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THE EPOCH TIMES

CHINA INSIDER

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OPINION

CHINA’S ‘WEAPONIZED’ FIRMS THREATEN US FINANCIAL MARKETS

Chinese companies pose huge threats aimed at the heart of the American financial system

JAMES GORRIE



As the trade talks between the United States and China continue, the trade imbalance is just one part of a much larger struggle between the two largest economies in the world. What many don’t realize is that Chinese companies listed on U.S. stock exchanges pose a very serious and imminent risk to the U.S. economy. In fact, it strikes at the very heart of the U.S. financial system.

Chinese Penetration of US Financial Markets

Roger Robinson, chairman of the think tank Prague Security Studies Institute, on May 2 presented a very startling picture of the extent to which the Chinese Communist Party (CCP) has inserted itself into U.S. financial markets during his speech to the Committee on the Present Danger: China (CPDC). During the past two decades, CCP-controlled companies have become deeply integrated into millions of Americans’ portfolios. In fact, according to Robinson, there are more than 1,000 Chinese companies in the three main U.S. exchanges. In the New York Stock Exchange (NYSE) alone, there are more than 650 Chinese state-owned enterprises (SOEs); there are another 62 listed on Nasdaq and more than 500 more in the much less regulated over-the-counter (OTC) market. Unlike soybeans or auto parts, the U.S. stock exchanges are the source of trillions of dollars of wealth and innovation. They serve not only U.S. interests, but much of world’s as well. That’s just one of the reasons why the threats posed by Chinese companies, which are state-owned enterprises (SOEs), are so dire. They could also prove fatal to U.S. pension and retirement systems, as well as the ability to generate wealth, attract investment, and remain the global leader in economic, technological and military might.

No Transparency or Oversight

To become listed on exchanges, companies are required to declare their business activities, disclose financial records, and other material facts to determine their legal and financial status. This is to protect both potential investors and the reputation of the exchange listing the companies’ stocks. However, like the rest of its economy, Chinese companies are largely built on fraud and deception. False or even minimum disclosures and material omissions are typical. The nefarious activities they engage in are neither revealed in their disclosures to the listing authorities nor found in company profiles or fund prospectuses. But the fault doesn’t just lie with Chinese firms. The exchanges themselves are also accountable for not demanding full transparency of Chinese firms’ activities before listing them. If exchange standards were enforced, they would have to exclude virtually every firm from mainland China from being listed. That may be why only a handful of Chinese companies are listed on Japan’s Tokyo Stock Exchange. Few of them can pass even the most mundane level of scrutiny.

Pawns of the Chinese Military

Just as concerning are the threatening and harmful activities in which some of these SOEs are involved and which are funded by U.S. investment portfolios. Many Chinese corporations are directly involved in national security threats against the United States. These threats include activities such as cyberattacks against U.S. firms for data and IP exfiltration, enabling North Korean missile technology, and militarizing the illegal islands in the South China Sea. Other listed SOEs participate directly in supporting and enabling human rights violations. These

include suppliers of facial recognition systems and tracking technology used by China’s oppressive social credit system and to imprison Uyghurs in concentration camps on a massive scale. They all benefit from their listing on stock exchanges in the United States. And yet the truth about these companies, whether about their financial status or what their business activities are, is either unknown or ignored by the exchanges. That’s critical because the exchanges are all about allowing investors to invest their money in vetted and valid companies. But it gets worse.

Legally Bound to Spy and Steal

Unlike typical U.S. and European companies, Chinese firms aren’t about profits and quarterly reports. Rather, market penetration, industrial and intellectual property theft, technology transfers, and furthering the interests of the CCP are their focus. Simply put, these companies don’t exist to serve economic purposes; they’re “weaponized” entities that exist to serve the CCP’s political and military objectives. Chinese SOEs— all of them—are pawns of the People’s Liberation Army (PLA), which is in the business

Stock exchanges themselves are accountable for not demanding full transparency of Chinese firms’ activities before listing them.

A trader works on the floor of the New York Stock Exchange in New York on March 18, 2019.

of destroying the U.S. economy and oppressing and imprisoning millions of people. That’s because every Chinese company is subject to the integrated and far-reaching power of China’s National Intelligence Law, which came into effect in July 2017. Article 7 of the law requires all Chinese citizens to carry out intelligence work as ordered by the CCP. Every Chinese company, big or small, is in effect, an active intelligence-gathering asset of the CCP.

Total Financial Market Penetration

Americans’ stake in Chinese firms is enormous—approaching 1 trillion dollars. Hundreds of Chinese firms with dubious balance sheets, as well as sinister and anti-U.S. business activities, are part of various stock indices such as the MSCI index and others that are a part of millions of Americans’ portfolios. These market indices are commonly found in 401(k)s, IRAs, pension funds, and other investment vehicles. The vast majority of Americans are passive investors in these companies via various indices. They’re most likely unaware of what or where their money is invested, but they’re invested just the same. The bottom line is that Americans are literally financing China’s expansion and threatening activities



OPINION

CHINA’S ECONOMIC CRISIS IS ITS OWN DOING

State planning is a liability, not an asset

ZANG SHAN

From both official and nongovernment figures, it’s clear the Chinese economy is in dire straits. In the second half of 2018, estimates of China’s GDP growth ranged from around 6 percent to negative 1.6 percent, indicating a sustained downturn. The rapid development of China’s economy over the past two decades has basically depended on the interplay of three factors. First, China enjoyed long-term low-interest rates, currency easing, high-interest margins, and rapid investment growth. With the financial sector’s monopoly, banks turned huge profits, stimulating business creation. The government tended to take advantage of these low financing costs by increasing support for large-scale public investments. The second factor was East Asia’s export-oriented model, an industrial policy that attracted foreign investment and spurred low-level export-oriented manufacturing. Both these factors have long been the subject of expert discussion, but there is a third factor that has passed almost unnoticed: the series of Chinese policy reforms that brought nonmonetary economic activities into the monetary economy. An essential feature of a modern economy is monetization,

that is, the use of currency to quantify and account for all economic activity. In a pre-modern society, economic activities are less likely to be measured by currency—for example, people surviving on subsistence farming and thus foregoing trade and currency. On several occasions prior to the 1980s, the International Monetary Fund (IMF) measured China’s economic development by purchasing power parity (PPP), and estimated that China’s GDP per capita was about \$2,000, but at that time, China’s nominal GDP per capita was only \$300. In 1996, the IMF issued a report, also measured in PPP, estimating that China’s GDP per capita was about \$6,000 to 7,000, while the nominal GDP was only about \$500. This changed in the late 1990s, when China launched a series of “reform measures” affecting real estate, health care, education, pensions, and the like. At the core of this economic modernization was, in fact, the process of monetization. Housing previously not counted in nominal GDP was brought into the economy via the reform, as was medical service. Before the economic reforms, health care was treated as a public good—the concept of costs and revenue didn’t apply and all was borne by the political system. The market reforms subjected all such public services to monetization, thus bringing up nominal GDP. In China’s current economic development, the advantages brought by these three factors have been basically exhausted. The process of economic monetization has been completed. Export growth is difficult to sustain, and the wealth generated by monetary easing and investment via governmental loans can’t match the intrinsic value of those investments.

The Sino–U.S. trade war, real estate bubble, and financial crisis are just symptoms of the structural limitations that form the root cause of China’s economic troubles.

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Much has been made of China’s transition from low-level manufacturing to high-tech industries over the last decade. China has definitely progressed on this front, but it’s still far from being competitive enough to support continued rapid economic growth. Since 2018, Chinese state media have been boasting about the “four new inventions,” but one of them, the bike-sharing venture, is on the verge of bankruptcy. Like bike sharing, the rest of the “four new inventions” are mainly innovations of service models, and don’t actually feature

through their investments in the stock market.

As China's technological base grows, investment in many Chinese companies continues to grow. At some point in the near future, Chinese companies could make up the bulk of U.S. retirement accounts, pension systems, and investment portfolios.

The potential threat is sobering. On the one hand, the continued operation and investment into these weaponized companies constitutes a growing threat to the United States' economic survival. On the other, if they're de-listed or otherwise lose value, not only would millions of Americans' retirement portfolios be subject to tremendous losses, but falling prices could trigger widespread equity devaluations and lead to market collapse.

Financial War Bigger Than Trade War

As the economic war between the United States and China expands—and it is likely to do so—China's companies may well come under increasing scrutiny by the Trump administration. That could lead to devaluation of many Chinese companies, if not delisting from U.S. stock exchanges and removal from indices. This would quickly lead to devastating losses in U.S. portfolios and pension funds.

If, however, Chinese SOEs aren't reigned in, mutual funds and ETFs could soon be dominated—and therefore held hostage—by them. This possibility may be realized sooner than later as the United States ramps up the pressure on China's unfair business practices with rising tariffs.

China's fraudulent and weaponized state-owned enterprises are a much bigger and more complex problem to the United States than the trade imbalance. If Trump is serious about keeping America first, he must address this looming financial threat from China soon.

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Views expressed in this article are the opinions of the author and do not necessarily reflect the views of The Epoch Times.



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FINANCE

AMERICANS FUND CONCENTRATION CAMPS IN CHINA

There are over 650 Chinese companies traded in the US stock markets



JEWEL SAMAD/AFP/GETTY IMAGES

Traders wait for Chinese online retail giant Alibaba's stock to go live on the floor at the New York Stock Exchange in New York on Sept. 19, 2014.

EMEL AKAN

WASHINGTON—A rising number of Chinese companies in U.S. capital markets pose a risk for U.S. investors as they unwittingly finance companies associated with concentration camps in China, an expert warns.

Through public pension and retirement funds, investors are transferring wealth from the United States to Chinese entities that do not comply with U.S. laws, a problem that has been overlooked for more than a decade.

“We’re talking about hundreds of billions of dollars and moving rapidly toward \$1 trillion,” said Roger Robinson, a former member of President Ronald Reagan’s National Security Council and president and CEO of RWR Advisory Group, which tracks Chinese investments worldwide.

“Now, that’s a lot of financing that’s being attracted from unwitting American investors,” he said at a May 2 event hosted by the civil advocacy group Committee on the Present Danger: China, launched this year.

According to Robinson, there are more than 650 Chinese companies traded in the U.S. stock markets. Around 86 of these entities are listed in the New York Stock Exchange and 62 in Nasdaq. And more than 500 Chinese companies are traded in the over-the-counter market, “the least regulated and the most popular for those seeking to skirt transparency and disclosure requirements,” said Robinson.

There is a wide spectrum of companies traded on the U.S. stock exchanges and many of them are “outright bad actors,” he said.

After closely examining Chinese enterprises and their entire network of subsidiaries, Robinson found that some are linked to the Chinese People’s Liberation Army, for example.

These companies are “national security abusers of all stripes, as well as human rights abusers,” he said, adding that they are associated with sanctions violations, proliferation of weapons of mass destruction, cyber hacking, or building and militarizing the islands in the South China Sea.

And in terms of human rights, he said there are Chinese companies that provide “surveillance cameras and facial-recognition technology and the like to help maintain the incarceration of some 1 million Uyghurs in Xinjiang,” in so-called detention or concentration camps.

The majority of U.S. investors are unaware of the identities of these companies and their malicious activities. Investment prospectus, legal documents issued by companies during stock offerings, don’t disclose these potential risks to U.S. investors.

“You start to see a trend where trillions of dollars are going to flow into our markets over the next two to three years,” Robinson said. “It is conceivable that one morning, the American people wake up and find—whether it’s 12 percent, 15 per-

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A Chinese chicken farmer doesn’t wake up one day and know how to defraud the U.S. capital markets. They are helped by us.

Dan David, activist short-seller

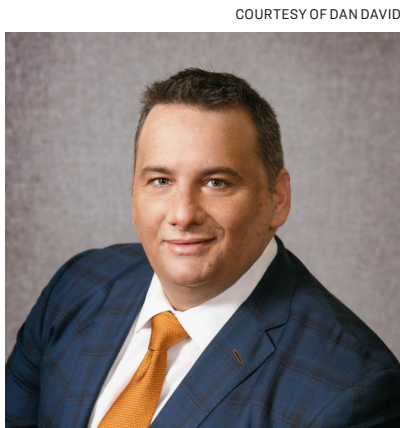
cent, 17 percent—some high number of their retirement portfolios are Chinese securities.”

There’s been no penalty for these companies to date. Robinson warned, however, that any sanctions toward Chinese entities based on their malevolent behavior will damage the value of U.S. retirement and pension funds, putting Americans at risk.

Activist Short Seller Chases Down Fraud In China

There are many victims in the United States whose life savings have been wiped out because of Chinese stocks. Public pensions and retirement funds have lost billions of dollars, according to “The China Hustle,” a documentary released in 2018.

After the financial crisis of 2008, hundreds of Chinese firms listed on U.S. exchanges through a process called a reverse merger with a public U.S. company.



COURTESY OF DAN DAVID

Dan David, an activist short-seller who helped lead to the exposure of over \$15 billion of fraud by Chinese firms on U.S. capital markets.

In the film, whistleblower and activist short-seller Dan David explains how Chinese companies mislead U.S. investors through overstating their operations, revenues, and profits. He hired researchers to go to China and investigate dozens of companies. The research-

ers found out that the “fraud is out in the open” and some factories are “Potemkin villages.”

For example, L&L Energy, a company mentioned in the movie, stated to its shareholders that it produced coal at its LuoZhou and LaShu mines in China. Through inspections of these mines, researchers found that there was no production taking place at either mine. L&L had fabricated its production and revenue figures, according to the movie.

His first inclination was not to short these stocks, David told The Epoch Times.

“The first thing we did is naively talked to the investment banks about what the mistakes we thought they were making,” he said. “And then we realized that these weren’t mistakes but purposeful business decisions on their part.”

After receiving dismissive answers from the exchanges and the Securities and Exchange Commission, David started short-selling these fraudulent companies.

“Once we started shorting and making a lot of money, then all these people wanted to listen, if not sue us,” he said.

Short selling is when an investor borrows stock from a broker and sells it at its current market price, planning to buy it back later for less money. Short sellers bet on, and make profits from, a fall in a stock’s price.

“It was nice to make the money, but at a certain point in time, you have to sit back in your own skin and say, where does this money come from?” David said.

“And the answer is, it came from my friends, my family, my neighbors, my fellow Americans. And that just didn’t sit very well with me.”

David helped expose \$15 billion in fraud in U.S. capital markets and had 12 companies de-listed from the exchanges.

There is not any one culprit to blame, he said. The fraud is facilitated by U.S. lawyers, bankers, and auditors who have a vested interest in these bad practices outlined in the movie because they get business mandates and fees from these companies.

“If you think about it, this is a cooperation between a China operator and the American banking system and American facilitators,” he said. “A Chinese chicken farmer doesn’t wake up one day and know how to defraud the U.S. capital markets. They are helped by us.”

“It’s not just the smaller companies,” he continued. It is the bigger companies like Alibaba that pose the same risk.

“I can reverse engineer the financial statements from Amazon, Apple, Tesla,” he said but “you can’t do it with Alibaba. I mean, they have thousands of subsidiaries.”

David is frustrated with Congress for failing to recognize the problem, calling lawmakers “clueless.”

“I’ve lobbied Congress, nobody is doing anything about it. It’s just crazy,” he said.

“When the money is raised here and taken to China, we have no apparatus to get it back.”

TECHNOLOGY TRANSFER

US CONGRESSIONAL REPORT HIGHLIGHTS BEIJING’S FAILED ATTEMPTS TO ADDRESS FOREIGN INVESTMENT CONCERNS

FRANK FANG

China is causing billions of dollars in losses for the U.S. economy every year while resorting to a number of different tactics to acquire U.S. technology, according to a recently released congressional report.

At the same time, Beijing hasn’t made efforts to address the technology outflow from the United States, despite recently enacting a foreign investment law.

The report, titled “How Chinese Companies Facilitate Technology Transfer from the United States,” was released by the U.S.-China Economic and Security Review Commission (USCC) on May 6.

It detailed how Beijing has gotten its hands on U.S. technology through six different means: foreign direct investment in the United States; venture capital investment in U.S. companies; joint ventures in China between Chinese and U.S. companies; licensing agreements for U.S. companies operating in China; cyber espionage; and recruitment of U.S. experts to work in China.

New Law Fails to Curb Problems

The Chinese regime attempted to address intellectual property (IP) theft when it formally enacted a new foreign investment law in March, which will be effective beginning Jan. 1, 2020. The provisions forbid local authorities from compelling foreign companies to transfer their technology; require licensing procedures to be streamlined; and allow foreign investors to transfer money outside of China in any currency, among other measures meant to appease growing U.S. criticism of Chinese trade practices.

But the report’s assessment of the law wasn’t positive. “Although the law requires government officials to protect foreign firms’ IP rights and bans technology transfer requirements, the law only provides general assurances that, if enacted, will still take years to implement.”

U.S. and foreign companies currently “have few options” other than to form a joint venture with Chinese firms in exchange for access to the Chinese market, whereby they must provide their

IP and technology to their Chinese partners, the report said. Such arrangements put “U.S. economic competitiveness and—potentially—national security interests at risk.”

Meanwhile, Chinese licensing requirements require foreign companies to obtain approval from authorities for more than 100 different business activities, causing delays and added costs that are discriminatory toward foreign investors, the report said.

Another malpractice by Chinese authorities isn’t destroying information such as product and process information submitted by foreign companies to gain licensing approval, which has led to sensitive corporate information being “shared or exposed.”

“The Foreign Investment Law includes provisions that suggest these [licensing] practices will be eliminated, but the wording of the law remains vague,” the USCC report stated.

This is not the first time the USCC has questioned China’s new foreign investment law. In a trade bulletin released on April 5, the commission pointed out that unnamed observers “have expressed concern the law will serve as window dressing and not result in meaningful change.”

European entities also made similar concerns about the new Chinese law. The European Union Chamber of Commerce, in a press release published on March 15 after the law’s approval, specifically criticized Article 40 in the law.

That provision states that China has the right to retaliate against “any country that takes discriminatory prohibitive, restrictive, or other similar measures against the People’s Republic of China with respect to investment.”

“[Article 40] allows for political issues to influence investor-state relations, and gives China power to take unilateral action against trading and investment partners based on a principle of perceived negative reciprocity,” the press release stated, noting that its vague wording “further adds to the legal uncertainty that the law creates for foreign companies.”

EUobserver, an online newspaper based in Brussels, quoted an unnamed EU official as saying that the new Chinese investment law “does

The U.S. economy suffered financial losses of \$20 billion to \$30 billion annually over the past two decades, due to Chinese cyber espionage.

Delegates line up to leave after the closing session of the National People’s Congress in Beijing’s Great Hall of the People on March 15, 2019, when the rubber-stamp legislature approved a foreign investment law.



Chinese leader Xi Jinping (R) and Premier Li Keqiang arrive for the closing session of China’s rubber-stamp legislature in Beijing’s Great Hall of the People on March 15, 2019.

not address all the issues of concern for Europeans,” such as in the area of forced technology transfer, in an article published on April 8. The official added that “it is time for action, not only words.”

Tech Outflow

The report also noted the uptick in Chinese investment into U.S. semiconductor and artificial intelligence (AI) companies. According to the USCC report, Chinese firms with state funding have attempted to acquire or have invested in at least 27 American semiconductor firms, with investments totaling more than \$37 billion, between 2013 and 2016.

In the AI industry, Chinese firms invested in at least 51 U.S. AI startups and firms from 2010 to 2016.

Recruiting overseas Chinese and Western experts is another means by which Beijing acquires U.S. technology. The USCC report mentioned two state programs, Project 111 and the Thousand Talents Program, with the former having recruited 39 Nobel Prize winners by 2009, while the latter brought more than 4,000 foreigners to China by mid-2014.

At the same time, Beijing has utilized inter-governmental exchanges and academic partnerships at U.S. universities to gain access to U.S. research and equipment.

For example, the U.S. Department of Energy



NEWS ANALYSIS

CHINESE BID FOR WASHINGTON METRO CONTRACTS IS A MAJOR SECURITY THREAT

A Chinese state-owned company is bidding for a more than \$500 million contract to supply rail cars for the Washington Metropolitan Area Transit Authority, and the contract should be raising eyebrows in terms of finances and security.

The company, China Railway Construction Corporation Limited (CRCC), is based in Beijing and is the world’s second-largest construction and engineering company. It is owned by the Chinese regime’s State-owned Assets Supervision and Administration Commission of the State Council.

Being owned by the Chinese regime means it’s held under Chinese law, meaning that any data it collects through Wi-Fi or sensors will be liable to Chinese data monitoring laws.

Under the Chinese Communist Party’s (CCP) National Security Law, all data needs to be “secure and controllable.” The CCP has large-scale data monitoring programs under its Golden Shield censorship system, its Skynet surveillance system, its Social Credit System to track and rate citizens, and others.

Erik Olson, vice president of the Rail Security Alliance, told The Epoch Times in a previous in-

terview that trains today are fitted with numerous systems for monitoring, which could be compromised if the CCP were able to control the rails.

Modern trains have closed-circuit cameras, internal Wi-Fi, and various types of sensors that can collect data.

Reuters published a story on the potential Washington Metro deal on May 9, claiming that “national security hawks” are circling in on the contract potentially going to China. It questions why a state would be interested in spying on people using subway cars—yet for Washington, the answer should be obvious.

If the CCP was able to receive data from the Wi-Fi networks, security cameras, and other sensors, it would mean the data of any government officials using those networks could be compromised. For example, Pentagon officials checking their email on the networks could have their passwords stolen.

It also would mean that the CCP would be able to track the movements of individuals and those they’re traveling with, as China’s facial recognition technology is among the most advanced in

the world. FBI agents meeting with sources could have their sources compromised, and government officials having improper meetings could be blackmailed. The CCP could extend the same systems it uses against its own citizens into the heart of U.S. politics.

The CCP could extend the same systems it uses against its own citizens into the heart of U.S. politics.

Reuters doesn’t explain that CRCC is not engaged in a normal business competition.

Being state-owned, the company doesn’t need to make a profit. This allows it to bid below cost and push out competitors. And it often bids at

a significantly lower amount than any honest competitor could afford.

CRCC has shown its ability to dominate markets using this method in Australia. After it was allowed into the Australian market close to 10 years ago, it eventually acquired one of the three main Australian rail companies, and the two others went out of business.

The Chinese company already has been using the same tactic in the United States. Olson said that in Boston, CRCC was bidding at about half the price quoted by its competitor.

“The Boston one is particularly interesting because the second-lowest bid was from Bombardier, which was around \$1 billion, and CRCC came in at \$569 million,” Olson said.

“[CRCC] don’t have to make money, so they can do whatever they want.”

Some cities are going around federal regulations so they can work with CRCC. In Boston, for example, the local government waived federal funds so they won’t be held accountable to President Donald Trump’s 2017 “Buy American and Hire American” executive order.

ALL PHOTOS BY GREG BAKER/AFP/GETTY IMAGES



currently has several bilateral agreements with China, one of them being the U.S.-China Clean Energy Research Center established in November 2009. These exchanges allow Chinese entities to “develop the knowhow to create and run advanced research and development facilities,” the report said.

A 2018 report by the the Australian Strategic Policy Institute, an independent think tank partially funded by Australia’s Department of Defense, also pointed out that, since 2007, Beijing has sent more than 2,500 Chinese military scientists and engineers abroad, often by masking their military ties, to study at colleges and universities in countries like Australia, Canada, New Zealand, the United Kingdom, and the United States.

“These exchanges directly allowed China to develop better military technology by leveraging U.S. and other countries’ experience, facilities, and resources in high-tech industries,” the report concluded.

U.S. technology and IP have also been stolen through cyber attacks, many by hackers with direct ties to Beijing. The USCC report, citing comments from James Lewis, senior vice president at the Center for Strategic and International Studies (CSIS), pointed out that the U.S. economy suffered financial losses of \$20 billion to \$30 billion annually over the past two decades due to Chinese cyber espionage.

Chinese leader Xi Jinping (L) and Premier Li Keqiang “vote” for a new foreign investment law to be approved during the closing session of China’s rubber-stamp legislature in Beijing’s Great Hall of the People on March 15, 2019.



BRENDA GOH/REUTERS



A CRCC worker walks past an unfinished metro train car in the company’s Kunming factory, Yunnan Province, China, on April 11, 2016.

NATIONAL SECURITY

THE PRESENT DANGER: THE CCP’S UNRESTRICTED WARFARE AGAINST THE US

STR/AFP/GETTY IMAGES



Chinese People’s Liberation Army personnel attend the opening ceremony of China’s new military base in Djibouti on Aug. 1, 2017.

JENNIFER ZENG

WASHINGTON—A newly formed committee is sounding the alarm about the dangers posed by a Chinese Communist Party (CCP) that is waging unrestricted warfare against the United States, and the group is urging President Donald Trump to go further in opposing the CCP.

In its fourth public event since it was founded in late March, the Committee on the Present Danger: China gathered politicians and experts on Capitol Hill on May 2 to discuss topics such as fifth-generation (5G) communications technology, intellectual property (IP) theft, the nature of the Chinese regime, and U.S. financial support for it.

5G
Rep. Scott Perry (R-Pa.) said that in an age of the “internet of things,” everything is connected to something, and that something is connected to a network. That is why the United States can’t afford to lose the race for 5G, the coming generation of internet technology. If that network is controlled by the CCP’s version of 5G, all the data in it will be compromised.

Perry used the battle of Gettysburg as an example of how important information is. In what is often described as the turning point in the U.S. Civil War, the Confederate commander, Robert E. Lee, had faulty information about the number and disposition of the Union forces, leading to his defeat.

“If the Chinese control that kind of information,” Perry said, “the battle is already over, unfortunately. ... We have become completely reliant upon their technology, because of the cost, because of how pervasive it is, and because it’s just been easy.”

“We will have to recognize that this [technology] is essentially controlling the speech we have among one another, because we speak through one of the devices,” Perry said. “Every single bit of our communications will either be controlled by the United States of America, in our benevolence and our wish to be free and preserve privacy, and ensure the integrity of our intelligence, or information will be controlled by someone else.”

“And they might have the goodwill to do this for us, but they might not. And if they are strategic adversaries that have an interest in overtaking us which, by the way, they do in this case, I suspect they might not be as benevolent.”

Perry said the Chinese are very focused about developing 5G, while, in the United States, we are fighting over a letter that Attorney General William Barr wrote. America needs to develop a coherent strategy for developing 5G, he said.

In response to an audience question regarding whether Trump should use economic warfare as a means to defeat the CCP—as President Ronald Reagan had done to the Soviet Union—Perry said yes, he believes that Trump should go beyond trade itself.

Perry applauded Trump for doing more than any other president regarding China, but warned that Americans have very short attention spans.

In contrast, the CCP has the attitude of “you might have the watch, but we’ve got the time.” The United States must stick with its initiatives against the CCP and adopt very robust and more significant actions to force China into good behavior, Perry said.

IP Theft

Sen. Ron Johnson (R-Wis.) said that in order to have access to the market of 1.4 billion people in China, some U.S. companies made a decision to give up their intellectual property. He indicated that he has less sympathy toward those companies in terms of IP theft.

However, outright theft by the CCP can’t be tolerated, and this is very hard



Sen. Ron Johnson (R-Wis.) at the event “China Threat Briefing: Unrestricted Warfare: The Chinese Communist Party’s War against America and the Free World” organized by the Committee on the President Danger in Washington on May 2, 2019.

to deal with through trade deals, Johnson said.

“The cyber theft [and] the industrial espionage of our industrial and military secrets [are] completely intolerable. Now, it’s pretty hard to govern that, or control that through trade agreements. They don’t even admit to it.”

Johnson said the Chinese regime has been deploying Sun Tzu’s “Art of War” against the West for millennia, and the United States needs to wake up to that.

The best defense for the United States, Johnson said, is to have a strong economy and rebuild the military.

“I support President Trump’s strong desire to get China to adhere to world norms, trading norms, to try and get them to stop stealing our stuff, to at least acknowledge it, and to open up their markets, as open as ours are, to their products.”

‘Utterly Ruthless’

Brian Kennedy, chairman of the Committee on the Present Danger: China (CPDC) reminisced about attending a meeting 28 years ago of the original Committee on the Present Danger, which was devoted to countering the threat from the Soviet Union. Since then, the People’s Republic of China (PRC) has become a formidable power, and should be taken seriously, he said.

“Even though the title is ‘The Committee on the Present Danger,’ and it makes us sound somewhat pessimistic, I’m optimistic that if the American people knew all the facts that we’ve been laying out, and are going to lay out for you both today and in the future, we can turn around the danger posed by the PRC, however dangerous they are,” Kennedy said.

While the CCP is “extremely dangerous,” Kennedy said it’s important to distinguish the Chinese people from the Chinese Communist Party.

“The people seem a lot like us: hard-working, decent, and willing to make sacrifices. But they’re governed by the Chinese Communist Party. And [the CCP is] utterly ruthless. Their ability to do things is unsurpassed, because they’re willing to kill, and they’re willing to intimidate. We Americans, when we see China today, we don’t understand that.”

Kennedy said that he thinks the president understands that, and that’s why he

is taking a very tough stance on trade, and on rebuilding the U.S. military.

Enabling the CCP

Frank Gaffney, vice chairman of CPDC, said a trade agreement with China is unlikely to be fulfilled in its own terms, and will bring very dire repercussions if not done in the context of the myriad dangers that China represents.

Gaffney said through the financial sector and some business leaders, U.S. funds have been used to support the CCP.

“We are enabling, through our underwriting, through our technology transfers, voluntary and involuntary, and through our other forms of support, the Chinese Communist Party and the regime to misrule China.”

Frank Gaffney, vice chairman, Committee on the Present Danger: China

“We are enabling, through our underwriting, through our technology transfers—voluntary and involuntary—and through our other forms of support, the Chinese Communist Party and the regime to misrule China, out of our own pockets. And this is, of course, adding very considerable insult to the injury.”

While the CCP is enslaving its own people and plans to expand that to “many others,” “we are doing the enabling of the enslaving,” Gaffney said.

DISINFORMATION

FAKE LETTER SENT IN TRUDEAU'S NAME

NOT ISOLATED CASE IN CHINA'S DISINFORMATION CAMPAIGN

Government officials often targeted with bogus emails from people posing as Falun Gong adherents to discredit the practice

LIMIN ZHOU

A fake congratulatory letter supposedly from Prime Minister Justin Trudeau that was recently circulated on social media most likely originated from the Chinese regime's agency responsible for coordinating influence operations overseas, says a China observer.

While the letter impersonating the prime minister seems to have been a first, fake letters and emails to government officials masterminded by Chinese Communist Party agents impersonating practitioners of Falun Gong have been a recurring—and worrisome—issue for that community for over a decade.

The fake letter in the name of Trudeau was circulated to coincide with the inauguration of the Tibetan Association of Canada—a newly formed organization that promotes Tibet's reunification with China—held in Toronto on April 20.

On April 24, the Prime Minister's Office confirmed to The Epoch Times that the letter was not sent by Trudeau and that the PMO was looking into the matter.

Journalist and author Jonathan Manthorpe said he has no doubt that the letter originated from the United Front Work Department, an organ of the Chinese Communist Party (CCP) that operates a worldwide program to promote Beijing's agenda and subvert other countries by manipulating the open nature of free societies.

"This is clearly a United Front operation," Manthorpe said at an April 27 event in Toronto related to the topic of his latest book, "Claws of The Panda: Beijing's Campaign of Influence and Intimidation in Canada."

"These things are going around all the time. We in mainstream Canadian society should be doing far more to protect and work against these efforts than we are doing."

Prominent human rights lawyer and China expert David Matas said the sending of fake emails "is standard Chinese Communist Party operation

procedure."

"The Communist Party has a number of propagandistic devices, mechanisms, and institutions to bamboozle and confuse people; the Confucius Institutes are a good example of that, the fake email is another. The Communist Party is kind of, I would say, engaged in dissimulation, pretence, dishonesty, misrepresentation—they will do anything to get their point of view across," he said in an interview.

Canadian Officials Spammed by Fake Emails Discrediting Falun Gong

Freedom House reported last year that suspected agents of the Chinese regime have in recent years used email impersonation as a tactic to mislead politicians, damage the reputation of its critics, and obtain sensitive information.

Grace Wollensak of the Falun Dafa Association of Canada said fake emails are a part of the CCP's overseas campaign against Falun Gong, a meditation practice also called Falun Dafa that has been brutally suppressed in China since 1999.

"Government officials at all levels in numerous countries have been systematically and repeatedly targeted by fraudulent emails from persons claiming to be Falun Gong practitioners," she said.

"The emails often portray the sender as obsessive, irrational, and rude, thus lending legitimacy to the Chinese regime's claims that Falun Gong is a menace to society and swaying would-be support from Western government officials."

"Some of the emails have been traced to IP addresses originating in China," she added.

In March of this year, Sue Zhang, a coordinator for Vancouver's Falun Gong community, was forwarded an email received by NDP MP Peter Julian's riding office. The email was sent to Julian from someone named "Cathy" who began by thanking him, then said odd things about Falun Gong and referred to an image the sender had attached of Julian superimposed on an inappropriate background.

"I have made a poster using your photograph to show how your support the fine arts and Falun Gong. I am sure that you would be glad to see the posters around the world," the email read.

"What was said in the email claiming to be Falun Gong's view is totally false," Zhang said. "No Falun Gong practitioner would make that kind of poster, either. The email is deceiving and a malicious attempt to make us look obsessive and unstable."

Liberal MP Judy Sgro, co-chair of Canadian Parliamentary Friends of Falun Gong, received a similar email to Julian's in 2018, also with an image of her superimposed on an inappropriate backdrop and stating that it would be posted everywhere to show that she supports Falun Gong.

"It's really an attempt to disparage the Falun Gong's followers," said Sgro, according to the National Post.

According to Wollensak, rounds of fraudulent



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NEWS ANALYSIS

LEARN TO SPOT TROJAN HORSE CENSORSHIP

The most deceptive form of censorship is the type that wraps itself in a veil of good intentions.

This has long been a favorite tool of the Chinese Communist Party (CCP) and is now being used in the censorship of video games.

China's Tencent Holdings Ltd. released a new game, "Game for Peace," on Chinese platform Weibo on May 8. The same day, the CCP removed the popular "Player Unknown Battlegrounds" game from the same app store, which "Game for Peace" closely resembles.

While Tencent partly owns the popular battle royale game "Player Unknown Battlegrounds"—as well as "Fortnight," another popular game in the genre—the game is still mainly held by PUBG Corp., which is a subsidiary of South Korean video game company Bluehole. So, in other words, after a Chinese company partnered with a South Korean company to release its game in China, the CCP just happened to block that game on the same day the Chinese company released its clone.

What's even more interesting than the use of state regulation for business warfare, however, is how the CCP packaged this move as an act of moral censorship.

The Chinese regime's State Administration of Press, Publication, Radio, Film, and Television

claimed back in 2017 that the "battle royale" genre "seriously deviated from the core values of socialism in China."

CCP regulators started a new program for game licenses last month, which forbids content deemed harmful to youth, including images of blood, gambling, dead bodies, and marriage between minors. Most decent people probably could agree with this.

But wrapped up in these new censorship requirements are two curious bans: games that show religious elements, and games that reference China before the CCP.

This is a method of censorship that blends moral forms of censorship—such as opposing violence—with other forms of censorship to defend the ruling regime's persecution of religion and to cover up its destruction of China's traditional heritage.

The CCP is an oppressive regime that brutally persecutes Christians, Falun Gong practitioners, Tibetan Buddhists, and Uyghur Muslims. Its abuses include the destruction of churches and temples, torture, concentration camps, and live organ harvesting for profit. Through several political campaigns, including the Cultural Revolution, the CCP has also done all in its power to destroy China's traditional values and national heritage.

The method of censorship used for video games

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This plays on a classic tool of socialist disinformation: package a lie with a grain of truth.

employs an interesting tactic. It sandwiches policies that continue the regime's oppression of the Chinese people between censorship rules that many people would agree with. Using this tactic, if a person were to question these censorship policies, CCP defenders could easily reply, "Oh, so you want youth to see dead bodies? You want youth to see blood, and marriage between minors?"

Yet those parts of the policies aren't the problem. It's the parts that require censorship of China's traditional heritage and that back the regime's abuses.

This type of Trojan horse censorship isn't limited to the CCP, either. It's being used in the West as a less-defined form of political censorship. We saw this recently when Instagram and Facebook banned figures, including Alex Jones, Milo Yiannopoulos, Paul Joseph Watson, and others, for spreading alleged misinformation and extremism.

Legacy news outlets, including The Atlantic, backed this censorship move, labeling these individuals as "far-right extremists." Oddly, they even labeled Louis Farrakhan as a far-right extremist, despite that Farrakhan is the head of the Nation of Islam and a longtime icon of the left.

Just like the Chinese regime with its "China Model" for censorship, these groups often begin censorship campaigns by publicly going after targets that many people would agree with. After the policy is in place, it can then be used discreetly, and anyone who questions the policy can be accused of agreeing with the public figures or issues that were initially targeted.

Yet, as is always the case with socialist censorship, the issue isn't the individual, but rather the political agenda behind the censorship.

This plays on a classic tool of socialist disinforma-

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Falun Gong practitioners doing the practice's slow-moving standing exercises during the Falun Dafa Day celebration on Parliament Hill on May 9, 2017.



Canadian lawmaker and co-chair of Parliamentary Friends of Falun Gong Judy Sgro speaks at the Falun Dafa Day celebration on Parliament Hill in Ottawa, Canada, on May 9, 2018. Sgro was sent fake emails in 2018 impersonating Falun Gong practitioners and making irrational statements in an attempt to discredit the persecuted group.

emails are sent each year to MPs and cabinet ministers, including Global Affairs Minister Chrystia Freeland, around the annual Falun Dafa celebrations in May and during the Shen Yun touring season from January to May. Shen Yun is a traditional Chinese culture performance presented by the Falun Dafa Association.

“The emails appear to be inviting MPs to attend events, but then turn into bizarre threats,” she said, adding that “large numbers” of MPs began receiving such emails in 2010 in an apparent effort to discredit Falun Gong adherents.

Last year, Amnesty International sent a report to Global Affairs documenting emails purportedly from Falun Gong practitioners. The emails made grandiose and fanatical claims and were sent to MPs in an effort to reduce support for the group.

“Amnesty International reviewed seven messages that had been sent between May 12, 2015, and January 2017. Certain emails contain strange and sometimes threatening messages,” the report said.

“For example, emails from May 12, 2015, and May 14, 2015, insult then-MPs Jason Kenney and Stephen Woodworth for not attending a Falun Gong celebration and state that a forthcoming event was the last chance for him to be “saved.”

Amnesty said an April 2016 bogus email that was sent to MP David Anderson was forwarded by his office to the RCMP for investigation.

“The email chain provided to Amnesty International indicates that this message was apparently taken seriously, as the Honourable David Anderson’s Executive Assistant forwarded this email to the RCMP,” the report said.



David Matas, award-winning Canadian human rights lawyer and co-author of “Bloody Harvest: Organ Harvesting of Falun Gong Practitioners in China.”

“Government officials at all levels in numerous countries have been systematically and repeatedly targeted by fraudulent emails from persons claiming to be Falun Gong practitioners.

Grace Wollensak, representative, Falun Dafa Association of Canada

Over a Dozen Versions

In 2015, Bruce Hyer, then-deputy leader of the Green Party of Canada and an MP, received an email calling him “stupid” to “have missed the last chance to be saved” by not attending a Falun Gong event. “Waiting for you will be a THOROUGH ELIMINATION!” the email said.

That year, more than 10 Canadian MPs confirmed receiving fraudulent emails impersonating Falun Gong adherents saying nasty things and threatening things, according to Wollensak.

“Over the years, the Falun Dafa Association has received more than a dozen different versions of fake emails forwarded from Canadian elected officials. We thank those officials for keeping us informed and hope others are not being deceived or manipulated by such emails,” she said.

“Most importantly we hope our government can take effective measures to curb such a reprehensible practice in Canada. If foreign government agents are so bold as to fake a letter from the prime minister, how much further could it go?”

Former NDP MP Wayne Marston received a bogus email purportedly from a Falun Gong practitioner in 2011. Marston’s office tracked the IP address and found that it originated in Hebei Province, China. The email was sent 2 a.m. EST, which is daytime in China.

Both Matas and former MP and Secretary of State David Kilgour—authors of “Bloody Harvest: The Killing of Falun Gong for Their Organs”—said they’ve also received emails from someone impersonating Falun Gong practitioners in the past.

In one email, Matas was told that if he did not practice Falun Gong, he and his family would suffer dire consequences, and if he didn’t reply to the email he would “face difficulties and big suffering.”

“Obviously it is an attempt to discredit Falun Gong. For me, I am not going to be convinced by some Communist Party pretence, but some people are. It can be quite damaging for the promotion of

respect for human rights,” he said. “The point of this all is to give the impression that the government of Canada thinks that what’s happening in China to Falun Gong is perfectly okay, and of course in the case of Tibet, what’s happening to Tibet is perfectly okay, which is not the reality,” he added. “So I think it is important to counter this dissimulation and pretence so that people don’t lose track of the real violations that are happening.”

Bogus Emails Sent to Officials in Other Countries

Government officials in other countries have been targeted by fake email campaigns as well.

John Hugh, a former city councillor in Parramatta, Australia, received a suspicious email from someone named Amanda Chin who claimed to be a Falun Gong practitioner and asking him to attend an event. When he replied that he was unable to attend, Amanda wrote back, “STUPID! This was the last chance for you to be saved. Waiting for you will be a THOROUGH ELIMINATION!”

An email sent to a U.S. senator’s office in January 2011 was traced to an IP address in Hubei province, China.

The sender, who claimed to be a Falun Gong spokesperson, thanked the senator for his past support and then made a series of unusual demands, including that the senator and his family practice Falun Gong. It ended with a threat that if the demands were not met, Falun Gong adherents would be mobilized to ensure the senator did not win re-election.

After the Christchurch earthquake in 2011, elected representatives in New Zealand received emails from someone impersonating a Falun Gong practitioner stating that the 159 people who died “got what they deserved.” Dr. Cathy Casey, an Auckland councillor who recognized the email she received as a hoax, said it was “shocking” and “reprehensible” that someone would resort to such tactics.

“As the Communist Party finds that people in the West can see through their direct propaganda and vilification of Falun Gong, it resorts to this kind of underhanded tactic to make practitioners appear irrational, push would-be supporters away, and indirectly justify the torture and killing of innocent people in China,” said Erping Zhang, spokesperson for the Falun Dafa Information Center.

“These fraudulent e-mails are part of a much broader campaign of misinformation, cyber attacks, and online espionage carried out by Chinese agents against Falun Gong practitioners outside China. We encourage those who might come in contact with future messages such as this to be on their guard and immediately alert the Falun Dafa Information Center to check the authenticity of the information,” said Zhang.

RICHARD A. BROOKS/AFP/GETTY IMAGES



tion: package a lie with a grain of truth. If anyone questions the lie, point to the grain of truth, resort to personal attacks, and use it to shut down the conversation—thereby protecting the lie and true motive from exposure.

A man walks past an advertisement for the WeChat social media platform, owned by China’s Tencent, at Hong Kong International Airport on Aug. 21, 2017.

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TRUTH *and* TRADITION

A NEWSPAPER GEORGE WASHINGTON WOULD READ

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