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Taiwan's Reform Bills Indicate Volatility

by Arran Hope [1]



Protestors outside the Legislative Yuan in Taipei on the evening of May 21. (Source: [Wikipedia](#))

Executive Summary:

- Taiwan's Executive Yuan has returned inflammatory legislation to the Legislative Yuan over concerns that it violates democratic principles, procedural justice, and the country's constitution. The legislation is also likely to face judicial challenges.
- Contentious provisions could force testimony by military officials and others without proper legal safeguards and under threat of financial sanction or a prison sentence, potentially endangering national security through exposing classified information.
- The involvement of officials such as the Kuomintang's (KMT) Fu Kun-chi and the timing of the legislation following high-level meetings with members of the PRC leadership, has raised suspicions about PRC involvement in stoking controversy.

The administration of Taiwan President Lai Ching-te (賴清德) is off to a rocky start. On June 6, Taiwan's Executive Yuan (EY; 行政院) issued a press release stating that it would request that the Legislative Yuan (LY; 立法院) reconsider amendments passed on May 28 to the “Law on the Exercise of Powers and Functions of the Legislative Yuan (立法院职权行使法)” and additions to Chapter 5-1 and Article 141-1 of the island's “Criminal Code (刑法)” ([EY](#), June 6). This development is only the latest skirmish in an ongoing battle at the heart of Taiwan's democracy and comes at the end of several tumultuous weeks.

The legislation, which passed its third reading in the pan-Blue-dominated LY at 10:53 p.m. on Tuesday has drawn extraordinary levels of concern ([TW Reporter](#), May 28). [2] The end of May saw protests on a scale unseen since the 2014 Sunflower Movement almost exactly a decade ago, and at their peak reached over 100,000 participants in Taipei ([New Bloom Magazine](#), May 25; see [China Brief](#), April 9, 2014). [3] Observers and interest groups both domestic and international have also engaged in public criticism, voicing substantive issues but also inveighing against procedural malpractice, both in person on the streets in Taipei, New York City, and elsewhere, as well as in op-eds and public letters in traditional and social media outlets.

A statement from the DPP Mission to the United States succinctly encapsulates the main issues with the legislation, listing seven reasons for the decision to return the bills to the LY for review ([DPP Mission to the United States](#), June 6). These reasons are the following: a lack of substantive discussion in passing the legislation, violating democratic principles; confusing the dual executive system, and requiring unconstitutional questioning of the President; an overly broad scope for legislative investigations and hearings; a disregard for due process of law, violating procedural justice; an indefinite review of personnel approval, leading to lengthy vacancies in important government positions; an unclear definition of “Contempt of Congress,” arbitrarily expanding legislative power; and possibilities of criminal penalties (both fines and prison sentences) on account of mere “suspicion” of officials making false statements. The Control Yuan (CY; 監察院) has also issued a statement saying that the legislation “violates the separation of powers (涉違反權力分立)” and is thus unconstitutional ([CY](#), May 28). There are further concerns that the legislation could adversely affect national security ([BBC Chinese](#), May 29; [Bloomberg](#), May 30).

All this comes at a time of relative volatility for Taiwan, which is under constant pressure from the People's Republic of China (PRC). The PRC has not been in the foreground of the intense domestic political struggles—which included brawls in the legislature, injuring five lawmakers—but its presence has nevertheless been felt. On May 23 and 24, the People's Liberation Army Eastern Theater Command held the long-planned “Joint Sword-2024A” drills, surrounding the island as a form of what a PRC government spokesperson later characterized as “firm punishment (坚决惩戒)” ([81.cn](#), May 29). The timing of the legislation, following high-level meetings in the PRC by KMT officials in April, have raised suspicions about PRC involvement.

The Letter of the Law: Irregularities in Passing the Legislation

The manner in which these laws were passed by the legislature is one of the motivating factors behind the protests and the basis of much of the criticism they have provoked. This is quite separate from the content of the laws themselves. Procedural irregularities, sometimes without precedent in the island's democratic era, do not indicate a legislative majority willing to play by the rules. This has led to protest slogans accusing the LY of being a “black box (黑箱)” (see [New Bloom Magazine](#), April 1)

It remains to be seen whether such conduct will characterize the pan-Blue coalition's behavior going forward, or whether this was merely an unusual display of power at the start of their term. Nathan Batto, a political scientist based in Taipei, argues for the latter, writing that while it is common, if not very legitimate, for parliamentary majorities to bend the rules in order to pass their legislative agenda, using such tactics on a regular day-to-day basis will likely lead to crisis ([Frozen Garlic](#), May 22). Some key figures from the Kuomintang (KMT) who have been responsible for driving the legislation, however, suggest that the picture is more complicated.

The KMT's legislative caucus whip, Fu Kun-chi (傅崐萁), is of particular concern ([New Bloom Magazine](#), May 31). At the end of April, Fu met with senior PRC officials, including Wang Huning (王沪宁), chairman of the Chinese People's Political Consultative Conference—a core part of the united front system ([Focus Taiwan](#), April 27). Fu has a history of financial crimes ([Taipei Times](#), June 26, 2020). More pertinently, he has been pushing additional legislation sanctioning infrastructure projects in his own constituency in eastern Taiwan ([Nikkei](#), May 23). Some of Fu's critics have been alarmed at provisions in the bill that might open these projects up to financing from the PRC, and specifically as part of the Belt and Road Initiative (BRI) ([FTV News](#), May 13).

Former Taiwan President Ma Ying-jeou (馬英九), a member of the KMT, also traveled to the PRC in April. Following this visit, during which he met with PRC President Xi Jinping, his office urged the LY to tone down the Anti-Infiltration Act, a law designed to limit the PRC's attempts to interfere with Taiwan's politics and elections ([Nikkei](#), May 23). It is unclear whether the timing of these bills soon after these visits is more than coincidence, but they have provoked alarm in Taiwan. The context of significant, cross-domain PRC influence campaigns in Taiwan has made the pan-Blue coalition's attempts to rush legislation through the LY doubly concerning.

The procedural issues began before the legislation was brought to the LY. Green-leaning legal experts who were cosignatories of an open letter criticizing the legislation argued that the bills were not given full deliberation at the committee stage or drafted following consultation with relevant experts ([Facebook/Brian Chang](#), May 27). Instead, the committee stage was “cursory,” and the party negotiation stage was skipped more or less entirely ([Frozen Garlic](#), May 22). The three rounds of readings were similarly undemocratic. The text of the legislation was not publicized prior to the readings, and consequently lawmakers did not know what they were voting on ([New Bloom Magazine](#), May 18). This was exacerbated by the KMT and TPP using

amendments to rewrite most of the critical clauses. The DPP's Rosalia Wu Su-yao (吳思瑤), minority secretary-general of the LY, complained that both the KMT and TPP “tried to smuggle in textual amendments even during the third reading (甚至在三讀還想要偷渡文字修正),” characterizing it as “extremely unfair and absurd (非常不公平且荒誕)” ([TW Reporter](#), May 28). The committee chair also blocked DPP legislators from speaking several times during these sessions, or only allowed them three minutes to speak ([The Diplomat](#), May 31; [New Bloom Magazine](#), May 25).

This has led to sloppiness in the bills that were ultimately passed. For instance, the third reading version of one of the bills contains a mix-up of the words “object (物件)” and “file (檔案)” in different clauses, and another section omits the currency of fines for those found to be in non-compliance, or writes “yuan (元)” instead of “New Taiwan Dollars (新臺幣)” ([Business Today](#), May 28; [TW Reporter](#), May 28). The process by which the bills were passed was also unusual. Amendments were hastily voted on by a simple show of hands ([New Bloom Magazine](#), May 25). While this was done to speed up the process, it has implications for transparency, as it is not recorded which legislators were for or against each article ([The Diplomat](#), May 1).

The LY majority has sought throughout the process to characterize the reform bills as unremarkable and common to democracies the world over. As some of the open letters and other criticisms suggest, however, while such laws are common, the precise form of Taiwan's new rules are not. One long-form piece helpfully compares the amendment to the Law on the Exercise of Legislative Yuan's Powers and Functions to the United States' Contempt of Congress Bill ([TW Reporter](#), May 27; [US Congress](#), accessed June 4). It finds two big differences. First, that in the United States, contempt of Congress applies only in the context of a congressional investigation, and routine questions are not included. Second, that even in an investigative setting, only a witness who refuses to appear, or after appearing refuses to answer questions “relevant to the investigation,” will be in contempt of Congress. It is not contempt to “counter-question” a questioner or to refuse to answer a question that is not relevant to the investigation but is intended to harass the witness. In the bill in question however, there is no limit to the rule's application, nor are investigations limited in scope to issues relevant to the investigation.

One further point of concern with the bills is the financial penalties introduced for violating the new laws. As the green-leaning organization DoubleThink Lab has pointed out, those who do not comply with committees' requests for information could be repeatedly fined NTD\$100,000 (US\$3,100). Members of the LY could thus attempt to ‘wear down’ all but the wealthiest individuals deemed to not be cooperating with investigations, even if those individuals are trying to protect classified or proprietary information ([LinkedIn/Doublethink Lab](#), May 24).

The Letters of the Lawyers: Experts and Others Speak Out

Both the substantive and procedural issues with the legislation have led to widespread condemnation. Lawyers have published open letters, political scientists have co-authored op-eds in international media

outlets, and foreign diplomats and business communities have voiced concern. This is on top of the protests that have sprung up on city streets across the island.

At the end of April, prior to the bills' arrival in the LY, the EU Chamber of Commerce warned its members of the potential risks of the legislation. They focused on how the legislation would empower lawmakers to ask for classified documents from private companies and to “investigate” ongoing judicial cases and possibly even influence trials in court ([CNA](#), April 29). The note, published in Euroview, warns that corporate leaders “will need to understand the risks of not cooperating with a Legislative Yuan investigation or otherwise engaging in any behavior, however well intentioned, that might anger legislators” ([Euroview](#), April 23).

The Taiwan Bar Association published an open letter on May 18. In it, the Association argued that the legislation was unconstitutional, and criticized the LY for not legislating “in accordance with its constitutional duties (于宪法职责， 妥当立法)” ([Taiwan Bar Association](#), May 18). This was in part a technical argument, stating that the LY was not observing Article 63 of the constitution, which requires bills to be discussed and debated fully before decisions are passed. The association, which is chaired by a former DPP lawmaker, was strident in its criticism, lambasting the LY for “not only an attack on the fundamentals of Taiwan as a democracy, but also contrary to the fundamentals of democratic constitutionalism and the politics of public opinion (此不仅斫伤台湾作为民主国家的根本， 亦违背民主宪政及民意政治的基本原理).”

Another group of lawyers published an open letter on Facebook on May 27 before the third reading of the bills. As of 11 p.m. on May 30, it had 128 signatories ([Facebook/Brian Chang](#), May 27). This letter called on the government to return the bills to committee due to “procedural flaws and unconstitutional content.” It also took issue with the constitutionality of some of the legislation. For instance, the author wrote that “Interpretation No. 585 [of the constitution] recognizes that ‘the investigative power of the Legislative Yuan is an auxiliary power necessary for the Legislative Yuan to exercise its constitutional powers,’ but ‘based on the principle of separation of powers and the principle of checks and balances, the subjects or matters to be investigated by the investigative power of the Legislative Yuan are not unlimited.’” As such, “the means used by the Legislative Yuan to compel the people to cooperate ... all involve people’s constitutional rights to personal freedom, freedom of expression, information privacy, and the right to property, etc. The purpose, scope, means, procedural safeguards, and remedies for these rights must be stipulated in detail, which is obviously insufficient in the current bill.”

On May 20, a self-described group of international academics, journalists, and politicians, including Stephen M. Young and William A. Stanton—both former directors of the American Institute in Taiwan (AIT), a de facto embassy of the United States—wrote an additional open letter ([The Diplomat](#), May 24). The letter’s content, which was broadly aligned with the pan-green camp, expressed “strong concern and disappointment,” noting that the reforms “exceed the bounds of those found in constitutional democracies around the world, subvert the rule of law and parliamentary procedures, and should be taken in the context of the KMT’s stated objective of undermining good governance.” They go on to argue that “in most constitutional democracies, while contempt of parliament or congress charges exist, they have generally applied to the defiance of

lawfully ordered subpoenas or lying in the course of judicial investigations. No democracy has applied contempt charges to officials discharging duties during the course of regular hearings or for merely ‘talking back.’”

The Diplomat has hosted an important part of the debate, publishing three further articles in recent days. One, by KMT legislator Wu Tsung-hsien and the KMT’s assistant director of International Affairs Howard Cheng-Hao Shen, sought to defend the bill as pro forma for constitutional democracies, dismiss concerns about the KMT suppressing debate, and accuse the DPP of manipulating public opinion to foment the protests ([The Diplomat](#), May 29). This prompted two rebuttals—one from the DPP and one from four political scientists in the United States and Taiwan. The former, written by Calvin Chu at the DPP Mission in the United States, distinguished carefully between previous DPP proposals for the LY’s powers of investigation and those tabled by the KMT. For instance, it emphasizes the ways in which the KMT’s version violates the constitution, including by lacking safeguards for the rights of civilians and individuals under investigation. The latter criticized the KMT article for misrepresenting crucial facts, and argued that the protesters and critics are motivated by legitimate concerns ([The Diplomat](#), May 31).

The PRC Presence and Security Concerns

PRC media reporting has been supportive of the bills and the KMT’s conduct, while criticizing the legislation’s opponents and the DPP for disinformation. For instance, the Global Times quoted exclusively pro-PRC media outlets in Taiwan to characterize opposition to the bill as aimed merely at “protecting the power of the Lai administration.” The piece also described the protests as involving five thousand people—despite at least one estimate putting the height of the protests as reaching one hundred thousand in Taipei alone ([New Bloom Magazine](#), May 25).

The legislation also has implications for Taiwan’s defense. Taiwan-based political scientist Lev Nachman has argued that provisions forcing testimony by military officials could jeopardize key projects, including previous president Tsai Ing-wen’s multi-billion-dollar initiative to develop military submarines ([Financial Times](#), May 26). The KMT has described this as “fake news,” though there have been alleged security-endangering behavior from certain KMT lawmakers. Ma Wen-chun is under investigation for leaking confidential information about citizens from South Korea (which has no official diplomatic relations with Taiwan) being involved in the submarine project, and Hsu Chiao-hsin is facing legal action by the Ministry of Foreign Affairs for leaking confidential details of diplomatic agreements with Czechia, Lithuania, and Ukraine to try to sink diplomatic cooperation ([Taipei Times](#), May 7; [Bloomberg](#), May 30). Experts thus fear that the LY could push to cut back on defense- and diplomacy-related budgetary expenses in this parliament ([BBC Chinese](#), May 29). This would not be without precedent. During the administration of the first ever non-KMT president, Chen Shui-bian (陳水扁), a KMT-dominated legislature held up efforts to increase defense spending on necessary US weapons purchases by voting down an arms procurement bill 63 times. The DPP, KMT, and TPP all state that they are in favor of pursuing defense reforms and increasing the defense budget to 3 percent of GDP, but some pan-blue politicians may once again attempt to hold national security hostage to assuage the PRC. [4]

Conclusion

Activity in the last two weeks, whether inside Taiwan's Legislative Yuan, on the streets across the island, or on the seas surrounding it, does not bode well for the stability or security of Taiwan. The acute upheaval is likely to die down in the short term, as the protests were a result of the KMT's irregular tactics to push through legislation which is now to be reconsidered by the LY. Depending on the course the reform bills now take, and additional constitutional reforms that could also be coming further down the road, the difficulties that the Lai administration was set to face in his first presidential term already seem heightened. For now, the next phase to watch will be how the legislation progresses as it is reconsidered by the LY, and how constitutional legal challenges unfold.

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Notes

[1] The author would like to thank Julia Famularo for her feedback on an earlier draft of this article.

[2] The texts of the amendments can be read here:

<https://docs.google.com/spreadsheets/d/1VhRCz5ln2o4CMpzOUIW5pXhD4YNcuS0B/htmlview#gid=21825256>

[3] While many of those involved in the current protests also took part in the Sunflower Movement, there are distinctive differences. One study shows that the average age of participants in the recent rallies was about 35, while that of the Sunflower Movement was 28; interviews conducted by the team covered the age range of 15 to 75, while 75 percent of Sunflower Movement participants were under 30 ([TW Reporter](#), May 28).

[4] This observation comes from Julia Famularo.

PRC Transfer of Military and Dual-Use Technology: the Case of the International Conference on Defence Technology

by Matthew Bruzzese



Promotional material of the 2022 International Conference on Defence Technology (Source: [Weixin](#))

Executive Summary:

- The International Conference on Defence Technology (ICDT), held biannually since 2018, exemplifies an approach by the People's Republic of China (PRC) to leverage defense technology from Western researchers. The conference features participation from PRC defense entities and Western scientists, facilitating direct transfer of advanced defense technology insights to the People's Liberation Army.
- The Military-Civil Fusion development strategy has increased the absorption of foreign S&T knowledge for military purposes. Research with any PRC institution operates under the premise that anything with potential military applications will be utilized for defense purposes.
- Despite increased awareness of PRC's tech transfer efforts, Western researchers continue to attend PRC-hosted conferences with military affiliations, exposing them to risks of being probed for sensitive information and potential espionage activities.

In recent decades, the People's Republic of China (PRC) has risen as a power to be reckoned with in science and technology and increasingly finds itself at the forefront of global science and technology (S&T) research. This has led to an increase in international conferences hosted by PRC institutions and attended by both Chinese scientists and their global peers. It is not unreasonable that the PRC's research institutions wish to be a part of the global research community. The PRC's integration into the global S&T community, however, has also provided ample opportunity for transfer of knowledge and dual-use technologies from Western researchers to the Chinese military. The PRC has not been subtle about this. For decades, it has had a policy of soaking up foreign S&T knowledge and putting it to use in its own military. This strategy was significantly expanded under the PRC's Military-Civil Fusion Development Strategy. Today, research with just about any PRC institution operates under a kind of martial Murphy's Law: anything that can be put to military use, will be put to military use.

One conference has stood out as a particularly stark example of the PRC's propensity to wring defense technology expertise out of the minds of Western researchers. The International Conference on Defence Technology (ICDT; 国际防务技术大会) has been held biannually since 2018 in Beijing and features a coterie of PRC and Western scientists discussing the latest research in defense technology ([ICDT](#), accessed March 20). Unlike most conferences of this kind, in which the military organizers can hide behind the civilian applications of the technologies in question, ICDT does not even attempt to hide its intentions because it is not possible to do so—there are no civilian applications for many of the topics the conference has covered in recent years, such as artillery and armor-piercing munitions. Although Western research institutions have generally become more aware of PRC efforts at tech transfer in recent years, ICDT is still going, with the latest iteration of the conference scheduled to take place in September 2024 in Xi'an.

ICDT Ties to PRC Defense Establishment

ICDT has direct ties to the PRC defense establishment. At the inaugural conference in 2018, the advisory committee which plans the event has featured participation from representatives of the PLA Air Force and Navy ([CUP](#), May 4, 2018).

Its co-chairs, organizing institutions, and sponsors are also enmeshed in the PRC defense industry. The conference is co-chaired by the China Ordnance Society, a defense industrial trade organization run by Norinco (中国兵器工业集团), one of the PRC's biggest arms manufacturers, and Clive Woodley, a British scholar affiliated with Imperial College and British defense firm QinetiQ ([Norinco](#), accessed May 16; [QinetiQ](#), accessed May 29). Professor Woodley is no stranger to media attention for his unusually close ties to the PRC, including institutions with close ties to the PLA ([The Times](#), May 27, 2022; [UnHerd](#), May 26, 2022). According to Professor Woodley, the conference "provides an opportunity ... to report, share, and discuss current research and advances in defense technology." He goes on to argue that the symposium "allows exposure to the most current state-of-the-art technology in defense science [and] provides opportunities for interaction with some of the world's leading experts in the field of defense science" ([SciMeeting](#), accessed March 14).

Other conference organizers in recent years have included multiple PRC labs and other institutions with close ties to the military ([SciMeeting](#), accessed March 14). These include multiple subsidiaries of Norinco, as well as prominent defense labs such as the National Key Laboratory of Transient Physics (瞬态物理国家重点实验室), which conducts [research](#) on creating better artillery, missile, and torpedo technology (and with which Clive Woodley appears to have a relationship); and the Key Laboratory of Space Chemical Power Technology, which researches propellants for rockets and ballistic missiles ([ICDT](#), accessed May 29; [NJJUST](#), November 3, 2016; [BUAA](#), accessed March 14). Perhaps most concerning, the most recent conference in 2022 was co-organized by the Laboratory of Computational Physics, a military lab affiliated with the Chinese Academy of Engineering Physics (CAEP), the research institution which oversees the PRC's nuclear weapons program ([ICDT](#), accessed May 29). The CAEP institute that oversees this lab has previously been implicated in industrial espionage ([WSJ](#), August 10, 2005).

Recent sponsors of the conference have included Beijing Institute of Technology and Nanjing University of Science and Technology, both members of the “Seven Sons of National Defense (国防七子),” a consortium of universities directly overseen by the PRC's defense industrial authority which are known for their close ties to the military establishment and which have been blacklisted by the US government ([ASPI](#), November 25, 2019; [eCFR](#), accessed May 24).

ICDT's Purpose, Program, and Participants

PRC sources are not subtle about the purpose of this conference, which is to develop the PRC's own defense technology and arms industry. One PRC source states that the conference is intended “to strengthen international and domestic exchanges and cooperation in defense technology, gain insights into the international academic frontiers in the field of defense, and ... serve the innovative development of [the PRC's] weapons industry” ([SCI Lab](#), September 3, 2022). According to *China Daily*, the conference will “let China's scientific researchers come into close contact with outstanding foreign scientists in the field of defense technology without leaving the country, conducting in-depth exchanges and study with one another, gaining insight into the international academic frontiers in the field of defense...” ([China Daily](#), October 22, 2018). The State Administration of Science, Technology and Industry for National Defense (国家国防科技工业局), the government organ that oversees the PRC's defense industrial base, has noted that these exchanges with foreign researchers will “provide forward-looking aid and far-reaching impact on the future development of [the PRC's] national defense science and technology” ([SASTIND](#), October 26, 2022).

The subjects discussed at the conference apparently include every hot topic under the sun regarding military technology. The most recent conference in 2022 featured sessions on hypersonic technology, directed energy, advanced materials, advanced launch technology, autonomous control, munition impact and armor, intelligent sensing, and advanced manufacturing ([BIT](#), August 23, 2022). Specific topics of interest have included artillery design, warhead technology, intelligent UAV swarm networking, 3D printing of explosives, and bionic and exoskeleton robots ([ICDT](#), March 20).

Western Participation Assists PLA Research

Conference presenters in recent years have come from a number of Western institutions. These include: a researcher from Australia's University of New South Wales who presented on autonomous navigation for surveillance and communication UAVs; a researcher from Loughborough University in the United Kingdom presenting on dynamic damage to composite materials; a researcher from the Polish Military Institute of Armor Technology presenting on passive, reactive, and hybrid armors; a researcher from the Polytechnic University of Milan presenting on solid rocket propulsion ingredients; and a researcher from the French state-owned defense company Nexter Munitions presenting on armor-piercing munitions ([CUP](#), May 4, 2018; [ICDT](#), accessed February 5). At least one presenter has received funding from the US Air Force ([ICDT](#), accessed February 5). The most recent conference also featured academic committee members from the United States, United Kingdom, Germany, Australia, Israel, and Italy, who did not present but were presumably involved in planning and advising ([ICDT](#), accessed February 5).

These presenters rubbed shoulders with participating PLA researchers from the National University of Defense Technology, Naval Engineering University, and Army Engineering University, who spoke on topics like rocket engine propellants and anti-ship torpedoes, as well as scores of researchers from various PRC military companies and the Seven Sons of National Defense ([SASTIND](#), October 26, 2018; [ICDT](#), accessed February 5).

The 2024 conference is scheduled to take place in September in Xi'an. Little information is available at this time but, according to Professor Woodley, this year's event will add several new topics on cutting-edge technology, including artificial intelligence, stealth, and quantum science ([ICDT](#), accessed March 21). New sponsors and organizers include the Defense S&T Key Laboratory of Materials Technology in Impact Environments a Norinco defense lab focused on warheads, armor-piercing munitions, and armor, and Li Baoming (栗保明), the director of yet another defense lab, the Defense National Key Laboratory of Transient Physics ([ICDT](#), accessed March 20; [NJUST](#), accessed May 29).

While notable for its unusually blatant approach, the International Conference on Defence Technology is only one example of a common but understudied PRC tactic for gaining access to sensitive knowledge. To this end, in recent years PRC institutions with military ties have organized numerous academic conferences that are likely geared towards acquiring dual-use technology. For example, in 2021, PRC defense labs specializing in hypersonic technologies under the PLA National University of Defense Technology and Air Force Engineering University co-sponsored the International Symposium on Thermal-Fluid Dynamics with Sheffield Hallam University in the United Kingdom ([XJTU](#), August 9, 2021). The conference was attended by multiple American, British, Canadian, Japanese, and other European experts on hypersonic flows, aerodynamics, and combustion, where they rubbed shoulders with the many PLA researchers who were also attending.

Some of these conferences are held outside of the PRC. In 2022, the Aero-Engine Corporation of China (AECC; 中国航空发动机集团), one of the PRC's biggest state-owned military conglomerates and the

manufacturer of the PLA's aircraft engines, co-sponsored the Forum of the Global Power & Propulsion Society ([GPPS](#), May 2022). For this event, which was held in Zurich, AECC teamed up with an academic journal published by CASC, another large military aerospace conglomerate, as well as the Defense S&T Key Lab of Aviation Engine High-Altitude Simulation (航空发动机高空模拟技术国防科技重点实验室), which conspicuously removed the “defense” part of its name in English-language promotional materials. ([Journal of Propulsion Technology](#), accessed May 29; [GPPS](#), May 2022). Under the seemingly benign cover of researching cleaner engine technology, researchers came from such institutions as General Electric, the US Southwest Research Institute, Texas A&M's Turbo Lab, Pratt & Whitney, Safran, Piaggio Aerospace, Airbus, Imperial College London, and many others (GPPS; [June 22, 2022](#), accessed [March 24](#)).

Even if the conference was only discussing civilian research, the Key Lab noted above is a military lab with a military mission. Any useful information on creating better or more efficient aircraft engines is sure to be put to military use. Jet engines have been a chronic weak spot for the PRC's development of both military and commercial aircraft, and thus have been a near-constant target of its espionage efforts in recent years ([Business Insider](#), September 24, 2019; [DOJ](#), June 9, 2016; [Ars Technica](#), October 31, 2018; [OSI](#), September 24, 2020; [Washington Post](#), November 16, 2022).

Conclusion

Western research and academic institutions, for years apparently unaware of these dynamics, have recently become more cognizant of this reality. Still, Western researchers continue to travel to the PRC to attend conferences hosted by murky institutions with close connections to the Chinese military who are eager to pick their brains and Hoover up any dual-use research. Generally, this is the result of well-meaning naivety on the part of these researchers—they are scientists, after all, not politicians or soldiers, whose work entails traveling to conferences to share their research with international colleagues. PRC military labs will [often](#) use a different name, or at least a less militant-sounding English translation of their name, when liaising with Western researchers, putting them more at ease about collaborating. However, even the most basic due diligence—oftentimes a basic online search—would make clear that these are military-affiliated institutions who almost certainly have ulterior motives.

Unlike other conferences, the International Conference on Defence Technology is very plainly an attempt to gather military technology for the benefit of the PRC's defense industry. Even if foreign participants are determined not to share sensitive information, getting them to the PRC and into the same room with defense and intelligence officials exposes them to the possibility of being cultivated and probed for further information. This is a tactic that PRC intelligence agencies have used frequently with notable success. One asset cultivated in a recent espionage case talked about being offered a free trip to the PRC, where he was showered with money, gifts, and attention by his hosts, and of feeling “obligated” when they began asking questions about sensitive technology ([Bloomberg](#), September 15, 2022). Judging by the frequency with which Western academics are willing to participate in such conferences, there is a clear lack of awareness

and due diligence being conducted in the United States and among its allies of the risks involved in academic exchanges of this nature.

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PRC Pursuit of Geopolitical and Military Objectives in the South Pacific

by Charles Chih-wei Yu



“The PRC Ministry of Foreign Affairs: Cooperation between China and South Pacific island countries is beneficial for regional peace.” (Source: [ifeng](https://www.ifeng.com))

Executive Summary:

- PRC investments and cooperation in the South Pacific enhance its military reach and ability to monitor strategic regions. This engagement serves not only economic interests but also significant geopolitical and security purposes, particularly in nations along key maritime and aerial routes.
- There is a correlation between PRC investments and those countries whose ports are deep enough to harbor PLA naval vessels, suggesting a potential strategic calculus lies behind investment decisions.
- The PRC has increased cooperation with Pacific countries, providing security support and economic aid, including infrastructure projects like telecommunications towers, roads, bridges, and ports. This bolsters its influence, challenging the traditional dominance of the US and Australia in the region.
- Since 2013, PRC investments in the South Pacific have focused on energy, transport, and real estate, particularly in countries with strategic deep-water ports. These investments support the PRC’s military and logistical goals under the Belt and Road Initiative (BRI).

The People's Republic of China (PRC) continues to deepen its relationships and cooperation with Pacific countries. For example, Beijing has initiated cooperation on police and security issues with South Pacific island nations and has announced its willingness to provide security support the Kingdom of Tonga as it hosts this year's Pacific Islands Forum ([VOA](#), April 5). The PRC's bolsters these countries both in official media—where it emphasizes that Pacific island nations should not be regarded as the backyard of any country—and in its economic aid to these nations that has resulted in the construction of telecommunications towers, roads, bridges, and ports ([CRNTT](#), April 5). Beijing's shift over the last decade has received relatively little attention, in contrast to the wealth of analysis on PRC investments in Africa, Europe, and even Central Asia, which has shone a light on the specific goals and patterns of behavior at play in the country's outbound investments, since the launch of the Belt and Road Initiative (BRI) in 2013.

Analysis of PRC behavior suggests that the geographic location of a country, particularly where it lies in relation to key maritime and aerial routes, is crucial. Countries that are located on pivotal access points for global trade or for geostrategic reasons have geopolitical salience for Beijing. [1] From a military and security perspective, such countries can serve as sites for force projection and logistical support. This is especially true if these countries have deep water ports. Other natural conditions of ports, such as whether they are prone to sedimentation, can also impact their military strategic value. [2] Indeed, data on interactions between the PRC and Oceanian countries suggest a correlation between port depth and increased engagement in terms of investment, diplomatic visits, and cooperation projects. This study cites statistics from the American Enterprise Institute (AEI) on overseas investments by PRC enterprises to analyze investments in the South Pacific since 2013. The research is based on the premise that the PRC operates under state capitalism and thus does not distinguish whether these investments are from private or state-owned enterprises. This approach aligns with the trend under Xi Jinping of growing state involvement in the economy, under the rubric of “the state advances, the private sector retreats” (see [China Brief](#), May 1, 2020).

PRC Investment Targets Energy, Transport, and Real Estate

Narrowly defined, the South Pacific countries include Fiji, the Solomon Islands, New Caledonia, French Polynesia, Vanuatu, Samoa, Tonga, the Cook Islands, Niue, and Easter Island. More broadly, they also encompass Australia and New Zealand. Part of this region's geopolitical importance lies in its location, with some South Pacific islands lying along shipping routes between the United States and Australia. As such, they could serve as support points for projecting overseas military power for any nation. The PRC has invested heavily in this region since 2013, driven by domestic resource needs as well as geopolitical and security considerations.

As economic aid from the United States and Australia gradually decreased or was even canceled following the end of the Cold War, PRC overtures since 2013 have alleviated the difficulties faced by these countries. Before the 1990s, these nations relied heavily on Australia and the United States for their security and economic needs. Since the 1990s, however, this attention has shifted away. Consequently, Pacific Island countries have felt unsupported, even on transnational issues such as climate change. Beijing now

constitutes an alternative—and attractive—offering for these countries, eroding the influence of the United States and Australia in the region.

PRC investment in South Pacific countries is targeted. Long-term tracking of the PRC’s global investments by the American Enterprise Institute (AEI) indicates that investments in the South Pacific since 2013 have been limited to Australia, Fiji, New Zealand, Papua New Guinea, Samoa, and the Solomon Islands; and over three-quarters of that investment has been concentrated in Australia (see Table 1), in particular in Australia’s energy sector. This makes sense given the PRC’s domestic resource demands, and aligns with bilateral trade data, in which coal constitutes a particularly high share.

Table 1: PRC Total Investment in South Pacific Countries from 2013 to Spring 2023 (Millions US Dollars)

Country	Australia	Fiji	New Zealand	Papua New Guinea	Samoa	Solomon Islands	Total
Utilities	610	260	800	180	110	0	1,960
Chemicals	0	0	0	0	0	0	0
Other	1,340	0	170	0	0	0	1,510
Real Estate	11,960	0	270	730	0	0	12,960
Metals	7,910	0	0	300	0	200	8,410
Technology	120	0	280	200	0	0	600
Entertainment	1,710	0	0	0	0	0	1,710
Tourism	1,070	0	0	0	0	0	1,070
Energy	18,400	0	0	1,360	0	0	19,760
Finance	1,850	0	0	0	0	0	1,850
Healthcare	7,970	0	0	140	0	0	8,110
Agriculture	3,060	0	1,270	100	0	0	4,430
Transportation	17,110	120	130	880	0	170	18,410
Total	73,110	380	2,920	3,890	110	370	80,780

(Data Source: [American Enterprise Institute, China Global Investment Tracker](#))

The transport sector also receives a high level of investment. This likely reflects security considerations, as transportation investments are usually heavily influenced by geopolitical considerations. [5] PRC entities prefer to invest more in those countries in the dataset located between the United States and Australia, such as Fiji and the Solomon Islands, for this reason. Investments in countries located on maritime routes linking the PRC and Australia also appear influenced by this factor. Among these, investment in countries that are more pertinent to PRC national security interests are more pronounced. For example, the PRC’s cumulative transportation investments in Papua New Guinea amount to \$880 million, whereas investments in Fiji, New Zealand, and the Solomon Islands total only \$420 million. Papua New Guinea is the closest to Australia among these countries, so a presence there significantly reduces the cost for the PRC of monitoring Australia’s military activities.

Real estate constitutes a third major area of investment as the AEI dataset presents. Beijing has purchased a considerable amount of real estate in Australia, New Zealand, and Papua New Guinea. Investments by state-owned enterprises (SOEs) in the property sector are atypical. As with transport, real estate

investment can also have strategic implications. Comparison with real estate purchases elsewhere in the world is instructive, where several properties are situated near military bases. For instance, in January 2022, concerns were raised in Japan’s parliament, the Diet, that PRC-based companies had purchased land in Hokkaido, just 35 kilometers (22 miles) from a Japan Air Self-Defense Force radar station ([Nikkei](#), October 18, 2022).

Table 2 South Pacific Island Countries’ Commercial Port Conditions and PRC Port Investment

Country	Port Name	Anchorage Depth*	Channel Depth *	Wharf Depth*	Investment Status
Vanuatu	Vila	21.3	12.2	10	Not Invested
French Polynesia	Taiohae	13.7	23.2	6.1	Not Invested
	Avatoru	23.2	9.1	3	Not Invested
	Papeete	18.2	12.2	6.1	Not Invested
	Papetoai	23.2	12.2	4.6	Not Invested
	Uturoa	23.2	12.2	6.7	Not Invested
	Bora-Bora	23.2	10	4.6	Not Invested
Cook Islands	Avatiu	23.2	6.1	6.1	Not Invested
Tonga	Neiafu	23.2	10	7.6	Not Invested
	Pangai	23.2	6.1	3	Not Invested
	Nukualofa	23.2	10	15.2	Not Invested
Easter Island	Easter Island	9.1	N/A	6.1	Not Invested
New Caledonia	Noumea	9.1	12.2	10	Not Invested
	Poru	23.2	N/A	9.1	Not Invested
	Baie Ugue	19.8	N/A	12.2	Not Invested
Average		20	11.29	7.36	
Samoa	Apia	23.2	23.2	9.1	Invested (110)
Fiji	Lambasa	16	10	12.2	Invested (380)
	Savusavu	23.2	3	6.1	
	Levuka	23.2	19.8	7.6	
	Suva	18.2	23.2	13.7	
	Lautoka	13.7	9.1	7.6	
	Average	18.86	13.02	9.44	
Papua New Guinea**	Lae	10	23.2	12.2	Invested (3890)
	Moresby	7.6	15.2	9.1	
	Madang	23.2	15.2	10	
	Alotau	23.2	7.6	10	
	Vanimo	15.2	23.2	6.1	
	Average	15.84	16.88	9.48	
Solomon Islands***	Ringi Cove	N/A	23.2	9.1	Invested (370)
	Gizo	23.2	13.7	6.1	
	Honiara	18.2	9.1	9.1	
	Tulagi	23.2	23.2	3	
	Yandina	23.2	23.2	7.6	
	Average	21.95	18.48	6.98	
Overall Average		18.97	16.57	8.66	

*Units: meters, extracted maximum values.

**19 ports in total; only the top five ports are selected.

***13 ports in total; only the top five ports are selected.

Data Source: [World Port Source](#); Author's compiled)

In the United States, purchases by PRC entities have come under scrutiny for their proximity to the Grand Forks Air Force Base in North Dakota and the Laughlin Air Force Base in Texas, among others ([US Congress](#), March 20). In Europe, suspicions have been raised about an Alpine hotel purchased by a Chinese family that looked onto an airstrip where the Swiss military had agreed to base several F-35 aircraft ([WSJ](#), May 16).

Over the past decade, Beijing has invested heavily in port infrastructure across the globe. PRC-owned ports and those in PRC-friendly countries allow for the possibility of basing military ships, as has happened at the PRC military base in Djibouti, as well as in Sri Lanka and Cambodia Cambodia (see [China Brief](#), August 14, 2019; [AP News](#), May 8; [China Brief](#), March 22, 2019). Beijing's investments in the South Pacific region appear to reflect a similar calculus at play. Since 2013, the PRC has invested in Fiji, Samoa, Solomon Islands, and Papua New Guinea—nearly all of which have multiple ports. These countries also tend to have channel and wharf depths far exceeding those of the countries where the PRC has not invested (Table 2). Meanwhile, New Caledonia, French Polynesia, Vanuatu, Tonga, the Cook Islands, Niue, and Easter Island have not received such investment. If one takes port conditions in these countries into account, especially in terms of channel depth, there is a clear correlation, suggesting that channel depth is a significant criterion for investment.

Among the South Pacific countries where the PRC has not invested, a channel depth of 12.2 meters (40 feet) represents the maximum depth of their ports, with the exception of Taiohae in French Polynesia. In contrast, the four South Pacific countries in which the PRC has invested each have at least one port with a channel depth exceeding 12.2 meters. Therefore, a channel depth exceeding 12.2 meters appears to be a sufficient condition for PRC investment. [3] The average channel depth of the four South Pacific island nations where the PRC has invested exceeds this value. Among PRC-invested countries, only in the Solomon Islands is the average wharf depth of its top five ports shallower. (These countries have, on average, five ports each.) Nevertheless, PRC investment in the Solomon Islands still makes sense given its geographic location on a vital route between the United States and Australia, though its belated establishment of diplomatic relations with the PRC in 2019 may explain the relatively low level of investment it has received to date.

Increased PRC Engagement Since 2013

The Belt and Road Initiative is widely viewed to have not just commercial but also geostrategic value for the PRC. If this is the case, then Beijing's interactions with South Pacific countries since the initiative's launch in 2013 should have undergone a sea change in the diplomatic realm, and not just in terms of financial and commercial activity, compared with the period prior.

An analysis of the data reveals three trends over the period. First, PRC interactions with South Pacific countries increased in frequency in all cases except with Australia. (This anomaly may be related to Australia's membership of both the AUKUS and Five Eyes security partnerships.) Second, the PRC tends to engage with Pacific countries through economic, cultural, and social agreements. These agreements are not explicitly political in nature but they carry political implications. This reflects the nature of the PRC's motivations for deepening cooperation with these countries, which are not entirely straightforward. If the host country's geographic location holds specific strategic value, Beijing accelerates cooperation on security issues—especially in terms of police and military training and organization. This tendency is observable both before and after the launch of BRI. Third, PRC interactions with Pacific countries since 2013 have been significantly influenced by port geopolitics. Namely, countries with higher capacity and better strategic value for ports have seen a more noticeable increase in interactions with the PRC.

In general, Beijing's engagement with Pacific Island countries in terms of official visits and bilateral agreements was more active after 2013 compared to before. Australia and Niue are the only exceptions to this trend (Table 3). Australia is a unique case in the region, having a high degree of military and security cooperation with the United States. Niue, meanwhile, is of less geostrategic interest to the PRC. The top three countries in terms of growth of average annual official interactions are Papua New Guinea, New Zealand, and Samoa, respectively. Papua New Guinea and Samoa were also targets of PRC investment during this period, especially in the transportation sector (Table 1). Increased interaction between the PRC and New Zealand officials may be related to air routes between the United States to Australia, particularly those departing from the US West Coast or even from Hawaii. Fiji, located near these air routes, is also significant. Observing the total volume of various vessels on these routes—and any changes in volume—can provide details about military cooperation between the United States and Australia. In November, Fiji Prime Minister Sitiveni Rabuka discussed cooperating with the PRC to develop ports and shipyards ([Reuters](#), November 21, 2023).

Vanuatu and the Solomon Islands also present interesting cases. Vanuatu established diplomatic relations with the PRC in 1982. No official visits occurred for over three decades but, since 2014, 20 visits have taken place. Similarly, since establishing diplomatic relations with the Solomon Islands in 2019, senior officials from both sides have interacted 12 times. Geography likely remains a motivating factor for the PRC in both cases. Vanuatu is situated northeast of Australia and along the air lanes linking the United States and Australia. The Solomon Islands, meanwhile, is in the vicinity of this flight path and also has more ports compared with neighboring countries, including deep water ports. This abnormal frequency of engagements, at which various memoranda and agreements are often signed, indicates that the country may play a significant role in Beijing's South Pacific strategy.

PRC interactions with developing countries are frequently aimed in part at influencing those countries' voting behaviors in international organizations. However, current empirical research indicates that the PRC's interactions with Pacific Island countries have not had this effect. **[4]** In other words, there is apparently no correlation between Pacific Island countries' voting patterns in the UN system and the amount of PRC investment they receive. **[5]** This could mean that PRC interactions with Pacific Island

countries have a separate purpose. Namely, the focus is squarely on the geostrategic value to Beijing that these countries present.

A comparison between Table 2 and Table 3 reinforces the theory that the PRC's disposition towards Pacific Island countries is based on an assessment of their strategic value, which in turn is based on their location. Countries located under or near US-Australia flight paths see more active diplomatic engagement from Beijing and tend to sign more agreements with security implications. This calculation is also influenced by the suitability of natural harbors for potential port infrastructure.

Table 3: Interactions between the PRC and Pacific Countries Before and After the Launch of BRI

Country	Year of Establishment of diplomatic relations	Before 2013			After 2013		
		Agreements on Politics, Military, and Finance	Agreements on Economy, Society, and Culture	Visits of Officials (annual average)	Agreements on Politics, Military, and Finance	Agreements on Economy, Society, and Culture	Visits of Officials (annual average)
New Zealand	1972	6	33	98 (2.45)*	2	38	43 (3.91)*
Vanuatu	1982	0	1	0 (0)	1	3	20 (1.82)
Tuvalu	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tonga	1998	2	2	44 (2.93)	1	4	34 (3.09)**
Solomon Islands	2019	N/A	N/A	N/A	3	0	12 (2.4)
Samoa	1975	5	2	31 (0.82)	0	2	13 (1.18)
Palau	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Niue	2007	1	0	4 (0.67)	0	1	5 (0.45)
Nauru	2002-2005	N/A	N/A	N/A	N/A	N/A	N/A
Micronesia	1989	1	2	26 (1.08)	0	3	14 (1.27)
Marshall Islands	1990-1998	N/A	N/A	N/A	N/A	N/A	N/A
Cook Islands	1997	1	3	11 (0.69)	0	1	9 (0.82)
Kiribati	1980-2003, 2019-	N/A	N/A	N/A	1	2	10 (0.91)
Fiji	1975	1	2	53 (1.39)	1	1	17 (1.55)
Papua New Guinea	1976	3	3	24 (0.65)	1	4	21 (1.91)
Australia	1972	6	82	127 (3.10)**	1	25	30 (2.73)**

*Including bilateral military exchanges and routine strategic dialogues **Including bilateral military exchanges

Source: [MFA](#), accessed May 31, Author's compilation)

Conclusion

The PRC under Xi Jinping has expanded its investment in port infrastructure around the world with the intention to use them for basing PLA Navy vessels. A correlation between countries receiving growing interest from the PRC and their strategic value, whether in terms of the viability of their ports for potential military use or their location near to US-Australian flight paths, is borne out by the data.

The PRC has not formally proposed or published a specific strategy for Pacific island countries. Observing its policies toward individual Pacific nations over the past decade, however, reveals several commonalities. First, PRC investments in ports in these countries often have strategic significance or intelligence value, such as in Papua New Guinea, Fiji, and the Solomon Islands. Second, the agreements the PRC signs or the statements it issues with these countries may not contain the term “political,” yet the areas of cooperation often carry political implications. Third, the PRC is keen to engage in cooperation on police or public security issues with these countries. These collaborations may not involve military or defense matters, but nevertheless they carry political and security implications. When aggregated, these policies suggest that PRC goals have strategic and security intent. This is particularly evident in efforts to counter potential military actions by the United States and Australia and to find ports in the region that can extend its military projection capabilities.

Since 2020, the United States has become more aware of PRC activity, the attendant erosion of its influence in the South Pacific, and the potential security risks that these developments pose. As a result, the United States and Australia have started to increase attention given to South Pacific countries. The PRC’s proactive regional engagement has been in place for over a decade now, however. In this time, it has already yielded substantial results. More concerted efforts would be required on behalf of the United States and its allies in order to prevent further ceding of the strategic initiative in this part of the world.

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Notes

[1] See, for instance, Robert E. Harkavy, *Great Power Competition for Overseas Bases: The Geopolitics of Access Diplomacy* (New York: Pergamon press, 2014), pp. 18-19.

[2] See, for instance, Saul Bernard Cohen, *Geopolitics of the World System* (New York: Rowman & Littlefield Publishers, 2003), p. 195

[3] Estimates for the precise threshold for channel depth differs. For instance, a report from the Council on Foreign Relations (CFR) argues that ports with drafts between 12 and 15 meters would be able to accommodate many PLA naval vessels, including destroyers (which have 6.5 meters of draft), frigates (6 meters), aircraft carriers (11 meters), and cruisers (6.6 meters) (CFR, November 6, 2023). The author selects 12.2 meters here based on the information in the AEI dataset.

[4] Bob Jurriaan Van Grieken and Jaroslaw Kantorowicz, “Debunking Myths about China: The Determinants of China’s Official Financing to the Pacific,” *Geopolitics*, Vol. 26, Issue 3 (Nov. 2021), pp. 861-888.

[5] Weiqiang Lin, “Transport geography and geopolitics: Visions, rules and militarism in China's Belt and Road Initiative and beyond,” *Journal of Transport Geography*, Vol. 81 (December 2019).
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Hong Kong's Ambitious and Uncertain Cryptocurrency Foray

by Matthew Fulco



A futuristic Hong Kong with the spread of cryptocurrency (Source: AI-generated image)

Executive Summary:

- Hong Kong's Securities and Futures Commission (SFC) announced that 11 cryptocurrency exchanges are close to being licensed to operate in the city, aiming to establish Hong Kong as a leading digital assets hub. However, 12 exchanges did not advance in the licensing process, reflecting challenges in this sector.
- Since late 2022, Hong Kong has developed a robust regulatory framework for cryptocurrency, aiming to enhance transparency and investor protection. Key initiatives include licensing digital asset custodians and allowing exchange-traded funds (ETFs) with direct exposure to digital assets like Bitcoin and Ether.
- Despite Hong Kong's efforts to revitalize its financial center status through cryptocurrency, competition from jurisdictions like Singapore and concerns over the technology's volatility and association with illicit activities pose significant challenges.
- Beijing's restrictions on mainland Chinese accessing cryptocurrency services in Hong Kong highlight the limitations of the One Country, Two Systems model. This constraint may dampen enthusiasm for operating in Hong Kong, as exchanges cannot serve the larger mainland market, potentially hindering the city's growth as a cryptocurrency hub.

On June 1, Hong Kong's Securities and Futures Commission (SFC) said on its website that 11 cryptocurrency exchanges are close to being licensed to operate in the city, which aims to become a leading digital assets hub and revivify itself as a global financial center ([SFC.HK](#), June 1). The SFC describes this status as “deemed-to-be licensed,” and will eventually grant formal authorization to the exchanges to begin operations provided they satisfy compliance requirements. June 1 was a deadline the regulator set a year ago for exchanges to either be licensed or deemed to be. There are two digital asset exchanges that received licenses to operate in Hong Kong previously: OSL, in Dec. 2020, and HashKey, in Nov. 2022.

12 exchanges did not advance in the licensing process, illustrating the challenges Hong Kong faces in its bid to become a digital assets hub. Of these, 11 withdrew their respective bids, while one application was returned by the SFC. Many of the exchanges that will withdraw from Hong Kong have strong ties to the People's Republic of China (PRC) mainland. They include Huobi (火币; HTX), BitHarbour (幣風港), QuanX Lab (全毅科技), Willows Asia Technology Company (永浩亚洲科技), AMMBR (HK), and Gate Digital. The regulator does not explain why their bids failed, but misaligned expectations about the potential to serve the mainland market—where investing in cryptocurrency is not permitted—likely played a role ([SCMP](#), May 29).

Beijing's willingness to allow Hong Kong to experiment with digital assets but not provide those services to the mainland underscores both the flexibility and limitations of the One Country, Two Systems model under which the territory is governed. Competition from Singapore and other jurisdictions with fewer ambiguities in their digital assets policies has pushed Hong Kong to reinvent itself as a financial center but is likely to face mounting challenges.

Reviving A Financial Center

As a major financial center, Hong Kong has had an active cryptocurrency market for more than a decade. In early 2014, long before the digital assets craze began, one of the world's first Bitcoin ATMs was installed in Hong Kong ([Business Next](#), January 5, 2014). Shortly thereafter, a local exchange called HXCEx said that it planned to launch one of the world's first Bitcoin ATM networks in the city ([Hxtop.com](#), February 27, 2014). The exchange operates today as HKCEXP, and since March has been under investigation for suspected fraudulent activities ([SFC.HK](#), March 25).

The Hong Kong government did implement some limited digital assets regulations in the 2010s, but the government policy to develop the city as a center for cryptocurrency began about two and a half years ago when the city abandoned its strict pandemic controls that had largely imitated those in the mainland. At the time, Hong Kong was reeling from the combined impact of harsh national security legislation rammed through its legislature in June 2020 by Beijing, which significantly undermined confidence in its legal system and business environment, and the zero-Covid policy that severely disrupted life in the territory. Though these factors have not affected mainland immigration, which continues to grow, expatriates from some countries, such as France and Japan, are leaving the city ([Nikkei Asia](#), February 20; [SCMP](#), September 21, 2023). Adam Michael Toctan, a Hong Kong-based recruiter, said that many foreigners left Hong Kong due to

the severity of the pandemic restrictions, causing “a brain drain” in the city ([VOA Cantonese](#), December 7, 2023).

The Hong Kong government outlined its new pro-cryptocurrency outlook in a policy paper published in late 2022. “We recognize VA [virtual assets] is here to stay, given how it has attracted attention of global investors and is increasingly viewed as a conduit for financial innovations,” the paper said. It further stated that Hong Kong’s financial regulators believe that blockchain technology and Web3 (the nascent third iteration of the internet for which cryptocurrency is a building block) have the potential “to become the future of finance and commerce.” If properly regulated, the digital assets ecosystem will “reduce or resolve existing frictions across clearing, settlement and payments,” the paper added ([HKSAR Government](#), October 31, 2022).

Subsequent scandals in the digital assets sector, including the dramatic collapse in November 2022 of the FTX exchange once valued at \$32 billion, have not shaken Hong Kong’s resolve to develop its cryptocurrency sector. Even scandals within the Hong Kong crypto community itself have not deterred regulators. Last year, the unregulated JPEX exchange defrauded investors of HK\$1.6 billion (US\$204.6 million) in the largest fraud case in Hong Kong’s history ([Blockcast.it](#), January 31). The case illustrated how cryptocurrency crime is evolving, as the exchange spent heavily on advertising to shore up its credentials with retail investors and even served as a sponsor of Token2049, a major industry conference in Singapore held in September 2023. After Hong Kong’s SFC issued a warning that JPEX was an unlicensed exchange, the company’s representatives vacated the conference booth and disappeared from the event ([Business Next](#), September 15, 2023). Meanwhile, the Hong Kong government remains undeterred. In June 2023, Hong Kong Financial Secretary Paul Chan wrote in a blog post that recent bankruptcies in the sector highlighted the importance of having greater transparency and regulation ([CryptoNews CN](#), June 26, 2023).

Hong Kong’s embrace of cryptocurrency, however, suggests concerns about competitiveness, in view of the new technology’s volatility and association with illicit financial flows. There has not been a marked exodus of financial services firms from Hong Kong, and officials have denied the city’s status as an international financial center is in jeopardy ([Economic Daily](#), December 17, 2023). Nevertheless, in the most recent Global Financial Center Index (GFCI) report, Singapore remained ahead of Hong Kong as the top financial center in Asia and third globally ([HK01](#), March 22). It surpassed Hong Kong for the first time in this influential index in 2022.

Regulatory Progress Gains Traction

Since late 2022, the Hong Kong government has been working to develop a regulatory framework for cryptocurrency. It believes that a solid regulatory foundation is essential for the industry to thrive in Hong Kong. In some cases, Hong Kong has become a leader in digital asset regulations. For instance, in December 2023, Hong Kong’s SFC and the Hong Kong Monetary Authority (HKMA) jointly issued a circular that stated the city is prepared to authorize exchange-traded funds (ETFs) with direct exposure to digital assets including spot virtual asset ETFs. This would permit investors to gain exposure to Bitcoin and Ether

without directly purchasing cryptocurrency tokens ([HKMA](#), December 22, 2023). These ETFs are expected to help cryptocurrency become more popular among retail investors. When the spot Bitcoin and Ether ETFs debuted in Hong Kong in late April, the city became the first jurisdiction in Asia to allow retail investors to trade these digital assets at spot prices ([EastMoney.com](#), April 25).

Another important regulatory move came in February when the HKMA issued guidance for authorized institutions that intend to provide digital asset custody services, enhancing the license regime established in 2023. The guidance has a strong focus on investor protection, which the HKMA sees as essential to the success of the industry in Hong Kong. To that end, the guidance mandates that authorized digital asset custodians carry out independent systems audits, store a substantial part of their client's digital assets in "cold storage" offline, and perform a full risk assessment ([HKMA](#), February 20).

The guidance appears to have incorporated some lessons learned from the large cryptocurrency scandals of recent years, including the collapse of FTX, South Korea's Terra stablecoin and associated reserve cryptocurrency LUNA, and the Singapore-based crypto hedge fund Three Arrows. For instance, it mandates that providers of custodial services separate their assets from those of clients and explicitly forbids misuse of client assets ([HKMA](#), February 20).

Hong Kong is also moving ahead with plans to implement legislation for virtual asset over-the-counter (OTC) services. In a February 21 written statement, Financial Secretary Christopher Hui Ching-yu (許正宇) said that the government plans to submit bills on virtual assets to the Legislative Council "as soon as practicable," adding that the "government and regulators are committed to enhancing the VA regulatory framework" ([CryptoNews CN](#), February 22).

There is some evidence that Hong Kong's crypto hub efforts are coming to fruition. According to research firm PitchBook, companies based in Hong Kong and Singapore together received about 11 percent of global venture capital funding for blockchain and cryptocurrency projects through the first 11 months of 2023, up from 2 percent in 2021 ([PitchBook](#), November 30, 2023).

The Limits of One Country, Two Systems

Ever since Hong Kong's pro-digital assets policy launched in late 2022, there has been speculation that the city would become a pilot zone for the PRC mainland, where cryptocurrency trading and investment are restricted but demand nevertheless remains strong ([China Brief](#), March 29). PRC-born Grenadian cryptocurrency entrepreneur Justin Sun (孙宇晨) has been one of the leading proponents of this viewpoint. In a December 2022 interview that preceded the relocation of his exchange Huobi to Hong Kong, he said that "right now they [the PRC central government] are using Hong Kong as an experiment base so they can see all the feedback, all the results, once they adopt crypto." He added that he was "super bullish" about the city's digital assets initiative ([Bloomberg](#), December 20, 2022).

Beijing's views on decentralized virtual currencies—not blockchain technology, which it broadly views as beneficial—remain ambivalent at best. If the central government observes serious crypto crime occurring in Hong Kong, it could withdraw its support for the territory's digital assets initiative. Beijing has never issued any statement in support of Hong Kong serving as a cryptocurrency experimental zone for the mainland, however, and has generally avoided commenting publicly about the city's digital assets policy. According to Hong Kong's *South China Morning Post* (SCMP) newspaper, the SFC sent a notice directly to cryptocurrency exchange license applicants informing them that they must “comply with all applicable laws and regulations, including ... preventing mainland Chinese residents from accessing any of their virtual asset-related services.” Industry insiders speculated that the message that the mainland market is off limits to exchanges operating in the city has “dampened enthusiasm for operating in Hong Kong” ([SCMP](#), May 29).

That Hong Kong regulators are drawing a line in the sand when it comes to serving mainland investors highlights the limitations of the territory's One Country, Two Systems governance model and belies the notion that Hong Kong might be a stepping stone for the larger mainland market. The “high degree of autonomy” guaranteed by One Country, Two Systems allows Hong Kong to have a market economy and open financial system different from the mainland's. Convergence of the two financial systems has never been part of the picture. Investors would do well to listen to what Hong Kong financial regulators say, rather than to crypto influencers. During a panel discussion in late 2022, SFC director of licensing and head of fintech Elizabeth Wong emphasized that One Country, Two Systems “forms the basic foundation to Hong Kong's financial markets.” The city's ability to introduce legislation of its own to regulate cryptocurrencies “shows just how separate Hong Kong is from the mainland,” she said ([SCMP](#), October 22, 2022).

Conclusion

In just two and a half years' time, Hong Kong has steadily developed its credentials as a digital assets hub, implementing an increasingly comprehensive regulatory framework while attracting a large number of cryptocurrency exchanges to establish their operations. The persistence of Hong Kong's efforts despite the inherent volatility of cryptocurrency and its association with illicit activities reflects the city's determination to rejuvenate itself as an international financial center. While Hong Kong officials deny any erosion of that status, the departure of expatriate talent and the ascendancy of Singapore suggest otherwise.

Looking ahead, Hong Kong could face growing headwinds in its quest to build a cryptocurrency hub. Friction caused by high demand for cryptocurrency in the mainland and the city's growth as an industry hub—but not one that can serve mainland customers—could intensify. Hong Kong officials are unlikely to persuade Beijing to change course, which could cause frustration in the digital assets community. Exchanges that had seen Hong Kong as a base from which to serve the much larger mainland market could turn their attention elsewhere. It would be in Hong Kong's interest to invest greater resources in compliance, as well as step up collaboration among industry, regulators, and law enforcement, to increase the chances of its challenging digital assets initiative ultimately succeeding.

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The Untold Psychological War in Hong Kong: Gray Media's Influence Operation on the Legislation of Article 23

by Sze-Fung Lee



Protesters brave heavy rain as they march against the 2019 Hong Kong extradition bill. (Source: [Wikipedia](#))

Executive Summary:

- Analysis of five gray media outlets in Hong Kong during the consultation period for Article 23 legislation passed earlier this year, show how they echo governmental talking points and coordinate to produce collaborative content across popular social media channels.
- These outlets often present themselves as nonpartisan but deploy tactics such as featuring a small set of alleged “experts” while omitting their relevant affiliations and not flagging conflicts of interest.
- Viewership and engagement rates on posts in the dataset were generally low to moderate, but this does not capture content disseminated in other channels, for instance via private group chats on other platforms, suggesting that these posts’ reach and efficacy is a lot higher than they might otherwise appear.
- Gray media outlets in Hong Kong incorporate legal and cognitive warfare tactics to support Beijing’s political agenda, targeting Hong Kongers as a part of a broader national security strategy aimed at further cracking down on free expression in the city.

Hong Kong's gray media plays an understudied role in amplifying the authorities' narratives and steering public opinion on critical issues. Amid the discussion of Beijing's malign influence operations (IOs) both within the People's Republic of China (PRC) and in the international arena, few researchers have looked at the role of gray media in Hong Kong itself. The information ecosystem in which these outlets exist, their affiliation with state entities, and the tactics, techniques, and procedures (TTPs) deployed in past influence operations often differ from those used both in the mainland and internationally. An analysis of the top five gray media in Hong Kong can shed light on how these entities incorporate legal and cognitive warfare tactics to support Beijing's political agenda, targeting Hong Kongers as a part of a broader national security strategy aimed at further cracking down on free expression in the city. These influence operations first aim to create a façade of broad public support for the legislation. However, once the legislation is enforced, as shown in the recent arrests under alleged violation of Article 23, previously falsified public endorsements are then redeployed to justify the arrests and legitimize prosecutions.

Earlier this year, the Hong Kong government passed a new piece of legislation as part of the National Security Law, known as Article 23 (Hong Kong eLegislation, March 23: [English](#), [Traditional Chinese](#); see [China Brief](#); March 1). The announcement of the law and the period during which the government was soliciting public feedback was accompanied with a concerted influence campaign on both traditional and social media platforms. This article draws on data collected between January 30 and February 28, 2024, during the legislation's short public consultation period ([HKSARG](#), January 30).

Survey of Five Key Gray Media Outlets

The five most prominent pro-Beijing media outlets in the city—Speak Out Hong Kong, Silent Majority, Today Review, GRT Great Bay Area Channel, and Kinliu HK—all amplified support for the regime during the consultation period. This support largely centered on two narratives, either stressing the need to establish a bill of this kind, or condemning Western interference and attacks “smearing” the city's domestic politics.

These pro-nationalistic outlets, often termed “gray media,” have alleged close ties with PRC state entities. For instance, they may be financed by corporations linked to the mainland, or their work might be positively acknowledged by PRC officials (HKFP, 2016; [November 29](#), [November 30](#); [Asia Sentinel](#), July 29, 2014). They often publish content that coincides with influence operations and coordinate with each other to produce collaborative videos and posts on relevant topics. The activity from these outlets is mainly conducted in Cantonese on platforms such as Facebook and YouTube that are popularly used in the Hong Kong community—more so than Weibo or WeChat.

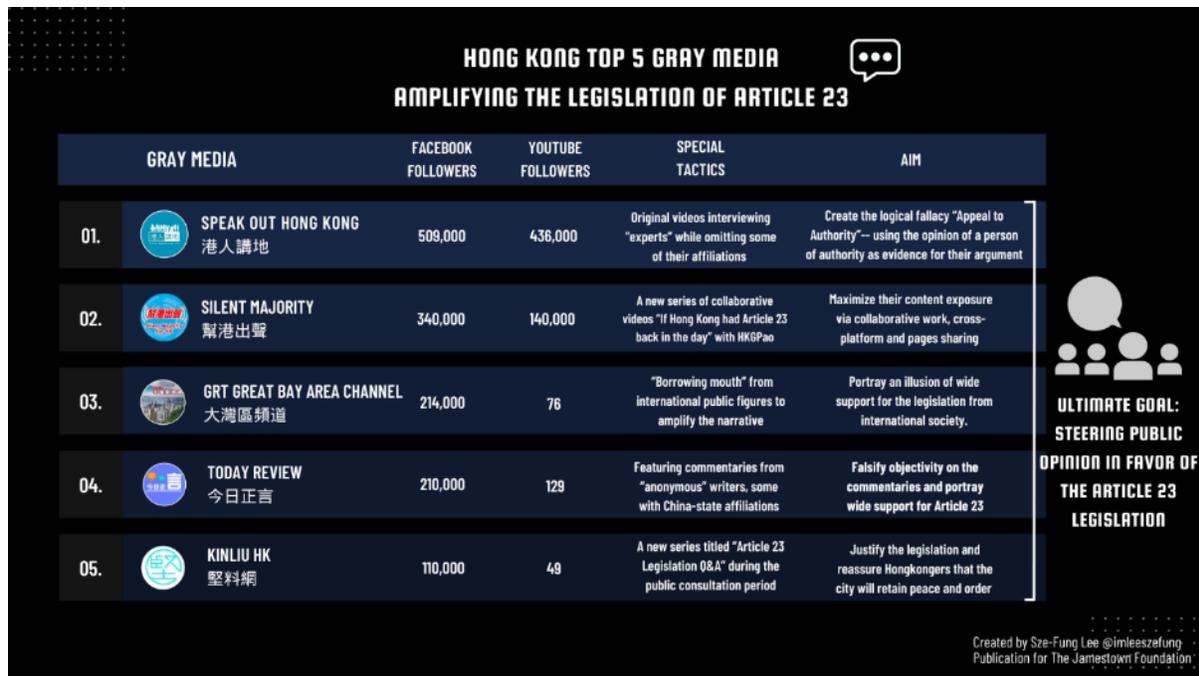


Figure 1: Illustration of the top five gray media in Hong Kong, their number of followers on Facebook and YouTube, and the special tactics they used in this influence operation. (Source: Created by the author using Canva)

Speak Out Hong Kong

Established in 2013, Speak Out Hong Kong (港人講地) is managed by Loop Media Limited (圈傳媒有限公司), which is a part of the Hong Kong United Foundation (HKUF) (Speakout.hk, accessed May 29). HKUF was founded by Barry Cheung Chun-yuen (張震遠), a pro-Beijing individual and former member of the HK Executive Council, and Raymond Tang Yee-Bong (鄧爾邦), a former election campaign advisor to Hong Kong’s former chief executive Leung Chun-ying (aka CY Leung) (Yahoo News HK/Sing Tao Daily, July 9, 2013). Given its large fan base—500,000 followers on Facebook and 436,000 on YouTube—*Speak Out HK* plays a major role in spreading pro-Beijing narratives on social media.

During the research window, *Speak Out HK* published 32 Facebook posts that discussed the Article 23 legislation. Of these, 17 were original videos that amplified support for the bill (Facebook.com/speakouthk, accessed May 29). These videos often featured interviews with alleged experts to convince the target audience of the legislation’s legitimacy and necessity—examples of appeals to authority, the logical fallacy whereby the opinion of an influential figure is used as evidence to support an argument.

These videos also mislead the public by omitting certain facts about the interviewees, including their affiliation with state entities. For example, on February 22, Speak Out HK released a video emphasizing comments from Gu Minkang (顧敏康), who argued that Article 23 perfects the national security legal system and rebuked Western media “smear” as “political hype” (Facebook.com/speakouthk, February 21). While Gu was labeled as the Associate Co-Director of the Academy for Applied Policy Studies and

Education Futures at The Education University of Hong Kong, the video failed to mention that he also serves as the Vice Chairman of the Hong Kong Basic Law Education Association ([Hong Kong Legal Exchange Foundation](#), accessed May 29). This last affiliation is perhaps Gu's most obvious conflict of interest and should be declared in any discussion in which he advocates for legislation as part of the Basic Law.



Figure 2a (left) & 2b (right): Screenshot of Speak Out HK's Facebook post featuring Gu Minkang's (顧敏康) comment on Article 23. Gu accused the Western media of "smearing the legislation of Article 23" and that their actions were pure "political hype".

Figure 2b shows the labeling of his affiliation as an Associate Co-Director at The Education University of Hong Kong. The title omits the fact that he is also the Vice Chairman of the Hong Kong Basic Law Education Association. (Source: [Facebook.com/speakouthk](https://www.facebook.com/speakouthk), February 21)

A separate Facebook video features an interview with the lawyer Kacee Ting (丁煌) ([Facebook.com/speakouthk](https://www.facebook.com/speakouthk), February 28). The video is captioned "How about we let the barrister tell everyone how harsh Americans' national security law is? What qualifications do they have to criticize Hong Kong?" Ting's analysis is misleading, as it implies an equivalence between national security legislation in liberal democratic countries like the United States and Hong Kong's Article 23 ([Nikkei Asia](#), February 28). The video also fails to mention Ting's affiliation with the Business and Professionals Alliance for Hong Kong (香港經濟民生聯盟), a pro-Beijing political party in the city ([Districtcouncils.gov.hk](https://www.districtcouncils.gov.hk), accessed May 29).



Figure 2c: Screenshot of Speak Out HK’s Facebook post featuring Lawyer Ting Wong (丁煌) opinion. (Source: [Facebook.com/speakouthk](https://www.facebook.com/speakouthk), February 28).

Silent Majority

Founded by pro-Beijing individual Robert Chow, Silent Majority (幫港出聲) presents a pro-nationalist view and allegedly has close ties with PRC state entities ([Silent Majority](#), accessed May 29). For instance, former Politburo Standing Committee member Zhang Dejiang (张德江) met with members of *Silent Majority* and praised them for their efforts campaigning against Hong Kong independence ([HKFP](#)). The outlet is also well-financed by mainland PRC-linked corporations ([Asia Sentinel](#), July 29, 2014).

Silent Majority published 44 posts within the one month period on Facebook—the highest number among the five outlets surveyed ([Facebook.com/silentmajorityhk](https://www.facebook.com/silentmajorityhk), accessed May 29). The group also worked with another gray media outlet, HKGPao (84,000 Facebook followers), to produce a new series of collaborative videos titled “If Hong Kong had Article 23 back in the day” ([Facebook.com/HKGPao](https://www.facebook.com/HKGPao), accessed May 29). Each video contained a main argument accompanied by case studies supporting Article 23. For example, one video was captioned “Chapter 7 addresses external organizations that conduct foreign interference and threaten national security” and used the example of the group of protestors in 2019 known as the “dragon-slayers,” who sought to attack the Hong Kong Police Force’s paramilitary task force, the Special Tactical Contingent (特別戰術小隊) ([The Times](#), December 9, 2019). These two media outlets often share each other’s posts in attempts to maximize their content exposure—a tactic frequently deployed in disinformation campaigns run by PRC state-affiliated organizations. The groups have released six videos for this series so far, though none has exceeded a thousand views to date.

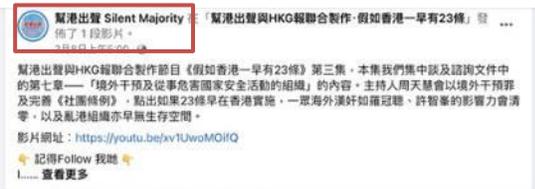


Figure 3a: The full list of videos for the collaborative video series “If Hong Kong Had Article 23 Back in the Days” (Source: [YouTube.com/Silent Majority](https://www.youtube.com/channel/UCv1UwoMOiIQ))

Figure 3b: The same content is shared by both gray media Silent Majority and HKGPao. This [video](https://www.youtube.com/watch?v=xv1UwoMOiIQ) argued that “Chapter 7 addresses external organizations that conduct foreign interference and threaten national security” using the case of “Dragon-slayers.” (Source: [Facebook.com/silentmajorityhk](https://www.facebook.com/silentmajorityhk), February 28).

GRT Great Bay Area Channel

GRT Great Bay Area Channel (大灣區頻道) is a Facebook page managed by the local office of the provincial-level state media Guangdong Radio and Television (GRT) ([Facebook.com/grthk](https://www.facebook.com/grthk), accessed May 29; [Youtube.com/GRT](https://www.youtube.com/GRT), accessed May 29). The 10 posts GRT published during the consultation period have similar narratives such as emphasizing the urgency and necessity of passing Article 23 legislation.

GRT stands apart from other outlets, however, by “borrowing mouth” from international public figures. “Borrowing mouths to speak” (“借嘴说话”) refers to a tactic of using “international friends to carry out foreign propaganda” as described by Zhu Ling, the President and Editor-in-Chief of PRC state media China Daily (通过国际友人开展对外宣传) ([Wenming.cn](http://www.wenming.cn), Aug 1, 2016). Previous research has explored how foreign social media influence pushes Xinjiang propaganda narratives domestically and internationally ([ASPI](https://www.aspi.edu.au), Dec 10, 2021).



Figure 4a (left) highlights the comments of James Thompson, the Chairman and Founder of the Crown Worldwide Group of Companies. He stated “most businessmen prefer to operate in a stable secure environment” and that “the legislation of Article 23 prevents actions that attempt to disrupt Hong Kong and will certainly bring positive prospects for the city”. (Source: [Facebook.com/grthk](https://www.facebook.com/grthk), February 25).

Figure 4b (right) features the comments of Richard Cullen, a law professor at the University of Hong Kong. He argued that the legislation “further perfects Hong Kong’s security system” and that the city is “no longer the fearful place as it was in 2019 (the period during HK pro-democracy protest).” (Source: [Facebook.com/grthk](https://www.facebook.com/grthk), February 24)

In the latest influence operations regarding Hong Kong's Article 23 legislation, these "international friends" include the chief executive of Hong Kong and Shanghai Banking Corporation (HSBC) Noel Quinn, chairman and founder of Crown Worldwide Group James Thompson, and Richard Cullen, a law professor at the University of Hong Kong. Thompson stated that Article 23 "is to prevent actions that attempt to disrupt Hong Kong," while Cullen argued that the legislation "further perfects Hong Kong's security system" (Facebook.com/grthk; [February 21](#), [February 25](#), [February 24](#)). Citing foreign figures' opinions on how Article 23 legislation enhances the city's national security allows these articles to suggest that the legislation has wide support from international society and "debunking" reporting on international opposition to it in Western media.

Today Review

Registered in April 2021 and managed by AcMedia Limited, gray media platform Today Review (今日正言) is notorious in Hong Kong. It has a long track record of disseminating disinformation that aligns with PRC state media narratives, such as falsely claiming that COVID-19 had infected Americans prior to the outbreak in Wuhan in late 2019 ([TodayReview88](#), accessed May 29; [Factcheck Lab](#), June 25, 2021).

Today Review features commentaries from "anonymous" writers in defense of the legitimacy of the Article 23 legislation. For instance, on February 5 Today Review published an op-ed titled "Why having Article 23 will better protect Hong Kong's development" under the pseudonym Kong Ou Ping (港澳平) ([Facebook.com/TodayReview88](#), February 5). [1] This writer is affiliated with PRC state media Xinhua News Agency and their work is regularly featured by the Hong Kong and Macau Work Office and the Liaison Office of the Central People's Government in the HKSAR ([HMO](#), February 5; [LOCPG](#), February 7). Both entities have published identical articles.

Kinliu HK

Kinliu HK (堅料網) often features politicians and Key Opinion Leaders (KOLs) from the Pro-Establishment camp as columnists ([Kinliu HK](#), accessed May 29). Its CEO, Chan Sung-wai (陳崇煒), is also purportedly a former reporter for PRC state media outlet *Wen Wei Po* ([Stand News](#), September 2, 2015).

Kinliu HK initiated a new series titled "Article 23 Legislation Q&A" during the public consultation period. The series comprised 15 articles addressing various concerns regarding the legislation. These included questions about whether suspects would be sent to the PRC mainland to stand trial, or if citizens are likely to violate the law unintentionally (Facebook.com/Kinliuhk; [February 14](#), [February 27](#)). This strategy implicitly aims to justify the legislation while also reassuring Hong Kongers by attempting to assuage their fears. By creating the impression that Hong Kong will still maintain rule of law and judicial independence from Beijing's interference, the articles suggest that the city will retain peace and order.



Figure 6a: Screenshot of Kinliu HK's first Facebook post of the series "Article 23 Legislation Q&A". It "addressed" a common concern "whether the suspects would be sent to mainland China for trial". (Source: [Facebook.com/Kinliuhk](https://www.facebook.com/Kinliuhk), February 14)

Figure 6b (left) is the 14th article of the series "Article 23 Legislation Q&A". It "addressed" the concern "if citizens are likely to violate the law unintentionally". (Source: [Facebook.com/Kinliuhk](https://www.facebook.com/Kinliuhk), February 27)

The Reality

Viewership and engagement rates on posts from these articles were generally low to moderate. Collaboration between gray media outlets, as Silent Majority and HKGpao do by cocreating videos and regularly sharing each other's posts, is one way in which these outlets try to maximize their exposure. There is reason to believe, however, that the aggregate impact of gray media outlets' influence operations is more profound than those figures suggest. First, these posts are widely shared among pro-Beijing and pro-establishment groups in social networks including private group chats—something that the publicly available engagement data does not include. The older generation in particular are generally more supportive of the authorities' actions and often circulate these pro-government narratives in WhatsApp groups, for instance. As people tend to perceive information from their own social networks and communication channels as credible, they are more likely to believe in the disinformation. This mode of distribution exacerbates echo chamber and filter bubble effects and fosters cognitive biases that reinforce pre-existing beliefs when encountering people with similar dispositions.

These gray media outlets often present themselves as nonpartisan organizations. However, their output suggests otherwise. They feature interviews with “experts,” as well as have them publish op-eds and rely on them for quotes. This creates the illusion that multiple sources with different arguments all point to the same conclusion, strengthening the narratives’ persuasiveness ([Rand](#), July 11, 2016). The use of such appeals to authority is especially useful for audiences who have low media literacy and critical thinking skills. By omitting relevant affiliations and not flagging conflicts of interest, these outlets violate journalistic standards and belie the veneer of independence and neutrality in their reporting.

A sense of familiarity is also key to increasing the probability that someone will believe a particular narrative. Repeated exposure is one way to increase a person’s sense of familiarity. [2] When the person delivering the information is someone familiar—either their friends, family, acquaintances, or even someone seen repeatedly on social media—people are even more susceptible. This ultimately generates an “illusory truth effect,” whereby a target groups’ susceptibility to influence operations increases, even though they may not initially have been disposed to believe the narrative. [3] One reason for this is that people are often cognitively lazy. To save time and energy when processing information, especially complicated ones, will they resort to the use of frequency heuristics ([Rand](#), July 11, 2016). In other words, people are more inclined to believe information they have heard more frequently, and from sources they would usually trust. An additional effect of gray media is to sow confusion and generate distrust in society. This operates regardless of whether people actually buy into the disinformation narrative.

The efficacy of recent influence operations by gray media outlets relating to the Article 23 legislation is difficult to assess. However, past influence operations—integrated with legal and cognitive warfare tactics—have successfully sowed confusion, polarized public opinion, generated distrust, and magnified division in society. [4] This could be reflected in the political polarization between the pro-democracy and pro-government camps during the protest five years ago as noted in both Western and Chinese media ([New York Times](#), Jan 19, 2020; [China Global Television Network](#), Sep 3, 2019), of which the effect is believed to be amplified by Beijing’s influence operations.

Conclusion

Gray media in Hong Kong and the part they play in government influence operations continue to evolve. Dissecting their tactics and affiliations could help fortify democratic resilience in a manipulated information ecosystem. While there may be little that will halt Beijing’s suppression of the city of Hong Kong, Beijing’s tactics here are likely fungible to other contexts, including Taiwan. A deeper understanding of how they operate therefore has a much wider utility beyond exposing the deterioration of the information environment in Hong Kong itself.

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Notes

[1] Presumably with the meaning “commenting on Hong Kong and Macau affairs.”

[2] David Gefen, “E-commerce: the role of familiarity and trust,” *Omega*, 28:6, 2000, p. 725-737.
[https://doi.org/10.1016/S0305-0483\(00\)00021-9](https://doi.org/10.1016/S0305-0483(00)00021-9).

[3] Rainer Greifeneder, Mariela Jaffe, Eryn Newman, Norbert Schwarz, eds. *The Psychology of Fake News: Accepting, Sharing, and Correcting Misinformation*. Routledge, 2021.

[4] Author’s own observations on the ground in Hong Kong during the 2019 protests.