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# CHINA INSIDER

## ON THE BRINK

**HONG KONGS DAYS  
AS FINANCIAL HUB  
ARE NUMBERED**

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## NEWS ANALYSIS

# With Beijing at the Gates, Hong Kong's Days as Financial Hub Are Numbered

Traders work at the Hong Kong Stock Exchange on April 9, 2015.



FAN YU

An ancillary development to the worsening social-political situation unfolding in Hong Kong is that the city's global standing as an international financial center has been irreparably damaged.

How the Chinese Communist Party (CCP) and, by extension, Carrie Lam's government have treated the ongoing protests in Hong Kong is deteriorating to the point of no return. Regardless of how the protests are handled as the calendar marches towards Oct. 1—the 70th anniversary of the CCP's rule over China—global investors and business leaders have been frightened enough that Hong Kong's days as a leading business hub and financial gateway to China are numbered.

That's a terrible development for China and its economy.

Since April, when protests against the now-suspended extradition bill first escalated, Hong Kong's benchmark Hang Seng Index has fallen by 11 percent. On Aug. 15, the Hong Kong Monetary Authority (HKMA) slashed its 2019 GDP forecast for the city to zero to 1 percent, from 2 to 3 percent and compared to 3 percent growth in 2018.

Hotel prices have fallen, and airline traffic is down—driven by both lower tourism and lower level of business activity. Numerous global corporations have issued internal memos recommending a moratorium on Hong Kong travel. The South China Morning Post—an English-language Hong Kong newspaper owned by Chinese internet giant Alibaba—reported that some five-star hotel rooms have cut their rates to below HKD 1,000 (\$128) per night, less than half of the normal rates.

**The biggest and most immediate manifestation of business sentiment souring on Hong Kong is capital flight.**

People from the financial community hold up umbrellas and shine lights during a protest against a controversial extradition bill in Hong Kong on Aug. 1, 2019.

## Hong Kong Financial Worries Deepen

Hong Kong serves as the Asia and Greater China regional headquarters for many multinational companies. The city's residents are fluent in Chinese and English, and Hong Kong's proximity to China, along with its many freedoms and legal framework, all lend well to international companies in their consideration for a base for regional operations.

But the increased meddling in Hong Kong's affairs by Beijing and the CCP—despite the “one country, two systems” mantra—are undermining Hong Kong's status.

“Hong Kong's international reputation for the rule of law is its priceless treasure,” the American Chamber of Commerce in Hong Kong said in a statement in March after the extradition measure was first introduced.

If the business community engages in a mass withdrawal, it will have severe consequences for both Hong Kong and China.

The biggest and most immediate manifestation of business sentiment souring on Hong Kong is capital flight.

An indication of capital flight is the value of the Hong Kong dollar (HKD). The HKD has been pegged to the U.S. dollar since the early 1980s, but in recent weeks, the currency has settled at the lower end of its range because of the political turmoil.

As the HKD is pegged to the U.S. dollar, the HKMA, Hong Kong's de facto central bank and treasury, has been spending its U.S. dollar reserves to prop up the HKD currency. In fact, Hong Kong's interbank dollar liquidity has been dwindling over the last year. Its closing aggregate balance of \$54.5 billion on Aug. 23 was 41 percent lower than a year ago, and 70 percent lower since the beginning of 2018.

This squeezes Hong Kong's dollar liquidity

and could force a spike in interbank lending rates (the HIBOR), potentially triggering a banking crisis and ultimately lead to the abandonment of the linked exchange rate system or the Hong Kong dollar as a viable currency.

In an Aug. 20 note to clients, Morgan Stanley analysts cut their 2019 Hong Kong GDP target to -0.3 percent and set a price target of 21,500 points for the Hang Seng index, which represents an 18 percent decline from the Aug. 23 close. While the bank expects the pegged exchange rate system to hold, Morgan Stanley Asia FX strategist Chun Him Cheung expects HIBOR to be volatile going forward, putting stress on the local financial sector.

Hedge fund manager and noted China bear Kyle Bass described the situation more bluntly. “Hong Kong currently sits atop one of the largest financial time bombs in history,” he wrote in a recent investor letter.

## Hong Kong's Importance to China

There's no doubt Beijing has been preparing for a day when China's economy is completely decoupled from Hong Kong. But that day hasn't arrived.

While China has been less and less dependent upon Hong Kong as an export hub since joining the World Trade Organization, Hong Kong still handles around 15 percent of China's foreign trade. More importantly, Hong Kong's status as a regional financial and business center isn't as easily replaceable. Businesses, investors, and residents fleeing Hong Kong is a true net negative for China.

From 2010 to 2018, Hong Kong has handled about 64 percent of the foreign direct investment into China. Its liquid Western-style capital markets have been a boon for Chinese companies seeking foreign capital. During the same period, Hong Kong was the destination for 73 percent of mainland Chinese companies' offshore IPOs, 60 percent of all offshore bond issuances, 26 percent of offshore syndicated loans, as well as the global center for offshore yuan (CNH) trading activity, according to data from French global bank BNP Paribas.

There's simply no viable mainland alternative to Hong Kong. Its highly skilled and English-proficient workforce, free markets, rules-based legal structure, and U.S.-dollar-pegged currency environment can't be readily replaced.

Despite recent plans by Beijing to reposition Shenzhen—a Guangdong Province city just across the border from Hong Kong—as a major financial hub, its CCP governance structure and draconian social credit system are likely a non-starter for international businesses seeking a new home.

To China's detriment, the biggest beneficiaries to Hong Kong's demise will likely be Singapore or Taipei.



ISAAC LAWRENCE/AP/GETTY IMAGES

## OPINION

# Will Europe Punish China If Xi Crushes Hong Kong?

Does China fear Europe's backlash over Hong Kong more than it does US tariffs?

JAMES GORRIE

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resident Donald Trump's decision to link U.S. tariff negotiations to China's handling of the continuing Hong Kong protests seems like a smart move.

It amply demonstrates the importance of Hong Kong in the eyes of the United States and other Western democracies. It would also seem to give Chinese leader Xi Jinping even less room to maneuver, and may add leverage to the U.S. negotiating position.

Furthermore, Trump's offer to meet with the Chinese leader face-to-face to resolve the Hong Kong crisis peacefully focuses the world's attention on Xi, rather than Trump, as the source of potential violence and intolerance. But these advantages may not have the effect that Trump hopes they will. There are a couple of possible reasons for this.

## Waiting for 2020?

For one, it appears as if China may have decided to wait out Trump and his trade war policies. If true, the hope would be that Trump is replaced in the 2020 election by a more pliable U.S. president.

But if that's the case, there are some vulnerabilities to that strategy. The most obvious one is that Trump may win reelection. Another is that two more years of tariffs will have inflicted more damage to China's already limping economy, including an increase in the exodus of manufacturers and capital.

## Europe Is the Key to China's Growth

That's why Europe, and not Trump's tariffs, may be China's bigger concern. Xi understands that focusing on European trade is the key to lessening the effects of U.S. tariffs. About 1 billion euros in trade takes place daily between China and Europe, and China's investment in the European Union (EU) almost doubled in 2018 to 29.1 billion euros, from 17.3 billion in 2017. That trade flow is vitally important for both sides.

Trade also gives Beijing the opportunity to expand its relations with the EU. Not only are the Europeans a more willing trading partner than the United States, but China and the EU share recent experiences and viewpoints in their difficulties of working with Trump. Beijing sees increasing trade as a geopolitical opportunity to pull the EU further away from U.S.

**Xi faces a delicate and perhaps uphill battle to bring Europe over to China's side.**

influence.

## Hong Kong Policy Poses Risk to Xi

Xi may not concede to it, but his Hong Kong policy risks reversing the trading relations that China worked long and hard to establish with the EU. And economically, with U.S. trade relations continuing to deteriorate, China can ill-afford to lose trading deals with the Europeans as well.

But remaining in the Europeans' good graces won't be as easy for China as it has been in the past. Huawei spyware concerns, for instance, remain a sore point with much of Western Europe and highlight the EU's worry about Chinese takeovers of critical sectors. In response, the European Commission recently laid out a 10-point plan to address the trade imbalance and unfair and destructive trading practices by China. Notably, that was before the events in Hong Kong began.

## China's European Press Campaign

These objectives help explain Chinese ambassadors' concerted efforts to persuade Europeans to side with Beijing and against the protesters in Hong Kong. What those efforts lack in subtlety, they make up for in intensity. China's anti-protester campaign includes writing op-ed pieces condemning the Hong Kong protesters, as well as public criticisms of those European governments that don't.

But will that be enough to pull Europe out of its traditional Atlantic posture?

## Europe Remains Suspicious of China

Like the United States, the EU is very sensitive to the threat that China and its technology theft and consistent cyberattacks pose to their long-term well-being. Perhaps just as important, the liberal democracies of Western Europe are closely watching China's behavior toward the Hong Kong students, who are protesting against totalitarian China to preserve what's left of their own liberal democracy.

Still, Europe has yet to choose sides in the U.S.-China trade war. Furthermore, some of the Southern and Eastern European nations are the beneficiaries of billions in Chinese investments and would welcome more. But it's Germany and France—the leaders of the EU—that will determine its direction. And while British statements advising China to avoid

violence in Hong Kong are met with Chinese rebukes, it would be wise for the Chinese Communist Party (CCP) to keep in mind that Hong Kong, with its highly efficient legal and financial systems, is a Western European (British) creation—and not communist China's—and plays a huge role in China's financial relations with the world.

## CCP Divided on Xi's Lack of a Plan

But there may be another, internal political reason for China's overt efforts to bring Europe to its side. According to the Nikkei Asian Review, Xi's position within the Party isn't as secure as some would believe it to be. Some Party members are at odds with Xi's devaluation of the yuan, disagree with his refusal to name a successor, his growing personality cult, and his management of the economy.

Furthermore, there's a growing concern within the CCP regarding Xi's year-long delay in delivering the next five-year economic plan. The CCP has always planned China's economy with a long-term horizon, but Xi's foot-dragging is making Party members nervous. Some members view the lack of a formalized economic plan as a bigger obstacle than U.S. tariffs to China's continued economic growth. These factors magnify the importance of maintaining and growing relations with Europe, both in trade and geopolitically against the United States.

Xi faces a delicate and perhaps uphill battle to bring Europe over to China's side. He realizes that if he treats Hong Kong like Tiananmen Square, he could lose support for his “One Belt, One Road” (OBOR, also known as Belt and Road) initiative and jeopardize trade with Europe, along with other trade advantages China currently enjoys. Crushing the Hong Kong protesters won't just degrade communist China's already tarnished reputation, it will blacken Xi's as well, and sink his signature international development plans.

Xi must surely be weighing these potentialities; otherwise, tanks from the People's Liberation Army would have rolled into Hong Kong weeks ago.

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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.*



ISABEL INFANTES/AP/GETTY IMAGES



## CHINESE INFLUENCE

# African Countries Take Bold Step to Cancel Chinese Investment Projects



A technician with a Chinese company works at the construction site in Dar es Salaam, Tanzania, on March 23, 2013.

## DOMINIC KIRUI

NAIROBI, Kenya—Some African countries are canceling Chinese development projects and licenses as governments wake up to the potential risks of such deals.

Over the past few years, the regime in Beijing has played a huge part in African development projects. At the same time, there have been concerns about how it carries out those projects, often luring African countries into so-called debt traps with the potential to put national assets at risk in the event of a default on repaying their loans.

On Aug. 2, the Financial Times reported that “the government of Sierra Leone has canceled and suspended the licenses of several mining projects, including the Tonkolili and Marampa iron ore mines.” Major companies operating in Sierra Leone include China’s Shandong Iron and Steel, which owns the Tonkolili iron ore project, and Gerald Group, which owns the Marampa mines.

Since he ascended to power last year, Sierra Leone President Julius Maada Bio has made considerable changes to the law and reviewed mining contracts to ensure the country benefits from its natural resources.

In October 2018, Bio canceled another Chinese-funded project, construction of the Mamamah airport, at a cost of \$400 million.

The project loan agreement with China had been signed by the country’s former president, Ernest Bai Koroma, before his reelection bid failed in March 2018.

During that time, the World Bank and the International Monetary Fund (IMF) issued a warning to the effect that the project would impose a heavy debt burden on Sierra Leone.

Those investors are coming with tough conditions that can only be accepted by mad people.

Tanzanian President John Magufuli

The then-Chinese ambassador to Sierra Leone, Wu Peng, told the BBC at the time the project was canceled that relations wouldn’t sour between the two countries. “I don’t think the airport project should affect our future bilateral relations,” he said.

## Tanzania

In June, Tanzanian President John Magufuli suspended a project by the Chinese to build the Bagamoyo port at a cost of \$10 billion, after failing to agree on the terms of the project. The project agreement had been signed by then-President Jakaya Kikwete and his Chinese counterpart, Xi Jinping, during Xi’s visit to the East African country in 2013.

It included a 4,200 acres economic zone, and was to be built by the Chinese state-owned China Merchants Port in partnership with Oman’s State General Reserve Fund.

“Those investors are coming with tough conditions that can only be accepted by mad people,” Magufuli said, according to Kenyan news website Tuko.

“The investor told us once they build the port, there should be no any other port to be constructed from Tanga to Mtwara south. You are not even allowed to go and collect revenue, and the TRA [Tanzania Revenue Authority] is not allowed to step onto the port to collect revenue.

“Apart from that, they want us to give them a guarantee of 33 years and a lease of 99 years, and we should not question who ever comes to invest once the port is operational. They want to take the land as their own, but we have to compensate them for drilling construction of that port.

“I am saying this so that we understand

that as a country we have been played with, and we need to change.”

Echoing that sentiment, Anzette Were, a Kenyan development economist, recently warned in a Twitter thread that African governments need to be careful about how they borrow from China to spend on development projects.

“It is important that African governments manage & define the quality of investment they seek to encourage into their countries,” she wrote.

“Are there FDI [Foreign Direct Investment] strategies being deliberately employed by African governments to ensure the private sector interests in the continent are leveraged strategically?”

## International Concern

In August 2018, 16 U.S. senators wrote a letter to U.S. Treasury Secretary Steven Mnuchin and Secretary of State Mike Pompeo expressing concern about how China, through its One Belt, One Road initiative (OBOR, also known as Belt and Road Initiative), was lending money to countries in Africa and other parts of the world, sometimes more than they could repay, and therefore luring them into a debt trap.

In the letter, the senators pointed out that some countries were already requesting that the IMF bail them out from loans that they owe Beijing, citing the case of Sri Lanka losing its port to China.

“The Centre for Global Development has estimated that of the 68 countries currently hosting the BRI-funded projects, 23 countries are at risk of debt distress, and in eight of those countries future BRI-related financing raises serious concerns about sovereign debt sustainability,” the letter states.

“It also found that Chinese behavior as a creditor has not been subject to the disciplines and standards that other major sovereign and multilateral creditors have adopted collectively, and in the process, debt levels and dependence on China are rising. As financially strapped countries negotiate with China to free themselves of mounting debt, Beijing has extracted onerous concessions, including equity in strategically important assets. Further, Beijing has repeatedly used economic pressure to affect foreign policy decisions.”

Outside of Africa, Malaysian Prime Minister Mahathir Mohamad, during his first visit to China in August 2018, after winning the election, announced the cancellation of three OBOR projects: the East Coast Rail Link and two gas pipelines, the Multi-Product Pipeline and Trans-Sabah Gas Pipeline.

The projects had been signed by his predecessor, Najib Razak, whom Mahathir has always criticized for embarking on these ventures, saying that they were detrimental to the country and its fiscal health. During his election campaign, Mahathir pledged to reduce Malaysia’s rising debt levels, and the OBOR projects would only increase such debt.



ANDY WONG/AFP/GETTY IMAGES

## HUAWEI

# ‘Claws of the Red Dragon’ Seeks to Expose Huawei’s Role in Beijing’s Tech Ambitions

EVA FU &amp; JANITA KAN

A film set for release this fall seeks to shed light on the connection between Huawei Technologies—the world’s largest maker of telecommunications gear—and China’s ruling communist party.

The film, titled “Claws of the Red Dragon,” was inspired by the arrest of Huawei Chief Financial Officer Meng Wanzhou at Vancouver International Airport last year at the request of the U.S. government, and the subsequent deterioration of the Canada-China relationship. In what has widely been viewed as retaliation, the Chinese regime detained two Canadians and accused them of spying, while also sentencing another two Canadians to death for drug-related crimes.

Right now, the path that Huawei has taken as a front for the PLA is to basically take over the networks and the components throughout the world.

Stephen Bannon, former White House chief strategist

Meng, who is the daughter of Huawei founder Ren Zhengfei, was charged by U.S. prosecutors with conspiracy and fraud in connection with violations of U.S. sanctions on Iran. The U.S. government is currently seeking her extradition. Ren, who officially holds 1.4 percent of Huawei’s shares, has a background in the Chinese People’s Liberation Army (PLA).

“Claws of the Red Dragon” attempts to expose “the inner workings of the [Chinese Communist Party] and Huawei,” said former White House chief strategist Stephen Bannon, one of the film’s executive producers.

“This is a very powerful film,” Bannon said in an interview with The Epoch Times’s program American Thought Leaders. “I think it opens up and explains in a dramatic form exactly what’s going on with China’s encroachment into the technology area throughout the world. People will be shocked.

“I’ve tested [it] here in the United States in Washington ... tested it with some fairly senior people in the U.S. government, and they were stunned by some of the revelations in the film,” he added.

Bannon, who is currently the chairman of the Rule of Law Society and co-founder of the Committee on the Present Danger: China, said the film is significant, since it explores the looming threat the Chinese regime poses to the West through its global technological dominance ambitions.

“The backbone of the future of technology is 5G; [it] will be a dominant technology,” Bannon said. “Right now, the path that Huawei has taken as a front for the PLA is to basically take over the networks and the components throughout the world. If we allow this to happen, even for a couple of more years, Huawei is going to control basically the communications systems of the West and, therefore, will be able to control the West.”

President Donald Trump has deemed Huawei a “national security threat,” saying on Aug. 19 that “at this moment, it looks much more like we’re not going to do business.”



SCREENSHOT VIA JOE WANG/VIMEO

The company has been fighting a trade ban since May, amid the ongoing U.S.-Sino trade war. The ban has effectively blocked Huawei from doing business with U.S. companies without a special license.

U.S. officials have repeatedly voiced strong concerns that Huawei’s equipment could be used by the Chinese regime for spying, given the company’s close ties to Beijing.

A recent study found that about 100 Huawei staffers had links to Chinese military or intelligence agencies. The firm’s former CEO, Sun Yafang, also worked for China’s top espionage agency, the Ministry of State Security, before joining the company.

Research conducted by cybersecurity firm Finite State in June found more than 102 known vulnerabilities among the 550 Huawei devices examined, exposing users to security risks. The Trump administration has also

barred Huawei from building U.S. next-generation 5G networks over national security concerns, and has cautioned U.S. allies against working with Huawei.

So far, the United States has blacklisted more than 100 Huawei affiliates. Officials granted a 90-day extension on Aug. 19 that allows the firm to buy U.S. products, while giving U.S. companies more time to transition away from doing business with Huawei.

“We’ve been very clear with Canada and with all of our allies that we consider Huawei incompatible with the security interests of the United States of America or our allies in freedom-loving nations across the world,” Vice President Mike Pence said during a May press conference in Ottawa, Canada.

The film will be distributed by Epoch Times affiliate NTD and stars Dorren Lee, Taras Lavren, and Eric Peterson.

The film “Claws of the Red Dragon” seeks to expose the ties between Chinese telecom giant Huawei and the Chinese Communist Party.

## IP THEFT

## China Aiming to Challenge US Dominance in Biopharma, Report Says

CATHY HE

The Chinese regime is seeking to challenge U.S. dominance in biopharma by using a range of unfair practices, a strategy that threatens global drug innovation, according to a recent report.

The regime has slated the biopharmaceutical sector for global expansion, as part of its ambitious “Made in China 2025” industrial plan, a report by Washington think tank Information Technology & Innovation Foundation (ITIF) said. The plan aims to have the country become a high-tech manufacturing powerhouse by 2025.

To that end, the regime has deployed a “suite of unfair practices,” such as weak intellectual property (IP) protection for foreign drug-makers, industrial policies that favor domestic firms, and stealing trade secrets, Robert Atkinson, president of ITIF and the report’s author, told The Epoch Times.

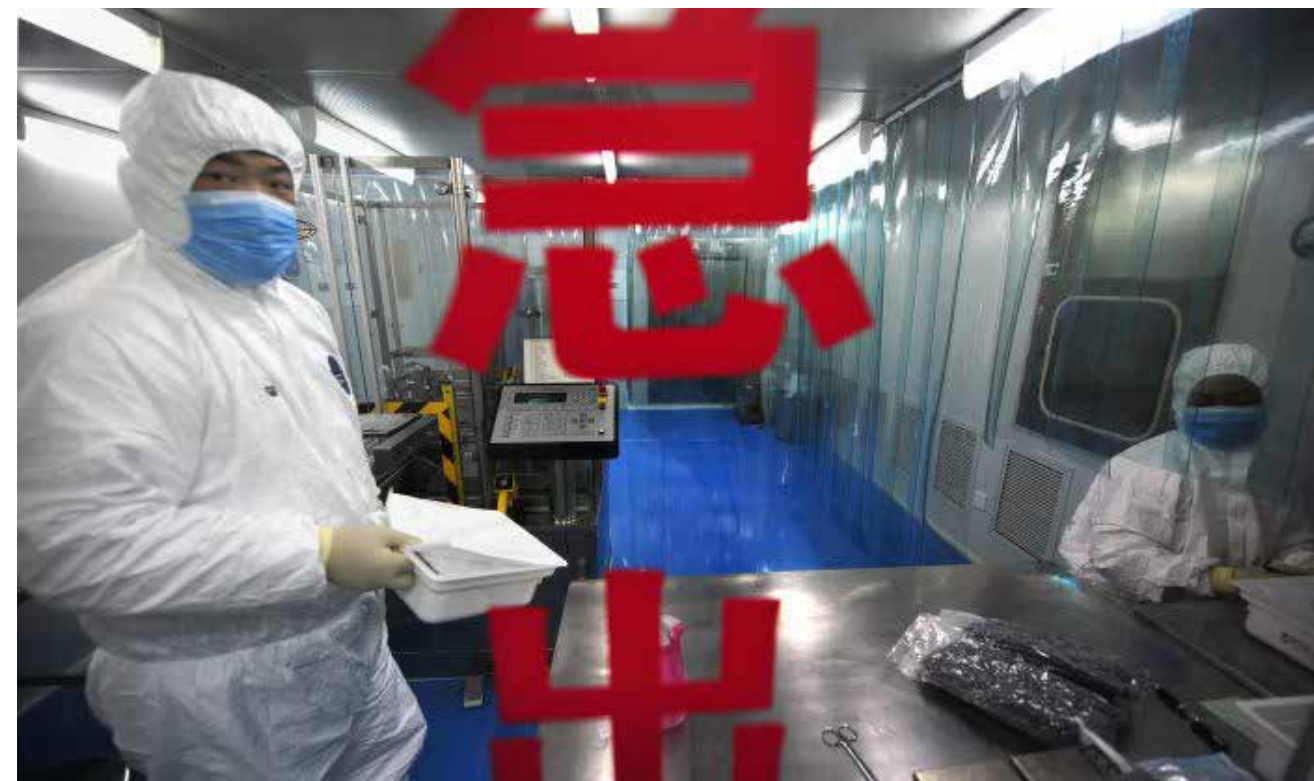
“It’s time to recognize that China is always criticized for embarking on these ventures, saying that they were detrimental to the country and its fiscal health. During his election campaign, Mahathir pledged to reduce Malaysia’s rising debt levels, and the OBOR projects would only increase such debt.”

## Building Generics

According to Atkinson, China’s strategy involves two stages: In the

They have intentionally created an IP system that is biased in favor of Chinese generic firms.

Robert Atkinson, president of Information Technology & Innovation Foundation



PETER PARKS/AFP/GETTY IMAGES

Lab technicians work at the Chinese firm Sinovac Biotech in Beijing on Aug. 24, 2009.

short term, it will build a world-class generics industry to generate revenue. Then, it will develop its own indigenous industry, eventually becoming a global leader in biotechnology.

The growth of the country’s generic industry has been fueled in part by weak IP protections, the report said.

For example, to gain approval for a new drug in China—unlike in the United States and other developed countries—a company doesn’t need to show that their drug doesn’t infringe on an existing patent.

“They have intentionally created an IP system that is biased in favor of Chinese generic firms,” Atkinson said.

“Their court system is stacked in a way that systematically is biased [against foreign firms]. When a foreign company would take a case for patent infringement, it’s striking ... how little they win. Most of the time, the Chinese generic company will win.”

Such Chinese firms, Atkinson said, are “free-riding” off the investment of foreign biopharma companies and taking away their market share.

The Chinese generics market is “built upon the tens of billions of dollars that Western drug companies have invested to develop new drugs.”

“That’s ... a big challenge not just to U.S. drug companies, but ultimately to the pace of global and medicine innovation,” he said.

## IP Theft

According to the report, economic espionage is also another tool employed by the regime to drive the development of their biopharma industry.

U.S. biopharma companies, including Abbott Laboratories and Wyeth, have also found themselves the target of Chinese hackers, while others have been victims of IP theft by rogue employees, who then sell the information to Chinese competitors.

For instance, Chinese-American Yue Xue, a leading biochemist working at GlaxoSmithKline in 2018, pleaded guilty to stealing trade secrets from a research facility in Philadelphia in hopes of launching a rival firm in China, funded in part by the Chinese regime.

In January, a former Chinese em-

ployee at a leading medical device company was convicted of stealing trade secrets, after the former employee traveled to China and obtained financing from the Chinese government to open up a rival firm using the stolen information.

## Keep Innovating

U.S. authorities should further crack down on instances of trade theft by Chinese nationals, including those who do research at academic and research institutions, Atkinson said.

The ongoing U.S.-China trade negotiations, Atkinson said, should also include the regime’s trade abuses in the biopharma sector.

Critically, U.S. biopharma companies need to innovate faster to stay ahead of China, according to the report. Any measures to ensure affordability of medicines should thus not limit the ability of firms to invest in R&D to develop new drugs, the report said.

“The primary way the United States can compete with China and remain the world leader in life sciences is to continue rapidly developing new drugs,” said Atkinson.





Communist troops of the Chinese Red Army on the march during the assault on Shanghai at the end of the Chinese Civil War on May 21, 1949.

## HUMAN RIGHTS

# Chinese Businessman Arrested, Loses Assets After Exposing Atrocities Committed by Red Army

OLIVIA LI

Chinese business entrepreneur Li Huaqing was arrested last year on the charge of “involvement in the mafia.” But recently, Li has been charged with “inciting subversion of state power” for having shared an article online about the violent history of China’s Red Army.

As a result, his multi-million dollar assets, including his company and real estate, were confiscated by local authorities.

Li Huaqing, 53, was the owner of Fuhuadian Company, a private enterprise in Chongqing City. He is currently detained at the local Jiangbei District Detention Center.

In mid-August, Li’s wife, Bao Yan, and his attorney both received an indictment from the court, notifying them that Li would be tried on Aug. 22 at the First Intermediate Court of Chongqing.

According to the indictment, Li attempted to “incite subversion of state power” between October 2017 and January 2018 in seven of his posts on WeChat, a Facebook-like social media platform. The post that got him in serious trouble was an article that accused the Chinese Red Army of causing over one million deaths in Sichuan Province.

The attorney Bao hired to represent her husband has made more than 20 attempts to meet with him, but has never received approval from the Jiangbei District Police.

Bao posted an open letter on social media on Aug. 19, which described the ordeals her family went through in the hands of local authorities.

Bao said her husband is an army

**I was detained for no reason for 60 hours, and had to go through continuous interrogation and intimidation before the police released me with neither an explanation nor apology.**

Bao Yan, wife of Li Huaqing

veteran and a kind-hearted man. Li had donated a total of nearly 300,000 yuan (\$42,474) to several charities in China in the past several years. He provided financial aid to children in the Daliang Mountains in Sichuan Province because he had served in this area while in the military and witnessed the plight of the poverty-stricken families there. He also helped victims of occupational lung disease, and given financial aid to some of his former comrades who could barely make ends meet after serving in the military.

The family’s affluent and happy life came to an abrupt end in early 2017, when one of Li’s debtors reported him to the police and accused him of being involved with the mafia. Li’s debtor claimed that Li had coerced him into signing an IOU. In China, some gang groups engage in illegal predatory lending activities.

Although Li provided a number of witnesses and evidence that refuted the accusations, the police came to his residence and company on Jan. 31, 2018. They detained Li, his wife Bao, his elder son from a previous marriage, three employees and five former employees who had left the company at least two years ago.

“I still have nightmares today as a result of the horrific experience,” Bao wrote in the open letter. “I was detained for no reason for 60 hours, and had to go through continuous interrogation and intimidation before the police released me with neither an explanation nor apology.”

The police did not even spare the couple’s younger son who was only 10 years old at the time. They went to his boarding school to intimidate him. According to Bao, the police in-

terrogated the child in an aggressive manner. For a long time afterwards, the child refused to go to school because he was afraid that the police might come and arrest him there.

Bao complained about the mistreatment by police in her open letter: “There are clearly-stated laws that protect underage citizens. When the police interrogated my 10-year-old son, wasn’t it an outright disregard for the rule of law? The charge against Li Huaqing was initially said to be ‘involvement in the mafia,’ and has now been turned into ‘inciting subversion of state power.’ It’s as if the police is putting on a show.”

In February 2018, the police confiscated Li’s assets, including his company and real estate properties. Li’s sister was also implicated in the case, and the authorities seized her assets. The total value of assets confiscated from the two families exceeded 100 million yuan, according to Bao.

Bao was left destitute and had to borrow money so she could feed herself and her young son.

She also believes her husband is the victim of a frame-up by Chongqing police who have fabricated charges against private company owners for the past decade in order to plunder their assets.

### Private Entrepreneurs in China at High Risk

According to the 2017 Entrepreneurs Criminal Risk Analysis Report, at least 2,292 Chinese entrepreneurs were convicted in 2017, among them 1,984 private company executives, accounting for 86 percent.

Once the owner of a private company is sentenced or accused of criminal charges, their assets are often

taken away. This is more or less the reason why private entrepreneurs are at an extremely high risk of being unjustly charged with crimes—it’s to seize their assets.

One such victim was Shi Lijun, a private entrepreneur from Mengyin County, Shandong Province who owned three textile companies worth more than 1 billion yuan (\$142 million). In 2014, Shi was framed by then-Party secretary Zhu Kaiguo. Shi was illegally detained for two and a half years, and all his assets were confiscated by the local government. Shi pleaded not guilty and was released, but his assets were not returned, the Chinese-language edition of *The Epoch Times* reported in May 2017.

During this year’s “Two Sessions”—China’s annual plenary sessions of the two organizations that make national-level political decisions—Sun Qian, the deputy procurator-general of China’s highest prosecutor’s office, said that some local governments “arrest private company owners and suspend their companies” for no good reason or for trivial offenses.

According to a March 2019 report by Chinese financial magazine *Caixin*, Sun revealed that when he visited one province during an inspection, he found that among the top 100 private companies in the area, executives from several dozen of them had been arrested. Their companies had to stop production, and workers were laid off as a result.

Ever since the Chinese Communist Party (CCP) seized power in China in 1949, private entrepreneurs have been targets of government repression in numerous political movements.

### Documented History of Red Army’s Crimes in Sichuan

Li Huaqing WeChat’s post—the article that exposed the atrocious crimes committed by the Red Army during the Chinese Civil War—was based on well-documented reports that can be found in at least three publications—*Business Daily*, *New Sichuan*, and *Sichuan Monthly*.

*Business Daily* said in a Nov. 27, 1933 report: “In Tongjiang County alone, more than 2,300 households were slaughtered and executed by the Red bandits, regardless of whether the victim is rich or not, and even virtuous scholars were not spared. In the end, only a few dozen households were left intact in the entire county.”

*Sichuan Monthly* reported in November 1934 that in Tongwei County more than 120,000 residents were executed, based on the number of corpses found in dozens of burial pits. One of these pits was gigantic and became the final resting place of about 10,000 people. Among the victims were pregnant women and babies that were only a few months old.

Moreover, when the Red Army, facing the Kuomintang’s attacks, decided to retreat from Sichuan Province in December 1933, Commander Zhang Guotao ordered the soldiers of the last three retreating regiments to burn down all the civilian houses and fields, so as to “leave no provisions for the enemy.”

The total number of deaths in Sichuan Province caused by the Red Army was as high as 1.1 million, according to the *Sichuan Monthly* report.

*Epoch Times* reporter Xiao Lusheng contributed to this report.

## SWINE FLU

# Thriving Fishing Village in China Polluted Because of African Swine Fever

350,000 dead pigs dumped in the village, causing foul odor

OLIVIA LI

Tens of thousands of dead pigs were transported to and buried in a fishing village in China over the past three weeks, which local residents were unaware of until the odor of rotting flesh permeated the entire village.

It was revealed that the burials started on July 29, shortly after county-level officials held a secret meeting with village officials.

While an official from County Agricultural and Rural Bureau promised to solve the problem after the villagers appealed to local authorities, police were sent to silence the villagers.

Huanyu Village of Rudong County in Jiangsu Province is a fish farming village, with nearly 5,000 mu (824 acres) of whiteleg shrimp ponds. The village also produces seaweed, with a total area of 35,000 mu (5,766 acres) dedicated to the cultivation and annual production of more than 100,000 TEUs (20-foot equivalent units) of plants. Moreover, it serves as a wholesale market for seaweed, and attracts international customers from Japan and South Korea.

The instruction to bury the carcasses along the village’s coastline came from the county government, a villager told the Chinese-language edition of *The Epoch Times*, on condition of anonymity. Officials from the county government made the decision without the villagers’ consent during a secret meeting with village officials held at midnight on July 28.

“Local residents were kept in the dark for many days. Occasionally, a few dead pigs were found in the village on the side of a road, but the villagers did not pay much attention,” he said. “Now, the whole village is overwhelmed by an obnoxious odor, to the point that people have to keep their windows closed all the time. It is so pervasive that many have lost their appetite or have been vomiting.”

“I am in my 40s. In my whole life, I have never smelled anything as bad as these rotten pigs before. It is really unbearable,” he added.

The villager who spoke with *The Epoch Times* said he learned from village officials that about 350,000 pig carcasses are buried there.

On Aug. 14, some villagers were able to identify the source of the odor by tracing it to the burial area; they also learned that there had been an outbreak of African swine fever in the county that killed thousands of pigs, and something had to be done with the carcasses.

There are more than 30 pits in the burial site, and each pit is covered with only a thin layer of plastic film.

Because the pig bodies are partially exposed in the summer heat,

**The outraged villagers spontaneously organized themselves to protect the village. They took turns guarding the burial area 24 hours a day, so they could intercept vehicles bringing in more pig bodies.**

the rotting flesh has produced a foul odor. Villagers are worried that the swelling plastic film may rupture one day, causing the odor to become stronger and spread further.

The outraged villagers spontaneously organized themselves to protect the village. They took turns guarding the burial area 24 hours a day, so they could intercept vehicles bringing in more pig bodies. Some other villagers relentlessly petitioned different levels of government agencies to remedy the problem.

On Aug. 19, officials from the County Agricultural and Rural Bureau agreed to meet with the villagers. The bureau’s deputy director promised to halt the burial of dead pigs in the village; surround the burial site with a 2.8-meter-tall (about 9 feet) steel wall to minimize the spread of the odor; dig trenches outside the wall to prevent toxic and odorous substances from leaching into the ground and water table; cover the entire burial site with plastic film and use sewage control trucks to remove blood and odors; direct the county to conduct long-term water quality monitoring and publicize the test results; allow villagers to check the progress and ensure that the steps he outlined would be fulfilled to villagers’ satisfaction.

However, not only did the local authorities breach all the promises, local police—at the order of county officials—began intimidating villagers who were leaders in the petitioning activity.

The man who spoke with *The Epoch Times* said another villager called for protesters to block a nearby highway and hold up banners on Aug. 21. Police learned about the plan and a large number of officers arrived at the gathering site to stop the demonstration.

Local authorities have blocked the flow of information so that outsiders won’t know what happened in Huanyu Village, the man added.

Another villager, who complained on the village’s WeChat group, wrote, “Two days have passed since someone made the promises, yet nothing has been done. The stinky odor is overwhelming and unbearable. Why is it so difficult for them to immediately take action, such as covering the pits with more earth? Someone said that a police car is patrolling the area. Does that mean there will be a crackdown similar to what happened in Tiananmen Square in 1989?”

Police arrested the writer of the message.

*Epoch Times* reporter Gu Xiaohua contributed to this report.

A screenshot from a video showing a truck dumping dead pigs into a huge pit.



PHOTO PROVIDED BY A VILLAGER IN HUANYU VILLAGE, RUDONG COUNTY, JIANGSU PROVINCE





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