 3G across Montana and the Dakotas in 2010. So did Union Telephone in Wyoming, Colorado, Utah, and Idaho; Viaero in Colorado, Kansas, and Nebraska.

Prominent CSCEC Projects in the United States

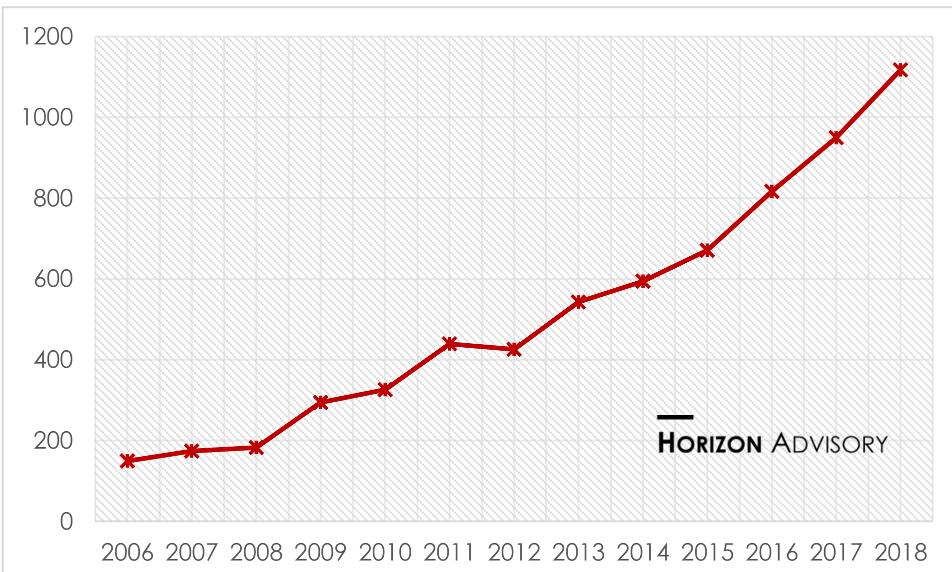


These prongs of post-crisis activity – FDI, M&A, and infrastructure investment – were supported and directed by the Chinese government. Beijing provided capital and pointed its champions toward strategic areas. The State-led, enterprise driven model remains. "The subprime mortgage crisis in the United States has provided useful experience for the Chinese government to increase its financial support for Chinese enterprises to 'Go Out,'" explains Wang in his *Market Weekly* article.[43] And Beijing's 586 billion USD so-called "bailout plan" launched after the crisis was

[43] 王潇月 [Wang Xiaoyue]. 美国次贷危机对中国"走出去"战略实施的启示 [The Enlightenment of the US Subprime Mortgage Crisis on the Implementation of China's "Going Global" Strategy]. 市场周刊 [*Market Weekly*], 2008.

oriented around propelling China's exports.[44] After 2008, Beijing expanded its export buyer's credit and export buyer's credit insurance programs – policy loan and insurance programs that provide favored Chinese companies in strategic areas with the funds and insurance necessary to export products, capital, and labor internationally. Beijing also launched new subsidies for Go Out companies' R&D, production, and international sales.[45] And Beijing developed and expanded additional processes to coordinate and supervise international investment, integrate supply chains, and establish international business networks.[46] These include China's foreign cooperative industrial park program – especially high-tech cooperative industrial parks[47] – and the government-guided investment fund apparatus.[48]

China EXIM Bank Export Buyer's Credit Balance, 2006-2018 (hundred mm RMB)



[44] 瘟疫和经济危机后各国政府如何振兴经济（上）[How do governments revitalize the economy after the plague and economic crisis (Part 1)], February 12, 2020.
[45] Horizon Advisory proprietary databases.
[46] 王潇月 [Wang Xiaoyue]. 美国次贷危机对中国"走出去"战略实施的启示 [The Enlightenment of the US Subprime Mortgage Crisis on the Implementation of China's "Going Global" Strategy]. 市场周刊 [*Market Weekly*], 2008.
[47] 中外合作工业园区如何建设？（案例+经验）[How to build a Sino-foreign cooperative industrial park? (Case + Experience)]. 前瞻产业研究院 [Prospective Industry Research Institute], August 8, 2018.
[48] China's government guided funds are policy funds, established with government capital, designed to encourage, manage, and direct private capital toward Beijing's strategic priorities. The first such fund was launched in 2002. The program grew enormously after 2008, with the number of funds and their registered capital climbing exponentially.

CEMENTING FOOTHOLDS, 2008-2018

None of this – the financial backing, government coordination, strategic ambition, or concrete manifestations of it – was intended as a one-time move. 2008 offered the opportunity to develop new modes of operating and establish new strategic footholds. Beijing extended, amplified, and honed those over the next decade, even as the financial crisis abated. Beijing continues to do so. The CCP adjusts its tack along with the global environment, US policy landscape, and economic trends. For example, China expanded its Export Buyers' Credit program again in 2015, "with the European debt crisis and the slight decline of the US economy."[49] It is doing so again now, as COVID-19 wreaks global havoc.[50] The goal is continued strategic positioning in the economic and commercial landscape – with it the weaponization of integration into the US, and global, system for the sake of asymmetric resource, market, and security control.

Starting in 2018, Chinese investment in the US has taken on a true "strategic purpose"

Writing in 2018, Hu Zhenhu and Yu Xiao of the Chinese Ministry of Finance's International Research Institute explain that ten years after the 2008 crisis, "the United States is still an important target for Chinese companies' overseas mergers and acquisitions."[51] Such Chinese cross-border M&A activity, they say bluntly, "focuses on strategic assets and resources, such as scarce resource products (e.g., minerals, metals, oil and gas), financial institutions, military products, critical infrastructure, and other sensitive assets." Within those, Chinese M&A "targets resources with significant monopoly advantages in technology, marketing know-how, management skills, and other resources." Hu and Yu also note that cross-border M&A allows Chinese companies to "circumvent trade barriers such as import quotas and anti-dumping."[52]

[49] Zhao Yingfan [赵英帆], Tian Haixia [田海霞]. 我国出口信贷现状及对策研究 [Research on the Status Quo and Countermeasures of China's Export Credit]. 商场现代化 [Industry Modernization], 2016(07).
[50] See, for example, Emily de La Bruyère and Nathan Picarsic, *Viral Moment: China's Post-COVID Planning*, Horizon Advisory, March 15, 2020, https://www.horizonadvisory.org/news/coronavirus-series-report-launch-viral-moment-chinas-post-covid-planning. For relevant journalistic coverage, see, for example, Cissy Zhou, "Coronavirus gave China the opportunity to make controversial policy moves, experts say," *South China Morning Post*, 6 June, 2020, https://www.scmp.com/economy/china-economy/article/3087838/coronavirus-gave-china-opportunity-make-controversial-policy; Charlie Campbell, "China Could Emerge Even Stronger After COVID-19," *Time*, May 14, 2020, https://time.com/5836611/china-superpower-reopening-coronavirus/.
[51] 胡振虎 [Hu Zhenhu] 于晓 [Yu Xiao]. 特朗普政府加大中企赴美投资审查力度:原因、趋势与对策 [The Trump administration intensifies the review of Chinese companies 'investment in the United States: causes, trends and countermeasures]. 财政科学 [Fiscal Science], 2018.
[52] Ibid.

Ke Yanqing of the Chinese Academy of Sciences points out that contemporary M&A targeting reflects an evolution in Beijing's ambitions. Until 2012, the focus was on natural resources. Only after 2013 did Beijing begin fully to prioritize higher-end industrial positioning and advanced technologies, media, and telecommunications. And "entering 2018," he explains, Chinese M&A in the US has taken on a true "strategic purpose: the core goal of Chinese overseas M&A is to enhance core competitiveness, expand technological advantages, and strengthen market positioning, while setting long-term goals in the global layout and market expansion."[53]

Targeting US Infrastructure Investment

That post-2018 strategic purpose – with it ambitions for market positioning and leverage – is particularly evident in **Beijing's bid to benefit from US government infrastructure and manufacturing support.** Beijing seized on the Trump administration's 2018 announcement of a new, 1.5 trillion USD infrastructure construction plan. Chinese source after Chinese source[54] calls such a plan a prime "opportunity" for Beijing. They point out first that US infrastructure investment would rely on local government and private sector financing; second that with tax cuts, Washington might face tight budget constraints and therefore turn to foreign capital; third that Beijing is perfectly positioned to provide the necessary capital and industrial capacity.[55] Both the Ministry of Foreign Affairs and government-controlled investment entities expressed their intention to promote Chinese construction of US infrastructure in response to President Trump's

[53] 柯燕青 [Ke Yanqing]. 新经济形势下的中国企业海外并购分析 [Analysis of Chinese enterprises' overseas mergers and acquisitions under the new economic situation]. 经济研究导刊 [Economic Research Guide], 2019.

[54] Take Liu Yong and Liu Weiping of the China Development Bank: "China has the advantage in participating in US infrastructure. The US infrastructure construction plan has ambitious goals, but it faces some problems in its implementation…The federal, state, and local governments at all levels of the United States have large fiscal deficit pressures, and public funds cannot invest heavily in infrastructure construction. In addition to this, the lack of preparation for construction machinery, building materials, and construction labor in the United States is also not conducive to the implementation of infrastructure construction plans. To solve these problems, the United States urgently needs private capital and foreign investment to enter this field, which provides rare opportunities for Chinese enterprises to participate. As one of the most important economic and trade partners of the United States, China has the world's largest foreign exchange reserves, and has rich experience in infrastructure construction and cost advantages. Compared with other countries, China is in a relatively favorable position and can participate in the modernization of US infrastructure -- and benefit from it. (刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作: 中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018.)

[55] "In February 2018," writes Wang Yupeng of China's Foreign Economics and Trade University, "the Trump administration announced an infrastructure construction plan of more than 1.5 trillion USD over the next ten years. However, the federal government only contributed 200 billion dollars. The rest will rely on local government and private sector financing. Considering the decrease in fiscal revenue from the US tax cut plan, the demand for foreign funds – including Chinese funds – will increase." (王宇鹏 [Wang Yupeng]. 欧美加严外资安全审查的趋势特点和分析建议 [Trend characteristics and analysis suggestions for the tightening of foreign investment security review in Europe and America]. 国际贸易 [International Trade], 2018.)

policy.[56] Jin Zhongxia of the People's Bank of China equates Beijing's "national-level foreign infrastructure investment" to a new-type, China-led Marshall Plan, orchestrated for strategic end.[57]

The proposed, 1.5 trillion US infrastructure investment was never formalized. But now, with COVID-19 recovery efforts, a large-scale infrastructure plan might be in the works. And for more than two years, Beijing has been preparing to benefit from it.

"The large-scale infrastructure project launched by Trump requires a large amount of capital and advanced technology," writes Chen Wenling director at the State Council's Comprehensive Research Center, researcher at the Chinese Academy of Sciences, and Vice President of the Chinese Chamber of Commerce and Economics.[58] She argues that the US government lacks sufficient capital, also that US companies lack the necessary experience. "Because American companies have not participated in domestic infrastructure construction for a long time, they have insufficient project experience and lack high-level technology." The result? "Large-scale infrastructure based on US domestic funding and technology faces definite obstacles." The US will have to rely on international assistance; "only China has both the necessary conditions of low cost and sufficient capital…**Trump's infrastructure investment plan is therefore an opportunity for China."[59]** Or, per a project funded by the China Railway Corporation Party School's key research program, "if the Trump administration really intends to use huge fiscal expenditures to build infrastructure and use this to stimulate US economic development, China will undoubtedly support the implementation of this plan."[60] Three academics from the Chinese Academy of Fiscal Sciences emphasized in 2017 that **China will use US government investment to expand its export of machinery and equipment and to invest in US infrastructure projects.[61]**

Wang Yupeng of China's Foreign Economics and Trade University writes that "US infrastructure investment will play a direct role in promoting China's development: The political, diplomatic, and economic spillover effects are great. It will propel Chinese companies to go global."[62]

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56 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.

57 金中夏 [Jin Zhongxia]. 中国的"马歇尔计划"——探讨中国对外基础设施投资战略 [China's "Marshall Plan"-Exploring China's Foreign Infrastructure Investment Strategy]. International Economic Review [国际经济评论], 2012.

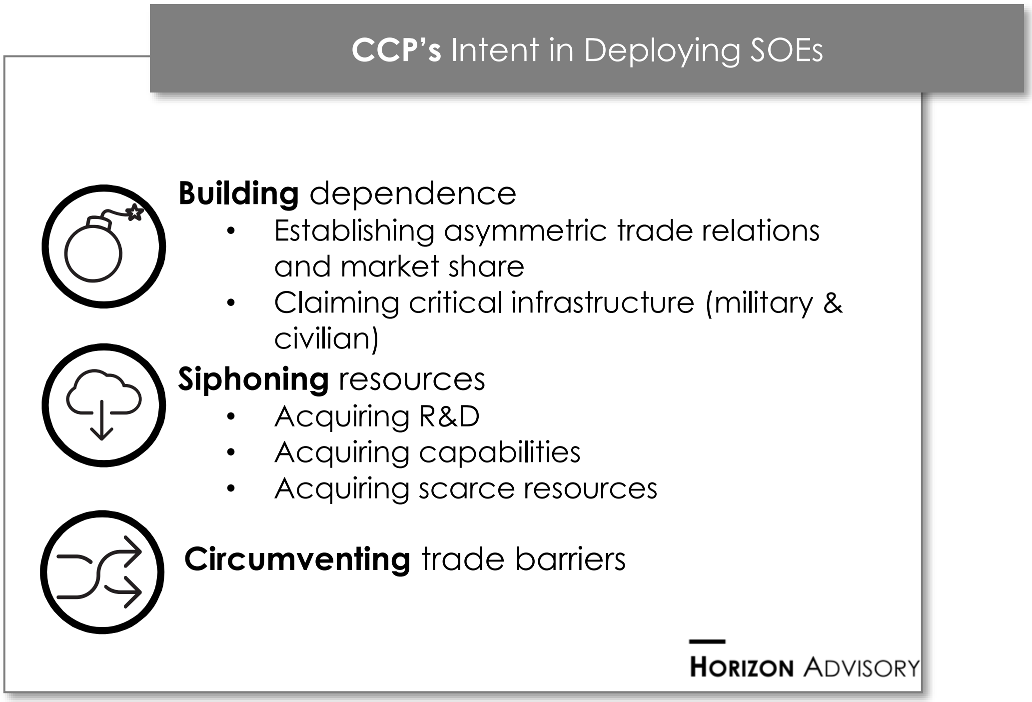
58 陈文玲 [Chen Wenling]. 特朗普战略转向的实质究竟是什么——与特朗普交易型政府必须算清的几笔账 [The Essence of Trump's Strategic Shift——Several Issues about Trump's Transactional Government]. 人民论坛·学术前沿 [People's Forum - Academic Frontier], 2018.

59 Ibid.

60 陈安娜 [Chen Anna]. 试论以创新方式推动中美基础设施合作发展 [On Innovative Ways to Promote Sino-US Infrastructure Cooperation and Development]. 商业经济研究 [Business Economics Research], 2019.

61 王朝才 [Wang Zhaocai], 马洪范 [Ma Hongfan], 景婉博 [Jing Wanbo]. 特朗普基建投资计划的难题与中国的机遇及应对 [特朗普基建投资计划的难题与中国的机遇及应对]. 财政监督 [Financial Supervision], 2017.

62 王宇鹏 [Wang Yupeng]. 欧美加严外资安全审查的趋势特点和分析建议 [Trend characteristics and analysis suggestions for the tightening of foreign investment security review in Europe and America]. 国际贸易 [International Trade], 2018.)



Beijing propels the necessary, corresponding non-market behavior on the part of its commercial champions through an arsenal of government support and direction mechanisms. Beijing has continued to expand the "Go Out" support mechanisms developed and honed after 2008: The export buyer's credit, targeted subsidies and tax incentives, coordinating mechanisms, R&D funding, etc. As legal researchers write in a Ministerial-level, government-funded project on navigating international law, "the government grants preferential policies and loans to domestic enterprises for overseas M&A."[63] They cite the China Banking Regulatory Commission's "Guidelines for M&A Loan Risk Management of Commercial Banks," which allow Chinese commercial banks to implement Chinese companies' industrial restructuring, upgrading, and integrating operations in overseas markets. And the researchers note that this "may be regarded by foreign governments and the public as having a strong political purpose."[64] Those loan policies have expanded since 2010.[65]

Such policy support explicitly directs Chinese champions towards, and de-risks, the areas that Beijing prioritizes – even where market incentives might push them elsewhere. Per the Chinese

[63] 王立武 [Wang Liwu], 王健忠 [Wang Jianzhong]. 我国企业境外并购的法律风险及防范 [Legal Risks and Prevention of Overseas Mergers and Acquisitions of Chinese Enterprises], 北华大学学报 [Beihua University Journal], 2010.
[64] And he cautions that "therefore, when strengthening the system support, China should pay in-depth attention to World Trade Organization and other world economic organizations' frameworks and provisions."
[65] Horizon Advisory proprietary databases.

Academy of Fiscal Sciences, **"for investment fields that commercial financial institutions are reluctant to enter, government departments appropriately use policy banks to reduce corporate investment risks by providing financial discounts and other support measures."**[66] Those forms of policy support focus on infrastructure and manufacturing. The National Development Bank provides funding for "key areas or projects such as infrastructure, energy resources, and equipment manufacturing," explains the Chinese Academy of Fiscal Sciences report, while China EXIM Bank provides "policy-based buyer's credit and preferential financing to invest in large projects in US infrastructure."[67]

Priorities

Beijing's "Go Out" infrastructure and manufacturing investments in the US target a clear set priority of areas. Chief among those are:

- transportation infrastructure (e.g., rail and high-speed rail, highways, and bridges);
- energy infrastructure (e.g., nuclear energy, oil and gas, electricity, biofuel, LNG, and coal-fired plants);
- automotive manufacturing (e.g., new-energy vehicles);
- information technology (e.g., software and telecommunications, as well as computers and electronics); and
- basic appliances and goods (e.g., metal products, machinery equipment, household appliances).[68]

Those areas are defined by a function of opportunities provided by US markets and Chinese strengths.[69] Researchers from the China Development Bank offer a broad diagnosis: "High-speed rail projects in the Northeast and West [of the United States], as well as railway and highway reconstruction projects, may present major breakthroughs for Chinese companies to participate in

[66] 王朝才 [Wang Zhaocai], 马洪范 [Ma Hongfan], 景婉博 [Jing Wanbo]. 特朗普基建投资计划的难题与中国的机遇及应对 [特朗普基建投资计划的难题与中国的机遇及应对]. 财政监督 [Financial Supervision], 2017.
[67] Ibid.
[68] These priority areas are laid out in Chinese discourse. See, for example, 王永龙 [Wang Yonglong]. "再制造业化" 战略建构及对我国的影响效应 [Remanufacturing strategy construction and its impact on China]. 经济学家 [Economist], 2017. and 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US infrastructure cooperation: a new growth point for Sino-US economic and trade]. 人民论坛·学术前沿 [People's Forum Academic Frontier], 2018. The breakdown is validated by Chinese industrial planning (e.g., Made in China 2025, the Strategic Emerging Industries Initiative) as well as the projects supported by policy financing and R&D funding.
[69] Municipal water infrastructure, for example, is seen as an area of growing and future demand, but one that cannot yet be a priority because, as the Research Institute of the China Development Bank puts it, of "weak Chinese international competitiveness." For the moment, Chinese companies are to "participate in relevant US projects with a learning attitude and continue to enhance their development." (刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US infrastructure cooperation: a new growth point for Sino-US economic and trade]. 人民论坛·学术前沿 [People's Forum Academic Frontier], 2018.)

US infrastructure."[70] They add that Chinese companies "have extensive experience in building and managing highways, high-speed railways, airports, ports, and municipal transportation systems." And they note that in the construction machinery industry – "closely related to infrastructure" – Beijing is already making inroads in the US market.[71]

In energy, the China Development Bank researchers write that the US consistently needs oil and natural gas, electricity, and biofuel, but also that new opportunities are emerging: "The changes in the US energy supply pattern and environmental protection policies have created other needs, such as the construction of new LNG and raw coal export terminals, the upgrading of coal-fired power plants, etc. These will also become potential markets."[72]

And they cite "disruptive and innovative technologies" in infrastructure fields as the "key" to China's foreign infrastructure bid. Those disruptive technologies, per the Chinese rubric, include mobile internet technology, space technology, additive manufacturing, autonomous vehicles and intelligence robots, biotechnology, new energy systems, and new materials. In these, the Chinese "government will become a system supplier." It will shore up capacity and create advantages through "science and technology planning; strategy and policy formulation; platform building; resource allocation; and market promotion."[73]

Beijing has designated champions for all of these fields. In rail, China's Globalization Think Tank – a Beijing-based think tank founded in 2008 by Communist Party leaders[74] – identifies State-owned CRRC as the top "Go Out" company. China Construction Engineering Corporation, Sanya Heavy Industry, and Xugong Group dominate in construction machinery and equipment; now infamous Huawei and ZTE in telecommunications.[75] As for rising, "high-tech enterprises" in the infrastructure domain, the Globalization Think Tank points to Yingkuang Construction Technology, invested in by Yukuan capital and headquartered in Shanghai, and its cooperation agreement with Hyperloop.[76] And BYD increasingly leads the field in Beijing's export of new-energy transportation systems.

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70 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US infrastructure cooperation: a new growth point for Sino-US economic and trade]. 人民论坛·学术前沿 [People's Forum Academic Frontier], 2018.
71 Ibid.
72 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US infrastructure cooperation: a new growth point for Sino-US economic and trade]. 人民论坛·学术前沿 [People's Forum Academic Frontier], 2018.
73 Ibid.
74 Founder and President Wang Huiyao is a Central People's Government State Councilor.
75 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.
76 Ibid.

CIRCUMVENTING US REGULATIONS

Of course, neither US stimulus measures nor US infrastructure investment is intended to benefit Chinese companies. Many of the areas to which Beijing directs its companies' foreign investment are supposed to be screened by US foreign investment review mechanisms or protected by Buy America clauses. This, Chinese discussion accepts explicitly: "Chinese investment in US infrastructure must overcome obstacles," writes Zhao Shuogang of the government's National Information Center, "for example, government-funded infrastructure must accept the Buy America clause and Chinese companies need to be approved."[77] "It is worth noting," explains the Globalization Think Tank, "that while launching a trillion-dollar infrastructure plan, Trump has repeatedly emphasized that US infrastructure construction must follow the principle of 'buying American goods and hiring Americans.'"[78] The Trump Administration never actually unveiled the plan that these sources were anticipating in 2017. But Beijing's discourse reveals a depth of attention and planning ready to be marshaled as infrastructure investments are pursued under COVID recovery spending. "China can support its domestic enterprises actively to participate in US infrastructure construction. However," cautions Jia Zhongzheng of the Chinese Academy of Social Sciences, "foreign capital security review in the US infrastructure market, Buy America, and other relevant regulations risk limiting the participation of Chinese companies."[79]

"To enter the US government procurement market, Chinese products need to be shipped to US trade agreement partner countries to achieve roundabout entry into the US"

The chorus continues. One more, from the Chinese Academy of Fiscal Sciences, for its value as a summary:

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[77] 赵硕刚 [Zhao Shuogang]. 美国基础设施建设计划及中国企业机遇 [US Infrastructure Construction Plan and Opportunities for Chinese Enterprises]. 海外投资与出口信贷 [Overseas Investment and Export Credit], 2018.
[78] 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.
[79] 贾中正 [Jia Zhongzheng]. 中美经贸关系新变化及中国对策 [New Changes in Sino-US Economic and Trade Relations and China's Countermeasures]. 国际贸易 [International Trade], 2017.

> US difficulties in the field of infrastructure have created new opportunities for China. However, Chinese companies investing in the US, especially directly participating in infrastructure investment, also face many challenges, manifest in two aspects. First is the challenge of US trade protection policies. The other is the challenge of direct participation in US infrastructure investment…The main body of Chinese companies 'Going Out' is State-owned enterprises. They do so in infrastructure, energy, and communication technology – which risks sparking US government vigilance and attention of local counterparts.[80]

But that vigilance can be evaded. Beijing has a playbook – and a well-honed one. The playbook includes simple means of obfuscation: **"To enter the US government procurement market, Chinese products need to be shipped to US trade agreement partner countries to achieve roundabout entry into the United States,"** explains the Journal of Chinese Government Procurement.[81]

The playbook involves a host of subtler, more advanced mechanisms, too:

- Government support specifically for the purpose of evading US regulations;
- investment in or joint ventures with US entities;
- localization of final assembly factories or other operations in the US that allow Chinese players to present as American or meet the letter – but not the spirit – of Buy America thresholds;
- dealings with state and local rather than federal governments; and
- careful targeting, lobbying, and timing.

"It is recommended," writes the Chinese Academy of Fiscal Sciences, "to use economic, financial, and other tools and means to solve the obstacles facing Chinese investment in US infrastructure."[82]

Beijing has been developing its playbook for over a decade. The tools are particularly effective in times of crisis – like 2008 and a COVID-19 environment – as assets depreciate, liquidity dries up,

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[80] 王朝才 [Wang Zhaocai], 马洪范 [Ma Hongfan], 景婉博 [Jing Wanbo]. 特朗普基建投资计划的难题与中国的机遇及应对 [Difficulties in Trump's Infrastructure Investment Plan and China's Opportunities and Countermeasures]. 财政监督 [Financial Supervision], 2017.

[81] 孟晔 [Meng Ye], 赵家根 [Zhao Jiagen]. GPA 背景下中国企业开拓美国政府采购市场研究 [Research on Chinese Enterprises Exploring the US Government Procurement Market under the GPA Background]. 中国政府采购 [Chinese Government Procurement], 2019. Chinese discussion of its industry zones in Africa, for example, notes that they benefit from preferential trade treatment vis-à-vis the US and European Union. Emily de La Bruyère, Testimony before the US-China Economic and Security Review Commission: China's Strategic Aims in Africa, May 8, 2020, https://www.uscc.gov/sites/default/files/de_La_Bruyere_Testimony.pdf.

[82] 王朝才 [Wang Zhaocai], 马洪范 [Ma Hongfan], 景婉博 [Jing Wanbo]. 特朗普基建投资计划的难题与中国的机遇及应对 [Difficulties in Trump's Infrastructure Investment Plan and China's Opportunities and Countermeasures]. 财政监督 [Financial Supervision], 2017.

and attention to security stalls. And Beijing is actively accelerating the development and use of these tools today, as US recovery ambitions create opportunity for Chinese companies.[83]

Government Support

First is simple government support – not just the broad policy financing and preferential loans that characterize Beijing's "Go Out" plan, but also backing designed specifically to counteract US regulatory hurdles. There are financial measures. Beijing awards subsidies to help Chinese companies maneuver, conduct studies on, and create databases of intellectual property (IP) and trade litigation.[84] Through policy banks, Beijing also offers export credit insurance and other policy insurance mechanisms designed to de-risk investment that might be vulnerable to investment review or other regulatory hurdles.[85]

Beijing uses non-financial means of support as well: The CCP has "data sharing and mutual legal assistance platforms for Chinese companies to invest in the US;"[86] provides companies with guidance for and information on CFIUS processes; and helps companies communicate with relevant US government entities.[87] Government-associated research institutes, think tanks, departments, and other organizations offer detailed instructions for navigating US government procurement processes. The 2017 "Several Opinions on Regulating Enterprises' Overseas Operations" that declare Beijing's policy of directing and encouraging Chinese companies' foreign investment also outline a strengthened system of legislation and compliance management – designed both to ensure better control over Chinese activity abroad and to align that activity with foreign regulatory environments.[88] As work funded by the Ministry of Education puts it, the system "assists overseas investment to avoid 'minefields,' conducts supervision and review of 'Go

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83 Emily de La Bruyère and Nathan Picarsic, *Viral Moment: China's Post-COVID Planning*, Horizon Advisory, March 15, 2020, https://www.horizonadvisory.org/news/coronavirus-series-report-launch-viral-moment-chinas-post-covid-planning.

84 Horizon Advisory proprietary databases, 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [US National Security Review Regime and Lessons for Chinese Enterprises Tapping the US Market]. 国际经济评论 [International Economic Review], 2013.

85 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [US National Security Review Regime and Lessons for Chinese Enterprises Tapping the US Market]. 国际经济评论 [International Economic Review], 2013; 竺彩华 [Zhu Caihua]. 中国对美直接投资: 新发展、新机遇和新挑战 [China's direct investment in the United States: new developments, new opportunities and new challenges]. 国际经济合作 [International Economic Cooperation], 2018; [Zhang Yuanpeng]. 全球金融危机以来中国对美国直接投资的新发展 [New developments in China's direct investment in the United States since the global financial crisis], 现代经济探讨 [Modern Economics Discussion], 2015.

86 胡振虎 [Hu Zhenhu] 于晓 [Yu Xiao]. 特朗普政府加大中企赴美投资审查力度:原因、趋势与对策 [The Trump administration intensifies the review of Chinese companies 'investment in the United States: causes, trends and countermeasures]. 财政科学 [Fiscal Science], 2018.

87 Ibid.

88 Central Leading Group for Comprehensive Deepening and Reform. 关于规范企业海外经营行为的若干意见 [Several Opinions on Regulating Enterprises' Overseas Operations], 2017.

Out' companies, and trains compliant talents to help companies better handle overseas violations."[89]

The CCP also directs its companies to deal with specialized law firms – particularly those in a given local jurisdiction and with recognized political influence. "Enterprises are required to work with professional law firms," explains Wang Yupeng, "to strengthen research on the host country's security review system. They should find ways to circumvent the review reasonably, avoid affecting the successful implementation of the M&A transaction, and strictly abide by the relevant reporting requirements."[90]

Researchers at Fujian Province's Central Party School describe these support measures as "defensive." They explain that Beijing pairs them with offensive means: "Counterattacks to combat interest groups that provoke trade protection wars."[91]

Presence

Much of the government direction and backing is designed to help Chinese companies set up presences, or arms of influence, in the US. Investment that allows Chinese players to present as, or operate through, American ones – described as "localization" – is perhaps the most-discussed means of circumventing US regulations in Chinese discourse. As China Development Bank researchers write:

> President Trump has repeatedly emphasized that infrastructure should use US-made commodities and promised to create 25 million jobs in the US within the next ten years. Chinese companies should develop infrastructure projects in the US and adapt to local markets, laws, and government requirements…Therefore, the Chinese government conducts policy guidance and planning for companies investing in the US and encourages Chinese companies to cooperate with US companies to invest in US infrastructure projects so as to lower US market barriers.[92]

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[89] 葛顺奇 [Ge Shunqi], 林乐 [Lin Le], 陈江滢 [Chen Jiangying]. 中国企业跨国并购与东道国安全审查新制度 [Chinese enterprises' cross-border mergers and acquisitions and the host country's new security review system]. 国际贸易 [International Trade], 2019.

[90] 王宇鹏 [Wang Yupeng]. 欧美加严外资安全审查的趋势特点和分析建议 [Trend characteristics and analysis suggestions for the tightening of foreign investment security review in Europe and America]. 国际贸易 [International Trade], 2018.

[91] 俞建雄 [Yu Jianxiong], 曹冬英 [Cao Dongying]. 全球化钟摆视角下特朗普政府"逆全球化"分析 ["Inverse globalization" from the perspective of the global pendulum]. 福建商学院学报 [Journal of the Fujian Business School], 2019.

[92] 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018.

They – and a litany of other Chinese sources – lay out two means of doing so: First, setting up a direct US presence, especially by building factories; second investing in or partnering with US actors. "Single is easy to break, but joining forces makes you indestructible," notes Huang Yongfu of the National Development and Reform Commission (NDRC), sagely. "Chinese 'Go Out' companies should avoid going at it alone and cooperate with enterprises in developed countries to form joint forces, jointly carry out M&A, jointly develop markets, and jointly meet challenges to reduce investment risks."[93]

On the first prong, the China Development Bank researchers describe Chinese companies circumventing US regulatory barriers by "acquir[ing] local enterprises or invest[ing] in local factories."[94] They cite CRRC and Haier. Other sources point to Hisense and Shandong Weida as well.[95] Hisense Infotech (海信集团), a Chinese electronics company, is perhaps best known for its televisions produced under the Hisense brand and sold globally under a number of other highly recognized brands (e.g., in the United States through a license with Sharp). Hisense first established a presence in the US in the early 2000s to locally produce and distribute components. It has also leveraged joint ventures with US firms, including Whirlpool and Ligent Photonics, to establish local US presences. The Globalization Think Tank suggests the same, with its leadership explaining that investing in or building factories in the United States "is in line with Trump's policy of 'Buy American goods and hire Americans,' and is more easily accepted by local governments and the public."[96] They explain why this works. Referencing Section 1605 of the American Recovery and Reinvestment Act of 2009, they note that "construction materials and operating equipment used in transportation projects such as aviation, railroads, and roads must be manufactured in the US." If Chinese companies "go deeper into the local area," they can meet those thresholds. They will be even better positioned if they "hire a certain percentage of women and minorities when they choose American partners."[97]

Chinese companies make no secret, in carrying out such activity, of their intentions. Take a 2017 interview with the Chairman of State-owned China Building Materials, Song Zhiping, on "why Chinese companies go to the US to build factories."[98] Song argues that "going abroad to build factories can reduce the effect of trade protectionism on us. Over the years, the US and European Union have launched anti-dumping cases against Chinese companies, and we have lost many of

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[93] 黄永富 [Huang Yongfu]. 西方加强外资国家安全审查对中国企业的影响及对策 [The Impact of Strengthening Foreign Security National Security Review in Western Countries on Chinese Enterprises]. 中国发展观察 [China Development Watch], 2019.
[94] 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018.
[95] 蒋卓晔 [Jiang Zhuoye]. 制造业回流美国背景下我国产业面临的压力及其应对 [The pressure China's industry faces and its countermeasures against the background of manufacturing industry returning to the United States], 社会科学家 [Social Scientist], 2018.
[96] 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.
[97] Ibid.
[98] China Building Materials subsidiary, China Jushi, invested 300 million USD in a glass fiber production line in Richland, South Carolina in 2016.

our original markets."[99] Wanhua Chemical's 2018 announcement of a 1.25 billion USD Methylene diphenyl isocyanate (MDI) project in Louisiana explains that "localized production and operation in the US are conductive to reducing the risks of international trade policies and tariffs," namely 301 tariffs.[100] Press releases from State-owned rail champion CRRC in 2017 declare that it has "completed Trump's US localization requirements…All vehicle projects meet the requirements of 'Buy America... The rate reaches more than 60 percent and is assembled locally."[101] At the press release's end comes a subtle jab: "**There are Trump's policies on the top, and China's countermeasures on the bottom. Trump may have to study the culture of the Chinese nation for five thousand years**."[102]

Tianjin Pipe Industry completed the first phase of a 1 billion USD plant in the US in 2014 to ensure that their steel would enter the US market despite anti-dumping regulation and concern.; Nanshan Aluminum established Nanshan Aluminum Corporation to protect China's smelters, alumina refining and bauxite mines.[103] "In 2012," writes Zhang Yuanpeng of the Jiangsu Academy of Social Sciences, "the US announced that it will levy anti-dumping duties and countervailing duties on Chinese-made crystalline silicon photovoltaic cells and modules. Suntech Power and Wanxiang Group will invest in solar panel assembly plants in the US. In addition, BYD has set up an electric bus assembly and manufacturing enterprise in California to meet the requirements of 'Buy America.'"[104] These investments ensure that US goods and production are fueled by China's domestic, subsidized, key inputs. Anti-dumping duties or not, Chinese champions will produce the polysilicon, ingots, and wafers for Suntech Power and Wanxiang Group. BYD's supply chain will turn to Chinese steel, bus component manufacturing, and, for its battery technologies, Chinese mineral supply and battery production.

This maneuvering is government-directed. As Jiang Zhuoye of the Beijing University of Science and Technology puts it, "faced with the return of the US manufacturing industry, China should actively follow the trend. While enhancing the competitiveness of domestic enterprises, it encourages capable enterprises to actively go out and invest in the US to set up factories."[105]

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[99] 中国建材董事长：中国企业为什么去美国建工厂？我们有话说 [Chairman of China Building Materials: Why do Chinese companies build factories in the United States? We have something to say], Sohu News, February 23, 2017.
[100] 万华化学关于在美国建设 MDI 一体化项目的公告 [Announcement of Wanhua Chemical on the construction of MDI integration project in the United States], November 17, 2018.
[101] 中国中车完成特朗普美国本土化要求 [CRRC completes Trump's US localization requirements
], March 28, 2017.
[102] Ibid.
[103] 张远鹏 [Zhang Yuanpeng]. 全球金融危机以来中国对美国直接投资的新发展 [New development of China 's direct investment in the United States since the global financial crisis]. 现代经济探讨 [Modern Economics Discussion], 2015.
[104] Ibid.
[105] 蒋卓晔 [Jiang Zhuoye]. 制造业回流美国背景下我国产业面临的压力及其应对 [The pressure China's industry faces and its countermeasures against the background of manufacturing industry returning to the United States], 社会科学家 [Social Scientist], 2018.

Chinese sources also direct companies to partner with US and multinational players in order to enter the market. China Development Bank researchers suggest "join[ing] China-based US companies to return to the US to invest," as well as "cooperat[ing] with US companies in third-party countries to increase competitiveness and influence in the United States."[106] To those options, the government project on legal issues of Chinese enterprise internationalization adds "involvement in overseas operations through the purchase of shares in multinational companies."[107] That research explains that this works because "the United States and the European Union have basically no restrictions on foreign investor holdings. Our companies can become shareholders with a large proportion of shares through public purchase and enter the board of directors to participate in multinational operations." [108] The China Railway Corporation project suggests that in finding partners, Chinese companies target those "with strength, good brand reputation, and friendly relations with government. They can be local US companies or private capital sources."[109] Take Smithfield, which is cited repeatedly in Chinese sources: In September 2013, China's biggest meat processor, Shuanghui International Holdings, acquired Smithfield. Wan Long, a Chinese billionaire, sits on the board of Smithfield and oversees the broader holding company portfolio in which Smithfield now resides.

Wang notes that companies can "adjust their investment methods" by "acquiring small, unobtrusive enterprises as 'invisible champions' through joint ventures or consortia.

Wang Yupeng of China's Foreign Economics and Trade University stresses the importance of subtlety in the process. He notes that companies can "adjust their investment methods" by "acquiring small, unobtrusive small and medium-sized enterprises as 'invisible champions' through joint ventures or consortia."[110] Local companies are particularly ripe because, as ICBC researchers point out, "CFIUS clearly defines the scope of transactions for review as those where

[106] 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018

[107] 王立武 [Wang Liwu], 王健忠 [Wang Jianzhong]. 我国企业境外并购的法律风险及防范 [Legal risks and prevention of overseas mergers and acquisitions of Chinese enterprises]. 北华大学学报 [Beihua University Journal], February 10, 2010

[108] Ibid.

[109] 陈安娜 [Chen Anna]. 试论以创新方式推动中美基础设施合作发展 [On Innovative Ways to Promote Sino-US Infrastructure Cooperation and Development]. 商业经济研究 [Business Economics Research], 2019.

[110] 王宇鹏 [Wang Yupeng]. 欧美加严外资安全审查的趋势特点和分析建议 [Trend characteristics and analysis suggestions for the tightening of foreign investment security review in Europe and America]. 国际贸易 [International Trade], 2018.

business entities are 'trans-state operations.'"[111] Local companies therefore offer an opportunity for less heavily scrutinized transactions.

Wang and others caution that Chinese companies should work to keep their activity "invisible." That means reducing the equity proportion of any single M&A deal, and then "gradually increasing holdings to control business operations."[112] Chinese companies should also keep a low public profile: "Avoid hype," writes Wang, "in the host country's media while opportunistically announcing the contribution of the company's investment to local employment and taxation, as well as outstanding achievements in social responsibility."[113]

In some cases, multinational companies with other foreign sources of funding are suggested as key partners to avoid failing investment review: "When choosing the target of M&A," explain researchers from ICBC, "you can consider avoiding the largest and most influential companies in the industry. Instead, pay attention to other foreign-funded companies operating in the United States."[114] They use CNOOC's acquisition of Calgary-based Nexen in 2012 as an example. "It was approved by the investment committee because less than ten percent of Nexen's energy assets are located in the United States."[115]

In a different approach to invisible partnerships, the National Development and Reform Commission's Huang Yongfu notes that "Chinese companies can invest in scientific research institutions that provide technology R&D for Western target companies or researchers who are willing to start businesses."[116] China Development Bank research offers a succinct summary of the "localization" tactic:

> Faced with the United States' complicated regulatory operating environment, Chinese-funded enterprises can unite with American companies in China and use their official and public relations networks to accelerate the pace of entering the US infrastructure market. At the same time, we can increase the merger and reorganization of US infrastructure companies in a timely manner, encourage Chinese investors to purchase shares or assets of

[111] 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [The Enlightenment of the US National Security Review System on the Expansion of the US Market by Chinese Enterprises——Based on Huawei and ZTE 's Investigation into the US]. 国际经济评论 [International Economic Review], 2013.
[112] 王宇鹏 [Wang Yupeng]. 欧美加严外资安全审查的趋势特点和分析建议 [Trend characteristics and analysis suggestions for the tightening of foreign investment security review in Europe and America]. 国际贸易 [International Trade], 2018.
[113] Ibid.
[114] 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [The Enlightenment of the US National Security Review System on the Expansion of the US Market by Chinese Enterprises——Based on Huawei and ZTE 's Investigation into the US]. 国际经济评论 [International Economic Review], 2013.
[115] Ibid.
[116] 黄永富 [Huang Yongfu]. 西方加强外资国家安全审查对中国企业的影响及对策 [The Impact of Strengthening Foreign Security National Security Review in Western Countries on Chinese Enterprises]. 中国发展观察 [China Development Watch], 2019.

> local US infrastructure construction companies, purchase public or private bonds for infrastructure projects, and open Chinese financial institutions to providing loans or related purchase bonds for US infrastructure projects. Through overseas mergers and acquisitions, obtain advanced technology, patent rights, management experience, and marketing channels of local infrastructure companies.[117]

Also, in the discussion of "localization" is an emphasis on finding US employees and intermediaries with connections to relevant government agencies: "Staff, especially the localization of management, is of great significance for Chinese companies," write the ICBC team. "These agencies better understand how to deal with the US Congress and government agencies."[118] The China Development Bank research notes that "Inviting retirees from the US Department of Transportation as company public relations personnel has improved Chinese companies' efficiency."[119] Such tactics extend into understanding potential investment review and operational risks: Huawei, for example, hired as its Chief Security Officer in the United States a former government official who served as a co-chair of the National Cyber Response Coordination Group (NCRCG), the US interagency mechanisms focused on cyber incidents of national significance. Similarly, DJI has hired former National Security Council (NSC) staffers to build out its Washington, DC policy office.[120]

Influence: PR, State & Local

The personnel point leads naturally to a larger Chinese emphasis on lobbying, public relations, and connections as a way into US procurement and sensitive markets. Highlighted promotion mechanisms include think tanks, chambers of commerce, civil society, industry associations, and, especially, state and local governments. "As more and more Chinese companies join the ranks of 'investing in the US,' it is particularly important to understand lobbying, public relations, and media relations," cautions Zhu Caihua of the Ministry of Commerce's Institute of International

[117] 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018.
[118] 樊志刚 [Fan Zhigang], 王婕 [Wang Jie]. 美国国家安全审查制度对中国企业拓展美国市场的启示——基于华为、中兴通讯被美调查事件 [The Enlightenment of the US National Security Review System on the Expansion of the US Market by Chinese Enterprises——Based on Huawei and ZTE 's Investigation into the US]. 国际经济评论 [International Economic Review], 2013.
[119] 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018.
[120] Kiran Stacey, "Chinese dronemaker DJI plays 'textbook' game in Washington,"*Financial Times,* November 5, 2019, https://www.ft.com/content/73687758-f050-11e9-ad1e-4367d8281195.

Trade.[121] The Globalization Think Tank describes these as "the insurance policy for Chinese companies to invest in US infrastructure construction."[122]

The Ministry of Commerce's Zhu and a host of other Chinese sources cite the approach of Japanese companies' in the 1980s. "When their investment was blocked in the 1980s, they actively cooperated with American think tanks, journalists, and former government officials to shape Washington's mainstream views on Japanese investment, and achieved good results."[123] Zhu continues with a series of "suggestions for Chinese companies:" Contributing to local society and leveraging local media; obtaining personal statements from influential partners and officials; cooperation with third parties such as think tanks, research institutions, and media; and a large-scale, long-term, government public relations mechanism.[124]

Chinese scholars and officials pay even more attention to relationships with state and local governments, and influential nodes within them. "There is a saying in American politics," writes Jia Zhongzheng of the Chinese Academy of Sciences: "All politics is local."[125] He goes on to explain that Chinese companies can circumvent US regulatory hurdles by working through State and local governments. Where the Trump Administration imposes "reverse globalization,"[126] state and local governments – independent, fragmented, and, in many cases, dependent on China – provide a countervailing force.[127] Jia spells out the equation: "the degree of dependence on China will largely determine a state's attitude: States that have more exports to China and rely more on Chinese investment are more pro-China."[128]

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121 竺彩华 [Zhu Caihua]. 中国对美直接投资:新发展、新机遇和新挑战 [China's direct investment in the United States: new developments, new opportunities and new challenges]. 国际经济合作 [International Economic Cooperation], 2018
122 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.
123 竺彩华 [Zhu Caihua]. 中国对美直接投资:新发展、新机遇和新挑战 [China's direct investment in the United States: new developments, new opportunities and new challenges]. 国际经济合作 [International Economic Cooperation], 2018
124 Ibid.
125 贾中正 [Jia Zhongzheng]. 中美经贸关系新变化及中国对策 [New Changes in Sino-US Economic and Trade Relations and China's Countermeasures]. 国际贸易 [International Trade], 2017.
126 Ibid.
127 "Compared with the federal government's prioritization of US national security and global technological competitive advantages," explains Wang Jun of the Chinese government's International Economic Exchange Center, state governments are more concerned about the contribution of foreign capital to local taxation and employment, so foreign investment is generally welcomed." (王军 [Wang Jun]. 对美国债变投资是双赢之举 [Investing in the U.S. debt to change is a win-win move]. 中国金融 [China Finance], 2011.)
128 Ibid.

Jia is no rogue voice. Chinese discourse consistently harps on the significance of State and local governments in US infrastructure construction, their relative attitudes toward China, and mechanisms that might affect those.[129] The Globalization Think Take leadership promises that close relations on the part of Chinese companies and officials with State and local leaders can neutralize US trade barriers and tensions: "The demand for foreign capital from China drives close connections with US states. Chinese entrepreneurs who are willing to invest in State governments are generally treated as guests by state politicians and officials, regardless of their party or ruling philosophy. If Trump wants to launch a Trade War, members of Congress in major Midwest agricultural export states will be the first to oppose it."[130] They also point to the role of the US private sector in this approach: "US multinational companies in China will pressure politicians in their home states."[131] And they write that state and local officials are more malleable and readily influenced than their national counterparts: "In some economically underdeveloped areas of the United States, some local officials have never even traveled abroad." Beijing can shape their attitudes through "two-track diplomatic platforms" to "deal with economic and trade relations in the Trump era."[132]

"US multinational companies in China will pressure politicians in their home states."

Chinese sources even rank relative US state support for Chinese investment. In part that means closely following relevant US studies: Rhodium's 2018 report on Chinese FDI in the US by congressional district is frequently cited in Chinese discourse.[133] "In the rankings," writes Wang Jun of the state China International Economic Exchange Center, New York's twelfth district tops the list, Illinois's seventh district and North Carolina's fourth district follow closely, and the

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[129] Chen Anna calls on China's infrastructure investment to juggle the relationship among federal, state, and local governments, also on Chinese provincial governments to "strengthen cooperation with US states and municipal governments; hold annual summits of Chinese and American governors and mayors; and establish cooperation platforms, mechanisms, and cooperation funds to prevent and resolve the political risks the two countries may encounter in infrastructure cooperation." (陈安娜 [Chen Anna]. 试论以创新方式推动中美基础设施合作发展 [On Innovative Ways to Promote Sino-US Infrastructure Cooperation and Development]. 商业经济研究 [Business Economics Research], 2019.) The Globalization Think Tank writes, "as everyone knows, the core of American politics is local politics. Under the federal system, the local governments of various states, counties, and cities have independent legislative and executive bodies and have great autonomy. Attracting foreign investment in the United States is the responsibility of the local economic and trade departments of each state. The vast majority of infrastructure projects are also local-led." (李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.)

[130] 李俊强 [Li Junqiang], 臧振瑞 [Zang Zhenrui]. 基础设施建设是中美合作的关键点 [Infrastructure construction is a key point of Sino-US cooperation]. 祖国 [Motherland], 2017.

[131] Ibid.

[132] Ibid.

[133] "New Neighbors 2018: Chinese FDI in the United States by Congressional District," The Rhodium Group, April 10, 2018.

congressional districts where Chinese companies provide the most jobs are Kentucky's third, North Carolina's ninth, Michigan's fifth, and North Carolina's fourth…China can consolidate its relationship with members of these constituencies in a targeted manner and legally use the domestic lobbying system to ease resistance to Chinese companies' investment in the United States."[134]

Chinese sources also conduct their own analyses on the subject. In June 2019, the Minzhi Think Tank –first incubated in Tsinghua University and focused on US-China affairs – released a "panoramic" report on US governors' attitudes toward China. "Because of the federal system in the United States," reads the report introduction, "the governor can ignore the White House's orders …Each federal member also enjoys a certain degree of diplomatic independence…Therefore, the attitudes of the states are crucial." That report identified 17 governors as friendly to China, six as tough.[135] Kentucky appears prominently in both the Rhodium report and the Minzhi Institute friendly ranking. Chen Anna dives in:

> The governor of Kentucky, Matthew Bevin, said that United States has much work to do in improving infrastructure. For the state government, infrastructure construction including roads, airports, water resources facilities, etc. is very important. However, 90% of these projects may not be able to obtain federal financial support. Sino-US financial and infrastructure cooperation can go together. Chinese capital needs to look for investment opportunities, and the United States needs to address infrastructure. This provides the basis for cooperation between the two countries.[136]

Certain public relations strategies recur in the Chinese discourse. First, companies are to stress job creation. Second, they are to minimize discussion of strategic intentions. And third – with particular emphasis on this one – they are to obfuscate their relationships to the Chinese State. On the first front, Gong Ting – an expert at the Chinese Academy of International Studies American Institute – suggests that "high-profile propaganda" about job creation "can help reduce Americans' doubts about Chinese investment."[137] On the second, Zhu Zhiqun cautions in *Research on US Issues* that there are three "situations in which Chinese investment in the United States" activates local resistance: First is investment in real estate, because Americans don't want to see their housing prices rise. Second is "disassembling of the production line and shipping it back to China." Third "is the use of paramilitary terms such as 'occupy strategic commanding heights' to describe

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[134] 王军 [Wang Jun]. 对美国债变投资是双赢之举 [Investing in the U.S. debt to change is a win-win move]. 中国金融 [China Finance], 2011.
[135] 美国对华态度全景 - 州长篇 [U.S. Attitude toward China: Governor Edition], Minzhi Research Institute, June 22, 2019.
[136] 陈安娜 [Chen Anna]. 试论以创新方式推动中美基础设施合作发展 [On Innovative Ways to Promote Sino-US Infrastructure Cooperation and Development]. 商业经济研究 [Business Economics Research], 2019.
[137] 龚婷 [Gong Ting]. 中美经贸摩擦背景下的中国对美直接投资 [China's Foreign Direct Investment in the US under the Trump Administration and amid Bilateral Economic and Trade Frictions]. 美国问题研究 [Research on US Issues], November 30, 2019.

Chinese investments in the United States."[138] Better to hide that strategic intention, and Beijing's military-civil fusion[139] objectives, behind discussion of job creation.

On the third front, a range of sources warn that US government officials evaluating Chinese investment are particularly wary of, per the China Development Bank, "the degree of state control and government background of Chinese enterprises," as well as "state subsidies."[140] Therefore, China "should pay attention to weakening the national strategic color in the promotion of enterprises' 'Go Out,' especially the Belt and Road elements."[141] One countermeasure suggested by the NDRC's International Cooperation Center is to accelerate ownership reform for Go Out companies: Beijing can seek "cooperation between its State-owned enterprises and US or European private capital" or "invest in foreign equity investment funds" to "dilute the background of State-owned corporate governance." Beijing can also focus its guidance and backing not on State-owned companies but on small and medium-sized enterprises and ostensibly private ones, "actively encouraging those to invest abroad."[142]

Wang Jun wraps it up: "to increase the pass rate of CFIUS review, companies can flexibly choose investment strategies on the one hand – such as investment rather than M&A , passive investment, minority equity investment, or gradual small-scale investment – time investment to avoid politically sensitive periods such as elections; and seek the help of professional consultants and institutions, especially from top US law or public relations firms."[143]

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[138] 朱志群 [Zhu Zhiqun] 中国对美投资与中美关系 [Chinese Investment in the US and Sino-US Relations], 美国问题研究 [Issues in American Research], June 30, 2017. Li Ying of the Ministry of Industry and Information Technology echoes this point: "I make a few suggestions for Chinese companies. First, try to weaken the relevance of investment projects to US national security. In the past few years, some Chinese enterprises have hyped their investment projects reflecting the important value of the transactions, claiming that their investment projects occupy strategic high-ends, or that success will allow them evenly to compete with US market leaders." (李颖 [Li Ying]. 美国海外投资审批制度及对策研究 [Study on the US Overseas Investment Approval]. 中国科技投资 [Chinese Science and Technology Investment]. May 10, 2013.)
[139] Emily de La Bruyère and Nathan Picarsic, *Military-Civil Fusion: China's Approach to R&D, Implications for Peacetime Competition, and Crafting a US Strategy*, Naval Postgraduate School Acquisition Research Symposium, May 2019.
[140] 刘勇 [Liu Yong], 刘卫平 [Liu Weiping]. 中美基建合作:中美经贸新的增长点 [Sino-US Infrastructure Cooperation: A New Growth Point for Sino-US Economic and Trade Relations]. 人民论坛·学术前沿[People's Forum Academic Frontier], 2018
[141] Ibid.
[142] 盛思鑫 [Sheng Sixin], 曹文炼 [Cao Wenlian]. 关于投资美国基础设施的调研 [Research on investing in American infrastructure]. 全球化 [Globalization], 2014.
[143] 王军 [Wang Jun]. 对美国债变投资是双赢之举 [Investing in the U.S. debt to change is a win-win move]. 中国金融 [China Finance], 2011.

CONCLUSION

China saw the 2008 financial crisis as an opportunity. As the US retrenched, and with global liquidity in short supply, Beijing seized footholds in strategic product and geographic markets. In some cases, it did so with the, unintentional, support of the US government – benefiting, for example, from rural connectivity measures to expand Huawei's presence in the United States.

In the decade since 2008, Beijing has honed a deliberate playbook to co-opt US infrastructure, supply chains, and markets – evading US regulation and review in the process. Since 2017, China has explicitly planned to use that playbook to subvert US infrastructure investment. Now, as COVID-19 wreaks global havoc, Beijing sees a watershed opportunity. The CCP has increased its support to State-owned and State-backed enterprises. It has also accelerated their guidance.

Beijing intends to use today's stall, dislocation, depreciation, and liquidity crunch to seize US footholds, influence, and partners; to capture market share and control in foundational US systems; to finish hollowing out US industry – and, in the process, seizing asymmetric dependence and one-sided leverage. Beijing intends to do so through regulatory arbitrage, state subsidies and other support, and innovation theft in strategic areas. **China also intends to do so by leveraging US government investment intended for US companies. Beijing positions to benefit from policy measures designed to support US industrial, and broader economic, recovery – recovery that is necessary in large part because of the damage caused by decades of Chinese weaponized cooperation.**

The US attempts to defend its markets and resources with policy – with foreign investment screening, Buy America regulations, and other regulatory mechanisms. But Beijing has studied those. It has analyzed both US regulation and US government procurement. The CCP helps its companies to circumvent those. Without new protective mechanisms and close scrutiny of China's activity, US recovery efforts will continue to fuel Beijing's offensive. They risk exacerbating existing US dependence in critical technologies, supply chains, and infrastructure.

The present crisis underlines the stakes of the contest. Faced with a global health crisis, the US is constrained in its ability to procure and marshal resources to produce PPE and other medical necessities. Those constraints stem from China's deliberate, parasitic positioning; from decades of Chinese planning designed to control foundational supply chains – and influential multinational companies. If Beijing succeeds, such constraints will apply across industries, along supply chains, and in non-crisis scenarios.

COVID-19 recovery efforts have the potential to offer immediate relief. They could also offer longer-term protection against China's industrial stranglehold. COVID-19 is forcing major policy change and initiative: That change and initiative can include strategic competition against China's industrial offensive. The alternative is that China uses this crisis to lock in its position. And it will do so fueled by US resources.

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