



## China Reform Monitor No. 1446

December 15, 2020 Joshua Eisenman

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### SWISS DENY CHINA DEAL POSED THREAT TO DISSIDENTS

Switzerland is denying that its deal to allow agents from China's Ministry of State Security (MSS) to enter the country and interrogate Chinese nationals put dissidents at risk. Moreover, Bern has insisted that, although the deal expired this week, it may still grant Chinese agents such access. The arrangement was used once in 2016, when agents from China's Ministry of State Security stayed in Switzerland for several days while they carried out unsupervised interrogations of more than a dozen people. The Swiss government has claimed that there is nothing secretive about the deal, calling it a standard "technical arrangement." A spokeswoman for China's foreign ministry, meanwhile, has said that criticism of the agreement is based on "a misinterpretation," and said that "other European countries engage in similar cooperation with China." (Agence France Presse, December 12, 2020)

### SUSPECTED CHINESE SPY TARGETED MEMBERS OF CONGRESS AND MAYORS

Between 2011-2015, a suspected MSS operative named Fang Fang (a.k.a. Christine Fang) collected information from numerous local and national U.S. politicians. In 2011, she enrolled at California State University, East Bay, where she became president of both the Chinese Student Association and Asian Pacific Islander American Public Affairs (APAPA), a national Asian American organization. Then, using her APAPA affiliation, she leveraged fundraising, networking, and sex to build a network of political operatives, local organizers and elected officials. She appeared in photos with politicians including Rep. Eric Swalwell (D-CA), Rep. Judy Chu (D-CA), and then-Rep. Mike Honda (D-CA), and in 2013 helped fundraise for Rep. Tulsi Gabbard (D-HI). In 2014, one Midwestern mayor referred to her as his "girlfriend," and another had a sexual encounter with her in a car under FBI surveillance. Then in mid-2015, with the FBI closing in, Fang fled to China and has not returned to the U.S. since. (Axios, December 8, 2020)

### CHINA'S BIGGEST INFRASTRUCTURE FINANCERS FACE CASH CRUNCH

Local government finance vehicles (LGFVs) – China's biggest infrastructure financiers – are struggling to raise cash after a series of defaults shook bond markets last month. To evade restrictions on debt levels, cities and provinces have long relied on LGFVs to raise capital, and in 2019 they accounted for almost half of new business loans. LGFVs sold a record 3.4 trillion RMB in bonds in the first three-quarters of this year, a 31% jump over 2019. "We are the biggest creditor to local governments and the biggest debtor to China's financial system," said an executive at the Jiangsu-based LGFV Hanjiang Urban Construction Development Co. But now many LGFVs have abandoned bond sales. "Investors don't see us as a viable business when government support is gone," said an executive at Shandong-based Chengfa Investment Group, which has cancelled its 820 million RMB bond issue. Bank loans have also dried up, making it more expensive for LGFVs to roll over debt. (Financial Times, December 9, 2020)

### BRI ON THE ROCKS

Lending by China's two top state-controlled policy banks, the China Development Bank and the Export-Import Bank of China, fell from a peak of \$75 billion in 2016 to \$4 billion in 2019. Between 2008-2019, the two institutions lent \$462 billion, as compared with \$467 billion from the World Bank. As debt renegotiations have proliferated amid the pandemic, Beijing has increasingly said it will target more resources at home. In 2020, China has had debt renegotiation with at least 18 countries, with 12 of them still ongoing. "China is consolidating, absorbing and digesting the investments made in the past," said Wang Huiyao, an adviser to China's state council. "In domestic Chinese media, the frequency of the [Belt and Road] topic occurring has come down a lot in the last few years, partly to downplay China's overseas expansion ambitions. I expect this retrenchment to continue," said Chen Zhiwu of Hong Kong University. (Financial Times, December 11, 2020)

### LEAKED FILES EXPOSE WIDESPREAD CPC PENETRATION

A leaked database of 1.95 million Shanghai CPC members reveals that hundreds are working in British consulates, universities and at leading companies. The database contains members' names, places and dates of birth, ethnicity, addresses and telephone numbers dating back to 2016. It identifies hundreds of party members working at pharmaceutical giants Pfizer and AstraZeneca, the banks HSBC and Standard Chartered, and defense industry interests including Airbus, Boeing and Rolls-Royce. In one case, a CPC member became a senior official at the British Consulate in Shanghai. "In that station [the official] will be sat one floor away from the MI6 team and could have identified intelligence officers," said a British intelligence source. (Daily Mail, December 12, 2020)