WEEK 45, 2019

THE EPOCH TIMES

CHINA INSIDER

A physical representation of the bitcoin cryptocurrency.

LUISA FUMI/SHUTTERSTOCK

UK Discusses Bill to Combat Organ Trafficking and Transplant Tourism

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CHINA'S EMBRACE OF BLOCKCHAIN IS WARNING SHOT TO WEST

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A physical representation of the litecoin, ripple, and ethereum cryptocurrencies in London on April 25, 2018.

China's Embrace of Blockchain Is Warning Shot to West

What it means for cryptocurrencies, central banks, state surveillance

FAN YU

Commentary
China has high ambitions for its state-controlled digital currency.

I wrote two months ago that its central bank digital currency could be imminent. And since foreign adoption of the yuan has been tepid so far, the technology also represents a massive bid to accelerate the internationalization of yuan.

In hindsight, that timing was too aggressive. Beijing likely will introduce its digital currency within 12 to 18 months. China has also doubled down on its conviction. Recently, Chinese Communist Party (CCP) leader Xi Jinping further fanned the flames by extolling blockchain technology—which underpins cryptocurrencies such as Bitcoin—as a "breakthrough that can facilitate China's progress."

That endorsement prompted a rally in cryptocurrency prices, which was perhaps undeserved. But its effect on cryptocurrencies, the yuan's global adoption, Facebook's Libra project, and Western banking hegemony can't be understated.

What It Means for Central Banks
China's strong endorsement of a blockchain-based central bank currency and the West's relative aversion to the technology opens an interesting new front in the growing U.S.–China technology rivalry.

And it's a new front on which the United States may not be prepared to fight.

Developments in fintech, payments, and blockchain digital currencies are receiving support from the highest levels of the Chinese central government. The U.S. government—which seeded development of the internet in the 1960s via the ARPANET project—has so far shunned the technology.

Whether blockchain can be a successful technology underpinning global payments is still an open question. Current blockchain technologies still have speed and volume limitations. But what it allows China to do is bypass the dollar-based global banking system and intermediary banks.

There's another application China is potentially working on. Max Keiser, the host of the Keiser Report, a financial news show on the Russian state network channel RT, recently suggested that China's digital currency has even greater ambitions.

"I can tell you that the cryptocurrency that China's rolling out will be backed by gold," Keiser told Kitco News, a gold-focused website. "It's a two-pronged announcement. Number one, China's got 20,000 (metric tons) of gold, and number two, they're rolling out a crypto coin backed by gold, and the dollar is toast."

If true, that could be a game-changer, as currently, no government currency is backed by gold. The United States abandoned the last remnants of pegging the dollar to its gold reserves in 1971. The ramifications of this are beyond the scope for this article, but it's a development that Western central banks need to pay attention to.

What It Means for Crypto Market
Bitcoin prices jumped almost 16 percent on Oct. 25, the day after Xi made his pro-blockchain comments at a Politburo meeting on that technology. The Politburo is a body of 25 of the Party's most elite officials.

But Beijing was quick to tamp down the correlation.

"Rise of blockchain technology was accompanied by that of cryptocurrencies, but innovation in blockchain technology does not mean we should speculate in virtual currencies," according to an Oct. 28 commentary published on the CCP mouthpiece People's Daily.

As of Nov. 3, bitcoin prices have declined slightly since that initial rally, and for good reason. Beijing's affirmation of blockchain isn't an affirmation of cryptocurrencies. Chinese authorities banned initial coin offerings and domestic cryptocurrency exchanges in 2017, and there's speculation about a crackdown on cryptocurrency miners.

Any cryptocurrency market reaction to recent developments should be neutral to negative, as China's state-controlled digital currency could become a legitimate competitor to existing cryptocurrencies.

What It Means for State Control
China has long argued that cryptocurrencies create chaos and disorder. Cryptocurrencies' key benefits are hugely negative for the CCP: They can't be centrally controlled and users must sell fiat currency (e.g., the yuan) to purchase digital currencies.

China's state digital currency affords several benefits for the CCP regime. It's a digital currency that it can control, the government can track where it's going, and it's a domestically developed technology that doesn't rely on foreign entities.

Beijing undoubtedly has plans to use its digital currency to exert more control and surveillance on users. Unlike paper money, state-controlled digital currency can be used to track consumer spending extremely accurately and also to enforce strict capital controls. Its potential for surveillance is far greater than existing mobile payment apps such as WeChat or Alipay, which are owned by private Chinese companies.

Such tactics can easily be exported abroad, once foreign countries begin to adopt China's digital currency.

The West doesn't seem to have many viable alternatives. Cryptocurrencies inherently bypass central banks and therefore, are unlikely to be legitimized by authorities. Absent advancements in blockchain by Western central banks, Libra is perhaps the most logical challenger to China's proposed currency.

Facebook founder and CEO Mark Zuckerberg argued in his remarks in front of the U.S. House Financial Services Committee on Oct. 23: "China is moving quickly to launch a similar idea in the coming months. We can't sit here and assume that because America is today the leader, that it will always get to be the leader if we don't innovate."

But the Libra project is having trouble getting off the ground as some initial corporate backers such as eBay, Mastercard, PayPal, and Visa have withdrawn their participation. And lawmakers have so far criticized the project as an effort by Facebook to gain more influence and improve financial returns.

During Zuckerberg's testimony, he appeared to hedge his bet, conceding that Facebook and himself are perhaps "not the ideal messenger" given the circumstances. He described Libra as one "potential approach" to digitizing payments.

U.S. lawmakers are right to fear Facebook's growing ambitions, and there must be other alternative solutions. One thing is clear: Beijing isn't slowing down.

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

Bitcoin prices jumped almost 16 percent on Oct. 25, the day after Chinese leader Xi Jinping made his pro-blockchain comments at a Politburo meeting.

Paramilitary policemen patrol in front of the People's Bank of China, the central bank of China, in Beijing on July 8, 2015.

GREG BAKER/AFP VIA GETTY IMAGES

Is Beijing Opening Up the Financial Industry to Save the Economy?

CHENG XIAONONG

Commentary
As China continues to see its economy decline and foreign exchange reserves shrink, the Chinese Communist Party (CCP) has announced plans to open up the Chinese financial markets to foreign countries as a way to alleviate an immediate economic crisis and address long term concerns.

However, the Western financial firms represented by the Wall Street may not actively respond, because they worry that their investments could go insolvent. The harder the CCP tries to cover up its economic truths, the stronger the trepidation of foreign investors.

Opening Up the Financial Industry During Market Stress
The Chinese economy's decline is so obvious now that it marks the end of the economic stimulus era. China has tried to increase money supply using a variety of ways, but with increasingly lower returns. Chinese official media even admitted recently that "the tens of billions of RMB that China has spent on initiatives to boost the economy since the second half of 2018 have failed to stimulate economic vitality. They served as cardiacs shots that only slowed down the pace of economic decline."

This approach is like when a patient is beyond the power of any medication, the doctor simply gives him shots after shots of cardiacs. While the patient stays alive for now, the cardiacs' effectiveness will inevitably dwindle over time because they can't resolve the underlying issue.

In a previous article on the Epoch Times, I explained that "The decline in the Chinese economy is a natural consequence of the Chinese Communist Party (CCP)'s blind and relentless pursuit of high growth."

In normal situations, authorities would be extra cautious when navigating through economic hardship and avoid overly aggressive treatment that may worsen the current state. But the CCP has been going against common sense lately and made the bold decision to open up its financial industry to foreign institutions, which obviously will be a blow on China's already fragile financial system. In mid-October Chinese Premier Li Keqiang signed a State Council decree to loosen restrictions on foreign ownership of Chinese financial firms. State media admitted that "this is another adventure for the Chinese economy."

Opening up the financial markets was one of the many promises China made in 2001 when joining the World Trade Organization but has long refused to fulfil. Why did the CCP reject the idea of opening up during its economic stimulus period in the years before, but chose to take the risk now during much tougher times? Let's review the reasons why the CCP refused to deliver the promise, as well as what's driving Beijing to take that step today.

20 Years' Rollercoaster
China promised the world it would open up the financial market in "a few years" after joining the WTO. The "a few years" turned out to be two decades.

Why? The fundamental reason is that the Chinese banking industry has been the authorities' cash bag for too long in a planned economy system, that it can't operate like a regular commercial banking operation. Commercial banks invest people's deposits so risk management is a critical part of their lending process, as well as having collateral in place to protect its depositors. But Chinese banks, being owned and operated by the state, are under their jurisdiction and must lend to whomever the CCP wishes, therefore unable to function within the rules of regular commercial banks.

In the Mao era China adopted a planned economy model in which all funds in the country were controlled by the finance department and allocated by orders of the state planning committee. The banks during that time only had a small amount of personal deposits and business working capital to fund its loans, and lending was limited to only state enterprises' short-term liquidity needs. Since the economic reforms of the 1980s, the proportion of state-managed funds declined significantly. In the meantime, personal deposits quickly grew to become the major source of funding as middle-class salaries rose and demand for goods soared.

But the banks' risk management processes did not change with the fund source, because the planning committee holds on to some planned-economy era beliefs and view private deposits as unreliable and at risk of overdraft. The banks view private deposits as a tiger that needs to be kept in the cage. In the meantime the state planning committee insists on fully controlling usage of the funds. In the 1990s, the top four Chinese banks were ordered to provide "stability and unity" loans to state-run enterprises hemorrhaging cash. This resulted in soaring bad debts from the impotent state enterprises which pulled the financial system to the edge of bankruptcy.

Later, when foreign companies flocked into China after it joined the WTO, the Chinese banks were struggling to survive. The CCP kept the foreign banks out in order to protect state banks. Fast forward to 2005, a cash crisis forced China to open up, and lowered the barriers to enter the financial market in 2006. HSBC, JPMorgan Chase, Woori, Deutsche Bank are among the first entrants, and some of them even opened multiple branches. Unfortunately, the spout was turned off in 2008 when China closed its doors again to keep out the global economic crisis.

The Embarrassing Aftermath of an Economic Bubble
Since 2008 the CCP has embarked on a journey of boosting its economy with land sales and money printing. In 2009 China's broad money supply (M2) was 170 percent of its GDP. Today the ratio has maintained above 200 percent for five consecutive years. With China's surface prosperity, it has hoarded a gigantic amount of foreign exchange reserves that reached close to $4 trillion in mid-2014, thanks to hundreds of billions of dollars' annual trade deficit to the United States for many years. Sitting on an oversupply of RMB and sufficient foreign exchange reserves, the CCP had no reason to open up the financial industry.

But the "prosperity" was short-lived, and it did not take long for financial crises to reemerge. The excessive funds the Chinese banks injected into the real estate industry have formed a large bubble that is now on the verge of bursting. The economy is declining, and the currency overissuance has been maxed out.

Since 2017, this downward economic trend has cast ominous shadows on the prospects of China's real economy and left businesses deep in debt. The banks can't find many credible enterprises that are willing to expand production, so they continue to lend to the real estate industry.

Chinese financial insiders summarize this situation as "too much money but no liquidity." "Too much money" refers to the central bank's continuous over issuance of funds. "No liquidity" means the banks are starved of high-quality loans. Many businesses went bankrupt in 2018 due to debt default, excessive capacity, and overborrowing, while the more conservative small/medium enterprises struggle with a deteriorating economic environment.

The result is an extreme reluctance to borrow by companies. Government infrastructure used to be an interesting project for banks, but today most of them are high risk with low return or even no return. As the central bank continues to inject funds, businesses unwilling to borrow, and banks reluctant to lend, a great amount of capital has silted up in the financial sector.

In the past two and a half years, the banking industry's growth rate of loan revenue dropped from 15 percent to 8 percent. The loans by the central bank to commercial banks declined by 4.2 percent in September 2019. With excessive capital and declining economy, does China really need funds from foreign financial institutions? Obviously not. What this means is that the CCP is shooting for something else.

Open Up the Financial Industry to Save Foreign Exchange Reserves?
Foreign financial firms could do one or both of two things when entering China. First, exchange foreign currency to RMB in order to operate in China. Second, make investments in RMB. As discussed earlier, China has ample RMB liquidity. The CCP is targeting foreign exchange reserves: they don't have enough now.

China's foreign exchange reserves have shrunk from the peak $4 trillion in 2014 to today's $3 trillion, a 25 percent drop which is still declining. Though $3 trillion sounds like a lot, it's actually a shortage. China needs to take care of almost $2 trillion short term debts. At the same time foreign businesses have invested almost $600 billion, and they have been leaving China as a result of the trade war.

Their exit is accompanied by the leakage of large amounts of foreign exchange in the form of capital withdrawal and profit transfer. The Chinese authorities would not dare to withhold the money, so the disposable foreign exchange reserves are in fact only several hundreds of billion dollars. The import of critical products like oil, food, and electronic parts will soon exhaust what's left of the reserves. So it is obvious that the CCP is in need of more foreign currency.

That's exactly why the CCP decided to open up the financial industry to draw in the much-needed foreign currency. But the financial world favors winners only. Once businesses operate well, banks would want to finance for them. But things are still gloomy today.

In September the CCP announced the removal of restrictions on foreign investment on Chinese equity and debt markets, but it failed to gain traction. The Washington Post said in a Sept. 12 article that the Chinese market is no longer a field of Dreams, but a Hotel California that "you can check out any time you like, but you can never leave." Obviously Wall Street has noticed that it is pure luck that foreign investors can safely exit from the jungle with the cash-craving CCP lurking around.

All signs today point to an even more severe foreign exchange shortage in China. Western banking community will thus continue to avoid the Hotel California trap. As enticing as it sounds, China's financial industry has lost its glamour. Capital always looks for the economic truths, while the CCP fears disclosure and wraps many layers of foil over the truth. But the more the packaging, the more the doubt.

Can CCP save its foreign exchange reserves by opening up the financial market? I'm afraid Beijing will be disappointed again.

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

All signs today point to an even more severe foreign exchange shortage in China.

A Chinese bank employee counts 100-yuan notes and U.S. currency at a bank counter in Nantong in China's eastern Jiangsu Province on Aug. 6, 2019.

STR/AFP/GETTY IMAGES

GENYA SAVILOV/AFP/GETTY IMAGES

Chinese Bid for Ukraine's Aerospace 'Jewel' Could Knock Kyiv Out of NATO's Orbit

(Above) A model of an Antonov An-188 plane, with engines made by Motor Sich, is seen at the "Arms and Security" expo in Kyiv, Ukraine, on Oct. 10, 2018.

(Below) An MI-8 helicopter is seen in the background, with engines of joint Ivchenko-Progress and Motor Sich production, as Ukrainian soldiers carry their wounded comrade on a stretcher, in a field near Zaporizhzhya, Ukraine, on July 31, 2014.

TOM OZIMEK

The fate of Motor Sich, one of the world's top makers of helicopter and airplane engines, hangs in the balance. And with it, the very future of Ukraine.

A stalled Chinese bid to buy a privately-held but strategically important aerospace firm in Ukraine could, if green-lighted, boost Beijing's military capability and geopolitical aspirations, while throwing whatever hopes Ukraine has to join NATO and the European Union into a tailspin.

Svetlana Kushnir, a Ukrainian political consultant and co-founder of the NGO ReputationLab, calls Motor Sich a "national jewel." She told The Epoch Times the company is a hot item, with China, Russia, and the United States—and Ukraine stuck in the middle—all in contention.

The three rivals—the resurgent superpower, the rising superpower, and the established superpower—want to either import from Motor Sich, buy it, or keep a rival from buying it.

China has offered to buy 50 percent of Motor Sich for a reported $100 million, using it as an opportunity to acquire top-tier technology, expand its footprint in Europe, and get a leg up in defense.

Beijing Skyrizon Aviation, one of the bidding companies with links to the Chinese Communist Party, has already built a Motor Sich factory in China, according to a Motor Sich official cited by The Wall Street Journal. The facility, located in Chongqing, remains inactive.

The United States, which is trying to block its sale to China, is considering Motor Sich for funding by a new investment vehicle designed to counter China's Belt and Road Initiative (BRI) push.

Beijing is eager to get its hands on advanced aircraft propulsion technology, the lack of which is a well-known weakness of Chinese aeronautics.

Ukraine, meanwhile, wants to keep its aerospace jewel, and various authorities, including the antimonopoly bureau and the courts, have blocked the sale.

Bohdan Ben, a Ukrainian journalist and researcher, told The Epoch Times that Ukrainian President Volodymyr Zelensky—the final arbiter to the deal—has said that "our priority is that the enterprise remains in Ukraine."

What makes Motor Sich particularly prized is that it is one of the few companies around that can build a world-class aircraft engine from scratch, and propulsion is a known bugbear of the Chinese airforce and missile systems. With the sale, Beijing could substantially boost its military capability.

Rags to Riches

Motor Sich CEO Vyacheslav Boguslayev, a Soviet Army assistant engine driver turned wealthy oligarch, acquired his stake in the company in 1991 as the Soviet Union was collapsing in what has been described as a messy privatization.

"Another issue is whether this enterprise had to be privatized at all," Ben said. "Many strategic enterprises were unreasonably privatized at a time when oligarchy emerged in Ukraine and society did not yet understand the rules of capitalism."

Perhaps Boguslayev sees the deal with the Chinese as a way to save the company he built now that times are tough and business with Russia is bad. Or, perhaps, at 80 he is ready to divest his stake in the company, cash out, and retire.

"There are no international sanctions that would prohibit Ukrainian companies from such partnerships with China," he told The Wall Street Journal in a statement.

Motor Sich, once the most-valued company on Ukraine's stock exchange, employs around 20,000 people.

"You can blame Boguslayev—the owner—for wanting to sell his company to the Chinese," said Ben.

"You can argue it's not patriotic," he told The Epoch Times. "I agree that he should not be praised. Yet, from a purely business perspective, the enterprise could not work as it used to work. It either needed foreign investments and new markets, like the Chinese, or state protection and intervention. Also orders from the Ukrainian government, as well as Western and American markets."

Ben, who has written about Motor Sich in the publication Euromaidan, said it was in his country's best interest that "the state should not only ban the sale to the Chinese but, first of all, arrange enough orders for the enterprise to survive."

Former president of Ukraine Viktor Yushchenko (L) examines a turbo-jet engine while talking to Motor Sich CEO Vyacheslav Boguslayev, at the company's plant in Zaporizhzhya, Ukraine, on Feb. 1, 2006.

MYKOLA LAZARENKO/AFP/GETTY IMAGES

Tough Times

"Motor Sich is a strategically very important enterprise both for Ukraine and for the military-industrial complex of the Russian Federation, because the aircraft engines that are made at the Ukrainian company are in demand by the Russian military," Svetlana Kushnir said.

Russia was the company's biggest client until Putin—who argues he's just protecting Russian minorities—invaded Crimea in 2014 and his troops ("little green men") secretly hopped the border into eastern Ukraine to help pro-Kremlin separatists fight a civil war.

Kyiv imposed sanctions on Moscow as punishment, inadvertently cutting off half of Motor Sich's financial lifeblood. Output of the company, which supplies engines for both civil and defense aircraft, fell 40 percent as its Russian market shriveled.

According to a state report cited by newspaper Ukrainska Pravda, over 80 percent of all Russian helicopters once packed Motor Sich engines.

China, meanwhile, has had a business relationship with Motor Sich since the 1990s. It now sells around 40 percent of its products to China, according to Alexander Paraschiy, an industry analyst at Kyiv-based Concorde Capital, speaking to Radio Free Europe.

Besides building BRI infrastructure and expanding its global economic footprint, China is also looking for opportunities to use acquisitions of key technologies to boost its military capabilities.

Beijing is eager to get its hands on advanced aircraft propulsion technology, the lack of which is a well-known weakness of Chinese aeronautics.

"For China, aircraft engines are the biggest problem in upgrading their air might," Vasily Kashin, a senior research fellow in the Institute of Far Eastern Studies of the Russian Academy of Sciences, told The Wall Street Journal. "Helicopter engines are a weak spot."

Denys Kalachov, a board member of the Association of Ukrainian Defense Manufacturers, told Radio Free Europe that China's military may be more interested in using Motor Sich technology to give its fledgling missile propulsion arm a boost.

Both prospects are ones the United States would prefer not materialize.

"We would just as soon keep the Chinese from mastering that technology," a senior U.S. administration official told The Wall Street Journal.

NATO Hopes Dashed?

In August, former national security adviser John Bolton traveled to Ukraine, where he argued against the potential sale of Motor Sich to a "potential enemy" on grounds of security.

Experts argue that if the firm goes to the Chinese, it will doom Ukraine's prospects of joining the European Union and the trans-Atlantic defense pact.

"If this deal [to the Chinese] happens, we will never be in NATO," Denys Hurak, a former Ukroboronprom executive, told Radio Free Europe.

"Ukraine would be strategically deprived of integrating itself into the Western defense context," Denys Gurak, a former deputy general director with Ukrainian defense conglomerate Ukroboronprom, told The Wall Street Journal.

In 2018, concerns around the anticipated sale of a block of 50 percent of Motor Sich shares to Skyrizon sparked a raid of its Zaporizhzhya headquarters by Ukraine's Security Service on grounds of national security.

Wang Jing, Skyrizon's chairman, is said to have close ties to the Chinese Communist Party and People's Liberation Army, Nikkei Asian Review reported.

"Our security service was well aware that Motor Sich has unique technologies that are neither in China nor in Russia and possibly not even in the USA," said Kushnir. "And this is a national treasure."

A Ukrainian court blocked the transaction and Ukraine's antimonopoly authority also found reason to slow-roll the sale.

"The shares were sold without coordination with and approval of the Antimonopoly Committee of Ukraine, which must sign off on the concentration of a given block of shares," Svetlana Kushnir said. "This was not done, and from a legal point of view it is possible and necessary to challenge this sale."

Bohdan Ben said that, as of an Oct. 19 statement from the head of the anti-monopoly committee, the sale of Motor Sich remained under review.

"No decision has been announced yet," Ben said.

The Wall Street Journal reported in August that Ukraine's National Security and Defense Council would be the final institution to adjudicate a sale by issuing a recommendation to Zelensky, who has ultimate authority to give it a thumbs up or down.

"I do think a government operating in its own sovereign sphere has the right to protect its defense industries and to look out for the well-being of the Ukrainian people," Bolton told Radio Free Europe in Kyiv on Aug. 27. "I think President Zelensky's new government obviously has that as its highest priority, and he's going to make sure before some transaction is allowed to go through that it is really the Ukrainian people who benefit."

The Way Forward?

Bohdan Ben told The Epoch Times that by cutting off Motor Sich's market while doing little to find alternatives, the Ukrainian government is partly to blame.

"Unpleasant to say, but the main guilt lies with the Ukrainian state," Ben said, explaining that Motor Sich thrived by exporting to Russia.

"Naturally, since the war started, no such export to Russia was possible anymore, especially regarding military vehicles," he said.

"The problem is that during the last 6 years, the Ukrainian state, particularly the Ministry of Defense and Ukroboronprom, didn't manage to arrange alternative markets for Motor Sich and they failed to stimulate internal consumption—they didn't order many vehicles for the Ukrainian army."

Instead, Ben said, while Motor Sich was struggling, the Ukrainian government "successfully bought dozens of French helicopters."

The three rivals—China, Russia, and the United States—want to either import from Motor Sich, buy it, or keep a rival from buying it.

But while the sale of Motor Sich to China has perturbed U.S. officials, Washington has struggled to come up with an alternative.

A consultant who wished to remain anonymous told Radio Free Europe that the corporate culture at Motor Sich—what he called "Soviet DNA"—would be a challenge for a U.S. company to integrate.

"Regardless of what the U.S. government would like them [American companies] to do—if they have a couple hundred million dollars, I am not sure Motor Sich would be in the top 10 of their lists," he told the news outlet.

An official told The Wall Street Journal that Motor Sich is being considered for funding by the Overseas Private Investment Corporation (OPIC), an entity that seeks, in part, to counter China's geopolitical push.

"This is an issue that I think is significant for Ukraine, but [also] significant for the U.S., for Europe, for Japan, for Australia, Canada, other countries," Bolton told Radio Free Europe in Kyiv on Aug. 27.

Bolton said China is using its "trade surpluses to gain economic leverage in countries around the world, to profit from defense technologies that others have developed."

China's Ukraine Bet

China is furthering its expansionist agenda in Europe via the Belt and Road infrastructure scheme, an aspect of which is a grand shopping spree for resources and strategic industries.

According to a $7 billion joint project announced at the end of 2017, China is building a port and highway in Ukraine as a speedway into Western Europe.

"Ukraine is ready to offer cost-effective transport routes on the territory of Ukraine to connect China with the countries of Europe, and also to establish cooperation between the enterprises of Ukraine and China, with the further sale of products in the markets of the EU," said Ukraine's First Deputy Prime Minister Stepan Kubiv in April in Beijing, according to a statement.

Kubiv, who spoke at the Second Belt and Road Forum for International Cooperation, said the project lays "the basis for building a trade and industrial corridor China-Ukraine-EU."

Ukraine is China's strategic partner in Europe, with trade between the two countries in 2018 amounting to $10.1 billion, according to the Ukrainian Embassy in Beijing.

Kushnir said that, while Ukrainian dealmakers sign contracts with China worth billions, there's the livelihood of individuals employed at Motor Sich to bear in mind.

"What else is Motor Sich?" Kushnir asked rhetorically. "It's a company that created the city of Zaporizhzhya."

Over 800,000 people live in Zaporizhzhya. Many depend on Motor Sich, which directly employs around 20,000 people but contributes to many more livelihoods through a network of suppliers.

It is also more than just engines and military technology. Motor Sich also makes industrial goods for agriculture and runs an airline. Apparently, the most reliable in Ukraine.

"Motor Sich has, over the past month, turned out to be the best air carrier in Ukraine among domestic companies," Kushnir said, "with 98 percent of its flights on time."

She worries that, if sold to the Chinese, Motor Sich's new owners might exfiltrate its valuable technology and move production to China, driving nails in the coffin of a key local industry.

"This means that the city of Zaporizhzhya, the regional center, will simply die."

"In other words," she says, "its fate is of huge concern."

ALEXEY KRAVTSOV/AFP/GETTY IMAGES

KEVIN FRAYER/GETTY IMAGES

The Chinese military's new DF-41 intercontinental ballistic missiles, that can reportedly reach the United States, at a parade to celebrate the 70th anniversary of the Communist Party's takeover of China, at Tiananmen Square in Beijing on Oct. 1, 2019.

OPINION

Russia and China: **Dangerous Nuclear Strategies**

PETER HUESSY

Both Russia and China have adopted a strategy threatening the use of very limited nuclear strikes against the United States even against our mainland, most probably in the pursuit of regional security objectives such as a conventional conflict in Eastern Europe in the case of Russia or Taiwan in the case of China.

This is different than the most common nuclear threats we faced during the Cold War which was having to stop the use of large-scale nuclear weapons as part of, for example, a Soviet invasion of Western Europe.

Thus, while this new nuclear threat needs to be addressed, it will require a two-step process, with both greater numbers of missile interceptors than we now have, but also with more capable and geographically dispersed interceptors coupled with space-based sensors that can quickly acquire and track adversary missile launches. Doing so enables interceptors to destroy missiles in boost phase before multiple warheads can be deployed.

Exactly what role then should our legacy systems play? Forty-four deployed interceptors are now 15 years old, and are now in silos in Alaska and California, and to defend the United States from long-range missiles, whether limited, unauthorized or accidental strikes from such nuclear-armed countries as China, Russia, and North Korea.

Complementing such capability are over 1,200 interceptors deployed overseas by the United States and its allies aboard Navy Aegis cruisers, land-based THAAD and Patriot regional missile defense batteries but capable of defeating only medium- and short-range missile threats.

Although the current kill vehicle used on the Alaskan interceptors has been successful in 5/8 of the latest tests, the defense department has opted to pursue a totally new kill vehicle, which will deal with new threats such as multiple warheads or decoys or heightened hypersonic speeds. This has unfortunately delayed the previously planned deployment of 20 additional interceptors in Alaska, as there is no new kill vehicle available.

One option is to use the existing kill vehicle for the new missiles. Although there are some technological deficiencies in the kill vehicle, they could be fixed. And with 20 new missiles, our deterrent capability expands, particularly helpful in the face of both North Korea and Chinese nuclear upgrades.

Dangerous Nuclear Strategies

But to meet the threats on the horizon, even as we enhance those technologies now in use in Alaska, we must pursue space-based sensors and defenses. They have been proved affordable and technologically capable in previous OSD (Office of the Secretary of Defense) assessments. What is missing is authorizing such a program to move toward a reasonable acquisition plan that builds such defenses.

> Any U.S. President must protect the United States from immediate and near-term nuclear missile threats from wherever they may arise, including continuing counter-proliferation diplomacy with our allies to eliminate such proliferation threats.

Historically, the key obstacle to a space-based defense has not been money or technology. The roadblock has been the assumption that effective space-based systems will lead to an arms race and greater strategic instability. The assumption is that space-based defenses—because they are especially effective in the boost phase or in the early stages of a missile flight, and can cover vastly more area than fixed land-based defenses—will force our adversaries to overcome any defense by building more offensive warheads.

But is this true?

No. In fact, the opposite is the case. There is nothing incompatible between arms control and missile defenses. For example, the Moscow and New Start treaties of 2003 and 2010 respectively reduced deployed American and Russian strategic nuclear warheads from 6,000 to 1,550 [1,550 is the official treaty limit but which does not include bomber weapons than can be deployed in considerable numbers above the New Start Treaty threshold], a significant 70 percent cut. This occurred despite President George W. Bush in 2003 withdrawing the United States from the 1972 ABM treaty with Russia (that prohibited missile defenses) and the subsequent 2004 deployment in Alaska and California of the homeland missile defenses we now have.

Thus, missile defenses did not prevent nuclear reductions but in fact were able to be deployed simultaneously as dramatic reductions in nuclear weapons were also achieved.

But what about the often-heard argument that missile defenses cannot substitute for deterrence because no defense is perfect. An adversary it is assumed can simply launch more missiles at us than we have interceptors and thus make any defense worthless.

Let us examine the illogic of such an argument. If an adversary worried that 44 or 64 American interceptors would be enough to undo deterrence and prevent hundreds of their retaliatory warheads hitting the United States, there might be reasonable grounds to consider missile defenses as destabilizing.

But such a defense, even eventually space-based, is aimed precisely at the kind of threat announced by Russian President Vladimir Putin in April 2000. Knowing any major nuclear strike against the United States would risk Armageddon, Putin crafted a limited first-strike strategy hoping to prevent the United States from responding at all to Russian aggression.

Far from trying to enhance strategic stability, the new Putin doctrine seeks to allow for Russian aggression without cost. But in so doing, ironically, the Putin strategy makes American missile defenses far more credible and valuable, especially if based in space where they are most effective.

No longer does the United States have to prove to skeptics that missile defense must protect our homeland from hundreds or thousands of incoming warheads. Now we need to defend against much more likely but limited attacks, which is a much more achievable goal.

And because such American and allied defenses can be relatively robust, our adversaries are left with a stark choice between risking Armageddon (using all its nuclear weapons in a strike to overcome effective defenses and risk a large-scale retaliatory strike from the United States) or standing down and not initiating the use of any nuclear weapons at all because a limited use of nuclear-armed missiles by our adversaries can be credibly defeated by our defenses.

While the current Ground-Based Interceptor (GBI) system can defend against such limited strikes aimed at our homeland, it is certainly true the Russians and Chinese will eventually deploy advanced missiles with hypersonic speeds, thus making it imperative for the United States to transition to new sensors to seek, acquire and track such missile launches, but also deploy better interceptors to deter and defeat advanced missile threats.

In the interim, we still need to keep our eye on the ball with respect to the threats from North Korea and Iran, as well as China and Russia. Any U.S. President must protect the United States from immediate and near-term nuclear missile threats from wherever they may arise, including continuing counter-proliferation diplomacy with our allies to eliminate such proliferation threats.

Keeping our defenses upgraded will require building an improved kill vehicle but the previously planned deployment of 20 additional interceptors should go forward as well. Congress should accelerate—"at the speed of relevance"—the currently planned space-based sensors to see missile threats which ground-based radars cannot. And finally, the pending defense budget should fund an acquisition strategy to deploy space-based interceptors based on the Bush-41 administration proposals which were determined by OSD to be credible and affordable.

All these upgrades would cost an additional $3–$4 billion a year—roughly .5 percent of the defense budget. But with this relatively modest investment, the United States could markedly better deter the new Russian and Chinese strategies that recklessly threaten the limited use of nuclear weapons. And when coupled with our current nuclear modernization effort, the twin technologies of air and missile defense and nuclear deterrence will reinforce deterrence and strategic stability.

Deterring such limited strike threats will also enable existing and new missile defenses to transition to adopting a capability not just to deal with limited strike threats, but to have a high capacity for robust air and missile defenses which should include high energy lasers and microwaves, high powered microwaves, guided precision projectiles, and unmanned and remotely piloted vehicles. The defense budget does include nearly $1 billion for such research and development, but that needs to be enhanced with work in these other areas as well.

Such new research, development, and acquisitions proposed here would also set the stage for the acquisition of a truly integrated air and missile defense, a "layered defense concept." This would enable the United States and its allies to acquire a power-projection capability even inside contested areas, while defending our regional bases overseas and the U.S. homeland from current and projected ballistic and guided missile and UAV (Unmanned Aerial Vehicle) threats.

The Trump administration's missile defense review acknowledged many of these factors but needs to be better matched by the defense budget currently before Congress. Our adversaries are not being held up by inactive legislators or endless analysis of defense requirements. The bad guys get to vote so to speak. The missile and nuclear threats are here and now, and the avenues we need to pursue to defend Americans and our allies are also clear.

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

ORGAN HARVESTING

UK Parliament Discusses Bill to Combat Organ Trafficking and Transplant Tourism

NICOLE HAO

In a bid to stop illegal organ trafficking, the UK Parliament recently conducted its first reading of a bill that would ban British citizens from traveling abroad to receive organ transplants whereby the donor has not explicitly given consent, nor receive transplant surgery in which the organ is purchased.

The bill is in the House of Lords go through a second reading, committee stage, report stage, and third reading. After passage, the bill heads to the House of Commons for the same process, after which it will receive formal royal approval.

In recent years, researchers and doctors have sounded the alarm on state-sponsored forced organ harvesting in China, where prisoners of conscience—many of them practitioners of the persecuted spiritual group Falun Gong—have their organs removed without consent, then sold for profit to medical patients in need of an organ transplant.

This June, an independent people's tribunal convened in London and concluded after a year of investigation that forced organ harvesting has taken place in China for years "on a significant scale."

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The Bill

The bill is an amendment of Section 32 of the Human Tissue Act (2004), which prohibits commercial dealings in human material for transplantation.

The new proposal adds additional requirements for organ transplant surgery: if the organ is donated, patients must obtain specific consent from the living donor or the donor's next of kin before they travel outside the United Kingdom to receive the transplant operation.

If the organ is not donated, the patient would be prohibited from procuring the organ through financial or other forms of compensation.

For patients who receive a transplant operation inside the UK with an imported organ, the bill requires the same consent requirements as when procuring an organ from within the UK.

The bill applies to British citizens living domestic and abroad, UK residents, as well as British nationals overseas.

Penalty

Any patient who receives a transplant operation with the banned organs, and the related people who were involved in the operation, will face penalties in the UK. If convicted in the lower court, violators can be sentenced to up to 12 months imprisonment and/or a fine.

If convicted in high court, violators face imprisonment of up to nine years and/or a fine.

To track the crimes, the bill requested that doctors and medical professionals keep records for all instances of UK citizens who have received transplant procedures performed outside the UK, and report such cases to the National Health Service (NHS) Blood and Transplant.

Every year, NHS Blood and Transplant is required to produce a report on instances of UK citizens receiving transplant procedures outside the UK.

Trend in Europe

Other European nations and the EU have previously sought to ban transplant tourism or condemn the Chinese regime for its organ harvesting practices.

Belgium passed a law in April to penalize Belgian citizens and any persons involved in the buying and selling of human organs for commercial purposes, regardless of where the transaction took place.

The European Parliament passed a resolution in December 2013 condemning China for its grisly practice, expressing "deep concern over persistent and credible reports of systematic, state-sanctioned organ harvesting from nonconsenting prisoners of conscience in the People's Republic of China, including from large numbers of Falun Gong practitioners imprisoned for their religious beliefs, and members of other religious and ethnic minority groups."

Falun Gong, also known as Falun Dafa, is a traditional Chinese spiritual practice with moral teachings based on truthfulness, compassion, and tolerance. Introduced to the Chinese public in 1992, the practice soon gained popularity, with official estimates of roughly 100 million practitioners in mainland China by 1999. Fearing the popularity threatened the Chinese regime's authority, then-Chinese Communist Party leader Jiang Zemin launched nationwide persecution of Falun Gong practitioners in July 1999, rounding up adherents and throwing them into detention facilities, labor camps, and brainwashing centers in an effort to eradicate the faith.

In 2006, the first eyewitness gave a public account of how imprisoned Falun Gong practitioners had organs forcibly harvested from them, killing them in the process. Since then, independent researchers have published multiple investigative reports confirming the allegations, including international NGO Doctors Against Forced Organ Harvesting and the World Organization to Investigate the Persecution of Falun Gong.

The London-based tribunal, chaired by Sir Geoffrey Nice QC, who previously led the prosecution of former Yugoslavian President Slobodan Milosevic at the International Criminal Tribunal, unanimously concluded that prisoners of conscience have been—and continue to be—killed in China for their organs.

They reviewed troves of evidence, including testimony from more than 50 witnesses given at two hearings.

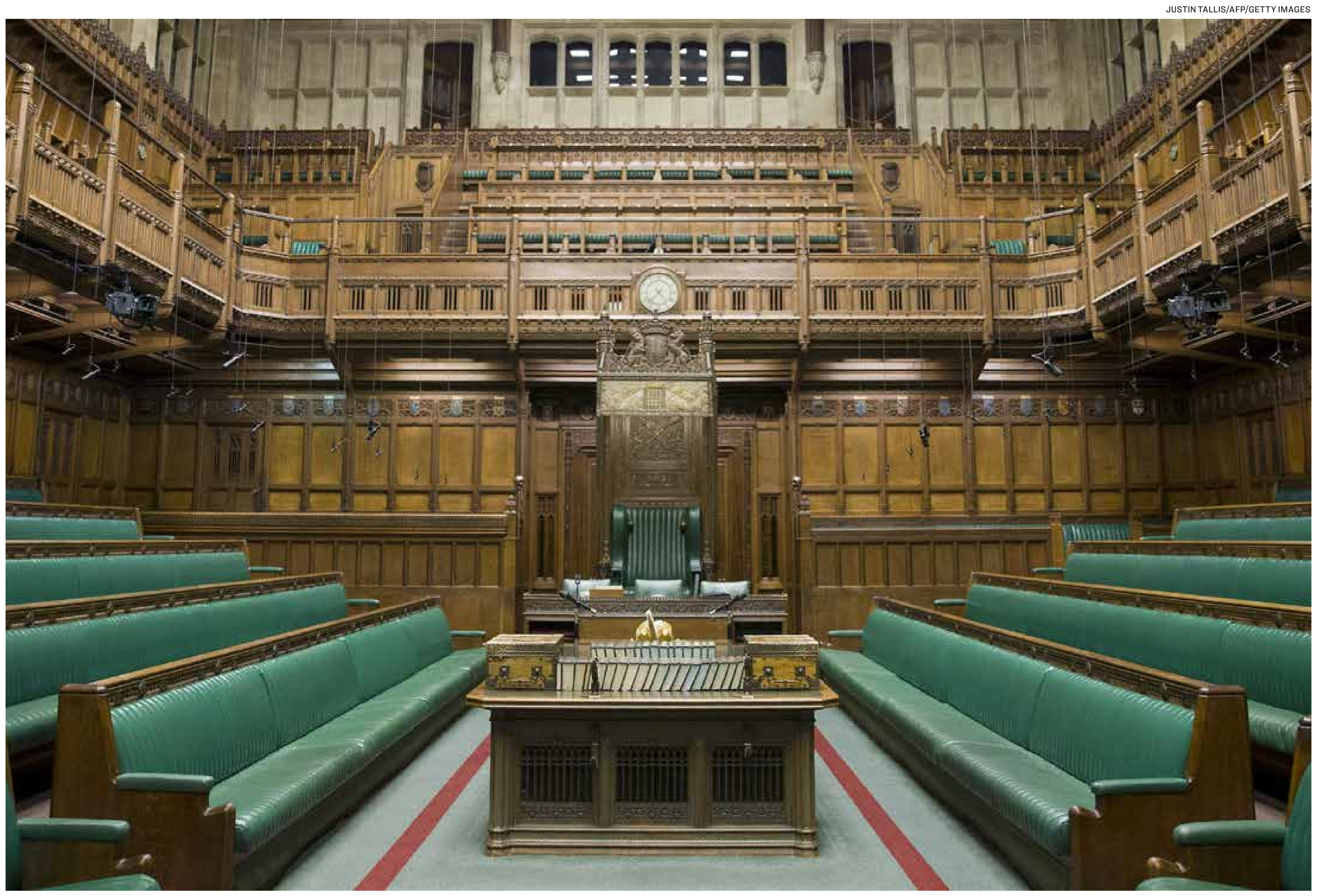
There are also a growing number of reports from Uyghur Muslims who survived detention inside "re-education" camps in the Xinjiang region that authorities are targeting them for organ harvesting.

In an October 2018 interview with The Epoch Times, a 54-year-old Kazakhstan national and former detainee at a camp in Urumqi said that authorities divided inmates into two groups: those with or without family members abroad.

"[The Chinese regime] escalates their organ harvesting business, so they will kill those with nobody outside the country, with nobody questioning or asking about them," the woman said.

The European Parliament resolution called on China to immediately stop forced organ harvesting and release "all prisoners of conscience in China, including the Falun Gong practitioners."

JUSTIN TALLIS/AFP/GETTY IMAGES



The interior of the Commons Chamber at the Houses of Parliament in central London on Nov. 12, 2015.

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