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THE EPOCH TIMES

CHINA INSIDER

**China to Get Full Access
to Foreign IP and Data 3**

The B-2 Bomber
during a test flight
in this file photo.



STEALTH WAR

**RETIRED US GENERAL
DETAILS CHINA'S PLAN TO
SUPPLANT US AS HEGEMON**

See Page 4



Traders work on the floor of the New York Stock Exchange on Sept. 18, 2019.

Examining Investment Restrictions Into Chinese Companies

FAN YU

News Analysis

The Trump administration is mulling various restrictions on U.S. investments into Chinese companies, according to several media reports that cite anonymous officials.

Such restrictions could include potential delisting of Chinese companies from U.S. stock markets as well as blocking U.S. pension funds from investing in Chinese companies. A U.S. Treasury statement later denied that the administration was considering delisting Chinese stocks.

Restricting pension flows into Chinese equities is a more likely scenario. Pension funds are pools of money held to fund the future retirements of public employees, including teachers, firefighters, and government administrators.

One such example is Hikvision Digital Technology, the Chinese surveillance technology group that was put on a U.S. Department of Commerce blacklist on Oct. 7 and barred from doing business with U.S. enterprises. Hikvision is a prominent supplier to Chinese detention centers and of apparatuses that are monitoring Uyghur Muslims in the northwestern region of Xinjiang.

The California State Teachers' Retirement System (CalSTRS), the nation's second-largest pension fund,

Weaning U.S. funds off China isn't very disruptive and could de-risk American retirement portfolios.

Hikvision cameras in an electronic mall in Beijing on May 24, 2019. The California State Teachers' Retirement System owns millions of shares in the Chinese surveillance camera firm.

with \$227 billion of assets, owned 4.4 million shares of Hikvision, worth \$24.4 million, as of its June 30, 2018, disclosure of assets.

Many pension funds have investments in Chinese equities, driven by widely accepted asset allocation models that recommend 5 percent to 15 percent of capital in emerging-market securities. The biggest capitalization within the emerging markets category is China, the world's No. 2 economy. Earlier this year, The Epoch Times reported that the chief investment officer at the \$350 billion California Public Employees Retirement System—which holds a sizable allocation to Chinese stocks and real estate—has close ties to China.

However, the motives of most pension funds are more benign. In recent years, several leading stock and bond indices—which many investment funds track and benchmark themselves against—have added Chinese stocks and bonds to their index.

Global index provider MSCI earlier this year lifted the weighting of China A-shares to 3.3 percent from 0.7 percent of its emerging-markets equity index by November.

In April, the benchmark Bloomberg Barclays Global Aggregate Bond Index began including certain Chinese yuan-denominated government and policy bank bonds. In October, Chi-

nese bond names were added to J.P. Morgan's Government Bond Index-Emerging Markets.

The Federal Retirement Thrift Investment Board (FRTIB) announced two years ago that by mid-2020, the global fund it offers to many federal government employees would track the MSCI All Country World Index, which has an allocation in China. Some U.S. lawmakers, including Sen. Marco Rubio (R-Fla.), have pushed FRTIB to reverse the decision.

China Investments Pose Inherent Risks

Predictably, some pension funds, including CalSTRS, are pushing back against potential investment restrictions.

"CalSTRS follows an investment strategy of diversification and passive index management that does not systematically include or exclude any investments in companies, industries or geographic areas," Vanessa Garcia, a CalSTRS spokeswoman, recently told Pensions & Investments magazine.

Ignoring the difficulties of enforcement, there will be short-term disruptions if all pension funds decide to divest their Chinese holdings. Pensions will need to sell assets, presumably over a period of time, which will attract short sellers and undoubtedly push prices down. Investment methodologies will have to be rewritten and there will be governance changes. Some pensions, already underperforming, may face tough questions from their constituents.

But over the long term, weaning U.S. funds off China isn't very disruptive and could de-risk American retirement portfolios. Over the past five years, Chinese stock market performance has trailed U.S. markets (the Shanghai Composite Index has gained 27 percent, while the S&P 500 is up 57 percent), while returns on Chinese and U.S. corporate bonds have been comparable.

Chinese firms listed in the United States have enjoyed better returns but the risk is even greater. Well-known Chinese companies such as internet giants Alibaba, Baidu, and JD.com all utilize some form of a VIE (variable interest entity) structure to list in the United States, circumventing Chinese restrictions on foreign investment in

"sensitive" industries.

Astute investors know that ownership in these VIEs doesn't actually represent economic or legal ownership in the Chinese company or its assets. And no voting power is granted. These VIEs, usually offshore companies set up in a tax-advantaged jurisdiction, mimic the economic relationship of ownership through a series of contractual agreements between the VIEs and the Chinese companies where actual assets and revenues reside.

For institutional investors who usually demand transparency and a say in governance from their U.S.-owned companies, investing in these Chinese firms is akin to closing one's eyes and hoping for the best.

Additionally, Beijing doesn't allow the Securities and Exchange Commission or U.S. regulators to examine audit work papers of Chinese companies. China claims that the books present "national secrets" that can't be shared with outside parties.

In essence, these U.S.-listed Chinese companies have long had it both ways—circumventing Chinese laws while raising capital abroad. And Beijing regulators so far have looked the other way: it's an implicit acknowledgment that foreign investors, in fact, don't have legal ownership in Chinese companies.

U.S. institutional investors are major holders of U.S.-listed Chinese companies. BlackRock owns \$13.6 billion worth of Alibaba shares and \$1.6 billion worth of Baidu shares as of June 30, while Vanguard Group owns \$7.6 billion of Alibaba shares and \$1.1 billion of Baidu shares. Other top institutional investors holding Alibaba shares are T. Rowe Price, Invesco Funds, and State Street. These firms manage money for millions of U.S. retail investors.

Think about this: What if, one day, Beijing decides that all of these VIE structures are illegal? If China decides to pull the plug and force companies to renege on these paper contracts, billions of dollars of wealth of U.S. pensioners and retail investors would be wiped out.

It's far more advantageous for the United States to withdraw capital—on its terms—than waiting for China to push the nuclear button.

OPINION

China to Get Full Access to Foreign IP and Data

New law, effective Dec. 1, will make personal and corporate privacy impossible in China

JAMES GORRIE

How much is it worth to do business in China? That's a question that every company and government will have to answer very soon.

On Dec. 1, a new and comprehensive law in China, the Cybersecurity Multi-level Protection Scheme ("MLPS 2.0"), will come into effect. This new cybersecurity law has absolutely nothing to do with securing data, intellectual property or servers, but rather, the complete opposite.

The new law will establish new rules and processes to compel the full disclosure of all data and full access to all servers to Chinese authorities at all times. This new requirement will render foreign companies and individuals in China completely exposed to scrutiny, and much more, from the state and the Chinese Communist Party (CCP).

Time to Rethink Operating in China

This new law should make companies doing business in China rethink every aspect of their supply-chain strategy.

Every person and company in China will have to comply with this new policy. Any and all platforms, apps, or other technology that could prevent access by the Ministry of Public Security will be outlawed. That means companies and individuals in China must abandon typical security protocols and technologies, such as VPN, encryption, and using private servers.

This opportunity cost means no industrial secret, marketing strategy, technology secrets, or intellectual property, not to mention personal identifying data and deeply personal information will be safe from the Chinese regime knowing about it.

ISPs, Telephone Companies Are Spy Vectors

But the transparency doesn't just rely on individual's and companies' compliance to being "transparent." The Ministry of Public Security can—and will—require full access, via back doors or other data capture techniques to be installed by China Telecom and all China ISPs, with no exceptions. The MLPS 2.0 law is comprehen-

sively intrusive, utterly totalitarian, and perfectly Orwellian, but with "Chinese characteristics," of course. It is specifically designed to fulfill two purposes:

1. To block any outlawed or otherwise unapproved content and communication from either internal or external sources on China's internet platform;
2. To allow complete transparency and access of all data, intellectual property, trade secrets, and so on, by China's Ministry of Public Security and other government security organs as well as those within the CCP.

The larger plan is a system where all network activity is controlled and monitored, including mobile phones, social networks and domestic and international email. There will no place or means whereby any data or server in China will be protected or encrypted. The Ministry of Public Security will have the right to not only inspect and copy data, but to remove it as well.

CCP Will Be in Control

This new system subjects all foreigners, not just Chinese citizens, to China's "Big Brother" surveillance state. What's more, the Ministry of Public Security is now a top-tier agency under the CCP's control, superseding the prior authority of other Chinese agencies responsible for cybersecurity, such as MIIT (China Telecom), CAC, CNNIC, and others. That has additional ominous implications.

Under the CCP's authority, the enforcement of the new MLPS 2.0 law will automatically fall on the police rather than to a local political office. In other words, violation of the law will be considered a potential criminal offense rather than a civil one. Unlike the internet in the West, China's internet security and its pervasive new monitoring abilities are not designed to enhance commercial activities, but rather, are intended as technological instruments of control.

No Such Thing as 'Confidentiality'

Even though the confidentiality of data is actually "guaranteed" in Article 5 of the

Regulation on Internet Security Supervision and Inspection by Public Security Organs, it's not really protected. That's because the definition of "strictly kept confidential and shall not be disclosed, sold or illegally provided for others" is language that is in no way comprehensive in its meaning or application.

For example, nothing in China is confidential to the CCP; it has absolute authority over everything. The CCP will therefore have every right to access, record and even remove data from your phone, company server, email or other channel as it sees fit. What's more, it will have the right to share the data with CCP-owned companies or other entities under the authority of the CCP.

Any exclusive IP, secrets or technological advantages a company may possess on its server in China won't remain so for very long. The CCP will own it.

Sinister Threat to Everyone

Needless to say, the long-term implications of this new law coming into force are far-reaching and even sinister. It would appear to be a domestic version of Huawei's spyware abroad, leading to a deepening of control of all companies in China, by the CCP and the government. Indeed, CCP officials are now present in most if not all of China's biggest companies, even the nominally non-state-owned ones, such as Tencent and Alibaba.

The law may be a response to the escalating trade war with the United States and the fact that China has been called out on its widespread habit of technology theft that the trade war threatens. Ultimately, it doesn't matter. The key point is that operating in China will soon present an economic as well as a strategic threat to the United States and other nations around the world.

Who can afford that?

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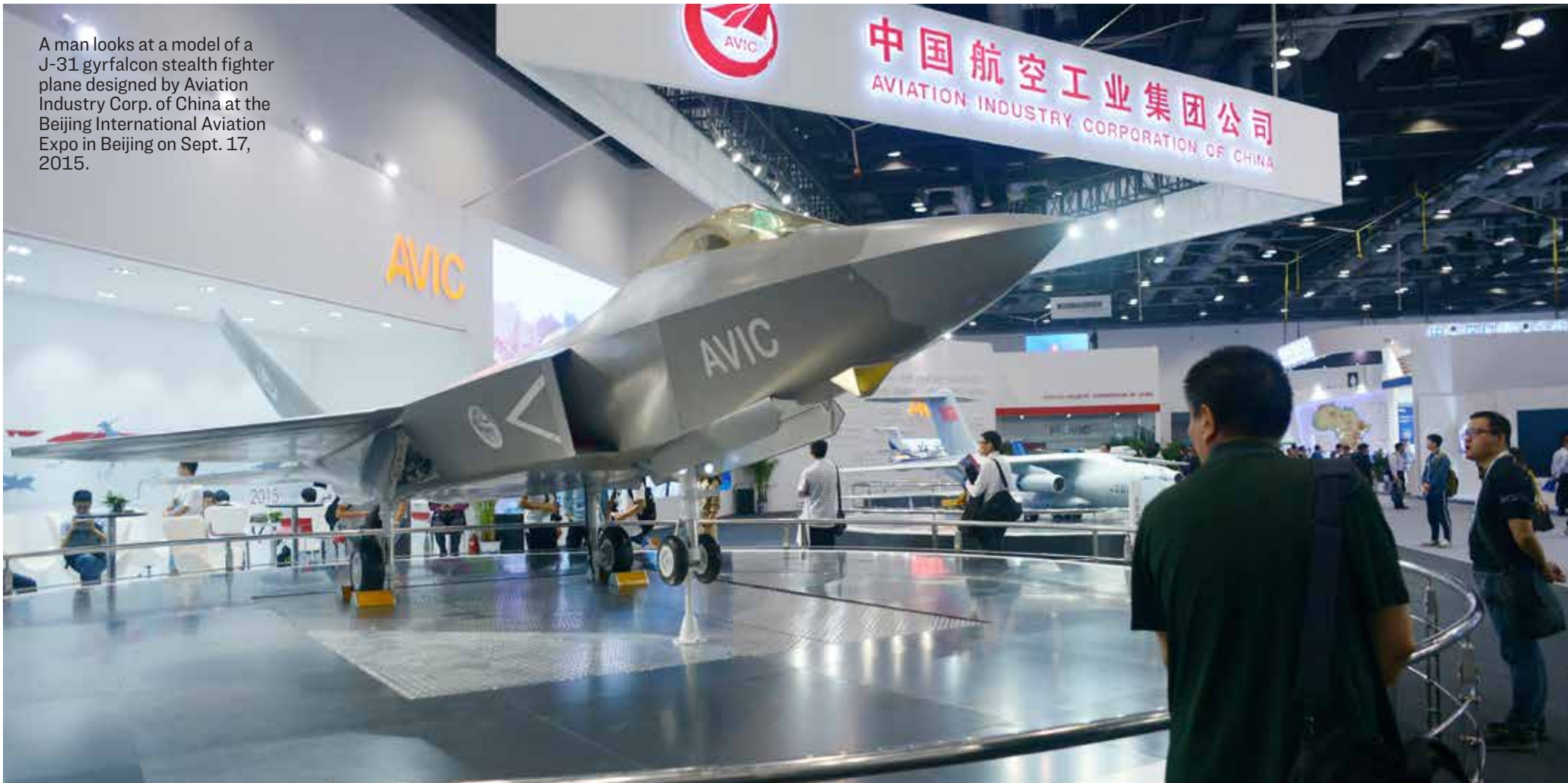
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A man walks past a China Telecom store in Wuhan, in central China's Hubei Province on Aug. 21, 2013.



FRED DUFOUR/AFP/GETTY IMAGES



STEALTH WAR

China Uses Deception to Fight a War Against US Without Actual Combat, Retired US General Says

CATHY HE

The Chinese communist regime has been waging a stealth war against the West, deploying all spheres of society in its plan to supplant the United States as global leader, retired U.S. Air Force Brig. Gen. Robert Spalding says in his new book.

The war has been hidden in plain sight and is multi-faceted, targeting the U.S. economy, military, diplomacy, technology, education, and infrastructure, according to the book, "Stealth War: How China Took Over While America's Elite Slept."

And it's been the elites of the United States, the author said, who have allowed this defensive to go unchecked.

"The guardians of our freedom, the elite of our financial community, of our corporate community, of our academia, of real politics—the elite were basically bought off," Spalding said in a recent interview for The Epoch Times' American Thought Leaders program.

Game of Deception

Spalding, former chief China strategist for the chairman of the Joint Chiefs of Staff at the Pentagon, and former senior strategic planner for the White House on the National Security Council, said his experience as a former Air Force pilot of the B-2 Spirit, also known as the stealth bomber, helped him to unloak the regime's strategy—one that is hinged upon obfuscation.

"The [Chinese regime's] primary strategy ... is to literally hide everything that they do," he said.

In the book, Spalding details how, for the past 40 years, the Chinese Communist Party (CCP) has been playing a "sophisticated yet simple" game: "It is a competition to gain control and influence across the planet—and to achieve that outcome without resorting to military engagement."

The CCP "has weaponized the entire society essentially to work for its own benefit," he said.

Its tactics are wide-ranging, and include "acquiring technology without paying a cent toward developing it, carefully taking control of the world's shipping businesses, infiltrating our corporations and science laboratories, and using American investor dollars to float the cost of its own factories and companies—and then ... insisting that the money stay in China."

For Spalding, the process of realizing the true nature and scope of the CCP's threat was a gradual and trying one.

He fell in love with the country while studying in Shanghai from 2002 to 2004. And like many before him, he took at face value the things his Chinese friends and colleagues told him—not realizing that those talking points were narratives instilled by the CCP over years of careful indoctrination.

"I [was] hearing over and over and over again how the Chinese people just could not handle democracy," Spalding said.

"I would think at the time, if I was saying something like that, that would be incredibly racist: Like you don't have the capacity to understand democracy and actually adopt freedoms, which we believe to be a universal human right."

It's a testament to the power of the Chinese regime's censorship, Spalding said, adding that it has not only been "bamboozling us, but bamboozling the Chinese people."

"It really is a tremendous ability on the part of the Chinese Communist Party to take the narrative about China and the Chinese people, and create a narrative that even the Chinese people begin to adopt and then ... sell as their own."

It wasn't until years later, when Spalding decided to get to the bottom of what the CCP was, that the penny started to drop. This endeavor involved poring over thousands of pages of CCP documents.

"It doesn't come to you all at once," he said, adding that he initially resisted coming to the realization.

"And the reason I fought it so hard is because all of my colleagues and peers and mentors in this area were convincing me [otherwise]," Spalding said, recounting how he was constantly given CCP talking points in response to hard-hitting questions about the regime's practices, such as its treatment of Uyghur Muslims in the region of Xinjiang, and the harvesting of organs from prisoners of conscience for profit.

'Professional Liars'

"The CCP are professional liars who have had exquisite training," Spalding writes in the book.

The retired general personally experienced this when dealing with counterparts in China's People's Liberation Army (PLA) during his time as China strategist at the Pentagon.

"They speak impeccable English. They know all of the arguments that ... are the responses to [your] questions," he said.

Those PLA officers are not only coached, but also graded on how well their answer

fulfills "the Communist Party mandate and also how loyal they are to the party."

"They know better than you do. They know what your predecessor said, they know what your predecessor's predecessor said, and they know what your predecessor's predecessor's predecessor said."

Their answers are "perfectly choreographed every single time," he said. "And they do it ... without skipping a beat."

[The Chinese Communist Party] has weaponized the entire society essentially to work for its own benefit.

Robert Spalding, retired U.S. Air Force brigadier general.

Funding China's War

Part of the Chinese regime's undercover war is on the economic front.

Through public pension and retirement funds, U.S. investors have poured billions of dollars into Chinese companies that aren't subject to the same financial disclosure obligations as U.S. companies, Spalding said.

Again, the name of the game is obfuscation.

The Chinese regime currently blocks overseas regulators, such as the U.S. Securities and Exchange Commission and the Public Company Accounting Oversight Board, from inspecting full audit reports of publicly traded companies headquartered in Hong Kong and mainland China, citing national security and state secrecy.

Even the main pension fund for federal government employees, including U.S.

military personnel—the Federal Retirement Thrift Investment Board—is set to invest in Chinese companies that advance the regime's military ambitions. This includes the Hong Kong-listed AviChina Industry & Technology Ltd., which is the listing company for the state-owned Aviation Industry Corp. of China (AVIC). AVIC and its subsidiaries develop aircraft and weapons systems for the Chinese military.

"The retirement fund of the American military, ... members that are guarding this country, their money is going to be taken and given to a potential adversary like AVIC to build weapons that they may have to defend against in some future conflict," Spalding said.

"It boggles your mind."

Flush with foreign investment, the Chinese regime then uses this money to invest in and acquire U.S. companies that have innovative technologies.

They then take this technology back to China and "subsidize that production by, for instance, ... giving free electricity to the owners of the factory," he said.

The cheap products are then dumped in the U.S. market, where they're able to undercut American businesses, thereby destroying the competition.

On top of that, the regime steals U.S. intellectual property through a variety of channels, including cyber hacking and human sources. For instance, Chinese nationals or ethnic Chinese would work in U.S. companies or research labs, then take the trade secrets back to China.

"They're usually taking it back to ... either to start their own company to get rich or to give it to another company that they're working for," Spalding said. "Of course, all the companies are under the purview of the Chinese Communist Party."

Investing in Our People

To guard against and counter the CCP's efforts, Spalding said the United States needs to do three things.

The playbook is: "Educating and advocate; begin to defend ourselves; and then be more proactive ... invest in our country, invest in our people."

The retired general thinks that Washington is making headway in the first two areas, but "the third one, that's not happening, that absolutely must happen, is that we have to invest in our own people."

For example, "you could do things like invest in our infrastructure," he said. "You could invest in manufacturing, you can invest in research and development and you could invest in STEM [science, technology, engineering, and mathematics] education."

Spalding believes the United States has a way out of this predicament by holding true to its founding principles as embedded in the U.S. Constitution.

"That's what's going to save us," he said. "That's what's going to propel us into the future."

Retired Air Force Brig. Gen. Robert Spalding in Washington on Sept. 27, 2019.

SAMIARA BOUADU/THE EPOCH TIMES

HONG KONG PROTESTS

Beijing Uses Counter-Terrorism Tactics to Quell Hong Kong Protests But Will Fail, Expert Says

LIANG ZHEN & OLIVIA LI

The Hong Kong protests have continued for four months and show no signs of abating. Instead, more and more local residents have joined the protests, amid growing police brutality.

Simon Lau, a senior media professional and former Hong Kong Central Policy Unit consultant, pointed out that the Hong Kong police have changed their methods in dealing with protesters since the worldwide "anti-authoritarianism" rallies on Sept. 29, and are now resorting to counter-terrorism tactics to intimidate the public.

Change in Tactics

While Hong Kong's Chief Executive Carrie Lam claimed that she would listen to the people's concerns and even held a community dialogue in late September, the Hong Kong police increased the use of force since Oct. 1, the 70th founding anniversary of the Chinese Communist regime.

On that day, the police fired 1,407 rounds of tear gas, 923 rubber bullets, 230 sponge grenades, 192 bean bags, and six live rounds. Two teenagers were wounded by the live rounds.

In an interview with the Hong Kong bureau of The Epoch Times on Oct. 10, Lau noted that the enhanced use of police force actually began Sept. 29, when protesters and their supporters around the world held multi-city "anti-authoritarianism" rallies and mass parades.

"Hong Kong police fired tear gas frantically even before the parade started. It indicates they have changed their tactics to quell protests," Lau said. "The new scheme is to use the most extreme method to attack the weakest people, to achieve the effect of intimidation."

In other words, the police are no longer concerned that their extreme violence will be captured by the media. On the contrary, they want social media and TV stations to spread the footage, so that the public will be afraid to continue the protests, Lau added.

"In the past, the government would try to hide those inhumane incidents, such as police attacking young teenage girls, for fear it would lose the people's support if such footage was ... circulated. Think about it, why is it that there are more and more such footages of police attacking young protesters after Sept. 29?" Lau asked.

Hong Kong police fired tear gas frantically even before the parade started. It indicates they have changed their tactics to quell protests.

Simon Lau, former Hong Kong Central Policy Unit consultant

Emergency Law More Serious Than Mask Ban

Lam announced Oct. 4 that she would invoke a colonial-era emergency law to ban face masks in an attempt to quell months of mass protests. Protesters immediately organized a march in defiance of the ban.

However, Lau believes the key issue is that Lam invoked the Emergency Ordinance.

"It is equivalent to declaring that Hong Kong has entered a state of emergency. By doing so, the Hong Kong government does not need to do anything in the name of martial law, nor ask for the deployment of the People's Liberation Army (PLA), as martial law or PLA deployment would incur international sanctions and cause a crisis of confidence, which in turn, would trigger large-scale capital flight," Lau explained. "Beijing can achieve its goal through the Emergency Law, without having to pay the huge price of imposing martial law."

Hong Kong May Become the Next Xinjiang

As early as five years ago, when the Umbrella Movement was still in the planning stage, officials from the Hong Kong Security Bureau and Hong Kong police went to China's Xinjiang region every year to learn about anti-riot and anti-terror strategies from Chinese police.

Xinjiang is home to many Muslim minorities, including Uyghurs and Kazakhs. The Chinese regime has labeled these minority Muslims a terror threat, justifying severe suppression. International rights groups estimate that about one million Uyghurs and Muslim minorities are held in internment camps.

Lau predicted two years ago that Xinjiang's anti-riot tactics would be used in Hong Kong, including high-tech methods such as facial recognition, big data, and CCTV surveillance.

In addition, he thinks a special anti-riot police force is working with the Hong Kong police in dealing with the protesters.

"At the demonstration site, if you observe carefully, you will notice that some police are carrying Austrian-made Glock 17 or Glock 10 pistols. That means they are not ordinary CID (Criminal Investigation Department) policemen," Lau said. "These pistols are different from those a CID police would use. When police fired live rounds at Victoria Park, someone found a bullet at a fountain of the park and found that it is a type of large-caliber bullet."

Counter-Terrorism Tactic Doomed to Fail

Hong Kong police have arrested more than 2,100 protesters since June, but the demonstrators have persevered, and Lau says that's why Xinjiang's anti-terrorism tactics won't work in Hong Kong.

"A terrorist group is an underground organization with strict rules. It is very difficult for such a group to recruit new members. Therefore, when the authorities target a terrorist group, the number of members would only decrease. However, for Hong Kong's pro-democracy movement which is a civilian movement, violent suppression will only invite more civilians to join the protest."

Hong Kong Protesters Target the CCP

Hong Kong protesters are now turning their anger toward the Chinese Communist Party (CCP). Banners that read, "Heaven will eliminate the Chinese Communist Party," can be seen in many places.

Lau says that since Lam is viewed as a puppet leader, it's natural that protesters are now targeting the CCP.

"Let me tell you how we [Hongkongers] feel in the past four months. We feel strongly that the Hong Kong government does not serve the Hong Kong people, because it is controlled by the Chinese communist regime, a foreign power. And this foreign power is persecuting local citizens," Lau said.

He added that youths in Hong Kong are willing to sacrifice their studies, future, and even their own lives, because they have endured suppression and suffering together while fighting for freedom.

"You will understand their feelings if you have met with soldiers who have fought at the front line. It is a feeling of sorrow and outrage. These protesters are really willing to sacrifice themselves for Hong Kong," he said. "The more the authorities suppress them, the more they will resist. The authorities think that they are intimidating the protesters, but in fact, it's having the opposite effect. Despite the arrests and injuries endured by protesters, they will never retreat. If the government chooses to continue to use force, it will turn into a vicious cycle."

Lau cautioned Chinese leaders about the danger in turning Hong Kong into a second Xinjiang. Beijing's central authorities won't gain anything if Hongkongers suffer.

"Have you [CCP] noticed that you are already on the edge of a cliff?" Lau said.



Riot police use pepper spray in the Mongkok district of Hong Kong, on Oct. 13, 2019.

ANTHONY KWAN/GETTY IMAGES

OPIOID CRISIS

Chinese Nationals Arrested for Trafficking Fentanyl Into US

BOWEN XIAO

NEW YORK—Three Chinese nationals were charged last week with importing and distributing fentanyl as part of an international drug operation they ran with other distributors, including a former county deputy sheriff in Pennsylvania, U.S. authorities said.

Five individuals from Illinois, Ohio, Georgia, and Tennessee later overdosed and died as a result of the defendants' distribution of the drug.

The charges, experts told The Epoch Times, are the latest sign that the Chinese Communist Party is using the trafficking and production of fentanyl, a synthetic opioid, as part of an organized strategy and form of drug warfare.

Last year alone, synthetic opioids such as fentanyl caused the deaths of more than 32,000 Americans.

The three defendants—Deyao Chen, Guichun Chen, and Liangtu Pan—allegedly ran websites located in China to sell a variety of controlled substances such as “fentanyl fentanyl, U-47700, and methoxyacetyl fentanyl,” from April 2016 through March 2017. The men used the alias “Alex” when running the websites, according to the indictment.

Fentanyl fentanyl and methoxyacetyl fentanyl are fentanyl analogs—products similar to fentanyl that are also simple to make. U-47700 is another potent synthetic opioid.

China has been identified as the largest and primary source of illicit fentanyl and fentanyl analogs entering the United States, according to government commissions, law enforcement, and testimony from U.S. Immigration and Customs Enforcement. Almost 70 percent of fentanyl seized by Customs and Border Protection (CBP) last year arrived via international mail—much of it originating from China and delivered mostly by air, according to testimony from non-profit think tank Rand Corp.

Customers on the defendants' website who sought to make purchases were directed to different websites to pay for their orders. The three men were charged with “conspiracy to import controlled substances (one count); conspiracy to distribute controlled substances (one count); and distribution of fentanyl fentanyl, U-47700, and methoxyacetyl fentanyl (62 counts).”

After receiving payment, the defendants emailed the orders to David Landis, a distributor living in Montgomery County, Pennsylvania, who was charged elsewhere. The defendants mailed the controlled substances from China to Landis. Landis, a former Montgomery County deputy sheriff, then mailed the drugs via the U.S. Postal Service to customers located throughout the United States.

In the span of less than a year, Landis mailed “approximately 2,900 packages of controlled substances” to customers, on behalf of the defendants. Landis, who pleaded guilty, is awaiting sentencing.

“Make no mistake: China is waging an undeclared war on our country and our American way of life, with deadly drugs serving as its weapon of choice,” said U.S. Attorney William M. McSwain in a statement. “China is supplying the United States with the most potent and deadly fentanyl and other synthetic opioids on the market today.”

The defendants, if convicted, face a potential sentence of life in prison.

Corruption a Centerpiece

Fentanyl is made in a lab with chemicals and is cheap to produce. According to the Heritage Foundation, the profit margin is huge: a \$3,000 investment can



SAIL LOEB/AFP/GETTY IMAGES

return \$1.5 million in earnings. Chinese labs manufacture fentanyl or fentanyl precursors, chemicals used to create the drug. Two commonly used fentanyl precursors are chemicals called NPP and 4-ANPP.

Jeff Nyquist, an author and researcher of Chinese and Russian strategy, said corruption is the “overriding element” governing why Beijing is engaging in drug warfare. He told The Epoch Times that the fentanyl trafficking ultimately leads to the infiltration of the United States.

“Poisoning people with drugs is not the No. 1 reason, according to testimony from non-profit think tank Rand Corp.

“What is it to China if a bunch of kids do drugs? They are not going to get as much out of it as they do when they get a bank dirty or they get sheriffs, counterintelligence, law enforcement, judges, and politicians dirty.”

Drug warfare is a strategy used by China and mentioned in the 1999 book, “Unrestricted Warfare,” which was authored by two Chinese air force colonels, Qiao Liang, and Wang Xiangsui, and published by the People's Liberation Army.

New drugs will always cycle through, Nyquist added, describing fentanyl as “the new bad boy on the block,” due to the fact that opioids are becoming less expensive, more accessible, and more dangerous. He said the potency of the drug strengthens the corruption element and adds motivation for participants not to be discovered and to continue the corruption.

CBP Enforcement Statistics reveal that fiscal year seizures of illicit fentanyl spiked to nearly 1,000 kilograms (2,200 pounds) in 2018 from about one kilogram (2.2 pounds) in 2013. The number of law enforcement fentanyl seizures in the United States also vaulted to more than 59,000 in 2017 from about 1,000 in 2013.

Department of Justice officials announce indictments to stop fentanyl and other opiate substances from entering the United States, during a press conference in Washington on Oct. 17, 2017.

“The more hard and dangerous the drug, the more society frowns on the person taking corruption over it and the more solid the hold over that person can be,” Nyquist said. “What kind of mayor, or whoever it may be, takes money from drug trafficking, knowing that the children of his community are going to be killed, or harmed? That's pretty evil.”

'An Epidemic'

China has publicly denied being the source of the fentanyl entering the United States. Liu Yuejin, vice-commissioner of the China National Narcotics Control Commission, told reporters last month that Beijing started going after illicit fentanyl production, according to state-controlled media. President Donald Trump has accused Chinese leader Xi Jinping of not doing enough to halt the flow of fentanyl into the United States.

The recent indictment fits an “ongoing and somewhat sinister pattern of behavior coming out of China,” according to Dr. Robert J. Bunker, an adjunct research professor at the U.S. Army War College Strategic Studies Institute.

“Time and again over the years, we have witnessed bath salts and now fentanyl (along with its precursors) being sold directly via Chinese websites for distribution to the U.S.,” Bunker told The Epoch Times. “It's an epidemic at this point, with very little being done by the CCP [Chinese Communist Party] regime about it.”

“When combined with the bulk sales of methamphetamine precursors to the Mexican cartels, whose finished product is also then trafficked to the U.S., it does suggest that we are indeed being subjected to a low-risk and oblique policy of drug warfare,” he said. “It represents an additional bonus to the profits being made from the initial sales.”

In October 2017, U.S. authorities for the first time indicted a Chinese national for conspiracy to distribute large quantities of fentanyl, fentanyl analogs, and

other deadly chemicals into the United States. In April 2018, four Chinese nationals were charged with international money laundering conspiracy relating to opioid and fentanyl trafficking, while in August last year, two Chinese citizens were charged with conspiracy to manufacture and ship deadly fentanyl analogs and other drugs to the United States and other countries.

The United States has found no “substantive curtailment” of fentanyl flows from China to America. The flows persist largely because of “weak regulations governing pharmaceutical and chemical production in China,” a November 2018 report by the U.S.-China Economic and Security Review Commission stated.

One of the reasons why the Chinese Communist Party is able to continue its behavior is because the regime has instituted a “globalized propaganda initiative” in coordination with its overseas “United Front” work and related subversive activities to achieve its strategic objectives, according to Bunker. Citing the recent NBA controversy, he said the regime is increasingly threatening entities that voice criticism by cutting off revenue links.

“Little wonder then that more and more entities—even newspapers and television stations—would not want to risk the regime's fury by reporting on Chinese linkages to fentanyl trafficking to the U.S.,” he said.

There could be many more operations similar to the one involving the three Chinese nationals, Nyquist warned. He said the Chinese Communist Party ultimately wants control.

“The only question is for every case that we do see in the news, how many are unseen? How many counties are we not finding anyone getting caught? How pervasive is it? We don't exactly know. With corruption, it can look like you have no problem when you have the worst problem of all.”

In August, law enforcement seized 30 kilograms (around 66 pounds) of fentanyl as part of one operation. One of the suspects in Virginia had ordered the fentanyl from a vendor in Shanghai. The amount of fentanyl seized was enough to kill over 14 million people, according to Zachary Terwilliger, the U.S. Attorney for the Eastern District of Virginia.

Fentanyl is 50 times more potent than heroin and 100 times more potent than morphine, according to the Centers for Disease Control and Prevention (CDC). Fentanyl is often mixed with heroin or cocaine to increase the euphoric effects of the drugs, the center said—with or without the user's knowledge.

In the same month, the Mexican navy found 52,000 pounds of fentanyl powder in a container from a Danish ship that arrived from Shanghai.

Pharmaceutical fentanyl, however, has been approved for treating severe pain for conditions such as late-stage cancer and is prescribed by doctors typically through transdermal patches or lozenges. The drug should only be prescribed by doctors experienced in treating pain in cancer patients, according to Medline Plus, an online site by the United States National Library of Medicine. The drug may become addictive, especially with prolonged use.

China's fentanyl trafficking is just one of a “growing number of ‘gray-zone’ warfare activities” directed at the United States, Bunker said. He noted the recent releases of Beijing propaganda films such as “Wolf Warrior II” and “Operation Red Sea,” as well as the establishment of Confucius Institutes on U.S. soil.

CHEN PO-CHOU/THE EPOCH TIMES



Falun Gong practitioners march in commemoration of the 20th anniversary of the ongoing persecution in China, in Taipei, Taiwan, on July 20, 2019.

HUMAN RIGHTS

Taiwan Says It Will Deny Entry to Chinese Officials Involved in Persecution of Falun Gong

EVA FU

Taiwan's immigration authorities said Chinese officials involved in persecuting adherents of the spiritual discipline Falun Gong will be barred from entering the island. The move comes amid growing calls for countries to sanction rights abusers in China.

A senior official at Taiwan's immigration ministry, Ge Guangwei, during a parliamentary committee hearing on Oct. 2, said the island's immigration law prohibit entry of Chinese officials who “previously persecuted Falun Gong, or those who had violated rules or laws in Taiwan.”

Ge's statement was in response to a question from legislator Wang Ting-yu of Taiwan's ruling Democratic Progressive Party, who asked, “Under what situation will the National Immigration Agency not let in people who are connected to the Chinese communist government or the Chinese military?”

The official said the same restrictions would also apply to Chinese students or tourists in Taiwan who damage Lennon Walls—large mosaics of post-it notes or posters relaying messages of support to the ongoing Hong Kong protests—or those who beat up or insult sympathizers of the Hong Kong movement.

“Those people have violated rules and laws,” the agency's director-general Chiu Fengkuang said.

Under Taiwanese law, any mainland Chinese person who has committed serious crimes or has criminal records overseas will be denied or have their entry permit revoked.

The restriction also applies to mainland Chinese who have “participated in violence or acted against good morals.”

Taiwan deported a mainland Chinese tourist on Oct. 8 after

We as a region welcome all countries in the world, but we won't allow the Chinese Communist Party to take advantage of Taiwan's democracy to persecute people that they have already been persecuting in [mainland] China.

Wang Ting-yu, Taiwan lawmaker

he intentionally tore down messages of support to the ongoing Hong Kong protests the previous morning. Taiwan's police have charged him with one count of damage to property.

Safeguarding Democratic Values

Wang, in an interview with the Chinese language edition of The Epoch Times, said that the move was a “significant announcement,” marking the first time the Taiwan government has publicly confirmed such a policy.

“We as a region welcome all countries in the world, but we won't allow the Chinese Communist Party to take advantage of Taiwan's democracy to persecute people that they have already been persecuting in [mainland] China,” he said.

“As a very important democratic country in Asia, we should do our best to uphold the responsibility of protecting people, democracy, and freedom.”

Meanwhile, Falun Gong practitioners in Taiwan welcomed the move, saying it sent a strong message to violators of religious freedom in China that their actions will not go unpunished.

Falun Gong, a traditional discipline consisting of slow-moving exercises and moral teachings centered around truthfulness, compassion, and forbearance, rose in popularity in mainland China in the 1990s.

By the end of the decade, 70 million to 100 million were practicing in China, according to official estimates at the time. Deeming the practice's popularity a threat to its control, the Chinese Communist Party launched a persecution against adherents in 1999, aimed at eradicating the practice.

The sweeping campaign has resulted in waves of practitioners being detained, brain-washed, tortured, and even killed for their beliefs.

Theresa Chu, a human rights

lawyer and spokesperson for the Taiwan-based Falun Gong Human Rights Lawyers Working Group, applauded the government's announcement, adding that in June, she submitted to Taiwan's Mainland Affairs Council a list of more than 100,000 Chinese officials known to have been involved in the persecution.

The U.S.-based nonprofit World Organization to Investigate the Persecution of Falun Gong, which compiled the list, also submitted the names to the U.S. State Department in July, urging officials to increase scrutiny of visa applications of Chinese officials complicit in severe human rights abuses.

Individuals on the list include those from a variety of Chinese state entities, such as officials in the propaganda department, doctors involved in forced organ harvesting of imprisoned Falun Gong practitioners, judges, and prison guards.

The United States recently clamped down on Chinese human rights abuses by imposing visa restrictions on Chinese officials responsible for suppressing Muslim minorities in Xinjiang.

Chu said the impact of the persecution has extended outside China's borders. For example, overseas pro-Beijing media have spread propaganda smearing Falun Gong.

In addition, Chu said there have been reports of organized attacks on Falun Gong practitioners during demonstrations or at sites where practitioners expose the persecution to tourists from mainland China.

Chu expressed hope that the Taiwan government could ban every individual on the list, and thus demonstrate that “democratic Taiwan does not welcome human rights abuses.”

“Protecting human rights of Falun Gong practitioners is a touchstone of a country under democracy and the rule of law,” she said.



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WEEK 42, 2019

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China to Get Full Access
to Foreign IP and Data **3**

STEALTH WAR

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CHINA'S PLAN TO
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See Page **4**