

WEEK 38, 2019

THE EPOCH TIMES

CHINA INSIDER



Chinese provinces goes into lockdown ahead of key anniversary 3

DEBT CRISIS

WILL CHINA CENTRAL BANK'S DEBT BOMB BLOW UP THE YUAN?

See Page 4

BIG TECH

Google's China Ties in AI Research Eyed

Company collaborates with entities that conduct AI research with military applications

ANNIE WU & ZHONG JINGMING

Google's connections to China have come under scrutiny after U.S. President Donald Trump in late July said his administration would look into allegations that Google was working with the Chinese government on projects that could threaten U.S. national security.

"There may or may not be National Security concerns with regard to Google and their relationship with China. If there is a problem, we will find out about it. I sincerely hope there is not!!!" Trump wrote in a July 26 tweet.

Google left the Chinese market in 2006, and its search engine is blocked by China's "Great Firewall." But the U.S. internet giant maintains a number of tech research projects in China, many of them focused on artificial intelligence (AI). The company has offices in Beijing, Guangzhou, Shanghai, and Shenzhen.

Google placed its emphasis on AI research in the country by appointing Li Fei-Fei, an AI researcher and professor at Stanford University, to start its AI China Center in Shanghai.

According to the company, the research center was established to encourage research collaborations with the country's top AI and machine-learning experts.

While there is no information to suggest that the AI center conducted sensitive research that could have national security concerns, through scouring Chinese-language media reports and online sources, The Epoch Times found information about Google's AI collaborations in China that indicates they have military applications.

In addition, Li, who left the company in September 2018, has extensive ties to Chinese AI research and academic circles. She is a member of a science and tech research forum that is supervised by Chinese authorities. In addition, mentors she has cited as important to her career are participants of the "Thousand Talents" program, an initiative started by Beijing to recruit top scientists and engineers from the West to work in China.

In recent months, the Thousand Talents program has come under U.S. scrutiny because of its potential in abetting academic espionage. Several Chinese individuals indicted on federal charges of stealing trade secrets were participants in the program.

Google and Li didn't immediately respond to The Epoch Times' requests for comment.

Research Project

On June 28, the official website of the Chinese Academy of Sciences, the country's top state-run research institute, published an article entitled "Progress in the Basic Research on Human-Computer Interaction of Mobile Targets in Software." The article stated that a top Chinese AI research scientist employed by Google, Zhai Shumin, came to Beijing to work with researchers at the academy on developing a "human-computer interaction" project, the results of which were published in a paper.

According to the paper, the researchers developed a kind of target selection-assisting technology, which increased the speed of users' selection of moving targets by about 57 percent and accuracy by about 79 percent. At the same time, the team also used the model to predict the error rate of a moving target selection.

Upon publication, two unidentified Chinese researchers familiar with the project confirmed to Hong Kong-based newspaper South China Morning Post (SCMP) that the technology allows fighter pilots or air defense missile operators to select fast-moving targets quickly and accurately using a touch screen, and that the Chinese military's most ad-



JOHANNES EISELE/APP/GETTY IMAGES

vanced stealth fighter jet, the J-20, has the opportunity to adopt the technology.

The Chinese Academy of Sciences stated in the initial version of its online press release announcing the research results: "The research ... plays an important role in the interface design and technology development of human-computer interaction widely applicable in the military, medical, education, digital entertainment, and other fields."

But after SCMP reported about the paper and sought comment from Google, the word "military" was deleted from the online press release.

But many Chinese media, such as Sina.com, which reprinted the press release, retained the word in their reporting.

Google confirmed to SCMP its involvement in the research paper, but denied a link to the military.

"This paper addresses a very general research question in user experience design of how people interact with moving items on a touch screen. ... This paper is simply not about military applications." SCMP cited Google as saying. "Research like this is key to improving finger or stylus-based navigation in any app."

Collaboration With Tsinghua

The Epoch Times previously reported that in June 2018, Google founded a new AI research body with Tsinghua University, one of China's most prestigious schools.

Earlier that month, it was revealed that the university received significant funding from the Chinese military to work on a project aimed to advance the military's AI capabilities.

China Education Daily, a state-

owned newspaper run by the regime's Ministry for Education, reported on June 8, 2018, that Tsinghua University received more than 100 million yuan (\$14.53 million) from the Science and Technology Committee of China's Central Military Commission—a Party organ that oversees the military—to work on an AI project for the military.

The project is tasked with researching and developing AI for human-machine combat teaming, the report said.

The report added that the work of the university's military AI lab, called "Military Intelligent High-End Lab" and established in 2018, would be "guided by military needs" and would help build China into an advanced AI country.

The Chinese regime has set the development of AI as one of its top priorities, especially in "military-civilian integration," or developing technology that can have both military and civilian applications. In July 2017, China's State Council, a cabinet-like agency, published a detailed plan for China to become a "world leader" in AI by 2030. The plan aims to build a domestic AI industry worth \$150 billion.

Li Fei-Fei

The Tsinghua lab collaboration was announced at a joint Google-Tsinghua symposium held in Beijing on June 28, 2018. Li Fei-Fei, then a vice president at Google Cloud, was in attendance. She was hired by Google in November 2016 to lead a new AI research unit.

Li was born in 1976 and immigrated to the United States with her parents at the age of 16, according to Chinese media reports that have noted her success as an AI expert.

She left Google in September 2018, when she announced she would resume teaching at Stanford, where she is director of the university's Artificial Intelligence Laboratory and Vision and Learning Lab.

Li is involved with a number of science and tech organizations in China that have close ties to authorities in Beijing.

Li is a member of the Future Forum science committee. According to the forum's official website, the organization was founded in Beijing in 2015 by leaders in the scientific, educational, internet, and investment fields to facilitate cross-disciplinary research. It is directed by the China Science and Technology Association (CAST) and supported by the Beijing Chaoyang District government.

CAST describes itself as a non-governmental organization, but also clearly states on its website that it "serves as a bridge that links the Communist Party of China and the Chinese government to the country's science and technology community."

Future Forum also lists "strategic cooperation media" partners such as People's Daily, Xinhua, and The Paper, all Chinese state-run media.

Other members of the forum are

descendants of or associated with former top Communist Party officials, commonly referred to as "princelings," including Liu Lefei, son of Liu Yunshan, former member of the Politburo Standing Committee, the Party's top decision-making body; Zhu Yunlai, son of former Premier Zhu Rongji; and Ma Xuezheng, a business executive at Boyu Capital, a private equity firm that was founded by Jiang Zhicheng, grandson of former Party leader Jiang Zemin.

In December 2017, at an "overseas talent exchange" conference held in Guangzhou City that was jointly organized by the European and American Alumni Association and the Chinese Ministry of Education, Li was selected as one of 50 top Chinese who studied abroad.

The European and American Alumni Association was founded by late imperial intellectuals in Beijing in October 1913. It was originally a group for Chinese intellectuals who studied abroad.

After 1949, the association was taken over by the communist regime and became an important tool for the Chinese Communist Party's United Front Work Department, an agency tasked with spreading the regime's agenda at home and abroad.

An August 2016 report by state-run media Xinhua noted that Beijing authorities issued a notice on how to better build Party allegiance in the Alumni Association, explaining that it's an organization "directed by the Party" as a "united front mass organization."

Many former Party leaders, top researchers at state-run institutes, and university presidents are members of the association.

Li's Mentors

In July 2017, Li delivered a speech before the Conference on Computer Vision and Pattern Recognition, where she thanked her mentors for their support.

Li said she got her first teaching job at the University of Illinois at Urbana-Champaign with the help of Thomas S. Huang, or Huang Xutao. A naturalized U.S. citizen and research professor in electrical and computer engineering at the university, Huang in 2002 was appointed a foreign academician of the state-run Chinese Academy of Sciences. In 2012, Huang was recruited under the Thousand Talents program by a research institute in Chongqing City in southwestern China.

Li also mentioned Li Kai, a professor at Princeton University, during her speech. She explained how she received his help while organizing the international AI imaging competition ImageNet.

She said that Li Kai allowed her to use machines in his lab, and made the competition possible.

In November 2017, Li Kai was also elected a foreign academician, of the Chinese Academy of Engineering. He is a lecture professor at Tsinghua University and also a Thousand Talents Program recruit.

They haven't been accused of any wrongdoing. But U.S. authorities are on the alert about China's recruitment programs. At a congressional hearing in December 2018, Bill Priestap, then-assistant director of the counterintelligence division at the FBI, said that China's recruitment programs, such as the Thousand Talents, were "brain gain" programs that "encourage theft of intellectual property from U.S. institutions."

Earlier this year, the United States' National Institutes of Health published a report about the risks of state-sponsored programs such as Thousand Talents for presenting conflicts of interest, as scientists may be recruited by foreign countries to conduct research that could be funded with U.S. federal grants.

Li Fei-Fei didn't immediately respond to questions about her relationship to Li Kai and Huang, nor her affiliation with the alumni association.



Members of the Armed Police's Xinzhou corps participate in an anti-terrorism drill on a hill in Xinzhou city of Shanxi province, China, on Jan. 22, 2018.

CHINESE REGIME

China's Shanxi Province Goes on Lockdown, Imposes Heightened Security for Key Anniversary

NICOLE HAO

As the Chinese Communist Party prepares large-scale celebrations for the upcoming 70th anniversary of its takeover of China, local governments are entering into lockdown mode to ensure that anything that could threaten the Chinese regime's stability is squashed.

The Chinese-language Epoch Times recently obtained a classified document released by the Shanxi provincial government's committee on national security, in which it instructed all security-related government agencies in the province to "prepare for war."

The document, marked "extremely urgent" and dated on Sept. 2, warned of risks due to ongoing Hong Kong protests and "the United States' suppression"—likely a reference to the ongoing Sino-U.S. trade dispute—adding that the province's "political security and social stability" was very important for Beijing.

Shanxi Province is a landlocked province in north-central China, to the west of Beijing. The distance between the provincial capital of Taiyuan and Beijing is over 250 miles.

"Shanxi is an important part of the shield to protect Beijing," the document stated, referring to a central government project initiated in the early 2000s for the areas near the nation's capital, including Shanxi, Hebei, and Liaoning provinces, to provide extra security.

It emphasized that heightened security is needed for the 70th anniversary celebrations in Beijing on Oct. 1, as well as the upcoming fourth plenary session of the Party's Central Committee, a political meeting in Beijing where top officials discuss the Party's direction and future policies. The Party announced that it would take place sometime in October.

The Central Committee is a group of Party elite that currently consists of 205 members and 171 alternate members. According to Party convention,

The three things that cannot happen are: large-scale power outages; incidents where people are killed; or incidents where equipments in large factories are damaged.

the fourth plenary session should have taken place last autumn. Some political observers believe that the session was postponed for over a year due to factional disagreements within the Party leadership.

Prepare for War

The document instructed security agencies to ensure the bottomline of "three things to prevent" and "three things that cannot happen." Those are: preventing large-scale violent terrorist attacks; preventing the trend of violent attacks happening more and more frequently; and preventing the attacks from spreading to other regions. The document did not explain what constitutes a "violent terrorist attack," but state media often use the term to refer to violent attacks that result in multiple injuries or deaths.

The three things that cannot happen are: large-scale power outages; incidents where people are killed; or incidents where equipment in large factories are damaged. "All departments in each level of government must be in the status of preparing for war beginning Sept. 1. Each level of government must guarantee the security of the economy, society, internet, and so on," the document dictated.

It added that senior officials should be assigned to oversee tasks related to these security measures, with officials filling shifts continuously 24 hours a day, seven days a week.

CCP's Risks

The document then explained specific events could cause "conflicts" in society: "Many Western countries, including the United States, are tightening their suppression on our country. The negative impact of the Hong Kong anti-extradition-bill incident could possibly spill over into mainland," the document stated.

Since June, mass protests in Hong Kong have ignited over a controversial extradition bill that proposed al-

lowing the Chinese regime to transfer individuals for trial in mainland China, where there is no rule of law. The movement against China's encroachment of Hong Kong's autonomy has since broadened to include calls for open, direct elections and an independent investigation into police use of force against demonstrators.

The notice ended up calling on all officials to keep alert on "black swan and grey rhino events."

A "black swan" is a metaphor for an unforeseen occurrence that has significant impact, while a "gray rhino" is a highly probable yet ignored threat.

Analysis

U.S.-based China affairs commentator Shi Shi believed that the Shanxi announcement emphasized "political security" is because there are currently political risks—disagreement between local officials and the Party leadership in the Central Committee, which will hold its plenary session soon. Many of the elite officials are currently aligned with Party leader Xi Jinping.

"The confidential document shows that there are Party officials who don't agree with the Central Committee's opinion, are not 'on the right team,' and need to modify their political opinion," she told the Chinese Epoch Times in a Sept. 12 interview, explaining that the difference in opinion suggested factional infighting.

Besides Shanxi, other regions have already begun placing tight restrictions on citizens' activities in order to prevent any kind of dissent or disruption during the 70th anniversary celebrations, also known as "National Day."

Beijing has planned a large-scale military parade and other activities in the capital. The city government has forbidden all shops to sell kitchen knives, hammers, axes, and scissors since August; temporarily closed hundreds of clubs, restaurants, and bars; and strictly controlled people's movements.



MATT WINKELMEYER/GETTY IMAGES FOR WIRED25



The headquarters of the People's Bank of China, the Chinese central bank, in Beijing on Aug. 7, 2011.

OPINION

China Central Bank Debt Threatens to Upend the Yuan

JAMES GORRIE

On Aug. 5, the U.S. Treasury declared China a currency manipulator for allowing its currency, the yuan or renminbi, to fall below the 7:1 value exchange against the U.S. dollar. And if certain trends continue, that may be just the beginning of China's currency woes.

The Two Chinas
China's currency manipulation isn't really the overriding concern. It's the regime's continued manipulation of the outside world's financial system and maintaining the facade of economic legitimacy, that's the regime's real challenge. That's because, like the yuan itself, there are actually two Chinas. There is the external China and internal China that the Chinese Communist Party (CCP) doesn't want the world to see.

Briefly, external China is the global leader in manufacturing and the power behind the highly ambitious One Belt, One Road initiative. It's also the China that's expanding its military power in the South China Sea by building military bases on man-made islands. It's also the China that boasts before the world in Davos and other globalist watering holes just how brilliant the CCP is in having created this modern China from scratch in only 40 years, after 30 years of deprivation.

Internal China is, in brief, fragile and growing more so by the day. It's built by fraud, corruption, deceit, and oppression on a scale unimaginable to most outsiders. This China is brittle because the foundation upon which it stands is based on a series of lies.

One of those foundational lies is the Chinese financial system if you can call it that. The short version is that tremendous amounts of debt continue to be issued by the People's Bank of China (PBOC) to fund a variety of "economic" activity such as:

- politically favored projects that will keep people employed for a time, but add little if any value to the economy;
- loans to state-owned enterprises (SOEs) whose capital has just been stolen by the CCP, making a once-profitable enterprise an insolvent one;
- rolling over SOE debt into new loans.

China's Delicate Yuan Balancing Act
The upshot is that the PBOC is much more of a political institution than a

Unlike the United States and Europe, China lacks a legitimate legal system, a legitimate economy, and, therefore, economic sustainability.

A woman counts Chinese yuan bills in Vancouver, Canada, on Oct. 27, 2015.



BEIJING/CHINA/STREET/GETTY IMAGES

financial one, run by the CCP. By virtue of the debt it holds, the PBOC virtually owns China, which means the CCP owns China. No surprise there, of course, but it does explain why so many CCP members are multimillionaires and billionaires.

The surprise is the amount of debt—or assets, if one prefers—that the PBOC holds. Steve Bannon, former chief strategist to President Donald Trump, put the estimated number in an interview with Real Vision Finance at near \$50 trillion. What's more, \$45 trillion of that was taken on from 2008 and later, and today, it takes \$3 of debt to produce \$1 of growth. Furthermore, only a relatively small portion of the loans are ever called.

When default is in sight, the debt is simply rolled over into a larger loan. All of this is accomplished by the PBOC simply printing more money. By comparison, the American banking system has \$19 trillion in assets on its balance sheet, roughly equivalent to the United States' annual GDP.

At the same time, the PBOC holds only about \$3.2 trillion in foreign reserves. And yet it arbitrarily sets the yuan exchange rate by a basket of global currencies, with a 2 percent band of daily depreciation allowed. One can see why China prefers to let the yuan devalue (and likely more sooner than later) rather than tap its foreign exchange reserves to support it.

That's an unwinnable strategy, es-

pecially since China's GDP is only an estimated \$14 trillion. Those GDP figures, by the way, are grossly inflated. It's a political figure used to legitimize the rule of the CCP, not an economic one. A more accurate assessment via electricity usage would be 30 percent below the reported number, putting China's real GDP less than \$10 trillion.

As Economy Falls, the Yuan Will, Too
Furthermore, China's growth rate is the worst in 27 years. In response, the PBOC has made borrowing even cheaper to stimulate growth. But with the trade war, companies leaving China, and consumer spending waning, it's not at all certain that the lower lending costs will boost growth.

Another big factor in the China contraction is the rapidly evolving manufacturing supply chain. Both U.S. and European manufacturing jobs are leaving China in droves. A 2019 QIMA survey of manufacturers shows that 80 percent of U.S. respondents and 67 percent of European ones plan to leave China. The reality is that this critical move away from China by U.S. and European firms will more than likely be ongoing and permanent for the foreseeable future.

Plus, while consumer spending was 75 percent of the economy in 2018, now, nearly 80 percent of Chinese consumers prefer to save rather than spend. Plunging car sales confirm that

reality, falling in 2018 for the first time in 20 years, and worsening in 2019. To make matters worse, food prices have risen 9.1 percent over the past year, posing a potential trigger for massive civil unrest.

As the Chinese economy continues to deteriorate, so too will the yuan's real and perceived value. The PBOC is trying to keep up appearances, vis-à-vis its currency and its economy, by preventing the truth of the situation from infecting the perception of the yuan in global markets. At the same time, it needs to devalue the yuan to increase global demand for Chinese goods, but can't do it too fast or too far, for fear of triggering a devaluation freefall.

Who Wants Yuan in Their Wallet?
Both of these scenarios are already in play, at least to some degree. But both will likely worsen sooner than later, as China finds itself in a losing situation on both fronts.

China has played the West for fools for decades. Companies invested, shared technology (or had it stolen), trained and educated China's workforce, and made fantastic profits from China's cheap labor.

Like the Native Americans who sold Manhattan Island for a chest of worthless baubles, we've sold China our treasures for the promise of open access to the vast Chinese market. But we now know that the promise of market access is as empty as their 60 million apartments and dozens of ghost cities where nobody lives.

But those days are now behind us. Unlike the United States and Europe, China lacks a legitimate legal system, a legitimate economy, and, therefore, economic sustainability. Let that reality sink in for a moment. Sooner than later, those facts will matter to everybody, and then nobody will ever want to hold the yuan.

It will never become a global reserve currency, and the CCP's dreams of global dominance will be over as the world wakes up and sees the real China.

James Gorrie is a writer and a speaker based in Southern California. He is the author of "The China Crisis."

The PBOC holds only about \$3.2 trillion in foreign reserves. And yet it arbitrarily sets the yuan exchange rate by a basket of global currencies.

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

OPINION

US Pensions Under More Pressure to Divest From Chinese Securities

FAN YU

U.S. public pensions are facing increasing pressure from lawmakers to stop funneling public money into Chinese securities—and for good reasons.

Two prominent U.S. senators recently requested that one of the nation's biggest government pension funds reverse course on an earlier decision to funnel \$50 billion of its assets into Chinese stocks and bonds. The move, if completed, would potentially give money to Chinese state-controlled firms that could directly or indirectly undermine the sovereignty, security, and economic well-being of the United States.

Sen. Marco Rubio (R-Fla.) and Jeanne Shaheen (D-N.H.) penned an Aug. 26 letter to Michael Kennedy, chairman of the Federal Retirement Thrift Investment Board (FRTIB), warning that investing in Chinese securities is a bad idea. It could inadvertently funnel U.S. government funds to support the Chinese Communist Party (CCP) and its policies.

The letter said that China "uses state-owned and state-directed enterprises to control production, compete in global markets, and serve the Chinese Communist Party's military, political, and economic goals," and that it would be improper to divert "the paychecks of members of the U.S. Armed Services and other federal government employees" to fund those enterprises.

In a decision made in 2017, the FRTIB, beginning next year, will benchmark its International Stock Index Fund's portfolio investments against the MSCI All Country World ex USA Investable Market Index, which now includes various China-based publicly traded companies.

Investment funds tracking themselves against any given index will typically buy and hold the same stocks as those included in the index. Domestic Chinese companies make up about 8 percent of this particular MSCI index.

FRTIB is one of the biggest public pensions in the world, with more than \$575 billion of assets under management. It serves roughly 5.5 million participants, including child employees of the armed forces, the U.S. Postal Service, the three main branches of the U.S. government, as well as various federal agencies and departments.

The senators singled out a few problematic companies within the index. AviChina Industry & Technology Ltd., for example, has subsidiaries that develop manned and unmanned aircraft, missiles, and other weapon systems directly for the Chinese military—a military apparatus that is directly challenging the U.S. military for superiority.



Hikvision cameras at an electronic mall in Beijing on May 24, 2019. The surveillance camera maker is included on a market index that U.S. pension funds invest in.

Hangzhou Hikvision Digital Technology, a manufacturer of surveillance equipment, is a prominent supplier to the Xinjiang region, where Uyghur Muslims are subject to constant monitoring by Chinese authorities. In August, a U.S. law barring federal agencies from purchasing Hikvision equipment went into effect, due to national security concerns.

More Debate Warranted

In 2017, advisers from consulting firm Aon Hewitt and asset management firm BlackRock convinced FRTIB to switch to referencing MSCI indices—as the pension fund's previous allocation didn't contain any stocks from China, the world's No. 2 economy.

Fast forward two years, and times have changed.

Today, the United States is mired in a trade war, technology war, financial war, and a potential cold war with China and its sphere of influence. The challenges go far beyond trade and economics—the world is at an inflection point where China is looking to export and influence foreign nations with its communist ideology, agenda, and world view.

At issue are assets of \$575 billion, and many people's retirement funds are at stake. The FRTIB, naturally, must make good investment decisions for its beneficiaries. While the FRTIB shouldn't make a rash decision on Chinese stocks, there needs to be more debate, and more public information disseminated about the investment thought process—especially around emerging markets stocks with dubious affiliations and sub-standard governance.

Perhaps barring ownership of all Chinese companies' stocks and bonds is a tough sell. But at the minimum, investment funds must perform due diligence and walk away from companies involved in censorship, persecution, and human rights violations. Being an investment arm of the U.S. government serving current and former government em-

ployees, investment funds should also walk away from companies whose missions are antithetical to U.S. interests or its security.

For example, the United States once banned ex-MSCI constituent telecom giant ZTE from doing business with U.S. companies, as punishment for breaching terms of a court settlement after it pleaded guilty to violating sanctions on Iran. Another MSCI member, China Unicom, hosted internet connectivity in North Korea, providing critical infrastructure and equipment for the rogue state and granting its ability to stage international cyberattacks against other nations.

Within this backdrop, should any U.S. government-affiliated public pensions invest in such companies? The answer is a resounding no.

Grave Governance Concerns

As investment firms place greater importance on the social impact of their investing activities, it's becoming even clearer that such Chinese companies should have no place in a pension fund's portfolio.

But even if one were to ignore the social and national security issues surrounding these stocks, most Chinese companies still don't pass muster if one were to apply traditional investing criteria.

All portfolio managers care about a company's corporate governance, shareholder rights, and compliance standards. Chinese companies, however, aren't subject to the same stringent financial regulatory standards as U.S. companies.

All corporate records must remain in China, according to the CCP. Want to examine a company's books and records, and its audit work papers? Tough luck—those are deemed to be "state secrets," according to Beijing. What about internal-control compliance, such as abiding by the Sarbanes-Oxley Act, which U.S. companies are subject to? Nope, doesn't apply there either.

Just as the FRTIB has a fiduciary duty to its beneficiaries, a publicly traded company's fiduciary duty should be to its shareholders—its owners. Many Chinese companies clearly don't hold the interests of their shareholders as paramount; they are beholden to the CCP first and foremost.

Would any reasonable investment manager invest in a U.S. company that violates the corporate governance and compliance requirements listed above? Absolutely not. In fact, they would surely be targets of hedge fund short sellers.

Then why would U.S. pension funds continue to plow funds into risky Chinese securities?

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

Even if one were to ignore the social and national security issues surrounding these stocks, most Chinese companies still don't pass muster if one were to apply traditional investing criteria.

Investors monitor stock price movements at a securities company in Beijing on June 15, 2016.



GREG BAKER/AFP/GETTY IMAGES

OPINION

‘The Second Return’ Would be Nightmarish for Both Hong Kong and China

HE QINGLIAN

Whatever happens next, said Claudia Rosett, the millions of protesters in Hong Kong have been demonstrating heroic qualities to the world, just as when their predecessors in Tiananmen Square exposed the brutality of the Beijing regime on the world stage 30 years earlier.

The hard work and sacrifice of the Hong Kong protesters have won them widespread support and respect outside China, but they feel helpless. I remember that after the Occupy Central movement in Hong Kong in 2014, Beijing planned to draft the “second return” plan. I looked it up, and it’s true.

Authorities Are Waiting for the Right Moment to ‘Scrape the Poison Off the Bone’

Before Aug. 31, Beijing sent a signal that to “stop violence and control chaos” is the correct way to resolve the Hong Kong issue, followed by “scraping the poison off the bone,” and then a “second return” of Hong Kong to China.

On August 27, dwnews.com published an article saying that at the same time of “stopping violence and controlling riot,” in the long run Hong Kong needs to thoroughly “scrape the poison off its bones.” The so-called “poison” refers to those Hong Kong youth who advocate resolute resistance. Although the protesters have long declared this round of protests is leaderless, Hong Kong police have admitted to sending undercover agents to try to figure out the backbones of the demonstrations, which are said to number more than 1,000 people including pro-democracy legislators and activists. A number of them have now been arrested.

Reuters released exclusive information on Aug. 30 that Beijing has ordered to reject the five demands of Hong Kong protesters and specifically to refrain from investigating excessive use of force by police. Chinese officials publicly denounced the news as fake, but on Sept. 2, Reuters again exposed a recording of Lam’s meeting with business leaders last week in which she said she would resign if given the choice, and that dealing with the crisis in Hong Kong now is beyond her ability. Lam’s remarks are a major political offense in China. When former CCP leader Zhao Ziyang met with his Soviet counterpart Mikhail Gorbachev on the eve of June 4, 1989, he said Deng Xiaoping was the actual political leader of China. Zhao’s speech was regarded as “treason” at the time, so Lam’s willingness to publicly express her true position is considered as a euphemistic showdown of her position.

Beijing is waiting for the right time to “stop violence and curb riots.” On Aug. 31, a journalist of France’s Le Monde found some strange phenomenon while interviewing at the scene. Hong Kong police let protesters get close to the symbolic Legislative Council and the Central Government Office, then threw tear bombs to water hoses (isolation piers) that protect the police, and let some demonstrators get near and cross the water hoses set up by the police. The journalist believed that the police intentionally goaded protesters to behave unreasonably. Of course, this journalist didn’t know that the CCP inherited Mao Zedong’s teachings in handling protests. On Feb. 18, 1959, Mao issued an instruction to Liu Shaoqi, Zhou Enlai, Chen Yi, Deng Xiaoping, Peng Dehuai and others in the Brief Report on the Situation of Armed Rebellion in Tibet, “The more chaos there is in Tibet, the better. It can train the army and the basic masses, as well as providing sufficient reasons for counter-insurgency and reform in the future.” After Aug. 31, the CCP’s propaganda of the Hong Kong demonstrations had both video and texts. The “rioters” in Hong Kong set fire to the city and attacked the police... but it didn’t mention that the police used tear gas, water cannons, and rubber bullets at all, showing the Chinese people a completely different version of the “Hong Kong riot.”

The news clearly suggests that Chinese authorities will be aggressive in bringing the three-month uprising to an end. The end will not come in the manner of a Tiananmen Square-like massacre, but in another way. The actions of the Hong Kong police on Aug. 31 was just a precursor.

CCP Foments Hate Against Hong Kong
After “stopping violence and curbing riots,” the CCP will then take revenge, that is, the so-called “scraping the poison off the bone.”

Pro-democracy protesters march on Sept. 15, 2019, in Hong Kong, China. They have continued demonstrations across Hong Kong, calling for the city’s Chief Executive Carrie Lam to immediately meet the rest of their demands, including an independent inquiry into police brutality, the retraction of the word “riot” to describe the rallies, and genuine universal suffrage, as the territory faces a leadership crisis.

After ‘stopping violence and curbing riots,’ the CCP will then take revenge, that is, the so-called ‘scraping the poison off the bone.’



What is the “poison”? In the eyes of Chinese authorities, all Hong Kongers who disagree with the totalitarian regime and speak out against it are considered “poison.”

After the Hong Kong protests broke out, a speech by Maj. Gen. Xu Yan, professor at China’s National Defense University Teaching and Research Department, was circulated online. His main point was that Hong Kong’s social base is worse than Taiwan’s. A third of the Hong Kong population are natives who received British education; a third were descendants of those swept out by CCP’s political campaigns in 1949–50 (they bitterly hate the CCP); another third escaped during the Great Chinese Famine in the 1950s–1960s.

Such rhetoric sounds ridiculous to third party observers, but I believe it’s the same argument made by the CCP to mobilize its internal members for a “second return” of Hong Kong. It’s no different than the CCP’s argument to create class enemies domestically during the Cultural Revolution (1966–1976) when class struggle was Mao’s guiding principle.

Xi Jinping’s July 1, 2017 Hong Kong Speech

There has always been a view that if the Hong Kong protests were not so fierce, would Hong Kong continue to maintain “one country, two systems” policy? If you read Xi Jinping’s speech in Hong Kong on July 1, 2017, to mark the 20th anniversary of the British handover, you will see that the guiding ideology of “the second return” had been systematized at that time.

Xi’s political thinking was honed in totalitarian politics. Xi’s father, Xi Zhongxun, had witnessed the exodus to Hong Kong and knew the city well. Xi has been to Hong Kong twice after becoming the CCP regime leader, once as vice president in July 2008 and another time in July 2017. Before his first visit to Hong Kong, the conflict between Hong Kong and the

mainland was on and continued to date: including events such as the Hong Kong Basic Law Article 23 controversy, Moral and National Education controversy, anti-parallel traders from the mainland, 2014–15 Hong Kong electoral reform, the Umbrella Movement, 2016 Mong Kok civil unrest, Hong Kong Legislative Council oath-taking controversy, the survey of People’s Ethnic Identity by Public Opinion Programme, The University of Hong Kong, the successive emergence of radical localist groups and even Hong Kong Independence proposition, all suggesting that Hong Kongers’ separation tendency has strengthened.

Those who truly know Hong Kong will understand that such phenomena are only manifestation of dissatisfactions and rejections of totalitarian rule by Hong Kongers who are accustomed to freedom. However, with its grand unification thinking and habit of controlling all aspects of society, the CCP will inevitably interpret this as a rebellion against the motherland and a challenge to its centralization of power.

Under the influence of such totalitarian thinking, the policy of a “second return” gradually took shape. The Umbrella Movement in 2014 further strengthened the CCP’s determination to strengthen its grip on governance. At that time, Xi Jinping was busy with the CCP’s internal consolidation and was focused on military reform, so he had to put aside Hong Kong at the time.

On July 1, 2017, Xi toured Hong Kong and attended the celebration of the handover’s 20th anniversary. In his relatively blunt speech, in addition to criticizing the “pan-politicalization” of Hong Kong, Xi also made a very direct reference to problems encountered in the practice of “one country, two systems.” The major implication was that the Beijing government would not give more opportunities if riots continued.

The message Hong Kongers are sending is very clear: they want to preserve Hong Kong’s ‘one country, two systems’ policy and keep the city’s old model of governance while respecting national sovereignty.

Hong Kong’s legal system.

Preserving Hong Kong’s ‘One Country, Two Systems’ Policy Leaves a Lifeline for Beijing

The realization of a “second return” is a heavy and dark nightmare for both sides. It shouldn’t be forgotten that Hong Kong has been a positive influence to Beijing in its opening up to the outside world. It was Hong Kongers taking the lead in investing in China that helped China take the first step towards financial and economic development. After the collapse of the Soviet Union and the subsequent crisis, there was a popular belief among Russian scholars that capital from ethnic Chinese in Hong Kong and Taiwan helped China achieving prosperity. For its own sake, preserving Hong Kong’s “one country, two systems” policy is leaving a lifeline for China.

When Hong Kong Chief Executive Carrie Lam aired her stance at the chamber of commerce, she was actually making a showdown of the last resort, hoping that the central government, which is in charge of the situation in Hong Kong would come to the front, directly talking to Hong Kongers and seriously considering their general wishes before the situation worsens.

Beijing’s understanding of the so-called “Hong Kongers governing Hong Kong” has always been superficial. When it signed the Sino-British Joint Declaration, it thought that “horse races go on and night clubs stay open” only refers to not changing Hong Kongers’ lifestyles.

After China joined the World Trade Organization (WTO) in 2001, they thought it was enough to develop Hong Kong’s tourism and give residents a new source of income. What Beijing didn’t expect is that people are born free. The mainland people have been domesticated by autocratic politics for a long time to reach this miserable state. However, Hong Kongers who once had freedom could not accept the repression and domestication of such totalitarian politics of the mainland.

The message Hong Kongers are sending is very clear: they want to preserve Hong Kong’s “one country, two systems” policy and keep the city’s old model of governance while respecting national sovereignty. It is precisely because Hong Kongers still had a glimmer of hope for the central government that they are targeting the puppet Carrie Lam.

When Chinese Vice President Wang Qishan visited Guangdong Province in August, it was widely assumed that Xi wanted to hear from someone other than the Hong Kong and Macao Office of the State Council and Liaison Office of the Central People’s Government. It was just because they still had a glimmer of hope in Beijing that Xi would handle Hong Kong affairs wisely and not ruin the Oriental pearl with the “second return.”

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

The Decolonization Purpose of ‘Second Return’

China’s Xinhua News Agency published the July 1 speech in full with analysis, but it was far less blunt than dwnews.com’s July 2 editorial, “To Complete the Second Return of Hong Kong.” According to the article, the reason why “one country” made unprincipled concessions to “two systems” was that “a necessary transitional justice process of decolonization was not carried out in time.” It includes three levels:

First, at the legislative level, the failure to advance Article 23 in time led to a legal vacuum of national security governance in Hong Kong. Hong Kong’s core value system has failed to incorporate anti-separatist content.

Second, at the “soft” education level, efforts to promote awareness of “one country” were not enough. The means were clumsy. Not only did they achieve little, they had even backfired.

Third, the mode of co-governance by officials and businessmen in colonial times failed to be corrected in a timely manner. On the contrary, this structure was strengthened intentionally or unintentionally in the subsequent governance of Hong Kong, allowing Hong Kong officials and businesspeople to monopolize most of the central government’s benefits to Hong Kong and economic development achievements, thus making “Hong Kongers governing Hong Kong” become “officials and business elites governing Hong Kong” to some extent. As a result, the rich got richer while the poor got poorer, and social conflicts became increasingly intensified. As a result the Hong Kong-mainland relationship and the central government also became scapegoats and punching bags.

Of the three, only the third makes some sense. This phenomenon was widely ridiculed by Hong Kong media before the handover of sovereignty. It was said that the CCP, which took eliminating bourgeoisie and

Hong Kong leader Carrie Lam speaks during a press conference in Hong Kong on Sept. 10, 2019.





TRUTH *and* TRADITION

COVERING IMPORTANT NEWS OTHER MEDIA IGNORE

LEADING REPORTING ON
THE CHINESE COMMUNIST THREAT
FOR THE PAST 18 YEARS

The Epoch Times not only reports reliably on U.S. politics and the Trump administration, but also publishes authoritative China news, covering topics including:

- Impact on the United States
- Business and economy
- Communist infiltration of our government, businesses, schools, universities, popular culture, and more
- Disinformation surrounding U.S.–China trade relations
- Security and espionage
- Influence on media and Hollywood
- Overseas interference and United Front activity

The Epoch Times has also championed a new method of investigative journalism, steeped in the discipline's traditions of truth and responsibility. Combining this method with quality design, our journalists expose corruption and subversion in U.S. politics, and other important issues. Our investigative infographics have included:

- Illegal Spying on President Trump
- Hillary Clinton and the Uranium One Deal
- China's Military Expansion Into Space
- The Secret Propaganda War on Our Minds
- Spygate: The True Story of Collusion
- Clinton Foundation 'Pay to Play' Model Under Investigation

Download infographics

ReadEpoch.com/infographics

FREE newsletter signup

EpochNewsletter.com

Subscribe to the paper (print/epaper)

ReadEpoch.com

More information

TheEpochTimes.com/about-us