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ANALYSIS

CHINA IS USING A BOY BAND TO PROMOTE ORWELLIAN SURVEILLANCE

JOSHUA PHILIPP

The Chinese regime released a music video to promote its Social Credit System, which monitors all activities of all people—including daily behavior, movement, online purchases, family, and friends—and assigns each person a “citizen score” that determines the level of freedom or repression to be enjoyed or endured.

The system is going to be implemented across all of China in 2020, and local governments have already begun setting it in motion.

In the music video, a handful of young Chinese celebrities give a glowing show of how they abide by the Chinese Communist Party’s (CCP) social control system, and play up how behaving with “integrity” and “trustworthiness,” according to the surveillance system’s requirements, raises their scores and benefits them.

This video, in particular, is directed at Chinese youth. It was produced by China Youth Credit Action, a program supervised by the CCP’s Communist Youth League and tasked with promoting the Social Credit System. According to Australia’s ABC News, the video had more than 340 million views on China’s Weibo and was mentioned in 2 million

comments. It features China’s popular boy band TFBoys and a handful of celebrities including Xu Weizhou and Wei Daxun.

While the video has a light and happy tone, and uses lofty-sounding phrases, it’s important to remember what it represents. The system it promotes is the same one being used in places like Xinjiang, where ethnic Uyghurs are being monitored and thrown into concentration camps for violating the CCP’s laws on culture and religion.

Deceptive Terms

The message the video spread on Weibo, according to Australia’s ABC News, was that “youth should be trustworthy, credibility is valuable, every aspect of life contains the concept of integrity.”

Keep in mind that under the CCP, phrases such as “being trustworthy,” “having credibility,” and “acting with integrity” have very different meanings than they have in free countries. This specifically means being “trustworthy” in the eyes of the ruling communist regime, having “credibility” by never violating its totalitarian standards, and having “integrity” to always follow its will regardless of whether or not the regime can see your actions.

The video plays on the policy of “political correct-

The system it promotes is the same one being used in places like Xinjiang, where ethnic Uyghurs are being monitored and thrown into concentration camps for violating the CCP’s laws on culture and religion.

ness,” which was framed by Mao Zedong in 1967. The idea was that if you supported the CCP’s policies of repression—which at the time included the violent destruction of Chinese history during the Cultural Revolution (1966–1976)—then you were “politically correct.” If you opposed the policies, however, then you were not “politically correct,” and you could have been marked for imprisonment or death.



SCREENSHOT VIA CHINA YOUTH CREDIT ACTION/YOUTUBE

A screenshot from a music video promoting the Chinese communist regime’s social credit system.

Emotional Control

Propaganda of this type is especially insidious. It uses a form of altered language that will be interpreted differently by people living under the CCP than it would by those outside the system. It also uses colorful and happy imagery to frame a positive perception of an artificial intelligence system for totalitarian social control.

The video portrays an Orwellian reality, under a regime with all the horrors of labor camps and torture we saw under the Soviets, but with a polished, friendly facade.

Of course, this is the goal of propaganda. It doesn’t need to be true or false. It just needs to elicit an intended emotional response. People gradually become conditioned to associate the programmed emotion with the issue.

This differs from misinformation, which is the direct use of false information either to muddle an issue or spread confusion, and from disinformation, which uses more complex forms of deception, such as staged events and planted evidence, to create reports that appear true.

These all fall under the banner of psychological warfare (or “PsyOps”), which aims to alter the way an issue is interpreted. It works through the subversion of a person’s cycle of meaning, to alter the way they view issues as “symbols” of various concepts or feelings.

When watching propaganda like this, reflect on what impression each scene leaves you with. What emotions does the music invoke? Those impressions and emotions are likely what the creators of the propaganda want you to feel toward the issue.

The ‘China Model’

The Social Credit System is one of the CCP’s many arms of its “China Model,” which represents the CCP’s brand of censorship, surveillance, and human rights abuse. The regime is exporting the Social Credit System under its “One Belt, One Road” development initiative, in which the Chinese regime is constructing infrastructure in other countries. The form of censorship it uses is what I recently described as “Trojan horse censorship.” While it wraps itself in a veil of good intentions, its true nature is a program to crack down on dissent, to eliminate any hope of people to oppose the ruling regime, and to further the CCP’s destruction of tradition, but these aren’t talked about on the surface. Those true intentions are the armed men inside the wooden, smiling veneer of this Trojan horse.

This isn’t just a Chinese issue anymore, either, as the CCP is exporting the system. It’s already being used in parts of Africa and Latin America. The city of Darwin, Australia, also will soon launch a variant of the system, in cooperation with the CCP.

If the CCP is allowed to continue pushing this system, expect to see this same type of censorship, masked in this same type of propaganda, in a city near you. This is the goal of the CCP, and it’s something the many socialist tyrants around the world will drool over.



VALERIE KUIJPERS/AFP/GETTY IMAGES

intelligence information if requested.

Article 7 of China’s 2017 National Intelligence Law stipulates that Chinese “organizations and citizens shall, in accordance with the law, support, cooperate with, and collaborate in national intelligence work.”

Article 14 of the law adds: “The state intelligence department has the right to ask any [Chinese] government, organization, and citizen to supply the necessary support, assistance, and cooperation.”

China’s 2014 Counter-Espionage Law also requires “relevant organizations and individuals” to “truthfully provide” information to security agencies during counterintelligence investigations.

Then-Dutch Minister for Foreign Trade and Development Cooperation Lilianne Ploumen (C) attends the inauguration of a new office of Huawei in Voorburg, Netherlands, on March 25, 2014.

NATIONAL SECURITY

CONGRESSIONAL HEARING CONSIDERS SMART COMPETITION WITH CHINA

JENNIFER ZENG

WASHINGTON—In a sign of the significance with which Congress now regards matters relating to China, more than 20 members of the House of Representatives attended a recent Committee on Foreign Affairs hearing, making statements and asking probing questions.

While part of the hearing focused on past relations, the urgent question was about how the United States should deal with today’s China.

In his opening remarks at the May 8 hearing, titled Smart Competition: Adapting U.S. Strategy Toward China at 40 Years, Chairman Elliot L. Engel (D-N.Y.) said that the United States facilitated China’s rise by allowing it to join the World Trade Organization in 2001.



JENNIFER ZENG/THE EPOCH TIMES

Elliot L. Engel (D-N.Y.), chairman of the House Committee on Foreign Affairs, in Washington on May 8, 2019.

That action, he said, opened the Chinese market and helped bring the country into the world economy.

“American firms and venture capital have flowed into China over the years—including in the Chinese technology market, which has become a matter of a strategic concern for our government today,” Engel said.

“The United States made a gamble that as China became more and more involved on the global stage, it would open up domestically and become a constructive stakeholder in the international system.

“It is pretty clear that gamble hasn’t paid off in the way we hoped it would.” Engel said there’s no question that China is a determined actor that doesn’t share the United States’ fundamental values. He said he’s pleased that the Trump administration’s National Security Strategy identified China as a competitor, and Chinese global influence as a challenge that must be prioritized.

A smart competition with China should start with investment “here at home to make the United States more competitive,” he added.

On the Brink

Rep. Brad Sherman (D-Calif.) said that when a Roman leader made a political mistake, and was on the wrong side, he would get into a warm bath with wine and luxurious, soft music to relax and be comfortable for a wonderful hour. “We are at that hour,” Sherman said.

“We are comfortable, surrounded by luxuries and \$600 billion worth of goods more than we actually produce. That’s our trade deficit. We hear the soft music of economists telling us not to worry about the trade deficit. And, in an hour, we will expire.”

Sherman said the United States is “eyeball-to-eyeball” with China.

“They think they’ll win because their political system is stronger,” he said. “They believe that if they lose a trillion dollars in GDP, and we lose a billion dollars in GDP, we will fold; that they have the unity and patriotism to persevere, and that we have division, self-interest, and no willingness to endure even the slightest pain to achieve victory.”

Sherman said the United States has to be prepared to win a trade war against China.



JAFP/GETTY IMAGES

China’s first domestically manufactured aircraft carrier, known as “Type 001A,” during its first sea trial on May 13, 2018.

“We will avoid that war and win if China thinks we will win. They now think we would lose. We can’t win a trade war with China if we don’t have a plan to deal with a sharp decline in Sino-U.S. trade,” he said.

‘Anywhere But China’ Rep. Ted Yoho (R-Fla.) said that the Chinese Communist leader thinks that the era of China has arrived, and China wants to take the world’s center stage.

“

We need to have a policy called the ABC policy—Anywhere But China—for manufacturing.

Rep. Ted Yoho

“They steal intellectual property, from corn seeds to computer technology. Huawei came to my university and wanted to fund 100 percent a cyber security program,” Yoho said.

“We’re already naive, but not stupid. You know, they have an aggressive path forward, and their goal is to build five new deep-water aircraft carriers by 2030. And I bet they do. Yet, we have fed this monster—I don’t want to call them an enemy—we have fed this economy by allowing our manufacturers to go over there, and it’s time for America to wake up.”

America should adopt an “ABC” manufacturing policy and defeat China economically, Yoho said.

“We need to have a policy called the ABC policy—Anywhere But China—for manufacturing. Our manufacturers need to get out of China, and go anywhere but China. We don’t want a head-on conflict with China; nobody in the world wants that. And so the only way we can counter that is economically. And if we starve the economic engine, Xi Jinping will have to turn and adapt to the policies in the world,” Yoho said.

Going on the Offensive

Aaron Friedberg, professor of politics and international affairs at Princeton University and a former deputy assistant for national security affairs in the Office of the Vice President, was one of the four expert witnesses at the hearing. He said Americans haven’t yet achieved a consensus on the nature of the challenge imposed by the Chinese Communist Party (CCP) rulers.

“After a prolonged period of collective denial, we’ve finally started to acknowledge the existence of some very troubling symptoms. But we haven’t yet reached agreement on a diagnosis of their cause, nor on a prescription for treating them,” Friedberg said.

“It is vital that we do so, and prefer-

ably sooner rather than later,” he said.

Friedberg agrees that the United States’ “gamble” with China hasn’t paid off.

“China has clearly become far richer and stronger, but instead of loosening its grip, the CCP regime has become even more repressive and more militantly nationalistic. Instead of evolving toward a truly market-based economy, Beijing continues to deploy state-directed, market-distorting, mercantilist policies. Meanwhile, China’s external behavior has become more assertive, and in certain respects, aggressive.”

Friedberg said that the CCP has three strategic objectives: “First and foremost, to preserve the power of the CCP. Second, to restore China to what the regime sees as its proper, historic status as the preponderant power in eastern Eurasia. Third, to become a truly global player, with power, presence, and influence on par with, and, eventually, superior to that of the United States.”

“One reason they are pressing so hard now is that they see a window of opportunity that may not stay open forever.”

Apart from weakening democratic institutions in African nations and other parts of the global South, the CCP also seeks to exploit and widen divisions within the West, Friedberg said.

He proposed three measures to counter the CCP. First, to work with friends and allies; second, to figure out “exactly where and to what extent we should seek to disentangle or decouple our economies from China’s.”

“Third and finally: We cannot afford to remain entirely on the defensive in our evolving competition with China. We need to find ways to illuminate the brutal and corrupt character of the CCP regime, and to impose costs on it for its egregious and harmful behavior, both at home and abroad.”

CCP Projecting Values

Elizabeth Economy, senior fellow and director for Asia studies at the Council on Foreign Relations, said in her testimony that “The U.S.-China relationship has entered a new, increasingly contentious period that is marked more by overt confrontation and competition than by coordination and cooperation.” She noted that the CCP now has eyes everywhere, with as many as 200 million surveillance cameras contributing to control of the Chinese population; and Beijing is now also applying its tools of social control to foreign enterprises and citizens.

In addition, a “virtual wall” was created to limit the influence of foreign ideas and capital inside China, while the CCP seeks to project its own values, priorities, and policies globally to expand its political, economic, and security influence and power.

Economy said the United States must move beyond its more reactive and defensive strategy, to adopt a plan that reflects a more profound and sustainable path to effective competition with China.



NICOLAS ASFOUR/AFP/GETTY IMAGES

AI security cameras with facial recognition technology at the 14th China International Exhibition on Public Safety and Security in Beijing on Oct. 24, 2018.

HUAWEI

NETHERLANDS PROBING IF HUAWEI SPYING FOR BEIJING, REPORT SAYS

NICK GUTTERIDGE

BRUSSELS—The Netherlands’ national intelligence agency has begun an investigation into whether Chinese telecommunications giant Huawei is using “secret back doors” to access customer data, according to security sources.

Operatives at the General Intelligence and Security Service (AIVD), based in The Hague, are looking into whether the firm has enabled spying on a mass scale by the Chinese regime, the Dutch newspaper Volkskrant reported.

In April, the intelligence agency warned it would be “undesirable for the Netherlands to depend on the hardware or software of companies from countries running active cyber programs against Dutch interests.”

In a report to the Dutch cabinet, spy chiefs identified China and Russia as threats, and said that “with regard to the telecom sector, one can think of the collection of customer, geolocation, and telephone traffic data” as risks.

They also recommended limiting the use of Huawei in the country’s 5G network and phasing the company—which works with three of the country’s biggest networks—out of much of the existing infrastructure for older 2G, 3G, and 4G mobile internet

networks.

A spokesman for the AIVD declined to comment on the newspaper report, saying: “We don’t say if it’s right or if it’s wrong. We never respond to questions about possible ongoing investigations because that can complicate our work.”

Bart Jacobs, a professor of computer security at Radboud University in Nijmegen, Netherlands, said the news that an investigation had been launched “sounds like a smoking gun, with possible geopolitical consequences,” according to Volkskrant.

The report came as three key EU leaders, including the Netherlands’ Prime Minister Mark Rutte, jointly said they would not follow the decision of the United States to shut the Chinese firm out of the European market completely.

Germany’s Chancellor Angela Merkel and France’s President Emmanuel Macron also joined the push-back against the United States, saying that if Huawei passes the relevant security checks, it will be allowed to provide some 5G infrastructure.

The United States wants to see a total ban on Huawei equipment in 5G networks of allies, hinting that if allies allow Huawei into their 5G networks, there could be less intelligence sharing with them.

While visiting the UK recently, U.S. Secretary of State Mike Pompeo said the United States “has an

obligation to ensure the places where we operate, places where U.S. information is, places where we have national security risks, that they operate within trusted networks and that is what we will do.”

The United States wants to see a total ban on Huawei equipment in 5G networks of allies, hinting there could be less intelligence sharing otherwise.

Recent leaked reports indicate that the UK will allow Huawei to provide equipment for non-core elements of its 5G network.

Europe has been divided over how to respond to

the Chinese company’s involvement in the rollout of super-fast 5G networks, with some countries embracing it but others wary of the security implications.

The European Commission, which is the bloc’s executive arm, has urged member states to work together with global partners to thrash out a common position on the issue.

In a statement, Huawei said it was “surprised” by the allegations of spying, but that it wouldn’t respond to them because they were made by anonymous sources.

However, a spokesman for the company insisted it “keeps the door closed to governments or others who want to use our network for activities that would threaten cyber security.”

At an event in Brussels on May 21, the firm’s most senior representative to the EU institutions, Abraham Liu, insisted that it obeys the law in all countries across the globe where it operates.

He said the company is still ready to sign contracts with European governments to supply 5G infrastructure despite U.S. President Donald Trump’s decision to blacklist it, and vowed the company will “continue to persevere” on the continent.

Beijing has recently passed legislation that requires all Chinese citizens and entities to provide



OPINION

DISLOYALTY PLAGUES CHINESE OFFICIALDOM

CHENG XIAONONG

A new dynamic has been dominating China's communist bureaucracy in recent years. Officials are now largely disloyal, or "harboring two hearts," as the Chinese say. The most typical symptom of their disloyalty is deliberately slacking off. The relationship between the bureaucracy and the regime's leadership has deviated from an unspoken partnership of making fortunes together during the era of Chinese Communist Party leaders Jiang Zemin and Hu Jintao, to become the cat-mice relationship during Mao Zedong's time: "Many mice fear the one cat."

Chinese Officials' New Behavioral Pattern

China's state-run media has recently published many articles that were critical of the prevalent slacking among government officials. In January, Chinese leader Xi Jinping warned the Politburo that officials would be held responsible if they slipped up and let dangers spiral into real threats. The unspoken context is that the officialdom has been despondent in watching the escalation of dangers the authorities are facing, as if they were not part of the system.

Of all the dangers Beijing fears, the greatest of all is not public discontent or the occasional protests, but the economic risks that threaten the entire country. The Chinese economy has been on the decline for reasons I stated in the article, "2018: The Year of Chinese Economic Decline."

In an autocratic system, the main strategy to stimulate economy is, officials at all levels use administrative tools provided by the senior leadership to creatively boost local economies. During the Jiang and Hu eras, officials made all kinds of efforts to at least generate short term growth. Today the regime still relies on local governments to pull the country through economic hardship. But if the officials passively resist, Beijing's attempts to save the economy will most likely fail.

The reality is, contrary to the leadership's hopes, the new behaviors the bureaucracy is exhibiting during this most recent economic decline can be described as: "Quietly onlooking, slacking off, and mindlessly executing." "Quietly onlooking" means the officials have no true concern for the deteriorating economy. Instead, they just wait and see what the leadership can pull together, not without a sense of amusement. By slacking, I mean the officials just sit around and do as little as they can. After all, less actions mean less chances of making mistakes, and their bosses can't fire them for doing nothing. By mindlessly executing,

I mean they take leadership instructions literally and simply copy without any consideration for the actual impact on society. "I've executed the orders, and I don't care if it's useful or necessary," they'd say.

For the regime's senior leaders, such the bureaucracy's new behaviors pose a major political threat, not just because it would be difficult to implement measures for saving the economy. More importantly, such a response from officials marks disloyalty, and a conflicting relationship between the regime's central leadership and its officials below them.

The Officialdom 'Honeymoon' During the Jiang and Hu Eras

To understand why the leadership-officialdom relationship morphed into disloyalty, we need to first understand the partnership they had during the Jiang and Hu eras. At the time, both the senior leaders and local officials focused on exploiting profits for themselves, and sharing gains with each other for their own benefit and security. As each official found his or her own pool to exploit from, they reached a certain mutual understanding and harmony. The result was a jaw-dropping degree of corruption spreading throughout the Party.

Such a situation is by no accident. In a highly centralized system, individual dictatorship like that of Joseph Stalin and Mao cannot be naturally extended to the next generation of leaders. The natural consequence is a collective dictatorship model. Such transitions occurred in the Soviet Union between Nikita Khrushchev and Konstantin Chernenko (though Mikhail Gorbachev later implemented an individual-dictatorship-based presidential system), and in China between Deng Xiaoping, Jiang, and Hu. As personal worship and ideology fail as measures to motivate and control society as well as the officialdom, the "order-obey" relationship between the senior leaders and regular cadres seen during Stalin and Mao's time morphed into a profit-exchange relationship in which each party offers certain benefits in exchange for what they need. In other words, the senior leaders provide official positions, privilege, and benefits in order to buy the officials' obedience. Thus, the leadership and the officialdom are bound together by an unwritten contract, which maintains the stability and interaction between the top and bottom of the system. Such a "honeymoon" state inevitably led to nationwide corruption.

In China, the corruption during Jiang and Hu's

The new behaviors the bureaucracy is exhibiting during this most recent economic decline can be described as: 'Quietly onlooking, slacking off, and mindlessly executing.'

time was unparalleled due to the much deeper market reforms than what the former Soviet Union had. Before economic reforms induced privatization, corruption manifested as privileged access to consumption goods and bribery of cash, precious metal, and artifacts. But once privatization took off [in China this started with former Chinese premier Zhu Rongji's reformation of state-owned enterprises in 1997], corruption took off with full force. Officials were given ownership of companies, capital, and real estate, and they were able to invest their assets abroad. This is how the leader-officialdom "honeymoon" in the Jiang and Hu eras came about.

Once the officials turned into capitalists via corruption, their greed knew no bounds. Political accomplishments were no longer the only way to promotion, and higher rankings were now associated with higher personal security. Officials who moved up the ladder in such a political-economic environment often actively took all measures to stimulate economy, not only for promotion, but to collect more assets for themselves.

The Source of Slacking Off in Xi's Age: The Return of the Cat-Mice Relationship

At its root, the disloyalty among cadres results from the extreme animosity against the senior leadership's anti-corruption campaigns. The nostalgia for the Jiang and Hu eras is in fact a preference for the "corruption for cooperation" policy of the previous leaderships. The hostility towards the current leadership reflects a resentment toward their "forced cooperation with anti-corruption campaigns." The nature of such sentiments is in fact the love for corruption and a frustration for not being able to achieve it. For the corrupt officials who have not been targeted, the loss in a sense of security has given rise to animosity. The loss of open access to profits and a luxurious lifestyle only fuels such animosity to become stronger. Finally, they also lost their escape route to live a comfortable retirement somewhere abroad with their overseas real estate and financial investments. Years of planning and building up fortunes have become but a dream.

For the officialdom, the dilemma lies in the fact that no one dares to openly protest the anti-corruption campaigns, because that is no less than a confession for their own crimes. All they can do is to hide the hatred in their hearts, and let it ferment. But the hatred will not turn into longings for democracy, because they know all too well that corruption is not tolerated in a democratic environment. What they yearn for is a different

Chinese leader Xi Jinping (L), Chinese Premier Li Keqiang (R), and Li Zhanshu, head of China's rubber-stamp legislature, at the Great Hall of the People in Beijing on March 5, 2019.

type of relationship with the senior leadership.

As a matter of fact, the current leader-officialdom relationship resembles the cat-mice relationship during Mao's time. Pro-Beijing news outlet Duowei News published an article on March 29 titled "The Endless War Between Zhongnanhai [the Chinese regime headquarters] and the Bureaucracy." The title says a lot. The partnership between the Party leaders and the officialdom has obviously gone for good. The article warned that "the stability of the authorities relies on the entire officialdom environment." Apparently, both the authorities and the officialdom are very clear about the wide gap between them.

On the surface, the disloyalty by officials looks similar to the mindset among Soviet Union officials before it fell apart, but the political implications are very different. I shared one of my new opinions with a think tank in Washington D.C. in 2016: The compatibility between privatization and democracy is determined by the sequence of their occurrence. If democracy comes first, then the two can co-exist. An example is that in Russia, the democratization did not pose barriers for former red elites to continue building their fortunes. The red elites could actually leverage new opportunities that come with democratization. If privatization happens first, as in China, then the communist capitalists will stop at nothing to stomp out any efforts towards democracy, because democracy is now lethal for them. Because China falls in the second scenario, the officialdom, though disloyal, will not rebel. They share the same determination and motivations with the senior leadership, which is to maintain the current political system. As a result, China may have the longest road toward transitioning out of socialism.

Dr. Cheng Xiaonong is a scholar of China's politics and economy based in New Jersey. He is a graduate of Renmin University, where he obtained his master's degree in economics, and Princeton University, where he obtained his doctorate in sociology. In China, Cheng was a policy researcher and aide to the former Party leader Zhao Ziyang, when Zhao was premier. Cheng has been a visiting scholar at the University of Gottingen and Princeton, and he served as chief editor of the Journal Modern China Studies. His commentary and columns regularly appear in overseas Chinese media.

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

ANALYSIS

CHINA'S THREAT TO DUMP TREASURYS HAS NO BITE

FAN YU

A May 13 tweet by the editor of a state-run Chinese newspaper set off speculation that China may stop buying U.S. debt and begin selling Treasuries.

Hu Xijin, chief editor of the hawkish newspaper Global Times, said in a tweet on May 13 that "Chinese scholars are discussing the possibility of dumping U.S. Treasuries and how to do it specifically."

China's possibility of dumping its massive holdings of U.S. debt has long been considered a "nuclear option" to force the United States to capitulate in the ongoing trade war. Some believe that a massive sale could trigger a sudden increase in U.S. interest rates and hurt the U.S. economy.

Despite the threat, this has an almost zero chance of happening. It would have little impact on the U.S. economy and would only be counterproductive for China.

Partially driving the ongoing angst is that China's stockpile of U.S. Treasuries has actually been decreasing. China's holdings, as of the end of March, fell by \$10 billion, its first drop since November 2018, to a two-year low of \$1.12 trillion, according to data released by the U.S. Treasury Department on May 15.

While \$10 billion sounds high, it's actually quite small—it's a less than 1 percent change from the prior month.

Large Demand for US Paper

In theory, China can increase the U.S. government's borrowing costs by dumping Treasuries. China is the biggest holder of U.S. Treasuries since replacing Japan over 10 years ago (Japan is currently No. 2 with \$1.08 trillion held). China has been one of the biggest consumers of U.S. debt and an enabler in Washington's recent ramp-up of debt issuances. And last year, when Beijing officials threatened to halt Treasury purchases, the

bond markets were temporarily spooked.

The biggest risk—conceptually—is that the United States is staring down \$1 trillion in annual budget deficits, and if China suddenly stops being such a willing lender, borrowing costs could rise.

But some analysts have ignored the fact that while China trimmed its holdings in March, other foreign ownership actually increased. Japan increased its net holdings by \$10 billion, and overseas investors overall snapped up about \$88 billion in March. The buying activity is no doubt buoyed by the fact that Treasuries overall rallied during March, due to volatility in the equity markets, with the 10-year benchmark touching a 2019 low point of 2.34 percent at one point (bond price moves inversely with yield).

There is nowhere else for China or other countries to store their money.

Selling Would Prove Counterproductive That's one of the biggest deterrents to China's fire sale of Treasuries—there is nowhere else for China or other countries to store their money. U.S. bonds are the highest-yielding in the developed world, especially considering the near-zero risk of default. And it has a deep and liquid market.

The two biggest rivals to U.S. Treasuries are German bonds and Japanese government bonds. But both of those papers lack the depth of market and variety of terms, and perhaps the biggest limitations are their negative yields for terms less than 10 years. Gold is an alternative for China and it has been slowly increasing its allocation, but gold is far less liquid and has high carrying costs. In addition, there simply isn't enough gold

supply for China to quickly replace a sizable portion of its \$1.12 trillion in Treasuries.

And if mainstream economists are correct that the U.S. economy is in its late-cycle, then Treasury prices will rise over the next few years, should a recession hit. In other words, if China chooses to become a large seller there should be more than enough potential willing buyers.

What about the exchange rate? Dumping Treasuries would put downward pressure on the U.S. dollar. A weaker dollar would make U.S. corporations more productive internationally and lower costs of U.S. goods, potentially decreasing the effectiveness of China's tariffs on American-made products.

If China does go through with its threat, even assuming few other foreign buyers, the Federal Reserve alone should be able to mitigate its impact.

A study of the Fed's quantitative easing following the last financial crisis—its systematic purchases of Treasuries—produced some salient data points. Each purchase of Treasuries amounting to 10 percent of GDP produced a 50-basis point (0.5 percent) decrease in the 10-year Treasury bond yields, according to a 2016 research report by the Peterson Institute for International Economics.

In other words, purchases of Treasuries by central banks equating to 1 percent of GDP would typically cause a 5-basis point decrease in bond yields. Assuming the same dynamic applies to selling bonds—quantitative tightening—we can predict the impact of a Chinese bond sale.

Liquidating all its Treasury holdings amounts to selling bonds worth almost 6 percent of U.S. GDP. Based on the above, this would increase Treasury yields by around 30 basis points, or 0.3 percent. And that quantum is well within the ability of the Fed to cure—it would simply swing into quantitative easing mode and snap up the bonds.



A man walks past the National Debt Clock on 43rd Street in New York on Feb. 15, 2019.

TRADE WAR

CHINESE NETIZENS HAVE FUN WITH THE TRADE WAR

JENNIFER ZENG

In communist countries, humor has been a weapon wielded by ordinary people to tell the truth in an environment filled with lies and to snatch some wry enjoyment, and even a measure of revenge, from ridiculing their masters.

When President Donald Trump responded with major new tariffs after Beijing backed out of a trade deal, netizens were ready to mock them in Chinese in posts that appeared on social media outside China, which those inside China can reach using special software.

One widely circulated dialogue vividly describes the back-and-forth nature of trade negotiations between the United States and China:

How the U.S.-China Trade Talks Evolved
Trump: \$10.
Vice Premier Liu He: \$5.
Trump: \$10.
Liu: \$6.
Trump: \$10.
Liu: \$7.
Trump: \$10.
Liu: \$8.
Trump: \$10.
Liu: \$9.
Trump: Deal.
New China negotiator: \$5.
Trump: \$25!!!
People who have closely followed the trade talks can't help but laugh at how this accurately summarizes the whole process.

Another joke goes like this: "When do you think this feces-stirring stick of America will stop stirring?" "When there are no more feces in the world!" "Feces-stirring stick" in Chinese is used to refer to troublemakers in a very negative way, and in the Chinese Communist official media,

the United States is often portrayed as a bully and a troublemaker. However, the author of this dialogue showed the problem wasn't the "troublemaker," but the trouble that had to be dealt with.

Here's a third joke. "How is the trade war affecting us?" "It causes us to stand in the middle of the river, without being able to reach the other shore."

"Why?" "Because all the stones have been lifted by the Americans to smash their own feet, so there are no more stones in the river for us to 'cross the river by groping for the stones.'"

Chinese official media said that by waging a trade war against the Chinese, 'Americans are only lifting stones to smash their own feet.'

This dialogue not only ridicules the Chinese official propaganda about the trade war, but also former paramount leader Deng Xiaoping's famous description of China's "openness and reform" policy—the policy meant to bring a more capitalist economy to China. Deng said implementing this policy would be like "crossing the river by groping for the stones."

When the Trump administration first started to place tariffs on Chinese goods last year, Chinese official media said that by waging a trade war against the Chinese, "Americans are only lifting stones to smash their own feet."

"China will win big, if it is a big war; China will win medium, if it is a medium-sized war; China will win small, if it is a small war," the state-run media said.

A fourth joke goes like this: "I heard that Huawei has lost the case about the 5G patent, and has to pay 300 billion in patent licensing fees per year. Why did Huawei lose that case?"

"Because there isn't a Party branch in that court."

This obviously mocks how Huawei has the Communist Party's full support, but also how in China, all the courts must listen to the Communist Party's orders.

In another post circulated on Facebook: "I hope we can start a war with the United States immediately. If we win, America will be ours, and we won't need a visa to travel to the United States anymore."

"If we lose, it is even better. We can become American citizens directly and enjoy the rights and benefits that a human being is entitled to. "When will the war start? We ordinary Chinese people just cannot wait any longer!"

As for the Chinese propaganda that China will adopt "an eye for an eye, and a tooth for a tooth" policy to retaliate against U.S. tariffs, Chinese netizens cleverly changed "a tooth for a tooth" to "a sprout for a tooth," as in Chinese, the pronunciation of "sprout" and "tooth" is the same, which is "ya."

With this clever twist of words, the Chinese netizens mock how the Chinese Communist Party isn't really able to retaliate against the United States, given its weak economic situation, its dependence on the U.S. market and U.S. technology, and the huge trade imbalance between the United States and China.

Chinese netizens are also creating memes based on official propaganda images, and re-writing the lyrics of official propaganda songs to praise Trump saying that "Trump Is the Great Savior of the Chinese People." "World Peace Relies on Trump," and similar kinds of rewrites.

ZIMBABWE’S RURAL COMMUNITIES STANDING UP TO CHINESE MINING COMPANIES

ANDREW MAMBONDIYANI

MUTARE, Zimbabwe—Zimbabwe’s rural communities are beginning to stand up to Chinese companies operating in the country, as evidenced by recent demonstrations against plans for a mining project in the Domboshava area, north of the capital Harare. Villagers in Domboshava have been sending petitions to the government and holding protests against the quarry mine proposed by China Aihua JIanye, saying the project would negatively affect more than 20,000 people, as well as clinics, schools, heritage sites, and graveyards in the area.

Mining activities by Chinese companies in various parts of the country have had serious impacts on the local environment, but those affected have largely suffered in silence. The residents of Domboshava are the first to hold demonstrations in the hopes of stopping a Chinese mining project.

At their most recent demonstration on May 6, some held signs saying, “Leave our Domboshava alone. Go back to your Beijing.”

China Aihua JIanye maintains the \$5 million mining project would generate 500 jobs, but locals are skeptical. They also say the fallout from the project would damage tourism to the region.

Luke Tamborinyoka, a resident of Domboshava and a senior member of the opposition political party Movement for Democratic Change, told The Epoch Times that investment in the area by the Chinese company won’t benefit the local people—similar to the situation in many parts of the country.

“We have seen in other areas that investment by the Chinese does not benefit people in areas they are operating in. The Chinese investors bring their own labor and they bring their own equipment,” he said.

News emerged in April that China Aihua JIanye had sought to evict about 20,000 people in Domboshava after it was granted mining rights.

“If mining were supposed to benefit the country, why would over 20,000 people be displaced to pave way for foreign investors who will take the minerals and the profits outside the country?” said Tapuwu O’bren Nhachi, a research coordinator with the Center for Natural Resource Governance.

Nhachi said his organization, an investigative NGO that stands up for communities that are affected by destructive mining operations, wants to know how the Chinese got access to mine at Zimbiru Mountain in the Domboshava area.

“Who gave them the license to mine and in exchange for what?” he said.

Nhachi said the Domboshava issue is similar to the Marange debacle in Manicaland, where people were forced to relocate and make way for Chinese company Anjin Investment and other companies to conduct diamond mining operations. But in 2016, former Zimbabwe President Robert Mugabe forced them out due to accusations of rampant looting of diamonds.

Now, however, Anjin Investments is returning to the Marange area, and villagers are planning to hold demonstrations against the company, following the example of those in Domboshava.

“Our constitution is clear on fundamental rights that the citizens have, and these include environmental and cultural rights. Taking this into account, the community has the right to say ‘no’ to destructive and unsustainable development and that right should be respected by those who are in authority,” Nhachi said.

Last year, Zimbabwean legislator Prosper Mutseyami told The Epoch Times that Chinese companies enjoy protection from the government, as China is currently the biggest investor in the country.

Mutseyami, a chief whip for Movement for Democratic Change, alleged that Zimbabwe is afraid to upset China, which is among the few countries that currently support the Zimbabwean government.

Cultural Shrines Violated

The Zimbabwe Environmental Law Association (ZELA), an NGO that promotes the rights of marginalized and vulnerable communities in natural resource-rich areas, has been working with affected communities in Shurugwi, Zvishavane, Marange, Mutoko, and Gwanda, among others.

A report by ZELA released in March reveals that the organization has trained and equipped community monitors and paralegals to regularly document violations and complaints on environmental, economic, social, and cultural rights (EESCRs) in Zimbabwe.

“Some of the companies that are foremost in violation of EESCRs are Chinese mining companies,” the report says.

In some parts of Zimbabwe, ZELA said, Chinese companies have violated local cultural shrines.

“Mountains in Chiadzwa [Marange area] are considered sacred and cultural shrines, but company officials of Chinese descent built their temple on top of one of the mountains,” says the report.

“

If mining were supposed to benefit the country, why would over 20,000 people be displaced to pave the way for foreign investors who will take the minerals and the profits outside the country?

Tapuwu O’bren Nhachi, research coordinator, Center for Natural Resource Governance

In other parts of Zimbabwe, where the graves of peoples’ ancestors are considered sacred, ZELA reported that “the Chinese companies violated the graves by exhuming the bodies and exposing them without carrying out the necessary cultural rights and at one point they left skeletons scattered all over, which is a taboo in Zimbabwe.”

Mountains in the Domboshava area are revered by local people as heritage sites, but fears abound that the quarry project could destroy the caves and rock paintings in the area, thereby having a negative impact on tourism.

However, Percy Mudzadzwa, a lead consultant for Geoglobal Environmental Solutions, a mining consultancy company handling the Domboshava project for China Aihua JIanye, said in an interview that the project would not cause damage because the company has proposed to have a fence erected around the graves.

He said the project, which should be up and running by the end of August, will benefit local people through employment creation and servicing of roads.

“We propose that there be a community trust that we will make contributions to find the different needs in the community with time,” he said.

But Nhachi said what happened in Marange has shown that forced relocations will take place as long as the settlements are a threat to the company’s profits.

“Promises of development and community-centered investments are only entry rhetoric by these companies to dupe their way into the community,” he said. “What should be respected in this case by Geoglobal Environmental Solutions

Aihua JIanye maintains that the \$5 MILLION MINING PROJECT would generate 500 jobs, but locals are skeptical.

Villagers demonstrate against a Chinese company in Domboshava, Zimbabwe, on May 6, 2019.



A view of the Domboshava area in Zimbabwe where a Chinese company wants to put a quarry mine.



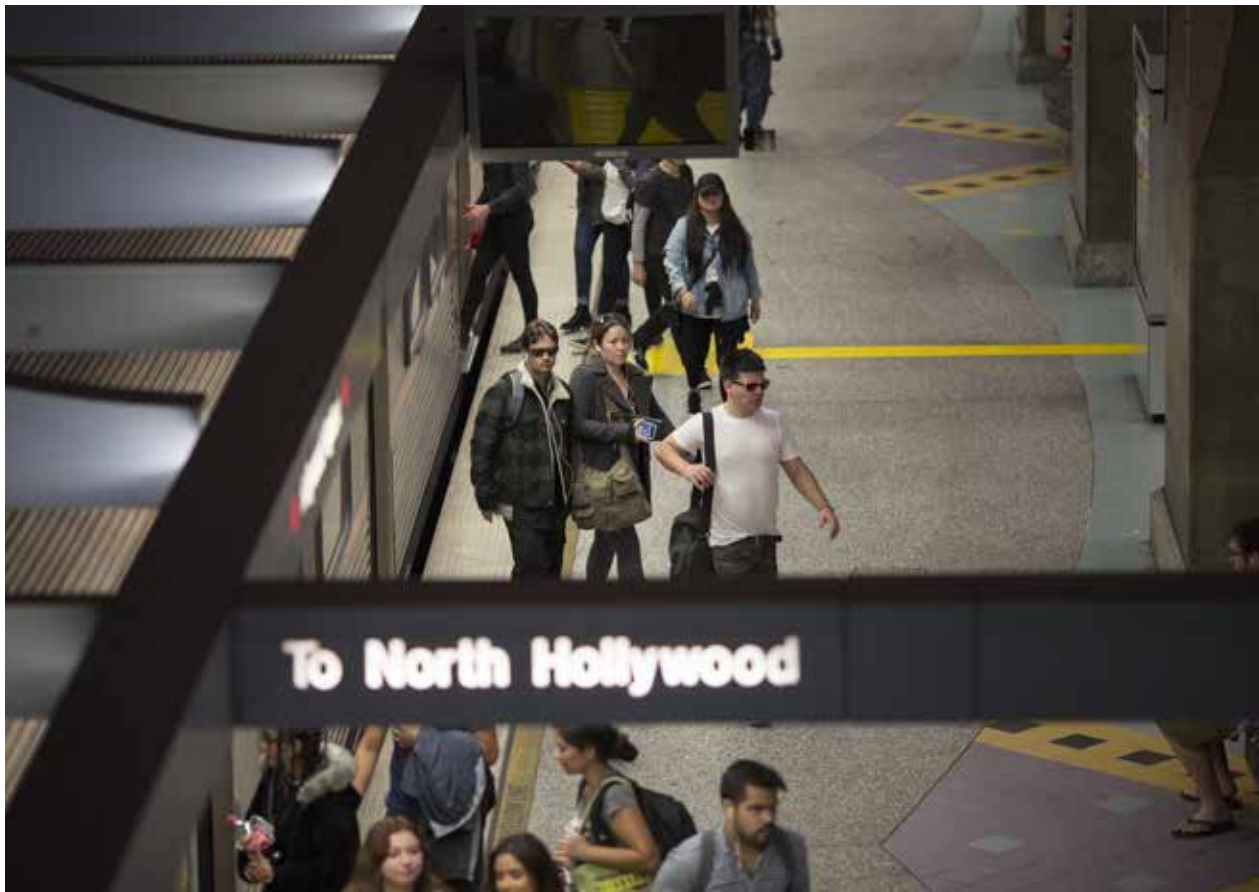
COURTESY OF COLUMBUS MAVHUNGA

and the government of Zimbabwe is the refusal by the Domboshava community for such development. No amount of money can buy the lives and livelihoods of people.”

In an effort to bring some sanity to the mining sector in Zimbabwe, ZELA recently petitioned Parliament to implore the executive to uphold the constitution by ensuring that mining sector investments are in compliance with the provisions of the country’s constitution and international obligations and standards.

“While commonly presented as a sector providing development opportunities for the national government and local communities, mining activities in Zimbabwe have repeatedly triggered a myriad of problems such as livelihood shifts, displacements from ancestral lands, and insidious social, cultural, environmental, and economic changes,” reads part of the petition.

COURTESY OF COLUMBUS MAVHUNGA



DAVID MCNEW/GETTY IMAGES

Passengers step off from a train at the Universal City Red Line Station in Los Angeles on Dec. 6, 2016.

NATIONAL SECURITY

CHINESE INTEREST IN US RAIL THREATENS NATIONAL SECURITY, ECONOMY, US EXPERTS SAY

FRANK FANG

A new House bill and a recent congressional hearing have highlighted the potential threats that would come with using Chinese-made rail cars and transit buses in U.S. cities and regions.

Chinese companies could intercept U.S. rail control systems and compromise the safety of regular Americans, one former U.S. official warned.

H.R. 2739, titled the Transportation Infrastructure Vehicle Security Act, would prevent federal transit money from being granted to local transit agencies to procure passenger rail cars or transit buses made by Chinese state-owned, -controlled, or -subsidized enterprises, according to a press release from Rep. Harley Rouda’s (R-Calif.) office.

“China’s ‘Made in China 2025’ initiative is an unmistakable effort to harm American manufacturers by subsidizing Chinese rail and bus industries. Chinese companies misrepresent themselves as benevolent actors, but let’s be clear: this is an attack on our economy and national security,” said Rouda, who was the lead sponsor of the new bill.

Beijing rolled out “Made in China 2025,” an industrial blueprint that outlines how China will develop high-tech sectors such as robotics and advanced information technology, to eventually dominate global supply chains by 2025.

The U.S. administration under President Donald Trump has criticized Made in China 2025 for abetting Chinese entities’ theft of intellectual property, targeting primarily the United States and Europe, in pursuit of Beijing’s policy goals.

The bill was introduced on May 15 by Rouda, along with lawmakers from both sides of the aisle—Rep. Rick Crawford (R-Ariz.), Scott Perry (R-Pa.), Kay Granger (R-Texas), Tim Ryan (D-Ohio), Eleanor Holmes Norton (D-D.C.), Randy Weber (R-Texas), and John Garamendi (D-Calif.).

The Senate version of the bill was introduced in March by U.S. Sens. John Cornyn (R-Texas) and Tammy Baldwin (D-Wis.).

China’s CRRC

These latest bills were the culmination of concerns that took root around January this year, when media reports emerged that the Washington Metropolitan Area Transit Authority (WMATA) might award a contract to China’s state-owned rail car manufacturer China Railway Rolling Stock Corporation (CRRC).

CRRC has been the beneficiary of many government subsidies in recent years. According to the company’s website, it received a total of 1.298 trillion yuan (\$193 billion) in subsidies in 2014 and 1.802 trillion yuan (\$268 billion) in 2015.

On Jan. 20, four U.S. senators wrote a letter to WMATA expressing safety and security concerns about CRRC’s bid.

Dave Smolensky, a CRRC spokesperson based in Chicago, confirmed to Reuters in early May that CRRC was planning to bid for the D.C. Metro rail car contract this month. Additionally, Reuters, citing an unnamed industrial source, pointed out that CRRC also aims to win another contract to supply 1,500 subway cars to New York City’s metro system.

According to a separate Reuters report, May 31 is the due date for the D.C. Metro tender.

CRRC has pushed hard into the U.S. market in recent years, winning contracts in Boston, Chicago, Los Angeles, and Philadelphia.

“When Chinese companies swoop in to undercut contract bids for American rail projects, their only goal is to decimate our manufacturing sector by dumping cheap parts into our economy, while

stealing intelligence and threatening our national security,” Crawford said.

Crawford added that the bill is needed to “protect our nation against foreign threats and cybersecurity attacks which have become more prevalent in this digital age.”

The new House bill, as well as the Senate version, includes provisions to improve cybersecurity within U.S. public transportation systems, such as requiring rail transit operators to develop and execute a plan for identifying and reducing cybersecurity threats.

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Chinese penetration of the rail system’s cyber-structure would provide early and reliable warning of U.S. military mobilization and logistical preparations for conflict.

John Adams, president, Guardian Six

“China is not making these rail cars so cheaply out of the goodness of its heart. Until we have irrefutable evidence, we must not turn a blind eye to the clear incentive China has to monitor our capital and undermine our security,” Norton said.

Chicago Tribune, in a March 2017 article, reported that CRRC’s \$1.309 billion bid for providing rail cars for the Chicago Transit Authority was \$226 million lower than the next-highest bidder, the Canada-based transportation company Bombardier.

Philly.com, in a March 2017 article, reported that CRRC’s bid of \$137.5 million for a rail car contract with the Southeastern Pennsylvania Transportation Authority was \$34 million less than the next highest bid by Bombardier, and \$47.2 million less than a bid by South Korean rail manufacturer Hyundai Rotem. CRRC won and signed the contract two months later.

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Congressional Hearing

A day after the House bill was introduced, the House Committee on Transportation and Infrastructure held a hearing about the impact of “state-owned

enterprises”—with particular close scrutiny on CRRC—on the U.S. public transit and freight rail sectors.

One of the hearing witnesses was retired U.S. Army Brig. Gen. John Adams, who is now president of Guardian Six, a defense market researcher and solution provider based in Washington and Florida.

Adams pointed out that CRRC’s board members previously held high-level positions at several of China’s state-owned defense companies, including Aviation Industry Corp. of China (AVIC) and China Shipbuilding Industry Corp. (CSIC). Two former board members held positions at AVIC and the Chinese state-run defense manufacturer China North Industries Group Corp. (Norinco).

Norinco has been sanctioned multiple times by the U.S. State Department for contributing to Iran’s development of missile programs, including in 2003 for the sale of missile technology.

Meanwhile, CSIC was one of the Chinese companies that benefited from marine technology stolen by two Chinese nationals who were charged in U.S. federal court in 2018.

The risks associated with CRRC run deeper than just the company’s ties to the Chinese military. According to Adams, the Chinese-made trains are outfitted with Wi-Fi systems and surveillance cameras that could be exploited by Beijing.

“Chinese-built-in surveillance cameras could track the movements and routines of passengers, searching for high-value targets that intelligence officials can then identify to vacuum data from using the train’s built-in Wi-Fi systems,” Adams said.

The country’s rails, totaling over 140,000 miles in length, connect to every major American city and every major U.S. military base, which is a huge national security concern, according to Adams.

“Chinese penetration of the rail system’s cyber-structure would provide early and reliable warning of U.S. military mobilization and logistical preparations for conflict,” he said.

Economically speaking, if Beijing gets access to data about the logistical movement of U.S. rail cargo, that could be “a destabilizing economic competitive edge.”

What’s more, Adams pointed out, freight rail is the main way that U.S. nuclear waste and hazardous material are transported.

Chinese access to U.S. freight rail technology could mean the risk of intrusions, such as tampering with rail service valves, which could lead to accidental spillage of toxic chemicals such as nuclear waste carried by freight cars, killing American people.



NICHOLAS KAMM/AFP/GETTY IMAGES

Commuters get off a metro train at the L’Enfant Plaza Metro station in Washington on May 24, 2016.

PROPAGANDA

BEIJING AIRS ANTI-AMERICAN PROPAGANDA AMID TRADE TENSIONS, CHINESE NETIZENS MOCK EFFORTS

OLIVIA LI

A state-run channel in China played three anti-American movies for three days in a row, from May 16 to May 18, prompting reactions from the public. Chinese netizens quickly took to social media to ridicule CCTV for blatantly stirring up nationalist sentiment with the films, which originally were produced as anti-U.S. propaganda in reaction to the Korean War.

The timing of CCTV’s programming is significant, as the latest round of U.S.–China trade talks ended on May 10 with no agreement. After the United States enacted a tariff hike on \$200 billion worth of Chinese goods, China retaliated with tariff increases on \$60 billion worth of U.S. goods.

Since then, China’s state-run media has ramped up propaganda efforts to portray the United States as an adversary, blaming it for the lack of progress in negotiations.

According to a May 17 report by Radio Free Asia, the Chinese Communist Party’s Propaganda Department issued an urgent notice on May 16, requesting that CCTV and all provincial-level satellite TV stations air movies with anti-American themes every day during primetime. As a result, CCTV announced on May 16 that it would change its original broadcasting schedule for the following three days to air three movies, “Heroic

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This kind of propaganda made me speechless. In today’s world, they still think they can mobilize mass movement with such propaganda.

A netizen on Weibo

Sons and Daughters” (1964), “Battle on Shangganling Mountain,” (1954), and “Surprise Attack” (1960), beginning at 8 p.m.

The films portray North Korea as a righteous nation and the United States as an evil imperialist, and contain scenes of Chinese soldiers opening fire on their “American enemies.”

Following the breakdown of talks earlier in May, state media had adopted similar nationalist sentiment in reprimanding the United States. “Washington tried to bring up terms that either harmed the sovereignty

and dignity of China, or that were seriously unequal and unrealistic. Those requests have made the negotiations more difficult,” read a May 12 editorial published by the state-run Global Times.

During the past week, Chinese state media also frequently has run the slogan, “Want to talk? Let’s talk. Want to fight? Let’s do it. Want to bully us? Dream on!”

Chinese netizens were shocked that in this day and age, the Party would go back to the propaganda stylings favored by former Party leader Mao Zedong.

“This kind of propaganda made me speechless. In today’s world, they still think they can mobilize mass movement with such propaganda,” a netizen wrote on Weibo, a Twitter-like social media platform.

“They make China more and more like North Korea,” another Weibo user said.

“They are trying to stir up nationalism. It’s actually useless,” another netizen commented.

Others ridiculed the Party’s anti-U.S. stance, given that many high-ranking officials’ families study or work in the United States. “If you really hate America, hurry up and ask your children in the United States to come back to China.”

Meanwhile, many netizens demanded that the Chinese authorities publicize details from the trade talks.

“Tell us what requests the United States raised in the negotiations.”



STR/AFP/GETTY IMAGES

The headquarters of China’s state-run broadcaster, CCTV, in Beijing on Feb. 26, 2011.

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