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COURTESY OF LIU JIAN

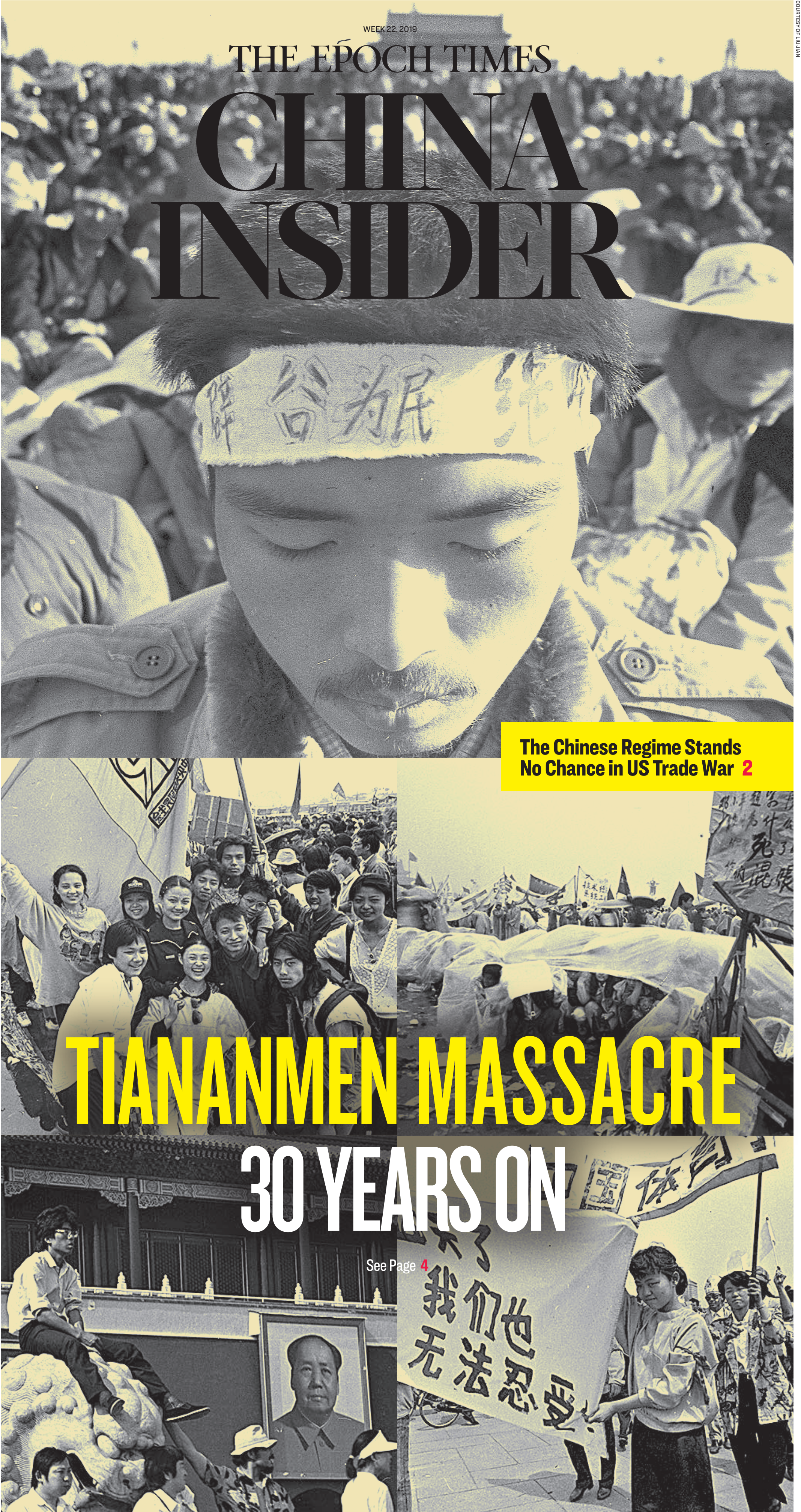
THE EPOCH TIMES CHINA INSIDER

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OPINION

CHINA’S ONE BELT, ONE ROAD: A SIGN OF WEAKNESS?

JAMES GORRIE

After the end of World War II, the United States spent trillions of dollars containing the Soviet Union.

But after the Cold War, it was discovered that the United States had overestimated the power of its 40-year nemesis. It turned out that the USSR's economy was only about half the size that the CIA and other agencies had said that it was.

Could that be the case with China as well? The answer is: absolutely.

The Measuring Method Matters

No one has accurate financial numbers regarding China's economic output, least of all the Chinese Communist Party (CCP), if we simply took the CCP at its word. China's economy is at parity with that of the United States. That's exactly what the CCP wants and actually needs its citizens to believe.

The actual purpose of the OBOR is not so much to develop foreign markets as it is to sustain the CCP's economic model of 'cannibal capitalism.'

But the CCP has every incentive to lie. After all, its claim to legitimacy is directly linked to economic prosperity. Without that, all political legitimacy is in jeopardy. That explains China's oppressive and Orwellian social-credit system and other aspects of China's very sophisticated and brutal surveillance state.

Western estimates are really just guesses as well. For instance, if we look at concrete production and construction statistics, it would appear that China's economy surely must be the largest in the world. However, it makes concrete that exceeds all other global production combined and builds cities in which no one lives and other useless projects. In other words, China routinely conflates useless activity such as unnecessary building projects, the overproduction of goods and refinancing bad loans as economic productivity.

China's Enigmatic OBOR

Without the price mechanism to determine the market value of goods and services, the value of things in a command economy becomes arbitrary. Such an economy based on political favoritism instead of market forces becomes distorted, inefficient, and ultimately unsustainable. With its contracting consumer economy, a massive debt-to-GDP ratio and growing food-supply problems from loss of arable land, African swine fever epidemic, and the armyworm threatening its crops,

China faces a growing dependence on foreign natural resources as well as for food.

That's why China's One Belt, One Road (OBOR, also known as Belt and Road) initiative is so enigmatic. It's one of the broadest, most sweeping international economic development plans in history. Certainly, it indicates China's growing economic power.

But it may actually be quite the opposite. China's economy has the appearance of a wealthy capitalist country with its formidable transformation, including a middle class and technological acumen. But a closer look reveals some very critical contradictions.

For example, where is the capital in this "capitalist" society? And where is the power growing and where is it diminishing?

Today, the CCP is more wealthy and powerful than ever before. At the same time, the engine that normally drives growth and wealth in society—the middle class—is weakening. Reports of stalled demand, a falling stock market, and rising discontent among the middle class are growing. China's growing surveillance and prison state confirm that narrative, as does the fact that the middle class is investing its money outside of China. What's more, college students selling their belongings, including their smartphones and computers to pay expenses, are becoming common.

Sustaining CCP Is Top Priority

The truth is, China's economic strength not only is less than what most estimates say it is, but it is much worse. According to night-time electricity usage analysis, China's GDP is inflated by 30 percent or more in various cities and regions. That shouldn't be happening in the world's most dynamic economy. That dynamism exists at the lower levels of the economy until the CCP steps in to steal the value. Once the state takes ownership of a profitable enterprise, the value is sucked out of it via ever-larger loans by state-owned banks, enriching the new CCP owners as it destroys the indebted enterprise. This is how China finds itself burdened by an unsustainable 3:1 debt-to-GDP ratio.

By this process, the CCP has exhausted China's natural resources and destroyed its capital base. That's why the actual purpose of the OBOR is not so much to develop foreign markets as it is to sustain the CCP's economic model of "cannibal capitalism." The OBOR gives China penetration into these new regions to acquire the markets and resources it desperately needs, with the lion's share of the benefits going to China.

Huawei to Deliver Technology Secrets?

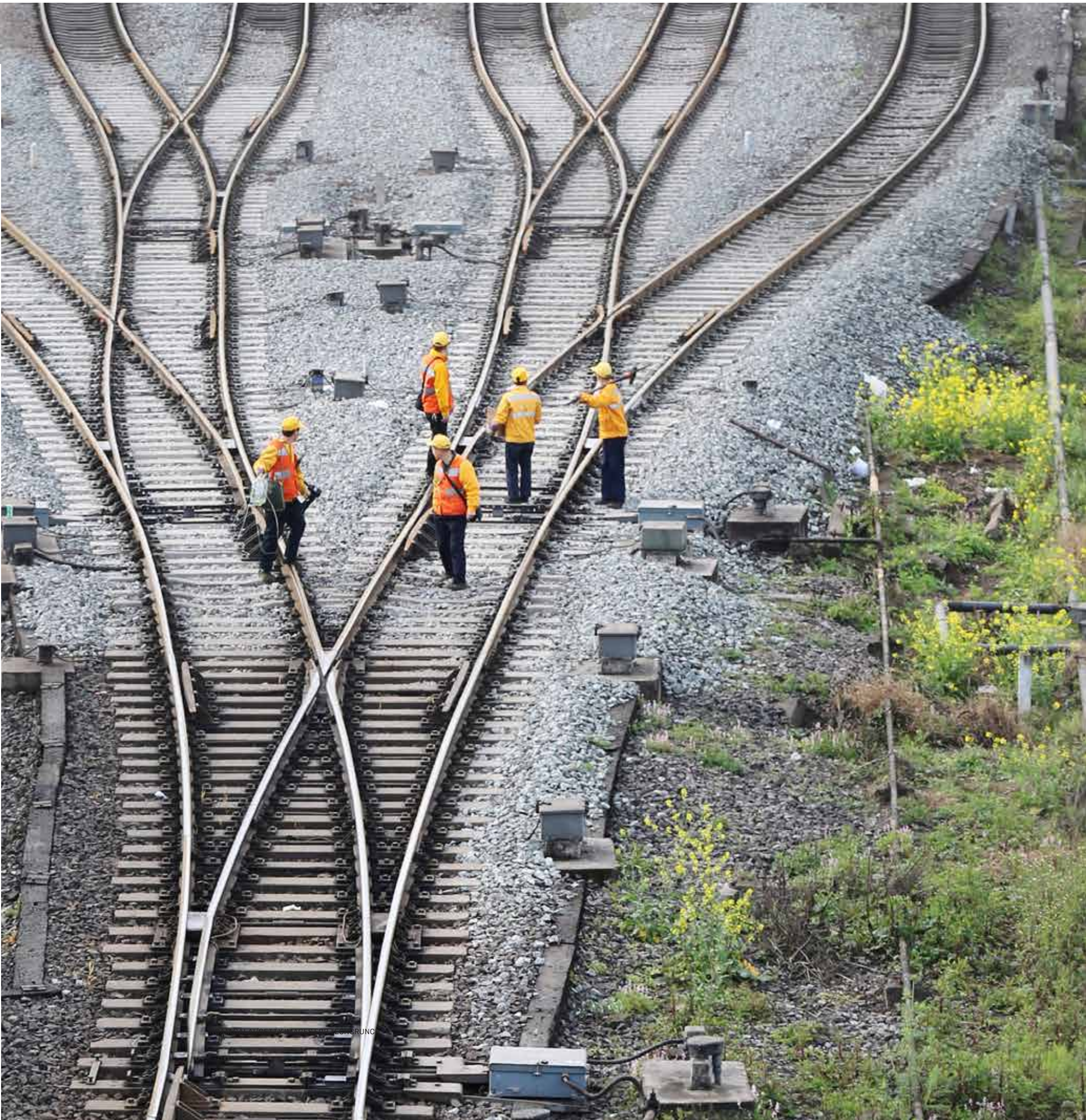
However, the broader plan goes beyond those two very important missions. In order to dominate the West technologically, it must have ongoing access to high-level technology and manufacturing techniques. Since 1980, it has acquired both by theft and forced transfers. The plan going forward is to use the access to all transmitted data that Huawei, ZTE, and other telecommunications equipment provides to

Workers inspect railway tracks, which serve as a part of the "One Belt, One Road" freight rail route linking Chongqing China, to Duisburg, Germany, at the Dazhou railway station in Sichuan Province, China, on March 14, 2019.

simply steal technological secrets.

Huawei is the key to China's Made in China 2025 plan. With equipment in place throughout much of the world, including the United States and Europe, China will reap billions in ongoing business servicing and updating equipment for the global 5G rollout that is already underway. Huawei and other China communications providers will also deliver millions of data streams from many of the most technologically advanced companies and government programs around the world to China.

But that plan is now in jeopardy as the European Union questions the wisdom of using Huawei and other China telecom providers. A nonbinding resolution sponsored by Reinhard Butikofer (a member of the EU Parliament's China delegation) in March 2019 calls for multiple equipment vendors, a phased



REUTERS

rollout of 5G technology and adherence to strict cyber defense protocols. A ban on Huawei equipment isn't part of the resolution, but it hasn't been ruled out, either.

Inevitable Crash

The overwhelming causes of China's economic troubles stem from the CCP's destructive policies, which are primarily about keeping the CCP in power and destroying the economies of the West. Importantly, China's stormy economic conditions aren't due to Trump's tariffs—they haven't yet come into full force, although they do provide a convenient excuse for Chinese leader Xi Jinping.

Still, the CCP's biggest fear—other than its own citizens—is Trump's leadership in putting tariffs on Chinese goods. An EU tariff plan may well be

coming next. Either or both will put additional pressure on the Chinese leadership to deliver on their promise of prosperity to the Chinese people. The CCP is finding it difficult to deliver on that promise and that will likely continue.

As economic hardship and civil unrest grow in China, the CCP will continue to crack down on its citizenry. The unexpected rise of Trump and the expanding trade war against China may well mean that the CCP will face a day of reckoning sooner than later.

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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.



NICOLAS ASFOURI/AFP/GETTY IMAGES

Stock price movements displayed on a screen at a securities company in Beijing on May 6, 2019.

CHINA ECONOMY

GLOBAL INVESTORS FLEE CHINESE STOCKS AT FASTEST PACE SINCE 2015

More than \$6 billion in capital has left Chinese equities during the recent trade tensions

EMEL AKAN

WASHINGTON—The recent U.S.–China trade dispute has prompted the biggest capital outflow from Chinese equities in nearly four years. More than \$6 billion of capital has fled China's stock market since May 6, according to data compiled by the Institute of International Finance (IIF).

Tensions escalated between the United States and China when Trump wrote in a tweet on May 5 that he would increase tariffs on \$200 billion Chinese goods to 25 percent from 10 percent. Trump accused Beijing of backtracking on its commitment to deliver structural reforms.

The dispute revealed the vulnerability of China's stock market, with the Shanghai Stock Exchange Composite Index falling nearly 6 percent on May 6, the day after Trump's tweet. The stocks haven't recovered since then.

The total outflow from Chinese stocks by nonresidents since tensions escalated reached \$6.2 billion, according to IIF, which has tracked capital movement in emerging market equities on a daily basis since 2010.

Trump's tweet and the intensification of the trade conflict came as a big surprise to investors, according to Jonathan Fortuin, an economist at IIF.

"This last round of outflows is a knee-jerk reaction to everything that has been happening," he said.

Chinese stocks saw net outflows of \$2.6 billion and \$2.8 billion for the weeks ending May 10 and May 17, respectively. These weekly exits were the largest since the Chinese stock market crash in 2015. The largest weekly capital outflow occurred during the week ending July 10, 2015, when the Chinese stocks plunged 30 percent in three weeks.

Significant outflows in the past two weeks were triggered by the unexpected nature of the flare-up in trade tensions, Fortuin said. Investors were building up their exposure to the Chinese stocks with the expectation that the conflict was de-escalating, he explained.

Outflows have continued into the week of May 19, where a total of \$0.9 billion in capital fled Chinese equities on May 20 and May 21.

"I think the outflows are going to continue, at least until we have a little bit more clarity on the path forward for the trade conflict," Fortuin said. "We are not in the super worst part yet, but I think that this could potentially be an important outflow cycle for China."

China saw around \$1.1 billion of capital flight in October 2018 during the initial trade frictions between the United States and China.

Conflict Hit All Emerging Markets

The tariffs dispute has triggered a significant amount of capital outflow from emerging market equities as well.

Countries such as South Korea, India, Taiwan, Brazil, and Indonesia have mirrored China's trend,

highlighting the risks to the broader markets from increased trade tensions. Outflows from emerging markets excluding China totaled \$8.4 billion since May 6.

According to Fortuin, the U.S.–China trade conflict also will hit emerging market economies, since it involves the disruption of global supply chains spanning many countries.

Recent outflows are different than what was observed during the 2015 market crash. The capital that left China went to other emerging markets in 2015. However, this time, the money is flowing into developed markets, bonds, and crypto assets, Fortuin said.

The Trump administration has used the threat of tariffs as part of a negotiation tactic to increase pressure on Beijing. And China has more to lose economically in a full-blown trade war, according to analysts.

The United States began imposing tariffs on Chinese imports in July 2018. Together with the previous two rounds of tariffs, a total of \$250 billion worth of Chinese goods now face a 25 percent levy.

Chinese stocks saw net outflow of \$2.8 billion for the week ending May 17, the largest since the Chinese stock market crash in 2015.

Washington also is preparing to impose tariffs on the remaining \$325 billion in Chinese goods, which targets the majority of consumer goods imported from China. Beijing also announced it would boost tariffs on \$60 billion of U.S. goods in retaliation.

"This time around, tariffs are going to a wider range of goods," Fortuin said, disrupting the global supply chain. Potential tariffs on autos and auto parts by the United States are making investors nervous, he added.

Despite renewed tensions, Trump said the talks with Beijing would continue. He said on May 13 that he would meet face-to-face with Chinese leader Xi Jinping at the G-20 summit in late June in Japan.

In a series of tweets, Trump accused China of backing out from "a great" and "almost completed" deal and urged China to strike a trade deal soon.

According to Fortuin, the capital flows, especially in equities, are very dynamic and as the trade issue gets resolved, the capital will start to quickly flow back in China.

"Any sign of willingness to have a real resolution of the trade conflict will be positive not only for China but for the whole emerging market complex," he said.

Investors will return once the storm ends, he said, but until then, they will continue to keep their money offshore in different types of liquid assets.

OPINION

THE CHINESE REGIME STANDS NO CHANCE IN US TRADE WAR

JOSHUA PHILIPP

The real "trade war" between the United States and the Chinese regime is just starting. Right now, the playing field is merely being laid out in a way that allows companies to compete on fairer grounds, with honest businesses able to win through rule of law.

The United States has begun to fight back against the Chinese Communist Party's (CCP) decades-old trade war of currency manipulation, intellectual property theft, and policies that made it nearly impossible for foreign companies to compete with Chinese companies. In 2018, the U.S. trade deficit with China was \$419 billion, and until recently, it didn't appear this would change.

For the Chinese regime, trade policy is war. Trade has been regarded even publicly as a method to occupy and overtake the United States through nonmilitary means. According to the CCP's "Unrestricted Warfare" doctrine, which uses financial warfare, trade warfare, and other nonmilitary systems to achieve

dominance, "There is now no domain which warfare cannot use, and there is almost no domain which does not have warfare's offensive pattern."

Previously, U.S. companies were frequently under attack from Chinese military hackers, who stole U.S. intellectual property for the benefit of Chinese companies. The CCP used tools such as currency manipulation to make more profits from trade, at the expense of foreign countries. State subsidies made it impossible for foreign companies to compete with Chinese companies on pricing, since the Chinese companies could bid below cost. Various other unfair systems also were at play.

The CCP was allowed to continue all of these practices, relatively uninhibited, by previous U.S. administrations and by governments around the world. But all of this is now changing under President Donald Trump, who has called out the CCP's use of unfair trade practices and now has engaged the CCP in a trade war meant to even the playing field. After the current stage wraps up, the "trade

war" will become an industrial war—and without foul play, it's a battle the CCP can't win.

The reality is that the CCP doesn't have many options for lasting sanctions against U.S. goods. The foreign big businesses still allowed in China are mainly the ones the CCP still needs, as the CCP otherwise is quick to penalize or kick them out once a domestic company is able to meet or exceed their foreign competitors' production. The regime then moves the competition into the international field, where it uses state subsidies and other unfair practices to allow the Chinese companies to undercut competition.

We're now seeing this with the CCP's state-owned rail company CRRC. When CRRC was bidding for a recent rail contract in Boston, the lowest bid from a normal competitor was from Bombardier, at close to \$1 billion. CRRC was able to bid at \$569 million—cutting the next lowest bid by about half. It was able to do this because it is financed by the CCP and thus can bid at a loss. We witnessed the

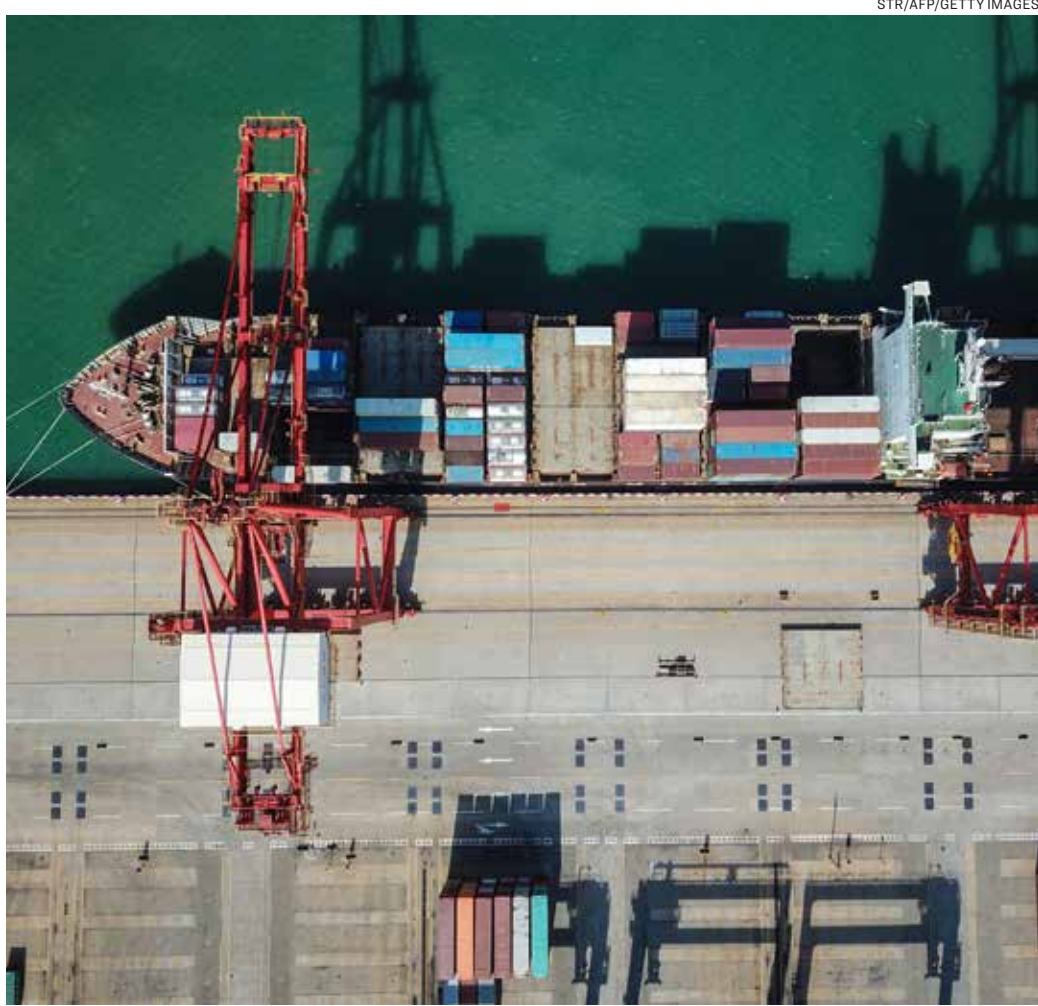
For the Chinese regime, trade policy is war. Trade has been regarded even publicly as a method to occupy and overtake the United States through nonmilitary means.

trajectory of deals like this in Australia, where CRRC now controls the market after it put the next two competitors out of business and acquired the third.

This highlights another important point: The CCP has long been engaged in a trade war against not just the United States, but most of the world. In this global trade war, it has exploited every gap, violated every agreement possible, and capitalized on large-scale forms of state-run theft.

Now that all of these practices are being targeted, the CCP has little room to maneuver. Since it was already exploiting every option, it has no more options to exploit and is set to lose on every front. The United States, on the other hand, which was losing on every front by allowing the CCP to act with nearly no consequences for decades, is set only to gain.

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



STR/AFP/GETTY IMAGES

A cargo ship berthing at a port in Lianyungang, China, on May 8, 2019.

TIANANMEN MASSACRE

PHOTOGRAPHER RELEASES NEVER-BEFORE-SEEN TIANANMEN PROTEST PHOTOS

Photos were released in commemoration of the upcoming 30th anniversary of the Tiananmen Square Massacre

NICOLE HAO

A photographer has for the first time shared photos of the Tiananmen Square protests to commemorate the upcoming 30th anniversary of the Tiananmen Square Massacre.

All 2,000 photos were hidden for the past three decades until now. Photographer Liu Jian hopes that the Chinese people won't forget about the significance of the Tiananmen Square Massacre, and that future generations will learn about its history through his photos.

"Tiananmen Square is still there. People who have experienced the massacre are still alive. But the young Chinese don't know about it," Liu told the Chinese-language edition of The Epoch Times on May 7.

Liu said when he asked his teenage daughter about it early this year, she had no idea about the protest and massacre that happened on June 4, 1989. He received similar responses from other young people.

"I was very shocked. It's such a big thing, but people don't know it anymore and it was just 30 years ago," Liu said.

Liu decided to share his photos in that hope that others can learn about the historical significance of the event, and that those who have forgotten will remember it.

Liu was a 19-year-old university student at the time. As a professional photographer, he took 60 rolls of film of the students' protest and citizens' support, and washed them by himself—a process in developing film.

Liu, however, didn't print the photos and just kept the developed film. But recently, he printed and shared them exclusively with the Chinese-language editions of The Epoch Times and NTD television, a U.S.-based uncensored Chinese media outlet.

While cameras weren't uncommon in China in 1989, Liu said most of the film of the incident disappeared after the photographers sent them to photo studios for washing and printing, because the Chinese regime forced the studios to hand over any film with images of the



Tiananmen Square is still there. People who have experienced the massacre are still alive. But the young Chinese don't know about it.

Liu Jian, photographer

protest and massacre.

He said 80 percent of film capturing the Tiananmen Square protests was destroyed by the Chinese regime, making his photos even more precious.

Painful Memories

Liu started taking photos of the protest on April 16, 1989, when the students painted a portrait of Hu Yaobang, the former leader of the Chinese Communist Party (CCP).

Hu had pursued a series of economic and political reforms in the 1980s, but was forced to resign in 1987 because most of the CCP senior officials didn't support his policies. Hu died on April 15, 1989, and students who supported democracy and reforms mourned him at Tiananmen Square, which marked the beginning of the protests.

Liu then started to record that history by photographing. Unlike most reporters, Liu stayed with the students who were protesting at Tiananmen Square and on the streets of Beijing, and citizens who supported the students.

"When the policemen were not there, it was the students who maintained order and kept the roads clean. No theft, no crime. The citizens supported the students and even brought them drinks, food, and warm clothes," Liu said.

On April 27, 1989, the students organized a large parade along Chang'an Avenue. A lot of citizens joined the students, including businessmen who rode tricycles and motorcycles.

"At that time, the status symbol of a businessman is riding a tricycle. At night, hundreds of tricycles and motorcycles were parading on the street [to support the students]. It was very encouraging," Liu said.

Liu continued to take photos of the students and citizens protesting until June 4. After the military started shooting at protesters on the night of June 3, he took photos of many corpses at Water Resources Hospital, which is less than 2.5 miles away from Tiananmen Square.

"I entered this hospital on the morning of June 4, a tiny hospital affiliated with China's Ministry of Water Resources. The corpses I photographed had bullet



A student on hunger strike at Tiananmen Square in Beijing in June 1989.



I was very shocked. It's such a big thing, but people don't know it anymore and it was just 30 years ago.

Liu Jian, photographer

Teachers from Beijing middle schools march in support of the students' protest at Tiananmen Square in Beijing in June 1989.



wounds," Liu said. "In another room, I saw bodies with bullet wounds in the head. It was awful, and I couldn't take any more photos."

Liu, who had never seen a dead body before, was shocked to see many of them. "It was a nightmare. Who can imagine that a government can gun down students who only proposed to bring democracy to China? The students only wanted to make China into a better country. But even the field army entered Beijing and [suppressed the students]," Liu said.

Liu recalled hearing gunshots outside of the hospital, so he quickly left and ran home. "The photos at the hospital are the last ones that I took because Beijing was

controlled by the military from that day [June 4]. I hid and didn't dare to take any more photos," Liu said.

(Top right) Students from the China Central Academy of Fine Arts protest outside the National Art Museum of China in Beijing in June 1989.

(Left) Students climb up on a lamp post in Tiananmen Square in June 1989.

(Bottom right) Loudspeakers on top of a bus commandeered by students during the protest.

Hiding the Past
Liu washed all 60 films at home after the Tiananmen massacre, hid them, and tried to forget about them. He said if the Chinese regime found his photos, he would be punished, including his family. Punishments could include being fined, imprisoned, and losing one's job.

"[CCP] doesn't allow you to take the whole responsibility, although you did it by yourself—all your family members and relatives will be punished because of you," Liu said.

The photographer said the massacre

has been all but forgotten by the Chinese people—himself included.

"We Chinese people forgot about the Tiananmen protest. It's true. We were brainwashed by the CCP to forget about it. It's a tragedy."

In the decades since the tragedy, Liu himself has been preoccupied with running a private company and making money. The Party encourages such personal pursuits so that people don't focus on social issues and politics, he said.

"[The CCP encourages you to enjoy] all types of food, and pleasure. People don't pay attention to politics. They'd rather travel, pursue wealth and a comfortable lifestyle," Liu said.

Hope

Liu said he felt lucky to have photos chronicling a pivotal moment in China's history.

"I think it's my obligation to publish these photos so the children and more people will know what the students did, how the society reacted at that time, and how the soldiers behaved," Liu said.

After the massacre, many professors and teachers watched the speech of Deng Xiaoping, then CCP leader, in which he said: "[It is worthwhile] killing 200,000 people in exchange for 20 years' of stability."

Now, 30 years have passed. "I want to tell people: Please don't forget this history!" Liu said.

NATIONAL SECURITY

US DEPARTMENT OF HOMELAND SECURITY WARNS ABOUT THREATS POSED BY CHINESE DRONES

FRANK FANG

Unmanned aerial vehicles, commonly known as drones, have become popular in recent years for their diverse applications, such as photography, mapping, crop surveying, shipping, and surveillance.

However, Beijing can exploit these drones, undermining U.S. national security, according to the latest U.S. government warning.

The U.S. Department of Homeland Security (DHS) issued the warning against Chinese drones, in an industry alert titled "Chinese Manufactured Unmanned Aircraft Systems." The notice was reviewed by multiple media and was first reported by CNN.

"The United States government has strong concerns about any technology product that takes American data into the territory of an authoritarian state that permits its intelligence services to have unfettered access to that data or otherwise abuses that access," the notice stated.

Access to Data

DHS warned that businesses using Chinese-made drones could have their corporate data compromised and accessed by the Chinese regime, such as through automatic data transfer out of the drones in the event that they are infected with malware, and data theft from the drones being connected to unsecured internet networks, according to a report by non-

profit media Homeland Security Today (HSToday).

The U.S. agency urged companies to be "cautious" of Chinese drone manufacturers, and check if their drone data was ever stored by third parties. Additionally, DHS suggested that if drones are equipped with an SD card, the data within should be cleared after each flight. Last but not least, internet connections to drone controllers should be disabled during flight.

While the DHS notice didn't identify a specific Chinese manufacturer, one Chinese drone maker has dominated the world's supply.

Research firm Skylogic, in a 2018 market report, said that 79 percent of drones operating in Canada and the United States are manufactured by DJI. On the global market, the percentage stood at 74 percent.

Concerns about DJI drones have been raised repeatedly in recent years. In August 2017, the U.S. Army ordered its troops to stop using DJI's commercial drones for surveying and surveillance purposes, because of potential cyber vulnerabilities, according to Reuters.

That same month, the U.S. Immigration and Customs Enforcement (ICE) assessed that DJI's commercial drones were "providing U.S. critical infrastructure and law enforcement data to the Chinese government." ICE made the assessment based on information derived from open-source reporting and an unidentified reliable source within the drone industry.

According to ICE, the drones automati-

cally uploaded information, such as user identification, full names, images, and videos, into cloud storage systems located in China, Taiwan, and Hong Kong, to which "the Chinese government most likely has access."

In response to the ICE claims, DJI had said it only collected flight logs and images if users opted to share them, and that the drones contained a privacy mode that would prevent data from being uploaded to the Internet.

ICE added that DJI had focused its marketing toward U.S. companies in the critical infrastructure and law enforcement sectors since 2015. At the time, the agency identified at least 10 large U.S. companies and organizations, in sectors such as the railroad, utilities, media, and federal law enforcement, that used DJI commercial drones.

The company released a May 20 statement in response to the new DHS alert, saying that its drones' security has been "independently verified by the U.S. government and leading U.S. businesses."

DJI

On May 16, concerns about DJI's dominance in the U.S. market were brought up by Frank J. Gillulfo, director of Auburn University's McCrary Institute for Cyber and Critical Infrastructure Security, during a congressional hearing.

The problem with Chinese drones, not specifically produced by DJI, was that their manufacturers "may be legally required to help advance the mission and goals of China's security and intelligence

services," Gullulfo said.

China's national intelligence law, effective in 2017, requires every Chinese organization and citizen to assist and cooperate with Beijing's national intelligence efforts. The broad and vague definition of "national intelligence" means that companies and citizens must answer to the Chinese regime when called upon.

"China imposes unusually stringent obligations on its citizens to support national intelligence activities," according to the DHS notice.

While DJI is a private company, it has the support of the Chinese Communist Party (CCP).

In a 2018 interview with a local newspaper in Shenzhen City in southern China, Frank Wang Tao, DJI's founder and CEO, said the firm was one of China's "national champions," and so it enjoyed a 10 percent cut in corporate income taxes. As a result, for the fiscal year 2017, Tao said that the company enjoyed a corporate tax cut of 500 million yuan (about \$72 million). The interview was reposted by China's State Taxation Administration on its website.

DJI began receiving Shenzhen government subsidies in 2014, according to information from Jin Bo Shi Management and Planning Corporation, a Shenzhen-based company that helps Chinese firms file for government subsidy programs, obtain national certification, and file for patents. Jin Bo Shi cited data from the Shenzhen government.

In 2017, the Shenzhen government gave DJI 5 million yuan (\$731,325) for devel-

DREW ANGERER/GETTY IMAGES



Guests and journalists view new DJI Mavic drone products during a product launch event at the Brooklyn Navy Yard in New York on Aug. 23, 2018.

ETHAN MILLER/GETTY IMAGES



Attendees visit the DJI booth during CES 2018 in Las Vegas on Jan. 11, 2018.

◀ An employee shows the Mavic Pro 2 drone in a DJI store in Shanghai on May 22, 2019.



HECTOR RETAMAL/AFP/GETTY IMAGES

OPINION

WILL THE 21ST CENTURY REALLY BELONG TO CHINA?

The so called 'Chinese Century' may not turn out as many expect

JAMES GORRIE

Academics have long been lecturing Americans that the era of U.S. dominance on the global stage is over.

The future, we're told by analysts and the talking heads on cable news, belongs to China. Perhaps worst of all, many of our elected representatives and appointed policymakers believe that, too.

They couldn't be more wrong.

A Creation of the West

The singular reason China is where it is today: the United States and the West handed over hundreds of billions of dollars of technology—know-how, intellectual property, even whole factories—throughout the course of four decades. That transformed China from one of the world's poorest countries to one of the richest. It certainly wasn't the Chinese Communist Party (CCP) that did that; they had 30 years to do so, but only brought the country to the brink of ruin.

From the revolution in 1949 onward, the CCP presided over one disaster after another.

The Chinese people suffered horribly under the failures of successive "five-year plans" that led to devastating famines, mass persecutions, prison camps for millions, executions, cultural and

social destruction, and the massacre of thousands of students in Tiananmen Square in 1989. And let's not forget the worst air, water, and ground pollution on the planet.

The key point to remember is that the CCP hasn't changed; it couldn't manage China when it was a poor country, and it's mismanaging China's wealth today, which is putting it mildly.

The evidence is everywhere.

Cracks in the Chinese Economy

With a debt-to-GDP ratio of greater than 300 percent, China faces a debt crisis that will likely surpass the financial crisis of 2008. What's more, based on energy consumption estimates, the Chinese economy is as much as 30 percent smaller than what government statistics say, and it's also slowing down.

Also, with its rising costs and cheaper labor markets nearby, manufacturers are leaving China. Many, of course, are Chinese-owned factories relocating to Vietnam to avoid U.S. tariffs. How effective that will be remains to be seen, especially with regard to highly skilled labor, which China has plenty of. As growth slows, more of that labor pool will be out of work.

Capital is also leaving China. The much-touted middle class of China,

supposed to drive China's economy forward in the 21st century, isn't buying what the CCP is selling. Not any more. Middle-class Chinese are no longer keen on investing money in their country as much as they are getting their cash out of it. Extended visas, overseas property investments, and other outward-looking behaviors indicate a deep pessimism about the future of China.

That explains why consumer spending—the key to long-term economic growth and stability—is grinding to a halt. Car sales, a major economic indicator, even fell in 2018; it's the first time that's happened since the 1990s. And they continue to fall, dropping 14.6 percent in April. This is a fundamental problem that can't be overstated.

Consumer Sentiment Tells the Story

At a time when the CCP is trying to sell the world on its economic prowess with the One Belt, One Road (OBOR) and Made in China 2025 initiatives, its consumer sentiment is thoroughly pessimistic. Who can blame them? What intelligent person wants to live in a surveillance society that puts you in camp without trial for a bad "social credit" rating?

That program, with which China has used to suppress and imprison millions, may well backfire on the CCP. And with

rising discontent among millions of Muslims in the Western provinces, an aging population, and a desperate lack of resources coupled with a shrinking capacity to feed itself, China is closer to civil rebellion than it cares to admit. Internal security spending that exceeds Beijing's national defense budget tells that tale as well any other statistic.

These are just a few of the problems that the CCP is causing and facing at the same time. Their answer to all of them is to print more money, put more people into prison, and ravage weaker nations for their resources.

Are those the attributes of the next global hegemon?

Not at all. At some point, as the Russians discovered in the old Soviet Union, the law of diminishing returns asserts itself. The CCP is facing a similar fate as their cannibal capitalism devours their economy from within.

But what of the OBOR and Made in China 2025 plans? Are they not the plans of a great power? They are indeed, but they are only plans.

Keeping Up Appearances—But for How Long?

But aspirations and advertising are much different than execution and long-term management, something that China has already demonstrated. The CCP is finding that it's quite difficult to sustain its own economy, when dependence on foreign resources is almost total, and there's a reliance on a culture of graft and fraud, theft, and forced labor rather than market signals and fair labor.

With the United States narrowing China's access to the U.S. market, Beijing's dependence on foreign markets will increase going forward. That's due to

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FRED DUFOUR/AFP/GETTY IMAGES

▶ People cross a street in Beijing on May 10, 2019.

the U.S. policy of stiff tariffs on hundreds of billions of dollars' worth of imports, and the banning Huawei and other major Chinese telecom firms.

Just as critical, however, is the Trump administration's aim to hamstring China's economy even further by convincing the European Union to shift its trade posture away from it and toward the United States. Forced to choose, Europe, particularly the UK, will lean toward the United States. The CCP may well find itself in an even more precarious economic—and political—condition sooner than it could imagine.

The Writing Is on the Wall

So is China really the economic model of the 21st century? Even though it's a

world leader in artificial intelligence, biotechnology, robotics, and other high-tech industries, it also leads the world in waste and pollution, and most importantly, in human cruelty and misery. As with the Soviet Union before it, China's inhuman and unsustainable economy also will one day collapse. All of this is unfolding in the coming days, months, and, perhaps, years.

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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.

HUAWEI

HUAWEI EXECUTIVE ACCUSED OF ORCHESTRATING US TRADE THEFT SCHEME

NICOLE HAO

Eric Xu, a deputy chairman of Huawei, allegedly was directly involved in a conspiracy to steal trade secrets relating to solid-state drive (SSD) technology from a U.S. startup, according to newly released court documents from an ongoing lawsuit.

It's the latest development in tit-for-tat lawsuits involving San Jose, California-based startup CNEX Labs Inc. and the Chinese telecom giant, with each accusing the other of theft of trade secrets.

CNEX has received investment funding from Microsoft and Dell Technologies.

In the latest court documents, CNEX alleges that a professor from China's Xiamen University pretended to be a customer in order to acquire its technology and transfer the know-how to Huawei chip-development subsidiary HiSilicon.

CNEX, citing information from Huawei staff, also claims that Xu was briefed about the whole scheme involving the university professor, and directed Huawei engineers to analyze CNEX's data storage technology.

In response to the allegations about Xu's involvement, CNBC reported that a Huawei spokesman told reporters on May 23 that CNEX's claims are "misleading and unsubstantiated."

The case will go to trial at a federal court in the Eastern District of Texas on June 3.

To protect American technological know-how, the U.S. government has also reportedly slowed down hiring approvals for Chinese nationals selected to work for U.S. semiconductor companies.

Huawei Executive

According to Huawei's website, Xu, 52, has worked for Huawei for 26 years, in different positions ranging from chief strategy and marketing officer, to chief products and solutions officer. He is one of Huawei's rotating chairman.

According to court documents obtained by the Wall Street Journal and Reuters, CNEX alleges that the Xiamen University professor, identified as Bo Mao, asked CNEX in June 2016 for some circuit boards as part of his academic research project.

In 2017, CNEX provided a computer memory board to Mao after he signed a licensing agreement, which included a strict non-disclosure provision, with CNEX.

The U.S. company said Mao didn't disclose that he had a cooperation agreement with Huawei to supply the technology to it.

Without telling CNEX, Mao prepared a technological report about CNEX's computer memory board and handed it to HiSilicon's database containing intel on its competitors, known as the "D-box directory."

CNEX claimed that Mao was directed by Xu, the chief orchestrator of the scheme.

CNEX claims that Eric Xu, Huawei's rotating chairman, directed company engineers to analyze the startup's data storage technology.

At a pre-trial hearing, a Huawei lawyer confirmed that a CNEX document about SSD technology was submitted to its D-box directory, and that Xu "was in the chain of command that had requested" information about CNEX. But Huawei rejected the claim of IP theft. It said the document concerned products and open source technology, and that the cooperation between Huawei and Xiamen University was for developing database software.

Tit-for-Tat Lawsuits

CNEX was co-founded by Yiren "Ronnie" Huang, after he resigned from his job at Futurewei, Huawei's U.S. subsidiary, in 2013. Huang, who was born in China, is a naturalized U.S. citizen.

After joining Huawei, Huang tried to sell his pre-existing intellectual property (IP) on SSD technology to Futurewei, but the company refused to buy it.

Huawei tried to obtain Huang's IP by including a provision about his invention in his employment agreement, but Huang didn't agree to include the provision.

In 2017, Huawei filed a lawsuit against CNEX and Huang, claiming that the startup improperly recruited 14 of its employees, and that the company's inventions were related to the work that Huang and others did at Huawei.

CNEX filed its countersuit in 2018, and alleged that Huawei was seeking to obtain deeper access to the startup's technology through the lawsuit's discovery process.

Each company denies the other's allegations. Meanwhile, the Wall Street Journal reported on May 21 that several U.S. chipmakers, including Intel, Qualcomm, and GlobalFoundries, failed to have their Chinese employees' working papers approved in time by U.S. authorities, citing industry insiders.

The three firms had sought to hire hundreds of Chinese employees or move Chinese employees from overseas locations to the United States since last year. But since the U.S. administration began to crack down on Chinese IP theft, the companies said they encountered difficulties in securing the paperwork.

THE EPOCH TIMES

TRUTH *and* TRADITION

A NEWSPAPER GEORGE WASHINGTON WOULD READ

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